

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended February 28, 2021**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period from            to**

**Commission File Number: 001-31913**

**NOVAGOLD**

**NOVAGOLD RESOURCES INC.**

(Exact Name of Registrant as Specified in Its Charter)

**British Columbia**

(State or Other Jurisdiction of  
Incorporation or Organization)

**N/A**

(I.R.S. Employer  
Identification No.)

**201 South Main Street, Suite 400**

**Salt Lake City, Utah, USA**

(Address of Principal Executive Offices)

**84111**

(Zip Code)

**(801) 639-0511**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

<b>Title of Each Class</b>	<b>Trading Symbol</b>	<b>Name of each exchange on which registered</b>
Common Shares, no par value	NG	NYSE American Toronto Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

Smaller reporting company

Accelerated filer

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of March 24, 2021, the Company had 331,331,184 common shares, no par value, outstanding.

**NOVAGOLD RESOURCES INC.**

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This Quarterly Report on Form 10-Q contains forward-looking statements or information within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995 concerning anticipated results and developments in our operations in future periods, planned exploration activities, the adequacy of our financial resources and other events or conditions that may occur in the future. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including our plans and expectations relating to the Donlin Gold project, permitting and the timing thereof, market prices for precious metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute “forward-looking statements” to the extent that they involve estimates of the mineralization that will be encountered if the property is developed.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- our ability to achieve production at any of our mineral exploration and development properties;
- estimated capital costs, operating costs, production and economic returns;
- estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying our resource and reserve estimates;
- our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;
- assumptions that all necessary permits and governmental approvals will be obtained and the timing of such approvals;
- assumptions made in the interpretation of drill results, the geology, grade and continuity of our mineral deposits;
- our expectations regarding demand for equipment, skilled labor and services needed for exploration and development of mineral properties; and
- our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- uncertainty of whether there will ever be production at our mineral exploration and development properties;
- our history of losses and expectation of future losses;
- risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;
- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- commodity price fluctuations;
- risks related to market events and general economic conditions;
- risks related to the coronavirus global health pandemic (COVID-19);
- risks related to the third parties on which we depend for our exploration and development activities;
- dependence on cooperation of joint venture partners in exploration and development of properties;
- risks related to opposition to our operations at our mineral exploration and development properties from non-governmental organizations or civil society;
- the risk that permits and governmental approvals necessary to develop and operate mines on our properties will not be available on a timely basis, subject to reasonable conditions, or at all;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of our mineral deposits;
- uncertainties relating to the assumptions underlying our resource and reserve estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;
- risks related to lack of infrastructure required to develop, construct, and operate our mineral properties;
- uncertainty related to title to our mineral properties;
- mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with, or interruptions in, development, construction or production;
- competition in the mining industry;
- risks related to governmental regulation and permits, including environmental regulation;

- risks related to our largest shareholder;
- risks related to conflicts of interests of some of the directors and officers of the Company;
- risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;
- credit, liquidity, interest rate and currency risks;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- our need to attract and retain qualified management and technical personnel;
- uncertainty as to the outcome of potential litigation;
- risks related to information technology systems;
- risks related to the Company's status as a "passive foreign investment company" in the United States; and
- risks related to global climate change.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in our Annual Report on Form 10-K for the year ended November 30, 2020 and this Quarterly Report on Form 10-Q under the heading "Risk Factors" and elsewhere.

Our forward-looking statements contained in this Quarterly Report on Form 10-Q are based on the beliefs, expectations and opinions of management as of the date of this report. We do not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**NOVAGOLD RESOURCES INC.**  
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**  
(Unaudited, US dollars in thousands)

	As of February 28, 2021	As of November 30, 2020
<b>ASSETS</b>		
Cash and cash equivalents	\$63,193	\$60,906
Term deposits	51,000	61,000
Notes receivable (Note 4)	73,914	72,611
Other assets (Note 6)	1,136	1,869
Current assets	189,243	196,386
Notes receivable (Note 4)	22,956	23,405
Investment in Donlin Gold (Note 5)	3,592	2,614
Other assets (Note 6)	2,249	2,036
Total assets	<u>\$218,040</u>	<u>\$224,441</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$563	\$900
Accrued payroll and related benefits	627	2,215
Lease obligations	213	207
Other liabilities	187	187
Current liabilities	1,590	3,509
Promissory note (Note 7)	111,235	109,801
Lease obligations	355	404
Total liabilities	<u>113,180</u>	<u>113,714</u>
Commitments and contingencies (Note 7)		
<b>EQUITY</b>		
Common shares	1,974,266	1,972,029
Contributed surplus	80,277	81,203
Accumulated deficit	(1,926,585)	(1,918,629)
Accumulated other comprehensive loss	(23,098)	(23,876)
Total equity	<u>104,860</u>	<u>110,727</u>
Total liabilities and equity	<u>\$218,040</u>	<u>\$224,441</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on March 31, 2021. They are signed on the Company's behalf by:

/s/ Gregory A. Lang

/s/ Anthony P. Walsh

**NOVAGOLD RESOURCES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited, US dollars in thousands except per share amounts)

	Three months ended	
	February 28, 2021	February 29, 2020
Operating expenses:		
General and administrative (Note 9)	\$5,329	\$4,714
Equity loss – Donlin Gold (Note 5)	1,968	1,568
	7,297	6,282
Loss from operations	(7,297)	(6,282)
Interest expense on promissory note	(1,434)	(1,760)
Accretion of notes receivable	854	824
Other income (expense), net (Note 10)	(79)	887
Loss before income taxes and other items	(7,956)	(6,331)
Income tax expense	—	(264)
Net loss	(7,956)	(6,595)
Other comprehensive income (loss):		
Foreign currency translation adjustments	778	(455)
Comprehensive loss	\$(7,178)	\$(7,050)
Net loss per common share – basic and diluted	\$(0.02)	\$(0.02)
Weighted average shares outstanding		
Basic and diluted (thousands)	331,295	328,286

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**NOVAGOLD RESOURCES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited, US dollars in thousands)

	Three months ended	
	February 28, 2021	February 29, 2020
Operating activities:		
Net loss	\$(7,956)	\$(6,595)
Adjustments:		
Share-based compensation	2,042	1,761
Interest expense on promissory note	1,434	1,760
Equity loss – Donlin Gold	1,968	1,568
Accretion of notes receivable	(854)	(824)
Foreign exchange (gain) loss	483	(378)
Change in fair value of marketable securities	(226)	8
Deferred income tax expense	—	173
Other operating adjustments	2	4
Net change in operating assets and liabilities (Note 12)	(1,179)	(974)
Net cash used in operating activities	<u>(4,286)</u>	<u>(3,497)</u>
Investing activities:		
Proceeds from term deposits	35,000	35,000
Purchases of term deposits	(25,000)	(35,000)
Funding of Donlin Gold	(2,946)	(2,600)
Net cash provided by (used in) investing activities	<u>7,054</u>	<u>(2,600)</u>
Financing activities:		
Withholding tax on share-based compensation	(731)	(1,652)
Net cash used in financing activities	<u>(731)</u>	<u>(1,652)</u>
Effect of exchange rate changes on cash and cash equivalents	250	(101)
Net change in cash and cash equivalents	2,287	(7,850)
Cash and cash equivalents at beginning of period	60,906	67,549
Cash and cash equivalents at end of period	<u>\$63,193</u>	<u>\$59,699</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.



**NOVAGOLD RESOURCES INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EQUITY**  
(Unaudited, US dollars and shares in thousands)

	Common shares		Contributed surplus	Accumulated deficit	AOCL*	Total equity
	Shares	Amount				
November 30, 2019	327,630	\$1,965,573	\$82,254	\$(1,885,065)	\$(24,808)	\$137,954
Share-based compensation	—	—	1,761	—	—	1,761
Performance share units (PSUs)						
settled in shares	410	1,026	(1,026)	—	—	—
Stock options exercised	560	1,618	(1,618)	—	—	—
Withholding tax on PSUs	—	—	(1,652)	—	—	(1,652)
Net loss	—	—	—	(6,595)	—	(6,595)
Other comprehensive income	—	—	—	—	(455)	(455)
February 29, 2020	328,600	\$1,968,217	\$79,719	\$(1,891,660)	\$(25,263)	\$131,013
November 30, 2020	330,412	\$1,972,029	\$81,203	\$(1,918,629)	\$(23,876)	\$110,727
Share-based compensation	—	—	2,042	—	—	2,042
PSUs settled in shares	574	1,460	(1,460)	—	—	—
Stock options exercised	345	777	(777)	—	—	—
Withholding tax on PSUs	—	—	(731)	—	—	(731)
Net loss	—	—	—	(7,956)	—	(7,956)
Other comprehensive income	—	—	—	—	778	778
February 28, 2021	331,331	\$1,974,266	\$80,277	\$(1,926,585)	\$(23,098)	\$104,860

\* Accumulated other comprehensive loss

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**NOVAGOLD RESOURCES INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited, US dollars in thousands except per share amounts)

**NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

NOVAGOLD RESOURCES INC. and its affiliates and subsidiaries (collectively, “NOVAGOLD” or the “Company”) operate in the mining industry, focused on the exploration for and development of gold mineral properties. The Company has no realized revenues from its planned principal business purpose. The Company’s principal asset is a 50% interest in the Donlin Gold project in Alaska, USA. The Donlin Gold project is owned and operated by Donlin Gold LLC, a limited liability company that is owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick Gold Corporation (“Barrick”).

The Condensed Consolidated Interim Financial Statements (“interim statements”) of NOVAGOLD are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. The results reported in these interim statements are not necessarily indicative of the results that may be reported for the entire year. These interim statements should be read in conjunction with NOVAGOLD’s Consolidated Financial Statements for the year ended November 30, 2020. The year-end balance sheet data was derived from the audited financial statements and certain information and footnote disclosures required by United States generally accepted accounting principles (US GAAP) have been condensed or omitted.

The functional currency for the Company’s Canadian operations is the Canadian dollar and the functional currency for the Company’s U.S. operations is the United States dollar. References in these Condensed Consolidated Interim Financial Statements and Notes to \$ refer to United States dollars and C\$ to Canadian dollars. Dollar amounts are in thousands, except for per share amounts.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Recently adopted accounting pronouncements**

In August 2018, Accounting Standards Update (“ASU”) No. 2018-13 was issued to modify and enhance the disclosure requirements for fair value measurements. The Company adopted this standard on December 1, 2020. Adoption of this guidance did not impact the Company’s note disclosures.

**NOTE 3 – SEGMENTED INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Chief Executive Officer considers the business with a single segment considering the performance of our investment in the Donlin Gold project in Alaska, USA (Note 5).

**NOTE 4 – NOTES RECEIVABLE**

The Company has notes receivable from Newmont including a \$75,000 note receivable upon the earlier of the completion of a new Galore Creek project pre-feasibility study or July 27, 2021, and a \$25,000 note receivable upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023. On closing of the Galore Creek sale, the Company estimated the fair value of the \$75,000 and \$25,000 notes receivable at \$88,398, assuming payments in three and five years, respectively, at a discount rate of 3.6% based on quoted market values for Newmont debt with a similar term. The carrying values of the notes receivable are being accreted to \$75,000 and \$25,000 over three and five years, respectively. As of February 28, 2021, the carrying value of the notes receivable was \$96,870 including \$8,472 of accumulated accretion. A contingent note for \$75,000 is receivable upon approval of a Galore Creek project construction plan by the owner(s). No value was assigned to the final \$75,000 contingent note receivable. The Company determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale. The Company’s assessment did not change as of February 28, 2021.

**NOTE 5 – INVESTMENT IN DONLIN GOLD**

The Donlin Gold project is owned and operated by Donlin Gold LLC, a limited liability company in which wholly-owned subsidiaries of NOVAGOLD and Barrick each own a 50% interest. Donlin Gold LLC has a board of four directors, with two directors selected by Barrick and two directors selected by the Company. All significant decisions related to Donlin Gold LLC require the approval of at least a majority of the Donlin Gold LLC board members.

**NOVAGOLD RESOURCES INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited, US dollars in thousands except per share amounts)

Changes in the Company's *Investment in Donlin Gold* are summarized as follows:

	Three months ended	
	February 28, 2021	February 29, 2020
Balance – beginning of period	\$2,614	\$1,840
Share of losses		
Mineral property expenditures	(1,901)	(1,543)
Depreciation	(67)	(25)
	(1,968)	(1,568)
Funding	2,946	2,600
Balance – end of period	<u>\$3,592</u>	<u>\$2,872</u>

The following amounts represent the Company's 50% share of the assets and liabilities of Donlin Gold LLC. Donlin Gold LLC capitalized the initial contribution of the Donlin Gold property as *Non-current assets: Mineral property* with a carrying value of \$64,000, resulting in a higher carrying value of the mineral property for Donlin Gold LLC than that of the Company.

	As of February 28, 2021	As of November 30, 2020
Current assets: Cash, prepaid expenses and other receivables	\$3,672	\$2,654
Non-current assets: Property and equipment	1,320	1,339
Non-current assets: Mineral property	32,615	32,615
Current liabilities: Accounts payable and accrued liabilities	(1,307)	(1,271)
Non-current liabilities: Reclamation and lease obligations	(708)	(723)
Net assets	<u>\$35,592</u>	<u>\$34,614</u>

**NOTE 6 – OTHER ASSETS**

	As of February 28, 2021	As of November 30, 2020
Other current assets:		
Accounts and interest receivable	\$98	\$577
Prepaid expenses	1,038	1,292
	<u>\$1,136</u>	<u>\$1,869</u>
Other long-term assets:		
Marketable equity securities	\$1,661	\$1,402
Right-of-use assets	556	600
Office equipment	32	34
	<u>\$2,249</u>	<u>\$2,036</u>

**NOTE 7 – PROMISSORY NOTE**

The Company has a promissory note payable to Barrick of \$111,235, comprised of \$51,576 in principal, and \$59,659 in accrued interest at U.S. prime plus 2%. The promissory note resulted from the agreement that led to the formation of Donlin Gold LLC, where the Company agreed to reimburse Barrick for a portion of their expenditures incurred from April 1, 2006 to November 30, 2007. The promissory note and accrued interest are payable from 85% of the Company's share of revenue from future mine production or from any net proceeds resulting from a reduction of the Company's interest in Donlin Gold LLC. The carrying value of the promissory note approximates fair value.

**NOVAGOLD RESOURCES INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited, US dollars in thousands except per share amounts)

**NOTE 8 – FAIR VALUE ACCOUNTING**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the significance of the inputs used in making the measurement. The three levels of the fair value hierarchy are as follows:

*Level 1* — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

*Level 2* — Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

*Level 3* — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities was \$1,661 at February 28, 2021 (\$1,402 at November 30, 2020), calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

**NOTE 9 – GENERAL AND ADMINISTRATIVE EXPENSE**

	Three months ended	
	February 28, 2021	February 29, 2020
Share-based compensation (Note 11)	\$2,042	\$1,761
Salaries and benefits	1,768	1,634
Office expense	589	620
Corporate communications and regulatory	309	402
Professional fees	619	295
Depreciation	2	2
	<u>\$5,329</u>	<u>\$4,714</u>

**NOTE 10 – OTHER INCOME (EXPENSE), NET**

	Three months ended	
	February 28, 2021	February 29, 2020
Interest income	\$178	\$517
Foreign exchange gain (loss)	(483)	378
Change in fair market value of marketable securities	226	(8)
	<u>\$(79)</u>	<u>\$887</u>

**NOTE 11 – SHARE-BASED COMPENSATION**

	Three months ended	
	February 28, 2021	February 29, 2020
Stock options	\$1,193	\$1,068
Performance share unit plan	796	644
Deferred share unit plan	53	49
	<u>\$2,042</u>	<u>\$1,761</u>

**NOVAGOLD RESOURCES INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited, US dollars in thousands except per share amounts)

**Stock options**

A summary of stock options outstanding and activity during the three months ended February 28, 2021 are as follows:

	Number of stock options (thousands)	Weighted- average exercise price per share	Weighted- average remaining contractual term (years)	Aggregate intrinsic value
November 30, 2020	10,403	\$4.59		
Granted	1,218	9.96		
Exercised	(557)	3.90		
February 28, 2021	<u>11,064</u>	<u>\$5.23</u>	<u>2.43</u>	<u>\$36,884</u>
Vested and exercisable as of February 28, 2021	<u>7,620</u>	<u>\$4.31</u>	<u>1.80</u>	<u>\$30,818</u>

The following table summarizes other stock option-related information:

	Three months ended	
	February 28, 2021	February 29, 2020
Weighted-average assumptions used to value stock option awards:		
Expected volatility	47.3%	46.0%
Expected term of options (years)	4	4
Expected dividend rate	—	—
Risk-free interest rate	0.3%	1.6%
Expected forfeiture rate	3.0%	3.1%
Weighted-average grant-date fair value	\$3.66	\$2.60
Intrinsic value of options exercised	\$3,505	\$4,879
Cash received from options exercised	\$—	\$—

As of February 28, 2021, the Company had \$6,022 of unrecognized compensation cost related to 3,444,000 non-vested stock options expected to be recognized and vest over a period of approximately 2.75 years.

**Performance share units**

A summary of PSU awards outstanding and activity during the three months ended February 28, 2021 are as follows:

	Number of PSU awards (thousands)	Weighted- average grant day fair value per award	Aggregate intrinsic value
November 30, 2020	1,684	\$4.59	
Granted	331	10.07	
Vested	(648)	3.85	
Performance adjustment	216	3.85	
February 28, 2021	<u>1,583</u>	<u>\$5.94</u>	<u>\$16,906</u>

As of February 28, 2021, the Company had \$5,820 of unrecognized compensation cost related to 1,583,100 non-vested PSU awards expected to be recognized and vest over a period of approximately 2.75 years.

**NOVAGOLD RESOURCES INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited, US dollars in thousands except per share amounts)

The following table summarizes other PSU-related information:

	Three months ended	
	February 28, 2021	February 29, 2020
Performance multiplier on PSUs vested	150%	150%
Common shares issued (thousands)	574	410
Total fair value of common shares issued	\$5,723	\$2,855
Withholding tax paid on PSUs vested	\$731	\$1,652

**NOTE 12 – NET CHANGE IN OPERATING ASSETS AND LIABILITIES**

	Three months ended	
	February 28, 2021	February 29, 2020
Changes in operating assets and liabilities:		
Other assets	\$768	\$772
Accounts payable and accrued liabilities	(355)	(288)
Accrued payroll and related benefits	(1,592)	(1,458)
	<u>\$(1,179)</u>	<u>\$(974)</u>

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*In Management’s Discussion and Analysis of Financial Condition and Results of Operations, “NOVAGOLD”, the “Company”, “we,” “us” and “our” refer to NOVAGOLD RESOURCES INC. and its consolidated subsidiaries. The following discussion and analysis of our financial condition and results of operations constitutes management’s review of the factors that affected our financial and operating performance for the three-month periods ended February 28, 2021 and February 29, 2020. This discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto contained elsewhere in this report and our Annual Report on Form 10-K for the year ended November 30, 2020, as well as other information we file with the Securities and Exchange Commission on EDGAR at [www.sec.gov](http://www.sec.gov) and with Canadian Securities Administrators on SEDAR at [www.sedar.com](http://www.sedar.com). References herein to \$ refer to United States dollars and C\$ to Canadian dollars.*

### **Overview**

Our operations primarily relate to the delivery of project milestones, including the achievement of various technical, environmental, sustainable development, economic and legal objectives, obtaining necessary permits, completion of feasibility studies, preparation of engineering designs and the financing to fund these objectives.

*Our goals for 2021 include:*

- Continue to advance the Donlin Gold project toward a construction decision.
- Maintain/increase support for Donlin Gold among native entities and other stakeholders.
- Promote a strong safety, sustainability and environmental culture.
- Maintain a favorable reputation of the Company, its governance practices, and its project among shareholders.
- Manage the Company treasury effectively and efficiently, including streamlining the corporate structure.

### **First quarter highlights**

#### *COVID-19 response*

The Company has implemented policies at its offices in Salt Lake City and Vancouver designed to ensure the safety and well-being of all employees and the people associated with them. In that regard, to reduce risk, our employees have been asked to work remotely, avoid all non-essential travel, adhere to good hygiene practices, and engage in physical distancing. Donlin Gold continues to provide COVID relief support in collaboration with The Kuskokwim Corporation (TKC), Calista Corporation (“Calista”) and many tribal governments.

Continuation of the COVID-19 pandemic in 2021 could impact employee health, workforce productivity, insurance premiums, ability to travel, the availability of industry experts and personnel, restrictions or delays to field work and studies, and other factors that will depend on future developments that may be beyond our control.

#### *Community engagement*

To date, Donlin Gold LLC has signed six Friendship Agreements with villages in the Yukon-Kuskokwim (Y-K) region (Akiak, Sleetmute, Napaimute, Crooked Creek, Napaskiak, and Nikolai) that formalize current engagement with key local communities. These agreements with Donlin Gold expand upon the long-term relationships already established with these communities and address specific community needs such as water, sewer, and landfill projects; the ice road that connects remote villages in the Yukon-Kuskokwim (Y-K) region; salmon studies; and suicide prevention programs.

As a neighbor to others in the Y-K region and as a team largely made up of people from the area, Donlin Gold strives to aid communities with support and resources, particularly when health and safety are of concern. Donlin Gold is committed to support the needs of its community partners. In January 2021, the village of Tuluksak’s water purification plant was destroyed by fire, creating a health and safety crisis for the community. Donlin Gold, and several other community organizations, companies, and individuals stepped in to assist, providing drinking water, equipment, and other health supplies.

In partnership with TKC, the Village of Crooked Creek, and Napaimute Tribe, Donlin Gold was again the lead sponsor of a project to construct and maintain the upper portions of an ice road on the Kuskokwim River. Donlin Gold also provided technical data to assist the roadbuilder, including aerial photographs and ice measurements along the river. The road greatly improved safety and access to nearby communities for residents in remote locations. At its completion in February 2021, the Kuskokwim ice road was approximately 200 miles long.

## *Permitting*

In April 2020, the Alaska Department of Natural Resources' (ADNR) Division of Oil and Gas agreed to reconsider its decision on the State Right-of-Way (ROW) agreement and lease authorization for the buried natural gas pipeline. Under the reconsideration, on September 10, 2020, the ADNR issued for additional public comment a revised Consideration of Comments document. This document further describes how the ADNR is considering previous public input that was solicited in the ROW review, including how cumulative effects are addressed in the decision. The comment period on the document ended on November 9, 2020 and we expect the ADNR to re-issue the ROW agreement and lease authorization in the first half of 2021.

The State's Clean Water Act (CWA) Section 401 certification of the Federal CWA Section 404 permit was formally appealed to the Commissioner of the Alaska Department of Environmental Conservation in June 2020. The appeal focuses on three narrow issues related to compliance with the State's water quality standards near the proposed mine site. Donlin Gold and its litigation team are actively involved in the process and are working with the State to respond to the appeal issues. We expect that the Commissioner will issue his decision on the appeal in the first half of 2021.

In November 2020, the ADNR published an initial public notice for comment on Donlin Gold's 12 applications for water rights for the mine site and transportation facilities, which closed on December 15, 2020. Water rights are for local surface water sources and groundwater to be used for process water, dust control, fire protection, and potable water. In March 2021, the ADNR introduced a second two-week public notice period, which closed on March 26, 2021. We anticipate the ADNR will issue final decisions on the water rights applications in the first half of 2021.

Donlin Gold, working with its Native Corporation partners, continues to support the State of Alaska to advance other permits and certificates needed for the project. The field work related to the issuance of the Alaska Dam Safety certificates was temporarily paused to concentrate on the 2020 drill program.

Donlin Gold is fortunate to have time-tested partnerships with Calista and TKC, owners of the mineral and surface rights, respectively. The project's location on private land specially designated for mining activities through the 1971 Alaska Native Claims Settlement Act, is a key attribute that distinguishes it from most other mining assets in Alaska. Our commitment to meaningful tribal consultation throughout project development and permitting has been tested over decades of reliable and dependable engagement with the community. We are proud to provide significant economic and social benefits to the Y-K region.

## *Donlin Gold project*

Additional confirmation and extension drilling are being planned for 2021 focusing on further testing, orebody continuity, structural control, and geotechnical and geometallurgical data collection and analysis. The drilling program specifics will be finalized once all assay results for the 2020 drill program have been integrated into an interim model update. The newly obtained data will be incorporated into the geologic and resource model and should lead the owners to determine updated mining schedules and life of mine business plans. Ultimately, the information should assist in determining the next steps to update the Donlin Gold feasibility study and initiate the engineering work necessary to advance the project design before reaching a construction decision. The owners will advance the Donlin Gold project in a financially disciplined manner with a strong focus on engineering excellence, environmental stewardship, a strong safety culture and continued community engagement.

Our share of funding for the Donlin Gold project in the first quarter of 2021 was \$2.9 million. In 2021, we continue to expect our share of Donlin Gold LLC funding to be \$18 to \$22 million, including: \$11 million for follow-up drilling, camp improvements and studies; \$7 million for permitting, community engagement and administration; and an additional \$4 million for other studies contingent upon mid-year approval by both owners.

The Donlin Gold LLC board must approve a construction program and budget before the Donlin Gold project can be developed. The timing of the required engineering work and the Donlin Gold LLC board's approval of a construction program and budget, the receipt of all required governmental permits and approvals, and the availability of financing, commodity price fluctuations, risks related to market events and general economic conditions among other factors, will affect the timing of and whether to develop the Donlin Gold project. Among other reasons, project delays could occur as a result of public opposition, litigation challenging permit decisions, requests for additional information or analysis, limitations in agency staff resources during regulatory review and permitting, project changes made by Donlin Gold LLC, or any impact on operations from COVID-19.

We record our interest in the Donlin Gold project as an equity investment, which results in our 50% share of Donlin Gold's expenses being recorded in the income statement as an operating loss. The investment amount recorded on the balance sheet primarily represents unused funds advanced to Donlin Gold.



## Outlook

We do not currently generate operating cash flows. As of February 28, 2021, we had cash and cash equivalents of \$63.2 million and term deposits of \$51.0 million. In July 2021, we expect to receive \$75 million from the first note receivable from Newmont resulting from the sale of our 50% interest in the Galore Creek project in 2018. Our anticipated expenditures in 2021 are \$31 to \$35 million, including \$18 to \$22 million to fund the Donlin Gold project and \$13 million for corporate general and administrative costs. At present, we believe we have sufficient working capital available for the next twelve-month period to cover anticipated funding of the Donlin Gold project and corporate general and administrative costs.

Additional capital will be necessary if a decision to commence engineering and construction is reached for the Donlin Gold project. Future financings to fund construction are anticipated through debt, equity, project specific debt, and/or other means. Our continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. However, there can be no assurance that we will be successful in our efforts to raise additional capital on terms favorable to us, or at all. For further information, see the risk factors in our Annual Report on Form 10-K for the year ended November 30, 2020, as filed with the SEC and the Canadian Securities Regulators on January 29, 2021.

## Summary of Consolidated Financial Performance

(\$ thousands, except per share)	Three months ended	
	February 28, 2021	February 29, 2020
General and administrative	\$(5,329)	\$(4,714)
Equity loss - Donlin Gold	(1,968)	(1,568)
Loss from operations	\$(7,297)	\$(6,282)
Net loss	\$(7,956)	\$(6,595)
Net loss per common share – basic and diluted	\$(0.02)	\$(0.02)

## Results of Operations

### First quarter 2021 compared to 2020

General and administrative expense increased from \$4.7 million in 2020 to \$5.3 million in 2021 primarily due to higher share-based compensation costs, salaries, and legal fees. Equity loss – Donlin Gold increased from \$1.6 million in 2020 to \$1.9 million in 2021 due to the completion of the 2020 drill program assays in the first quarter of 2021.

## Liquidity, Capital Resources and Capital Requirements

(\$ thousands)	As of February 28, 2021	As of November 30, 2020	Change
Cash and cash equivalents	\$63,193	\$60,906	\$2,287
Term deposits	51,000	61,000	(10,000)
	<u>\$114,193</u>	<u>\$121,906</u>	<u>\$(7,713)</u>

In the first three months of 2021, total Cash, cash equivalents and Term deposits decreased by \$7.7 million of which \$4.3 million was used in operating activities for administrative costs and working capital changes, \$2.9 million was used to fund Donlin Gold and \$0.7 million related to withholding taxes paid on vested performance share units (PSUs). Effects of exchange rate changes on cash held in Canadian dollars increased cash by \$0.3 million. The term deposits are denominated in U.S. dollars and are held at Canadian chartered banks.

	Three months ended	
	February 28, 2021	February 29, 2020
<u>(\$ thousands, except per share)</u>		
Net cash (used in) provided from:		
Operating activities	\$(4,286)	\$(3,497)
Funding of Donlin Gold	\$(2,946)	\$(2,600)
Withholding tax on share-based compensation	\$(731)	\$(1,652)

*First quarter 2021 compared to 2020*

*Net cash used in operating activities of continuing operations* increased by \$0.8 million, due to lower interest income and higher general and administrative costs. *Net cash provided from (used in) investing activities* included a \$0.3 million increase in Donlin Gold funding due to the work in completing the 2020 drill program assays. In the first quarter of 2021, term deposits were reduced by \$10 million, with the proceeds deposited in interest-bearing savings accounts.

**Outstanding share data**

As of March 24, 2021, the Company had 331,331,184 common shares issued and outstanding. Also, as of March 24, 2021, the Company had: i) a total of 11,064,437 stock options outstanding; 9,538,839 with a weighted-average exercise price of \$5.22 and the remaining 1,525,598 of those stock options with a weighted-average exercise price of C\$6.80; and ii) 1,583,100 PSUs and 291,647 deferred share units outstanding. Upon exercise or pay out, as applicable, of the foregoing convertible securities, the Company would be required to issue a maximum of 13,730,734 common shares.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Our financial instruments are exposed to certain financial risks, including credit and interest rate risks.

#### *Credit risk*

Concentration of credit risk exists with respect to our cash and cash equivalents, term deposit investments and notes receivable. All term deposits are held through Canadian chartered banks with high investment-grade ratings and have maturities of one year or less. The notes are receivable from a subsidiary of Newmont, a publicly traded company with investment-grade credit ratings. The notes are guaranteed by Newmont.

#### *Interest rate risk*

The interest rate on the promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as of February 28, 2021, and assuming all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of approximately \$1.1 million in the interest accrued on the promissory note per annum.

### **Item 4. Controls and Procedures**

Management, with the participation of our President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of February 28, 2021. On the basis of this review, our President and Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have not been any changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated by the SEC under the Exchange Act) during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's internal controls over financial reporting are based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, we are a party to routine litigation and proceedings that are considered part of the ordinary course of our business. We are not aware of any material current, pending, or threatened litigation.

### **Item 1A. Risk Factors**

There have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended November 30, 2020, as filed with the SEC on January 29, 2021. The risk factors in our Annual Report on Form 10-K for the year ended November 30, 2020, in addition to the other information set forth in this quarterly report, could materially affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we deem to be immaterial could also materially adversely affect our business, financial condition or results of operations.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

These disclosures are not applicable to us.

### **Item 5. Other Information.**

None.

### **Item 6. Exhibits**

See Exhibit Index.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 31, 2021

### NOVAGOLD RESOURCES INC.

By: /s/ Gregory A. Lang

Gregory A. Lang

President and Chief Executive Officer

(principal executive officer)

By: /s/ David A. Ottewell

David A. Ottewell

Vice President and Chief Financial Officer

(principal financial and accounting officer)

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101	The following materials are filed herewith: (i) Inline XBRL Instance, (ii) Inline XBRL Taxonomy Extension Schema, (iii) Inline XBRL Taxonomy Extension Calculation, (iv) XBRL Taxonomy Extension Labels, (v) XBRL Taxonomy Extension Presentation, and (vi) Inline XBRL Taxonomy Extension Definition.
104	Cover Page Interactive Data File – The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.