

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, timing relating to challenges to prior permitting decisions, 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; 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.

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 nine-month periods ended August 31, 2021 and August 31, 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 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, 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.

Third 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 encouraged to get fully vaccinated against COVID-19, asked to work remotely, avoid all non-essential business travel, adhere to good hygiene practices, and engage in physical distancing. Donlin Gold continues to provide COVID relief support in collaboration with Calista Corporation (“Calista”), The Kuskokwim Corporation (TKC), and many tribal governments.

Prior to opening the camp this year, Donlin Gold consulted with its partners Calista and TKC, as well as the home communities of Donlin Gold employees regarding COVID-19 health and safety precautions to protect the workforce and the people of the Yukon-Kuskokwim (Y-K) region. Following a successful 2020 season with zero COVID-19 cases on site, employees and contractors again have mandatory testing for the 2021 season prior to traveling to the Donlin Gold project camp and upon arrival must follow social distancing and other protective requirements. The Donlin Gold office in Anchorage has recently been closed in response to two positive cases discovered in employees there. All Donlin Gold employees who may have been exposed are being tested, are quarantining, and are currently working remotely in accordance with the Donlin Gold COVID-19 Mitigation Plan protocols.

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

Community engagement

To date, Donlin Gold LLC has made progress in formalizing its community relationships with Shared Value Statements covering eight villages from the Y-K region (Akiak, Sleetmute, Napaimute, Crooked Creek, Napaskiak, Nikolai, Tuluksak and Kalskag) that formalize current engagement with key local communities. These agreements include educational, environmental, and social initiatives to help provide support for these villages.

For the 2021 season, Donlin Gold LLC hired employees from 20 Y-K communities. In an area with high unemployment and fewer job choices than in urban environments, the work experience and skills training that Donlin Gold provides is attractive and

employees are encouraged to bring their safety knowledge into their home village. Local community involvement in the project is core to both Barrick's and NOVAGOLD's philosophy, and approximately 70% of Donlin Gold direct hires for this year's drill program are Alaska Natives.

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 August, Donlin Gold held the fourth annual "In It For The Long Haul" backhaul project with approximately 180,000 pounds of hazardous and electronic waste removed from 26 villages throughout the Y-K region.

Permitting

The State's Clean Water Act (CWA) Section 401 certification (the "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, and the ADEC Commissioner referred the appeal to an Administrative Law Judge for review. The appeal focused on three narrow issues related to compliance with the State's water quality standards near the mine site. On April 12, 2021, the Administrative Law Judge issued his opinion for the Commissioner's consideration recommending the 401 Certification be vacated. The Commissioner issued his decision to uphold the 401 Certification on May 27, 2021. The decision was appealed on June 28, 2021 in Alaska's Superior Court by Earthjustice, a San Francisco-based activist law firm, on behalf of Orutsararmiut Native Council (ONC).

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 describes how the ADNR considered 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. On July 19, 2021, the ADNR Commissioner completed the reconsideration and upheld the ROW agreement and lease authorization. On August 9, 2021, two parties requested that the Commissioner conduct a further reconsideration. The first party was Earthjustice representing ONC, Cook Inletkeeper, and three villages. The second party was an individual who operates an outdoor guiding business around the pipeline route. The Commissioner rejected both further reconsideration requests on August 19, 2021. On September 20, 2021, Earthjustice, representing ONC, Cook Inletkeeper, and three villages, filed an appeal of the State ROW in Alaska Superior Court. An appeal was also filed by the second party on September 20, 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 held a second two-week public notice period, which closed on March 26, 2021. All the final Water Rights were issued on June 29, 2021 by ADNR's Division of Mining Land and Water. In July, they were administratively appealed to the ADNR Commissioner by Earthjustice, ONC, and five villages. We anticipate a decision on the appeal by the Commissioner in 2022.

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, which is a multi-year commitment, was temporarily paused to concentrate on the 2020 and 2021 geological drill programs.

Donlin Gold is fortunate to have strong 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. Donlin Gold's commitment to meaningful tribal consultation throughout project development and permitting has been proven over decades of reliable and dependable engagement with the community.

Donlin Gold project

The 2021 drilling program includes additional confirmation and extension drilling, focusing on further testing, orebody continuity, structural control, and geotechnical and geometallurgical data collection and analysis. In September, 2021, the drilling portion of the program was completed at the Donlin Gold project site in the ACMA and Lewis deposit areas. A total of 79 holes were drilled for a total of approximately 24,200 meters, including an additional 15 holes and 4,000 meters above the original 2021 plan. Assays are anticipated to be completed by early 2022. 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. The focus will then shift to feasibility study work, subject to a formal decision by the Donlin Gold Board, and ultimately, to 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 nine months of 2021 was \$15 million. We expect our total 2021 share of Donlin Gold LLC funding to be \$19 million, including: \$12 million for follow-up drilling, camp improvements, and studies, and \$7 million for permitting, community engagement and administration.

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 August 31, 2021, we had cash and cash equivalents of \$117.8 million and term deposits of \$55.5 million. Our anticipated expenditures in 2021 are \$32 million, including \$19 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 August 31,		Nine months ended August 31,	
	2021	2020	2021	2020
General and administrative	\$ (4,883)	\$ (4,745)	\$ (15,204)	\$ (13,846)
Equity loss - Donlin Gold	(6,748)	(6,150)	(12,914)	(11,418)
Loss from operations	<u>\$ (11,631)</u>	<u>\$ (10,895)</u>	<u>\$ (28,118)</u>	<u>\$ (25,264)</u>
Net loss	<u>\$ (11,790)</u>	<u>\$ (12,736)</u>	<u>\$ (30,267)</u>	<u>\$ (26,564)</u>
Net loss per common share – basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>	<u>\$ (0.08)</u>

Results of Operations

Third quarter 2021 compared to 2020

Loss from operations increased from \$10.9 million in 2020 to \$11.6 million in 2021 due to higher permitting and legal costs at Donlin Gold LLC.

Net loss decreased from \$12.7 million (\$0.04 per share) in 2020 to \$11.8 million (\$0.04 per share) in 2021, primarily due to foreign exchange movements, partially offset by lower interest income and changes in the fair market value of marketable securities.

First nine months 2021 compared to 2020

Loss from operations increased from \$25.3 million in 2020 to \$28.1 million in 2021 due to higher general and administrative expense and higher costs at Donlin Gold LLC. General and administrative expense increased by \$1.4 million primarily due to higher share-based compensation, salaries and benefits. At Donlin Gold, expenses increased by \$1.5 million in 2021 due to higher permitting and legal costs.

Net loss increased from \$26.6 million (\$0.08 per share) in 2020 to \$30.3 million (\$0.09 per share) in 2021, primarily due to higher operating losses and lower interest income, partially offset by lower interest expense on the promissory note payable to Barrick.

Liquidity, Capital Resources and Capital Requirements

<u>(\$ thousands)</u>	As of August 31, 2021	As of November 30, 2020	Change
Cash and cash equivalents	\$117,793	\$60,906	\$56,887
Term deposits	55,548	61,000	(5,452)
	<u>\$173,341</u>	<u>\$121,906</u>	<u>\$51,435</u>

In the first nine months of 2021, total *Cash, cash equivalents* and *Term deposits* increased by \$51.4 million due to the receipt of \$75 million from Newmont, partially offset by \$15.0 million used to fund Donlin Gold, \$8.4 million used in operating activities for administrative costs and working capital changes, and \$0.7 million related to withholding taxes paid on vested performance share units (PSUs). Effects of exchange rate changes increased cash by \$0.6 million. The term deposits are denominated in U.S. or Canadian dollars and are held at Canadian chartered banks.

Under the terms of the sale of the Galore Creek project to Newmont, NOVAGOLD received \$100 million on July 27, 2018. An additional \$75 million was received on July 27, 2021. A further \$25 million is due upon the earlier of: (i) completion of a project feasibility study prepared by or for Galore Creek project, or (ii) July 27, 2023. Also, an additional \$75 million payment is contingent upon Galore Creek project construction approval.

<u>(\$ thousands)</u>	<u>Three months ended August 31,</u>		<u>Nine months ended August 31,</u>	
	2021	2020	2021	2020
Net cash provided from (used in):				
Operating activities	\$(1,877)	\$(1,826)	\$(8,139)	\$(7,157)
Investing activities	68,099	\$(6,693)	65,176	\$(13,583)
Financing activities	\$—	\$—	(731)	\$(1,652)

Third quarter 2021 compared to 2020

Net cash used in operating activities increased by \$0.1 million, primarily due to lower interest income. *Net cash provided from (used in) investing activities* includes the \$75.0 million note payment from Newmont, partially offset by a \$0.2 million increase in Donlin Gold funding.

First nine months 2021 compared to 2020

Net cash used in operating activities increased by \$1.0 million, primarily due to lower interest income. *Net cash provided from (used in) investing activities* includes the \$75.0 million note payment from Newmont and net proceeds of \$5.2 million from term deposits in 2021, partially offset by a \$1.4 million increase in Donlin Gold funding. *Net cash used in financing activities* related to withholding taxes paid on vested performance share units.

Outstanding share data

As of September 22, 2021, the Company had 331,677,553 common shares issued and outstanding. Also, as of September 22, 2021, the Company had: i) a total of 10,435,803 stock options outstanding; 9,001,405 with a weighted-average exercise price of \$5.27 and the remaining 1,434,398 of those stock options with a weighted-average exercise price of C\$6.84; and ii) 1,583,100 PSUs and 306,321 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 13,116,774 common shares.