



BEACON ROCK RESEARCH

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RESEARCH NOTE

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NovaGold Resources Inc. (AMEX, TSX: NG, US\$17.14)

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Drill Results Show Donlin Creek Open to Expansion

NovaGold Resources Inc. (AMEX: NG) reported receiving an additional installment of drill results on Barrick Gold Corporation's (NYSE: ABX) 2006 drill program at the Donlin Creek project in Alaska. Barrick released the first 45,000 meters of the 82,000 meter 2006 drill program. NovaGold anticipates receiving the balance of the results by the end of March. Despite the aggressive 2006 drill program we believe that the extent of the deposits at Donlin Creek and the eventual proportions of the eventual pit design are preliminary. We anticipate additional expansion of the pit outline, depth, and number of contained ounces of gold.

The balance of drill results for the 2006 drill program yet to be received are predominately the east half of the pit in the vicinity of the Lewis and South Lewis deposits shown as green circles in Figure 1. Additional assays and further study may likely result in either an increase in ounces or category upgrade, or both. In addition, we note other drill holes outside the pit area and the projection of the geologic model suggests significant potential for expansion of the defined deposits.

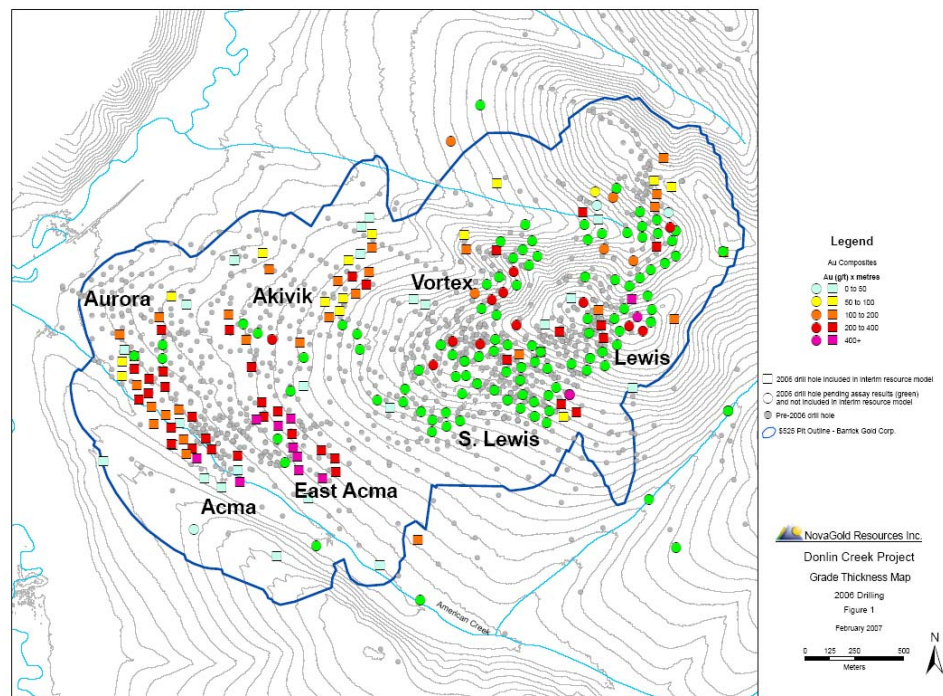


Fig. 1 Donlin Creek Pit Outline
Source: NovaGold

We note the current pit covers a distance of over 2 km connecting both the Acma and Lewis deposits. Only a year ago the Acma and Lewis deposits were shown as separate pits but have now grown into a single pit. The cross section of the resource pit outline suggests that the resource and pit outline (Figure 2) may extend considerably from their current levels. In addition, NovaGold reported “significant potential also exists in the East Acma area, where DH-1144 drilled early last summer intersected 164.7 meters grading 3.68 g/t gold and extending well beyond the current pit limit at depth and to the east of the main Acma deposit.”

It would appear that a number of drill holes extending below the pit may suggest a deeper pit and considerable potential for resource expansion. We are particularly struck by the potential for expansion below the Lewis and South Lewis deposit areas as seen in Figure 2, which would be at approximately the same elevation as the current Acma pit.

Barrick Donlin Creek Update:

Barrick conducted their Year-end 2006 Results Conference Call covering their universe of production and exploration operations. The call provided one of the best updates on activities at Donlin Creek since the acquisition of Placer Dome was completed almost one year ago.

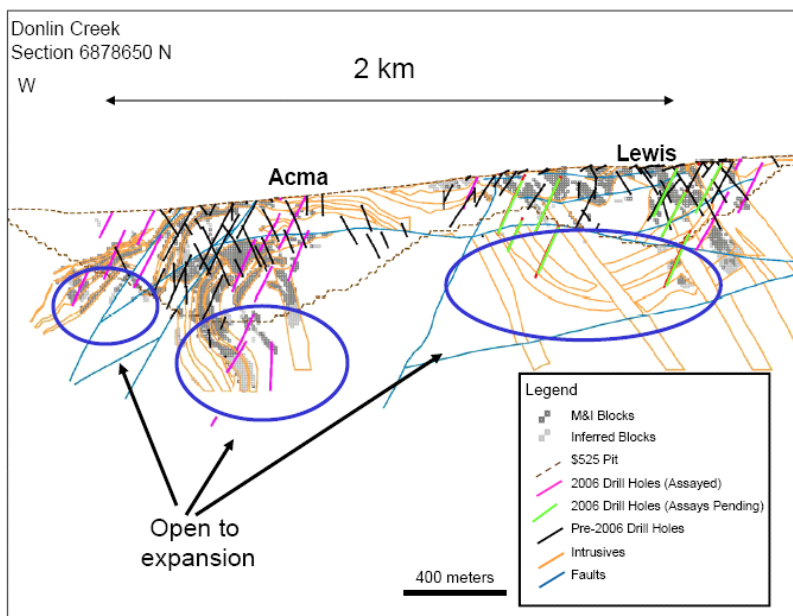


Fig. 1 Donlin Creek Pit Outline
Source: NovaGold

Barrick listed Donlin Creek as one of five projects included in their “value proposition” to investors. They also listed Donlin Creek among ten 20 million plus ounce gold deposits in the world which they categorized as a “super giant target.” They have budgeted to spend \$87.3 million at Donlin Creek in 2007 which will include at least 70,000 meters of additional in-fill drilling. To place this program into perspective, Barrick’s worldwide exploration budget is \$170 million.

Barrick reported expenditures at Donlin Creek of \$54.5 million, meeting the minimum expenditure requirement of \$32 million. Of the 82,000 meter 2006 drill program about 43,000 meters of drill results have yet to be assayed or incorporated into the resource calculation. With about half of the 2006 drill results in, Barrick upgraded the resource calculation, resulting in an increase of about 5 million ounces of Measured and Inferred resource (an approximately 34% increase), and decline of about 7 million in Inferred resource. They related that about two thirds of the reduction in Inferred was due to changes in estimation parameters of the deposit and the balance due to a shallower pit design. The partial update on the resource is summarized as follows.

	Tonnes (000's)	Grade (g/t)	Ounces (000's)
Measured & Indicated	248,091	2.48	19,753
Inferred	24,785	1.99	1,587

It should be noted that since this is an in-pit resource that it can be assumed that the Measured and Indicated resource should be upgraded to Proven and Probable reserves with completion of the feasibility study in November of 2007. Proven and Probable reserves are currently valued at over \$200/oz in enterprise value per ounce of gold for producers versus \$150/oz for Measured and Indicated Resources. By contrast NovaGold, 70% owner at Donlin Creek, is currently valued at approximately \$60/oz of Measured and Indicated Resources and \$35/oz of total resources not including any value for their very substantial copper reserves and resources.

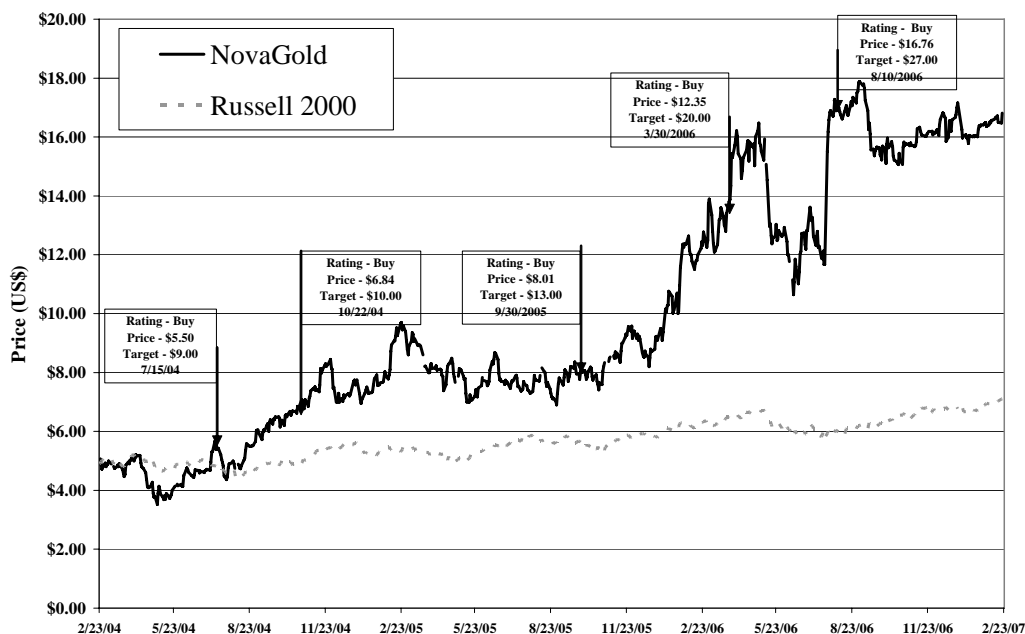
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More than half of the 2006 drill results (43,000 meters) are not yet integrated into this interim resource. We believe that the eventual resource could see considerable additional expansion of the Measured and Indicated Resource as well as additional Inferred ounces added to the final 2006 estimate. It should be noted that Barrick did not focus on exploration expansion at Donlin Creek. An independent engineering analysis by SRK engineering last fall of Donlin Creek indicated that they saw potential expansion of 15 to 20 million ounces of gold with a modest 200 meter expansion of the open-pit model.

Barrick indicated they intend on meeting conditions to earn-back an additional 40% interest in Donlin Creek from NovaGold by the November 12, 2007 deadline. In the question and answer session, when queried on the power issue, they replied that they were still exploring the options and that they may not be ready to conclude this issue for the feasibility study. They also indicated that baseline information for permits will not be complete to secure permits for completion of the feasibility.

As a former construction lender it is difficult to see how the feasibility that will be completed this fall could be a “bankable” document sufficient for NovaGold to secure financing for its share of the projects capital costs. Without knowledge of the final project power supply or to have progressed sufficiently through the permitting process to know what changes will be required in mine design to meet environmental requirements, essential for “bankable” budgets and construction scheduling, we suspect lenders would be hard pressed to be able to “make a decision as to whether to loan funds for such operations” as required by the agreement.

While Barrick may deliver a feasibility study by November, without complete drill results, understanding of the projects power source or the eventual course of permitting requirements, we remain unconvinced that the Barrick can meet the fundamental terms of the agreement to secure an additional 40% interest in the project from NovaGold. Regardless of the eventual outcome in the court we see the work to be completed by Barrick over the next 9 months as value adding for NovaGold by expanding the size of the overall project Measured and Indicated resources and converting those resources to the significantly higher value of Proven and Probable reserves that will come from their Feasibility study. Even at a 30% interest level we believe that NovaGold remains undervalued for the scale and potential of the Donlin Creek asset.



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