



BEACON ROCK RESEARCH

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RESEARCH NOTE

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NovaGold Resources Inc. (AMEX, TSX: NG, US\$16.95)

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NovaGold's Increase in Resources Precede Upgrade to Reserves

NovaGold Resources Inc. (AMEX: NG) recently announced a significant increase in their copper, gold, and silver resources following completion of its 2006 drill season at Galore Creek. This increase is important as it demonstrates both the ability of the company's exploration team and the likelihood of upgrading the classification of Measured and Indicated resources to Proven and Probable reserves with additional drilling and further study. The company plans to complete a minimum of 15,000 meters of drilling in 2007 at Galore Creek.

The objective of the 2006 drill season was focused on drilling to extend the known deposits both laterally and deeper. We are again impressed with the success of the NovaGold exploration team in continuing to add to resources at Galore Creek, having roughly tripled the total contained metal on the project over the past 3 years from 5 billion pounds of copper and 5 million ounces of gold, to a property total of 14.4 billion pounds of copper and 16.7 million ounces of gold equivalent (gold plus silver at \$600/oz gold and \$10/oz silver).

NovaGold announced its first reserves at Galore Creek following completion of its October Feasibility Study in 2006. Presently, NovaGold has 540 million tonnes in the reserve category plus about 1 billion tonnes of resources. With drilling from 2007 and updates of the mine plan for the project, we believe there is an excellent opportunity for upgrading a significant portion of these resources into reserves.

For example, with conversion of only 10% of the resources to reserves, Proven and Probable reserves could be increased 20%. It would appear that with resources in all categories close to twice that of reserves, even a modest conversion of resources to reserves should have a positive impact on the economics and rate of return. This is important because more conservative market observers lack conviction until reserves are added, by which time the company's shares may be trading at a higher level.

NovaGold has demonstrated a level of reserves sufficient to justify a 65,000 tonne per day facility. Investors should note that the project's deposits remain open to expansion, and there are a number of targets at Galore Creek which have yet to be fully investigated. The current Feasibility Study represents a base case which will support financing the project, but considerable upside remains when the potential of adding to reserves and further optimizing the mine plan is likely.

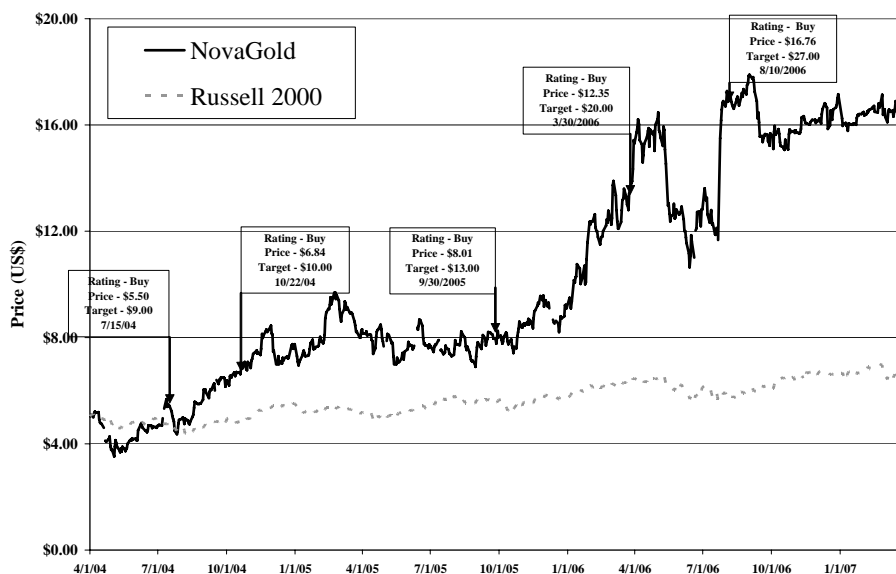
The base case increases the confidence of bankers, while investors look for potential to expand resources and perceptions of long-term metal prices. In our opinion, from an investor's point of view, the metal price assumptions used for the resource estimate were conservative. The calculation of additional resources assumed gold prices of US\$450 for gold, US\$7.00 for silver, and US\$1.25 for copper (the same metal price assumptions utilized for definition of Proven and Probable reserves).

The economics at Galore Creek are likely to improve with the additional resources and results from the 2007 drill program. The company is working toward improving grades of production in the first ten years of operation, and the possibility exists of increasing the life of mine production. The additional information will logically merit further optimization studies, with the potential to significantly enhance overall project rates of return.

We are looking forward to NovaGold receiving permits in the next few months and initiating construction in 2Q07. In addition, we see the completion of the acquisition of 100% of the Galore Creek property as a strong indicator of the company's confidence in starting construction and securing a joint venture partner. We believe the market should look favorably upon the achievement of those major project milestones.

We reiterate our Buy recommendation for NovaGold and consider it one of our "top picks" for 2007, based on management's track record for delivering on project milestones and consistent resource expansion. We've followed NovaGold for years and believe its people are its most under-appreciated asset. Long-standing investors appear to share this opinion and are reassured by management transparency and execution of objectives.

Our current 12 month investment target for NovaGold is US\$27 per share. Considering the recent failed takeover attempt, securing only about 15% of NovaGold's shares at US\$16 per share, this suggests support for a lower trading level for the company's stock. Considering the milestones for 2007, including initiating construction at Galore Creek, production at Rock Creek, and potential for retaining 70% ownership at Donlin Creek, we believe the company's stock price has good appreciation potential for the next twelve months.



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