



BEACON ROCK RESEARCH

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RESEARCH NOTE

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Disclosures 1,2,3,4

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NovaGold Resources Inc. (AMEX, TSX: NG, US\$15.39)

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Galore Creek's World Class Copper Deposit

We attended the 2006 Denver Gold Forum. The theme was symbolized by a road sign warning "Mergers Ahead." This reflected our opinion alerting shareholder's of the unsupportable tender offer of NovaGold Resources Inc. (AMEX, TSX: NG) by Barrick Gold Corporation (NYSE: ABX). Both company's presentations are well worth attending and revisiting. We were interested in ABX management's presentation and specifically the calculation of their acquisition of Placer Dome. We were particularly interested in their inclusion of copper which has not received sufficient attention.

According to ABX's presentation, they acquired Placer Dome for about \$10 billion. With the sale of assets to Goldcorp Inc. (NYSE:GG) and agreement to sell South Deep, with consideration of \$1.6 and \$1.525 billion respectively, net costs to acquire remaining asset should be about \$6.9 billion. Remaining assets included 35 million of gold reserves (proven and probable), 24 million ounces of gold resources (measured and indicated), 6.2 billion pounds of copper reserves (proven and probable), 52 million ounces of silver resources (measured and indicated), and 7.9 million pounds of platinum resources (inferred). ABX management commented that by their estimate, copper resources may be valued at \$4 billion, and the remaining assets (gold, silver, and platinum) could then be had for the net proceeds of about \$2.9 billion.

Galore Creek Feasibility Study Should Upgrade Copper Resources to Reserves:

We noted the calculation relating to copper because NG has 8.5 billion pounds of copper resources (measured and indicated) at Galore Creek. This does not include 2.4 billion pounds of inferred copper resources at Galore Creek, 1.0 billion pounds of inferred copper resources at nearby Copper Canyon, or 1.6 billion pounds of inferred copper resources at Ambler. Based on ABX's "net proceeds" calculation above, ABX acquired copper reserves at \$0.65 per pound (\$4 billion/6.2 billion pounds of copper). NG expects to complete a Feasibility Study at Galore Creek by the end of 2006, and according to NG's presentation, the Feasibility Study may be out as early mid-October. For purposes of understanding the acquisition, we may anticipate that a substantial portion of NG's measured and indicated copper resource may at that time be upgraded to reserve status. We believe this is material to understanding the tender offer and should be taken into consideration.

NG is a company with multiple potential world class assets, containing gold, copper and other metals, nearing feasibility. If investors focused only on NG's measured and indicated copper resources at Galore Creek and applied a valuation of \$0.65 per pound, this would suggest in a value of \$53.00 per share upon reaching full production in 2011 to 2012 (\$0.65 x 8.5 billion divided by 104.1 million shares). This figure will be diluted by requirements to obtain capital or other partners essential to reach operation. In any event, the addition of Galore Creek's world class copper deposit deserves both attention and refinement.

Investors should discount this figure as Galore Creek is not scheduled to start construction until in the spring of next year with production by 2010 or 2011. In addition, some adjustment for construction risk and recovery rates should be assessed. On the other hand, an upward adjustment might be made to add back 3.4 billion pounds of inferred copper resource at Galore Creek and Copper Canyon and the deposit is open to expansion (we were not provided ABX's Zaldivar's resources). Also Galore Creek is estimated to produce about 370 million pounds of copper annually at a cost of \$0.57 per pound, compared to Zaldivar at a rate of 300 million pound of copper annually at a cost of \$0.65 per pound. Galore Creek includes silver and gold and is larger with a potentially a longer mine life. Both projects are located in reasonably stable political jurisdictions.

2005 Preliminary Economic Assessment:

In October of 2005 NG completed an economic survey (see attached). The study's sensitivity analysis provided a 0% NPV of about \$4 billion, or \$38.60 per share. This study included Galore Creek's gold, silver, and copper resources (at \$500 gold, \$8.00 silver, and \$2.00 copper). In our May 9, 2006 research report we noted that with progress advancing deposits, NG may be vulnerable to acquisition should the stock's price suffer for any reason. We see the tender offer as a timely attempt to acquire multiple world class assets during a period in ABX's management words of "few major discoveries (reserve replacement is challenging)." This is only one reason why we see the acquisition of NG by ABX as being very important to the world's leading gold producer.

Shareholders should note that NG waived its shareholder's rights plan. We understand that this was because a majority of the shareholders have indicated they will not tender at the US\$14.50 offer price which continues to be below current market prices. We understand that several of NG's major shareholders have continued to build on their positions and that management owns 10% of the stock as well. Coincidentally, ABX management announced at the conference, four days prior to expiry of their offer, that it would be extending its tender offer to October 12, 2006 at the current tender offer price of US\$14.50 per share.

Milestones Not Makeover:

We expect ABX may increase its offer by a token few dollars per share to try to induce a sufficient number of shareholder's to tender shares. A few thousand shares were surrendered to ABX at US\$14.50 even while the price of the stock was over the tender offer price. We expect all investors have their price and all decisions need not be rational. We see an opportunity for a higher return by taking a longer view and recognizing NG's past record for delivering on schedule. We were stumped by tactical comments made during ABX's presentation that NG had not made "material" progress since the tender offer.

NG has achieved multiple fundamental milestones since the ABX offer that are not being reflected in the trading price or the offer. We attribute initial volatility in the stock price due to the notoriety of the tender offer by ABX suggesting they may have already made an internal decision to "move forward" on Donlin Creek with realization that ABX may not earn-back a total 70% ownership in Donlin Creek. This may imply NG will maintain its 70% ownership in a feasible world-class project. The stock price has since been dominated by falling commodity prices and the awareness that Placer Dome/ABX are significantly behind the timeline for construction at Donlin Creek.

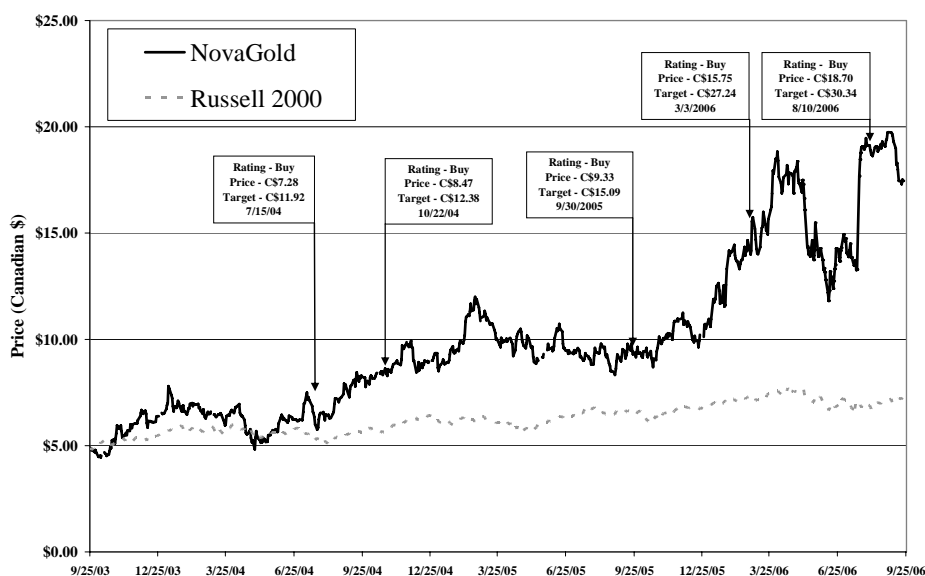
Milestones include the receipt of permits and the start of construction on their first mine in Nome, Alaska, update and expansion of the resources at Donlin, expansion and conversion of significant resources at Galore from Inferred to Measured and Indicated based on 63,000 meters of drilling, successful completion of the public review and comment period for the Galore permits and the pending Feasibility Study on Galore Creek which is nearing completion. The Feasibility Study at Galore would allow NG to report its first gold and copper proven and probable reserves and represents an upside to investors.

Valuation and Conclusion:

We see significant upside for NG in the next twelve months. There is potential for upside in the near term with completion of the Feasibility Study on Galore Creek or should the court move NG's complaints to a jury trial to settle the "dispute." We retain our **Buy** recommendation and 12-month price target of **\$27.00** per share. We also reiterate our **High** risk rating due to the potential for sustained declines in commodity markets affecting the tender offer.

NovaGold – Galore Creek Sensitivity Matrix – for an all equity case, all Net Present Values (NPV’s) and Annual Average Cash Flow (AANCF) are after-tax values in US\$ (millions)							
Copper Price		Gold Price (\$/oz) / Silver Price (\$/oz)					
(\$/lb)	Gold \$/oz Silver \$/oz	\$375 \$5.50	\$400 \$6.00	\$425 \$6.50	\$450 \$7.00	\$475 \$7.50	\$500 \$8.00
\$0.90	NPV@0%	\$419	\$484	\$549	\$613	\$677	\$742
	AANCF	\$168	\$177	\$185	\$194	\$202	\$210
\$1.00	NPV@0%	\$719	\$783	\$847	\$911	\$978	\$1,040
	AANCF	\$201	\$209	\$214	\$217	\$221	\$224
\$1.10	NPV@0%	\$1,017	\$1,081	\$1,145	\$1,209	\$1,273	\$1,338
	AANCF	\$220	\$224	\$226	\$230	\$235	\$239
\$1.25	NPV@ 0%	\$1,464	\$1,528 (\$14.50*)	\$1,592	\$1,656 (\$15.91)	\$1,720	\$1,785 (\$17.15)
	AANCF	\$242	\$246	\$251	\$256	\$261	\$267
\$1.50	NPV@0%	\$2,209	\$2,273	\$2,337	\$2,401	\$2,465	\$2,530
	AANCF	\$292	\$297	\$302	\$307	\$312	\$317
\$1.75	NPV@0%	\$2,954	\$3,018	\$3,082	\$3,146	\$3,210	\$3,275
	AANCF	\$338	\$343	\$348	\$353	\$358	\$363
\$2.00	NPV@0%	\$3,699	\$3,763	\$3,827	\$3,891	\$3,955	\$4,020 (\$38.60)
	AANCF	\$385	\$390	\$395	\$400	\$405	\$410

NPV0% share price based on estimated diluted shares of 104.1 million
 Yellow highlight reflect perceived range of base and closest assumptions to current metals prices
 Red highlighted area are values closest to ABX proposed cost of tender offer for NG’s Galore Creek project alone
 Green highlighted area reflects closest cells within table to long-term market assumptions
 Hatch Ltd, updated economic assessment study, October 2005



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This report has been written in accordance with current SEC regulations and the Standards of Practice developed by the Chartered Financial Analyst Institute (CFAI). Our research has been conducted by employing analytical practices generally accepted as standard within the analytical industry. In this instance, a comparison of financial strength, a bottom-up earnings projection based on a recovery in the U.S. economy, and relative multiples, were employed. The target price was calculated on comparative EPS, sales and book value multiples, and our knowledge of small-cap markets when enjoying both a sector and a cyclical rebound. Our conclusions are, by the very nature of forecasting, speculative, but are also reasonable, supportable and consistent.

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2. The Subject Company is paid an annual fee totaling \$45,250 to SLB Equity Research, LLC., one of its affiliates, for the arrangement of institutional introductions and other awareness building services through September 1, 2006.
3. The research analyst principally responsible for preparing this research report received compensation based upon various factors, including SLB Equity Research, LLC total revenue.
4. This report was prepared exclusively for the benefit of institutional investors and may or may not receive compensation directly or in soft dollar arrangements.

The analyst, Mike Niehuser, hereby certifies that the research conclusions and recommendation contained herein accurately reflects his personal views about the industry, company and shares and also hereby certifies that no part of his research compensation was or will be directly or indirectly related to the earnings estimates, target price or recommendation about the security.

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- Buy** Immediate purchase is recommended. The security expected to outperform the market over the next 12 to 18 months.
- Hold** Holding the stock is recommended because the share price's appreciation potential is less than or equal to the market.
- Sell** The stock has reached the target price objective and/or conditions have changed sufficiently to alter the outlook for the stock.

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- High** The security is more volatile than the market and/or the company is more leveraged than its peer group.
- Moderate** The security has about the same volatility as the market and/or the company carries a level of leverage in line with its peer group.
- Low** The security is less volatile than the market and/or the company is less leveraged than its peer group.

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