

NOVAGOLD RESOURCES INC  
Form 10-Q  
October 03, 2017

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

FORM 10-Q

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

For the Quarterly Period Ended August 31, 2017

OR

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

For the Transition Period from to

Commission File Number: 001-31913

**NOVAGOLD RESOURCES INC.**

(Exact Name of Registrant as Specified in Its Charter)

<b>British Columbia</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>N/A</b> (I.R.S. Employer Identification No.)
<b>201 South Main Street, Suite 400</b>	<b>84111</b>

**Salt Lake City, Utah, USA**

(Address of Principal Executive Offices) (Zip Code)

**(801) 639-0511**

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company  Emerging growth company

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

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

As of September 26, 2017, the Company had 321,770,142 Common Shares, no par value, outstanding.

NOVAGOLD RESOURCES INC.

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This Quarterly Report on Form 10-Q contains forward-looking statements or information within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995 concerning anticipated results and developments in our operations in future periods, planned exploration activities, the adequacy of our financial resources and other events or conditions that may occur in the future. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including our plans and expectations relating to the Donlin Gold and Galore Creek projects, completion of transactions, market prices for precious and base 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”, “strategically”, “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;
- 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;
- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- 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 our ability to commence production and generate material revenues or obtain adequate financing for our planned exploration and development activities;
- 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;
- 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;
- credit, liquidity, interest rate and currency risks;
- risks related to market events and general economic conditions;
- uncertainty related to inferred mineral resources;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of our mineral deposits;
- risks related to lack of infrastructure required to develop, construct, and operate 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;
- 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;
- commodity price fluctuations;
- risks related to governmental regulation and permits, including environmental regulation;
- risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;
- uncertainty related to title to our mineral properties;

- uncertainty related to unsettled aboriginal rights and title in British Columbia;
- our history of losses and expectation of future losses;
- uncertainty as to the outcome of potential litigation;
- risks related to our largest shareholder;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- competition in the mining industry;
- our need to attract and retain qualified management and technical personnel;
- risks related to conflicts of interests of some of the directors and officers of the Company;
- risks related to global climate change;
- risks related to opposition to our operations at our mineral exploration and development properties from non-governmental organizations or civil society; and
- increased regulatory compliance costs relating to the Dodd-Frank Act.

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 this Quarterly Report on Form 10-Q under the heading “Risk Factors” and elsewhere.

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



## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

**NOVAGOLD RESOURCES INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited, US dollars in thousands)

	At August 31, 2017	At November 30, 2016
<b>ASSETS</b>		
Cash and cash equivalents	\$21,642	\$ 30,274
Term deposits	66,900	75,000
Other assets	1,594	2,064
Current assets	90,136	107,338
Investment in Donlin Gold (note 4)	1,197	951
Investment in Galore Creek (note 5)	258,880	241,404
Mineral property	46,447	43,359
Deferred income taxes	10,066	9,397
Other assets	6,592	5,812
Total assets	\$413,318	\$ 408,261
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$2,528	\$ 2,837
Other liabilities	217	214
Current liabilities	2,745	3,051
Promissory note (note 6)	88,693	84,812
Deferred income taxes	21,570	20,135
Total liabilities	113,008	107,998
Commitments and contingencies (note 12)		
<b>EQUITY</b>		
Common shares	1,948,055	1,942,451
Contributed surplus	84,888	82,573
Accumulated deficit	(1,734,899)	(1,705,901 )
Accumulated other comprehensive gain (loss)	2,266	(18,860 )
Total equity	300,310	300,263



Total liabilities and equity	\$413,318	\$408,261
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on October 3, 2017. They are signed on the Company's behalf by:

/s/ Gregory A. Lang, Director /s/ Anthony P. Walsh, Director

**NOVAGOLD RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS****AND COMPREHENSIVE INCOME (LOSS)**

(Unaudited, US dollars in thousands except per share amounts)

	Three months ended August 31,		Nine months ended August 31,	
	2017	2016	2017	2016
Operating expenses:				
Equity loss – Donlin Gold (note 4)	\$3,165	\$1,980	\$7,794	\$6,485
Equity loss – Galore Creek (note 5)	612	212	987	726
General and administrative (note 8)	4,646	4,230	16,163	16,132
	8,423	6,422	24,944	23,343
Loss from operations	(8,423 )	(6,422 )	(24,944 )	(23,343 )
Other income (expense) (note 10)	(1,903 )	(885 )	(3,836 )	(3,000 )
Loss before income taxes	(10,326 )	(7,307 )	(28,780 )	(26,343 )
Income tax expense	(67 )	(74 )	(218 )	(153 )
Net loss	\$(10,393 )	\$(7,381 )	\$(28,998 )	\$(26,496 )
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities, net of \$2, \$6, \$23 and \$92 tax expense (recovery), respectively	48	42	183	637
Foreign currency translation adjustments	22,502	(127 )	20,943	5,552
Other comprehensive income (loss)	22,550	(85 )	21,126	6,189
Comprehensive income (loss)	\$12,157	\$(7,466 )	\$(7,872 )	\$(20,307 )
Net loss per common share				
Basic and diluted	\$(0.03 )	\$(0.02 )	\$(0.09 )	\$(0.08 )
Weighted average shares outstanding				
Basic and diluted (thousands)	321,683	319,967	321,586	319,694

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



**NOVAGOLD RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited, US dollars in thousands)

	Three months ended		Nine months ended	
	August 31,		August 31,	
	2017	2016	2017	2016
<b>Operating activities:</b>				
Net loss	\$(10,393)	\$(7,381)	\$(28,998)	\$(26,496)
Adjustments:				
Equity losses of affiliates	3,777	2,192	8,781	7,211
Share-based compensation	2,141	1,869	8,115	8,446
Interest on promissory note	1,361	1,155	3,881	3,399
Foreign exchange (gain) loss	851	(4)	818	268
Other	74	16	9	12
Withholding tax on share-based compensation	—	—	(196)	(4,275)
Changes in operating assets and liabilities:				
Other assets	(154)	915	311	1,856
Accounts payable and accrued liabilities	664	703	(353)	(840)
Net cash used in operating activities	(1,679)	(535)	(7,632)	(10,419)
<b>Investing activities:</b>				
Proceeds from term deposits	5,000	5,000	100,000	90,000
Purchases of term deposits	—	(5,000)	(91,900)	(85,000)
Funding of affiliates	(3,539)	(2,742)	(9,292)	(7,935)
Other	—	—	(28)	—
Net cash provided from (used in) investing activities	1,461	(2,742)	(1,220)	(2,935)
Effect of exchange rate changes on cash	236	(11)	220	78
Decrease in cash and cash equivalents	18	(3,288)	(8,632)	(13,276)
Cash and cash equivalents at beginning of period	21,624	31,743	30,274	41,731
Cash and cash equivalents at end of period	\$21,642	\$28,455	21,642	\$28,455

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



**NOVAGOLD RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EQUITY**

(Unaudited, US dollars and shares in thousands)

	Common shares		Contributed	Accumulated	Accumulated other	Total
	Shares	Amount	surplus	deficit	comprehensive income (loss)	equity
November 30, 2015	317,910	\$1,938,262	\$ 80,774	\$(1,672,055)	\$ (17,685 )	\$329,296
Net loss	—	—	—	(33,846 )	—	(33,846 )
Other comprehensive loss	—	—	—			