

Repeat after me, and say it out loud: *Gold!*
It sounds good, doesn't it? You don't even have to be a gold bug to appreciate its iconic appeal. It just comes naturally. Money – real, honest, unprintable (and damn near impossible to find) money – will do that to you.



**THE WIND
OF CHANGE**

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

The bull market in gold that began in 2000 has been characterized by long waves up – and long waves down. In rough numbers, Wave 1 took gold from \$250 to \$1,900 over a 12-year period. That particular stretch was marked by fears of both inflation and deflation, periods of dollar strength and weakness, political stability and instability, and, of course, strong and weak commodities. Yet regardless of any of these factors, gold ended every single year higher than it had begun said year. *For 12 years.* That's an impressive bull market. What followed in Wave 2 also constituted a long wave, as gold corrected from its peak to nearly \$1,000 and has been consolidating since. This too is impressive.

The nature of the move itself is not dramatic. After all, if a random equity were to move from \$2.50 to \$19 and then retrace its steps back to \$10 or \$11, would anyone be surprised? Not really. What is truly astonishing is the length of the moves in terms of years and scale. If I am right about my bullish stance, then gold's next, third wave higher will not only take out the old highs, but could actually be of longer duration – and far more breathtaking in its gains – compared to the first up leg. To me this appears inevitable, just as other setups have appeared to me inevitable in the past – including in silver, platinum group metals (PGMs), and hydrocarbons. In this recurring feeling, I am reminded of W.H. Auden's observation that "the most exciting rhythms seem unexpected and complex, the most beautiful melodies simple and inevitable."

There's a lot to unpack here. Indeed I am very much used to being told that my forecasts are somewhat around the bend when I render them – such as in 1994, when I predicted that silver (then trading with a \$4-handle) would return to \$50, or in 2003 that oil would rise from around \$20 to \$100. In both instances, I created companies to give myself leverage to the underlying theses, and proceeded to wait for the market to migrate from finding my forecasts enormously unlikely to acknowledging their miraculous – if not, by then, fully preordained – realization. In the case of NOVAGOLD, I didn't build it, but was lucky enough to seize a particular moment in time when my team could rescue this marvelous story. So one clearly gets the idea of how, in this context, I see gold: I reckon that the next up leg of the bull market in gold will ultimately shrug off conflicting headwinds more or less in the same way as the first one did for a dozen years. Furthermore, over the ensuing decades, the gold chart could well look suspiciously similar to the one the Dow Jones Industrial Average has experienced since its breakout past the 1,000 mark in the early 1980s.

Even if this uber-bull case is too aggressive, this past year likely marked a critical turning point in the long-term secular bull market in gold. It is not so much that long-term bulls should take satisfaction that the monetary metals may have put in a bottom to the post-2012 correction, or that gold is setting highs we haven't seen in six

years. This shouldn't go to our heads. After all, if the super bull case to which I subscribe proves to be remotely right, what we have seen of late is a mere appetizer – what the Germans call *Vorspeise*. Moreover, until a bottoming cycle is well and truly over, one should always make room in one's calculations for the kind of sharp pullback that is designed to inflict psychological carnage on latecomers. Downdrafts to flush out the weak hands are normal and to be embraced.

Despite these admonitions, we have nonetheless likely passed a key moment. Gold is not by any stretch a crowded trade that would require a shakeout in order to remain a healthy market. Thus, *even if* that head fake were to occur, it is my considered opinion that it would be the last pullback of its kind – and hence a massive buying opportunity. For whatever the shorter-term gyrations, gold has the potential to constitute a *generational* trade. In my experience, when one is a long-term investor, this kind of inflection point within a generational trade suggests it is time to make sure one has taken a position, with some dry powder left over to buy on weakness if one is lucky, and maybe also to average up on a breakout. This is a time for the prepared minds. If not, one may miss the first juicy part of the move and be paralyzed when gold really starts to move impulsively to the upside.

Think of those who made the money when the Dow took off. It wasn't the old-timers who had "been there, done that" and seen enough false breakouts that they were conditioned to take trading profits. It was in fact the young bucks, who understood that the breakout was real when it happened – and that, contrary to the old adage, it really *was* different this time. I suspect that this will be the case in gold. Those who have few scars to speak of will make the big bucks (or their golden equivalents in Krugerrands, Pandas, and Maple Leafs) and will be able to approach the market objectively and without psychological baggage. Untraumatized by past disappointments, these relative neophytes will say, "Wow, the argument for gold is as good as Bitcoin; I'll take some of that!" Oldtimers – like me – who don't pretend to even care about cryptocurrencies, regardless of their merits or demerits, should just prepare to double down and hang on for the ride as a new generation rediscovers the unassailable brand that is gold. Repeat after me, and say it out loud: *Gold!* It sounds good, doesn't it? You don't even have to be a gold bug to appreciate its iconic appeal. It just comes naturally. Money – real, honest, unprintable (and damn near impossible to find) money – will do that to you.

So what has really, unequivocally changed over the last year? A lot, actually. Putting aside encouraging chart formations and price movements, it is the anecdotal indicators that are to me the most impressive. The first is the *speed* with which sentiment among smart-money names has evolved with regard to the merits of gold ownership. The rapidity of the pivot has surprised even me. The Great Pivot, in and of itself, is a *very, very* good thing for gold's future trajectory, and certainly a phenomenon that requires some elaboration.

Reflect for a moment on how, only a year ago, it was likely at best a most intrepid fund manager who (almost apologetically) would propose to his shop an allocation of any kind to the "barbarous relic." The snickers on CNBC that accompanied even merely a constructive attitude to gold gave away the whole story. Gold was viewed with near unanimity as an atavistic throwback, with any misbenighted proponent risking professional self-immolation just by raising the subject. While I am sure that the reflexive prejudice against gold still endures, even in the vast majority of places, it now no longer exists in *enough* places to alter the backdrop of the next phase of the gold bull market.

For if one looks at the raft of smart-money names willing to attach themselves publicly to gold now, it does represent a very windy change in sentiment. But it is really only a flurry reserved for a still very alert segment of the financial world. So while self-proclaimed contrarians may see in this gust of interest a flashing red light, this surely would be a mistake on their part. First of all, if these contrarians don't own any gold, it is quite possible that they themselves are less contrarian than conventional. For the endorsement of precious metals by multiple experienced – dare one say, truly and experientially "contrarian" – investors and analysts is not remotely an indication of a crowded trade. The really, really big institutional money has not yet appeared and, despite several green shoots of validation from those with superior track records, gold remains one of the most under-owned trades in the financial world.

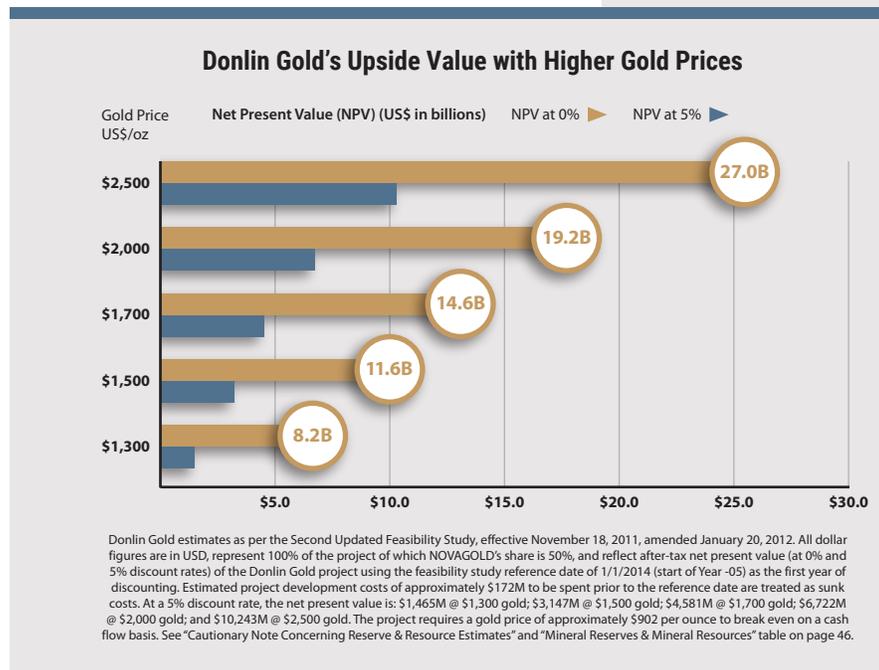
What will change that? Rising prices for gold. As is the case with most financial assets, the big money will

appear only *after* gold prices begin their surge, seeing in its outperformance an interesting dynamic worthy of closer inspection. Upon this more forensic examination, what will such players find now that they didn't find a year ago? I would posit that they will discover two key ingredients for a rip-roaring bull market which will, at that point, be staring them in the face: some new and unexpected smart-money analysis now validating taking a position in gold as it rises, and multiple different reasons being put forward to justify precisely why the bull market is actually happening and why it has become logical – if not actually imperative – to have some gold in one's portfolio.

It is that extraordinary fissiparity of scenarios that, when superimposed onto a normalized scramble for a relatively scarce asset such as gold, will help propel the noble metal to an entirely new equilibrium level. For if, as I believe, gold goes from relatively unowned to an era in which most fiduciaries conclude they need to own some, the sky truly is the limit. Even a 1% portfolio allocation among the outsized institutions would likely cause the price to multiply. For who will sell it to them at low prices? Central banks? Not likely, as they are not just not selling, but indeed, as a group, are adding *more*. Miners? That's a laugh. They can barely replenish the reserves they're depleting and new mines take decades, assuming one can make a number of meaningful, sizable discoveries (which they aren't). The Indians and Chinese, who have been competing against one another to buy gold? Unlikely. It is rather rare to witness investors who have experienced positive reinforcement from their investments do a U-turn, especially when the reasons that have prompted them to buy the asset in the first place remain undiminished in their rationale. Positive reinforcement is a hard feeling to slough off so readily.

To distill the thesis to its essence, the core realization we have seen emerge from the gold bulls is that *gold represents the only financial asset that isn't somebody else's obligation*. Unlike other currencies, it cannot be debased on a whim. And as we shall see, the miners who are supposed to be minting it can barely find enough of it to satisfy demand at a time when the interest in gold is coiling like a python before it lunges.

What then is making individual investors take their own lunge into the space, over and above this fundamental precept? In the case of Ray Dalio, it is both "risk reducing and return enhancing" to have gold in one's portfolio. Ever hyper-rational, "excellent analysis" of gold has convinced him that it merits inclusion in a basket of currencies: "Gold is a currency. We have dollars, we have euros, we have yen and we have gold. If you don't have 10% of your assets in gold, there is no sensible reason other than you don't know history or you don't understand the economics of it." Stanley Druckenmiller also sees it as a currency. As does Paul Singer, who is adamantly on board with the currency debasement thesis. Mark Mobius says gold is a currency with limited supply that he can see doubling in price – and hence that one should be buying the metal "at any level." "Gold's long-term prospect is up, up and up," he writes, "and the reason why I say that is money supply is up, up and up." For Ken Rogoff, who, like Mark Mobius, is more than mildly well acquainted with emerging markets dynamics, "the shift in emerging markets toward accumulating gold would help the international financial system function more smoothly and benefit everyone." Gold is Paul Tudor Jones' "favorite trade" for the next year or two; should there be a recession at some point, gold will not only "scream," but "will be the antidote for those with institutional equity portfolios." Jeff Gundlach, the Bond King, also "loves gold," while Sam Zell, who shares that he has now bought gold for the first time in his life as a hedge, cites "shrinking" mine supply and the fact that



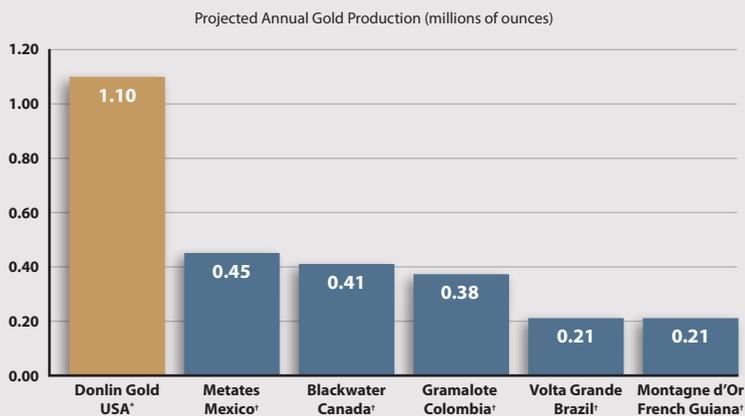
“the amount of capital being put into building gold mines is almost non-existent.” For Naguib Sawiris, it is a “safe haven” attractive enough for this enormously successful entrepreneur to have put as much as half his net worth into gold exposure.

So while there is a theme, the variations on that theme are so diverse as to be staggering in their implications. To put it simply: when gold starts to really move higher, there will be so many bold-faced names invoking so many different reasons for the move, that even a previous agnostic on gold will find amongst this intellectual buffet any number of justifications for a speedy conversion. Those who eschew gold as money will be persuaded by the fact that production of a commodity has peaked. Those who don’t undertake a deep dive on the industry will find gold’s excellent performance as a portfolio diversifier most compelling as a reason to pull the trigger. Some will fear inflation, or deflation, or negative yields and renewed QE-something. I could go on and on – and on. The point is that when investors feel they want an allocation to the metal, it will likely be at significantly higher prices. By then, they will also have myriad reasons (and advocates to choose from, in order to justify those reasons) to be able to pick and choose what specific arguments they will present to their investment committees.

Those who know me also know that, whereas I try to use an understanding of cycles and history (and macro

factors) to fuel my convictions, my favorite investments remain those that are underpinned by Economics 101: namely, supply and demand. I can think of countless solid reasons to buy gold from a macro standpoint. And though I try to avoid the fear factors that argue for an allocation to gold – I could cite dozens of black swan events that would be negative for the world but positive for gold – I also don’t dwell on those. Recalling Samuel Johnson, to my mind resorting to fear represents, much like patriotism (though perhaps, more accurately, nationalism), the last refuge of a scoundrel. For not only do I not *need* such harmful scenarios to unfold for my bullish thesis for NOVAGOLD to play out, I actually don’t *want* them to happen! Hoping for bad things to occur is an inadvisable way to wander through life. *Preparing* for bad things that you hope don’t happen, however, constitutes a philosophically sound – and downright therapeutic – practice, if done sensibly. Ask any stoic.

Positioned to be One of the World’s Largest Gold Mines



* Donlin Gold estimates as per the Second Updated Feasibility Study, effective November 18, 2011, amended January 20, 2012.
 † Peer group data based on company documents, public filings and websites as of January 31, 2020. Largest projected annual gold production, by comparable project and selected countries, from a comparison of 14 development projects based on large (2Moz P&P cut off), North/South American gold-focused development projects with >75% projected revenues from gold: USA – Castle Mountain (0.17), Livengood (0.29), and Stibnite (0.34); Mexico – Metates (0.45); Canada – Back River (0.20), Blackwater (0.41), Côté Gold (0.37), Courageous Lake (0.39), Hardrock (0.28), and Magino (0.12); Colombia – Buritica (0.25) and Gramalote (0.38); Brazil – Volta Grande (0.21); French Guiana – Montagne d'Or (0.21).

For myself, I find the parlous state of the gold industry itself to provide a sufficient analytical foundation for extreme bullishness. Supply inhibitors are not fussy, and with just a touch of the demand I see materializing, the conclusion is clear: a multiplication of gold prices, and a highly leveraged revaluation for the few gold-related assets that won’t be nationalized or otherwise confiscated. I’ll get to that in the Q&A that follows.

Superimposed onto this smart-money thesis is what I like to think of as the most enduring and unabashed of all insider trading: the gold-buying activity of central banks. Some people mistakenly believe that central banks epitomize dumb money. That simply couldn’t be more wrong. *They are the ultimate insiders*. The fact that central banks, which used to be sellers of gold, are now *net* buyers of gold – and at a pace that we have not seen in decades – should be interpreted as a flashing green light to investors. For unlike other financial assets, central bankers do not have to buy gold to prop up their respective economies. They are buying gold by choice. The absence of selling would be satisfaction enough. It would signal an appreciation of global risk akin to a wake-up call, a huge melodious bell that is ringing. But central bankers absorbing gold for their own reserves *in competition with industrial and financial buyers* is sweet music indeed. For who knows better than the custodians themselves that their treasuries are stuffed with dubious assets beholden to the generosity of strangers – and that having gold

brings added autonomy to the reserve base? As with smart-money endorsements by investors, central bank purchases of gold are the opposite of contrary indicators. The message these varied asset allocators are sending is a phenomenal harbinger of good things to come for our space.

Finally, I should add that the outperformance of the gold equities against gold this year – and, in turn, NOVAGOLD's outperformance in particular relative to its peer group – is reaffirming our point of view that the company's shares truly represent the finest way to play the coming bull market. While in 2019 our shareholders experienced the best price action in many years, despite how far NOVAGOLD has come during the last decade, our share price is still *half* of what it reached in 2010. So our optimism for our shareholders seems well-placed, for a multitude of reasons.

Just by being in the right place with the right asset at the right time, NOVAGOLD defines what I consider to be the hallmark of a great natural resource investment. My strategy has always been to take a stake in category-killer assets and watch the results. It worked for me in silver, platinum group metals, and hydrocarbons. Some years back, I amended the mantra from "great assets that give you enormous leverage to an underlying theme" to "great assets that give you enormous leverage to an underlying theme *and that are located in safe jurisdictions that will allow you to keep the fruits of that leverage.*" NOVAGOLD embodies that latter iteration in a perfectly neat and intellectually accessible package.

From a micro standpoint, NOVAGOLD's accomplishments alone since we last traded in the teens are enormously impressive. Every promise we have made has been kept, every de-risking of our asset base and strategy has been successfully implemented, and all the moves we have taken to date render our company precisely what we wanted to have in time for the bull market's resumption: namely, a focused play on the greatest development story in the gold world. In so becoming, we have sharpened our case to be among the very few go-to stocks come the imminent Great Revaluation of those scarce, high-quality gold assets located in safe places. For that, we certainly are. Being a pure gold play – especially following the reaffirmation by Barrick of our tier-one U.S. asset status, a gold standard of sorts in the gold industry – could not come at a better time for a project that has secured its federal permits. For Donlin is a project that seems tailor-made to fill a vacuum of category-killer assets in the gold industry's pipeline. The deficiencies of the space at large – be it the collapse in grades, the exhaustion of old mines (along with the abject paucity of new discoveries of size), or the advent of jurisdictional risk as an existential risk to mining companies – and many other factors combine to make Donlin something of the Holy Grail. Owning a half share in this trophy, during something of a religious revival for gold, constitutes as much a spiritual as a temporal tailwind for our team. To extend the metaphor even further, we suspect the experience will be positively rapturous for our fellow shareholders.

How rapturous? Let me answer the question this way. I am occasionally asked how NOVAGOLD should be valued. Putting aside the fact that I am obviously biased towards the company for all of the reasons that I have specified, the reality is quite simple. Look at what I do. If I thought there was a better buy out there that I could not afford to make with our present capital base, I would have already put NOVAGOLD into play and sold it.

But to the Electrum team and me, that better asset and superior value simply does not exist. By implication, we believe it's still very cheap. Not as cheap as last year of course, when I wrote as follows:

As of this writing, our shares are trading below \$4. This does not represent a market-clearing price. Those who believe our half of Donlin Gold – which I believe constitutes without a doubt one of the most important development-stage gold plays in the world – to be worth only a billion dollars in today's fire-sale environment are so steeped in negative market sentiment that they have lost perspective. This, of course, is normal investor sentiment at the end of a cyclical downturn. Nonetheless, a billion dollars for half of a project that we expect could be worth a significant multiple of that amount when gold enters the next phase of the bull market is unrealistic in my view. Think of NOVAGOLD in these terms: a superlative asset that cannot, as the saying goes, be "recreated in a garage." Then you'll understand why I believe that buying NOVAGOLD today is like having a second bite of (the) Apple when Steve Jobs came back into the picture. Yes, I believe it is that good of an opportunity.

As of today, our share price has more than doubled from when these bullish sentiments were initially expressed. I believe that we will be multiples above this. Let me give you a couple of points to ponder.

The last time we doubled from \$8 to \$16 was in 2010. True, it was during a generally favorable uplift in the mining equities. But what one has to remember is that NOVAGOLD not only performed beautifully, it did so in the face of some serious headwinds that were only subsequently resolved. The latest Feasibility Study on Donlin had yet to be completed. There was no Pre-Feasibility Study on Galore. There wasn't a management team like Greg Lang and his crew. NOVAGOLD was not a pure play as we felt it should and did become; if anything, it was still messy in terms of its exposure to copper in Galore and the Ambler District (now spun off into Trilogy) and the still-pending divestiture of Rock Creek. As to that pure play on Alaska, in light of Pebble's problems, there was a very strong skepticism regarding Donlin's likelihood of obtaining its permits. And, of course, there was a sense of dissonance from the Barrick side, still smarting from the shareholders of NOVAGOLD having rejected their hostile takeover bid. A decade later, the drags on our performance then (such as they were, for after all the stock did triple from \$5 to its highs) have disappeared. Indeed, all of these headwinds have resolved themselves into gale-force tailwinds. In other words, we are unencumbered by uncertainties that could hold us back.

Hold us back from what, one might ask? What is Donlin worth? Let's start with discount rates. Even setting aside the fact that so much debt is trading at negative yields, I believe that the very few scarce, large, long-lived U.S. gold deposits will be valued using the 0% discount rates that prevailed before the "go where the gold is" frontier spirits took hold in the 1990s. Before Newmont's adventurous sprint to Yanacocha, the prevailing wisdom was that U.S. assets were valued at 0%, as they were arbitrated against the then-risky jurisdictions from which investors would make their selections: Canada, Australia, and South Africa. This was especially the case if there happened to be some exploration upside. Ultimately, the pendulum swung so far in the other direction that assets in places like Indonesia and Tanzania achieved higher valuations than those in the United States! This was often due to the perception (or excuse) that such places were easier locales in which one could permit mines. Having been a poster child for regions like Bolivia, Pakistan, and other exotic places, I know whereof I speak. I came to believe that this particular era was over and acted accordingly with my own portfolio. Hence my mantra, or doctrine. If that observation on interest rates is remotely true, then an American asset with extraordinary geological upside – indeed the ultimate trophy, if in one or two phases we have the largest single pure gold-producing mine in the world – will be valued at 0% discount rates. The owner's last feasibility study on Donlin Gold pegged that NPV at around \$20 billion at \$1,900 gold (on a 100% basis). But remember, this figure does not reflect any additional gold that might well be found beyond the 3km of an 8km mineralized belt! For all these reasons and more, I believe we could easily see a NOVAGOLD stock price far higher than where we are today when the animal spirits return to our space.

And, of course, I genuinely do *not* believe that the \$1,900 level will prove to be a real number in the next up leg in gold. Such a price might one day constitute gold's support, as the next wave takes that price point out and the bull market resumes in earnest.

This is the answer to but one query that I have received over the past year. What follows this letter is thus a Q&A compendium that hopefully should answer the most commonly asked questions of us – and then some. If we have missed any areas of enquiry, please feel free to ask of us, and we will do our best to oblige you.

Needless to say, such a remarkable positioning did not happen in a vacuum. In readying ourselves to be able to survive the worst and outperform during the good times to come, I wish to express my sincere appreciation to all of those who make this journey so rewarding. I am especially grateful to Calista and The Kuskokwim Corporation (TKC) for their steadfastness in working so constructively with the Donlin Gold team. These thanks extend as well to all of the federal and state government agencies and representatives that have been so supportive of our efforts. For a fruitful drill program at Donlin, and all individuals working on the optimization effort, I am grateful to Barrick and the Donlin Gold team. Lastly, on a more personal note, I wish to invoke Aristotle's maxim that "friendship is like a partnership" and therefore thank my friends and partners – the management team led by Greg Lang, the board of NOVAGOLD, and our wonderfully engaged and value-adding

shareholders – for making the role of chairman a joy rather than a duty, as together we take up the value chain the single most exciting asset in the gold space.

1 You've been in the NOVAGOLD story for 11 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 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. The news on NOVAGOLD was littered with fires that desperately needed to be put out: debt coming due that would have put it into bankruptcy, class-action lawsuits, environmental disputes with the EPA (regarding a modest gold property that was successfully reclaimed and in fact divested many years ago), general 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 certainly much more fun to speak to what transpired afterward – we reached the conclusion that taking control of the company would prove to be worth it.

As a bit of background, I had long coveted exposure to the Donlin story. Watching from a distance from the early 2000s, I felt that I had missed the chance as NOVAGOLD's shares rose from pennies to several dollars 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 recognized this potential – Barrick not only shared my view, but also tried to buy the company in 2006. The failure of their takeover attempt was to have enormous implications for both companies. While it was separate company-specific and financial crisis-

related factors that crippled NOVAGOLD and led to our timely intervention, what was never in dispute was that Donlin Gold constituted a rare combination of both jewel and elephant. As the fuse on the rescue was short, only after we had made our investment in NOVAGOLD were we able to send Electrum's chief geologist, Dr. Larry Buchanan, to walk the property and share his impressions. Larry's team had led the discovery and exploration at San Cristobal in Bolivia, which resulted in the identification of what we now know are likely billions of ounces of silver and millions of tons of zinc – and his opinion meant a great deal to me personally as well as professionally. "Is Donlin what we thought it was?" I asked upon his return. "Oh no," said Larry. Mercifully, he then quickly added that the 35 million ounces¹ identified were only part of a larger mineralized trend. "I could see the potential to double what they have," he said. I wasn't expecting that. He then added that there might also be additional

A Resource More Than Five Times the Size of the Peer Group Average



* Donlin Gold estimates as per the second updated feasibility study, effective November 18, 2011, amended January 20, 2012. Represents 100% of measured and indicated mineral resources, inclusive of mineral reserves, of which NOVAGOLD's share is 50%.
† See "Mineral Reserves & Mineral Resources" and associated information on page 46. † Peer group data based on company documents, public filings, and websites as of January 31, 2020. Comparison group of 14 projects based on large (2Moz P&P cut off), North/South American gold-focused development projects with >75% projected revenues from gold.

1) Represents measured and indicated mineral resources previously reported by NOVAGOLD and supported by a past technical report, "Nova Gold Resources Inc., Donlin Creek Gold Project, Alaska, USA, NI 43-101 Technical Report", effective April 1, 2009. Represents 100% of measured and indicated mineral resources reported, inclusive of proven and probable reserves, of which NOVAGOLD's share was 50% on 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 page 46.

exploration targets within the land package, which he called the quintessential “elephant country”. “The *next* Donlin could well be at Donlin. Congratulations.” Within a couple of years, we had sorted out the various messes that had been leading NOVAGOLD to collapse before 2009, and by 2010 the equity had returned to the price it had been during the Barrick takeover attempt.

2 How has your investment thesis changed since you became involved with the company, and what is your current sentiment about NOVAGOLD?

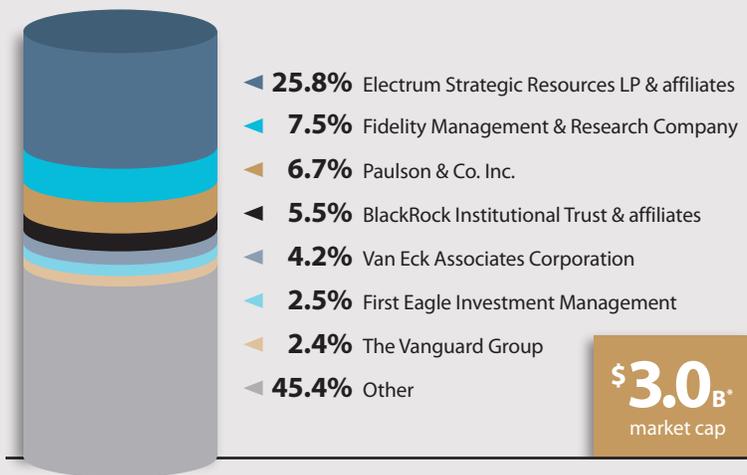
In the eleven years since we made our first share purchase, our already high level of conviction has not just maintained itself – it has literally mushroomed. Indeed, it has risen exponentially with the confluence of events that include, among others, the company’s unbroken progress stewarding the rare asset that is Donlin, the jurisdictional safety that allows us to enjoy sleeping well at night, and the macro and micro trends that render gold – and hence Donlin’s optionality – that much more attractive.

Our affection for NOVAGOLD therefore doesn’t just revolve around the reality that the company enjoys a half share in an incredibly sizable asset. It is also driven by the fact that – seldom in any industry, but most particularly in our own – management has actually done *everything* right. The executive team hasn’t made any stupid decisions that impaired shareholder value, broken any promises, left unchecked any box on their business plan, or forsaken any partner either legally or ethically. They’ve also been blessed with the benevolence of *la fortuna*, a key attribute of any successful company in our space. Whatever could have gone wrong has not. And whatever could have gone right for NOVAGOLD has – from having truly decent people as counterparts, to the diligent work of the various government permitting agencies, to delivering with our partners at Barrick better-than-expected drill results in 2018, to having fabulous and lucky management.

Indeed, in the case of NOVAGOLD at least, the Electrum Group’s state of mind is not only unfatigued, but remains the complete antithesis to a “stale long.” If anything, our sentiment has been mightily reinforced by the miserable predicament of the gold industry itself, which I’m almost (but truth be told, not quite) sad to say actually favors our company and its future share trajectory.

I reckon many more investors will own NOVAGOLD in due course. The only question is at what price they purchase their shares, as we become a scarce go-to stock boasting the most highly rated undeveloped property in the gold space. High valuation is our objective, for Electrum will only make money to the extent that our co-investors will. And we want to make a lot of money.

Top Long-Term Shareholders Who Share Our Investment Thesis



* Market Capitalization based on 328.3 million shares issued and outstanding and NOVAGOLD share price of \$9.12 as of January 31, 2020. Shareholder positions are based on the latest 13-D, 13-F or 13-G filings as of December 31, 2019.

3 In a nutshell, what are the key attributes that have positioned NOVAGOLD to outperform in the next leg of the bull market?

We consider Donlin Gold to be the very definition of *unique*. That's a bold claim – but the contention is fairly straightforward. As investors, we have yet to find a development-stage gold asset that compares favorably to Donlin in its combination of size, grade, exploration potential, production profile, all-in cash costs, mine life, and jurisdictional safety. In other words, what we believe to be the greatest undeveloped gold deposit in the world is located in the second-largest gold-producing state – in the safest jurisdiction in the world. It doesn't get better than that when it comes to adding octane to a portfolio.

4 You place an unusually high regard on what you call a management's "character." How does that express itself in NOVAGOLD?

Character 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, credibility. Doing what you say you're going to do is of course a wonderful way to maintain that credibility, both personally and professionally. Speaking now for Greg and myself, what does not appear to be in dispute is that we both share a strong commitment to valuing and honoring our word. We know that reputation is hard won and easily lost. If I say that I'm going to do something, I'll do it. It makes life simpler and allows me to feel – and perhaps actually *be* – virtuous. 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.

The other thing we *haven't* done is over-promise and under-deliver. We've told the truth and done everything we said we were going to do. *Everything*. Before we were approached with the offer to do a capital raising the last time around, in January 2012, the newly minted CEO and Chairman of NOVAGOLD laid out a clear roadmap for our investors – specifically to spin off our Alaskan copper properties. That company, spun off as NovaCopper and now trading under the name Trilogy Metals to reflect its polymetallic attributes, has performed well – and has been rewarded with the crystallization, this past December, of an exciting joint-venture agreement with South32.

In order to turn NOVAGOLD into the pure play on Donlin in the marketplace, we also promised to sell Galore Creek, a beautiful endowment 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. As a result, the cash position we find ourselves in, with more guaranteed and potential payments to come, is truly the envy of our space.

Finally, we stated that Donlin would be permitted. When anyone pushed back, assuming Donlin must be in the same category as Pebble and that, as a consequence, permitting in Alaska would be a nightmare, we just shrugged our shoulders. The facts suggested the opposite. All we have ever heard from our local stakeholders and partners, the Calista Corporation and TKC, were strong indications of support. In fact, the only references to the project in 2012, from a media standpoint, were actually positive. Six years later, we received the first-ever joint Federal Record of Decision for a proposed mining project – delivered in a formal ceremony in the presence of the lead agencies, the U.S. Army Corps of Engineers and the Bureau of Land Management (BLM) – that included input from those who held the reasonable concerns that any big project could bring. While there are always some opposing views, the project has continued to maintain widespread support throughout the Yukon-Kuskokwim (Y-K) Region and the State of Alaska. For those who know this industry, that's an amazing occurrence practically *anywhere* in the world.

So character we do appear to have. For reasons that I perceive better now than in my youth, a more philosophical posture, especially when stress-tested in reality, has proven to be a key determinant of success. This approach certainly has not prevented me from being extraordinarily lucky in exploration – the riskiest part of a risky business – nor in the fortuitous timing of our more intrepid acquisitions and, perhaps especially, divestitures. Such susceptibility for lucky breaks has given my team at Electrum a comparative advantage that we've pressed on numerous occasions over the past 25 years. Our track record can attest to the fact that the fruits of good fortune have much, much more outweighed any limitations presumably imposed by my personal ethos, summed up by Electrum's corporate motto: "Intelligence is a commodity; character is a currency."

5 Why is the state of the gold industry a plus for NOVAGOLD in ways that are perhaps even distinct from most of your peers?

The answer is both qualitative and quantitative.

Over the last decade, the average grade of gold mines has collapsed – and I suspect that it will fall below a gram per tonne. Donlin represents 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 located in a safe jurisdiction, this kind of grade is about as magnificent as one could ask for.

From the quantitative side, it gets even better. During the time that we've been invested in NOVAGOLD, there have been fewer gold discoveries of any size (by that I mean over 5 million ounces)¹ than in recent memory. Just to exhibit our leverage to low-hanging fruit, Donlin Gold actually features *6 million* ounces of inferred mineral resources² – two-thirds of which are immediately within the Reserve pit! And we believe there is likely much, much more beyond that. Remember Dr. Larry Buchanan's observation: the present resource base is drawn from only 3km of an 8km mineral belt, which in and of itself represents *less than 5%* of the property.

This resource upside is hugely important in today's world. For it is exceedingly atypical. With no real discoveries of size – and the years, if not *decades*, it takes to put these discoveries into reserves – the majors are burning through their reserves faster than they can replace them. This phenomenon is unlikely to change. In contrast to the case with peak oil, the supply/demand dynamic of the gold industry suffers 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.

The industry can barely even 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 1,000:1-10,000:1 odds of navigating a prospect to a mine are successfully bucked, it could still take 20-plus years – let me repeat: *20-plus years* – to take the project up the value chain from prospect to first pour. Basically, from a mine supply standpoint, the horse has already left the barn and the barn door has been firmly closed behind it.

In essence, the next bull market in gold 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's quite possible that the risky jurisdictions shall prove to be uninvestable and unfinanceable for geopolitical and other reasons, including of course the rising trend toward resource nationalism and various degrees of political unreliability.

1) S&P Global Market Intelligence, "Growth in gold discoveries driven by older deposits", June 25, 2019.

2) Represents 100% of inferred mineral resources, of which NOVAGOLD's share is 50%. See "Cautionary Note Concerning Reserve and Resource Estimates" and "Mineral Reserves and Mineral Resources" table on page 46. Inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically.

6 You seem quite content to wait for higher gold prices to build Donlin. Is that feasible financially?

Yes, very much so. We have lots of cash – NOVAGOLD ended 2019 with \$148 million in cash, with a further \$100 million of notes receivable due over the next three years. Moreover, should Galore Creek proceed to a construction decision, NOVAGOLD will receive an additional \$75 million. Furthermore, we have no burning desire to unnecessarily deplete our treasury until the time is right. The owners of our shares should thus be delighted by the fact that, in order to implement its business strategy, our company would not expect to raise capital under duress, nor does it expect to raise more money until a construction decision is made on Donlin Gold – at which point we believe the project finance market should be quite eager to fund this generational mine.

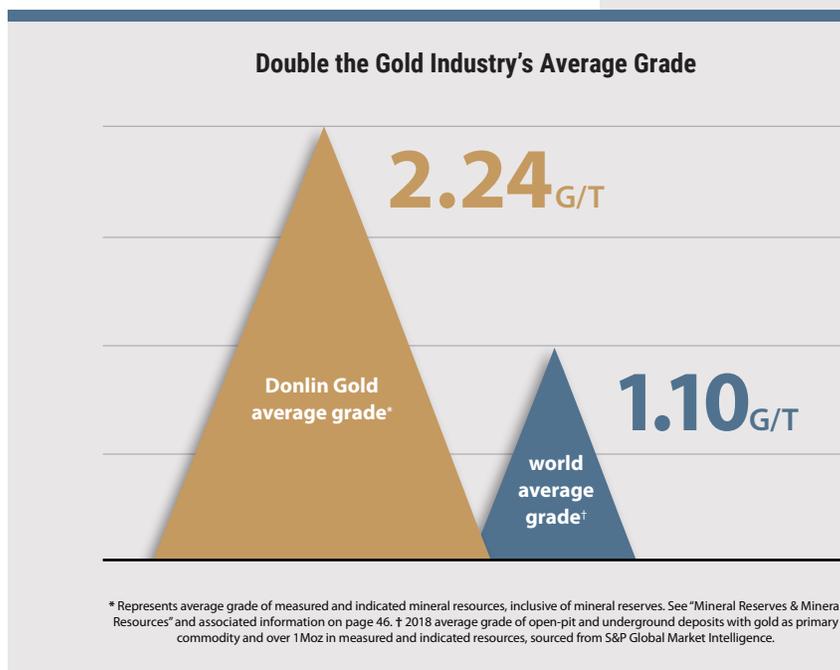
Regarding financing construction of the project, we and Barrick have been studying a number of ways to minimize initial capital outlays, including modular construction techniques, third-party construction of the pipeline, and equipment leasing. Speaking for ourselves, Donlin Gold's strong attributes lend to multiple financing options when the time is right: equity, third-party financing, and debt, just to mention a few. We are not remotely concerned about what combination of financing vehicles we will use when the timing is right.

7 So your watchword remains "be patient"?

One wonderful thing about metals deposits is that they don't deplete or wither on the vine. Great deposits are not steam. And we are located in a mineral province without use-it-or-lose-it provisions. Time is very much on our side. That a big mine will be built is something I fully expect. Doing it so that the results are optimal for all our stakeholders is thus the name of the game.

More philosophically, patience constitutes an enormous virtue in our space. Some things are within our control and skill set; the process leading to the federal Record of Decision, for example, was followed with the utmost professionalism and still took six years, which is normal in the United States. But gold will move higher at its own pace. We can't change this fact, bullish as we are about how the movie will play out. Not surprisingly, our team has adopted an expression for Donlin's steadfastness: "The Tortoise and the Hare" – a lovely herpetological metaphor highlighting the phenomenon of more advanced and higher-profile projects getting picked off by political or jurisdictional turmoil, while we have been chugging along, steadily but determinedly, passing pretty much all of them to the finish line.

As a wildlife conservationist myself, I can assure you that we did not cut any corners in our environmental work. And we never sought to do so. The lengthy permitting process has been worth every penny and every year *to get it done right*. As an investor, I can tell you that having taken the time to permit properly what may become the largest pure gold mine in the world, in one of the safest places in the world, what we have truly is like catnip.



8 Last year you gamed out Barrick's options with regard to Donlin. You concluded that no matter what your partner chose to do, it would be good for NOVAGOLD. Could you remind us why and then answer if these scenarios need updating?

I believed then and now – even more now, in fact, watching the peripatetic Mark Bristow circumnavigate the globe to own his bold narrative for Barrick – that the Randgold/Barrick merger has only added to NOVAGOLD's *buona fortuna*. In fact, last year I took to calling it, and Mark, our white swans, as a re-energized Barrick could only serve to put a renewed and rather overdue focus on Donlin – one way or the other. Let us recap last year's key scenarios.

If we take Donlin up the value chain together with Barrick, in preparation for higher gold prices, that will be great. If they choose to sell their 50% to someone more excited about what Donlin represents, also great. Of course, we cannot speak for our partner and will not try to predict how our common project will shake out in their priorities, but this I will say: In terms of the investor analysis, it really doesn't matter. I believe more than ever that all scenarios are favorable for NOVAGOLD.

What will the new leadership of Barrick do? It's still too early to tell, but even last year it was not too early to game it out with some possible scenarios.

The first is that Barrick simply decides that it has plenty on its plate and, for whatever reason, elects to sell their share of Donlin Gold. We would be fine with such a decision, as it would trigger a sale process that would shine a very strong light on Donlin's unique combination of virtues. With a renewed bull market in gold, Donlin is accretive in terms of pretty much any acquisition metric – including the big ones like reserves, production, grade,

all-in cash costs, mine life, and jurisdictional risk – highlighting these facts in the context of a sale process likely would strengthen our share price. As we enjoy a right of first refusal, we would *help* Barrick sell their share and, with partners, could even consider participating in its purchase. Owning more of Donlin would amount to a gift, and we believe that there are plenty of motivated buyers who would want to participate in the story – and indeed work with us to promote a narrative in a far more invigorated way than we've experienced heretofore with the pre-merger Barrick.

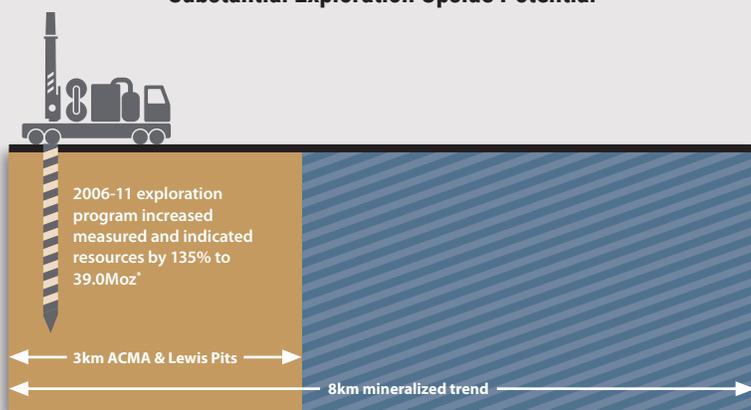
Of course Barrick could also decide to continue to frame, if not choose to enhance, the narrative and talk about Donlin as we have: a singularly attractive gold deposit with great leverage to higher prices in the future and located in a jurisdiction that has never caused them grief. This would be great for us too. It's one thing for NOVAGOLD to sing about the virtues of

Donlin. But Barrick's reach is farther and deeper, and its influence will only be accentuated by the merger.

Knowing the new management, I can't see them educating the myriad analysts who cover them without insisting that they should get NOVAGOLD's market-driven valuation of Donlin factored into their own assessment. After all, with Galore gone, it's pretty much an apples-to-apples equation. This works for us and, indeed, is likely to induce a virtuous circle if our shares rise and Barrick receives equal credit for its share, leading them to point out the valuation symmetry and so on. If anything, the Newmont/Goldcorp tie-up, which is more heavily tilted toward safer jurisdictions, adds a competitive impetus to Barrick emphasizing its own premium North American assets.

If Barrick is inclined to keep Donlin, and the Randgold mantra of a 20% Internal Rate of Return (IRR) at \$1,000

Substantial Exploration Upside Potential



* The percentage increase is the change between measured and indicated mineral resources previously reported by NOVAGOLD in 2006 and supported by the technical report "Preliminary Assessment, Donlin Creek Gold Project, Alaska, USA", effective September 20, 2006, in which measured resources totaled 20 million tonnes grading 2.56 grams per tonne, and indicated resources totaled 196 million tonnes grading 2.39 grams per tonne. This estimate has been superseded by the estimate contained in the Second Updated Feasibility Study, "Donlin Creek Gold Project Alaska, USA, NI 43-101 Technical Report on Second Updated Feasibility Study" prepared by AMEC, effective November 18, 2011 and amended January 20, 2012. The 39 million ounces represents 100% of gold contained in measured and indicated mineral resources, inclusive of proven and probable mineral reserves, of which NOVAGOLD's share is 50%. See "Cautionary Note Concerning Reserve & Resource Estimates" and "Mineral Reserves & Mineral Resources" table on page 46.

gold is upheld in North America as it was in Africa, Donlin will not make the cut. So we would have to wait for higher prices to materialize – as well as the likely revision of that particular criterion for outsized and long-lived mines in safe jurisdictions. This clearly works for us. After all, it's the embodiment of our strategy!

Having said that, Donlin already epitomizes the apotheosis of a tier-one asset, as defined by Barrick. If, of course, the optimization were to be so successful as to make the economics sing at prices that would make Barrick wish to go into production sooner rather than later, that revelation would work for us as well. Such a scenario could also make us the premier takeover candidate in gold. I may disagree with the strategy of pushing ahead before gold makes its big move to new highs, but I won't be disagreeing with all of the M&A activity around us. The ultimate outcome would be beyond my control, as a 50% interest in Donlin would be tantalizing to anyone inclined to remain in our industry. The challenge faced by our shareholders then would be to take paper that would not lead to, in Peter Lynch's classic expression of abomination, "de-worsification." For unless we took cash, the problem essentially would be that the virtues that make NOVAGOLD a perfectly focused pure play would be diluted by its addition to a broader portfolio. And if offered cash, I would ask again: Where else would one be able to deploy the money so exquisitely – in a laser-like manner – on what we feel represents the best of the best, and the safest, that this industry has to offer? Unless we are truly paid for the future, it would be a really tough call. One could attempt a hostile takeover, but our shareholders are a fiercely well-educated and loyal lot – not to mention highly independent thinkers. Cajoling us all would take some serious skills of persuasion. Of course, management is neither entrenched nor egomaniacal, and it exists to serve all the shareholders – a responsibility that is taken very seriously indeed.

In essence, no matter how one games this out, we believe that NOVAGOLD and its owners emerge as winners. Our ideal scenario is for the partners to continue optimizing Donlin and to prepare the project for the day when we all decide to make a construction decision. Under that scenario, which we consider likely, gold prices should be significantly higher. It would be reasonable to expect that our share price, in that case, likewise would be significantly higher. We would hope that the shares of our partner would be a lot higher as well, while their shareholders, feeling more comfortable about balance sheets, would by then be reaching for high-quality growth in the one part of the world in which nobody has experienced problems of resource nationalism or instability. In that purposeful scenario – with the owners of a tier-one mine in a tier-one jurisdiction enjoying a treasure trove – a good time should be had by all.

9 **Has the past year given you a better line of sight into Barrick's thinking?**

There's no doubt in my mind that the posture of Barrick toward Donlin has been growing warmer and warmer as the Randgold team has come up to speed on the asset and become more intimately acquainted with what they own. The optimization process is going well, and the geological model is shaping up nicely. As the Barrick/NOVAGOLD teams work on testing the geometry of the deposit to establish a future mine's optimal throughput, the camaraderie has only been accentuated. In truth, we are thrilled with the engagement from the "new Barrick." It is very much worth noting that, despite Barrick always maintaining its commitment to the permitting process, in fact we hit a delightful milestone of sorts last summer when Mark Bristow became the first Barrick CEO in a decade to actually visit the property! Mark is a professional's professional, and anyone who is familiar with his management style will know that he is hands-on – and that such an approach should be no surprise.

But still, seeing the white swan – or the peregrine, as I have taken to calling Mark more recently – on site at Donlin was a truly welcome occasion for all concerned. Mark met our Native corporation partners and senior state officials. Being a geologist, he experienced the deposit firsthand in a way that one really has to in order to fully

appreciate what an ideal place it is to build a first-class mine. Suffice to say that he clearly gets what makes Donlin, as he told me, “one of the very best options on the gold price in the world.” More than that, he now speaks of Donlin to analysts and investors pretty much as I do, and often goes out of his way to remark on how our teams – and he and I personally – are working so well together. The warm feelings are absolutely mutual.

10 Why shouldn't one buy some Barrick to get exposure to Donlin?

If you accept my depiction of Donlin, by all means please feel free to do so! The Donlin narrative – and NOVAGOLD's share price – represents a win-win for Barrick's shareholders. If some investors buy NOVAGOLD's shares as a pure play on gold, when our shares rise I am quite confident that Mark Bristow will ensure that this value is duly represented in analysts' calculations of Barrick's Net Asset Value (NAV). And rightly so. This could add up to gains of *dollars per share* for Barrick shareholders. Conversely, there will always be investors who desire the higher market capitalization, property diversification, and production profile of a major – and Mark's management team is first-rate. So will some people take their exposure via Barrick? Sure. And probably sooner rather than later as I do not yet believe Donlin is remotely represented in Barrick's share price. So for Barrick, Donlin is a good thing, regardless of whether they get credit for our market capitalization in their net asset value...or get additional buying of their shares as the story unfolds. As for the role that NOVAGOLD plays in this development, our attitude remains that what is good for our partner is always fine with us.

11 When do you think the partners will want to build Donlin?

Obviously it takes two to tango, and we have a partner in this equation. Still, taking the aforementioned bullishness into account, NOVAGOLD has a strategy regarding our flagship asset's future, which has been articulated many, many times: We expect Donlin will be built when the gold price resumes its long-term uptrend and we can make not just an acceptable return, but a *spectacular* return.

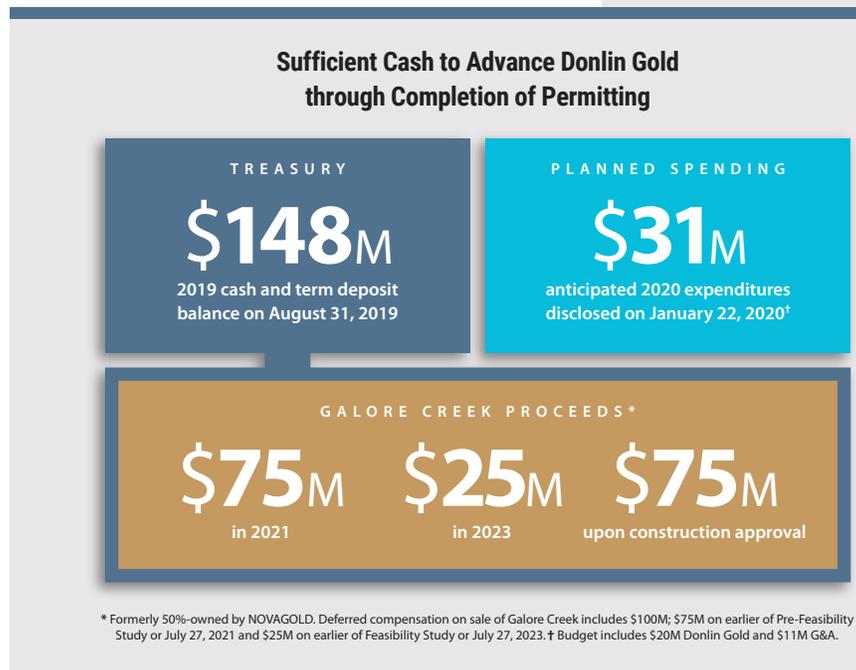
So we're clear: It is my personal belief that practically no gold mine should be built during this twilight period, before we hit new highs. Those who say that one has to build as fast as possible in order to capture a cycle, regardless of a market price for gold, are missing the plot. It's actually a myth. Barring a few super high-grade freaks of nature, it is prudent investing to wait for a higher gold price. For there is truly no opportunity cost to taking one's time. We are not in consumer goods or technology or other industries in which there exists a first-mover advantage to get to market. It really doesn't exist in gold. In fact, the opposite is true: It pays to be patient.

Having bucked the 10,000:1 odds to find something really big, the question is not “How quickly can you go into production?” but rather “Why not wait?” Why build a mine and sell gold at low prices when you can do the work necessary to optimize the operation while gold climbs back to \$1,600 or \$1,700 and beyond? The typical pushback to this fundamentally optimistic assertion is: “Yes, but how do you know gold will rise?” My response is that I don't know for sure, but I strongly believe that it will surpass the old highs and that, if I am by chance wrong in my timing or fundamentals, then I pray to heaven not to be burdened with a producing mine, depleting my resources during a period of low or declining price. Can the real way to make money in mining possibly be to sell your endowment at any price, or would it rather be to believe in gold mining enough to be paid appropriately for it? And if you aren't going to be paid appropriately for it, should you want to build it at all?

I don't have to add that, were the price of gold to actually go down before it makes new highs, the company building a mine could go out of business. This is, of course, the worst of all worlds: rushing to production at Donlin Gold, getting crushed – or worse – if gold goes to \$900 before going to \$1,900, and then having a bankrupt mine or a massively diluted vehicle. It makes no sense. This would constitute an unforgiving error of commission because it simply does not need to happen. Unless, that is, one operates in a jurisdiction that has use-it-or-lose-it provisions. I would argue, however, that if one has that kind of gun to one's head, there's a good chance that one is already dead – just not buried yet.

Given the work ahead to best position and prepare Donlin for future development, time is on our side. What do we lose by waiting? Nothing. We've seen that just sitting can prevent disaster. What about the argument that one could lose the juiciest part of an upswing in prices by not being a producer? Let's play that out. If I consider selling forward at a much higher gold price, I would be locking in a fairer price for my endowment than if I sold it at a lower price with all its attendant drawbacks. That has to be better than selling at the whim of the market. Philosophically, I do not love hedging. I believe that there are times when it is smart and times when it is silly. But just being rationally objective, I would rather consider hedging some gold at higher prices as part of a project-financing architecture than selling gold at today's price. Of course, mentioning the word "hedging" at these higher prices, especially (ironically) to those who have no problem parting with the company's gold at \$1,200 in their pursuit of production at any price, is likely to prompt a vigorous debate.

The outcome of the Socratic dialogue, however, usually ends up with my winning the argument – because I have logic on my side. In other words, gold bulls get it; those who aren't bullish on the fundamentals for gold sometimes don't. But that's fine. If you aren't constructive on the price of gold, you aren't going to buy our stock anyway. Nor should you. I know I wouldn't either. As we say, "Bears don't buy shares." But bulls know a winner when they see one. For investors, as my old friend Mark Lettes would say, there comes a time when the shares of their company are worth more than the metal itself. When the macro stage is set and one is positioned to make a killing from the asset base, it all comes down to financing the project in the most advantageous and least dilutive way possible for the shareholders. As such, we always need to bear in mind our consistent refrain that a construction decision should be expected to be taken at a point when gold has resumed its long-term bull market trajectory – with the implication being that we should see much, much higher share prices.



12 Why not put some drill holes into Donlin while you wait?

"You cannot threaten us with a good time," as the saying goes. We love to explore, and we have often said that, if given an opportunity to show the flexibility of the deposit, we would take it. There's potentially a lot more gold at Donlin along the mineralized belt. And I believe my chief geologist was right when he suggested that "the next Donlin could well be at Donlin."

Drilling is good for the partners, and we will follow Barrick's lead with gusto. The more the merrier. To drill, of course, one really has to have a shared vision of what can be done. It is now the case with the new management team.

We ourselves know of no better way to add long-term value than through the drill bit. The drill results that Donlin Gold delivered in 2018 certainly exceeded our expectations. With intercepts including 130 meters of 6 grams per tonne, and 64 meters of 5 grams per tonne¹, we reckon these constituted some of the best drill results reported by any development project for quite a while. In a bull market for gold stocks, these intercepts would have been met with a very different reaction than they were a couple of years ago when nobody cared. People now care. So watch this space!

13 As a successful entrepreneur, historian, wildlife conservationist, and art collector, how do these passions mesh with your interest in NOVAGOLD?

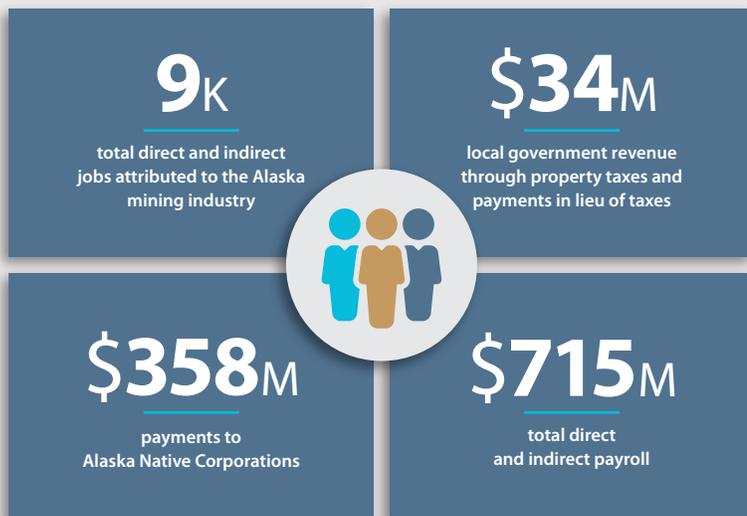
There are several aspects to answering this question. The first is very straightforward in that my predisposition to environmentalism derives from a personal belief that the greatest imperative in life is to give back, and that conservation activism represents the most impactful way in which I have expressed this creed. Indeed, it is a well-known fact in my circle that, had I the talent, I would have wished to become a field zoologist

and spent my career in wild cat conservation. But alas, my strength was in applying history, not science. Nonetheless, I rarely ever let go of my interests and I never lost my youthful passion for the subject. At the first opportunity, I took advantage of my good fortune in the natural resources business to pivot to creating conservation organizations (enabling the practitioners who possessed those aptitudes that I lacked) with the capabilities and freedom to save the species and ecosystems that are 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 should also

add that I take our social license at least as seriously. 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 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

The Economic Benefits of Mining in Alaska



Source: Alaska Miners Association – *The Economic Benefits of Alaska's Mining Industry*, March 2019.

1) These represent two significant intervals from the 2017 Donlin Gold drill program. Refer to the media release dated February 20, 2018 titled "NOVAGOLD's Donlin Gold Project Reports Excellent Results from 2017 Drill Program," for remaining significant intervals and additional information.

speaking about Donlin is reminiscent of the way I speak about tigers and jaguars – the apex predators in their ecosystems – and I have also been known to compare it to 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. My kids even began to joke that if we had another child, we'd name it Donlin! In every joke, there is some truth.

I am sometimes asked why, if my schedule permits, I join Greg, Mélanie, and Igor on investor roadshows, and 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 care to speak of legacy, but 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 transformed Bolivian mining and the broader region of Potosi very much for the better. But still, Donlin's impact could be bigger and, 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 the reader to look that one up if he or she got this far. 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.

14 Do you still see NOVAGOLD as well-positioned in terms of its downside protections, or is the gold market past the need for that?

One should never be past thinking in terms of downside protection. Indeed, as a seasoned player in the natural resources space who strongly believes in the notion that if an investor has covered the downside the upside will take care of itself, let me actually highlight the downside protections we've put in place for NOVAGOLD's owners in order to ensure that your company, effectively an unexpiring warrant without time decay, is positioned to prosper.

First of all, let us remind ourselves: NOVAGOLD is a pure play on a federally permitted mining project – on Native corporation land already designated for mining – that we believe will constitute the largest single pure gold mine in the world, in one of the few parts of the world where mining is welcomed and the rule of law isn't a novelty. Barring a cataclysmic event that would likely see gold trading above \$20,000 (in which case I shall have sold out of my equities and will be living in an island lair somewhere near Madagascar) Donlin will never be nationalized, *de facto* or *de jure*. The project enjoys tremendous support at the local, state, and federal levels. And we have a well-managed, tier-one partner in Barrick Gold. Moreover, NOVAGOLD has a balance sheet that, between cash on hand and receivables, exceeds \$250 million, with maybe more to come. With federal permitting behind us, and Galore Creek monetized, NOVAGOLD's current obligated burn rate is nominal at a time when we are flush with cash.

What this means is that, were the gold price to go down before they revive in full, and should the space be seized by a panic, we simply could not go out of business under any reasonable scenario – at a time when producers still could go bankrupt and, at the very least, companies that are burning cash likely would have to raise funds at the worst possible moment. As we often say, we relish the fact that we can afford to sleep well at night. While I don't believe that the fundamentals of gold, or the industry, require a washout to set the stage for gold's next big move higher, these head fakes do happen. Shakeouts before a blistering move upward are classic chart patterns. Think of a V-bottom and you may recall a few. This is assuredly not a scenario our shareholders should fear – the Electrum team having been in that movie several times over the years, and knowing well from firsthand experience how to position our portfolio companies in order to identify opportunity in market displacements.

We have thus deliberately positioned NOVAGOLD in such a manner that we likely would not need to raise

capital, even if the resumption of the gold bull market is delayed by a temporary downturn in gold price – including a sharp one. If anything, under certain circumstances, the company might determine that its shares are worth more than the metal itself and buy some back. Your management is nothing if not investor-friendly! Put differently, an investor can expect that, when gold is acknowledged to have put in its bottom, we will not have diluted our fully intact optionality on our reserve base in the slightest. For an investor, these robust downside protections provide a true differentiator. Though our stock may or may not go up during such a washout, our durability implies that we will be the equity our shareholders will least worry about in their portfolio.

15 We know the United States is as safe as it gets. Still, are you worried about lawsuits arising against the project?

The United States maintains among the most stringent standards worldwide for responsible mining activities. Federal agencies and the state of Alaska have experienced mining personnel in the industry, along with the government authorities to uphold those strict guidelines. It is indeed one of the reasons why NOVAGOLD is so enthusiastic about the United States as the world’s most favorable jurisdiction for responsible mining – and why your company is so special. The extra effort and time it takes to get permits in accordance with the rule of law constitute the best long-term guarantee of one’s commercial, social, and environmental license. Owning a federally permitted mine in the second-largest gold producing state in the union also represents an exceptionally valuable prize. The price for this success is that it is the rare mining project, regardless of its location, that is not subjected to challenge by someone, even after the issuance of permits, and irrespective of its environmental, socio-economic, or community merit.

We’re in great shape to deal with this. Ever since inception, Donlin Gold’s operating team and its Native partners – Calista Corporation and The Kuskokwim Corporation, owners of the mineral and surface rights, respectively – as well as its owners, Barrick Gold and NOVAGOLD, have advanced Donlin in a technically detailed, environmentally sound, and socially responsible manner with the full involvement of the communities directly and indirectly affected by the project. This extensive process was carried out in direct compliance with procedures outlined in the National Environmental Policy Act (NEPA) as well as all other applicable federal and state statutes and regulations. Meanwhile, even since then, Alaska has shown that it is open for responsible development. In a referendum that coincided with the November midterm elections in 2018, Alaskan voters *rejected* a proposition that would have added additional complexities to a resource development permitting process that is truly comprehensive and respectful of the environment and all its stakeholders. So if challenges arise, as they always do, I am confident that the rule of law will triumph, as it always does.

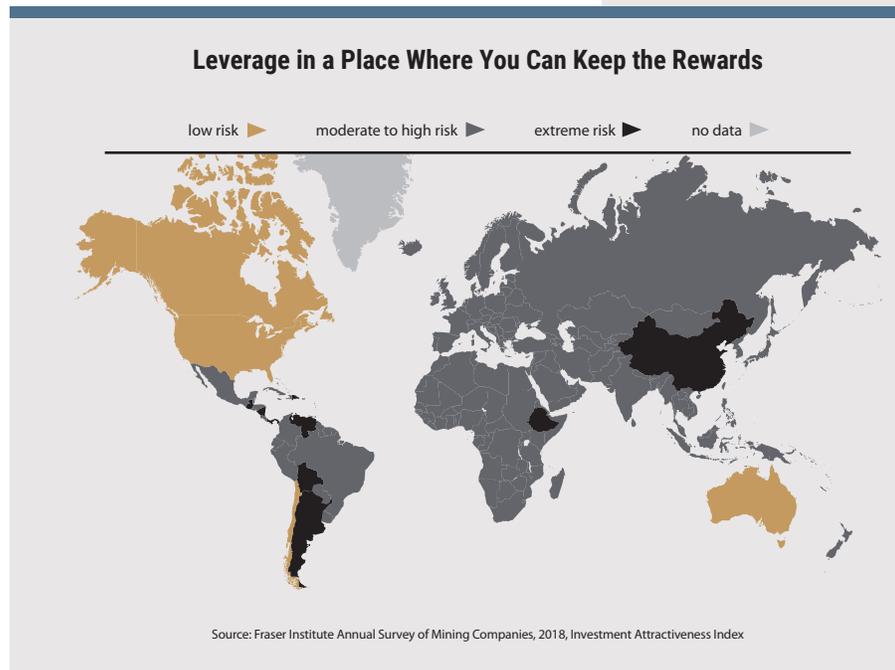
16 In a recent conversation for *Real Vision*, your interviewer made reference to what he called the “Kaplan Doctrine.” What did he mean by that?

My vanity and I are indebted to fellow gold bull Dan Tapiero for springing that one on me during our interview. He says that he first heard me describe a coherent philosophy on jurisdictional risk as being the gating factor for prudent natural resources investment a number of years ago – and that I have expressed it often enough over the past decade for him to give me the credit for identifying and acting upon this thesis. He is probably right about that. In any event, if he was looking to flatter me, it worked!

Like a reformed sinner, I have been evangelical regarding my epiphany about jurisdiction. Before going into energy in East Texas, I had made my bones in Bolivia, Zimbabwe, South Africa, and the Congo. At the time of

Electrum’s investment in NOVAGOLD, I happened to be one of the largest holders of mineral rights in the Islamic world, stretching from West Africa to Pakistan. In due course, by the time I met Greg Lang, resource nationalism had led me to conclude that the era characterized by the mantra “go where the gold is” was coming to a close, and that North America was once again the Promised Land for miners. Sure, it took longer to permit a mine in the United States, but at least one could keep one’s property when the marathon ended. You needn’t fear waking up to find out that what you thought you had in your possession the night before was no longer what you owned in the morning – never mind additional factors such as political instability, insurgencies, and terrorism. Finding myself repeating the old Woody Allen line “I’m not afraid of death; I just don’t want to be there when it happens,” I simply realized that the credo that had guided me through the years – namely, *acquire category-killer assets that give the greatest leverage to the underlying investment thesis* – needed the following corollary: *in jurisdictions that will allow one to keep the fruits of that leverage*. That is the so-called Kaplan Doctrine. With a sentimental tear to acknowledge the more swashbuckling successes of my youth, I shifted Electrum’s portfolio from half North America/half “other” to 90% North America. I’ve never looked back.

Apart from the fact that the list of previously investible countries has literally imploded – destroying billions of dollars of value in even well-managed companies and proving Electrum’s strategic withdrawal to North America to be both right and luckily timed – Greg and I were now becoming ever more convinced that Donlin could be not just the best asset in the gold development space, but literally peerless. Seen through that prism, Donlin is, in effect, the quintessential manifestation of the Kaplan Doctrine.



17 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 jurisdictions that have been struck off my investment-grade list, it would hurt one’s ears to hear the roll call. Projects that were slated to go online won’t – and some that did have since 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 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 have another severe economic crisis and gold powers higher while most commodities collapse? It's not so difficult to imagine. Such a 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 you asked.

18 NOVAGOLD's share price has outpaced the GDXJ by a wide margin. How should a prospective investor look at NOVAGOLD compared to other gold development companies?

Given all of Donlin's merits, I believe we *should* outperform, and it is our job to work toward that outperformance. In an era marked by scarcity value in the gold development space, I believe that Donlin is *sui generis*. Show me another project that combines, in one single package, the following attributes: size, exploration potential, grade, production profile, low all-in operating costs, a mine life measured in decades, and excellent local partners? Wrap this all up with the bow of jurisdictional safety and you have not just the best in breed, but something I believe is truly *unique*. If I am right and the ideal gold stock is one with a world-class asset located in the safest jurisdiction in the world, it's game, set, and match for Donlin.

Moreover, the management team that we have assembled is simply outstanding. Greg's executive suite is among the finest in the business – a reality that is reflected in their performance. NOVAGOLD represents a very rare case of a mining company continuing every day, month, and year to honor its pledge to do the right thing for its shareholders. Having witnessed the price that the industry has paid for its follies, I believe there is a very special place – and premium share price – reserved for gold miners who deliver on their promises. Superimposed onto this observation is my equally strong belief that we are in the final stage of a correction within a secular bull market in gold. While that doesn't mean that all gold mining companies will do well going forward, I am convinced that the special nature of NOVAGOLD means that ours will continue to outperform. As the largest investor in the company as well as its chairman, I believe that the upside case is clear in a bullish gold price environment. Having found or taken control in the past of great deposits in silver, platinum, and hydrocarbons that multiplied in value, I really do know whereof I speak. Donlin constitutes a truly great treasure, and then some. I believe it is in a league of its own, which makes NOVAGOLD an exceptionally special situation worthy of consideration for anyone's portfolio – specialist or generalist. The market may just be seeing it that way too.



Dr. Thomas Kaplan

Chairman, Board of Directors

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