



# BEACON ROCK RESEARCH

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RESEARCH NOTE

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Disclosures 1,2,3,4

5956 N.W. 213th, Portland, Oregon 97229

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**NovaGold Resources Inc.** (AMEX, TSX: NG, US\$16.70)

Mike Niehuser, 503-307-3188

[mniehuser@beaconrockresearch.com](mailto:mniehuser@beaconrockresearch.com)

## **NovaGold Receives Environmental Approval for Galore Creek**

NovaGold Resources Inc. (AMEX: NG) announced Friday that it had received its Environmental Assessment Certificate from the Province of British Columbia necessary for construction, operation, and closure of its Galore Creek project. An Environmental Assessment Certificate in Canada is similar to an Environmental Impact Statement in the US. This is a major milestone for the company and a significant reduction in risk for the project which should result in an increased valuation by the market.

The three year process was initiated in February of 2004 and NovaGold credits its success to early involvement of the Tahltan First Nation along with Provincial and Canadian Federal regulators and Alaska and US Federal regulators. NovaGold's open and collaborative approach on the project and mutual respect was noted in a letter to the Province from the chair of the Tahltan Central Council:

"The Tahltan believe that NovaGold provides the leadership, management and vision, in partnership with the Tahltan Nation, to make the Galore Creek project socially and environmentally sustainable. The present leadership of NovaGold is creative and transformative in its approach to the relationship with the Tahltan Nation and in taking mining to the next level of social and environmental responsibility. NovaGold is the mining industry leader in Tahltan territory and will ensure mining brings more benefits than impacts to the Tahltan and BC citizens."

This is high praise indeed considering Barrick Gold Corporation's (NYSE: ABX) Eskay Creek project is also within Tahltan lands. As reported over the weekend, Kevin Krueger, Minister of State for Mining, described NovaGold's relationship with the Tahltan Nation as "a model for dealing with first nations." Adding, "they approached the Tahltan right from the beginning and the Tahltan are completely onside." In addition, "it's a great, mutually respectful process... They have a massive project underway there, and a great partnership with the Tahltan first nation. It's a textbook example of what we'd like to see everywhere."

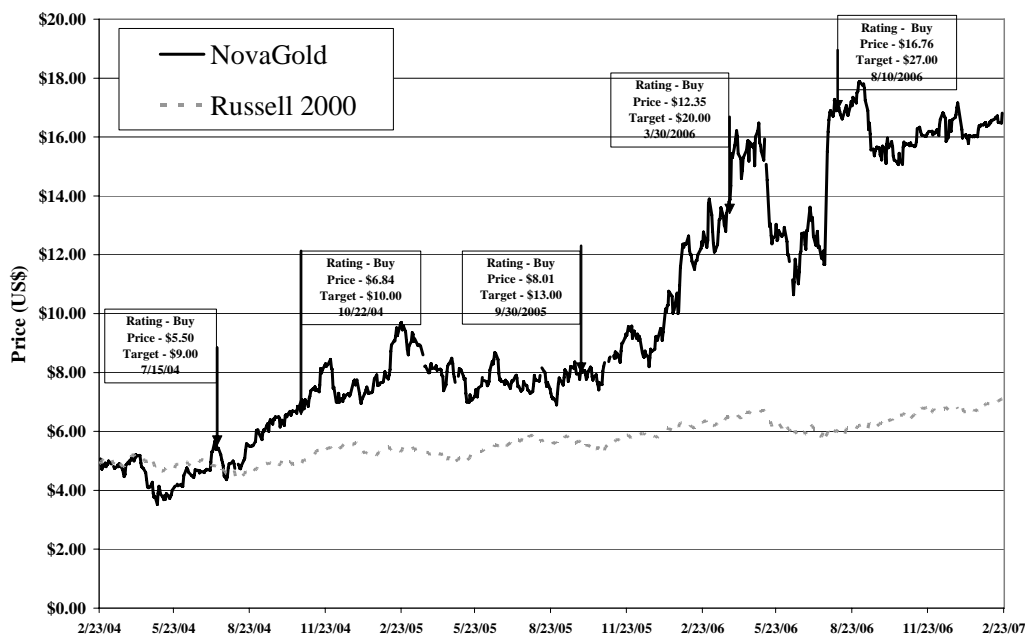
We have observed NovaGold's ongoing investment in its relationship with the Tahltan Nation for several years. This is evident from the comprehensiveness of the environmental studies undertaken to document and minimize potential environmental impacts from the mine, but also integrate innovative green run-of-river hydro-electric power from their Coast Mountain Power project. In addition, NovaGold has employed members of the Tahltan Nation in significant capacities at the project as well as supported other economically sustainable initiatives.

The Environmental Assessment Certificate is the overarching environmental approval for all elements of the proposed mine plan and defines the requirements for the detailed individual permits to be issued as needed over the next couple of years of construction followed by the operating permits. Discussions with the permit agencies have indicated that this year's permits for the start of construction on the road and access tunnel should be issued over the next 30 to 90 days.

NovaGold has previously reported that they have continued to build up the Galore Creek Construction team to be able to commence construction with Board approval, upon receipt of permits. Senior project and construction management positions are now fully staffed in all disciplines for the start of construction. Construction management personnel recently added to the team include design/engineering, safety, environmental, aviation, project management systems, civil/structural engineering and electrical engineering. We see that the company's ability to attract such an experienced construction team as essential for the successful execution of NovaGold's plans on the project.

Based on the Feasibility Study for the Galore Creek project, completed last October, annual production is forecast to average more than 432 million pounds of copper and 400,000 ounces of gold equivalent (gold plus silver: 341,000 ounces of gold and 4.0 million ounces of silver) for the first 5 years of production, with total cash costs of \$0.38/lb of copper, net of precious metals credits or, in terms of gold, negative US\$600/oz of gold, net of copper credits. This would make Galore Creek one of the largest and lowest cost copper-gold mines in North America producing copper in the lower 25th percentile of all producers.

The combination of the Feasibility Study with the Environmental Assessment Certificate from the Province of British Columbia should make Galore Creek a very attractive project for investment and facilitate the company's discussions with prospective financing partners. Considering the reasonable long-term metal price assumptions, and that many of the project's deposits and targets are open to further expansion of the defined resource, this may be an understatement.



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