

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, 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 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;
- 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 opposition to our operations at our mineral exploration and development properties from non-governmental organizations or civil society;
- 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; 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 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.

## 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 and six month periods ended May 31, 2019 and May 31, 2018. This discussion should be read in conjunction with the condensed consolidated interim financial statements and notes thereto contained elsewhere in this report and our Annual Report on Form 10-K for the year ended November 30, 2018, 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, external affairs/community engagement, economic, and legal objectives; obtaining necessary permits, completion of feasibility studies, preparation of engineering designs and obtaining financing to fund these milestones.

*Our goals for 2019 include:*

- Advance the Donlin Gold project toward a construction/production decision.
- Maintain an effective corporate social responsibility program.
- Promote a strong safety culture; maintain a zero lost time accident record.
- Safeguard the Company's treasury.

### Second quarter highlights

#### *Donlin Gold project*

During the second quarter, Donlin Gold continued to support the Alaska Department of Natural Resources (ADNR) to advance permits and certificates for the project.

ADNR's Division of Mining, Land, and Water (DMLW) issued preliminary land use decisions for public comment proposing to authorize facilities associated with the project's transportation corridor, including the access road and related material sites, airstrip, and upriver Jungjuk Port on January 28, 2019. The public comment period for these decisions closed on March 29, 2019. Final approvals are anticipated by the end of 2019.

ADNR's Division of Oil and Gas (DOG), State Pipeline Coordinator's Section issued a preliminary decision to authorize the sections of the pipeline on State lands on January 28, 2019. The public comment period for this decision closed on March 22, 2019. Final approval is anticipated by the end of 2019.

ADNR's approval of the Alaska Dam Safety certificates for the tailings storage facility and water retention and diversion structures requires a thorough stepwise process to deliver a final construction package to ADNR. The next step in the process is a site investigation and collection of additional geotechnical information for the advancement of the engineering from a feasibility level to the final construction package. The site investigation information will support a preliminary design package, detailed design package and ultimately the final construction package each of which will be submitted to ADNR for final approval and issuance of the certificates. The camp was re-opened in May 2019 and on-site preparations are underway for the start of the drill program. Drilling and other site work is expected to commence in July 2019. This program will consist of geotechnical core drilling, test pits, overburden drilling, packer tests, hydrogeologic test well installation and pumping tests, and geophysical surveys.

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 the remaining state 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.

During 2018, a group called the Yukon-Kuskokwim River Alliance (YKRA) was formed with the purpose of protecting salmon habitat in the Yukon-Kuskokwim Delta. This organization along with 12 of the 56 village councils in the Calista Region (Native Village of Kasigluk, Orutsararmiut Native Council (ONC), Native Village of Eek, Tuluksak Native Community, Tununak Council, Native Village of Nunapitchuk, Chuloonawick Tribal Council, Native Village of Kwigillingok, Native Village of Kongiganak, Chefnak Traditional Council, Chevak Native Village, and Native Village of Napakiak) have adopted resolutions opposing development of the Donlin Gold project. Earthjustice, speaking on behalf of ONC, Akiak Native Community IRA Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Chuloonawick Tribal Council, and the YKRA, requested an informal review of the State of Alaska's 401 certification (the "Certification") by the Director of the Division of Water in the Alaska Department of Environmental Conservation (ADEC). In October 2018, the Director responded to the request by deciding to conduct the informal review and reissued the Certification on April 4, 2019. On April 24, 2019, Earthjustice requested a second informal review of the Certification and the request was granted by ADEC on May 4, 2019. A decision on the second informal review of the Certification is expected by the end of 2019.

On February 7, 2019, Earthjustice speaking on behalf of ONC, Akiak Native Community, Chefnak Traditional Council, Chevak Traditional Council, Chuloonawick Native Village, Native Village of Eek, Kasigluk Traditional Council, Kongiganak Traditional Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Native Village of Nightmute, Sleetmute Traditional Council, Tuluksak Native Community, and Native Village of Tununak, filed an administrative appeal of the Reclamation and Closure Plan Approval. ADNRC is expected to issue a decision on the appeal by the end of 2019. Additionally, on February 7, 2019, Earthjustice speaking on behalf of the same tribal entities as their appeal of the Reclamation and Closure Plan Approval, requested an informal review by the Director of ADEC's Division of Water of the Waste Management Permit issuance. The request for review was granted by ADEC on March 1, 2019 and a decision is expected by the end of 2019.

Donlin Gold LLC, with support from NOVAGOLD and Barrick, remains actively engaged in environmental sustainability projects and extensive outreach efforts with local stakeholders, through multiple traditional village council meetings, regional tribal gatherings, events and village visits across the Yukon-Kuskokwim (Y-K) region. Donlin Gold LLC collaborated with Calista and TKC (owners of the mineral and surface rights, respectively) on grants, scholarships and community outreach efforts. During the second quarter, we successfully collected, processed and removed about 35,000 pounds of household hazardous material from eight Y-K villages in partnership with local residents.

The owners of the Donlin Gold project (Barrick and NOVAGOLD) continue to study ways to further improve the project's value and to reduce initial capital outlays through enhanced project design and execution, engagement of third-party operators for certain activities, and potential for financing of some capital-intensive infrastructure. To date, these additional studies have furthered our geological understanding and identified opportunities that have the potential to benefit the project were the owners to decide to update the Donlin Gold feasibility study and initiate the engineering work necessary to advance the project design from feasibility level to basic and then detailed engineering. Barrick and NOVAGOLD will take all this work into account before reaching a construction decision and will advance the Donlin Gold project in a financially disciplined manner with a strong focus on environmental stewardship and social responsibility.

Our share of funding for the Donlin Gold project in the first six months of 2019 was \$3.8 million for technical work, permitting and community engagement efforts. Our share of the total 2019 work program and budget is \$13 million to continue to advance the project. The Alaska Dam Safety certificates require additional fieldwork and more detailed engineering over the next two years and Donlin Gold LLC will continue to maintain its engagement with communities throughout the Y-K region. Donlin Gold LLC spending is expected to increase in the second half of the year with the commencement of fieldwork.

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 LLC.

## **Outlook**

We do not currently generate operating cash flows. At May 31, 2019, we had cash and cash equivalents of \$18.0 million and term deposits of \$139.0 million. At present, we believe that these balances are sufficient to cover anticipated funding of the Donlin Gold project as well as 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, 2018, as filed with the SEC and the Canadian Securities Regulators on January 23, 2019.

For the full year, we expect to spend approximately \$24 million, including \$13 million to fund our share of expenditures at the Donlin Gold project and \$11 million for general and administrative costs.

## Summary of Consolidated Financial Performance

(\$ thousands, except per share)	Three months ended May 31,		Six months ended May 31,	
	2019	2018	2019	2018
Loss from operations	(6,413)	(7,801)	(12,076)	(14,327)
Net loss from continuing operations	(5,515)	(9,237)	(11,838)	(17,199)
Net loss from discontinued operations	—	(394)	—	(647)
Net loss	<u><u>\$ (5,515)</u></u>	<u><u>\$ (9,631)</u></u>	<u><u>\$ (11,838)</u></u>	<u><u>\$ (17,846)</u></u>
Net loss per common share – basic and diluted				
Continuing operations	\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ (0.06)
Discontinued operations	—	—	—	—
	<u><u>\$ (0.02)</u></u>	<u><u>\$ (0.03)</u></u>	<u><u>\$ (0.04)</u></u>	<u><u>\$ (0.06)</u></u>

## Results of Operations

### Second quarter 2019 compared to 2018

*Loss from operations* decreased from \$7.8 million in 2018 to \$6.4 million in 2019 due to lower general and administrative expense and lower costs at Donlin Gold LLC. General and administrative expense decreased by \$0.6 million primarily due to lower share-based compensation costs. At Donlin Gold expenses decreased by \$0.7 million resulting from a reduction in permitting activities.

*Net loss from continuing operations* decreased from \$9.2 million (\$0.03 per share) in 2018 to \$5.5 million (\$0.02 per share) in 2019, primarily due to lower operating losses, higher interest income, accretion of notes receivable, and foreign exchange movements, offset by higher interest expense on the promissory note payable to Barrick.

*Net loss from discontinued operations, net of tax* of \$0.4 million (\$0.00 per share) in 2018 resulted from our share of expenses at the Galore Creek project. On July 27, 2018, we completed the sale of our 50% interest in the Galore Creek Partnership.

### First six months 2019 compared to 2018

*Loss from operations* decreased from \$14.3 million in 2018 to \$12.1 million in 2019 due to lower general and administrative expense and lower costs at Donlin Gold LLC. General and administrative expense decreased by \$1.0 million primarily due to lower share-based compensation costs. At Donlin Gold expenses decreased by \$1.2 million resulting from a reduction in permitting activities.

*Net loss from continuing operations* decreased from \$17.2 million (\$0.06 per share) in 2018 to \$11.8 million (\$0.04 per share) in 2019, primarily due to lower operating losses, higher interest income, accretion of notes receivable, and foreign exchange movements, offset by higher interest expense on the promissory note payable to Barrick.

*Net loss from discontinued operations, net of tax* of \$0.6 million (\$0.00 per share) in 2018 resulted from our share of expenses at the Galore Creek project.

## Liquidity, Capital Resources and Capital Requirements

(\$ thousands)	At May 31, 2019	At November 30, 2018	Change
Cash and cash equivalents	\$17,986	\$21,004	\$(3,018)
Term deposits	\$139,000	\$146,000	\$(7,000)

In the first six months of 2019, total *Cash, cash equivalents* and *Term deposits* decreased by \$9.9 million of which \$4.9 million was used in operating activities for administrative costs and working capital changes, \$3.8 million was used to fund Donlin Gold and \$1.2 million related to withholding taxes paid on vested performance share units. The term deposits are denominated in U.S. dollars and are held at Canadian chartered banks.

(\$ thousands)	Three months ended May 31,		Six months ended May 31,	
	2019	2018	2019	2018
Net cash (used in) provided from:				
Continuing operations:				
Operating activities	\$(1,760)	\$(1,850)	\$(4,910)	\$(6,492)
Investing activities	\$(2,909)	\$264	\$3,194	\$(1,483)
Financing activities	—	—	\$(1,197)	—
Net cash used in:				
Investing activities of discontinued operations	—	\$(832)	—	\$(1,475)

#### *Second quarter 2019 compared to 2018*

*Net cash used in operating activities of continuing operations* decreased by \$0.1 million, due to higher interest income, partially offset by changes in working capital. *Net cash provided from (used in) investing activities of continuing operations* included a \$0.8 million decrease in Donlin Gold funding due to lower permitting and optimization activities. In the second quarter of 2018, term deposits were reduced by \$4.0 million.

#### *First six months 2019 compared to 2018*

*Net cash used in operating activities of continuing operations* decreased by \$1.6 million, primarily due to higher interest income. *Net cash provided from (used in) investing activities of continuing operations* included a \$1.7 million decrease in Donlin Gold funding due to lower permitting and optimization activities. For the six-month period, term deposits decreased by \$7.0 million in 2019 and \$4.0 million in 2018. *Net cash used in financing activities of continuing operations* related to withholding taxes paid on vested performance share units.

#### **Outstanding share data**

As of June 19, 2019, the Company had 325,559,330 common shares issued and outstanding. Also, as of June 19, 2019, the Company had: i) a total of 16,214,036 stock options outstanding; 8,250,369 of those stock options with a weighted-average exercise price of C\$4.47 and the remaining 7,963,667 with a weighted-average exercise price of \$4.07; and ii) 1,664,100 performance share units and 285,323 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 18,995,509 common shares.

#### **Accounting Developments**

For a discussion of Recently Issued Accounting Pronouncements, see Note 2 to the Condensed Consolidated Interim Financial Statements.