

SEPTEMBER 30, 2005
INTRODUCTORY REPORT



NovaGold Resources Inc.

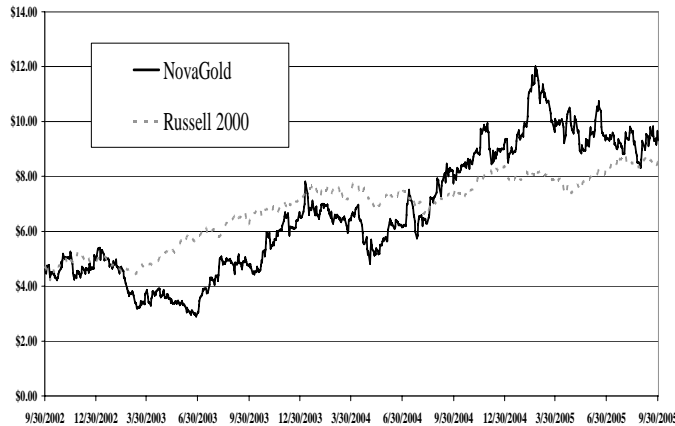
AMEX, TSX: NG

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Price US\$ (9/30/05)	\$8.01	Shares (mils)	86.8
Price C\$ (9/30/05)	\$9.33	Market Cap (mils)	\$530.10
P/E Ratio (ttm)	NA	52 Week Range	\$9.79 - \$6.01
P/S Ratio (ttm)	NA	Ave. Daily Vol.	286,662
Mkt. cap/ounce	\$21.12	Short Interest	200,500
Resource (mil.)	25.1	Gross Margin	NA
Cash/share	\$0.58	Oper. Margin	NA
Quick Ratio	4.1	Insider Ownership	4.0%
Debt to cap ratio	0.00 %	Inst'l Ownership	40.0%

Price Target	\$13.00
Rating	Buy
Risk	High
Disclosures	1a, 3, 4, 5, 6



Price Chart is in Canadian dollars

NovaGold Resources Inc. (AMEX, TSX: NG) is an emerging natural resource company graduating from development stage status to become a high quality, low cost producer starting by late 2006 or early 2007. NG has one of the largest resource bases of any exploration or development stage precious metals company. NG is advancing three of North America's largest undeveloped gold and copper deposits: the Galore Creek gold-silver-copper project, the Donlin Creek gold project in partnership with Placer Dome, the Ambler project in partnership with Rio Tinto, as well as the Company's Nome Operations including: Rock Creek, Big Hurrah and Nome Gold.

- 2005 Analyst Day with tour of expanded Galore Creek camp in August (See APPENDIX C and www.beaconrockresearch.com to view recorded corporate, project update, and geology presentations).
- Preliminary drill results from Summer 2005 season by Placer Dome at Donlin Creek project indicate high width and grade with possible extensions of inferred gold resource
- Initial drill results from Summer 2005 program at Galore Creek show exceptional results indicating further resource expansion
- Acquired 5.4 million shares of US Gold Corporation end of July, 2005 for \$0.50 per share (USGL has appreciated to around \$2.00 per share)
- Completed a \$62.6 million bought deal financing to a syndicate of Canadian investment dealers for net proceeds of approximately \$59 million.

Earnings Per Share					
	Q1: Feb	Q2: May	Q3: Aug	Q4: Nov	Annual*
2006E	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.05)
2005E	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ (0.06)
2004A	\$ (0.01)	\$ (0.02)	\$ (0.00)	\$ (0.02)	\$ (0.05)
2003A	\$ (0.03)	\$ (0.08)	\$ (0.01)	\$ (0.03)	\$ (0.16)

* numbers may not add up due to rounding

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September 30, 2005

Investment Thesis

NovaGold Resources Inc. (AMEX, TSX: NG) is an emerging natural resource company graduating from development stage status to become a high quality, low cost producer starting by late 2006 or early 2007. The transition from explorer/developer to producer is a dominant catalyst for price appreciation. Also, the company has consistently demonstrated the ability to significantly expand its metal resource inventory numbers including a recent major expansion on one of its key projects in 2005. These increases in metal inventory are positive for the continued development of the company's projects. We believe these factors have not yet been reflected in the price of the company's stock.

The current management team of NG was previously part of the exploration, operations and finance teams for major mining companies including Placer Dome Inc. (NYSE: PDG) and others. Over the past five plus years, the NG management team has assembled a world-class portfolio of projects that are in joint venture with some of the largest and highest profile mining companies in the sector including PDG and Rio Tinto Plc (NYSE: RTP). In part, this was accomplished during periods when the price of gold, silver and copper were at record lows, allowing the company to leverage into very significant assets under very modest terms.

During the initial years beginning in 1998, NG acquired properties that produced cash, from the sale of excess assets and other businesses, to fund exploration and pay overhead. This allowed NG to remain debt free during its early development while minimizing dilution. Since that time the company has been able to raise significant additional equity, enabling them to advance their projects toward production.

NG is listed on the AMEX, and is one of the few multi-project, junior resource companies trading on domestic exchanges. With the combination of achieving near term producer status on its first mine in Nome, Alaska and advancing two additional world class gold and copper deposits through development, significantly differentiates NG from other natural resource companies. NG also has an attractive asset and risk profile compared to other natural resource companies, with all of its projects concentrated in resource development friendly jurisdictions in politically stable North America. In addition, with its most recent equity offering, NG may have sufficient cash to take all three of its most advanced projects to Feasibility. NG has no domestic research coverage and remains relatively undiscovered.

Investors prospecting for solid undiscovered small-cap ideas may find this emerging natural resource producer to have good near and long term investment potential for a reasonable level of risk. The management team's story is that of bright and experienced entrepreneurs that left positions in larger established natural resource companies. Assembling a number of high potential properties at the bottom of the market, and applying their exploration and development expertise, management has transformed NG into an attractive, multi-project, junior resource company now approaching initial production with an exciting growth profile.

Understanding and Valuing Companies in the Natural Resource Industry

We have found that understanding a few key elements is essential to appreciate the differences between an emerging natural resource company like NG and companies that manufacture products or provide services. In common with the later group of more conventional companies, key elements include management, working capital, and ability to sell a product at market prices above cost of production. With natural resource companies, it is also important to be aware of nuances between precious and base metals, factors impacting near and long-term commodity prices (including macro economic factors including monetary policy and inflation rates), critical infrastructure components and capital, political and regulatory trends, and lastly geologic risk or the ability to economically separate the desired metal from the host rock.

This is not unlike any company in a growth industry working to bring a new product to market. All these factors are typical for companies attempting to grow in competitive markets. It is the art of understanding how these factors interact in a dynamic environment that we believe will eventually impact company performance and acceptance by the market. This report attempts to address as many of these issues as is reasonably possible.

Producers vs. Developers:

Producing companies in the natural resource sector are typically valued in relation to their net profit per ounce of known reserves. As a group, producer profitability is dependent upon the price of the underlying metal versus total cost of extraction. Individually producers are evaluated on quantity and cost of production, hedging, life of assets, etc. and evaluated on a discounted cash flow basis. Unlike producers, resource developers like NG trade at a discount to their net profit per ounce potential based on the time to production, and the achievement of key development milestones demonstrating higher probability of successfully starting production. These milestones include positive economic studies, progress in permitting, involvement of local communities, and documentation of methods to mitigate effects on the environment due to mining.

While the stock price of resource developers like NG will fluctuate with changes in the price of the underlying metals in inventory, as it does with a producer, an important component of a development stage company's valuation is the market's confidence level that the company will successfully move its projects from the early development stages through to production. As the time to production decreases, the deep discount in valuation per ounce between resource developers and producers decreases. In addition, the share price may increase as the company's defined resource inventory grows in size with exploration success and as those resources become reserves with completion of engineering studies that validate the economic viability of extraction. We believe the likelihood of these factors occurring on all of NG's properties to be good.

Sharing the Characteristics of a Biotech:

As mineral projects move closer to production, the market awards increasingly higher valuations for a project's resources. In this way natural resource companies may resemble companies in the biotech industry. Both have similar development timelines and the potential for very large returns. Initially a biotech's valuation is less related to earnings than passing regulatory hurdles, just like an emerging natural resource company that should increase in value as it establishes economic feasibility with additional engineering/economic studies moving it closer to production. This provides a recognizable path for increasing value, separate from fluctuations in commodity prices.

This is the case with NG. As the company's resources become better defined, extraction of the resource becomes more likely, and the valuation improves from deep discounts to the higher valuations afforded to a producing company. In most cases, valuation is less related to the price of the underlying metal than development stage and time to production. Like biotechs, most projects typically go through stages or phases with development risk reduced at each stage. These stages are advanced through additional drilling and engineering studies, then with completion of permitting and financing, further defining the economics of the resource. Unlike biotech companies that develop products for uncertain markets, natural resource companies produce commodity products for well established global markets, with risks related primarily to the prevailing metal prices relative to the cost of production of a specific mineral deposit.

Resource definition is only one of the many challenges that natural resource companies face in moving to production. Many early developments may never reach production, due to a number of reasons, which we will discuss in this report. NG compares favorably with its peer development stage companies that primarily have a single project, because NG has the diversification of several major projects located within politically stable jurisdictions. This provides investors less downside risk should one of its projects fail to advance to production. We believe NG is well positioned to bring several large fields into production by the end of the decade.

Close May be Good Enough

The price of metals certainly has an effect on the stock price of a development stage resource company, especially on the economics of the projects as they move toward production. We can not claim to know the price of metals when NG begins production on each of its various projects. We forecast the environment for producers to be positive through the end of the decade and holding at levels well above NG's production cost assumptions. Inflation and interest rates are still near historic lows at a time of peaking oil prices. Improving economies demand both precious and base metals for enterprise and personal consumption. In China and India, both increasing wealth and culturally desirous of increasing positions of precious metals, may maintain demand through the end of the decade. This does not include the potential increase in demand worldwide, further decrease in the value of the U.S. dollar, accumulation by foreign central banks, or through increased attractiveness as a diversified asset class.

On the supply side, we expect that future increases in production may be limited or even declining, restricting the global supply of gold. Large gold producers, having reduced their exploration re-investment in the 1990s, are now structurally challenged to replace their depleted reserves, as their inventory pipelines have languished. Also, there are very few large undeveloped deposits in inventory, with those that are known often located in areas that due to remoteness or political reasons, may never reach production. In addition, some historically large producing regions such as South Africa continue to see production decline as mines become exhausted and are not able to produce metals profitably. This suggests a continuing imbalance of supply and demand for metals favorable to NG's development timeline. The market dynamics, combined with an extended development timeline for projects moving toward production, creates an opportunity for holders of NG.

Management Steps Up to the Challenge

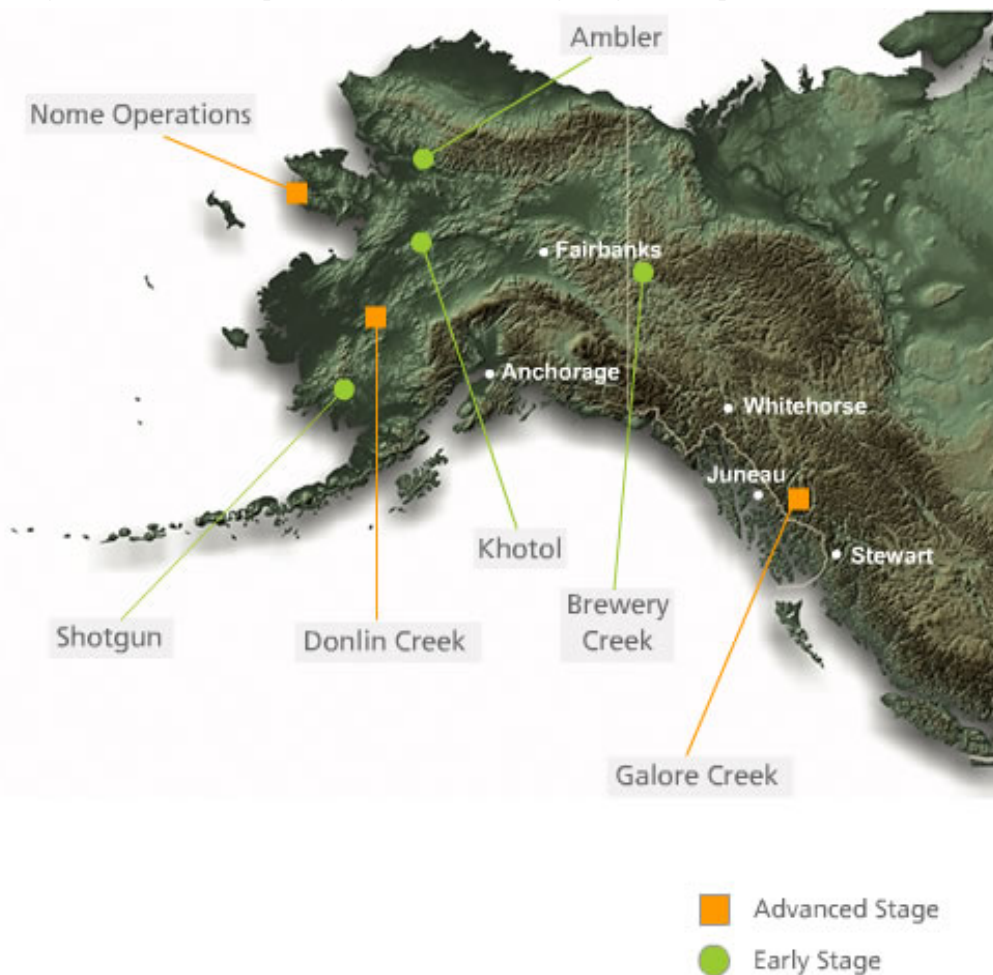
In May of 1998, Rick Van Nieuwenhuysse, became President and Chief Executive Officer of NG, an inactive Toronto listed company, bringing in several investors and refocusing the company's exploration activities in Alaska and Western Canada. Mr. Van Nieuwenhuysse has over 25 years of world-wide experience managing projects from discovery to production (he holds a Candidature degree in Science from the Universite de Louvain, Belgium, and a Masters of Science degree in geology from the University of Arizona). Mr. Van Nieuwenhuysse can be credited for building the current team at NG and raising the necessary capital that allowed the company to build its current portfolio of assets.

Previously Mr. Van Nieuwenhuysse was Vice President of Exploration for PDG, the fifth largest gold mining company in the world operating 22 mines on 5 different continents. Mr. Van Nieuwenhuysse was joined at NG by Greg Johnson in 1998 and Joseph Piekenbrock in 2001, also exploration geologists with decades of industry experience. All three previously worked together at PDG both in Alaska as well as internationally. In addition, all three have been involved in major mine discoveries, including the Donlin Creek discovery for PDG, and have managed projects from early stage discovery through to advanced feasibility studies and production.

NG has continued to strengthen its management team with the addition of key individuals in finance, business development and engineering to compliment its strong exploration team. This includes, Don MacDonald who is NG's Chief Financial Officer and has been directly involved in financing and development/operation of nine separate mines in North and South America; Douglas Brown who brings a career in project evaluation, acquisitions, operations management, and corporate finance; and Doug Nicholson, a mining engineer with over 20 years of mine development operation experience including construction of the largest mine in Alaska. Recent additions to the team include Carl Gagnier and Dean Lindsay both previously with Placer Dome having designed, built and operated numerous mines for PDG. Also recently joining the NG team to handle the permitting process, Susan Craig brings extensive experience in mine permitting and working with government.

Making Their Own Luck

By the end of 1998, the new NG management team had defined a 1 million ounce gold resource on its first property in Alaska. Recognizing the need to develop an internal source of funding during a bear market for metals, NG acquired 100% of the Alaska Gold Company (AGC) in 1999 for \$5.5 million in U.S. dollars (USD). The assets of AGC included the Rock Creek gold project on the outskirts of Nome, Alaska and the Nome Gold project within the Nome city limits. The acquisition increased the company’s total resource inventory to 3.7 million ounces of gold. Included in the acquisition was an operating sand-and-gravel business and a large package of real estate assets that have generated over \$10 million in cash after payback of the original purchase price. This allowed the company to pursue larger opportunities during lows in the metal price cycle while offsetting a significant portion of its G&A costs.



In early 2001, at a time of historically low gold prices, NG entered into a development agreement with PDG to earn up to 70% interest in the 12.9 million ounce Donlin Creek property in Alaska. A mutually beneficial agreement allowed NG up to ten years to complete \$10 million (USD) in exploration work to advance the deposit toward production and earn its interest in the project. If NG was successful in improving the economics of the project, at NG’s earn-in, PDG would then have the opportunity to resume its position as project manager and to reacquire a 40% interest in the project by bringing Donlin Creek to a positive production decision.

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Due to the exploration success at Donlin Creek, NG completed its earn-in on the project in just 18 months, by November 2002. In the process, NG dramatically expanded the known resource at the Donlin Creek property to over 25 million ounces of gold, making it one of the largest known undeveloped gold fields in North America and the world. PDG, in turn, now has the right to reacquire 40% of the project, to a total of 70% by spending a minimum of \$32 million (USD), completing a bankable Feasibility study, completing project permitting sufficient to make a positive construction decision by November 2007 for a mine that produces a minimum of 600,000 ounces of gold per year.

PDG is currently completing a Pre-Feasibility study on the project and anticipates beginning the Feasibility studies in 2006. As currently envisioned PDG is looking for annual production levels exceeding 1 million ounces of gold per year from the project. This will make Donlin Creek one of the largest mines in the world based on annual gold production. Because of the results to date, we assume that PDG will be successful and NG's eventual ownership position will be reduced to 30%.

In early 2003, NG consolidated its early stage Yukon projects with another mineral resource company to form the company's Western Canadian subsidiary SpectrumGold Inc. (TSX: SGX). In August of 2003, SGX acquired a 100% option on the Galore Creek gold-silver-copper property in British Columbia, Canada and completed an initial round of drill tests on the project. Based on the success of the work on the Galore Creek project, NG acquired the remaining minority interest in SGX through a share exchange in July of 2004 giving NG the 100% option for Galore Creek under its new wholly owned subsidiary NovaGold Canada Inc. NG also acquired and combined interests in several other key adjacent properties, improving the overall economics. This gave NG full control of the entire Galore Creek district, one of the largest undeveloped and unhedged gold-silver-copper fields in North America.

NG's is completing an aggressive development program including resource definition drilling, engineering and environmental studies in preparation for a Pre-Feasibility study in the second half of 2005. Management anticipates the Galore Creek project reaching the Feasibility stage by the second half of 2006 with construction likely beginning in 2007 or 2008 with receipt of final permits. Based on contained metal value, Galore Creek now eclipses Donlin Creek in terms of size and low cost of production, as NG's flagship property.

In early 2004, NG signed a strategic alliance with Rio Tinto (NYSE: RTP), one of the largest diversified mining companies in the world, on the Ambler project in Northwest Alaska. NG may earn a 51% interest in the high-grade copper-silver-gold Ambler project, by matching RTP's \$20 million in historic exploration expenditures on the project, and by completing the exploration and development work necessary to bring the project to a production decision. The project is currently at the resource development stage; however, RTP considers the Ambler project to be one of the richest undeveloped deposits of its kind in the world.

Similar to the Donlin agreement with PDG, RTP partnered this project with NG because of the company's Alaska expertise, and in particular, their expertise with Alaskan Native Corporations. This is expected to be instrumental in successfully developing the project. Though the Ambler project is at an early stage of development, with nearly 817,000 ounces of gold, 64.1 million ounces of silver, and 3.2 billion pounds of copper, the Ambler project has significant value that should be recognized as the project moves to the later stages of development around the time that construction is expected to begin at the Donlin Creek and Galore Creek projects.

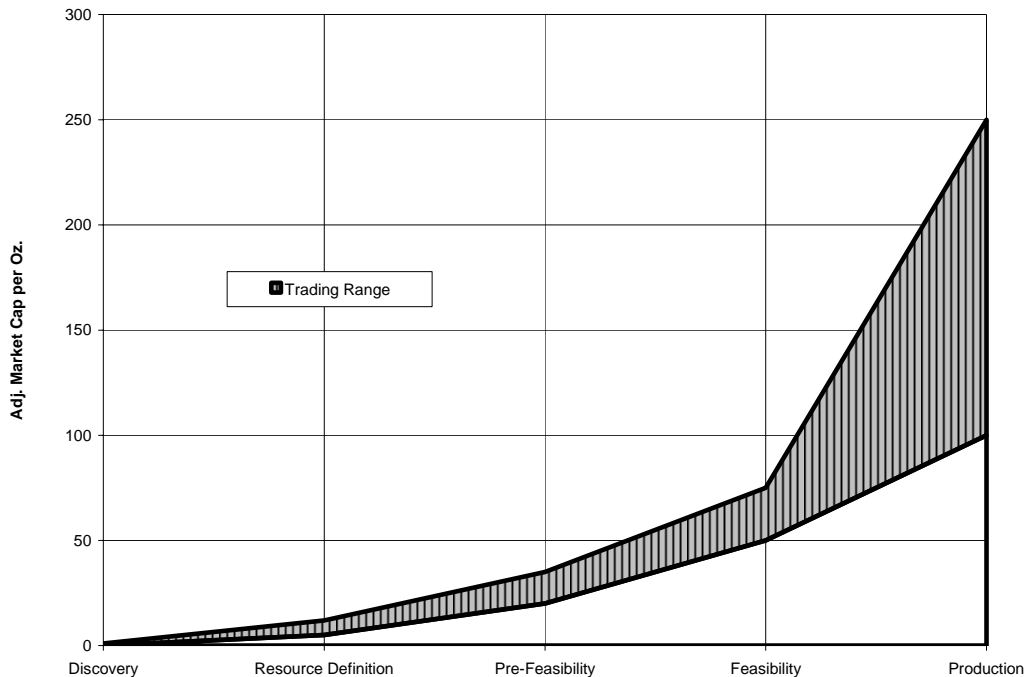
The progress at these properties leads us to believe that NG has the potential to start gold production by early 2007 and that by 2010-11 may be producing more than 700,000 ounces of gold per year along with several million ounces of silver and 200 million pounds of copper annually. Though the potential exists that these projects may see some delays related to permitting or the need for additional engineering work, we consider the likelihood of these four projects entering into production to be good, resulting in an increase in the price of NG's stock as the portfolio of projects steadily advance toward production.

Phases of Discovery through Extraction

The probability that any initial early stage mineral discovery will develop into a significant mineral resource is relatively small. Once a significant mineral resource has been defined, however, the probability of eventually becoming a mine improves dramatically (Please see Appendix A for an explanation of terms in this report used to define resources). NG’s three most advanced projects have significant defined mineral resources and are completing either the Pre-Feasibility or final Feasibility independent engineering phases.

Though every project is unique in its size, concentration and distribution of metals, there is a common development path, tracked by completion of key engineering/economic reports. After an initial discovery, this includes the definition of a significant resource and a Preliminary Economic Assessment study. At this earliest stage of development for a project the focus is on defining the size and grade of the metal resource or inventory for the deposit. With successful definition of a sufficiently large resource, the project would progress to the Pre-Feasibility stage and finally the Feasibility stage just prior to financing and construction of a mine. The valuation of any given project tends to reflect the current stage of development, with lower valuations at the earliest stages where the uncertainty is highest, with increasing valuations as a project moves through the more advanced development stages at Pre-Feasibility and Feasibility toward production, where valuations are based largely on the profitability per ounce of production.

The graph below generally demonstrates this relationship. On the far left, deposit valuations are highly discounted due to the low probability that any one project will reach production, and on the far right a Production valuation in adjusted market capitalization per ounce reflects the price of the underlying metal less production costs to extract the metal.



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Phases of Discovery through Extraction					
	Discovery	Resource Definition	Pre-Feasibility	Feasibility	Construction/Production
Number of Drill Holes	5-10	50-70	100-200	200-400	
Economic Study		Preliminary Econ Assess	Pre-Feasibility	Feasibility	
Cost Estimate		+/- 30%	+/- 20%	+/- 10%	
Risk	No Resource	Size and Grade	Economics	Permits/Financing	Profitability
Success Rate	1:1000	1:10	1:5	1:2	
Valuation Range		\$10-\$25/oz.	\$20-\$35/oz.	\$50-75/oz.	\$100-\$250+/oz.

The Discovery Phase is the initial point at which a potential mineral deposit may have been discovered. This may include as few as one to five drill holes that show metal concentrations over widths that could potentially be economic. If continued work is successful, a project moves on to the Resource Definition Phase, where generally 50 to 70 drill holes would define the mineral deposit. At this stage, an independent engineering study (known as a Preliminary Economic Assessment study or Scoping study) would generally be completed to estimate the capital and operating costs within a range of +/-30%. The risks for a project at this point are primarily technical risks relating to defining a sufficient quality, size, and grade of the metal deposit.

While the progress of the original find is characterized in discrete phases by the level of independent studies, it is generally a continual one of collecting additional geologic samples through drilling, trenching and workings, to increase the understanding and confidence in the economics of the mineral deposit. By the conclusion of the Pre-Feasibility Phase, generally 200 to 400 drill holes may now define the potential ore body. The additional sampling increases confidence in the engineer's conclusions, ideally resulting in a majority of the resource being classified in the Measured and Indicated category. All economics in a Pre-feasibility report are based on Measured and Indicated mineral resources. The study attempts to estimate costs within 20% of actual costs, to determine the economics of the deposit. The economic factors of extraction at this stage depend on the characteristics of the ore body: grade, geometry, depth, and preferred mining approach.

At the next stage of development, the deposit would be very well defined with detailed engineering and environmental studies sufficient to complete a Feasibility study, which would re-classify a portion of the Measured and Indicated resource as Proven and Probable reserves. This would include additional studies to refine estimated costs of operating and capital within 10% of actual costs. The report is also of sufficient quality for the project to be financed to initiate operation of the mine. At the Feasibility Phase the project may become a mine, subject to metal prices, political risk, permitting, and financing. Clearing these hurdles, the field enters into production where the continued operation and value of the mine becomes closely aligned with the actual cost of production, relative to the market price of the metal. NG's four main projects range from the Resource Definition to Feasibility Stage.

Discovery	Khotol, Brewery Creek
Resource Definition	Ambler JV w/Rio Tinto
Pre-feasibility	Galore Creek Donlin Creek JV w/Placer Dome
Feasibility	Nome Operations (Rock Creek)
Production	

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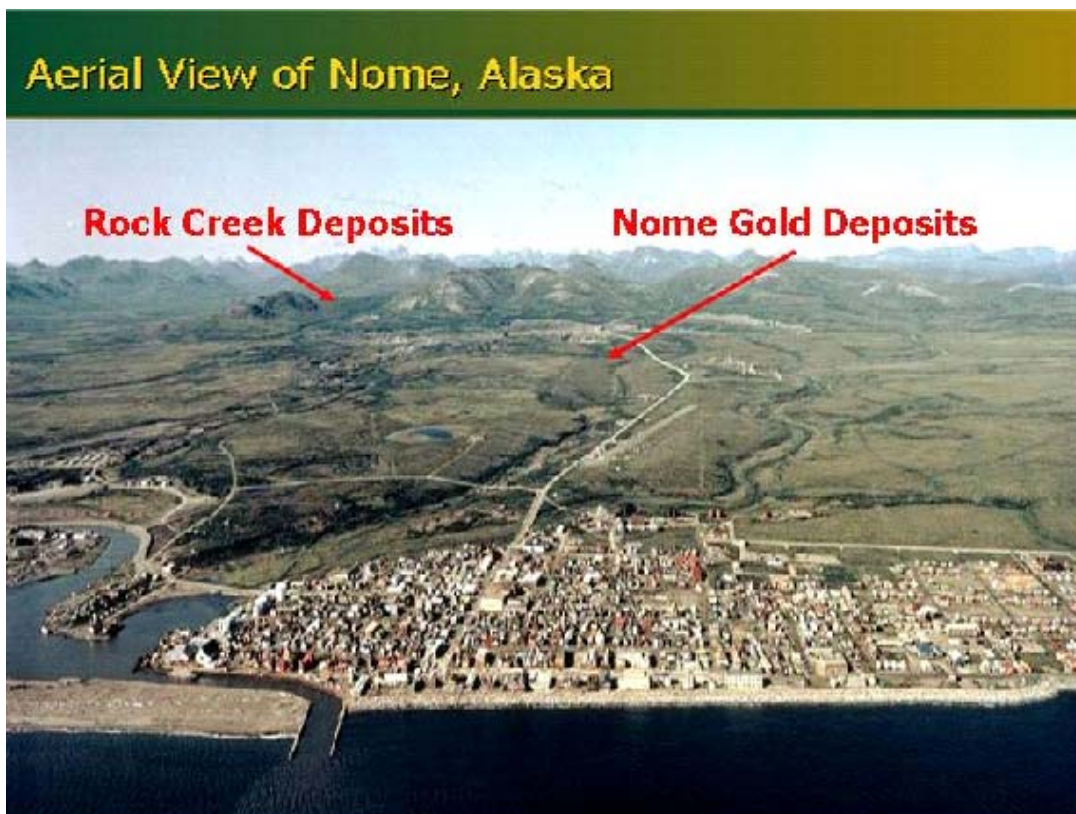
Project Development Sequence

Discovery of gold on Nome beaches led to the historic gold rush in 1898. Though the gravels draining the Rock Creek area were mined at the turn of the century, the site did not see modern exploration until 1986. Since that time, the ownership has been consolidated. The site has been worked by PDG, Tenneco, Newmont, Kennecott, and Alaska Gold (AGC). In April 1999, NG acquired 100% of AGC for \$5.5 million (USD), securing the Rock Creek Gold and Nome Gold projects located on the outskirts of Nome, Alaska.

The assets also included real estate holdings within the city limits of Nome and a working sand and gravel operation. Natural resource assets included 313 mineral claims on about 14,000 acres of patented mining claims located in the historic Nome mining district that has produced over 4 million ounces of gold from the stream and beach gravels since 1900. A resource estimate was completed by AGC engineers in 1999 that quantified Measured and Indicated resources of 1.2 million ounces and Inferred resources of 1.1 million.

The Rock Creek Gold Project Seen as Entrée to Producer Status:

The Rock Creek Gold project is conveniently located seven miles north of the city of Nome, Alaska and is accessible by a State maintained road. Nome is accessible by jet service year around and by commercial barge service for 9 months of the year. The coastal climate is more moderate than the Alaskan interior. Aerial photos of the Rock Creek project in relation to the City of Nome bring home how very accessible the project is relative to other mining projects located in nearly inaccessible corners of the world.



The Rock Creek deposit is located on a combination of NG's patented mining claims, with the balance on leased Native Corporation lands. NG has a mining lease from the Bering Straits Native Corporation and the surface rights from the Sitnasuak Village Corporation. The surface rights are an annual lease which is currently being re-negotiated. In addition to the land at Rock Creek, NG subsequently acquired rights to explore and develop 15,000 acres of private lands owned by Bering Straits Native Corporation in the Rock Creek area. Upon reaching production, Bering Straits is entitled to 2.5% net smelter rights from production on its leased lands.

Management reports a total resource of approximately 3 million ounces for the Nome Operations with Rock Creek being the first mine to go into production. Rock Creek would likely be developed in conjunction with the Big Hurrah deposit followed by other deposits including Nome Gold, and Saddle. These are anticipated to increase gold production within one to two years to 100-150,000 ounces per year.

With PDG taking over management of the Donlin Creek project in 2003, NG refocused its efforts on the development of the Rock Creek project to advance it toward a production decision. A Preliminary Economic Assessment was completed in August of 2003. Continued work projects annual production of 100,000 ounces at a total cash cost of \$250 to \$275 (USD) per ounce. Test results indicate 80% of the gold is recoverable using simple gravity methods and 96% with off-site processing of flotation concentrate. NG has initiated a Feasibility study on the Rock Creek Gold project that is anticipated to be completed by the end of 2005. If successful this would allow the company to increase its internally generated cash flow prior to its much larger projects.

NG originally budgeted \$4.0 million (USD) for development work in 2005, which was subsequently increased to \$5.75 million, primarily for drilling at the Big Hurrah project, located 40 miles from Rock Creek, and in order to make a decision to start construction of the mine in early 2006. The State of Alaska funded \$7 million (USD), completing the re-alignment and upgrade of the access road between the city of Nome and the project as part of the State's "Roads to Resources Program." Management is now considering purchase of \$20 million (USD) of critical equipment in advance to maintain their production timeline. After completion of a Feasibility study and receipt of final permitting they anticipate moving into production in early 2007.

Nome Operations Provide Additional Cash Flow:

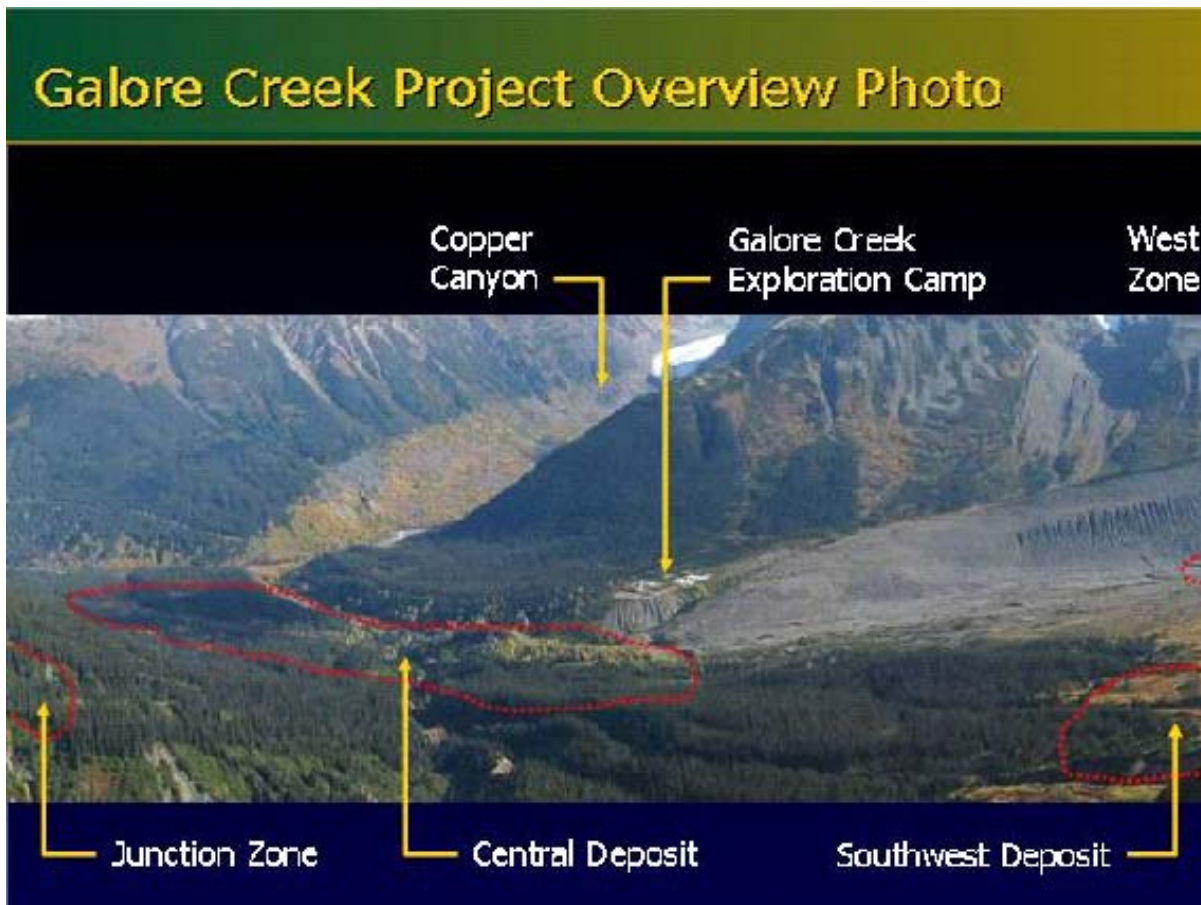
Much of the site is in and around the city of Nome. The project includes an operating sand and gravel business and excess real estate holdings that have been periodically sold for commercial and residential development. The annual revenues from the Nome sand and gravel operation and other revenues have ranged from about \$1 to \$2 million (USD) over the last couple years.

It is anticipated that these revenues should continue going forward as the company continues to operate its sand and gravel business and sell surplus lands that do not have mineral development potential including land for commercial and residential development, and later expansion of the Nome airport. In addition, management anticipates increased activity from construction and production at its Nome properties may bring hundreds of jobs to Nome. We believe this will have a multiplier effect in the Nome economy leading to additional construction with demand of sand and gravel or land sales.

Galore Creek Project Rapidly Becoming NG's Flagship Opportunity:

NG owns 100% of the Galore Creek project and controls adjacent properties. The combined project is one of the largest and highest grade porphyry related gold-silver-copper deposits in North America. Under the agreement NG can purchase a 100% interest in Galore Creek with no underlying royalties or back-in rights by paying the owners \$20 million (USD) over an eight year period.

The Galore Creek project is a 75,000 acre property located in the Stikine Gold Belt of Northwestern British Columbia. The project is located 90 miles north of the port city of Stewart, British Columbia and 56 miles northeast of Wrangell, Alaska. The property is currently accessed by helicopter with eventual development of an access road part of moving into production. The site has a continental interior climate and ranges in elevation from 1,500 to 6,000 feet above sea level.



The exploration and development work at Galore Creek in 2004 nearly tripled the previous resource estimates for the project. An updated resource study determined that the overall Galore Creek project include resources of over 13.75 million ounces of gold, 156 million ounces of silver and 12.0 billion pounds of copper. Using a copper price of \$0.90 per pound and \$375 per ounce of gold this is the equivalent in contained metal value to a 40 million ounce gold deposit – making this NG's largest single asset. This includes NG's 80% interest in nearby Copper Canyon deposit which contains an inferred resource of 2.8 million ounces of gold, 38 million ounces of silver, and 1.2 billion pounds of copper.

The exploration camp at Galore Creek has been expanded to support 175 persons to support a 50,000 meter exploration and development program, budgeted at a minimum of \$25 million on the Galore Creek project in 2005. This drilling program was subsequently expanded to 65,000 meters with ten drill rigs and a commensurate increase in the 2005 budget to \$40 million. This is directed at completing a Pre-Feasibility report by the second half of 2005 and preparation of a formal environmental assessment document and permit applications for submission by the end of 2005. The Feasibility report is anticipated to be completed in the second half of 2006. Management reports they continue to build productive relationships with the Tahltan First Nations in anticipation of reaching a legal participation agreement over the next year.

PDG to Bring Donlin Creek Project to Production:

Donlin Creek is NG's second largest project, consisting of measured, indicated and inferred resources of 25.4 million ounces, making this one of the largest undeveloped gold resources in the world. Donlin Creek consists of 42 square miles of privately owned patented native land located in southwest Alaska. The locale has a relatively dry continental climate, with less than 16 inches of annual precipitation. The site is 12 miles north of the village of Crooked Creek on the Kuskokwim River, a regional transportation route serviced by commercial barge lines.

The subsurface rights are owned by Calista Corporation, a regional Alaska native corporation. Calista receives \$200,000 (USD) annually, as an advanced minimum royalty, until completion of the Feasibility study, then up to \$500,000 (USD) per annum. Upon initiating production, they will receive a net smelter return production royalty (NSR) of about 1.5% (minus the previously paid advanced minimum royalties), until the company recovers its pre-production expenses. NSRs then increase to 4.5%. Calista has the right to acquire between 5% and 15% of the project, upon issuance of a bankable Feasibility study, by reimbursing the operators the percentage of the total exploration expenditures to date and contributing its percentage to the mine construction capital. Surface rights are under lease from the by Kuskokwim Corporation a local native village corporation, The fact that these lands are privately owned by supportive native corporation partners should significantly simplify the permit process as compared to developing a project on government owned lands.

Since 1988, a total of \$56 million (USD) has been invested in the Donlin Creek property, \$42 million (USD) by PDG and over \$10 million (USD) by NG. PDG began work on the Donlin Creek project in 1995. In early 2001 at a 25 year low in the price of gold, NG entered into an exploration and development option agreement with PDG to earn up to 70% of the project, by expending \$10 million (USD) within a ten year period. By November 2002, 18 months later, NG had completed the expenditure, increasing its interest to 70%. The NG exploration work increased the total resource to 25.4 million ounces, from the 12.9 million ounce resource previously identified by PDG.

In February of 2003, PDG exercised its back-in right to become project manager and potentially acquire an additional 40% interest in the project, for a total of up to 70%. This requires PDG to expend a minimum of \$32 million (USD), complete a bankable Feasibility study, and receive the permits necessary to make a positive construction decision by November 2007 to build a mine. The Donlin Creek project is currently in the Pre-feasibility phase. Pending a positive Pre-Feasibility study, PDG has reported plans to initiate permitting process by late 2005 as well as initiate a Feasibility study in 2006.

PDG had earlier budgeted to spend \$11 million (USD) in 2005 at Donlin Creek, this has been subsequently increased to \$13 million. PDG has had three drill rigs working on site to complete a 27,000 meter (88,000 foot) infill and expansion drill program in 2005.



Ambler to Follow Donlin Creek and Galore:

In March of 2004, NG optioned 51% of the Ambler property from subsidiaries of RTP. Ambler is 150 miles north-east of Kotzebue Sound in northwestern Alaska. The site consists of 35,000 acres and has a high grade inferred resources of nearly 817,000 ounces of gold, 64.1 million ounces of silver, 3.2 billion pounds of copper, 4.4 billion pounds of zinc, and 640 million pounds of lead.

RTP choose to partner with NG because of the company's Alaska expertise and in particular their experience with Alaska Native Corporations that will be instrumental in successfully developing the project. NG will be the project operator through to a mine construction decision at which time RTP has the option of repurchasing 2% interest to gain a total of 51% interest in the project prior to commencing operation. RTP must then pay NG a success fee of 4% of the net present value of the project at Feasibility. RTP then would become the project operator to build and operate the mine in joint venture with NG.

We believe the market does not yet include value for NG's future ownership of a 51% interest in the Ambler project. Because of the very high grade nature of this deposit in other metals besides gold, that improve its economics, it may have significant potential. Development of this site would be expected to follow Donlin Creek and Galore Creek.

NG is expected to spend \$5 million (USD) in the first five years and match a total of \$20 million (USD) by 2016. NG had budgeted a minimum \$1 million (USD) at Ambler for 2005. This has now been increased to \$4 million (USD) in anticipation of drilling 6,000 meters to advance the project to the Scoping level.

Other Sites:

The Company has the development rights to several earlier stage projects that it will evaluate in 2005. These include the former Brewery Creek gold mine in the Yukon Territory of Canada, the Khotol project in Northwestern Alaska, and properties in Nevada.

NovaGold Resources Inc.
Measured, Indicated and Inferred Resources for Gold (Au), Silver (Ag), Copper (Cu), Zinc (Zn) and Lead (Pb)
As of April 2005

Property % Ownership	Resource Category	Tonnes (M's)	Grade Au g/t	Grade Ag g/t	Grade Cu %	Grade Zn %	Grade Pb %	Total Contained Metal					NovaGold Share Net After Earn-Ins						
								Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb		
Donlin Creek (1) 30% Ownership After PDG Earn-In	Measured	7.9	3.1					0.799						0.240					
	Indicated	109.5	2.9					10.343						3.103					
	Total M&I	117.5	3.0					11.142						3.343					
	Inferred	142.2	3.1					14.308						4.292					
Total	259.7	3.1					25.450						7.635						
Galore Creek (2) 100% Ownership	Measured	516.7	0.36	4.5	0.59			5.950	75.4	6,792				5.950	75.4	6,792			
	Indicated	516.7	0.36	4.5	0.59			5.950	75.4	6,792				5.950	75.4	6,792			
	Total M&I	516.7	0.36	4.5	0.59			5.950	75.4	6,792				5.950	75.4	6,792			
	Inferred	413.5	0.37	3.2	0.43			4.940	43.1	3,945				4.940	43.1	3,945			
Copper Canyon (80%)	Measured	164.8	0.54	7.2	0.35			2.860	37.9	1,275				2.288	30.3	1,020			
	Indicated	578.3	0.42	4.4	0.41			7.800	81.0	5,220				7.228	73.4	4,965			
	Total Inferred	578.3	0.42	4.4	0.41			7.800	81.0	5,220				7.228	73.4	4,965			
	Total	1,095.0	0.39	4.4	0.50			13.750	156.4	12,012				13.178	148.8	11,757			
Rock Creek (3) 100% Ownership	Measured	3.0	2.8					0.273						0.273					
	Indicated	3.4	2.7					0.282						0.282					
	Total M&I	6.4	2.7					0.555						0.555					
	Inferred	2.9	2.8					0.303						0.303					
Saddle	Measured	3.6	2.2					0.260						0.260					
	Indicated	13.0	2.6					1.118						1.118					
	Total M&I	13.0	2.6					1.118						1.118					
	Inferred	3.6	2.2					0.260						0.260					
Nome Gold (4) 100% Ownership	Measured	48.8	0.31					0.484						0.484					
	Indicated	90.3	0.24					0.688						0.688					
	Total M&I	139.1	0.26					1.172						1.172					
	Inferred	156.5	0.21					1.066						1.066					
Total	295.5	0.24					2.237						2.237						
Ambler (5) 51% Ownership	Measured	36.3	0.7	54.9	4.0	5.5	0.8	0.817	64.1	3,201	4,401	640	0.417	32.7	1,633	2,245	327		
	Indicated	36.3	0.7	54.9	4.0	5.5	0.8	0.817	64.1	3,201	4,401	640	0.417	32.7	1,633	2,245	327		
	Total M&I	36.3	0.7	54.9	4.0	5.5	0.8	0.817	64.1	3,201	4,401	640	0.417	32.7	1,633	2,245	327		
	Inferred	32.8	0.93					0.980					0.490						
Total	32.8	0.93					0.980					0.490							
Total M&I Contained Metal								18.819	75.4	6,792			11.020	75.4	6,792				
								25.534	145.1	8,421	4,401	640	14.056	106.1	6,598	2,245	327		
Total Contained Metal								44.353	220.5	15,213	4,401	640	25.076	181.5	13,390	2,245	327		

Source: NovaGold, Inc.
Notes: These resource estimates have been prepared in accordance with National Instrument 43-101 and the Canadian Institute of Mining and Metallurgy Resource Classification System. Total M&I Gold Resources are potential gold resources that will require additional exploration to elevate the Inferred Resource components to the higher Measured and Indicated Resource categories.
See numbered footnotes below on resource information. Resources are reported as net values to NovaGold after all project earn-ins.

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Financial Statements*Balance Sheet:*

NG completes its financial statements in Canadian dollars under Canadian GAAP (unless stated otherwise all figures are in U.S. dollars). NG has a solid balance sheet. As of May 31, 2005, NG had \$38.3 million (CAD) [\$0.58 (CAD) per share] in cash on its balance sheet with no debt. The company reported assets of \$211.7 million (CAD), composed of mineral properties and related deferred costs of \$160.8 million (CAD), and the balance in cash. Stockholder's equity was \$164.0 million (CAD). Under U.S. GAAP, assets and stockholder's equity would have been approximately reduced by the capitalized exploration costs. (See APPENDIX B for discussion on US and Canadian GAAP as it relates to NG).

On October, 28, 2004 NG issues 1,980,200 flow-through common shares at \$10.10 per flow-through common share for net proceeds of \$18.9 million. Under Canadian tax law the flow-through shares enjoy special tax status in return with funds being targeted and spent on NG's Canadian projects. On October 1, 2003, in a private placement, NG issued 7 million units comprised of one common share and warrants to purchase an additional half share. This entitled the holder of the warrant the right to acquire one common share at a price of \$7.00 (CAD) per share on or before October 1, 2008. This placement provided net proceeds of \$33.0 million (CAD). Earlier private offerings were completed in a similar manner, each unit being composed of a single common share with rights to acquire additional one-half common shares prior to the expiration date.

On July 7, 2005, NG completed a \$62.6 million bought deal financing to a syndicate of Canadian investment dealers to purchase 6.26 million special warrants as a price of \$10 per special warrant for net proceeds of approximately \$59 million. Upon completion of the transaction NG now has about 72.6 million shares outstanding with diluted share count of 86.8 million giving the company \$85 million (CAD) in cash (\$1.17 (CAD) per share).

Net Proceeds (in millions, Canadian \$'s)				
Date	Units	Net Proceeds	Warrant Exercise Price	Expiration
July 7, 2005	6,260,000	\$59.0M	\$12.10	January 7, 2008
October 28, 2004	1,980,200	\$19.9M	\$10.10	October 28, 2005
October 1, 2003	7,000,000	\$33.1M	\$7.00	October 1, 2008
September 19, 2002	2,958,040	\$14.1M	\$6.50	March 20, 2004
April 18, 2002	5,295,000	\$17.4M	4.50	October 19, 2003
September 18, 2001	730,000	\$0.9M	\$1.50	September 18, 2002
September 18, 2001	300,000	\$0.3M	\$2.00	September 18, 2003
August 27, 2001	2,355,500	\$1.9M	\$1.00	August 27, 2002

NG has significant cash balances and is in good position to move all projects forward through Feasibility Phase of its three most advanced projects. PDG is responsible for funding progress at Donlin Creek through November 2007. There is also sufficient cash on the balance sheet to advance purchase necessary equipment for Rock Creek, and with execution of in the money options and the 2008 dated warrants to fund over \$100 million (CAD) of the required equity capital for the Donlin Creek or Galore Creek projects. Currently management owns approximately 5% and insti-

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Exploration:

Canadian GAAP does not include exploration costs in the income statement. It is helpful to compare equity proceeds and cash balances with exploration expenses, in order to relate management's activities to their ability to increase shareholder value. The following chart demonstrates the increasing focus on moving both Rock Creek and Donlin Creek toward production. NG is not required to expend additional funds on Donlin until PDG makes a positive mine construction decision by November of 2007. NG expects to spend \$40 million in 2005 at Galore Creek, and on all properties to be \$70 million, including \$17 million by NG's joint venture partners. This may be partially offset by cash flow from NG's Nome Operations in Alaska.

Net Proceeds/Exploration (in millions, Canadian \$'s)
--

	1999	2000	2001	2002	2003	2004	2005
Net proceeds	--	--	\$3.2	\$31.5	\$33.1	\$19.8	\$59.0
Year end cash	\$0.3	\$0.4	\$0.4	\$20.4	\$59.8	\$56.1	\$38.5*
<u>Exploration:</u>							
Rock Creek	\$1.4	\$0.6	\$0.1	\$0.4	\$5.8	\$6.0	\$5.8
Donlin Creek	--	--	3.3	14.1	1.5	0.2	0.0
Galore Creek	--	--	--	--	3.0	\$17.5	\$40.0
Ambler	--	--	--	--	--	\$2.4	\$4.0
Other	4.0	0.6	0.1	0.2	1.6	\$0.8	\$1.5
Total Exploration	\$5.4	\$1.2	\$3.5	\$14.7	\$11.9	\$26.7	\$51.3
MI&I Resources (gold):	3.7	7.6	9.2	10.7	14.2	17.1	25.1
* analyst estimate							

In addition to management's success in increasing gold resources (detailed above), as of May of 2005, the company had expanded its resource inventory by 8 million ounces of gold and 6 billion pounds of copper to a total of 25.1 million ounces of gold and 13.4 billion pounds of copper with an additional 181 million ounces of silver and 2.2 billion pounds of zinc. The resource estimate as of May 2005 does not include the results of the current year's drilling program or engineering studies now in progress which may increase total resources.

It is important to note that management has leveraged some very large opportunities from its relatively modest expenditures. For example, from their investment of \$10 million (USD) on Donlin, NG management has successfully moved the project to where PDG will need to spend \$32 million (USD) over the next several years and successfully bring the project to a construction decision to earn their option for an additional 40% interest from NG. For their investment, NG will likely have a 30% interest in a mine that produces over 1 million ounces of gold per year with a world class operator.

Operating Results:

As an emerging producer NG would not be expected to generate revenues until its first gold project moves into production. Unlike most emerging producers, NG has been able to generate revenues from its sand and gravel business, land sales, royalties, and other sources. These revenues are detailed below:

Operating Summary (in 000's, Canadian \$'s)						
---	--	--	--	--	--	--

	1999	2000	2001	2002	2003	2004
Land, gravel, gold and other revenue	\$3,237	\$2,857	\$2,800	\$2,124	\$1,246	\$2,462
Interest income	--	--	24	196	346	1,289
Cost of sales	(1,039)	(757)	(293)	(238)	(333)	(282)
Gross profit	\$2,198	\$2,099	\$2,531	\$2,082	\$1,259	\$3,469
Earnings per share	(\$0.13)	(\$0.14)	(0.02)	(0.10)	(0.14)	(0.16)

Except for land sales, which we view as potentially significant, various non-gold producing sources of revenue have been primarily helpful as an offset to operating expenses. This revenue was particularly important in the earlier years of NG, as it allowed the Company to pursue opportunities in the sector during the lows of the bear market for metals, without excessive dilution. In recent years the company has successfully raised equity to make additional investments in its properties with exploration results detailed above.

Our Model

NG anticipates projects it will begin construction at Rock Creek in early 2006 with production by the end of the year. Under Canadian GAAP, the company does not expense exploration costs. Our earnings estimates reflect our expectation that revenues from various sources partially offset overhead. We expect modest earnings losses (according to Canadian GAAP accounting) until Rock Creek commences production. Because investments in mineral fields are capitalized rather than expensed, reported earnings understate negative cash flow.

We can forecast cash balances based on NG's stated development budget for 2005 and our estimate for 2006. NG should have adequate cash to move its Rock Creek and Galore Creek projects to Feasibility. In addition, because PDG (rather than NG) is responsible for costs on Donlin Creek through November 2007, PDG relieves NG of advancing the project to production. At that point, PDG will be required to assist NG in obtaining financing upon commencing mine construction. The company hopes to utilize cash flow from production at Rock Creek to help offset work for the Nome Expansion and Galore Creek, which it expects to begin production in 2007 and 2010-11, respectively.

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Estimated Cash Flow (in million's, Canadian \$'s)		
	2005	2006*
Beginning Cash	\$56.1	\$38.5
Nome Operations (Rock Creek)	(\$5.8)	(\$30.0)
Galore Creek	(\$40.0)	(\$10.0)
Donlin Creek	--	--
Ambler	(\$4.0)	(\$4.0)
Other	(\$1.5)	(\$1.5)
G&A	(\$7.3)	(\$8.0)
Equipment Purchase	(\$20.0)	
Plus Land Sales	\$2.0	\$2.0
Equity/Debt Financing	\$59.0	\$30.0
Ending Cash	\$38.5	\$17.0
* analyst estimate		

At this stage as an emerging producer, NG's valuation should be tied to the quality and stage of development of its projects rather than its current earnings cash flow. It appears that NG will have adequate cash for the next 12 months to continue its development programs and for continuing operations. Given the company's current estimates of mineral resources and intended timeline to development, the company anticipates production as follows:

Gold Production Estimates (ounces in 000's)					
	2007	2008	2009	2010	2011
Nome Operations (Rock Creek) (1)	100	100	100	100	100
Nome Expansion	50	50	50	50	50
Galore Creek(2)*				100	250
Donlin Creek (3)			100	300	300
Total Annual Production	150	150	250	450	700
Notes:					
(1) Feasibility study expected comple-					
Begin construction early 2006					
(2) Pre-Feasibility study expected second half-2005					
Feasibility study completion mid-2006					
Begin construction 2007					
(3) Pre-Feasibility study expected 2005					
Decision to construct mine expected late 2007					
*Does not include substantial silver and copper resources					

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Over the next couple years we could expect that some estimates might be included for Ambler or other opportunities which may move toward production after 2010. Given the reasonably good accessibility of Rock Creek and Nome Gold, as well as the mining history of the locale and current price of gold, we would expect these would have a good probability of initiating production in the next 24 months. Management believes that Donlin Creek and Galore Creek would follow, but these targets are still being defined and are dependent upon a number of factors including the permit timeline and construction sequencing for the projects. The Donlin project would likely commence production in 2009, dependent upon a Feasibility study by PDG and would likely produce approximately 1,000,000 ounces of gold per year. Management's estimate of 300,000-400,000 ounces of gold per year from Donlin assumes NG's ownership interest will be reduced to 30% (not including a back-in by the Calista Corporation) and that PDG is able to produce a million ounces per year. According to management, PDG has stated they are currently looking at potential production in excess of 1 million ounces of gold per year from Donlin Creek's estimated gold resource of over 25 million ounces.

Production usually proceeds upon completion of a bankable Feasibility study with favorable economic conditions. A key factor is cost of production. Independent engineering estimates indicate that the average production costs on all of NG's major projects may be below the industry lower quartile cost at \$150 per ounce of gold produced and less than \$0.50 per pound of copper. We expect costs approximating \$250 - \$275 (USD) per ounce from Nome Operations at Rock Creek and Nome Gold. In addition, the operating leverage of PDG and economies of scale may reduce the total cash cost of production of Donlin Creek to as low as \$150 (USD) per ounce in the first few years. Cash costs at Galore Creek should be even lower due to production of silver and copper offsetting total costs, we might expect that total cash costs per ounce at Galore Creek will be less than \$50 (USD) per ounce of gold. Significant staging, capital costs and timing will be affected by the routing of a road to the site and determination of the size of facilities to support extraction at Galore Creek.

Risks and Concerns

For emerging producers such as NG, the primary factor for the market to award higher valuations is successful advancement through each engineering phase and the time to production. Many factors may either halt or extend the time it takes to reach production. While NG shares many of these risks typical to the industry, we believe that the company has lower risk in many of these areas, relative to other emerging producers. For example, NG operates in the United States and Canada having low country/political risk. This risk factor includes a wide range of concerns, including permitting, property rights, taxation, currency, culture, and other risks. Also, NG has a number of either well located or exceedingly large resource deposits.

Risk: NG is an exploration company without production history.

Mitigation: NG has adequate lead time to attract key personnel and the expertise to build a strong management team to commence production. They have already begun adding seasoned operators to the management team.

Risk: Competition for management talent has become more competitive with renewed interest in the natural resource sector. NG will need to continue to successfully expand its team to achieve its long-term goals.

Mitigation: NG has a number of projects with attractive growth profiles attractive to individuals seeking stable long-term employment.

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- Risk:** Deposit economics and feasibility affecting NG's stock price are dependent upon accurate engineering studies and mineral estimates. NG has not established the presence of any proven and probable reserves at any of its mineral properties.
- Mitigation:** All of the Company's resource estimates have been independently verified by qualified 3rd party engineering firms, as required by Canadian regulatory oversight. The Donlin Creek, Galore Creek, and Ambler project resources were initially established by respected senior global mining companies Placer Dome and Rio Tinto. The deposits in the Nome area have a long history of mineral extraction.
- Risk:** Eventual development will be driven by bankable Feasibility studies, depending upon mine characteristics, recovery rates, cash operating costs, seasonality, and metal prices.
- Mitigation:** We believe that the historic characteristics of Rock Creek and Nome Gold, as well as proximity to the City of Nome should lead to a positive Feasibility study. We also expect that, given the estimated resources at Donlin Creek in combination with PDG's joint ownership, the site will be worked to the fullest extent. In addition, the probable low operating cost will offset potential uncertainty of staging costs.
- Risk:** Metal prices can be volatile, impacted by inflation, relative strength of the U.S. dollar, interest rates, economic crises, and demand for jewelry, industrial products, and central banks which may affect feasibility of NG's projects.
- Mitigation:** NG's resource estimates have been determined at market prices of \$375 per ounce of gold and \$0.90 per pound of copper, well below the current prices of over \$450 per ounce of gold and \$1.60 per pound of copper. In many ways the current price of gold is not significant until the Feasibility study is completed and production commences. In addition, the higher the price of gold moves above this level, the greater the resources increase in size. The staggered start dates for NG's projects should improve market valuations of the company's stock as they approach production. China's and India's economies are growing, increasing the demand for gold and copper. Low metal prices in the late 1990s reduced mining infrastructure and exploration, leading to fewer fields and increasing demand for new projects by large resource producers (such as PDG). Also, because costs of production are compared in U.S. dollars, a weaker dollar results in lower cost of production, relative to the rest of the world, while a stronger dollar increases relative costs of production.
- Risk:** Progress of advanced projects requires permitting which is politically influenced by permitting authority, federal, state, and local interests as well as Native Americans and First Nations' interests.
- Mitigation:** The government entities in areas which NG operates have a favorable view of the company's mining activities. In addition, both NG and PDG appear to have a good relationship with the indigenous peoples (who desire sustained economic development to build a local self-sufficient economy).
- Risk:** The risk of prior claims impacting NG's mineral rights.
- Mitigation:** Claims by other parties of interest are mitigated by a well developed system of property rights in areas in which the company operates relative to many other locations outside the U.S. and Canada. In addition, concerns are also reduced on lands leased from local Native-American Corporations which own the surface and subsurface rights.
- Risk:** NG is not generating revenues sufficient to fund development costs and will eventually be required to obtain external financing when Donlin Creek or Galore Creek move to production.
- Mitigation:** We do not anticipate NG having any problems raising the necessary financing through cash or debt. Cash flow from the Nome Operations, plus other revenues (land sales, royalties, and sand and gravel operation), should provide additional support to banking relationships and reduce risk of dilution.

September 30, 2005

- Risk:** NG's business is exposed to environmental regulations in the areas it operates.
- Mitigation:** The combination of favorable government attitudes toward the mining industry and partnerships with the Native-American Corporations should assist NG. Also, PDG will help offset concerns by environmental groups. At Nome and Donlin Creek either NG or the Native-American Corporations own the lands contemplated for mining, which facilitates their development and reduces environmentalist claims. This is quite unlike recent controversial proposals by the oil industry to explore within federal wildlife refuges such as ANWR.
- Risk:** Placer Dome has back-in rights of 40% and Calista has back-in rights 5% to 15% of the Donlin Creek projects. If both were exercised, NG's interest would be reduced to about 25.5%.
- Mitigation:** NG's estimates presume other interested parties will exercise back-in rights. Though management reports that PDG targets to produce a million ounces annually from Donlin Creek, the earn-in agreement with Donlin Creek requires a positive mining decision of at least 600,000 ounces per year. In the unlikely event that this is not accomplished by November of 2007, NG will retain a 70% interest in Donlin Creek. If Calista does exercise its back in rights, its interest would be applied proportionately to PDG and NG. Also, both companies would be reimbursed for that percentage of total exploration and development costs, and Calista would also have to contribute their prorated percentage of mine capital.
- Risk:** NG is responsible for the reclamation of mining completed on sites it owns, as well as for projects moving toward production.
- Mitigation:** Operators are required to reserve for reclamation, requiring the condition of its sites be restored to its previous condition.

Important Considerations for Investment

1. NG is listed on the AMEX and is relatively undiscovered by the domestic investment community.
2. We believe that the market does not fully comprehend the combined opportunity of Nome Operations moving toward production, the potential of PDG's joint venture at Donlin Creek, and the magnitude of resources at Galore Creek and Ambler.
3. NG has an entrepreneurial management team that correctly made significant investments at the bottom of the market. The team has solid technical exploration and development experience with a record of completing deals, raising equity, entering into productive partnerships, and advancing projects.
4. NG's resource estimates were based on conservative gold prices of \$375 per ounce of gold and \$0.90 per pound of copper. Though gold prices are near 52-week highs they are well below their highs of the early 1980's and many experts believe gold prices remain below their long-term averages. Market forces of supply and demand for gold favor higher prices by the end of the decade in part due to China's and India's growing economies. Many forecasts predict major producers will be under pressure to locate mineral fields to meet demands of reserve replacement. NG has three mineral fields that are world class in size, making NG an attractive takeover candidate by PDG or other large producers. Precious metals prices can see strong positive increases even during periods of international or economic crisis.
5. NG's projects include a substantial copper and silver component that provides a significant internal diversification of its future metal production. This diversification reduces metal price cycle risk by including a valuable component that may be countercyclical to gold. It also provides potential increases in returns with exposure to the market value of copper and silver and reduced gold production costs due to by-product credits.

6. NG's resources have been estimated by independent third party reviews based on years of drilling. In addition to the currently estimated resources, NovaGold's projects are at that stage of development where there is high probability that the defined resources are likely to increase due to the increased exploration drilling. Furthermore, it is not uncommon that once projects commence operation, pits are expanded beyond the original footprint, or additional minerals are discovered in proximity of the original mine, leading to further production. Resources often expand over the actual life of a mine.
7. NG has a number of quality projects, increasing the likelihood that the company will have one moving to production. Most other emerging producers, which are dependent on a single project, likely smaller, may be exposed to greater country/political risk. NG is well located in Canada and the United States, and prioritizes maintaining very good relations with its Native-American tribal partners.
8. NG has a solid balance sheet with cash and no debt. It may bring its Rock Creek to production with bank financing reducing potential for further dilution. Its Donlin Creek project requires no further investment until a bankable Feasibility study is completed by PDG. The company has a lower than average number of shares outstanding relative to other emerging gold producers providing substantial leverage to successful production. In addition, unlike other emerging producers, NG has other sources of revenue to help offset overhead.

Market/Comparables

Natural resource companies have many differentiating characteristics; the most dominant is the stage of development and timeline to moving into production. We have selected four emerging producers as comparable companies. This is from a pool of about 50 natural resource companies, ranging from advanced exploration companies to senior producers. All four of the companies trade at a premium to NG, due to the market's belief that each is nearing the feasibility stage just prior to making a positive decision to construct a mine. NG should be advancing its two most advanced projects to feasibility over the next year as well. We believe NG should also start receiving higher valuations on one or all of its projects during that time, which may result in the stock price appreciating. There are a number of other emerging producers or advanced exploration companies that share a similar valuation, but these are typically single project companies at early stages of development.

There are a number of ways to compare companies quantitatively. At this stage, it is appropriate to compare companies by adjusted market capitalization per ounce of gold resource. This is similar to enterprise value. The calculation is simply the market price per share of the stock, multiplied by outstanding shares, less cash, plus debt. This is a helpful calculation of the markets perception of the resources, as NG and the comparables are mostly debt free. As the resource becomes better defined and moves closer to production, this valuation will typically converge towards the potential mine profitability per ounce of gold (metal price, less total costs of production).

Emerging Producer Peer Comparison					
Name	Alamos	Gammon Lake	Crystallex	Average	NovaGold
Ticker	TSX: AGI	AMEX: GRS	AMEX: KRY.		AMEX: NG
Price (8/12/05)	\$4.39	\$7.92	\$2.60		\$8.21
# shares (millions)	77.1	57.3	193.8		72.6
Market Cap	\$339	\$454	\$504		\$596
Cash (-)	25.0	15	7		\$70
Debt (+)	40.0	0	14		0
Adjusted Market Cap	\$353	\$439	\$511		\$526
PP + MI&I (millions)	3.4	7.3	17.7		25.1
Adjusted Market Cap/oz.	\$104	\$60	\$29	\$64	\$21
Adjusted Market Cap/oz *					>\$15*
Location	Mexico	Mexico	Venezuela		Alaska/Canada

* including value for copper at \$0.90 per pound

Alamos Gold Corporation LTD (TSX: AGI) has recently completed construction on its project in Mexico. AGI has one main project that has just initiated production as a gold and silver deposit, with the silver reported as equivalent ounces of gold, per industry standards. AGI has seen a valuation growth profile similar to what we may expect with NG.

Gammon Lake Resources (AMEX: GRS) is completing its Feasibility study and is in the process of constructing underground workings to facilitate development of its project in Mexico. GRS's project is a gold and silver deposit, with the silver reported as equivalent ounces of gold. A portion of the project will be underground, as opposed to open pit mining, which may impact costs.

Crystallex (AMEX: KRY) has multiple properties in Venezuela, South America. The most prominent is the Las Cristinas property containing over 10 million ounces of gold. KRY is proceeding toward construction of a large open pit mine on the project with production expected for mid-2007. Venezuela is considered one of the most corrupt governments in the world, giving the projects very high level of political risk and one would expect a reduced the potential valuation of KRY compared to a North American project at the same stage of resource definition.

A fourth company similar to NG due to its large resource base is Ivanhoe Mines Ltd. (NYSE: IVN). This company has a large resource base of about 25 million ounces of gold and large copper resources. We estimated the adjusted market cap to be about \$97 per oz. The two main distinctions are that IVN may have a higher level of country risk since it is located in Mongolia near the Chinese border, and the company has more significant non-gold resources.

All four comparables are farther advanced than NG by one or more years depending on the project. NG has a larger resource base than three of the comparables increasing its attractiveness as a potential takeover candidate but size alone should not impact relative valuations. NG is well located with below average country risk. A majority of its projects are located in areas proven to be rich in resources.

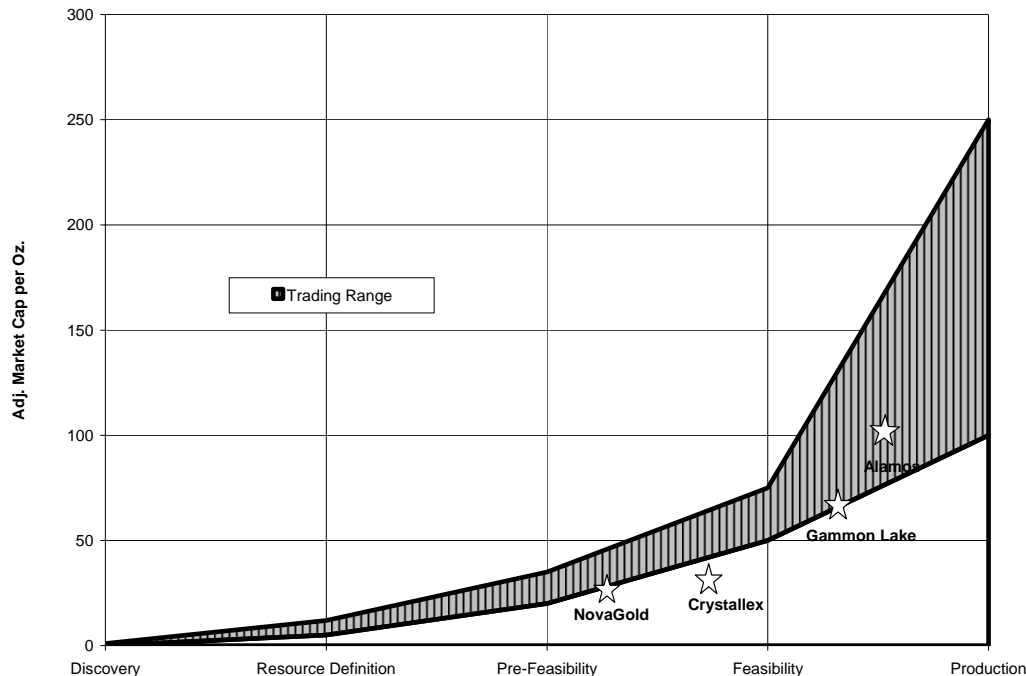
Anticipated Growth Profile Compared to Current Producers:

If we look at producing companies with similar scale growth projects, located in North and South America that have costs of production similar to NG's projects, three mid-tier producing companies appear most similar to NG's future potential. These include Glamis Gold (NYSE: GLG), Goldcorp (NYSE: GG), and Meridian Gold (NYSE:MDG).

GLG currently produces in excess of 200,000 ounces of gold with growth to 700,000 ounces over the next three years. GLG has an adjusted market capitalization of about a \$2.7 billion with a resource base of 12.5 million ounces giving it a valuation of \$213 per ounce of resource. GG is a second possible comparable for NG. GG has a similar resource base of 21.6 million ounces and also produces copper which lowers its production cost for gold. GG has an adjusted market capitalization of about \$6.2 billion and is currently valued at \$289 per ounce of resource. The last similar producing comparable to NG is MDG, with a resource base of 7 million ounces of gold, and valued at \$278 per ounce of resource, with its current adjusted market capitalization of about \$2 billion.

Valuation Approach

Our investment thesis depends upon the company successfully advancing its projects toward production. Progress toward production should be rewarded by higher valuations by the market as it perceives the likelihood of reaching production becoming more likely. As this occurs, the market capitalization of the company's stock per ounce should increase and converge with the price of the underlying metals less costs of production. This usually occurs just prior to the completion of a bankable Feasibility study, when the project becomes bankable and permitting appears likely. We believe NG is poised to cross that threshold in the next 12 to 36 months. This is also when single asset resource development companies become more attractive for acquisition by major producers. We plot NG on the chart below to provide a visual indication of where we think NG's valuation is headed.



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This chart magnifies the potential reward for successfully advancing a project toward the production. To fail to do so can result in a substantial reduction in the price of a company's shares. NG is exposed to risks that may delay progress toward production, but we believe the company compares favorably to its peer group, and deserve close attention by investors.

1. Multiple projects located in stable political jurisdictions
2. Experienced and well respected management team
3. Favorable relations with local populations
4. Large diversified mineral base (gold, silver, copper, zinc, and lead)
5. High grade mineral deposits with low to moderate production costs
6. Partnerships and interest from major mining companies
7. Staggered construction/production schedules
8. Many deposits open to expansion

In contrast to areas of risk, to achieve our price target in 2006, we expect that investors would watch for likely upcoming events whose favorable outcome will be important for appreciation of the share price of NG's stock. Should NG fail to proceed to these benchmarks or receive unfavorable engineering reports, the potential appreciation of the price of the company's stock will be diminished.

Near-term Milestones:

1. Finalize Rock Creek Feasibility study, obtain permits in early 2006, and complete construction by year end.
2. Complete Galore Creek Pre-Feasibility study by end of 2005, permits obtained in 2006, and Feasibility study by end of 2006.

With regards to the Donlin Creek project, PDG is aggressively working toward completing a Pre-Feasibility Study in early 2006. This is important for them to meet requirements by November of 2007, to earn back a 40% interest in the project, now a little over a two short years away. While NG is anticipating that PDG will meet the deadline, whether PDG does so or not may be a no-lose proposition for NG, so long as the delays are related to the timing of completion of reports and not to the feasibility of the project. Also, in the past we considered a scenario where PDG may be motivated to acquire NG's minority interest in Donlin Creek, but as Rock Creek moves toward production and Galore Creek increases in prominence, this becomes less likely.

We continue to take management at their word that they aspire to build NG into a high quality intermediate metal producer like Glamis Gold Ltd (NYSE: GLG). GLG is currently selling at an adjusted market cap per ounce of about \$213. At management's intended growth profile, they may reach this level by 2010 or 2011. This might imply a share price of over \$50, around the end of the decade.

Our valuation approach is made more conservative by the fact that we have not emphasized the contribution of metals other than gold. This discounts the contribution of other metals at Galore Creek or Ambler. We have also not included the likely expansion of the resource base that may follow efforts to improve the definition of known resources. Conversely, we have also not made downward adjustment for potential dilution through the end of the decade. This is because within our investment horizon, we see NG in an improved position to finance Rock Creek with debt, PDG is responsible for Donlin Creek through the end of 2007, and assume there is cash on hand to advance Galore Creek. In addition, we have made the case that NG has established a pattern of expanding resources through exploration ahead of the dilutive effects of recent financings.

Conclusion

We are initiating coverage of NG with a Buy recommendation. In the next year, a number of events are within reach, providing potential catalysts for NG's share price to hit our 12 month price target of **\$13**. This would imply the company will achieve an adjusted market cap per ounce of \$45, well below the comparables noted above. We believe that the combination of moving closer to production at the Nome project, clarity on PDG's advancement of Donlin Creek, and increased definition at Galore Creek and Ambler, will all provide ample opportunity for NG to more closely resemble the comparables. We assume stable metals prices, but should metals prices decline over the next twelve months, we believe the advancement of NG's projects should provide some downside protection so long as metals prices remain above costs of production.

We assign a **High** risk rating due to the overall speculative nature of the industry, but we consider NG to have lower risk characteristics than its peer group compared to other emerging natural resource companies. We are equally impressed with the accomplishments of NG's management team and believe they have good prospects of realizing their potential in the long-term.

APPENDIX A

Resource Definitions

Both the United States and Canada have a well developed history of property rights, which improves the ability for companies to operate with lower political risk relative to the rest of the world. Understanding the opportunity and risks of an investment in NG requires knowledge of terms unique to the metals/mining industry. We hope to explain, at minimum terms and definitions, where the company is in moving its fields to production.

The company's projects are located in both the United States and Canada with each country's regulatory authorities having slightly different approaches to some common terms. For example, the terms "measured resources", "indicated resources", and "inferred resources" are required to be disclosed by Canadian regulations, but are not recognized by the U.S. Securities and Exchange Commission (SEC). This demonstrates the sophistication and importance of the natural resource sector in Canada, relative to the United States.

The Canadian securities regulatory authorities require that minerals in advanced stage properties be identified as mineral resources or mineral reserves, in accordance with National Instrument 43-101 and with the Canadian Institute of Mining and Metallurgy Resource Classification System. While the SEC does not recognize "resources," both terms have specific meaning and usage under Canadian laws and regulations, requiring carefully prepared and verified reports completed by experienced and independently qualified third parties.

The primary difference between "resources" and "reserves" is that "reserves" are the economically mineable portion of a minerals resource, at a defined metal price, that has been documented by a Preliminary Feasibility study or Feasibility study. A Preliminary Feasibility/Feasibility study is an independent engineering estimate of sufficient detail to confidently apply technical and economic parameters to support production and economic viability of a project.

A mineral resource is a concentration of material in form, quantity, and grade to have reasonable prospects for economic extraction. There are three resource categories of mineral resources based on the density and quality of sample data that defines it. The highest confidence resource category is the Measured resource followed by the Indicated resource and lastly the Inferred resource category.

Mineral reserves are that portion of the highest confidence Measured and Indicated resource categories that have been shown by a Preliminary Feasibility or Feasibility study can be economically mined at a given metal price. These Pre-Feasibility or Feasibility studies would include information on mining, processing, metallurgical, economics, and other factors. There are two reserve categories, Proven reserves which are from Measured resources, and Probable reserves which are from Indicated resources. These terms are referenced in the development stage charts contained in the report that show the typical process of advancement of a mineral field from discovery through mine operation.

APPENDIX B

Discussion of US and Canadian GAAP as it relates to NG

NG is a Canadian company listed on both the Toronto and American Stock Exchanges. The company's financial statements are currently prepared in Canadian dollars and the company holds significant interest in properties that are located in the U.S. This is further complicated by preparation of financial statements, according to Canadian generally accepted accounting principles (GAAP).

Though Canadian and U.S. GAAP differ significantly in many respects, we believe the issue is diminished by the developmental nature of the company. Like losses experienced by a biotech company, historical results reflect prior investment and are less helpful deriving valuations. We will attempt to explain the primary accounting differences that pertain to NG and demonstrate that the key to understanding the Company's potential is via the universally understood virtues of current cash on hand, absence of debt, partner obligations, and mineral resources. In this regard, accounting figures that matter the most, such as the cash on hand, commodity prices and stock price, are easily converted between Canadian or U.S. currencies.

We will discuss accounting figures in Canadian dollars according to Canadian GAAP, consistent with the company's preparation of their financial statements. Because NG is traded on the AMEX and will be compared to other companies, located in the U.S., Canada or elsewhere, we will compare stock prices in U.S. dollars unless indicated otherwise. We will also express commodity prices in U.S. dollars. In addition, cash costs of production will be reported in U.S. dollars, as this is the common international standard for the industry.

We perceive an unnecessary complication may arise, should investors attempt to reconcile past financial results (losses) and currency differences in calculating the company's intrinsic value. Examining earlier investment in exploration and past financial results may provide insight into the direction of the company. Understanding current financial strength and opportunities of its mineral fields is more important in determining potential value.

Though Canadian and U.S. GAAP affect many items in NG's financial statements, the key difference is accounting for exploration costs. Exploration costs are expended to move projects to production, much like R&D for a biotech, in expectation that these expenses will produce revenues in the future. At issue is whether these expenses are capitalized or expensed. Under Canadian GAAP, resource property acquisition costs and related exploration expenditures are capitalized. Under U.S. GAAP, resource property acquisition and related exploration costs are expensed until a feasibility study is completed, determining proven and probable reserves and then costs are capitalized. Under both Canadian and U.S. GAAP, the properties are periodically measured and written down if appropriate.

The expensing or capitalizing of acquisition or exploration expenses has a fairly straightforward impact on financial statements prepared under Canadian or U.S. GAAP. For example, because expenses are capitalized under Canadian GAAP, income statements understate losses (overstate income), relative to statements prepared under U.S. GAAP. Also, the balance sheet is impacted by capitalizing expenses under Canadian GAAP, as assets are progressively overstated, increasing the shareholder's equity relative to statements prepared under U.S. GAAP. In addition, the statement of cash flows will classify exploration costs as an investment activity under Canadian GAAP and as an operating expense under U.S. GAAP. The net impact on cash will be the same under either countries' accounting standards, further illustrating the importance of cash on hand relative to future cash requirements.

APPENDIX C

NG 2005 Analyst Day: Our Return to Galore Creek

We attended NG's 2005 Analyst Day, beginning with a company overview September 7th by NG President and CEO Rick Van Nieuwenhuysse, at the company's corporate headquarters in Vancouver, British Columbia. The following morning we flew up to the landing strip at the Bob Quinn airstrip, on Hwy 37, in Northern British Columbia, and were transported into Galore Creek by a S-61 helicopter for a site visit. We noted progress over 2004, a distinct change in tone from a project in the midst of significant resource definition, expansion, and discovery to one in 2005 of project in pre-construction advancement, implementation, and refinement.

Wednesday night company overview at corporate headquarters:

Mr. Van Nieuwenhuysse provided a corporate update and his vision for NG. He noted that NG currently has larger gold and copper resources than Goldcorp (NYSE: GG), a valuation which he intends on replicating by emulating its mineral production profile over the next five years. The focus of the company is now turning from exploration and discovery to methodically advancing projects to construction/production in a timely manner. This is made evident by at its Nome projects by taking position of equipment in the near term, finalizing the Feasibility Study, obtaining permits in February of 2006 and completing construction by the end of the year to begin production in early 2006. Mr. Van Nieuwenhuysse also reported that Placer Dome (NYSE: PDG) is aggressively working toward completing a Pre-Feasibility Study early 2006. He notes PDG is required to spend \$32 million, make a board-level decision to construct a mine likely producing in excess of 1 million ounces of gold annually, obtain a bankable Feasibility Study and obtain permits, all by November 2007, in order to increase their ownership position at Donlin Creek to 70% from 30%. Mr. Van Nieuwenhuysse was most pleased with the progress at Galore Creek, with sincere credit for NG staff and executive team, for rapidly advancing the project in two short years. NG has effectively doubled the resource from 2003 to April of 2005, to 13.8 million ounces of gold, 156 million ounces of silver, and over 12 billion pounds of copper.

We were impressed with the comments of MLA Ralph Sultan, an elected representative in the BC parliament. He appreciated the revived importance of mining industry to the government and economy of BC. He demonstrated an understanding of the mining industry, the project, and testified as to NG's "technical expertise, technical smarts, and integrity," noting support of the BC government for the project at Galore Creek.

We were introduced and impressed with Carl Gagnier, Galore Creek General Manager, who came to NG early in 2005, further demonstrating the advancement of the project from resource expansion to pre-production. Mr. Gagnier spoke confidently of the high grade resource with the ability of using conventional copper-gold flotation at the site. Options for site schematics are underway and it would appear that the issue of access to the site from Hwy 37 is close to being resolved. In working with the Tahltan First Nation, NG developed a "modified northern access route" stretching 125 km and including a four km tunnel to minimize any potential environmental impacts. The build-out of the road will be reduced due to the plan to build an 6" pipeline to pump concentrate to Hwy 37 for hauling to the port of Stewart. While this may result in a slightly higher capital expense, the cost appears to be well worth considering given the size of the resource, early payback, and benefits of a less intrusive road system. He anticipates an 80 MW/h power requirement for the project with a regional power line provided by a local hydro project under development or by the BC government to Bob Quinn.

Sue Craig, Galore Creek Environmental Manager, reported on the "iterative" pre-permitting process commenced in February of 2004. We were most impressed by Ms. Craig at NG's 2004 Analyst Day, noting her no-nonsense professionalism and thorough approach necessary to laying to proper groundwork to keep the project on schedule. She intends on filing for permits and the environmental assessment document in February of 2006, requiring action by the permitting agency in six months.

Financing and the relationship with the Tahltan First Nation was addressed by Doug Brown, Vice President of Business Development. Mr. Brown noted the advantages of working early on with the Tahltan First Nation to facilitate project development. In addition, he noted the strong grass roots support of the project, in part due to the successful inclusion of Tahltan members at nearly all levels of activity at Galore Creek. He further noted that about 50% of the workforce at Galore Creek is a member of the Tahltan First Nation and that many Tahltan's can claim to have a friend or family member employed at Galore Creek. On the financing side, Mr. Brown noted being approached by dozens of interested parties to participate in the potential operation or smelting. He reported Asian smelters having been very interested due to the quality of the copper. The eventual decision will take into consideration debt and equity markets, to both minimize dilution and maximize shareholder value.

Tour of Galore Creek:

On our most recent trip to Galore Creek we recalled how in 2004 we were awed by the size of the district including the Galore Creek, Copper Canyon, and Grace deposits. We were impressed with the potential scale of the project with opportunity for increased processing and improving economics. In addition we noted the huge potential in areas outside of the recognized resources which had seen minimal exploration, and with additional drilling in were open to expansion, which left us with a distinct sense of optimism.

Due to our improved familiarity with Galore Creek and the intense ramp up in activity, one senses that the project is substantially better defined than last year and decisively moving toward becoming a mine. Galore Creek Senior Project Geologist Steve Petsel hosted the tour and detailed their progress since 2003 when they had a camp population of 24, two drill rigs, drilling less than 3,000 meters. The camp swelled to 80 or 90 during our 2004 visit. At that time they had four drills, drilling 66 holes and 26,000 meters (matching total drilling at Galore Creek in the 1980's), five helicopters including a Bell 205. In 2005, the camp again more than doubled to a census of 195, ten drill rigs, and eight helicopters including the S-61. The plan for 2005 is to drill over 60,000 meters, 38,000 of which had been drilled by the time of our visit.

By April of 2005 the mineral resource at Galore Creek is 13.8 million ounces of gold, 156 ounces of silver, and 12.1 billion lbs. of copper. Since 2003, work completed by NG's team has increased the mineral resource by 8 million ounces of gold, 81.5 million ounces of silver, and 6 billion lbs. of copper. This includes adding Copper Canyon, Junction, West Fork, New Bountiful, Opulent, and extending the Main Zone.

Accomplishments for the 2005, which we may further add to resource totals or improved economics, include defining the Middle Creek resource and drilling mineralization in the Lower Butte Zone. Definition may be enhanced by confirming high grade occurrences in the North Gold Lense (Central Deposit). In addition, extensions of mineralization in the Lower West Fork Zone, North Junction, at depth in the North Gold Lense, and doubling the size of the Opulent Vein. It would appear that the Mr. Petsel and his team have evolved beyond the excitement of working on a very large high grade multi-mineral deposit, to a more mature understanding of the profile of the entire geologic region. This we believe will allow deliberate allocation of resources between resource definition or expansion to suit improved economics necessary to advance the project as proposed.

Income Statement

	(Canadian GAAP, Canadian \$'s, in 000's)											
FYE Dec.	1Q05A	2Q05A	3Q05E	4Q05E	1Q06E	2Q06E	3Q06E	4Q06E	2003A	2004A	2005E	2006E
	Mar.-05	Jun.-05	Sept.-05	Dec.-05	Mar.-06	Jun.-06	Sept.-06	Dec.-06				
Income Statement												
Land, gravel, gold and other revenue	144	202	450	750	250	350	600	750	1,246	2,462	1,546	1,950
Total cost of goods sold	32	45	100	125	40	50	110	130	333	282	302	-
Gross Profit	112	157	350	625	210	300	490	620	913	2,180	1,244	(7,375)
Wages and benefits	638	764	850	450	670	800	850	450	1,950	2,203	2,702	2,770
General and administrative	495	597	375	950	500	600	400	1,000	1,834	2,263	2,417	2,500
Professional fees	118	441	250	350	120	450	275	360	956	851	1,159	1,205
Corporate development and communication	219	461	225	225	225	225	225	225	772	771	1,130	900
Total Operating Expenses	1,470	2,263	1,700	1,975	1,515	2,075	1,750	2,035	5,512	6,088	7,408	7,375
Foreign exchange (gain) loss	(27)	(57)	-	-	-	-	-	-	1,111	(56)	(84)	-
Operating Income	(1,331)	(2,049)	(1,350)	(1,350)	(1,305)	(1,775)	(1,260)	(1,415)	(7,401)	(4,102)	(6,080)	(5,755)
Interest income	403	252	700	600	625	600	5	450	346	1,289	1,955	1,680
Other income (expense)	-	-	-	-	-	-	-	-	-	69	-	-
Total non-operating income (expense)	403	252	700	600	625	600	5	450	346	1,358	1,955	1,680
Non-controlling interests	-	-	-	-	-	-	-	-	138	53	-	-
Pretax income including extraordinary item	(5,137)	(1,797)	(650)	(750)	(680)	(1,175)	(1,255)	(965)	(6,953)	(8,480)	(8,334)	(4,075)
Pre-tax income excluding extraordinary item	(928)	(1,797)	(650)	(750)	(680)	(1,175)	(1,255)	(965)	(6,917)	(2,691)	(4,125)	(4,075)
% total revenues	(6)	(9)	(1)	(1)	(3)	(3)	(2)	(1)	-	-	-	-
Taxes excluding charge	-	-	-	-	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-	116	-	-
Net income excluding extraordinary items	(928)	(1,797)	(650)	(750)	(680)	(1,175)	(1,255)	(965)	(6,953)	(2,753)	(4,125)	(4,075)
Fully-diluted EPS -- Excluding extraordinary items	(0.01)	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.14)	(0.05)	(0.11)	(0.05)
Weighted Shares O/S - Fully-Diluted	65,828	66,181	86,800	87,200	87,400	87,800	88,200	88,600	48,683	56,299	76,502	88,000

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Balance Sheet

	1Q05A	2Q05A	2003A	2004A
	Mar.-05	Jun.-05		
ASSETS				
Cash and equivalents - (000's)	48,247	38,269	59,747	56,142
Restricted cash	469	790	54	469
Accounts receivable	49	122	189	192
Amounts receivable from related party	13	13	13	13
Inventory	39	40	99	39
Deposits and prepaid amounts	1,921	2,435	733	-
Total current assets	50,738	41,669	60,835	56,855
Officer loan receivable	710	697	215	710
Property, plant and equipment	3,371	4,059	2,343	2,888
Mineral properties and related deferred cost	151,598	160,775	36,330	147,126
Investments	1,641	4,408	130	1,641
Reclamation deposit	105	105	105	105
Total assets	208,163	211,713	99,958	209,325
LIABILITIES AND SHAREHOLDERS' EQUITY	-	-	-	-
Accounts payable and accrued liabilities	3,298	8,389	4,560	6,867
Cash held in escrow	-	-	-	-
Loan payable	200	200	200	200
Provision for reclamation costs	899	870	-	-
Current liabilities	4,397	9,459	4,760	7,067
Provision for reclamation costs	536	-	536	536
Non-controlling interests	-	-	9,130	-
Other long term liabilities	717	668	334	225
Shareholders' equity	165,519	164,046	84,062	171,510
Total liabilities and shareholders' equity	208,163	211,167	99,958	210,499

DISCLOSURES:

Beacon Rock Research, LLC provides information and analysis on selected companies, with a focus on small-cap and micro-cap companies.

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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- High** The security is more volatile than the market and/or the company is more leveraged than its peer group.
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