

CHAIRMAN'S INTERVIEW



On Tuesday, November 29, 2022, Daniela Cambone, Editor-at-Large and Host of The Daniela Cambone Show at Stansberry Research interviewed Dr. Thomas S. Kaplan, Chairman of the Board of Directors at NOVAGOLD and Chairman and CEO of The Electrum Group at the New York Stock Exchange. The two had an incredible discussion on politics, history, markets, the opportunity for gold and gold equities, its macro impact, and central banks as the largest buyers of gold, both currently and historically – and the upside for undervalued miners like NOVAGOLD’s Donlin Gold project, along with its 2022 achievements.

The interview has been edited both for length and for clarity; the full video of the conversation is available here: [novagold.com/media-gallery](https://www.novagold.com/media-gallery).

This interview should be read in conjunction with the cautionary statements and the “Mineral Reserves & Mineral Resources” information on page 34.

All figures are in USD unless otherwise stated.

Daniela Cambone

Hi, I'm Daniela Cambone at the New York Stock Exchange today for a very special in-depth conversation with Tom Kaplan. Tom is an extraordinary human being. He's a very successful businessman, a philanthropist, and an art collector. He owns the world's largest private collection of Rembrandts, and we're going to be talking about all this and so much more. Tom, so nice to see you in person. Welcome.

Dr. Thomas S. Kaplan

Thank you very much for having me back, Daniela.

Yes, absolutely. Like I said, we have so many things to touch on, based on everything going on today, but I want to talk about NOVAGOLD and The Electrum Group. As it's been a while since our last conversation, let's start by getting your outlook on the current state of the world today.

I would say that, very simply put, we are probably in the most challenging environment — from a geopolitical standpoint — that we have been since the end of the Second World War. There are a variety of reasons for that. We have a number of very dissatisfied powers such as Russia, China, Iran, and Türkiye. We have the developing world having endured multiple shocks from the financial crisis and COVID-19. The developing world has a food security issue that is looming. I don't want to be a "Doom and Gloom" sayer — it's already enough that I think everyone who's watching television understands that we are very much in uncharted waters.

I understand, it's a loaded question. What's interesting to me is — and let me know if you agree with me or not — I feel there's a shift that is about to happen. We see the power of the BRICS rising vis-à-vis the power that America holds. I want to talk to you about that. But first, let us start with gold. A lot of investors are disappointed in how gold has been reacting given the black swan events we've seen in 2022. What's your take on gold right now?

Well, I would begin by saying that the vast majority of mankind is experiencing gold at all-time highs and even against the almighty dollar, gold has performed extremely well. So, whereas I'm used to people saying at certain inflection points, "why hasn't gold done better?", I think the truth is that gold has done a spectacular job of preserving people's wealth. Pretty much every Indian who's owned gold since the dawn of mankind has found that he or she has been able to preserve their wealth in that fashion. Similarly for the Chinese and the British. I could go on, but essentially gold is in a bull market against all currencies. And in that, I include the dollar. If you take a look at a long-term price chart of gold, you'll see against the dollar that gold is consolidating and coiling for the next up-leg in the bull market — the one that will take it convincingly past \$2,000 and to the higher equilibrium range that I see in dollar terms. The truth is that gold is rising in a global environment. In other words, if we do talk about the BRICS, if we do understand that the US dollar is the home currency of only roughly 5% of the world, then you have to look at things through a different lens. And if you do believe that we are dealing in a different world, then the truth is that gold is poised to probably be the safest asset out there.

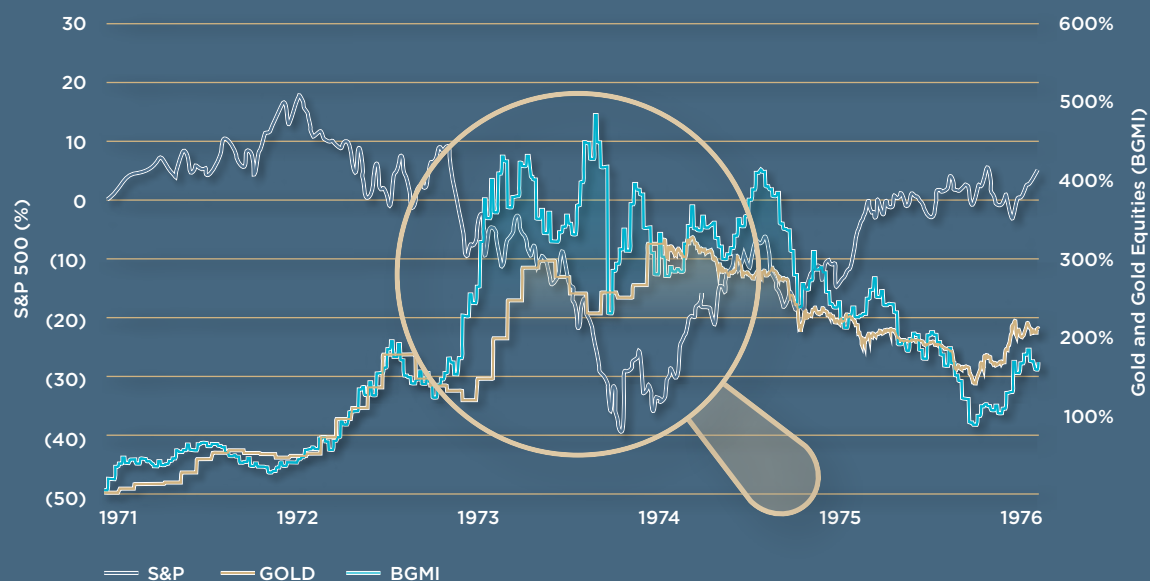
Let's break that down a little bit because investors will call me saying exactly what you've said: "I'm so frustrated by gold, why isn't it above \$2,000?" I've been hearing this for the longest time, but I'm excited to speak with you today, Tom, because you are a historian in the truest sense of the word. You hold a Bachelor's, Master's, and Doctorate in history from Oxford. So, I'd like you to help us debunk some myths — specifically surrounding the gold market because, as you know, there are a lot of myths vis-à-vis its relationship to the dollar and how it's supposed to perform in inflationary times. Let us hone in on the dollar story. Is it true when we say, "if gold is not rising right now, it's because of the strength of the US dollar?" Or is there more to that story?

I'd like to go back and to create a certain context. There are a number of myths about gold, and I'll give you an anecdote from my own life experience that highlights how the perception and the reality of those myths play out. In November 2007, my family sold what was then probably the fastest growing privately-owned natural gas producer in the United States. Timing was extremely fortunate. The price of oil had hit a hundred dollars. The same people who were telling me, when we created an energy company a number of years earlier and the price of oil was at \$18, that it was going to go back to a normative \$12 to \$15, maybe even under \$10 again — and I saw it going to a hundred. And so, when it did hit a hundred, we'd made one hundred times our money through exploration success and rising hydrocarbon prices, and we decided to sell.

When we received that wire transfer, there were several things which we need to remember. First, the dollar/euro was 1.46. The price of gold was around \$600. The price of gold has nearly tripled today and dollar/euro is at parity. The price of oil was at around one hundred dollars a barrel. It's now \$80-\$85 a barrel. Again, the price of gold was about a third of where it is today. There was no inflation — and yet, gold tripled. So, when you look at the various mythologies that people harbor about gold, that you need inflation, it's not true. That you need a weak dollar, not true. That it's just a commodity like oil, again not true. And you also have to take into account that central banks at that time were not buyers of gold, whereas now they are.

And if there's one thing that we've learned, it is that the central bankers are the equivalent of insider buying. Because no one knows better than they do, the weakness, the fragility, the counterparty risk that they have in all the other assets that they've been acquiring — in many cases under duress, because we're in uncharted waters in terms of monetary policy and in terms of being able to keep the global economy afloat. So from all these aspects, I look at gold and I say that it's the best myth buster that there is in the world. And again, people will say, "well how come it hasn't done better?" I always hear this before gold is going to make a major push upward. When this pullback is over and it is a pullback within a bull market, that price chart of gold is wildly bullish. When that ends, I think that we're going to see the next breakthrough. A lot of which, by the way, is going to be lubricated by the crypto narrative because what the crypto narrative has done is it's made a lot of the arguments that I used to have to make on the virtue of owning an asset that isn't someone else's liability — owning a currency that can't be printed

GOLD EQUITIES IN INFLATIONARY TIMES (1971-1976)



by fiat — crypto has made that argument redundant. Everyone now accepts that, hence the moniker that crypto was given of "Gold 2.0". Well, it turns out that Gold 1.0 is pretty great.

Lots of important points there and brilliantly said. Let's break it down. From what I'm hearing from you, you don't like when gold is placed in a box: "this is how it should behave in this situation." Correct?

It's not a function of whether I like it or not. I suppose that we always have to remember that those people who are bullish on gold — despite the fact that I've just said, "it works well without inflation, it works well against commodities, it works well against the dollar" — we're still called gold bugs. I think gold is probably the

only asset in the world where, when you are bullish about it, you are referred to as an insect. And so, it's not a question of whether or not I like to put gold into a box or that I resent other people doing it, it's that they are demonstrably incorrect historically.

Let's hone in on the point about central banks because this is an important one. In the third quarter of 2022, four hundred tonnes were purchased by central banks. We do not know where a lot of that gold is, or from whom it was purchased. We have our suspicions of course that it was Russia and China, but the bigger part of it I think you hit on, Tom, is why are they buying so much? We haven't seen this amount of buying since the eighties. What do they know that we don't know about what's coming?



It's not what they know. It's what we also know but seem to resist understanding or embracing. It's basically called cognitive dissonance. We understand that we're looking at a world that is wildly challenging, but those who are on the front lines of the financial markets — such as central bankers — also understand that we've now crossed into a certain kind of twilight zone. If someone had said last year that a great deal of Russia's foreign currency could be sterilized just like that, people would have said, well that's probably a step that won't be taken by other authorities because

it sets a precedent. So many precedents have been broken over the last decade that we should understand that the central banks are looking around and they're saying, "what can you own that does not represent something that can be seized, will still maintain value, and is historically the most important reserve asset that central banks owned up until the dollar was taken off that standard and was considered to be as good as gold."

Do you think it's interesting that the new countries that have emerged as buyers — Uzbekistan and Poland — are buying more. Is that of interest to you?

Of course.

What does that tell us?

Approximately 60% of the reserves of Western central banks or developed country central banks are in gold. Whereas it's probably 5% for the developing world. And in that, I would also include China. So, they have a long way to go in order to be able to catch up. But look, they're surveying the environment and what they see is that it's very easy to hold you hostage. So why not own something that we know is going to maintain its value and smartly repatriate it back to the home country.

OK, but please help me understand this because I've yet to find an answer. If Russia and China are buying gold, why are they not telling us the numbers? Because in a way, those who hold gold — I mean the US is the largest gold holder in the world in central bank holdings — it's a power play and it shows the strength of a country. Why would China not want to reveal how much gold they have? Or they only give out the numbers every X amount of years?

First of all, I don't believe the Chinese are telling the truth as to what they really own. And I'm not a conspiracy theorist — but if you're accumulating a position in a stock, you don't tell someone every time you're buying blocks of shares. All that does is create front-running. So, if you're the Chinese, do you really want to advertise to the world that you're in the market? You suppress that information, you keep it as low-key as possible, you disperse the holdings that you've obviously been

acquiring into different pockets so that when you do have to make disclosures about what you own, they seem to be relatively small and modest in terms of the increases. China is the largest producer of gold in the world. They're also one of the largest importers of gold in the world. So that has to be going somewhere. So, unless the Chinese retail market is far more developed in its infrastructure and plumbing than I'm aware of, it's going into the official sector. And if I were the Chinese, I wouldn't be advertising that. I certainly wouldn't be going to Goldman Sachs and saying, "here's an order for 10 million ounces or 20 million ounces of gold." You wouldn't do that. You would try to accumulate it as elegantly as possible. Now, if someone were to ask me if Russia went to China and said, "would you be willing to buy all of our gold reserves? We need the cash." That's a cheque I think the Chinese would write if they haven't already written it.

Interesting. Because there is the theory that China is secretly accumulating all this gold in Russia because they're planning some sort of gold-backed currency — an alternative to the US dollar. Have you given any thought to those theories?

Of course, and it would be natural for them to harbor those ambitions. They have witnessed up close and personal what it means to be held hostage by the dollar system, by American sanctions. I'm not saying that those things aren't justified, I'm simply saying that from their standpoint, they have a vulnerability. I don't believe that Xi Jinping or Vladimir Putin want to have that vulnerability. And Putin has just been the biggest victim in the world of what you would call sequestration of assets. By the way, deservedly so, but that's not the

point. The point is that if you see the United States as a rival, as a challenger, if you see yourself as having a countervailing political system and you are trying to achieve equality — if not ultimately supremacy — in that global contest, of course you don't want to be held hostage to the dollar system. You wish to undermine it. You wish to get more people accepting your paper in exchange. I have no doubt that the Chinese, and probably in concert with the Russians, are trying to figure out ways to be able to either undermine the dollar or create an alternative. They've suffered a big setback because of the blow to their collective prestige as a result of Ukraine. They had a much better chance of being able to pull this off if the Russians had managed to march into Kiev in 72 hours. The fact that the Ukrainians have pushed them back is a big blow to China and Russia, who clearly communicated about what was going to happen. I think the Russians basically promised that they won't do anything before the closing ceremonies of the Olympics, and then they made their move. But in reality, all they've done is increase Western solidarity and contribute to the rise of the dollar.

Interesting, because as a historian, you'd be the first to educate us about the fact that not all empires last forever. To that point, the US is obviously looking at the situation — looking at what Russia is doing, looking at what China is doing — aren't they? Are they preparing? What are they doing to safeguard the dollar? Are they doing enough?

They don't really care. We've long since abdicated a sense of responsibility with regard to our holding the world's reserve currency. 60 percent of reserves are

now in dollars. And when you look at the spending by Republicans, by Democrats, attempted even more spending by Democrats — and candidly, the Republicans are just as guilty on this subject — you see that the United States no longer considers the impact that ultimately the dollar will have on the rest of the world. It goes its own way. And at the end of the day, that's going to come back to haunt us because with the privilege of having the world's reserve currency, goes with it responsibility. The United States is not proving itself to be a responsible steward of the global currency.

I'm a little surprised to hear you say that Tom, that the US right now does not care about losing its reserve currency status.

No, what I'm saying is they don't really care about the value of the dollar. They do care about the reserve currency status, but they are not willing to show the kind of husbandry of the currency that over the long term will allow it to maintain its reserve currency status. So, it wants the best of all worlds. It wants to jealously guard its reserve currency status without having to make any of the sacrifices necessary to be able to give people the long-term confidence. The reason why people gravitate to the dollar, the reason why I have not been a dollar bear for the last 10 or 15 years, is that we always have to remember that paper currencies are a relative instrument. As I said maybe a decade ago, in a world filled with toilet tissue, the dollar is double-ply and it's proven to be right. When people get challenged, they then start to look at the dollar versus other currencies.

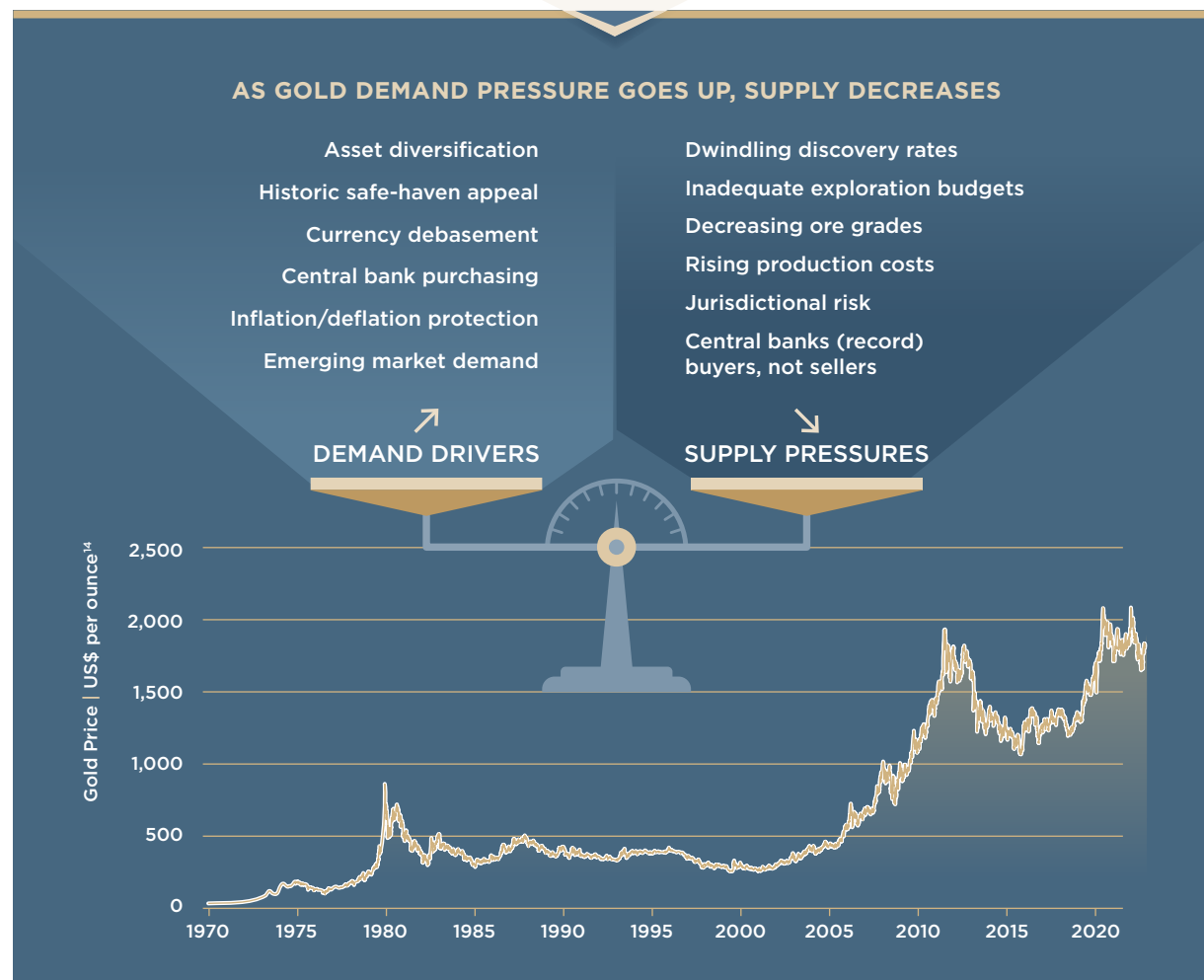
Well, what are we talking about? We're talking about the euro. The euro has fundamental flaws in its spending mechanisms, which may or may not survive another debt crisis as we saw before. You don't have a Mario Draghi there who's in a position to say, "we will do whatever it takes" — and everybody says: "whoa, we believe him".

My fear is that one day they will say that, or even the Americans will say that "we will do whatever it takes", and the market will continue taking the euro or the dollar down — and then there's no bottom because it's all overprinted paper.

So, would you agree that we are about to embark on a huge monetary reset?

Ultimately? Yes. the flavor that is finally adopted, I can't say except for one thing — gold will be the ultimate beneficiary. All currencies will be debased against gold for all of the macroeconomic, geopolitical, and speculative forces that have been unleashed over the last decade.

Which brings me to my next point. I started the interview by saying you're involved in a variety of sectors, you have passions ranging from wildlife conservation to your interest in art, yet you chose gold — right? You started your career, well, in precious metals — in silver, then you did platinum, hydrocarbons, gold. It's almost the "enfant terrible" of Wall Street gold, right? I've been covering the market for a long time and people always kind of look at you, gold, well, that's kind of a niche and interesting and what is it really? People don't really get it. What attracted you to gold? Why did you choose gold when you could have been in anything?



Simply put, when I sold our energy company in 2007, I had already developed a conviction that I wanted to pivot away from hydrocarbons to precious metals. Again, oil was on its way to \$100, \$120, and gold at the time was \$500, \$600. And that proved to be the right step. But the basic thinking was that I wanted to be in a currency that couldn't be printed at will. And I wanted to be in an asset class that I felt would do

fine if the world did well, but may be amongst the only things that does well if things go pear-shaped. And obviously we've experienced since that time multiple speculative booms in a variety of other areas. But as an investor, I find that the ability to make money is very much a function of developing a thesis, scrubbing that thesis to the point that you have massive conviction, finding the right assets that will allow you to benefit from the underlying theme, more and more

As an investor, I find that the ability to make money is very much a function of developing a thesis, scrubbing that thesis to the point where one enjoys massive conviction, finding the right assets that will allow one to benefit from the underlying theme, increasingly so in a jurisdiction that secures the fruits of that benefit, and then having patience and riding it for as long as it takes.

And I came to that conviction with NOVAGOLD.

in a jurisdiction that will allow you to keep the fruits of that benefit, and then having patience and riding it for as long as it takes. And I came to that conviction with NOVAGOLD. I came to that conviction with silver, and as a consequence, I've managed to be able to hold and build positions and I'm very comfortable with that. I'm more comfortable with it now than ever before. Has there been an opportunity cost in the intervening period? Absolutely. Except that I have no doubt that I would have been in over my head, because I would have violated the fundamental rule — which is, don't invest in something unless your conviction will allow you to survive the inevitable downdrafts.

And you obviously have a passion and a belief for gold, I feel it from here. And going back to a breakout for gold, I know that things will change and there's no exact recipe for what it takes to let gold just take off. But we have this record central bank buying. We have less exploration happening, we're finding less gold. Everything seems to be perfectly aligned for gold to take off, yet we can't seem to answer that question of why? What is it going to take to get that lift-off you speak of. Is there something missing?

First of all, and I don't mean to sound glib, but I believe it's a truism that gold will do what you least expect it to do when you least expect it to happen. And a very good example of that was during the global financial crisis — the price of gold went from around \$680, \$700 back to \$600 at a time when everybody thought: why isn't everyone flooding into gold? And I said, "gold is doing what it's meant to do. Most of the markets are all ask no bid, and gold is allowing people to make a relatively graceful exit when they need liquidity. Watch what happens when gold goes back over \$700." And it did. And then it went to around \$800. And then people said, well, gold should be higher. Why isn't it at a thousand? And then eventually it got to a thousand and they said again why isn't gold higher? And then it went to \$1,800. Usually, the big moves in gold are preceded by people saying, "why isn't it doing what I want it to do now?" I'm sorry, gold just won't behave that way. You can get companies to do that because there are certain things within your control. So, you know the kind of news that you'll be issuing to a certain range of buyers. Gold is marching to a different beat, a different drummer, but when people least expect it, gold will go back to \$2,000. People will say, it's been here before. It'll go to \$2,050.

People will say, it's been here before. Then it will go to \$2,100 and \$2,150. And people go, I'm going to buy it on a pullback. Then the pullback to \$1,950 comes and they're scared, and they don't buy it on the pullback. And then it goes back to \$2,300, \$2,400, and they're paralyzed, until gold goes to what I expect to be the next equilibrium range between \$3,000 and \$5,000.

So, this is over what kind of period? Next 10 years?

I would expect it to happen a lot sooner than that. I think that once this consolidation period is over and we see that next big move, it will happen much faster than people think in the same way as you saw with other speculative instruments, like crypto.

And I want to get back to crypto in a second, but does your timeline change depending on what the Fed will do with their monetary policy? (Tom says no.) Doesn't matter? (Tom says no.) But are the QE tightening out the window?

No, and I'll give you an example.

In the early 2000's, gold reached \$250 roughly. What we call the Gordon Brown bottom. Over the next 12 years, what I call leg one of the bull market, gold went up every single year. During that time, you had periods of dollar strength, dollar weakness, inflationary fears, deflationary fears, or at least disinflationary fears, strong commodities, weak commodities, geopolitical quiet, geopolitical tensions. Gold just went up. And my belief is that when this — what I would call the second wave correction within the bull market — is over, the

next decade will see something relatively similar, or albeit with greater volatility, because the moves will be magnified. I have no problem envisaging that there will be trading days in which gold has a peak-to-trough trading range greater than the absolute price it is at right now. I have no problem seeing that. We will be dealing with a much more volatile climate.

**Based on the context of the world?
Or why that volatility?**

Because when gold establishes that new equilibrium range, it will be accompanied by tremendous volatility. And those who are trying to buy it, are going to try to buy it in a very panicked way that will likely be accentuated by many jurisdictions treating gold as a strategic asset and effectively nationalizing it. And I think that we can expect that there will be much more emotion in a market that, when people get gold fever, tends to be highly emotional in any event. And if you look at crypto, for example, there have been days in which crypto traded in, peak-to-trough days, as much as it was just a few years ago. I think gold will have the same because as interesting and as speculative as crypto was, there's nothing like gold fever.

Right. I just can't see the DNA of gold being similar to that of Bitcoin.

You know, as John Paulson pointed out to me, we call it "gold feva" and when people get it, there's really nothing like it. And he had his own experiences with it when he was a youth, and the truth is that he's not a gold bug,



NOVAGOLD's experienced management team has an unparalleled track record in building and operating major mines.

I'm not a gold bug. We see it as a store of wealth, a way to preserve wealth, as a great currency in its own right, but also as a hedge against other things. But nonetheless, we are not immune to the fact that when people really want to own it — and remember, this is a brand which goes back a lot farther and is a lot more recognizable even than Coca-Cola and Apple — and when people want to own more of it, it becomes a very, very highly charged "gold feva".

I want to talk crypto, because as we're speaking, we are going through crypto explosion — really. Did you ever believe the narrative that money was flowing from gold into crypto?

I didn't spend very much time analyzing it. In fact, I don't think I spent any time analyzing it because I thought that ultimately, it would be irrelevant.

Is it possible that it had an impact during that period? Sure. But that will be seen to be vastly overwhelmed by the renewed interest that it created in that thesis that people like John Hathaway, or my friends Ross Beaty, Bob Quartermain, and John Paulson, and we would talk about why you would want to own gold. We no longer have to do that. It's done. The crypto world did that in a way that so vastly disseminated the narrative that when gold starts to rise, what you will see is that the rising price begets its own momentum, but the narrative is there. I am not going to have to explain to somebody why they should want to own a currency that can't be printed. Because the youth, the younger generation that bought into this at an earlier point, or maybe at the climax, I have no idea, they're already doing the job for us. And all we need is for gold to start making that move.

I want to talk NOVAGOLD now. (Tom says "my passion project".) **How many years now for you?** (Tom says "14".) **You haven't done a financing in over 10 years. How's that possible?**

The story of the financing in 2012 really was a very special one. It was the first informational roadshow, which Greg Lang and I undertook together when he came on board as CEO and I came on board as Chairman. And despite the fact that there was a lot of skepticism about the ability to get federal permits, despite the lingering ill will that some investors had toward the company prior to our getting involved — because we didn't own it until December 31st, 2008, long after Barrick's failed hostile takeover. Despite all

In terms of mine life, we'll be producing roughly **one million ounces or so over decades**. In terms of operating costs, well, when you have a grade that's twice the industry average for gold development stories at **2.24 g/t**, you're going to be in the right zone from an operating cost standpoint. **We are enjoying wonderful State support and local community support** — they're our best partners. The fact that it is truly **a world-class asset but located in the best world-class jurisdiction** — Alaska is the second largest gold-producing State in the United States. That's where you want to be.

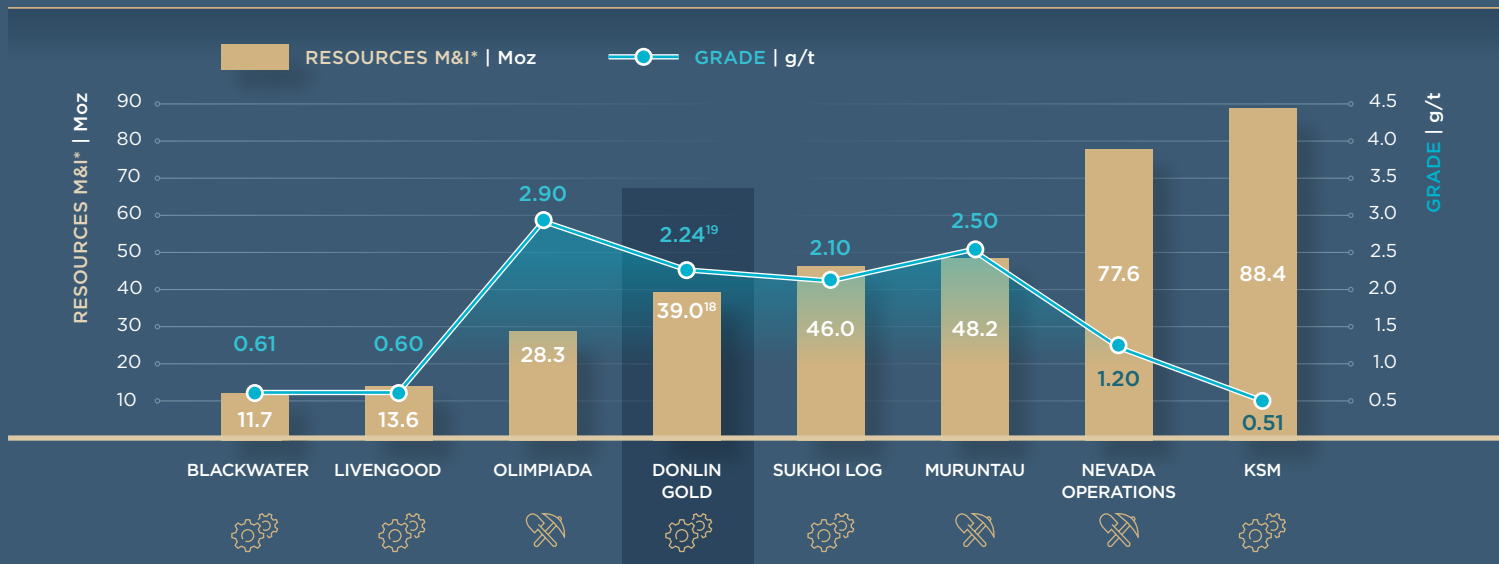
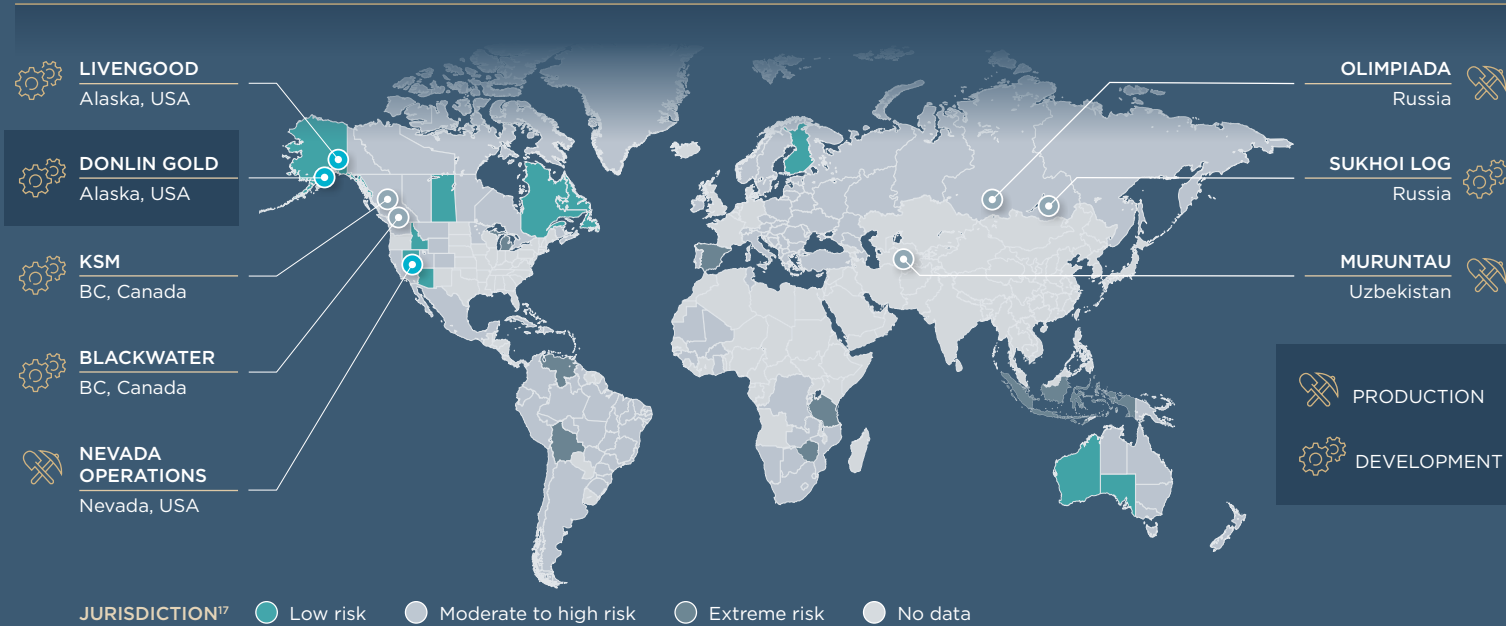
of this, this was regarded as a special situation with a highly charged management team that was highly professional. Greg Lang had been with Barrick and its predecessor companies for 30 years. As we like to say, he was the opposite of promiscuous in the way that he handled his career. I was known for having a focus on what we at Electrum would call category killer assets. By that I mean assets that are so unusual in their attributes or combination of attributes that anyone would want to own them at a price. And I had watched NOVAGOLD go from 50 cents or a dollar in the early 2000's, to when Barrick made its hostile takeover attempt, and the stock went into the twenties. I didn't own a share on the way up. I don't short stocks, so I didn't short anything on the way down, but we did come in as a white knight. And because it was like catching a falling knife, there were only a couple of other investors who were intrepid enough to say, can we join you? John Hathaway, Peter Palmedo, and they did, but we were clearly the lead. And I wanted to buy the entire company. I had the cash. We had sold our energy company a year earlier — but wiser voices prevailed.

The late Igor Levental, whom I affectionately would call Misha, told me as I had exhorted him: "always remind me 'thou art mortal, Caesar'" and he managed to persuade me that what I was going to try to buy for a couple of hundred million dollars, all Barrick would have to do is walk me up dollar-for-dollar, until I got to the point where I'd say "uncle", and so he said, "better to have 40% of something fabulous than zero because you want it all". Point noted. And we made that deal.

You have to remember what it was like for NOVAGOLD at the end of 2008. This was like catching a falling knife. And very few fiduciaries were in a position to be able to jump on it. But because of our sale and our exit in hydrocarbons in 2007, I was armed with a lot of cash and a lot of conviction. And I've noticed that in my case, that can often be a lethal combination. So, we struck, and we effectively did a take-under, but we saved the company from bankruptcy. And there were other companies who were waiting in the wings to buy it out of bankruptcy so they wouldn't have to deal with all those.

GREAT LEVERAGE IN A PLACE WHERE YOU CAN KEEP THE FRUITS OF YOUR LEVERAGE

Comparing the top three gold producing operations¹⁵ and five largest gold development projects¹⁶



* See Mineral Reserves & Mineral Resources table on page 34

STRONG INSTITUTIONAL SHAREHOLDER AND MANAGEMENT SUPPORT

25.4%	Electrum Strategic Resources LP & affiliates
7.6%	Fidelity Management & Research Company
6.7%	Paulson & Co. Inc.
6.3%	BlackRock Institutional Trust & affiliates
5.8%	First Eagle Investment Management
4.8%	Saudi Public Investment Fund
4.5%	EXOR Investments (UK) LLP
3.0%	Van Eck Associates Corporation
2.7%	The Vanguard Group, Inc.
2.3%	Kopernik Global Investors LLC

69.1%

TOP 10 SHAREHOLDERS



31.1%

ALL OTHER SHAREHOLDERS

As of January 2023

But you believed in it so much despite those red flags.

Completely. In fact, when my team said that they needed just a couple of weeks to do the due diligence, I told them, “You have two days.” And they said, that’s not possible. And I said to the team who were looking at me quizzically, I don’t have to believe anything that NOVAGOLD says about Donlin Gold. I have to believe Barrick. So now I’ve taken the chance that Barrick is credible. Not a very heavy lift, but I send my chief geologist — Dr. Larry Buchanan — out to confirm that the roughly 40 million ounces, which was in discussion, was actually there. And he came back, and he said to me, “well, I’ve had a good trip.”

And in fact, his attitude was: “I think this could be the new Carlin. Congratulations.” And in truth, if you look at the drill results, which the Donlin Gold project has continued to deliver as recently as November, they’re absolutely outstanding. They’re some of the best drill results in the entire gold industry. And those are in areas that have previously not even been drilled. Not to mention to depth. So, when I look at Donlin Gold, I’m always reminded that we think of it as the gift that keeps on giving. It’s a very special story. And one of the things that most animates me — why I think I so enjoy telling the story when, very clearly, I could just simply stay at home — is because it’s a really exciting story. I have no doubt that it’s the best development story in gold today. But more than that, I like to pose this question to institutional investors. I say: “can you give me a gold story that’s unique?” Because I can give you a gold story that’s unique and here’s how I define it. In terms of size, I don’t think there’s ever been a gold mine that began with 40 million ounces.

In terms of exploration potential, we feel that there’s more — and the drill results are giving us even greater encouragement. In terms of mine life, we’ll be producing roughly one million ounces or so over decades. In terms of operating costs, well, when you have a grade that’s twice the industry average for gold development stories at 2.24 g/t, you’re going to be in the right zone from an operating cost standpoint. We are enjoying wonderful State support and local community support — they’re our best partners. The fact that it is truly a world-class asset but located in the best world-class jurisdiction — Alaska is the second largest gold-producing State in the United States. That’s where you want to be.

When I look at the significance of jurisdictional risk, I am in an unusual position of being able to speak as one of the biggest beneficiaries of the time when jurisdictional risk wasn’t factored into the equation. I got into the business in 1993. It was the beginning of the “go where the gold is” mentality, the frontier mentality. And that took me to Bolivia, Peru, Honduras, Mexico, Tajikistan, Kazakhstan, Uzbekistan, and Mongolia. I went everywhere — it was the Yanacocha spirit — and it worked for me. I made my first fortune in South America, my second fortune in Africa, Zimbabwe, and South Africa. I sold Kibali to Mark Bristow. And then my third fortune in North America. Now, when I look at the world, I remember that around the time that I sold our interest in Congo to Mark, we were probably the largest holder of mineral rights in the Islamic world — from West Africa, Mauritania, Mali, Côte d’Ivoire, Senegal, Burkina Faso, through to being the largest holder of mineral rights in Pakistan. As an American, other than Bob Friedland, I was probably the most intrepid American explorer. But I also realized that that was going to come to an end. That jurisdiction would go

from being something that people gave scant attention to, to being the number one issue. And Woody Allen was right. I was not afraid of death, but I just didn't want to be there when it happens.

Talk to me a little bit about the importance of the partnerships with Native corporations and with Barrick.

Partnerships mean everything. In our lexicon at The Electrum Group, our corporate motto is: "intelligence is a commodity, character is a currency." Character is most aptly witnessed during difficult times. That's when people face challenges often relating to money, and you find out who is honorable and who isn't. I've always felt that it is more important to be known as a great partner than a great businessman. I define a great partner as someone who watches your back without having to be asked to do so.

We are extremely fortunate to have as our local partners two wonderful Alaska Native Corporations who have kept the faith with us and are going to yield great benefits from what the Donlin Gold project brings. The Kuskokwim Corporation and the Calista Corporation, the collective owners of the surface rights, as well as the mineral rights, have been wonderful and there is no doubt that this really can be shown to be a good paradigm of what corporations can do with local partners to be able to advance great projects up the value chain.

Our strategy now, having gotten to the point where we've done so much drilling and the confidence in the model, according to Barrick, is now complete. Our strategy is that we will, as we have told the market jointly with Barrick, **next decide on proceeding with an update to the feasibility study.** And our strategy is to tee that up so that when gold makes the move, we are in a position to then talk about a **construction decision, financing, and going into production.**

So, let me ask you this. As we're starting a new year, where would you like to see NOVAGOLD headed? It's been a very difficult year for miners. Where do you want to see it? What are the goals?

Our goals are very well-defined and have been articulated, not just verbally, but in writing. I think that in terms of our transparency, as to strategy, we have been second to none. In terms of keeping all of the promises that Greg and I made on that roadshow in 2012 — which is to say that we were going to convert NOVAGOLD from a three-asset company to a pure play on our half of Donlin Gold — we fulfilled that. We spun-off Trilogy Metals with the Arctic project in Alaska. We sold our half share in Galore Creek to Newmont, not for the nominal \$30 or \$40 million dollars that people thought we would get, but for \$200 to \$275 million dollars — which has also helped to keep our treasury topped up, without having to resort to going back to our shareholders. And we think that that money will be able to take us through to a construction decision, when, by definition, we expect to see higher gold prices and much higher equity prices. Our strategy now, having gotten to the point where we've done so much drilling and the confidence

in the model, according to Barrick, is now complete. Our strategy is that we will, as we have told the market jointly with Barrick, next decide on proceeding with an update to the feasibility study. And our strategy is to tee that up so that when gold makes the move, we are in a position to then talk about a construction decision, financing, and going into production.

Would you be interested in adding other assets or is that not the focus right now?

No. We are a pure play on the new Carlin, the next Nevada. That's exactly what we promised people and as you can imagine, because we have always maintained a very robust treasury, people always come to us with ideas. And our answer is "nyet". When you have the holy grail, the chances that you will be able to do something accretive are nil. And so that's our strategy. To steward and husband the power of having half of the holy grail so that when gold resumes the next leg of its bull market, we have created the go-to stock in the gold development space. The one that when a broker goes to an investor and says, we have a management team coming in,

they've got a world-class asset, I think that the investor is going to say, that's great, but I don't want to waste anyone's time, just tell me, where in the world is it, because if it's not in a place where I would take my family, if it's not in a place where I would go gambling, or whale watching, or scuba diving, I'm not interested. The risk-reward ratio for me professionally, career-wise, is not there. And that will cause people to gravitate toward those very few assets which are in jurisdictions where when people go to sleep at night, they know that when they wake up in the morning, whatever they thought they owned, they still own. And by that standard NOVAGOLD is the best of the best.

So Tom, I mentioned it's been a hard year for the miners. I'm interested to get your perspective and take on how you see the mining industry and opportunities. Where do we go from here?

The gold mining industry is highly challenged from the standpoint of production — we clearly peaked. Production has been down over the last five years, the mining companies are finding it difficult to replace their reserves, exploration results have been the poorest that they've been in memory, very few quality projects have been developed. By the time a prospect becomes a mine, typically speaking it's between 15 and 20 years. If you choose your spots well with great assets, you'll make a killing. If you compromise on the assets or the jurisdiction, I think you'll get killed. Therein is the opportunity set. This is a challenged industry, but that does not mean that there are not opportunities within it. Great investors like Warren Buffett and Larry Tisch made their fortunes by finding difficult industries, but also finding the diamonds amongst the coal.

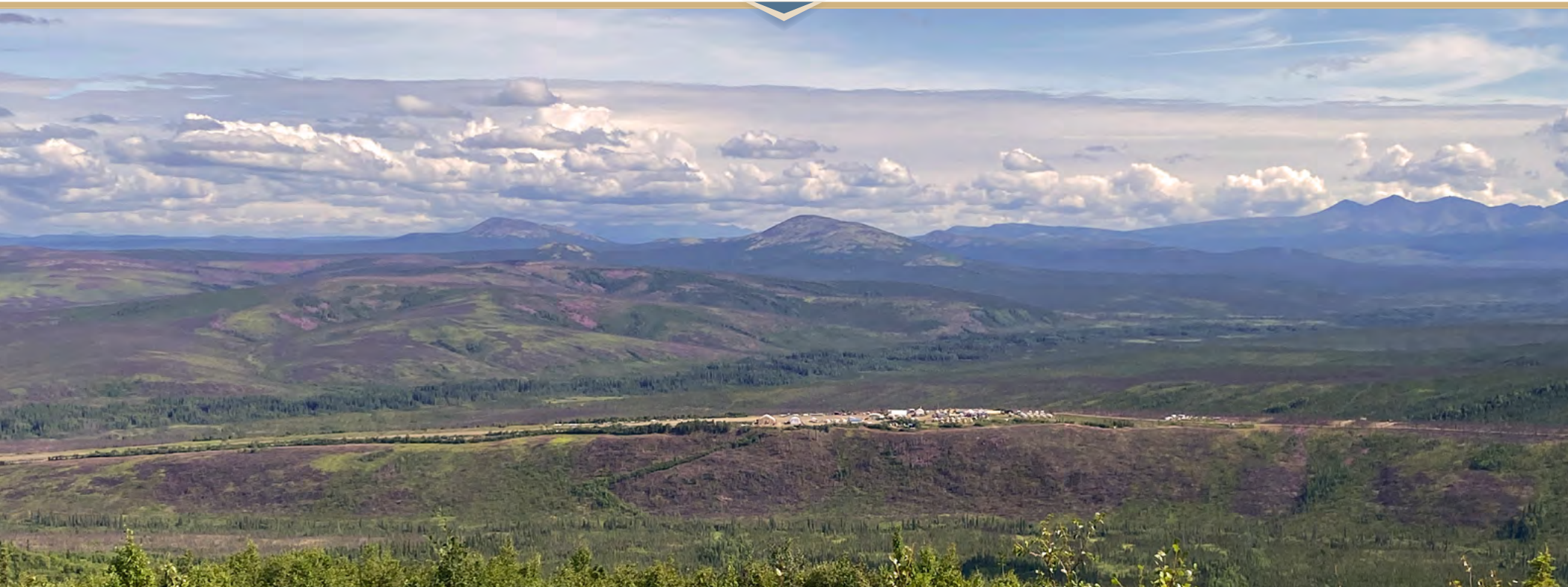


Well, on that note, I wish you continued success, and you are a fascinating person. So, I always like to end by talking a little bit about life and I know you have some kids in college, but when everyone's home seated around the dinner table, what do you talk about with them? Do you prepare them for the world as you see it?

Sometimes I think that as beautiful as our children are, that we basically spawned reptiles. They are a function, so much, of nature. Their individualism was apparent very early on. They have a deep-seated sense

of independence and at the same time, they're close-knit. So, what I try to inculcate in the kids from my standpoint, and all credit for their upbringing goes to their mother, who is absolutely fabulous, what I try to inculcate in the kids are values.

You alluded to the fact I have many passions. I'm very lucky in that respect. That is for sure, nature. Almost all of my passions — whether it's for big cats, Rembrandt, antiques, or history — are spawned from a time when I was 6, 7, 8 years old. I'm unusual perhaps in that I've continued with those passions way into my adulthood and likely into my dotage, but I don't expect that my kids



will share any of those passions to my degree. Nor do I really encourage it. What I tried to do is to expose them to these interests and then tell them: “Now you do what you want.” However, I do believe that the job for someone like myself is to make sure that they understand what it means to be a good person. That they understand the importance of a purpose-driven life. That they understand that happiness begins with gratitude, which as Cicero said, is the greatest of the virtues and the mother of all the others, and that I expect them to be honorable, decent people.

And it’s interesting, you don’t expect or encourage them to follow in your footsteps?

Not at all. If for any reason they wanted to, I wouldn’t discourage them. However, I am not trying to create echoes — but rather give them choices. My parents gave me free rein to pretty much do anything — study, or pursue any interest that I had — from a very young age, and I think that doing anything else for my kids would be hypocritical. I’m not looking for them to be like me, but I do want them to understand the difference between being a good person and not. And that is something where I can hold them to a very high standard. And I will.

Tom, this was just a fascinating conversation. I thoroughly enjoyed it. Thank you so much for your time today.

Thank you, Daniela. It’s absolutely a pleasure to be with you again.

We hope you enjoyed this in-depth conversation with Tom Kaplan. We’ll see you soon.