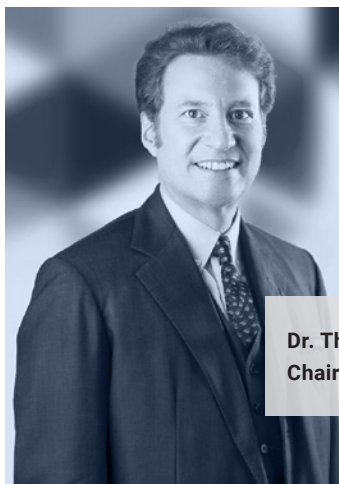


# CHAIRMAN'S MESSAGE



**Dr. Thomas Kaplan**  
Chairman, Board of Directors

## MODERN MONETARY THEOLOGY FOR A WORLD IN FLUX

For decades, investors who are said to espouse a belief in gold as a reliable and attractive store of value have had conferred upon them the epithet “goldbugs” in a nod to their supposed – and presumably flawed – ardor for the hard money thesis. Even those like myself, who are not captured by what John Paulson and I call “gold feevah” and hold no more than a common-sense conviction that there is room in every portfolio for a time-tested currency that cannot be printed by fiat, have been given this label. As we of sound mind – including those as avowedly hyper-rational as Ray Dalio – are wont to say, being a proponent of having some gold among one’s cash is just prudence. Nevertheless, until recently in my experience, the emotionalism of gold’s detractors has been more viscerally marked by intolerance than that of gold’s adherents. After all, no other asset class is met with such wide-ranging disdain that its advocates are referred to as, well...*insects*. Until perhaps now, that is.

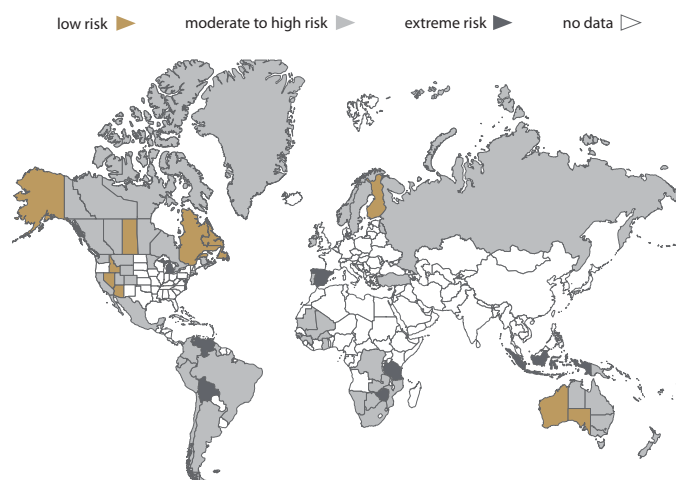
For if those positive on gold are somehow creepy-crawly (a very British way of referring to bugs, worms, and the like), how soon will it be that those bullish on cryptocurrencies – for many of the same reasons that gold bulls promote the yellow metal – are referred to, affectionately of course, as *Bitbugs*? After all, the febrile religiosity and unbridled passion characterizing those whirling dervishes of what I shall hereinafter refer to as “crypto” is something that would make the merely pious goldbug blush. The new *insecta* are so famously loyal to their cause that they have developed mantras (e.g. HODL) while some of the most serious and

reputable of their devotees are getting actual tattoos on their *exoskeletons* to reinforce and further advertise their affinity as new highs in the prices of crypto are being reached. Though such rituals may exist in the niche that is the precious metals sector, other than a knowing wink with my fellow travelers in the space, I for one have never been privy to a secret handshake among gold’s proponents, and certainly not any symbols of gang affiliation. Can one imagine the sheer contempt that would follow a gold bull like John Hathaway revealing he had piercings or body art applied to celebrate his prescient early calls on the noble metal? We do live in strange times, but, as the French would say, *quand même*...

I know what it is like to make 10 times my money, even 100 times and, once, 200 times. So I am *not* one of those people who cries “Bubble!” when people are scoring a big win. To the contrary, actually. So let me be really clear: I come here not to bury the Caesar that is crypto, but rather to praise it. And of course, in that praise, to reflect upon what the impressive ascendancy of cryptocurrencies suggests about precious metals and thus NOVAGOLD – the vehicle which I have come to love more and more. Were this not to be the case, I would put NOVAGOLD into play and pivot to something else. I won’t, because it is by far the best gold story from my vantage point and I simply would not know how to replace its attributes.

While I shall get back to some of the more philosophical musings on the crypto/gold narrative a bit further into this letter, let us begin with how the NOVAGOLD story itself only got better in 2020. *Much* better, in fact. For some of our new investors – some of whom are quite large – I feel compelled to repeat an inescapable conclusion that guides my thinking about why I believe our company constitutes the finest way to play gold.

## LEVERAGE IN A PLACE WHERE YOU CAN KEEP THE REWARDS



The jurisdictional risk map is derived from the top 10 (lower risk) and bottom 10 (extreme risk) of 77 jurisdictions reviewed in the Fraser Institute’s *Annual Survey of Mining Companies, 2020*. Alaska is ranked number 5.

## 2020: ROCK BEATS PAPER?

It's apparent to me that we're nearing an inflection point. For when I speak about our flagship project, Donlin Gold, I often ask this question of my audience: What other gold development-stage asset in the industry compares in its combination of enormous size, high grade for an open-pit (and hence the opportunity for lower all-in sustaining costs), truly superb exploration upside, a production profile of potentially the biggest pure-gold mine in the world, a mine life measured in decades, excellent local and industry partnerships, and the safety of being located in one of the world's premier jurisdictions? I've never heard pushback with that one. *If one cannot challenge the assertion, then Donlin Gold must be unique.*

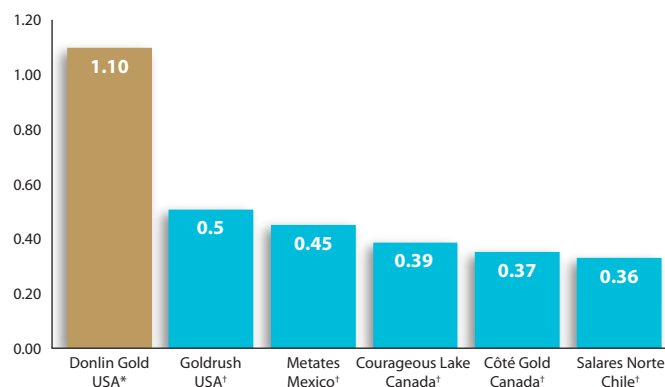
To my delight, needless to say, a legitimate question has now arisen regarding one particularly sexy aspect of that uniqueness: That is, whether Donlin will represent *the* largest gold mine in the world after all. Many of you will have heard me share in the past that there is only one serious rival for those bragging rights. I am therefore elated to report that we have a challenger for that trophy, the *Sukhoi Log* project. Or as I like to call it, the *Analog*. For Donlin might turn out to be the second-largest pure gold producer if our arms race with Russia escalates to where I hope it will in terms of our respective projects' production profiles. Comparables are a good thing for investors. They focus attention. And as we believe that "to know Donlin is to love Donlin," Sukhoi Log, the white swan that alighted in Siberia in 2020, will likely bring deserved further attention to Donlin.

The Donlin story has occasionally appeared to be too good to be true. To have another major gold mining company, Polyus, now developing Donlin's analog in earnest is really exciting, as our stature is not diminished by the comparison. Indeed, it is enhanced. Think of it as being told that one dances like Gene Kelly or Fred Astaire – or actually Ginger Rogers, who remarked somewhat archly that she could do everything Astaire did, just going backwards and wearing high heels. Who cares to whose glory one is compared, right? If it is to any of these icons, one is an eternal star. The same goes for Donlin and Sukhoi Log.

Being that Alaska was once a Russian colony, in many ways it's not surprising that analogies are drawn between these two major gold deposits. Both projects enjoy roughly the same amount of ounces at a similar grade, and the same estimated ultimate production profile. It's almost as if our Russian friends looked at our last feasibility study and declared, "Let's target that narrative!" in almost every metric. I am not suggesting that they wish to *steal* what appears to be a compelling investment thesis. That would be rude. And in any event, I do see in their imitation the sincerest form of flattery. There is, however, just one itsy-bitsy difference between the two projects. We happen to stand on the right-hand side of the Bering Strait, where one can sleep well at night and not have to wonder what the Kremlin might be thinking about the ownership of what I suspect shall be declared, in due course,

## POSITIONED TO BE ONE OF THE WORLD'S LARGEST GOLD MINES

Projected Annual Gold Production (millions of ounces)



\* Anticipated annual gold production during full life of mine if put into production as contemplated in the Second Updated Feasibility Study. See "Cautionary Note Concerning Reserve & Resource Estimates" and "Mineral Reserves & Mineral Resources" and associated information on page 50.

† Average of comparison group data of 5 projects based on large (2Moz P&P cut off), North/South American gold-focused development projects with >75% projected revenues from gold, as per latest company documents, public filings and websites as of January 2021.

strategic assets. Evidently, Russians have learned to sleep with one eye open for centuries – so they are not fazed. And we sure wish them uninterrupted, regenerative beauty sleep, for Polyus' greenlighting that mine will be wonderful for the owners of Donlin. Our shareholders (and, one presumes, Barrick's) owning the equivalent of what Sukhoi Log boasts, yet in the second-largest gold-producing state in the United States, is, well...*kind of special*. What counts most for us is that major *Western* investment banks are putting valuations of \$10-\$15 billion on Sukhoi Log in their analyses of Polyus. This is what I have long said Donlin should be worth at today's prices. As your company's most enthusiastic promoter, I therefore hereby pledge to work even harder to close that gap. Clearly, with only one global comparable, the potential value to be unlocked as the partners move forward at Donlin is now more tangible than ever.

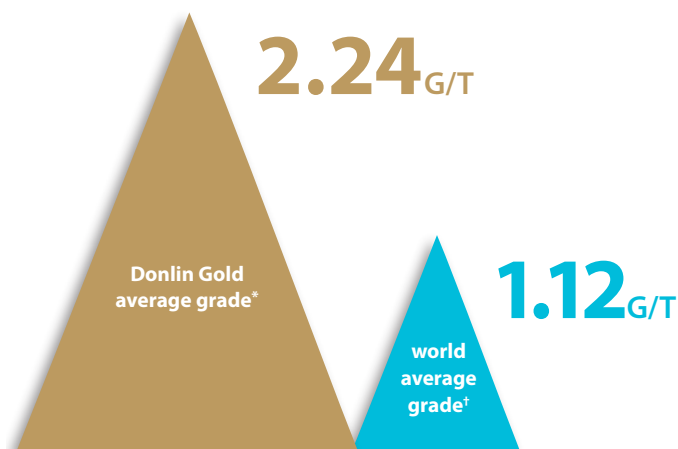
The data points that revealed themselves in 2020 only reinforced this conviction, and in multiple ways. Let us start with the sweetest part: Namely, that we and our Native Corporation partners Calista Corporation and The Kuskokwim Corporation (TKC), and of course the project's co-owner Barrick Gold Corporation, managed to successfully execute the largest drill program at Donlin in 12 years under the constraints of COVID-19 – a truly remarkable achievement. That it was accomplished on budget and within schedule was a testament to a beautiful collaboration by all stakeholders. *That there were no cases of COVID-19 or lost-time incidents* at the Donlin Gold camp was a rewarding attestation to the professionalism, discipline, and conscientiousness of our team and subcontractors.

## DOUBLE THE GOLD INDUSTRY'S AVERAGE GRADE

In that regard, let me add this: Camaraderie matters. And so do honor and fidelity. As seen from our inaugural formal sustainability summary enclosed in this annual report, every single partner is committed to the highest standards of sustainability. This is not a new phenomenon. To us, environment, social, and governance (ESG) is not a revelation. It has been a way of life for 20 years. We never would have made it this far were that not the case. Donlin presents one of the longest and most extensive environmental baseline studies of any gold-mining project in history. As our Native Corporation partners can attest, we talk the talk and we walk the walk. Now that it is fashionable to discuss more fully one's track record for doing it right in sustainable development, we are raising our hands – without fanfare but with great confidence. The truth is, our owners can take supreme comfort in NOVAGOLD's pedigree in this particular area, as the board and management simply don't know how to do anything other than through best practices.

Our reward for this devotion to first principles, should one wish to get a little metaphysical about it, is that the deposit itself showed it was a gift that keeps on giving. That the drilling was completed (with even more holes than planned) was astonishing enough; that the results themselves were better than expected was icing on the cake. There is a reason why assay labs are referred to in our business as "the house of heartbreak." Yet in an industry more often characterized by declining grades and disappointments, Donlin proved the contrary. Once again, it delivered higher-grade results than the modeled projections – a blessing that few gold-mining projects can claim. From literally all standpoints, the mettle and metal displayed at Donlin this past year was awesome.

Not all of the year was as sweet, but we got through the bitter part really well – and then some. In terms of management's resilience and integrity, we experienced what might be called our finest hour when NOVAGOLD was subjected to what we comfortably assert was a blatant manipulation of our stock price, designed to blunt our momentum for the benefit of short sellers who conspired to carry out a short-and-distort scheme and/or needed an exit when it looked like they might get squeezed as our shares approached decade highs. I won't dwell on that subject, as we are currently pursuing justice through the courts against the misbenighted tip of the spear for that duplicity. Discretion is the better part of valor. What is so astonishing to me about this case is the sheer volume of the defamation that was required for it to accomplish its task. Suffice it to say, the net result of the experience was that our shareholder support was exemplary. These investors include the Kingdom of Saudi Arabia's Public Investment Fund, renowned as one of the world's savviest sovereign wealth funds. They liked what they saw and acted with gusto in the marketplace.



\* Represents average grade of measured and indicated mineral resources, inclusive of mineral reserves. See "Cautionary Note Concerning Reserve & Resource Estimates" and "Mineral Reserves & Mineral Resources" and associated information on page 50. † 2020 average grade of open-pit and underground deposits with gold as primary commodity and over 1Moz in measured and indicated resources, sourced from S&P Global Market Intelligence.

We welcome their participation in our story, as we do the two additional Arabian Gulf sovereign wealth funds that already have long-term exposure to NOVAGOLD via their holdings in The Electrum Group. Having such value-added investors cheering on Donlin is of true benefit to our shareholders, and I am grateful to them all for wanting to see one of the largest gold mines in the world built when we and Barrick are ready to roll.

### GETTING BETTER AND BETTER: THE NOVAGOLD ADVANTAGE

I have often been called an activist in both my for- and non-profit lives and acknowledge that being a promoter of great causes and even greater assets, if they are genuinely Tier One,<sup>1</sup> is a real honor. Big cats, Rembrandt, gold (and in the latter, especially Donlin)...they're all of a piece: beautiful, meaningful, uniquely iconic within their own specific ecosystems – and irreplaceable. If I am a promoter of such things, then promoter I shall be. At least in each instance, in addition to capital, I also contribute my passion and my most precious commodity: time. I have skin in the game, and my heart as well. For money is not my be-all and end-all. Death shrouds, as they say, have no pockets and my interests are effectively intertwined. Indeed, David Macdonald, the professor of zoology who founded WildCRU, Oxford University's Wildlife Conservation Research Unit, paid me the highest compliment when he said that "while many are trying to turn tigers into gold, Tom is trying to turn gold into tigers." If you want to know what makes me tick, that about sums it up. With that passion driving me on, not for nothing am I sometimes called "the owner who lives above the store." In my book, that's more of a privilege than a responsibility. For as I often say, "It doesn't take a genius to buy Rembrandt; it

<sup>1</sup> NOVAGOLD defines a Tier One gold development project as one with a projected production life of at least 10 years, annual projected production of at least 500,000 ounces of gold, and average projected cash costs over the production life that are in the lower half of the industry cost curve.

takes a genius to *be* Rembrandt.” At this point, I could say the same for Donlin which, simply put, to me evokes a da Vinci.

That sense of destiny was further evoked in 2020. For if Fortune was impressed by all the positive developments that took place at Donlin, she certainly expressed her approbation by giving us many signs. Such good luck is yet another reason why I have always felt the NOVAGOLD story is so special that my only regret has been that more people don’t know of it. This will assuredly change, and possibly sooner than we think. Given the gold industry’s suffering from both asset scarcity and the ravages of rising jurisdictional risk, we believe that having equal ownership in a Tier One asset located in a Tier One jurisdiction suggests that time is clearly on our side. This, in turn, will give our shareholders *maximum leverage in the perfect jurisdiction to keep the fruits of that leverage*.

For more on that particular angle, one can watch my interview with Dan Tapiero<sup>2</sup> for Real Vision, in which we talk gold and, yes, Donlin Gold. Since that interview was published, I can add that NOVAGOLD and our co-equal owner in the project, Barrick, are fully aligned in carefully planning out the future mine and monitoring developments to advance Donlin Gold toward construction – at a time when both partners conclude that they can achieve maximum benefits for all stakeholders, including our shareholders.

Meanwhile, momentum is building rather fast, for NOVAGOLD is becoming a go-to stock in the space, especially as the sentiment in this sector improves and interest is steadily but surely finding a channel into scarce and consequential North American assets. There are myriad good reasons for this. For while I hate to say it, there won’t be very many players left in the gold space. Collapsing grades, the paucity of new discoveries, and the churning through of reserves at existing mines by the majors all but confirm that we have already reached a tipping point. As such, assets like Donlin Gold, with metrics that are accretive on practically every dimension, are essentially unicorns. When I survey the landscape, I am reminded of the carnage that was visited on the tech space after the late 1990s bubble burst. If one had the presence of mind to sift through the wreckage and have the wits to pick a winner or two – say, an Amazon or an Apple – one made a generational trade. Similarly, I believe that those few gold companies that have great assets in great places will constitute generational opportunities. I believe that NOVAGOLD will stand among those precious few.

Candidly, helping this particular scenario come along is our objective. As the great wit Talleyrand put it, “The art of statesmanship is to foresee the inevitable and to expedite its occurrence.” We’re open about it. I’m open about it. We at The Electrum Group consider Donlin Gold to be the holy grail and want it to be valued for the category-killer Electrum and its shareholders see it to be. Electrum will make money only to the extent that its co-investors will. And these fine folks are exceptionally well-educated about Donlin Gold’s narrative. For those new to the story,

I encourage any reader to peruse NOVAGOLD’s 2018<sup>3</sup> and 2019<sup>4</sup> annual reports. I do urge you to read them precisely because they are considered, by our investors, to represent the gold standard of transparency and intellectual coherence in the gold development space. As such, I am not aware of any shareholders who do not understand our strategy and the steps we are taking to implement it.

In addition to these facts as we know them, our shareholders are accustomed to getting my forward-looking thoughts every year on how the gold thesis is doing. This year’s “Thoughts” section will be a bit longer than usual. Knowing that brevity isn’t my strong suit at the quietest of times, such a statement may appear quite daunting. But if you are like me, watching the world (and not just the markets) venture into uncharted waters begs for an attempt at explanation. There are so many new facets to the new world disorder. Perhaps dozens. I shall dwell primarily on two of them: crypto as it relates to precious metals, and China.

## GOLDBUGS, BITBUGS, AND SILVERBUGS

*“I have always thought there might be a lot of cash in starting a new religion.”*

*George Orwell to a friend, 1938*

Tempting as it is to veer into sex and politics and other temporal issues this year, let us stick with what now constitutes the less controversial, albeit more spiritual, subject of religion. The revelation of divine truth is a powerful thing, and it is a wondrous sight indeed to witness the birth of a new and passionate faith. Some might even argue that, in an era characterized by a perverse alloy of cynicism and financial exultation, this spectacle is especially pronounced when money is involved. *Real* money – not this penny-ante “a billion here, a billion there” kind of stuff, but rather a *trillion* here or there.

The rise of cryptocurrencies in fact could be interpreted as such a theological phenomenon. And George Orwell, as with many other cases in his observation of the human condition, was likely onto something very much worth pondering here. For as JPMorgan strategists John Normand and Federico Manicardi wrote in mid-January, “Whether cryptocurrencies are judged eventually as a financial innovation or a speculative bubble, Bitcoin has already achieved the fastest-ever price appreciation of any must-have asset.”

The pious fidelity of the contemporary neo-monetary monotheists, a.k.a. the Bitbugs, is nonetheless all the more impressive given that the concentration of crypto wealth would make even a plutocratic one-percenter blush. If what I have read is true – admittedly, a high hurdle in this era of obfuscation and manipulation – approximately 2 percent of anonymous accounts control some 95 percent of all Bitcoin holdings, a data point which NYU economist Nouriel Roubini also relayed.<sup>5</sup> A further breakdown

<sup>3</sup> [https://www.novagold.com/resources/NG\\_2018-AR.pdf](https://www.novagold.com/resources/NG_2018-AR.pdf)

<sup>4</sup> [https://www.novagold.com/resources/NG\\_2019-AR.pdf](https://www.novagold.com/resources/NG_2019-AR.pdf)

<sup>5</sup> <https://www.fxstreet.com/cryptocurrencies/news/bitcoin-whales-ownership-concentration-rises-alongside-prices-flipside-crypto-202011281344>

<sup>2</sup> <https://www.realvision.com/the-kaplan-doctrine-conservation-preservation-and-value>

indicates that large holders, the so-called whales, would own about 92.4 percent of the 2 percent, with crypto exchanges accounting for nearly 7 percent.<sup>6</sup> What a brilliant phenomenon it is to get people to want it despite this.

A beautiful *précis* of the theistic aspects of cryptocurrencies<sup>7</sup> was published by Bloomberg early in 2021. It begins thus:

*Bitcoin is the first true religion of the 21st century. Sometimes people call Bitcoin a religion pejoratively, as a way to sneer at its disciples. Or they call it a cult. Or they just use "religion" to imply that the whole thing is irrational. But I mean it with no judgment one way or another. Just that it's literally a religion. There's plenty of evidence for it.*

This piece was followed up a couple of weeks later by an equally riveting reinforcement.<sup>8</sup> Like the author, Joe Weisenthal, I reserve the right to be non-judgmental while analyzing the phenomenon. And yet, I sort of enjoy watching it. Most religions fizzle out and become rumps or insignificant cults. The most prosperous religions, however, are often promoted as continuations of a successful model, or at least an established one. One need go no further than the Judeo-Christian-Islamic narrative to evidence this point. So long as the Bitbugs are a bit tolerant of the gold bulls' denial of their exclusive right to the future of hard currency, all will be well. Gold is tested by *time*, and, even if technically demonetized *for the time being*, it is still a recognized and safe store of value that will continue to be seen as such by central banks. Not unlike that Old Testament/New Testament/Quran dynamic, I for one have a deepening suspicion that the evangelism of cryptocurrencies' true believers may metamorphose in a way that will reaffirm and enhance the case for gold itself as part of a mix of alt-currencies. After all, the fundamental rationale for ownership of cryptocurrencies is pretty much grounded in the intrinsic justification for owning gold.

Crypto bulls recognize that the monotheistic principle of "money that can't be printed by fiat *ad infinitum*" began with gold (and, to be fair, silver too). Both assets hence are part of a wave against the paganism of what began as a creeping and inchoate irresponsibility and has now crystallized into a new creature altogether – namely, Modern Monetary Theory. True, this heresy remains the state religion. But with gold gaining new adherents, and the hyping of cryptocurrencies' various successor testaments and catechisms, the neo-monetary monotheists of what I am here and now christening "Modern Monetary Theology" are taking the thesis to a new generation that many of the gold bulls, and I for one, would never have been able to reach on our own. Thus, I do believe that what Bitbugs refer to as the "new gold" bodes very

well for the old gold. History shows that, when people behave civilly, multiple models derived from a common gene can survive in tandem – and indeed thrive.

Want and need are two distinct things; the difference between freedom and dependency. For our purposes that is to say that, while I genuinely *want* crypto to succeed, I don't actually *need* crypto to succeed for Donlin and scarce assets in safe places to become their own juggernauts. This is an excellent position in which to find oneself. To go from the sacred to the profane, this reality actually applies to numerous asset classes. After all, Old Masters are reaching new highs at auction and in private sales. In fact, an Old Master painting – Leonardo's *Salvator Mundi* – holds the record at auction for any work of art ever, despite being sold in a market swirling with modernist and contemporary creations. There is a lot to be said for pedigree and scarcity.

I shall not, however, say much for why one should own gold – or crypto, for that matter. While each asset boasts some bells and whistles that are unique to itself, their commonality of purpose should form a sea change that is embraced by the gold bulls, who have witnessed the triumph of the essential arguments with a new generation. And by now, practically all of these NMM evangelicals have heard their favorite asset referred to as "digital gold" or "the new gold." Millennials logically associate the received wisdom of crypto as being the natural extension of something that has an actual *multi-millennial* pedigree. This rebooted applause for gold is *enormously* bullish for the metal – for the zeitgeist has the potential to boost gold's brand recognition as an aspirational asset benchmark, at just the right time for an industry that cannot find sufficient quantities to replace their reserves. Think about it: Every time a Bitbug refers to crypto as "the new gold" or "digital gold," they are paying a compliment to gold. True, they may be saying it as a backhanded compliment. But considering that this crowd probably never owned – or thought of owning – any non-fiat currency (or was even familiar with the idea that they should or could) until recently, *any* revelation at all regarding why gold has worked can only be accretive to the brand of a most under-owned financial asset. Some, led by reputable aficionados such as Mike Novogratz himself, actually espouse buying gold and, as seen most quixotically but very intelligently, there is clearly a strong retail (as well as institutional) interest in silver. If, as I suspect, these fellow leverage lovers happen to look for a new hit of octane, they will be pivoting to the miners with enough enthusiasm to create a new bubble in that beaten-down asset class.

For those who want some practical advice, therefore, I can only express how I am choosing to trade the gold/Bitcoin phenomenon. It is through the equities of gold and silver mining shares. If crypto does well, it is a very good sign that gold will do fine. If digital currencies are themselves disrupted by governments and their market deepens, crypto:gold ratios will emerge that will be tradable. The relative illiquidity of gold and silver will cause them to be revalued upward. And so it goes. I have always held that gold needs a \$3,000-5,000 price for an equilibrium to be reached simply from a gold industry standpoint – with multiples of that

<sup>6</sup> <https://www.bloomberg.com/news/articles/2020-11-18/bitcoin-whales-ownership-concentration-is-rising-during-rally> (accessed February 6, 2021)

<sup>7</sup> <https://www.bloomberg.com/news/newsletters/2021-01-04/five-things-you-need-to-know-to-start-your-day>

<sup>8</sup> <https://www.bloomberg.com/news/articles/2021-01-21/bitcoin-is-a-faith-based-asset-joe-weisenthal>

if macro factors play out as they can. With the market cap of the entire precious metals sector amounting to not much more than the daily fluctuations in any of the new Nifty Fifty, it will not take much more than the flapping of a butterfly's wings to cause the miners to revert to their historical golden mean in valuation.

## ON TO THE BEST PART

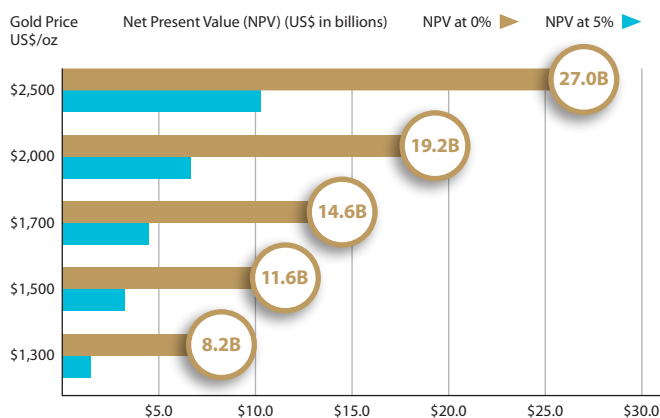
Were I to be even fractionally right on my outlook for the metals, the surge will not be ephemeral. For it will coincide with that perfect storm of supply-demand fundamentals of which I am convinced even more so now, and that ultimately argues for an epic higher revaluation of the metals – and their equitized proxies especially. Moreover, unlike crypto, the miners enjoy some highly favorable differentiators. Here are a few to get the juices flowing and realize why I believe it's game over for the precious metals bears:

- ▶ Gold is a hard business, literally and figuratively. A new cryptocurrency essentially requires an algorithm – no small feat, of course – but putting aside the benefits to being a first-mover, a new and improved version of the coin can always be created if one wills it. Gold is uniform in its chemical composition, what one might call its *algorithm*. There is only one kind of Au. I do not have to imagine what kind of regulation gold may face that can harm its thriving – I already know what those scenarios are and can live with the consequences. However, I can be quite sure that many governments are looking at how to manage or even compete with crypto. Suffice to say that, while there exist a multiplicity

of cryptocurrencies (and I suspect that the true winners are not even named yet, other than perhaps in Chinese), there is still only one kind of gold and one kind of silver, history's time-tested monetary metals. And as we all know so well, both are genuinely hard to find and exploit. For once one has bucked the roughly 1,000-10,000:1 odds against finding something new through exploration, it will then take on average 15-25 years to develop, permit, and build the mine itself. As we also appreciate, the industry has not generated new discoveries for years. And grade is plunging – by half over just the last decade. If anything, production is slated to decline for years.

- ▶ Let me also remind the reader that gold is not like hydrocarbons, with vast reservoirs or resources ready to be switched on quickly should prices rise, or unlocked simply by new technologies such as horizontal drilling or fracking. The mining industry does not enjoy the luxury of 3D seismic, and deposits can take decades to go from prospect to mine. *Peak gold really is peak gold*. Barrick recently estimated that gold production will decline by 5 percent a year for years going forward. I believe that's about right. If anything, it will likely prove to be a conservative forecast as jurisdictions once thought investible are no longer so, and declining grades mean higher costs with less output. What an incredible story. That's why I often claim that, as far as supply is concerned, the horse has already left the barn.
- ▶ The future market darlings, gold miners – even the majors – are all pretty much small caps today. Those that remain are healthier than they have been in years. If I am remotely right in my thinking, gold and silver companies that operate in jurisdictions where one is allowed to keep the fruits of all this leverage will potentially offer the biggest dividend potential in the investment world. And not just for equity investors looking at yield-generating stocks, but also for fixed-income investors looking for alternatives to bonds in the low-yield environment we find ourselves in – and which is likely to remain in place for the foreseeable future. The dividend streams from precious metals equities should attract a huge wall of yield-seeking money from the fixed-income market, which at the moment wouldn't see crypto as a viable option. As such, for those who want real leverage to the New Monetary Theology, the miners deserve a really hard look. The pent-up buying power of that observation is good enough for me. As Michael Oakeshott, the late London School of Economics political philosopher put it so elegantly, "a true conservative is one who prefers...present laughter to utopian bliss."

## DONLIN GOLD'S UPSIDE VALUE WITH HIGHER GOLD PRICES



Donlin Gold estimates as per the Second Updated Feasibility Study, effective November 18, 2011, amended January 20, 2012. All dollar figures are in USD, represent 100% of the project of which NOVAGOLD's share is 50%, and reflect after-tax net present value (at 0% and 5% discount rates) of the Donlin Gold project using the feasibility study reference date of 1/1/2014 (start of Year -05) as the first year of discounting. Estimated project development costs of approximately \$172M to be spent prior to the reference date are treated as sunk costs. At a 5% discount rate, the net present value is: \$1,465M @ \$1,300 gold; \$3,147M @ \$1,500 gold; \$4,581M @ \$1,700 gold; \$6,722M @ \$2,000 gold; and \$10,243M @ \$2,500 gold. The project requires a gold price of approximately \$902 per ounce to break even on a cash flow basis. See "Cautionary Note Concerning Reserve & Resource Estimates" and "Mineral Reserves & Mineral Resources" and associated information on page 50. Wood Canada Limited ("Wood" formerly AMEC Americas Limited) is currently updating all sections of the Second Updated Feasibility Study with updated costs, economic assessment, permitting information, and technical information related to permitting, generated on the Donlin Gold project since 2011, which is anticipated to be finalized and filed during 2021. Based on that cost review, Wood determined that updating the Second Updated Feasibility Study using 2020 costs and new gold price guidance results in no material change to the mineral resources or mineral reserves. The economic assessment in the updated study may be materially different than in the 2011 study.

## A RESOURCE MORE THAN FOUR TIMES THE SIZE OF THE PEER GROUP AVERAGE



\* Represents 100% of measured and indicated mineral resources, inclusive of mineral reserves, of which NOVAGOLD's share is 50%. See "Cautionary Note Concerning Reserve & Resource Estimates" and "Mineral Reserves & Mineral Resources" and associated information on page 50. † Peer group data based on company documents, public filings and websites as of March 29, 2021. Comparison group of 15 projects based on large (2Moz Proven and Probable cut off), North/South American gold-focused development projects with >75% projected revenues from gold.

### ELECTRUM'S ALGORITHM

It is true that my enlightened complacency might be influenced by the belief that I have found a formula to making outsized returns in natural resources when one owns the right asset in the right macro environment. Despite prospering in this business for nearly three decades, my personal perspectives are more qualitative – really as a historian who applies what he believes to be some of history's important lessons. That has proven to be a strong comparative advantage in commodities investing, even if I still freely admit that the extent of my knowledge of the nuts and bolts of mining would fit generously into a thimble.

Knowing what I *do not* know, from the very outset of my career I thus made it the first order of business to surround myself with people of the greatest integrity – that is, who are not afraid to tell me when the emperor is naked – and who are also at the top of their games in their respective spheres: wise individuals such as my "Doctors Nyet," Ken Rye and fellow NOVAGOLD board member Igor Levental, in analyzing and negotiating deals; first-rate geologists, led by the remarkable Dr. Larry Buchanan; and enormously successful and battle-proven mine operators and builders, best exemplified in my experience by NOVAGOLD's very own Greg Lang and Richard Williams. Electrum puts serious money into exploration. If we are really lucky, this formula can make 10x on a discovery. And if we get the macros right, we can expect that windfall to multiply a further 10x. Thus, should my team and I have the choice of where to put Electrum's risk dollars today, it still would

be into that model ahead of any other. And truth be told, were the decision Electrum's alone, we would have multiple drill rigs on Donlin right now. For the industry desperately needs reserve expansion at these grades. The CEO of Wheaton Precious Metals, Randy Smallwood, used a nice turn of phrase with Kitco to describe the collapse in grades and the fact that "it is getting tougher and tougher to find good solid assets and opportunities to grow": Geological Inflation. As he put it far more succinctly than I am ever wont to do: "Having good long-life assets against this backdrop is incredibly important."<sup>9</sup> That is indeed our philosophy as well.

### WHITHER THE DOLLAR AND CHINA?

For years I argued that, in a world where all paper currencies are toilet tissue, at least the dollar was double-ply. And as currencies are relative instruments, of the fiat currencies the dollar remained the best. Thus, one should own gold *and* the dollar simultaneously. Of course, I am always met with a raised eyebrow with that one because one of the most persistent myths remains that gold somehow needs a weak dollar. It does not, as illustrated with this case in point.

I distinctly remember the day I sold my energy company in 2007. Oil was well north of \$100 with Goldman Sachs claiming that a spike to \$200 was possible – bless their hearts – and the dollar stood at \$1.47 against the Euro. Gold had a \$600 handle. And thus are put to rest two myths: First, that gold is a commodity like oil and will trade with commodities in tandem; second, that the dollar (having *strengthened* to its present \$1.20 versus the Euro) needs to fall for gold to rise. Myths are wonderful things. Since that day some 13 years ago, gold has tripled during a period in which the dollar grew even stronger. Meanwhile, oil declined to a fraction of where it was when I had to decide in which currency I wished to be denominated as I pounced on the gold-mining opportunities that would present themselves. A year later, this would include NOVAGOLD, the company that had successfully and famously fended off a hostile takeover bid by Peter Munk's Barrick.

While the fiat currency alternatives to the dollar are ripening for sure, reserve currencies usually take a while to wither. After all, in an article published in the *Washington Post* and appropriately titled "How Trump made China's currency great again," the author cites the Nixon-era Treasury Secretary John Connally, who quipped – wickedly yet not incorrectly – to a group of European finance ministers that the "dollar is our currency, but it's *your* problem."<sup>10</sup> So I will only say this: Watch China. I think of China as Dean Martin did of Sinatra when he said, "It's Frank's world; we just live in it." American hegemony is receding as China's is rising – a process that accelerated materially, in both directions simultaneously, during the last several years.

<sup>9</sup> March 12, 2021 Kitco interview titled "Geological inflation is here; how does this affect gold and silver price?"

<sup>10</sup> <https://www.washingtonpost.com/opinions/2021/01/20/how-trump-made-chinas-currency-great-again/>

As someone who is deeply pro-American, I write this with genuine regret. Still, the fact is that China's was the only one of the world's largest economies that did not contract last year. The contrast between their effectiveness (and concomitant brutality) in implementing their policies and the performance of most Western countries is glaring. Such rigor, combined with the notion that there are some 1.4 billion of these hard-working people, should be considered strongly. Of course, many would point out that the travails of the pandemic can be traced to Chinese wet markets. This might well be accurate. But it is also irrelevant when it comes to this discussion.

The Great Depression that began in 1929 was triggered by a stock market crash that originated in the United States. That fact was fully forgotten in the ensuing socio-economic and geo-political disasters that followed. What remains is the ironic result that a singular crisis catalyzed by American excess resulted, within less than a generation, in both the displacement of multiple empires and the United States itself emerging as a global hegemon. Speaking figuratively now, we know how wars begin. But to paraphrase General David Petraeus' trenchantly insightful question not long after the Iraq War commenced, "Tell me, how does this end?"

This leads us to another reason why I don't simply call crypto by the name of its present market leader, Bitcoin. I voluntarily put aside the question of which cryptocurrencies will survive, partially as I would like this piece to retain some reasonable shelf life. But also because governments could cut the crypto story dead in its tracks at any time. Note to the bulls: I strongly urge the space to find another name for it. Governments do not like to lose control of their money without a fight. And they don't need to look very far for the *casus belli*. In a regulatory era determined to ensure that "know your customer" is real, that money can be traced and that it is utilized transparently, the mere expression *cryptocurrencies* itself invites a crackdown. What Jim Grant calls a "digital bearer bond" should really be called "happy money." Anything but crypto. In that spirit, there's also the environmental aspect. As Grant quipped: "That such energy-intensive 'mining' makes gold mining look green is, to the Bitcoin faithful, irrelevant."<sup>11</sup> But that cognitive dissonance may not last too long.

Then there is this: I do believe that the Chinese are firmly dedicated to crypto in their bid to undercut one of the most important pillars of American power – the take-it-or-leave-it nature of the dollar standard. Thus, to those who have learned through experience the aphorism "Don't fight the Fed," I would suggest that in the not-too-distant future it will be adjoined an important corollary: "Don't fight the Fed and/or the People's Bank of China." While there certainly will be other countries that seek to incorporate crypto into their strategies, I would bet on the Chinese determination to perfect crypto and other aspects of the renminbi alternative as they internationalize their currency. They will scrub their efforts internally and then expand to the Belt and Road and thenceforward to the rest of the world.

As a more significant trading partner to more countries in the world than the United States, the rise of China's currency to reserve status – at the expense of the dollar – is inevitable. If I had to hazard a guess, it will also involve gold, of which the Middle Kingdom is the largest producer *and* the largest buyer. And I believe as well that it will involve Russia, which made news in 2021 when its gold holdings surpassed U.S. Treasuries for the first time. That is a meaningful statement, both for how the country views gold (of which Russia has now overtaken Australia for the number two spot in global gold production) and what they seek to accomplish in terms of monetary autonomy. Vested interests are happy interests. Moreover, I believe that, if the Chinese and Russians are not already acting in concert, they have ensured that their melodies are harmonious. Then of course there is Mother India, whose love for gold has been requited with higher prices, thereby providing pretty much all Indians with positive reinforcement from holding gold as a store of value. So we have China, India, and Russia with a genuine vested interest in gold at a time when production is declining and money printing has reached the "ho-hum, just pile it on" phase. In short, I can see that the long-term prognosis for gold – officially as well as unofficially – involves gold. For me personally, I feel as the lady at the next table to Meg Ryan's in *When Harry Met Sally...* When I watch the reaction of those three ambitious powers reprising her classic euphoria, my only response is, "I want what [they're] having."

<sup>11</sup> "Bitcoin Goes to Wall Street," *Grant's Interest Rate Observer*, Vol. 39, No. 3, February 19, 2021.



## EARLY INNINGS STILL

Obviously, I am not the only one to detect this paradigm shift in gold. There is no doubt that consciously and subconsciously the investment climate has changed in the bulls' favor. The gold narrative is far more well-received now than it was a couple of years ago, and the expansion and quality of gold's list of advocates has been beautiful to behold. So it has been with the crypto phenomenon mirroring this pivot, and with its passionate adherents who are presenting precious metals with a new pool in which to wade. If crypto multiplies, precious metals will prosper for their own merits and for their arbitrage opportunities as people seek value amidst the alt-currencies. If crypto does not do well for whatever reason, or faces increased regulation, gold's time-tested reliability will let it continue to shine for all the reasons I have highlighted for years.

## TOP LONG-TERM SHAREHOLDERS

63.5%  
top 10

25.7% Electrum Strategic Resources LP & affiliates  
7.5% Fidelity Management & Research Company  
6.7% Paulson & Co. Inc.  
6.4% BlackRock Institutional Trust & affiliates  
4.9% Saudi Public Investment Fund  
3.6% Van Eck Associates Corporation  
3.0% First Eagle Investment Management  
2.4% The Vanguard Group, Inc.  
2.0% EXOR Investments (UK) LLP  
1.3% State Street Global Advisors (US)



36.5%  
all other

\* Market Capitalization based on 331.3 million shares issued and outstanding and NOVAGOLD share price of \$9.31 as of April 1, 2021. Shareholder positions are based on the latest 13-D, 13-F or 13-G filings as of December 31, 2020.

It is still early days in this story, however. At this juncture, I am yet again reminded of the wise words of John Hathaway, whom I regard as the Dean of the Gold Bulls: "A cursory inspection of the U.S. fiscal situation suggests that the U.S. dollar deserves to rank high on the endangered species list. *We believe that now is the time to start layering in gold exposure, not when the rest of the world tries to do so.*"

If John is right, and if I am right, the place to be in order to benefit from a legitimate revaluation (dare I say "bubble"?) remains the precious metals miners. The massive dividend streams to which I referred, coupled with the multiple expansion of those companies with long-lived Tier One assets in Tier One jurisdictions, could allow these companies to outshine everything else but some groundbreaking tech and biotech stocks – and yes, even crypto. We live in a world in flux. Empires are rising, empires are declining. Gold may or may not be the biggest winner. But a winner it will be. And that bodes well for me and the shareholders of NOVAGOLD.

## ACKNOWLEDGMENTS

I have evoked Fortune quite a few times in this piece. Those readers who know me understand it is no throwaway expression in my book. Rather, an appreciation for the inherent fickleness of life constitutes part and parcel of a deep affinity for certain classical values of acknowledgment best evoked by Cicero, who put it so perfectly: "Gratitude is the greatest of the virtues and the mother of all the others." I believe with all my heart and mind in the absolute truthfulness of this sentiment. And at no time in my adult life than during this past year have I felt more grateful for all those that I have around me and in my various ecosystems.

To all those who are making the Donlin Gold project advance so gracefully and helping the NOVAGOLD story shine so brightly, you have my deepest appreciation. The year 2020 clearly would not have been the success it turned out to be without the wisdom and fidelity of all our allies and collaborators: our Alaska Native partners – Calista and TKC – and our joint-venture partner Barrick; the State of Alaska and the federal government; our board of directors; the management personnel in Salt Lake City, Vancouver, and at Donlin in Alaska; and all our contractors and professional advisors. As that owner who lives above the store, and knowing what it is to be a long-term investor, my gratitude for our fellow shareholders knows no bounds. From the more modest retail investors all the way through to the most highly acclaimed fund managers and shrewdest sovereign wealth funds, we feel blessed with a trust that NOVAGOLD holds sacred.

Thank you all once again for that trust. Please stay safe. And may you and your loved ones experience a healthy and prosperous 2021.

**Dr. Thomas Kaplan**  
Chairman, Board of Directors  
April 7, 2021

1

Q + A

## YOU'VE BEEN IN THE NOVAGOLD STORY FOR 12 YEARS NOW. PLEASE TELL US HOW YOUR INVOLVEMENT HAPPENED.

We at Electrum entered the NOVAGOLD saga on December 31, 2008 as something of a white knight, purchasing the company's shares for the very first time in order to literally save it from existential challenges across an extraordinarily broad front. Putting aside the fact that the economic environment on that New Year's Eve was not particularly permissive of any investment at all, our intervention appeared – even to our closest friends – as akin to catching a falling knife. But I had sold my hydrocarbon company, Leor Energy, for cash a year earlier in order to pivot to gold, and luck as well as opportunity coalesced beautifully right where I had put my focus: NOVAGOLD.

As a bit of background, I had long coveted exposure to the Donlin story. Watching at a distance from the early 2000s, I felt that I had missed the chance as NOVAGOLD's shares rose from pennies into the teens on the back of drilling that produced what were clearly among the best exploration results in the gold industry. I wasn't the only one who saw this potential; Barrick not only shared my view, but also tried to buy the company in 2006 when NOVAGOLD's market cap was approximately \$1.2 billion. The failure of their takeover attempt was to have enormous implications for both companies.

By the end of 2008, NOVAGOLD was untouchable. Name the crisis and the company defined it: debt coming due that would have put it into bankruptcy, class-action lawsuits, environmental concerns with the EPA (regarding a modest gold property that was remediated and is now divested), loss of credibility with investors and analysts, and hostility from at least one of its key partners. I could go on. But being that we were not irrational by nature – and that it's much more fun to speak to what transpired afterward – we reached the conclusion that if we could turn this disaster around it would prove to be worth it.

Barrick itself was waiting in the wings to buy NOVAGOLD out of bankruptcy. They were not the only ones. That was the reason I didn't try to acquire the whole company. A wise head, Igor Levental (the guy married to Jessica and also Electrum's president) was whispering in my ear: *Remember Caesar, thou art mortal*. The argument went as follows: If you try to take it all and right out from under the noses of the majors that covet the company, all they have to do is walk you up dollar for dollar and so long as the number they pay is less than the takeover price that Barrick offered (and the shareholders rejected), it is worth it for them. It was a pretty good point, so we settled for less ownership but with certainty of transaction. There's greedy, and there's stupid. Nonetheless, I could count on the fog of war for only so long and the fuse on the rescue of this pariah was short. It was so short, in fact, that I decided to forego our characteristically fastidious due diligence process to rely upon NOVAGOLD's joint disclosures with Barrick. I decided that I didn't have to trust NOVAGOLD's representations about Donlin, just their partner's.

Only after we had closed our investment in NOVAGOLD were we able to send our chief geologist, Dr. Larry Buchanan, to walk the property and share his impressions. Larry's award-winning team had led the discovery and exploration at San Cristobal in Bolivia, which resulted in the identification of what developed into one of the largest silver and zinc mines of his generation. A man of enormous integrity as well as talent, much like Igor he also only "speaks truth to power" and his opinion means a great deal to me. "Is the deposit at Donlin what we thought it was?", I asked upon his return. "Oh no," said Larry. Mercifully, before my heart sank, he then quickly added that there was, in his opinion, very much more than the 30 million ounces<sup>12</sup> already identified. Moreover, with that 8km strike being a mere 5 or so percent of the property package, Larry's conclusion was most emphatic when he said that *"the next Donlin could be at Donlin. Congratulations."* Within a couple of years, we had sorted out the various messes that were leading NOVAGOLD to collapse before 2009, and by 2010 the equity returned to the price it had been during the Barrick takeover attempt.

<sup>12</sup> In April 2009, Novagold reported 35.3 million ounces of gold, on a 100% basis, contained in measured and indicated mineral resources, inclusive of proven and probable mineral reserves, of which Novagold's share was 50%. This is supported by a past technical report, "Novagold Resources Inc., Donlin Creek Gold Project, Alaska, USA", effective April 1, 2009. Measured resources, inclusive of proven reserves, totaled 10 million tonnes grading 2.53 grams per tonne, and indicated resources, inclusive of probable reserves, totaled 469 million tonnes grading 2.29 grams per tonne. This estimate has been superseded by the estimate contained in the Second Updated Feasibility Study effective November 18, 2011 and amended January 20, 2012. For current mineral reserves and resources, refer to "Cautionary Note Concerning Reserve & Resource Estimates" and "Mineral Reserves & Mineral Resources" table on page 50.

2

Q + A

### NOVAGOLD IS ELECTRUM'S FLAGSHIP INVESTMENT BECAUSE YOU SAY DONLIN IS THE "HOLY GRAIL." COULD YOU EXPLAIN THAT?

When we entered NOVAGOLD at the very end of 2008, as discussed earlier, we felt that Donlin was likely the best single development asset in the gold space. The passage of time has not only reinforced this opinion, but we now believe that industry fundamentals are rendering it unique. Let me put it this way. When I speak about Donlin, I often ask this simple question of my audience: *What other development-stage asset in the industry compares in its combination of enormous size, high grade for an open-pit (and hence low all-in cash costs), truly superb exploration upside, a production profile of potentially the biggest pure-gold mine in the world, a mine life measured in decades, excellent local community and industry partnerships, and also the safety of being located in one of the world's premier jurisdictions?*

I've never heard pushback with that one. If one cannot challenge the assertion, then Donlin must be unique. One might call it the gold industry's variation on a theme of Sir Arthur Conan Doyle's "Holmes Method"...the Donlin Corollary!

3

Q + A

### YOU HAVE COMPARED DONLIN TO THE STORY OF "THE TORTOISE AND THE HARE." COULD YOU ELABORATE ON ELECTRUM'S STRATEGY HERE?

Natural resources assets have been my livelihood for nearly three decades. And focusing on the rare "category killers" – whether in silver, platinum group metals, or hydrocarbons – has rendered a rather good living. This certainly applies to Donlin Gold, which to us represented the closest thing to a unicorn when Electrum entered the NOVAGOLD story. To some, our investment then may have seemed long-dated. But our modus operandi is effectively to buy and hold and be patient. Now, with its federal permits and excellent attributes as a bona fide category killer, Donlin doesn't look so long-dated any longer. In fact, as other less-attractive mining projects around the world have been cancelled at

an accelerating rate, Donlin has continued progressing at its natural pace. We refer to this phenomenon as "The Tortoise and the Hare." Thus, rather than experiencing deal fatigue of any kind, it's quite the opposite. The passage of time has only reinforced our belief in Donlin's uniqueness and hence NOVAGOLD's potential as a go-to stock in the next up-leg of the gold cycle.

4

Q + A

### SO YOU SEE DONLIN AS "BEST IN BREED"?

Yes, completely. Certainly, the superlatives one can attach to it are quite remarkable. In one or two phases, Donlin could well represent the largest single pure gold mine in the world when it begins production – and with decades of reserves. Other than perhaps Sukhoi Log in Russia, there are no known potential pure-gold producers that would start with nearly 40 million ounces of contained gold in measured and indicated mineral resources (inclusive of its 34 million ounces in proven and probable mineral reserves)<sup>13</sup>...and out of only the 3km portion of an explored 8km-long mineralized belt. And with that being only 5 percent of the land package. In other words, in an era characterized by declining reserves and precious few new discoveries, Donlin's size could possibly increase along strike as well as in terms of depth – perhaps significantly so. In addition to quantity, as evidenced by our most recent highly successful drill campaign, this asset also offers extraordinary quality.

Let's just consider the numbers from the 2011 Feasibility Study – which we very much look forward to refreshing together with Barrick. Though the project was envisaged to begin by processing an average head grade of 2.6 grams of gold per tonne in the first five full years of production,<sup>14</sup> even the average reserve grade of 2.1 grams per tonne<sup>15</sup> represents almost *double* the average grade of other gold projects.<sup>16</sup> *Size and grade matter.* The consequence

13 Donlin Gold data as per the Donlin Gold Second Updated Feasibility Study (as defined herein). Donlin Gold measured resources of approximately 8 Mt grading 2.52 g/t and indicated resources of approximately 534 Mt grading 2.24 g/t, each on a 100% basis and inclusive of mineral reserves. Mineral resources have been estimated in accordance with NI 43-101. Donlin Gold proven mineral reserves of approximately 8 Mt grading 2.32 g/t and probable mineral reserves of approximately 497 Mt grading 2.08 g/t, each on a 100% basis.

14 Donlin Gold data as per the Second Updated Feasibility Study. The average head grade processed in the first five full years of production is 2.62 g/t. For current mineral reserves and resources, refer to "Cautionary Note Concerning Reserve & Resource Estimates" and "Mineral Reserves & Mineral Resources" table. Projected average annual production represents 100% of which NOVAGOLD's share is 50%.

15 Donlin Gold data as per the Donlin Gold Second Updated Feasibility Study (as defined herein). Donlin Gold proven mineral reserves of approximately 8 Mt grading 2.32 g/t and probable mineral reserves of approximately 497 Mt grading 2.08 g/t, each on a 100% basis. Mineral reserves have been estimated in accordance with NI 43-101. See "Cautionary Note Concerning Reserve and Resource Estimates" on page 50.

16 2020 average grade of open pit and underground deposits with gold as primary commodity and over 1Moz in measured and indicated resources is 1.12 g/t, sourced from S&P Global Market Intelligence.

of Donlin's sheer scale and superior grade render the economics unusually attractive, with the numbers then suggesting per-ounce life-of-mine cash costs of \$585 and all-in sustaining costs of \$735.<sup>17</sup> And critically, the operations will be located in a safe part of the world where an investor can tread without fear. *As such, for us Donlin constitutes the optimal way to invest in the space: that is, to seek the maximum leverage to gold in a jurisdiction that will allow investors to keep the fruits of that leverage.* My emphasis on that last bit has led analysts to refer to it as the Kaplan Doctrine. While I enjoy the recognition, I personally call it the "Sleeping Well Rule." In my case, regenerative sleep has always been directly correlated with higher returns. Hence our strategy with Donlin: the patient man's way to get rich in gold while being able to sleep well at night.

## 5 Q + A

### HOW WOULD YOU CHARACTERIZE NOVAGOLD'S RELATIONSHIP WITH BARRICK?

The partners have never been closer...or more closely aligned. Working together as a team, in 2020 we successfully completed a comprehensive, 85-hole drill campaign which covered some 23,400 meters – the largest in 12 years.<sup>18</sup> This is a big deal. Mark Bristow, the president and CEO of Barrick, doesn't drill something out of academic interest – and neither do we, for that matter. And it is no coincidence, for instance, that Barrick and NOVAGOLD have been reporting jointly on the program. This too is a first, and a symbol of our deepening cooperation.

Both partners are obviously delighted with the outcome of the drill campaign, not only in terms of the actual results, which yielded better grades and higher grade-thicknesses than predicted by previous modeling, but also with the manner in which the work was conducted – particularly in light of the COVID-19 pandemic. Our two companies were especially proud of the fact that there were no cases of COVID-19 at the Donlin Gold site. Furthermore, with the help of dedicated community partners in Alaska and in the Yukon-Kuskokwim (Y-K) region who share the objective of protecting the health of Donlin Gold's workforce, a wide-ranging set of policies has been implemented to mitigate the spread of COVID-19.

<sup>17</sup> Donlin Gold estimates as per the Second Updated Feasibility Study. All dollar figures are in USD and represent 100% of the project of which NOVAGOLD's share is 50%. Donlin Gold estimates as per the Second Updated Feasibility Study effective November 18, 2011, as amended January 20, 2012. "Costs applicable to sales per ounce" and "All-in sustaining costs" are non-GAAP financial measures. See Non-GAAP Financial Measures at [www.novagold.com](http://www.novagold.com). The project requires a gold price of approximately \$902 per ounce to break even on a cash flow basis. Wood Canada Limited ("Wood" formerly AMEC Americas Limited) is currently updating all sections of the Second Updated Feasibility Study with updated costs, economic assessment, permitting information, and technical information related to permitting, generated on the Donlin Gold project since 2011, which is anticipated to be finalized and filed during 2021. Based on that cost review, Wood determined that updating the Second Updated Feasibility Study using 2020 costs and new gold price guidance results in no material change to the mineral resources or mineral reserves. The economic assessment in the updated study may be materially different than in the 2011 study.

<sup>18</sup> See media release dated March 25, 2021, "Donlin Gold Announces Assay Results From Remaining 30 Percent of the 2020 Drill Program, Consistent With Previously Reported Results of Higher Than Predicted Grade-Thickness" here: <https://www.novagold.com/resources/news/2021-03-25.pdf>

In light of these achievements, Mark Bristow appropriately observed: "Building on the last two decades of exploration, the results continue to highlight Donlin's world-class potential." The highly successful and COVID-free conclusion of the 2020 drill program, and in particular the strong results Barrick and NOVAGOLD have been sharing over the past eight months, represents a major step forward in improving the geological confidence in the Donlin project, a necessary step to advancing Donlin up the value chain.

## 6 Q + A

### FROM NOVAGOLD'S STANDPOINT, WHAT COMES NEXT?

We're starting to see our ideal scenario unfold as we imagined it would. At NOVAGOLD, we have always had a strategy regarding our flagship asset's future, which has been articulated many, many times: namely, as gold bulls we believe that Donlin should and will be built when we can make not just a decent return, but a spectacular return.

The excellent drill results are indeed making this scenario look better and better all the time. As declining gold grades pervade the industry, it has been extraordinary to be able to continuously report drill results that reinforce the attractiveness of Donlin Gold – already an exceptionally impressive asset in terms of size and grade for a large-scale open-pit gold project. The results from the 2020 drill program effectively exceeded the Barrick/NOVAGOLD technical team's modeled grade-thickness expectation.<sup>17</sup> Moreover, the assay results pointed to additional high-grade gold intersections that only increased the partners' confidence in recent geologic modeling concepts and confirmed multiple high-grade extensions in both the intrusive (igneous) and sedimentary rocks. These findings not only confirmed our assumptions, but also provided direction for future high-grade drill targets.

The next steps are now clear. All the data are being incorporated into the geologic model and will be followed by an update of the mining schedules and life of mine business plans. Critically, we will also make sure that everything we plan is executed with special attention to the most up-to-date standards of safety, environmental protection, and social responsibility. This exercise will take place in preparation for the partners to embark on updating the feasibility study, the completion of which would form the basis of an execution plan. A construction decision ultimately will follow when fiscal discipline and gold prices combine such that we believe all Donlin Gold stakeholders may be expected to derive a truly great return from this world-class project. Step by step, tortoise-like, we're making our way to the finish line.

## 7

## Q + A

### CONSIDERING THAT THE JOINT VENTURE IS A TRUE 50/50, HOW DO YOU NAVIGATE AROUND POSSIBLE DISAGREEMENTS AND STALEMATE JOINT VENTURE SITUATIONS?

Our joint venture with Barrick is indeed a true 50/50. The board of the joint venture entity, Donlin Gold LLC, comprises two representatives from each company. The role of chair alternates annually and the board meets quarterly to review the strategic plans and activities, together with the approval of the budget. Dispute resolution mechanisms are in place to ensure that the Donlin Gold project progresses at a healthy pace and in the best interest of its stakeholders – including Native Corporation partners who are mandated, under the Alaska Native Claims Settlement Act (ANCSA) of 1971, to develop the land for the economic benefit of their people in the region.

Catherine Raw, Barrick's chief operating officer, North America, served as the chair of Donlin Gold LLC in 2020. This year, Greg Lang, NOVAGOLD's president & CEO, is its chair. The joint venture has been operating in this manner for many years. In fact, it is important to note that there is a lot of Barrick DNA around the table. The Barrick side is represented by a team of its most seasoned operating talent, while the NOVAGOLD side is represented by two of Barrick's senior operating alumni – Greg Lang, former president of Barrick North America and Richard Williams, NOVAGOLD's vice president of engineering and development, who, among other things, was previously in charge of building Pueblo Viejo, now one of Barrick's most important mines. Thus, the joint venture can be best characterized by a spirit of high professionalism enhanced by a tremendous track record of technical excellence, safety, environmental stewardship, and social responsibility. That is the culture of Barrick and NOVAGOLD – and hence the common currency of Donlin Gold.

## 8

## Q + A

### HOW WOULD YOU CHARACTERIZE YOUR RELATIONSHIP WITH YOUR NATIVE CORPORATION PARTNERS, CALISTA CORPORATION AND THE KUSKOKWIM CORPORATION?

Calista and TKC are significant stakeholders of Donlin Gold – an important project that was *designated by law* for mining activities some five decades ago. Donlin Gold is a party to life of mine agreements with Calista, which owns the subsurface mineral rights, and with TKC, a collection of 10 village corporations, which owns the surface rights. Over the years, with the many challenges we all had to face as well as the opportunities that were accorded to us, we have become a real family – one that has been fortunate to share in the incredible value generated by the advancement of Donlin Gold.

For over 20 years, Donlin has enjoyed great relationships with Calista and TKC. We've got a long history of hiring people from the project's region to work on-site and we've remained constantly active in the area. Our company has long believed that this level of engagement and community support constitutes the fabric of the mining business and it is a core principle that we take to heart. We have done so for more than two decades and we will continue to. I think we've all seen far too many projects get derailed because such relationships were not nurtured from the beginning. I could not be prouder of the work we've done with our partners and we're clearly seeing the benefit of that in our successful navigation of both the state and federal permitting processes.

As we all respond to the COVID-19 crisis and help address the impact it has had on the health of our communities, our economies, and even how we communicate with one another, significant comfort can be derived from the longstanding relationships that unite us in the common goal of advancing the Donlin project. In reaching out regularly to our stakeholders, interacting with our investors to improve our governance practices, and engaging in meaningful ways to promote the health and safety of our people onsite – and indeed throughout the region – Donlin Gold brings much-needed assistance to the well-being of our communities. We're really all in this together.

In 2020, Donlin Gold continued its multi-decade collaboration with its Native Corporation partners and, if anything, these relationships deepened. Apart from the fact that approximately 80 percent of Donlin Gold's direct hires for the drill program were Alaska Natives, we endeavored to be there for our partners in every way possible. We and our partners initiated more than

320 engagement contacts with key individual stakeholders and community organizations, significantly more than in previous years. From engagement with tribal councils to receptions and meetings seeking partnerships, Donlin Gold was able to stay closely connected – virtually for the most part – to advance key activities and projects throughout the region.

Donlin Gold worked closely with its Alaska Native partners Calista and TKC, along with other key representatives of the communities in the Y-K region, to effectively respond to the needs arising from the COVID-19 pandemic, as well as in other areas such as environmental management, training and education, and cultural initiatives.

A partnership with Bethel Community Services Foundation was established to support the Y-K Delta COVID-19 Response Fund, as well as with Covenant House Alaska for homeless and at-risk youth services in Bethel. Supplies were provided to hundreds of families and meals served to thousands of individuals in the Elders and Youth program. When the Donlin Gold project camp temporarily closed in April 2020 due to COVID-19, Donlin Gold donated thousands of pounds of food to shelters and delivered meals to every home in eight middle Kuskokwim villages.

On the environmental front, Donlin Gold worked with TKC, the State of Alaska, and the Alaska Native Tribal Health Consortium on an initiative to strengthen health and safety standards with regard to water and sewer services in middle Kuskokwim-area communities. We collaborated with 28 community partners on the Donlin Gold Backhaul Hazardous Waste Removal project and worked with key local groups to collect and remove some 45,000 pounds of household hazardous materials.

Donlin Gold hosted virtual education camps for students in the project's region in Alaska, while Donlin Gold co-sponsored scholarships were awarded to local students selected by Calista and TKC to improve access to education. Calista has awarded hundreds of scholarships co-funded by Donlin Gold, with students attending schools in Alaska and out of State. Donlin Gold also provided online activities and programs for youth and Elders. These various engagements reflect NOVAGOLD's and Barrick's full commitment to preserving the traditional lifestyles of, and providing support to, the local communities throughout the Y-K region.

## WHY IS JURISDICTION THE EXISTENTIAL INVESTMENT CRITERION? CAN IT ACTUALLY GET WORSE THAN IT IS NOW?

Over the last decade, jurisdictional risk has migrated from being regarded as an occasional nuisance to an existential threat. Were I to name the numerous jurisdictions that have been struck off my personal investment-grade list, it would hurt one's ears to hear the roll call. Projects that were slated to go online won't, while some that did later have been subjected to mine closure due to social disruption or political fiat. Where allowed to continue, some companies have been extorted (at times with the threat of violence) out of most, if not all, of the financial rewards due to their shareholders for their risk-taking and value enhancement – what I call “stealth nationalization.” In an increasing number of places, the brazenness of the confiscatory policies is such that “stealth” would constitute a charming euphemism.

Because it is politically impossible for neighboring countries to hold an investor-friendly line, there will assuredly be more such offences in the future. This wave, after all, is occurring during relatively good times. As I have come to know most of our investors and consider them kindred spirits, I feel compelled to share yet another dire observation, here posed as a question: What are the odds that the governments of gold-producing countries – which are often dependent on the price of multiple raw materials – will let the precious metals miners keep the windfall that may come if we experience another severe economic crisis and gold powers higher while most commodities collapse? It's not so difficult to imagine. That dichotomy actually happened during the last financial crisis. Gold – a currency – held its own, or went up, while much more economically sensitive commodities fell.

There is no worse feeling than being right on the investment thesis and having the successful investment taken away from you. I know, it's dark. But it remains one of the most frequently asked questions of me.

## FROM THAT PARTICULAR STANDPOINT, WHAT KIND OF RELATIVE ADVANTAGE DOES ALASKA BRING TO YOU?

For a mining investor, it is optimal to seek a Tier One asset<sup>19</sup> in a Tier One jurisdiction.<sup>20</sup> Sadly, as I just discussed, location in the mining industry is ultimately the existential factor. A company can never take its asset elsewhere, were geo-political conditions to deteriorate.

Fortunately, Donlin Gold is located in Alaska, one of the world's most favorable mining jurisdictions where a strong culture of support exists for responsible mine development. That fact can never be overestimated. As we stated in our January 27, 2021 press release:

*"...we feel enormously fortunate to be located in what is, after Nevada, the second-largest gold-producing State in a country where the rule of law is real, and to be partnered with the Alaska Native communities. An incredibly favorable factor that distinguishes Donlin Gold from most other mining assets in Alaska is the fact that it is located on private land that was designated by law for mining activities five decades ago. Donlin Gold is a party to life-of-mine agreements with Calista Corporation ("Calista"), which owns the subsurface mineral rights, and The Kuskokwim Corporation (TKC), a collection of ten village corporations, which owns the surface rights. Involving the local communities in many aspects of the project is thus core to both Barrick's and NOVAGOLD's philosophy and culture. The benefits – short-, medium-, and long-term – are there for all to see. Right now, this partnership is the source of key employment opportunities, scholarships, and preferential contract considerations. But very importantly, these agreements also include a revenue-sharing structure, established by the Alaska Native Claims Settlement Act (ANCSA) of 1971, which resolved Alaska Native land claims and allotted 44 million acres for land use to Alaska Native Corporations. Our long-term commitment to the region's economic development is exemplified by Donlin Gold's support of TKC's initiative to launch middle Kuskokwim energy and infrastructure projects. These partnerships, activities and programs are illustrative of our commitment to the sustainable and responsible development of the Donlin Gold project for the benefit of all stakeholders."*

<sup>19</sup> NOVAGOLD defines a Tier One gold development project as one with a projected production life of at least 10 years, annual projected production of at least 500,000 ounces of gold, and average projected cash costs over the production life that are in the lower half of the industry cost curve.

<sup>20</sup> NOVAGOLD considers Tier One jurisdictions to be any in the top 10 rank by the Investment Attractiveness Index in the Fraser Institute's *Annual Survey of Mining Companies*, 2020. Alaska is ranked number 5.

With an asset boasting a life of mine of almost 30 years (and most likely a lot more than that), and in light of the strong bonds and mutual trust built over a 20-year period of working alongside our Native Corporation partners, as well as with local communities in the Y-K region, we believe that Donlin Gold should be able to secure a robust and enduring social license to advance its project. That, of course, can never be taken for granted – hence our continuous engagement and daily commitment to these relationships.

## YOU SPEAK A LOT ABOUT VALUES AS WELL AS VALUE. COULD YOU PLEASE EXPAND ON THIS?

We all know that reputation is hard won and easily lost. This is best summed up by Electrum's corporate motto: *Intelligence is a commodity; Character is a currency*. Character itself is fundamentally about trying to do the *right* thing rather than the expedient thing. It's about not losing one's sense of *honor*, if one can use that elevated word these days and still get away with it, and more prosaically, it's about *credibility*. Doing what one says one is going to do is of course a wonderful way to maintain that credibility, both personally and professionally.

Speaking for Electrum and NOVAGOLD, when we say that we're going to do something, we do it. Period. It makes life simpler and it's also good business. Quaint as that may sound in our increasingly transactional world, this code stems from a deep philosophical attachment to a values-based and purpose-driven life. It also comes from being, as the French would say, *bien élevé* ("well brought up") in business by partners who taught us that one's word should be one's bond – simply because it is the right thing to do. Reputation, after all, is the coin of the realm in life. As goes the Russian proverb: "With lies you may get ahead in the world – but you can never go back." Through leading by example, these mentors gave us the greatest gift of all: namely, understanding the art of *practicing integrity*.

**NOVAGOLD PLACES A GREAT DEAL OF EMPHASIS ON TRANSPARENCY AND INTEGRITY. WHAT DO YOU MEAN BY THAT?**

That means telling what one is going to do openly, and then delivering on those promises. And doing so in a way that the shareholders can take pride in the outcome. In my decade of experience with the NOVAGOLD team, I can tell you that it is their nature to do things *right*.

In terms of doing it right, let us start with what the team has not done – what I would call *successes of omission*. First and foremost, the team has never been tempted to use NOVAGOLD's cash or equity to do something foolish. Sadly, for the fortunes of our industry, using common sense has proven to be a differentiator in and of itself. For as Voltaire professed, "Common sense is not so common." If, by every metric, one believes one owns one of the best assets on the planet, one simply does not "deworsify," as the famed Peter Lynch put it so well. Deal junkies we are not.

Then, there are the successes of commission – namely, those things Greg and his team promised to do, and then meticulously delivered to the shareholders as measurable outcomes. When Greg and I joined NOVAGOLD in 2012, we made a series of promises:

- ▶ We promised to spin-off our Alaskan copper assets. That company, then called NovaCopper and now trading under the name Trilogly Metals to reflect its polymetallic attributes, has been a highly successful exercise in value accretion.
- ▶ In order to make NOVAGOLD the pure play on Donlin in the marketplace, we promised to sell Galore Creek – a beautiful asset, but a project too far for a development-stage company with a flagship as ambitious as Donlin Gold. We could have let Galore go in a fire sale. We didn't. We sold it for real money in a market where win-win monetization has been the exception, not the rule. The cash position we find ourselves in, with more guaranteed and potential payments to come, is to be celebrated.
- ▶ We declared that, if given an opportunity to show the flexibility of the deposit, we would take it. The drill results Donlin Gold delivered in 2017 and most recently in 2020 exceeded our own expectations. We reckon that these results stand with or above the best drill results reported by any open-pit gold project.
- ▶ We stated that this project would be permitted. When anyone pushed back, assuming permitting in Alaska would be a nightmare, we just shrugged our shoulders. The facts pointed to the opposite. All we had ever heard from our

local stakeholders and partners, Calista and TKC, were strong indications of widespread support. The only references to the project in 2012, from a media standpoint, were positive. Six years later, we received the first-ever joint federal record of decision – delivered in a formal ceremony in the presence of the lead agency, the U.S. Army Corps of Engineers with the Bureau of Land Management – that included extensive input from those who held the reasonable concerns that any big project would bring; but not substantial opposition. For those who know the industry, this represents an amazing occurrence practically anywhere in the world.

- ▶ Then there is the building of the management team itself, one that in truth could run a major mining company. When the board of directors reorganized the company in early 2012 to focus on Donlin Gold, NOVAGOLD pledged to recruit top talent with demonstrated track records in large-scale mine permitting, development, and operation, with a particular focus on experience in North America. Knowing that a world-class asset warrants world-class professionals, the company set out to attract the very best people in their respective specialties. And it did. NOVAGOLD's current management, which has been in place for the past nine years, is, as one shareholder put it, "straight out of central casting." Starting with Greg Lang, NOVAGOLD's president and CEO, who has over 35 years of diverse experience in mine operations, project development, and evaluations – including eight years as president of Barrick Gold North America, a wholly-owned subsidiary of Barrick Gold Corporation. Greg held progressively increasing operating and project development responsibilities over his 10-year tenure with Barrick and, prior to that, with Homestake Mining Company and International Corona Corporation – both of which are now part of Barrick. Major mines that now represent the foundation of Barrick, such as Cortez Hills, were built under Greg's leadership. Richard Williams, NOVAGOLD's vice president of engineering and development – responsible for all aspects related to the engineering and technical advancement of Donlin Gold – is yet another star. Richard spent over 30 years with Barrick developing and operating major mines. He is a highly knowledgeable and experienced leader in the autoclave technology that is planned to be used to process ores at Donlin Gold. Importantly, he served as project director of the Pueblo Viejo project in the Dominican Republic, now one of the most successful mines in Barrick's portfolio of assets. Richard's seven-year tenure at Pueblo Viejo capped a career where he progressively held top operating roles that included the design, construction, and operation of mineral processing facilities of major mines, such as Goldstrike in Nevada and Mercur in Utah. David Ottewell, our vice president and chief



financial officer, responsible for all aspects of the company's financial management, was another great catch. Dave is a highly accomplished financial executive, with more than 25 years of mining industry experience. Prior to joining NOVAGOLD, he served as vice president and controller for Newmont. Other members of the NOVAGOLD team are equally accomplished in their respective areas of expertise. In order to attract this caliber of professionals, the company has to compete to recruit and retain top talent in the industry. And we did so successfully.

Such a remarkable series of kept promises certainly goes a long way in explaining why NOVAGOLD was so effective in executing on its value-building strategy.

## 13 Q + A

### CAN WE FURTHER EXPAND ON THAT? HOW DO YOU RATE THE IMPORTANCE OF THE NOVAGOLD MANAGEMENT TEAM IN THIS VALUE-MAXIMIZATION EXERCISE?

The luxury of therapeutic and refreshing slumber underpinned by our asset is accentuated mightily by the fact that, under CEO Greg Lang's leadership, the stewards of NOVAGOLD's fortunes are themselves best-in-breed when it comes to management. They have their eye on the ball, manage the company's money frugally, care deeply about their shareholders and their partnerships, and are not remotely tempted to do stupid stuff. That latter part may sound like a low bar, but as my kids would say... *is it really?* Let's be candid. We're talking about an industry which, until very recently, was characterized by suboptimal performance and some epic examples of value destruction. Smart and humble management is thus enormously important – and valuable.

Simply put, as evidenced above, management has done everything right since NOVAGOLD very nearly went into bankruptcy and Electrum and the current team stepped in to turn the company around. Indeed, I genuinely believe that Greg and his team have not committed one misstep – not *a single one* – since they entered the scene. They have not made stupid decisions that impaired shareholder value, not broken one promise, not left unchecked any box on the checklist of their business plan, and not forsaken any partner either legally or ethically.

Truth be told, we have also been blessed with the benevolence of *La Fortuna*, which constitutes a key attribute of any company. Whatever could have gone right for NOVAGOLD has effectively gone right – from having truly decent people as counterparts from the various government permitting agencies, to delivering with our partners at Barrick stellar drill results, to having fabulous and lucky management. The latter point is not insignificant. General

Eisenhower, echoing the commentary of Cardinal Mazarin and Napoleon, once remarked: "I'd rather have a lucky general than a smart general. They win battles and make me lucky." The ideal of course is to have both, and NOVAGOLD clearly does. And it shows. When I ask shareholders to name a specific mistake we made since our involvement in the company some nine years ago, they shake their heads.

## 14 Q + A

### YOU SPEAK OF DONLIN GOLD'S LEVERAGE TO GOLD. HOW DO YOU SEE IT PLAYING OUT IN VALUATION?

The "Sleeping Well Rule" comes with additional rewards. In our case, it renders Donlin Gold something of a go-to asset that the proverbial prudent man can buy happily. This safety premium plays out by creating an exceptional risk-to-reward ratio, based on the leverage to higher gold prices enjoyed by Donlin Gold. The project's after-tax Net Present Value (NPV) at US\$1,700 per-ounce gold and a 5 percent discount rate was estimated to be US\$4.6 billion (\$14.6 billion if undiscounted). At US\$2,000 per-ounce gold, the projected NPV increased 50 percent further to US\$6.7 billion.<sup>21</sup> At the zero discount rate at which I personally believe exploration-rich North American assets shall once again be rated – as they were not so long ago – that number would rise to over \$19 billion. That is solely based on existing reserves. And, needless to say, I certainly do not believe that the \$2,000 level just mentioned will prove to be a real number in the next up leg in gold. Such a figure will one day represent gold's support, as the next wave takes that price point out and the bull market resumes in earnest.

Seen this way, NOVAGOLD to my mind constitutes the greatest unexpiring call option on gold – with the potential for larger underlying resources to revalue the optionality further as gold rises. Putting aside that I am obviously biased toward NOVAGOLD for all the reasons I have cited, the reality is nonetheless quite simple. Look at what I *do*, not just what I *say*. If I thought a better buy was actually out there that I somehow could not afford to acquire with our present capital base, I would have already put NOVAGOLD into play and sold our position. But to the Electrum team and me, that theoretically superior asset and better value simply does not exist. By implication, we believe NOVAGOLD is an outstanding combination of deep value as well as growth stock.

<sup>21</sup> Donlin Gold estimates as per the Second Updated Feasibility Study. All dollar figures are in USD, represent 100% of the project of which NOVAGOLD's share is 50%, and reflect after-tax net present value (at 0% and 5% discount rates) of the Donlin Gold project using the feasibility study reference date of 1/1/2014 (start of Year -05) as the first year of discounting. Estimated project development costs of approximately \$172M to be spent prior to the reference date are treated as sunk costs. At a 5% discount rate, the net present value is: \$1,465M @ \$1,300 gold; \$3,147M @ \$1,500 gold; \$4,581M @ \$1,700 gold; \$6,722M @ \$2,000 gold; and \$10,243M @ \$2,500 gold. The project requires a gold price of approximately \$902 per ounce to break even on a cash flow basis. Wood Canada Limited ("Wood" formerly AMEC Americas Limited) is currently updating all sections of the Second Updated Feasibility Study with updated costs, economic assessment, permitting information, and technical information related to permitting, generated on the Donlin Gold project since 2011, which is anticipated to be finalized and filed during 2021. Based on that cost review, Wood determined that updating the Second Updated Feasibility Study using 2020 costs and new gold price guidance results in no material change to the mineral resources or mineral reserves. The economic assessment in the updated study may be materially different than in the 2011 study.

## WHY IS THE STATE OF THE GOLD INDUSTRY A PLUS FOR NOVAGOLD IN WAYS THAT ARE PERHAPS EVEN DISTINCT FROM MOST OF OUR PEERS?

The answer is both qualitative and quantitative. Over the last decade, as mentioned earlier, the average grade of gold mines has collapsed – and I suspect that it will ultimately fall below a gram per tonne. Donlin's grade is multiples of that. So much for making the case for the *quality* (and thus also the concomitantly lower operating cost) side of the equation for Donlin. For a large-scale open-pit project located in a safe jurisdiction, Donlin's grade is about as magnificent as one could ask for. Even so, the drill results from both of our recent campaigns exceeded our modeled targets, delivering some of the *best* results we've ever seen for an open-pit deposit – and thus further accentuating Donlin's relative advantages. As we say, Donlin is a gift that keeps on giving.

From the quantitative side of our relative advantages, our superNOVA shines ever brighter. With no real discoveries of significant size as well as the declining grades – and the years, if not *decades*, it takes to put these discoveries into reserves and mine them – the majors are burning through their reserves faster than they can be replaced. This phenomenon is unlikely to change. Barrick has stated that the industry's production is likely to fall by 5 percent annually for years to come. This is huge and yet, to my mind, maybe even optimistic. According to Citi Research, existing mine production of 26 of the world's largest miners is forecasted to decline 13 percent by 2022 and 47 percent by 2027.<sup>22</sup> In addition, according to S&P Global Market Intelligence, from 135 assets not yet in production, only 30 have greater than 10 million ounces of gold in reserves and resources, and only nine of these assets have a grade of one gram per tonne or greater.<sup>23</sup> The industry simply can't find the additional gold. Over the past 10 years, only 25 new gold deposits have been identified, totaling some 150 million ounces of gold, which represents only 7 percent of what has been discovered in 30 years. Crucially, no major discoveries have been made in the last few years.<sup>24</sup>

Long-life category-killer projects such as Donlin Gold are therefore rare and extremely valuable. When compared to the existing 15 other development-stage projects in the Americas, Donlin Gold's resource is more than four times larger than the peer group's average.<sup>25</sup> Yet we can see much more resource upside

– something that is quite important to our investors, who want to know that one can grow organically and not have to do deals to add reserves. Just to provide an "Exhibit A" to our leverage to really low-hanging fruit, Donlin Gold effectively enjoys six million ounces of inferred mineral resources<sup>26</sup> – two-thirds of which are immediately within the reserve pit. That amount of gold alone would represent a major discovery in its own right these days! And we believe there is likely much, much more beyond.

I happened to be in the hydrocarbons business as well as mining. Their respective profiles could not be more different. There really is such a thing as "peak gold." In contrast to the case with peak oil, the supply/demand dynamics of the gold industry suffer from none of the supply variables that have rocked the hydrocarbon markets. Even if this were not the case, it wouldn't matter: There are simply no known vast, shale-like, trapped resources to be tapped with new technologies such as fracking or horizontal drilling. That very realization is a major reason why I actually sold my energy company in 2007 – when oil was over \$100 a barrel – to pivot to gold when it still had a \$600 handle.

Again, the gold industry can barely find the gold. Part of the reason lies in the technology it uses, which is rather primitive. The mining industry doesn't possess exploration tools characterized by anything approaching the accuracy of 3D seismic. If a discovery is to be made, it's still more likely to be by prospectors on donkeys (or, perhaps only slightly more probable now, 4-wheel drives). And if those estimated 1,000-10,000:1 odds of navigating a prospect to a mine are successfully bucked, it could still take 15-20 years – let me repeat: *15-20 years* – to take the project up the value chain from prospect to first pour. In effect, from a mine supply standpoint, the horse has already left the barn and the barn door has been firmly shut.

The next bull market in gold therefore will not be met by a tsunami of mine supply. Quite the opposite, in fact. People will be shocked by how *little* mine supply is available. The developing world is unlikely to fill the pipeline. For with the "go where the gold is" mentality fairly crippled, and perhaps mortally so, it is quite possible that the risky jurisdictions shall prove to be uninvestable and unfinanceable in light of the various factors we discussed *in extenso* above. Hence the virtue of Donlin not just being a Tier One asset,<sup>27</sup> but of being so in a Tier One jurisdiction.<sup>28</sup>

22 Citi Research, Global Gold Project Book "\$130bn capex needed to sustain production", May 16, 2018; reserve and production profiles of the 26 companies under Citi Research coverage, which represent ~38% of 2018 global mine production.

23 S&P Global Market Intelligence, "A decade of underperformance for gold discoveries", May 5, 2020. Gold contained in reserves, resources and past production, as calculated by S&P Global Market Intelligence. Grade refers to combined Reserves and Resources.

24 Ibid.

25 Peer group data based on company documents, public filings and websites as of March 29, 2021. Comparison group of 15 projects based on large (2Moz Proven and Probable cut off), North/South American gold-focused development projects with >75% projected revenues from gold.

26 Donlin Gold data as per the Second Updated Feasibility Study (as defined herein). Donlin Gold inferred mineral resources of approximately 92 Mt grading 2.02 g/t. Represents 100% of inferred mineral resources, of which NOVAGOLD's share is 50%. See "Cautionary Note Concerning Reserve and Resource Estimates" and "Mineral Reserves & Mineral Resources" table on page 50. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that they will be realized.

27 NOVAGOLD defines a Tier One gold development project as one with a projected production life of at least 10 years, annual projected production of at least 500,000 ounces of gold, and average projected cash costs over the production life that are in the lower half of the industry cost curve.

28 NOVAGOLD considers Tier One jurisdictions to be any in the top 10 rank by the Investment Attractiveness Index in the Fraser Institute's *Annual Survey of Mining Companies*, 2020. Alaska is ranked number 5.

## 16 Q + A

### **WHILE THERE IS A LOT OF TALK ABOUT ADVANCING DONLIN GOLD TOWARD PRODUCTION, THE EXPLORATION POTENTIAL MUST BE TANTALIZING FOR INVESTORS LIKE ELECTRUM, WHO BOAST SUCH A STRONG TRACK RECORD IN CREATING WEALTH THROUGH THE DRILL BIT. HOW DO YOU SEE THE POTENTIAL UPSIDE IN RESOURCE EXPANSION?**

We would love to have drill rigs going all the time at Donlin, and one day we just might. Certainly, when I talk about the next big Donlin-like discovery possibly being *at* Donlin, the message is two-fold. Number one, as recalled earlier, our stated resources at Donlin Gold are located within only three kilometers of what we know to be an eight-kilometer mineralized trend. Hence Electrum's legendary geologist Dr. Larry Buchanan assessing that Donlin's potential endowment could easily be more, and then some. While one can obviously consider this to be the ultimate forward-looking statement, I personally believe that Larry is right. More than that, the eight-kilometer trend again only represents some 5 percent of the total land package at Donlin Gold.

Number two, when Larry surmised that the next Donlin might possibly be *at* Donlin, it's because there is a strong possibility that we could be dealing with a district here with the potential for more discoveries: a "New Carlin" or "New Nevada," if you will. That's if you dare to dream, and I do. But even if it didn't turn out to be a district and there's no additional Donlin there, we remain in the presence of an asset that already has exceptional potential – and that sure would be good enough for me.

Again, I fully appreciate that this constitutes about as much of a forward-looking statement as anyone could make, so disregard it if you so wish. And if you want to consider it, then regard it as – at best – apocryphal. That being said, the fact is, for a variety of reasons, the Donlin area has been under-explored beyond that eight-kilometer belt. We know, as miners in this business, that if one is going out in search of elephants, one ought to look in elephant country – and there simply is quite a lot of prospective land yet to be explored at Donlin. But I've been in this movie a number of times in my career now, and I would not bet against such a scenario.

## 17 Q + A

### **YOU CALL NOVAGOLD A "PURE PLAY." HOW SO?**

NOVAGOLD is a pure play on Donlin Gold. There is no pure play on the Barrick-Newmont joint venture in Nevada. I wish there were. There is, however, a pure play on the Barrick-NOVAGOLD joint venture in Alaska – which already ranks, incidentally, as the second largest gold-producing state in the Union, after Nevada. And that glorious pure play is NOVAGOLD. This is great for NOVAGOLD and great for Barrick, which, I am highly confident, will also reap considerable rewards for its shareholders from Donlin that I do not believe are presently reflected in Barrick's share price.

## 18 Q + A

### **SEVERAL OF YOUR LARGEST SHAREHOLDERS, SUCH AS FIDELITY AND PAULSON & CO., HAVE BEEN INVESTORS FOR A VERY LONG TIME. HOW DO YOU ACHIEVE SUCH IMPRESSIVE STAYING POWER WITH THESE IMPORTANT AND HIGHLY SOPHISTICATED INVESTORS?**

No discussion about NOVAGOLD would be complete without a shout-out to our outstanding shareholder base. As any investor looking at our story will immediately recognize, it is populated with many extraordinary names. In addition to Electrum, the company's largest shareholders include Fidelity Management and Research, Paulson and Co., Saudi Arabia's Public Investment Fund, Van Eck Associates, BlackRock, First Eagle, and Exor, along with other highly regarded institutions. As the largest shareholders of NOVAGOLD, Electrum is very proud to be joined by these highly astute investors who are regularly referred to as "smart money."

We are indeed proud of the fact that these and many other venerable financial institutions have owned our stock for a very long time. For they see what we see, and are not just educated consumers – but in fact among the very best that we could hope to have in our corner. Fidelity, for example, joined the shareholder register when we did our last fundraising back in 2012. They have since added to their holdings, as NOVAGOLD has been consistently delivering on its promises and strategy set out in 2012 to restructure the company into a pure play on Donlin Gold while

successfully moving the project through permitting and up the value chain. We are also proud that First Eagle, which has one of the top mining investment teams in the business, saw the opportunity to take a position in NOVAGOLD during low commodity prices. NOVAGOLD was actually the first development-stage, non-production mining company in which First Eagle made a sizable investment. We are also enormously excited that the most recent investor to join this stellar group is Saudi Arabia's Public Investment Fund. Their share interest in the company represents an investment of nearly \$150 million. Taken together with the premier sovereign wealth funds who are investors in Electrum – namely, Mubadala and the Kuwait Investment Authority – one can discern a strong core of financial backing for our strategies.

The institutional support makes a great deal of sense. Owning an asset which starts at approximately 39 million gold ounces in the measured and indicated mineral resource categories<sup>29</sup> and could well evolve into the largest pure gold mine in the world – and at a grade that is twice the industry average at that – in and of itself would be a beautiful thing for a sophisticated investor to behold. Then comes the octane we provide – the leverage to higher gold prices that we discussed earlier is very apparent in the numbers. That alone could be an important reason why NOVAGOLD is so fortunate to have such highly qualified shareholders seeking strong leverage to escalating gold prices. If as we believe all roads lead to higher gold prices, I think a superhighway leads straight to Donlin – and that's good for everybody involved.

Lastly, there is one additional factor that we believe shines through when we meet with our investors. And that is our previously mentioned emphasis on simple virtues, like not cutting any corners and doing it right. Our shared mantras that inform anything from technical work to the environmental and social license we value so highly have served our shareholders well and given us considerable credibility. Part of that ethos is that we all feel deeply that *honor* – yes, honor – matters. Thus, the vows that we have made to our shareholders, stakeholders, and partners have been consistently kept and, as a result, our company has since been enjoying a coterie of exceptionally well-informed, savvy, and satisfied shareholders.

## 19 Q + A

### **AS YOU JUST ALLUDED TO, RECENT DISCLOSURES SHOW THAT THE PUBLIC INVESTMENT FUND (PIF) OF SAUDI ARABIA ACQUIRED 16+ MILLION SHARES OF NOVAGOLD OVER THE PAST TWO QUARTERS. CAN YOU PROVIDE FURTHER COLOR ON THE SIGNIFICANCE OF THAT INFORMATION?**

We are delighted by the news that last year PIF made a significant investment in NOVAGOLD, and as of the latest filing dated December 31, 2020 is our fifth largest shareholder with an ownership of over 16 million shares. PIF is widely considered to be one of the world's savviest sovereign wealth funds. Their investment is thus very meaningful to us on many levels. Although our first engagement with PIF began as a discussion about potentially getting the fund involved in possible future project financing, it is gratifying to observe PIF's appreciation of the tremendous value inherent in the stock of NOVAGOLD – and indeed acting on it. After performing their due diligence, PIF clearly realized that any future equity raise would likely happen at much higher levels, much later. As such, PIF concluded that it would make sense to act now and secure the benefit of that uplift by buying shares in the open market sooner rather than later. We hope to deepen this very promising relationship and welcome their participation in our future success.

<sup>29</sup> Donlin Gold data as per the Donlin Gold Second Updated Feasibility Study (as defined herein). Donlin Gold measured resources of approximately 8 Mt grading 2.52 g/t and indicated resources of approximately 534 Mt grading 2.24 g/t, each on a 100% basis and inclusive of mineral reserves. Mineral resources have been estimated in accordance with NI 43-101.

**FINALLY, WITH YOUR EXTENSIVE INTERESTS OUTSIDE OF NOVAGOLD – IN THE FIELD OF CONSERVATION AND OTHER PASSIONS AS A HISTORIAN, SUCCESSFUL ENTREPRENEUR, AND ART COLLECTOR – HOW DO YOU BALANCE YOUR PERSONAL VALUES WITH YOUR INVESTMENT THESIS IN NOVAGOLD?**

There are several aspects to answering this question. The first is very straightforward, in that my predisposition to conservation – be it of wildlife or the cultural heritage of our common humanity – comes from a personal belief that the greatest imperative in life is to give back. And conservation activism represents the most impactful way in which I have expressed this creed. Indeed, it is a well-known fact in my circle that, had I possessed the aptitude, I would have wished to become a field zoologist and spent my career in wild cat conservation. But alas, my strength proved to be in applying history, not science. Nonetheless, I rarely ever let go of my interests and I never lost my youthful passion for the subject. Quite the contrary. At the first opportunity, I took advantage of my good fortune in the natural resources business to pivot to creating conservation organizations – thereby enabling the very practitioners who did possess those talents that I lacked – with the capabilities and freedom to save the biodiversity and ecosystems that constitute one of our generation’s most precious endowments.

To the extent that wildlife conservation impacts my professional sensibilities, it is reflected in my team’s placing the greatest emphasis possible on selecting projects that I believe can and should be built – yes, there have been those that I felt strongly should not be developed, for environmental and cultural reasons – and, when taken up the value chain, exemplify the very best practices in environmental standards. That’s a given. I take our social license at least as seriously. As mentioned repeatedly throughout this exchange, the support of one’s local stakeholders is a gift that should not be taken for granted. Ever.

On a more subliminal level, I believe that, like many people, I am most particularly attracted to the iconic. The big cats are

generally the most charismatic megafauna in their environment. And Rembrandt, whose work I collect and, more enjoyably, deploy in museums with both fervor and rigor, represents one of the greatest luminaries in history – his name evoking a revolution in the conveyance of freedom to the artists that followed him. As with cats and Old Masters, much of my professional track record over the past 25 years has been built around sublime creations that are more often than not characterized by scarcity as well as some slew of superlatives. I am told that the passion with which I speak about Donlin is reminiscent of the way I speak about tigers and jaguars – the apex predators in their ecosystems – or in fact of my describing a Vermeer or a da Vinci. So it is not inconceivable that in the deep recesses of my reptilian neocortex, what I consider to be the category-killer nature of NOVAGOLD is something about which I hold a certain enthusiasm normally reserved for my extracurricular activities.

I am sometimes asked why, if my schedule permits, I join Greg, Mélanie, and Igor on investor roadshows. The reason is that I genuinely enjoy their company – otherwise, I definitely wouldn’t do it. Moreover, I really love to tell the Donlin story. This is especially so as it just gets better and better. I don’t much care to speak of legacy, yet there’s no doubt that, whereas I have enjoyed more than my fair share of hits for a best-of album, in my mind from a professional standpoint Donlin surely will mark my most enduring gold record. That’s saying quite a lot, as San Cristobal essentially transformed Bolivian mining and the broader region of Potosí – very much for the better. But still, Donlin’s impact could be even more significant. As a generational gold asset, it truly stands unparalleled. Its unique quality and scale make it more rare than a Leonardo da Vinci. It is indeed a Carel Fabritius. I’ll leave readers to look that one up if they got this far and did not by chance read *The Goldfinch*. Suffice to say that Fabritius represents the holy grail for lovers of Rembrandt and his school – in much the same way I believe that Donlin represents the holy grail in the gold space.