

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 outbreak of 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;
- risks related to our need to attract and retain qualified management and technical personnel;
- uncertainty as to the outcome or expense 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 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, 2020 and May 31, 2019. 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, 2019, as well as other information we file with the Securities and Exchange Commission on EDGAR at www.sec.gov and with Canadian Securities Administrators on SEDAR at 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 2020 include:

- Advance the Donlin Gold project toward a construction/production decision.
- Maintain a healthy balance sheet.
- Sustain an effective corporate social responsibility program.
- Promote a strong safety, sustainability and environmental culture.

Second quarter highlights

COVID-19

NOVAGOLD’s most important objective is to secure the health and safety of its employees, partners and contractors. 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 from home, avoid all non-essential travel, adhere to good hygiene practices, and engage in social distancing. Additionally, NOVAGOLD and its partner Barrick Gold through Donlin Gold LLC, have implemented a wide-ranging set of policies consistent with State of Alaska Health Department recommendations, travel restrictions and other COVID-19 measures in the region aimed at achieving the same objectives at Donlin Gold’s Anchorage office and the project site. As a precautionary measure, Donlin Gold LLC temporarily paused the drill program and placed the project site into care and maintenance in April through mid-May. The drill program and related site activities were re-started in late May and are being conducted in accordance with Donlin Gold’s coronavirus policies and procedures and all applicable State requirements.

Donlin Gold project

NOVAGOLD and Barrick continue to study ways to 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 future financing of some capital-intensive infrastructure. To date, these additional studies have identified key areas that have the potential to add value and maximize the future opportunity and longevity of the project. In February 2020, Donlin Gold LLC opened the camp and in March commenced a drill program in the ACMA and Lewis resource areas. The objective is to validate recent geologic and resource modeling concepts, and to test potential extensions of high-grade zones focused on early life mining that have potential to add value. The program will provide the necessary data for NOVAGOLD and Barrick to decide on 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. As discussed above, Donlin Gold LLC temporarily paused the 2020 drill program due to COVID-19. The drill program recommenced in late-May and four drills are currently operating. Assuming no further interruptions, Donlin Gold LLC expects to complete a majority of the program by year-end. The owners will advance the Donlin Gold project in a safe, efficient, 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 2020 was \$6.9 million for the drill program, administration, permitting and community engagement efforts. Our share of the Donlin Gold 2020 work program and budget totals \$20

million, including \$11 million for the drilling program and \$9 million for administration, permitting and community engagement to continue to advance the project. The continued spread of COVID-19 could impact employee health, workforce productivity, insurance premiums, ability to travel, the availability of industry experts and personnel, restrictions or delays to the drill program and/or the timing to process drill results and other metallurgical testing, and other factors that will depend on future developments beyond our control.

Donlin Gold LLC continues to support the State of Alaska to advance other permits and certificates needed for the project. The Alaska Department of Natural Resources' (ADNR) issuance of the Alaska Dam Safety certificates for the tailings storage facility and water retention and diversion structures requires a thorough multi-year stepwise process to deliver a final construction package to ADNR. The program necessary for the certificates, including geotechnical core drilling, test pits, overburden drilling, packer tests, hydrogeologic test well installation and pumping tests, and geophysical surveys, commenced in 2019. The field work has been temporarily paused pending the prioritization of the ongoing drill program.

ADNR's Division of Mining, Land, and Water (DMLW) issued the easement land leases, land use permits, and material site authorizations for the proposed transportation facilities including the access road, airstrip, and upriver Jungjuk port, as well as the easement for the fiber optic cable on State lands on January 2, 2020. ADNR's Division of Oil and Gas (DOG), issued the final State Right-of-Way (ROW) lease for the buried natural gas pipeline on January 17, 2020. On February 6, 2020, Cook Inletkeeper, on behalf of the Orutsarmiut Native Council (ONC), Susitna River Coalition, Kasigluk Traditional Council, and Tununak IRA Council, requested that the Commissioner of ADNR reconsider the decision to issue the ROW lease for the pipeline. The ADNR Commissioner denied the request for reconsideration on February 18, 2020. On March 19, 2020, Earthjustice, representing ONC, Chevak Native Village, Chuloonawick Native Village, Native Village of Eek, and Cook Inletkeeper, filed an appeal of the denial of the ROW lease issuance reconsideration request in the Superior Court of the State of Alaska at Anchorage (the "Alaska Superior Court"). On April 30, 2020, ADNR reversed itself and agreed to reconsider the decision to issue the ROW lease in accordance with the February 6, 2020 request made by Cook Inletkeeper. The reconsideration specifically will address additional analysis of cumulative effects. In response, the appeal filed in the Alaska Superior Court was dismissed without prejudice on May 20, 2020.

In 2018, Earthjustice, on behalf of ONC, Akiak Native Community IRA Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Chuloonawick Tribal Council, and the Yukon-Kuskokwim River Alliance, 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. On May 8, 2020, after a long and detailed technical and legal analysis including input from Donlin Gold, the Director issued his decision to uphold the April 2019 reissued Certification. On June 5, 2020, Earthjustice filed a formal appeal to the ADEC Commissioner; the appeal is in the form of a request for an Adjudicatory Hearing. The appeal specifically relates to expected compliance with the State's water quality standards in Crooked Creek near the proposed mine site. On June 15, 2020, the ADEC Commissioner conditionally granted the request for the hearing.

The final approvals of the Donlin Gold Reclamation Plan and final Waste Management Permit were issued on January 18, 2019. On February 7, 2019, Earthjustice, on behalf of ONC, Akiak Native Community, Cheforak 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 Plan Approval. ADNR denied the appeal of the Donlin Gold Reclamation Plan Approval and permit on December 31, 2019 and affirmed DMLW's original decision. Additionally, Earthjustice, representing the same tribal entities in the appeal of the Reclamation Plan Approval, requested an informal review of the Waste Management Permit, which was completed by ADEC's Division of Water on June 25, 2019 and resulted in their original decision being upheld and no further appeals filed.

Donlin Gold LLC, with support from the project owners (NOVAGOLD and Barrick) is committed to growing strong and collaborative working relationships to preserve traditional lifestyles and support economic development for the benefit of Calista Corporation and The Kuskokwim Corporation shareholders (owners of the mineral and surface rights, respectively) and the Yukon-Kuskokwim (Y-K) region. Donlin Gold LLC and our Native Corporation partners remain 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 Y-K region. Donlin Gold LLC provided extensive support and assistance in the Y-K region with COVID-19 related issues in the second quarter.

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. At May 31, 2020, we had cash and cash equivalents of \$53.3 million and term deposits of \$81.0 million. At present, we believe that these balances are sufficient to cover anticipated funding of the Donlin Gold project and NOVAGOLD's 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, 2019, as filed with the SEC and the Canadian Securities Regulators on January 22, 2020, and Part II, Item 1A of this Form 10-Q.

For 2020, we continue to expect to spend approximately \$31 million, including \$20 million to fund our share of expenditures at the Donlin Gold project and \$11 million for general and administrative costs. The continued spread of COVID-19 could materially and adversely impact the Company's business including without limitation, employee health, workforce productivity, insurance premiums, ability to travel, the availability of industry experts and personnel, restrictions or delays to the Donlin Gold drill program and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Company's control.

Summary of Consolidated Financial Performance

(\$ thousands, except per share)	Three months ended May 31,		Six months ended May 31,	
	2020	2019	2020	2019
General and administrative	\$ (4,387)	\$ (4,215)	\$ (9,101)	\$ (8,555)
Equity loss - Donlin Gold	(3,700)	(2,198)	(5,268)	(3,521)
Loss from operations	<u>\$ (8,087)</u>	<u>\$ (6,413)</u>	<u>\$ (14,369)</u>	<u>\$ (12,076)</u>
Net loss	<u>\$ (7,233)</u>	<u>\$ (5,515)</u>	<u>\$ (13,828)</u>	<u>\$ (11,838)</u>
Net loss per common share – basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>

Results of Operations

Second quarter 2020 compared to 2019

Loss from operations increased from \$6.4 million in 2019 to \$8.1 million in 2020 due to higher general and administrative expense and higher costs at Donlin Gold LLC. *General and administrative expense* increased from \$4.2 million in 2019 to \$4.4 million in 2020 primarily due to higher salaries and benefits and share-based compensation costs. *Equity loss – Donlin Gold* increased from \$2.2 million in 2019 to \$3.7 million in 2020 due to the 2020 drilling program.

Net loss increased from \$5.5 million (\$0.02 per share) in 2019 to \$7.2 million (\$0.02 per share) in 2020, primarily due to higher operating losses and lower interest income, partially offset by lower interest expense on the promissory note payable to Barrick and foreign exchange movements.

First six months 2020 compared to 2019

Loss from operations increased from \$12.1 million in 2019 to \$14.4 million in 2020 due to higher general and administrative expense and higher costs at Donlin Gold LLC. General and administrative expense increased by \$0.5 million primarily due to higher share-based compensation and regulatory costs. At Donlin Gold expenses increased by \$1.7 million due to the 2020 drilling program.

Net loss increased from \$11.8 million (\$0.04 per share) in 2019 to \$13.8 million (\$0.04 per share) in 2020, primarily due to higher operating losses and lower interest income, partially offset by lower interest expense on the promissory note payable to Barrick and foreign exchange movements.

Liquidity, Capital Resources and Capital Requirements

(\$ thousands)	At May 31, 2020	At November 30, 2019	Change
Cash and cash equivalents	\$53,329	\$67,549	\$(14,220)
Term deposits	\$81,000	\$81,000	\$—

In the first six months of 2020, total *Cash, cash equivalents* and *Term deposits* decreased by \$14.2 million of which \$5.3 million was used in operating activities for administrative costs and working capital changes, \$6.9 million was used to fund Donlin Gold and \$1.7 million related to withholding taxes paid on vested performance share units (PSUs). Effects of exchange rate changes also decreased cash by \$0.3 million. 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,	
	2020	2019	2020	2019
Net cash (used in) provided from:				
Operating activities	\$(1,834)	\$(1,761)	\$(5,331)	\$(4,911)
Investing activities	\$(4,290)	\$(2,909)	\$(6,890)	\$3,194
Financing activities	\$—	\$—	\$(1,652)	\$(1,197)

Second quarter 2020 compared to 2019

Net cash used in operating activities increased by \$0.1 million, due to lower interest income, partially offset by changes in working capital. *Net cash provided from (used in) investing activities* included a \$1.4 million increase in Donlin Gold funding due to the 2020 drilling program.

First six months 2020 compared to 2019

Net cash used in operating activities increased by \$0.4 million, primarily due to lower interest income, partially offset by changes in working capital. *Net cash provided from (used in) investing activities* included a \$3.1 million increase in Donlin Gold funding due to the 2020 drilling program. For the six-month period in 2019, term deposits decreased by \$7.0 million, with the proceeds deposited in interest-bearing savings accounts. *Net cash used in financing activities* related to withholding taxes paid on vested performance share units.

Outstanding share data

As of June 17, 2020, the Company had 329,597,770 common shares issued and outstanding. Also, as of June 17, 2020, the Company had: i) a total of 11,613,663 stock options outstanding; 2,846,898 of those stock options with a weighted-average exercise price of C\$5.47 and the remaining 8,766,765 with a weighted-average exercise price of \$4.60; and ii) 1,684,000 PSUs and 274,990 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 14,414,653 common shares.

Accounting Developments

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