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**LETTER TO
SHAREHOLDERS**

Gregory A. Lang
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President & CEO

► **Advancing permits, enhancing value, and realizing a vision**

Luck and a laser-like adherence to excellence represent powerful forces. We definitely know how lucky we are. Donlin Gold is a rare, high-grade open-pit gold development project located in a mining-friendly jurisdiction – Alaska – where the rule of law is embraced and investors can feel secure. It is our privilege to develop such a unique project at a time in the sector's history when promising assets in welcoming parts of the world are desperately needed. Our steadfast commitment to outperform for our shareholders, as evidenced by our moving the project up the value chain, while never compromising on best practices and keeping all of our promises, is a function of a management strategy rooted in the ethos of doing things right. Such a high level of quality control throughout our operations could not have been maintained were it not for the dedication of Donlin Gold's stakeholders. The achievements of the past year – from securing major state permits and advancing project engineering and optimization to maintaining broad and all-encompassing community engagement – reflect our collective commitment to a consistent vision that has arisen from a long-lasting collaboration among NOVAGOLD, Barrick, and the Native Corporation property owners, Calista and The Kuskokwim Corporation (TKC).

Our track record of achievement was further enhanced earlier this month when Donlin Gold received final easements for the access road and fiber optic cable, as well as the receipt of the final land leases, land use permits, and material site authorizations for the proposed transportation facilities on state lands, including the airstrip and upriver Jungjuk Port. In addition, the Alaska Department of Natural Resources' (ADNR) Division of Oil and Gas is finalizing the right-of-way authorizations for the buried natural gas pipeline, following the issuance of the preliminary decision in March 2019. Such exceptional results took tremendous leadership and unwavering attention to detail and transparency from Donlin Gold, NOVAGOLD, and Barrick, with the support and contributions of Calista and TKC and the communities closest to the future mine site. We greatly appreciate the dedicated efforts of the ADNR in advancing permits and approvals for the project and their commitment to environmental and governance best practices, as well as genuine social responsibility.

In mid-2019, Donlin Gold commenced a multi-year site investigation program required to collect additional geotechnical information to advance the engineering work on the tailings facility and other water retention and diversion structures from a feasibility-level study to a final construction package, as required for the project's dam safety certificate application to ADNR. The safety of the tailings facility constitutes one of Donlin Gold's most important priorities as they continue to provide the requisite human and financial resources to ensure that the work is done to the highest standard and according to the best design practices.

► **A project so significant, so timely, and so rare that a comparable asset is near-impossible to find**

The unique nature of NOVAGOLD is starting to come into focus for investors. Several specific advances help explain the prominent position enjoyed by NOVAGOLD today: the major milestones of receiving key federal and state permits, selling Galore Creek to Newmont Corp. and a re-invigorated partner in Barrick, and the release of some of the best gold drill results in our industry in 2018.

Donlin Gold merits attention. With approximately 39 million ounces of gold in measured and indicated mineral resources grading 2.24 grams per tonne¹, the project already boasts a size that is exceptional, a grade twice the industry average², excellent exploration upside potential, extraordinary leverage to a higher gold price, a location in a friendly jurisdiction, and strong local partnerships. These constitute a rare and unique combination of attributes. Being a gold endowment presently contained within only three kilometers of an eight-kilometer mineralized belt, and with only a small portion of the mining claims area having been explored, we believe Donlin Gold ultimately could well command district-sized potential. After working in or visiting many of the world's greatest mining districts, I know firsthand what exciting geological upside looks like. Donlin Gold embodies that promise. To such good fortune, one must add that there are now few mining jurisdictions left that are peaceful and democratic, and that will honor and enforce contracts and permits with a strict adherence to the rule of law. Alaska, which is the second-largest gold producer in the United States after Nevada, is rightly ranked as a top jurisdiction for responsible mining development. I can tell you this from my personal experience as a miner: Alaska is simply a great place to do business. Having had oversight of Barrick's Nevada assets in the past, I believe there is district-size opportunity at Donlin Gold. To put it another way, as our Chairman Dr. Thomas Kaplan frequently observes from his own vantage point as an investor, taking all of the above factors together "Donlin Gold is a unique asset with exceptional leverage to the gold price; and most importantly, it is located in a jurisdiction that will allow one to keep the fruits of that leverage." As we both declared when I left Barrick as its president of their North American business to come aboard NOVAGOLD as chief executive officer – and Tom joined as our chairman of the board – in our view there is simply no comparable project in the world today.

That was in late 2011. Since that time, NOVAGOLD has done everything it set out to do – from restructuring the company to the permitting of Donlin Gold. Yet despite all of the great news from the past, the brightest part of Donlin Gold's already significant history undoubtedly will stem from what happens next. Our partnership with Barrick, for example, provides us with additional depth of technical and environmental expertise, as well as community engagement practices: skills that are particularly critical in the context of 21st-century requirements of earning and maintaining a well-founded social license. Add to this sense of optimism and momentum a management team with decades of successful operational experience at some of the largest gold producers in the world, and it becomes rather clear why we are all so excited to get to the office every morning.

The sheer rarity of a project like Donlin Gold is of course well understood by our major shareholders, who are united in their belief that our equity provides perhaps one of the best vehicles available to take full advantage of the next big move in gold's secular bull market. In 2019, NOVAGOLD's investors were given a glimpse of what a move in the gold price could represent to shareholders. But advancement of Donlin Gold is taking place at an extraordinary time in the gold cycle, as the renewal of interest in gold is happening against the backdrop of declining new discoveries, challenging geopolitics of mine supplies, the continuing erosion of grades of existing deposits, and increasing global uncertainty and volatility. Such an environment is particularly conducive to a substantial re-rating of value for an asset with both the rare combination of virtues and the leverage characteristics of Donlin Gold. The company's inclusion on the Russell 2000 index in June 2019 also brought increased attention, as core index fund holdings in NOVAGOLD increased along with other funds who mirror these indices, thereby building more institutional investor support for NOVAGOLD. We expect that support to

1) Donlin Gold data as per the 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 National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

2) 2018 average gold grade of open-pit and underground deposits with gold as primary commodity and over 1Moz in measured and indicated resources is 1.10 g/t, sourced from S&P Global Market Intelligence.

continue to grow. Having positioned ourselves as a go-to stock of the highest institutional quality, we believe that new gold investors will quickly appreciate the scarcity value of such attributes, and the value of that pure play on gold.

► **Dedicated to strong stakeholder engagement**

In addition to fidelity to our shareholders, NOVAGOLD and our project partners are committed to growing strong and collaborative working relationships to preserve traditional lifestyles and support economic development for the benefit of Calista and TKC shareholders and the Yukon-Kuskokwim (Y-K) region as a whole. In 2019, Donlin Gold and our Native Corporation partners held more than 200 engagement meetings with individual stakeholders and community organizations. These meetings take many forms, from one-on-one interactions to group meetings as ongoing outreach activities, meeting with tribal councils and key stakeholders in the Y-K region (including Donlin Gold attending the Calista Annual Shareholders meeting in July), providing project updates and gathering feedback from shareholders in the coastal villages of Kotlik and Kongiganak, and meeting with various Native groups interested in establishing Friendship Agreements. In October 2019, Donlin

Gold and TKC co-hosted a reception at the Alaska Federation of Natives Convention in Anchorage, meeting with key leadership representing various parts of the U.S. and seeking partnerships with Donlin Gold for future opportunities.

The health and safety of our employees and our communities are also paramount. In 2019, the Y-K Community Backhaul projects funded by NOVAGOLD removed nearly 100,000 pounds of hazardous and electronic waste from 14 villages and Bethel on the Kuskokwim River. This program builds on significant work sponsored by Donlin Gold in 2018, including Clean Up Green Up efforts in 43 villages, collecting refuse for proper disposal in community landfills, and the initial Green Star® Waste Backhaul Project that engaged six Middle Kuskokwim villages in removing and safely disposing of almost 20 tons of hazardous waste and materials. Donlin Gold is devoted to the long-term support of the village of Crooked Creek in

Time-Honored Partnerships



solid waste management, including landfill operations near the project. Additionally, Donlin Gold is working with TKC and the Y-K Health Corporation to initiate an upgrade, as well as improve health and safety standards, of water and sewer services in Middle Kuskokwim area communities. Donlin Gold and TKC also co-sponsored a spill response training last fall, which was attended by participants from 10 TKC villages. The trainees can now take these practices home and into their communities.

Donlin Gold supports projects such as the Lower Kuskokwim School District Career & College Fair in Bethel, a hub for the region, and other career fairs throughout the Y-K region to help develop the leaders of tomorrow. Alongside Calista and TKC, Donlin Gold proudly engages with the EXCEL Alaska program that flies high school students in from remote villages to provide much-needed career and technical education, as well as funds scholarships to help local students with post-secondary education.

► **Balance sheet**

We take dilution seriously. Fortunately, NOVAGOLD's strong balance sheet affords a rare opportunity in our space to satisfy foreseeable project expenses without seeking additional equity from the market. With approximately \$148.5 million in cash and term deposits as of November 30, 2019, we can focus on moving Donlin Gold forward while enhancing its value through permitting and optimization work. Note that this amount does not include an additional \$100 million expected to come from Newmont in the next three years, or a further \$75 million contingent payment on top of that, which we could receive if and when the Galore Creek project owners approve a construction plan. Based on these commitments and projected needs, the company believes it has sufficient funds to advance Donlin Gold without the need to raise capital until a construction decision is made.

► **Advancing the vision in 2020**

Looking ahead to 2020, Donlin Gold will embark on the project's largest drill program in twelve years, with 80 holes totaling 22,000 meters planned in the ACMA and Lewis deposit areas. The program's objective is to continue to gather data that should increase our understanding of the geologic model and high-grade mineralization controls that have the potential to benefit the project when the owners decide to update the Donlin Gold feasibility study and initiate the engineering work necessary to advance the project design from feasibility level to basic, then detailed, engineering.

In conclusion, I wish to thank the experienced team of professionals at NOVAGOLD, Donlin Gold, and Barrick for their passion and commitment to the project. Their steadfast determination, coupled with the deep and decades-long support and engagement of Calista and TKC, are critical ingredients required for the successful achievement of our collective vision. I also would like to express my sincere appreciation to my dedicated colleagues on the NOVAGOLD Board for their support, constant engagement, and commitment to continual improvement and best governance practices. It is a pleasure to serve alongside you all. My gratitude also goes to the various state agencies for their diligent and professional work and adherence to well-established regulatory procedures.

Finally, to our shareholders, I thank each and every one of you for your unwavering support, engagement, patience, and encouragement. NOVAGOLD will not only do its utmost to deliver on its strategy and promises, but will continue to realize Donlin Gold's unparalleled investment opportunity in a manner that you can truly be proud of.



Gregory A. Lang

President and CEO

February 3, 2020