

NOVAGOLD RESOURCES INC.

Unless the context otherwise requires, the words “we,” “us,” “our,” the “Company” and “NOVAGOLD” refer to NOVAGOLD RESOURCES INC., a British Columbia corporation, and its subsidiaries as of August 31, 2022.

CURRENCY

References in this report to \$ refer to United States currency and C\$ to Canadian currency.

FORWARD-LOOKING STATEMENTS

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 mineral 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 the Donlin Gold project;
- 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 mineral resource and mineral 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 retained, 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 the Donlin Gold project;
- our activities will not be adversely disrupted or impeded by development, operating or regulatory risks; and
- our expectations regarding the timing and outcome of the appeals to the Donlin Gold 401 Certification (as defined below), the appeals to the State ROW (as defined below) agreement and lease; and the application for water rights.

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 the Donlin Gold project;
- our history of losses and expectation of future losses;
- risks related to our ability to finance the development of the Donlin Gold project 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 Donlin Gold project activities;
- dependence on cooperation of joint venture partners in exploration and development of the Donlin Gold project;
- 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 the Donlin Gold project 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 mineral resource and mineral reserve estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;
- risks related to the inability to develop or access the infrastructure required to construct and operate the Donlin Gold project;
- uncertainty related to title to the Donlin Gold project;
- 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 the Donlin Gold project, and related cost increases;
- our need to attract and retain qualified management, administrative, 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 the effects of global climate change on the Donlin Gold project.

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, 2021 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 (dollars in thousands, except per share amounts)

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, 2022 and August 31, 2021. 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, 2021, 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

We operate in the gold mining industry, primarily focused on advancing the Donlin Gold project in Alaska. The Donlin Gold project is held by Donlin Gold LLC (“Donlin Gold”), a limited liability company owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick.

Our corporate goals include continuing to advance the Donlin Gold project toward a construction decision; maintaining support for Donlin Gold among the project’s stakeholders; promoting a strong safety, sustainability, and environmental culture; maintaining a favorable reputation of NOVAGOLD; and preserving a healthy balance sheet. 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 pre-feasibility and feasibility studies, preparation of engineering designs and the financing to fund these objectives.

Donlin Gold highlights

Community engagement

Donlin Gold is fortunate to have time-tested partnerships with Calista and The Kuskokwim Corporation (TKC), owners of the mineral and surface rights, respectively. The project’s location on private lands specially selected for mineral development potential pursuant to the 1971 Alaska Native Claims Settlement Act is a key attribute that distinguishes it from most other mining assets in Alaska. Donlin Gold’s commitment to meaningful tribal engagement throughout project development and permitting has been reinforced by decades of reliable and dependable engagement with the community.

Donlin Gold continues to work with Calista and TKC in all aspects of outreach and feedback in the Yukon-Kuskokwim (Y-K) region in the areas of education, health and safety, cultural traditions, and environmental initiatives, including creating a subsistence committee comprised of independent regional stakeholders with varying views on development initiatives in recent years, among other activities.

In the third quarter, Donlin Gold signed two additional Shared Values Statements with villages in the Y-K region for a total of 11 (Akiak, Sleetmute, Napaimute, Crooked Creek, Napaskiak, Nikolai, Tuluksak, Upper Kalskag, Stony River, Pilot Station, and Toksook Bay) 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 solid waste projects; the ice road that connects remote villages in the Y-K region; salmon and other aquatic life studies; and suicide and public safety prevention programs.

Calista and Donlin Gold continued their proactive, bipartisan outreach in Alaska and Washington DC in the third quarter to highlight the thoroughness of the project’s environmental review and permitting processes as well as the benefits the project would deliver to Native Alaskans. Alaska’s U.S. Senators have consistently expressed their long-term support of the Donlin Gold project.

Permitting

Permitting in Alaska has been a tremendous achievement to date and a substantial undertaking over many years to ensure a diligent, thorough, transparent, and inclusive process for all involved, including stakeholders from the Y-K region.

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 (ADEC) 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 ADEC 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 on behalf of Orutsararmiut Native Corporation (ONC). On December 29, 2021, the Court issued an order dismissing the case without prejudice and remanding the 401 Certification to ADEC for consideration of additional technical information provided by Donlin Gold. The existing 401 Certification remains in effect during the remand period. On May 16, 2022, ADEC's Division of Water upheld the 401 Certification based on the record, including the additional technical information for mercury and temperature. On June 13, 2022, Earthjustice and ONC requested that the ADEC Commissioner conduct an additional adjudicatory hearing on the part of the Division of Water's decision related to potential water temperature effects in Crooked Creek. On July 14, 2022, the ADEC Commissioner granted the request for the adjudicatory hearing review. The briefing process is underway and we expect the hearing process to be completed in the fourth quarter of 2022 or the first quarter of 2023.

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 individual in September 2021. The two appeals have been consolidated into a single case that is pending before the Alaska Superior Court based in Anchorage, Alaska. Legal briefings are being prepared by the parties and we anticipate a decision on the two appeals in the first half of 2023.

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. On April 25, 2022, the ADNR Commissioner denied the appeal; however, Earthjustice, ONC and the five villages appealed the Commissioner's decision in Alaska Superior Court on May 25, 2022. ADNR filed the Administrative Record with the Court on September 12, 2022, and the appellants are preparing their initial brief. A decision is expected in 2023.

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. Donlin Gold applied for a new air quality permit from ADEC, which is expected to be in place when the current permit expires in mid-2023. The Donlin Gold air quality permit renewal is required to update that emissions controls reflect best technology and re-confirm that air quality standards will be met. A draft permit is expected to be issued for public comment by the end of 2022. Donlin Gold is also preparing an updated Alaska Pollutant Discharge Elimination System application for regularly scheduled renewal by ADEC expected to be in place by mid-2023. Donlin Gold is working with Calista, TKC, ADNR, and the U.S. Bureau of Land Management on re-locating easements and public ROWs in the project area. ADNR issued the proposed re-location plan for public comment in summer 2022 and the final decision is expected by the end of 2022. The field work related to the issuance of the Alaska Dam Safety certificates recommenced during the third quarter of 2022.

Donlin Gold project

During the third quarter, the Donlin Gold board approved an increase in the 2022 drilling program from approximately 34,000 meters to 42,000 meters. In September 2022, the drilling portion of the program was completed with assays anticipated to be completed in early 2023. A total of 141 holes were drilled for a total of approximately 42,300 meters, including an additional 43 holes and 8,700 meters above the original 2022 plan. The drilling program included tight spaced grid drilling in structural domains and in-pit and below-pit drilling in sparsely drilled areas of the open pit, platform mapping to confirm mineralization continuity and key geological controls in representative areas of the deposit, waste rock facility condemnation drilling, and geotechnical drilling for the Alaska Dam Safety certificates (13 holes, 491 meters, not included in above total).

Project planning is also underway to advance geologic modeling and interpretation work for an updated resource model and engineering activities for use in an updated project feasibility study. Additionally, metallurgical testing, hydrogeology and geochemistry works, as well as infrastructure planning are underway. The owners of Donlin Gold LLC are also updating various engineering studies before making a decision whether to proceed to update the project feasibility study. 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 environmental stewardship, engineering excellence, a strong safety culture and continued community engagement.

Our share of funding for the Donlin Gold project in the first nine months of 2022 was \$24,925. In 2022, with the additional drilling completed, we now expect our share of Donlin Gold funding to be approximately \$32,000, including \$23,000 for follow-up drilling, camp improvements and studies, and \$9,000 for permitting, community engagement and administration.

The Donlin Gold 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 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, or project changes made by Donlin Gold.

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.

Consolidated Financial Results

Third quarter 2022 compared to 2021

In the third quarter of 2022, *Net loss* increased by \$4,333 from 2021, primarily due to the expanded Donlin Gold work program, higher interest expense on the Barrick promissory note, a decrease in the fair market value of marketable securities, lower accretion income due to the maturity of the \$75,000 Newmont note in July 2021, and foreign exchange movements, partially offset by increased interest earned on cash and term deposits.

First nine months 2022 compared to 2021

In the first nine months of 2022, *Net loss* increased by \$10,821 from 2021, primarily due to the expanded Donlin Gold work program, higher interest expense on the Barrick promissory note, lower accretion income, and a decrease in the fair market value of marketable securities, partially offset by foreign exchange movements and increased interest income.

Liquidity and Capital Resources

Liquidity overview

At present, we believe we have sufficient working capital available to cover anticipated funding of the Donlin Gold project and corporate general and administrative costs until a decision to commence engineering and construction is reached by the Donlin Gold board for the Donlin Gold project, at which point substantial additional capital will be required. 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 our Annual Report on Form 10-K for the year ended November 30, 2021, as filed with the SEC and the Canadian Securities Regulators on January 26, 2022, section *Item 1A, Risk Factors – Our ability to continue the exploration, permitting, development, and construction of the Donlin Gold project, and to continue as a going concern, will depend in part on our ability to obtain suitable financing.*

Our anticipated expenditures in fiscal year 2022 are approximately \$48,000, including \$32,000 to fund the Donlin Gold project, \$13,000 for corporate general and administrative costs, \$2,000 for withholding taxes on share-based compensation and \$1,000 for working capital and other items.

Our financial position includes the following as of August 31, 2022:

- Cash and cash equivalents of \$61,932.
- Term deposits of \$70,000 denominated in U.S. dollars and held at Canadian chartered banks with high investment-grade ratings and maturities of one year or less.
- Notes receivable of \$25,000 due on the earlier of the completion of a Galore Creek feasibility study or July 27, 2023, and a note for \$75,000 fully contingent upon approval of a Galore Creek project construction plan by the owner(s).
- Promissory note payable to Barrick of \$121,117, including accrued interest at U.S. prime plus 2%. The promissory note and accrued interest are payable from 85% of the Company's share of revenue from future Donlin Gold project production or from any net proceeds resulting from a reduction of the Company's interest in Donlin Gold.

Cash flows

In the third quarter of 2022 cash and cash equivalents decreased by \$10,360, primarily to fund our share of Donlin Gold and for corporate administrative expenses. The increase in cash used in the third quarter of 2022 compared to 2021 was primarily due to the expanded Donlin Gold work program in 2022. In July 2021, we received proceeds of \$75,000 on the Newmont notes.

In the first nine months of 2022 cash and cash equivalents decreased by \$29,192, primarily to fund our share of Donlin Gold, for corporate administrative expenses, and for withholding taxes on share-based payments, partially offset by a net \$8,000 received from term deposits. The increase in *Net cash used in operating activities* during the first nine months of 2022 compared to 2021 was primarily due to the timing of corporate liability insurance payments. *Net cash used in investing activities* increased in 2022 due to the expanded Donlin Gold work program, partially offset by a net increase in net proceeds received from term deposits. In 2021, we received proceeds of \$75,000 on the Newmont notes. *Net cash used in financing activities* increased in 2022 due to higher withholding tax on share-based compensation (no cash was used for CEO and CFO withholdings in 2021).

Outstanding share data

As of September 27, 2022, the Company had 333,390,237 common shares issued and outstanding. Also, as of September 27, 2022, the Company had: i) a total of 9,298,579 stock options outstanding; 8,161,681 with a weighted-average exercise price of \$5.79 and the remaining 1,136,898 of those stock options with a weighted-average exercise price of C\$7.67; and ii) 1,257,200 PSUs and 291,860 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 11,476,239 common shares.