Galore Creek Project

Application for Environmental Assessment Certificate

Executive Summary

NovaGold Canada Inc.

Rescan™

June 2006

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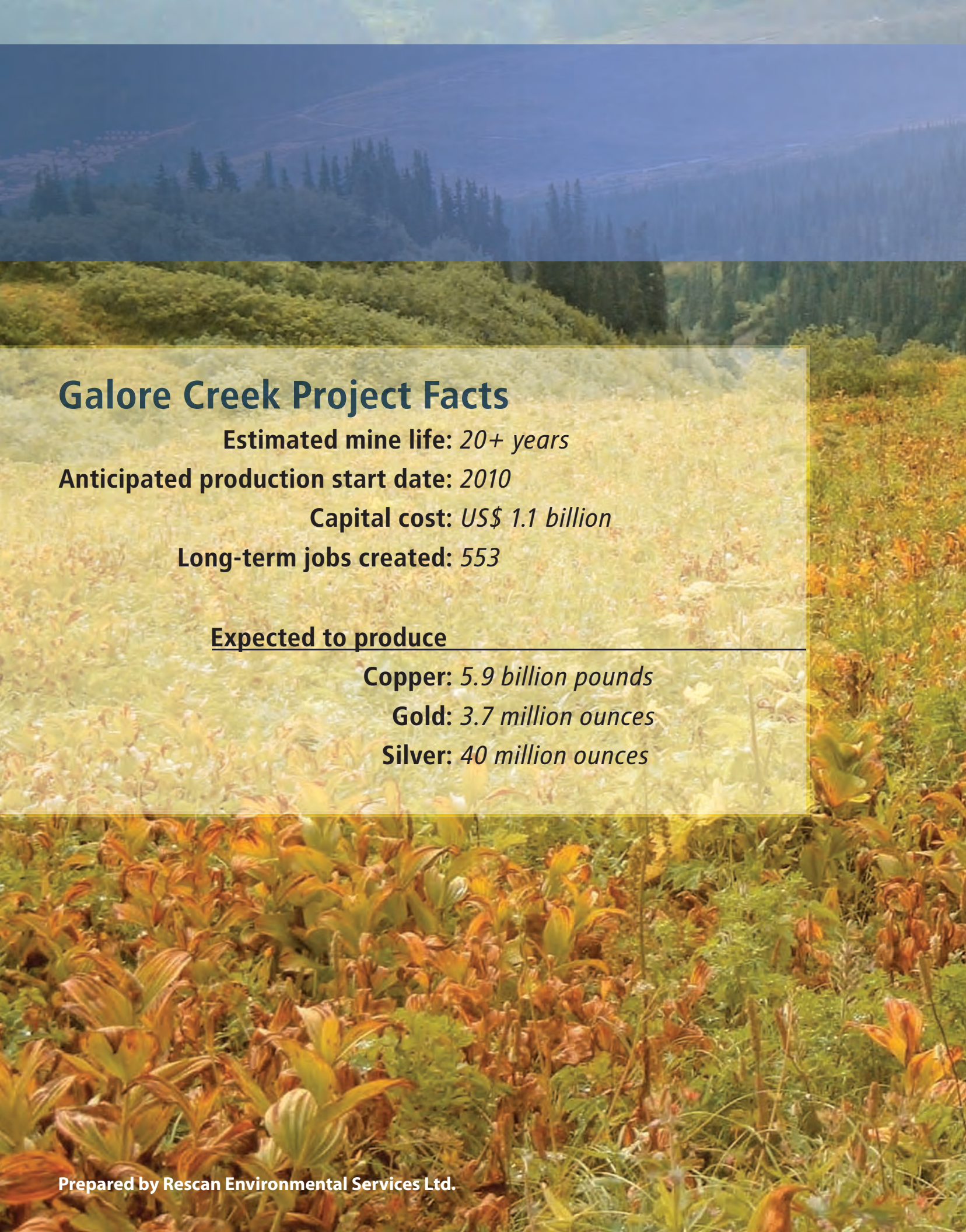


Galore Creek Project Facts

Estimated mine life: *20+ years*

Anticipated production start date: *2010*

Capital cost: *US$ 1.1 billion*

Long-term jobs created: *553*

Expected to produce

Copper: *5.9 billion pounds*

Gold: *3.7 million ounces*

Silver: *40 million ounces*

Prepared by Rescan Environmental Services Ltd.

Table of Contents

Foreword

The proposed Galore Creek copper-gold-silver mining project lies in a remote and rugged area of the Coast Range Mountains in northwestern British Columbia, Canada. According to the current plan, the site, located within Tahltan Traditional Territory and near the communities of Dease Lake, Iskut and Telegraph Creek, will produce 5.9 billion pounds of copper, 3.7 million ounces of gold and 40 million ounces of silver over the 20-year life of the mine. The project represents highly positive working relationships between NovaGold Canada Inc. (NovaGold) and the Tahltan Nation.

In 2003, the Tahltan Nation articulated their relationships with the mining industry in "Out of Respect," a document that outlines a strategy and program for use by the mining industry to advance Tahltan well-being. The strategy adopted in "Out of Respect" became a foundation for the socio-economic impact assessment and the NovaGold-Tahltan Participation Agreement, ratified by the Tahltan Nation and signed on February 10, 2006.

NovaGold intends the Galore Creek Project to be a showcase of sustainable mining practices. The company commits to make every reasonable effort to minimize long-term environmental impacts while generating substantial income and various ancillary opportunities for shareholders, the Tahltan Nation, employees and the broader community.

Due to the high percentage of Tahltan members residing in Dease Lake, Iskut and Telegraph Creek, and their proximity to the project, these communities are regarded as primary impact communities. The District of Stewart also falls into the primary impact community category, due to its location on the concentrate transportation route. Smithers and Terrace, due to their road and air connections to Dease Lake, and honouring their traditional roles as suppliers of goods and services to the mining sector, are regarded as secondary impact areas. All of these communities will experience the most direct and immediate effects of the Galore Creek Project and are central to the socio-economic impact assessment. As per the Participation Agreement, employment opportunities to the Tahltan Nation will be assured because of preferential hiring. Similarly, first choice for many construction and operating contracts will be offered to the Tahltan through the Tahltan Nation Development Corporation (TNDC) and other qualifying Tahltan businesses. A broad spectrum of pre-employment, on-the-job and apprenticeship training programs will facilitate the employment and career advancement of willing Tahltan people.

NovaGold values the traditional knowledge of the Tahltan people (and others who have historically occupied the project area), and recognizes the significant opportunity to learn extensively about both the spiritual and natural character of the region from these indigenous people.

The company is committed to a process that maintains the integrity of the ecosystem, fosters continued biodiversity, and encourages an environment where traditional knowledge, careful planning and strict adherence to environmentally responsible practices yield the ideal operational scenario.

Galore Creek Project location relative to British Columbia and Alaska

Introduction

The rich mineral potential of the Galore Creek Project site was identified in the mid-1950s. In the decades that followed the discovery of copper and precious metals in this region, several major mining companies conducted extensive exploration to determine the best way to maximize the Galore Creek Project's potential.

Among the reasons this large resource has not yet been developed is geography; the proposed mine site is situated in an area with historically difficult access. NovaGold Canada optioned the property in 2003 and conducted exploration, funded engineering studies and initiated environmental assessment programs.

As the Galore Creek Project lies within the traditional territory of the Tahltan Nation, NovaGold has worked closely with the Tahltan throughout the planning process for the mine. A participation agreement has been signed between NovaGold Canada Inc. and the Tahltan Central Council to define their working relationship and outline the best opportunities for Tahltan individuals and businesses to benefit from the project. Both parties stand to benefit greatly from this agreement.

The personnel requirements of the project are significant. During the construction phase, approximately 900 to 1,000 jobs will be created. Many of these jobs will be available to Tahltan persons, and once operational, the project will require 500 direct employees. Additional contract employees will be required for many ongoing and intermittent tasks, including camp operation, concentrate hauling, tailings (waste) dam expansion and mill relining. Construction is expected to take three years and, once in production, the mine is expected to operate for over 20 years, based on measured reserves. Proposed mine production would only be part of the total measured, indicated and inferred resources for the project at this time, which are 12.0 billion pounds of copper, 13.7 million ounces of gold and 156 million ounces of silver.

The design of the mine and its facilities pays strict attention to the potential effects on the remote wilderness environment, the presence of critical habitat for fish and wildlife, as well as the social and economic well-being of regional residents. This responsibility is consistent with NovaGold's strong reputation for commitment to environmental stewardship and sustainable development.

NovaGold's commitment to ensure the sustainability of the communities affected by the Galore Creek Project extends well beyond the mine itself, and has been galvanized by

the NovaGold-Tahltan Participation Agreement. The agreement provides financial and other support to the Tahltan Central Council (TCC) and permits the TCC to allocate resources to support its priorities, whether those priorities be treatment for drug and alcohol abuse, money management education, recreation programming, entrepreneur support or any other TCC priorities. The Participation Agreement also provides avenues that will enable the mine's Tahltan employees to take part in Tahltan culture: to take time off for hunting and fishing, to participate in cultural events, and to attend funerals.

The capital cost of the Galore Creek Project will be approximately US$1.1 billion; this estimate reflects the presupposition that mine will have access to the provincial electric power grid at Bob Quinn. Under the assumption that the average trend of long-term metal prices will continue, the payback period will be about 5.2 years, shorter if prices increase at a rate higher than expected. The mine will also pay about $560 million in taxes over its 20-year life.

The mine is expected to produce an average of about 480,000 tonnes of copper and precious metal concentrate per year. The transportation plan has been designed to be quite simple: the concentrate will be pumped in slurry form to a dewatering plant near Highway 37, dewatered, then transferred to highway trucks to be hauled along Highway 37 to the deep-sea port at Stewart for transfer to ocean-going freighters. The destination for this concentrate will most likely be smelters in Asia.

NovaGold Canada Inc. anticipates that production from the Galore Creek Project will commence by 2010. This prediction assumes that the environmental assessment process, initiated in 2004, will be completed and the major required permits will have been issued by early 2007. Road, tunnel and transmission line construction is expected to take at least 18 months, meaning that construction of the on-site mine area process facilities is expected to begin during the summer of 2008.

Project Proponent

The proponent for the Galore Creek Project is NovaGold Canada Inc., 100% owned by NovaGold Resources Inc., a publicly traded company based in Vancouver, British Columbia. The shares of NovaGold Resources Inc. are listed on the Toronto Stock Exchange (TSX) and the American Stock Exchange (AMEX). The company has been included in the S&P/TSX Composite 300 Index and the S&P TSX Capped Gold Index since September 17, 2004. As a wholly-owned subsidiary, NovaGold Canada Inc. shares the same management team as NovaGold Resources Inc.

NovaGold Resources Inc.'s management has extensive experience in mine exploration and development, and in working closely with local communities and First Nations in remote areas. Since 1998, NovaGold Resources Inc.'s team has entered into agreements with four First Nations communities, and maintains a corporate philosophy of fairness, creating opportunities for training, development and open communication. NovaGold Canada Inc. has concluded an Environmental Assessment Funding Agreement with the Tahltan Nation and a Participation Agreement with the Tahltan Central Council regarding project development.

NovaGold Resources Inc.'s primary focus between 1998 and 2004 was the exploration and development of precious metals projects in Alaska, the most prominent of which is the Donlin Creek gold property located in the historic Kuskokwim Gold Belt of southwestern Alaska. The property is located 19 kilometres north of the Kuskokwim River near the community of Crooked Creek, Alaska. The deposit is estimated to contain more than 28 million ounces of gold, making it one of the largest undeveloped gold deposits in the world.

In Western Canada, NovaGold Resources Inc. initially pursued exploration and development of the Galore Creek Project through a separately listed subsidiary called SpectrumGold Inc. Following the success of the Galore Creek exploration programs, NovaGold Resources Inc. acquired all outstanding shares in SpectrumGold Inc. in mid-2004 and transferred all project rights to NovaGold Canada Inc.

As of November 30, 2005, NovaGold Resources Inc. had cash and cash equivalent balances of roughly $33.3 million, no long-term debt and a market value of about $730 million. On February 8, 2006, NovaGold Resources Inc. issued by way of public offering 14,950,000 common shares at $13.43 (US$11.75) per share for net proceeds of $189 million. At February 28, 2006, the company had a market capitalization of $1.232 billion and cash equivalents of $217 million.

NovaGold CANADA INC.

Regulatory Framework

Baseline environmental studies for the Galore Creek Project were started in anticipation of the project entering federal and provincial environmental approval processes. The provincial regulatory process was initiated by NovaGold with the submission of a Project Description on February 12, 2004. Environmental baseline studies were initiated in early 2004. Initial engineering studies based on work by previous owner/operators of mineral claims were completed in 2004. Socio-economic studies were completed in the fall of 2005. These studies have been an ongoing process, and have been modified to address issues that have arisen over time, and have also taken into account feedback from the Tahltan Nation and various government regulators. Projects such as these are subject to both the *British Columbia Environmental Assessment Act* (BCEAA) and the *Canadian Environmental Assessment Act* (CEAA). The province of British Columbia and the federal government have a harmonization agreement which is facilitating the approval process. Approval of the Galore Creek Project requires satisfaction of both processes, and NovaGold has initiated the appropriate procedures and cooperated on all fronts.

The BCEAA requires that certain large-scale project proposals undergo an environmental assessment and obtain an Environmental Assessment Certificate before they can proceed. The requirements of the BCEAA involve identifying and assessing the potential effects of a proposed project, and developing measures for managing those effects. Satisfaction of the BCEAA process includes attention to the following four main elements:

- providing opportunities for all interested parties, including First Nations, to identify issues and provide input;
- completing technical studies of the relevant environmental, social, economic, heritage and/or health effects of the proposed project;
- identifying ways to prevent or minimize undesirable effects and enhance desirable effects; and
- considering the input of all interested parties in compiling the assessment findings and making decisions about project acceptability.

The BCEAA and accompanying regulations establish the framework for delivering environmental assessments. However, the scope, procedures and methods of each assessment are tailored specifically to the circumstances of the proposed project. This approach allows for each assessment to focus on the issues relevant to the project and whether or not the project should proceed. By measure of the BCEAA process, any foreseeable adverse impacts through the project's life cycle are identified, including construction, start-up, operation and closure; and means are developed to eliminate, minimize or compensate identified impacts. The process identifies the potential effects of the project on community values and provides information on the nature of public support for a project.

Regulatory Framework (continued)

Environmental assessment process under the British Columbia Environmental Assessment Act

Step 1: Determining if the *British Columbia Environmental Assessment Act* Applies

1. Project is included in Reviewable Projects Regulation:
   - provide brief project description to the Environmental Assessment Office (EAO), including information related to Reviewable Projects Regulation threshold criteria
2. Minister designates project reviewable:
   - government determines designation
3. EAO designates project reviewable (proponent requested):
   - apply to EAO to designate project reviewable, providing brief project description and reasons for seeking designation

Step 2: Determining the Review Path

Step 3: Determining How the Assessment will be Conducted

- respond to EAO requests for information needed to establish framework for asssessment, including scope of assessment and methods and procedures to be used
- provide project information to interested parties

Step 4: Developing and Approving Application Terms of Reference

- in accordance with Procedural Order, undertake issue identification/scoping and consult with government agencies, First Nations and public
- prepare draft Terms of Reference (TOR) and revise as required based on review comments
- provide final TOR to EAO

Step 5: Preparing and Submitting the Application

- conduct studies as specified in terms of reference
- consult as appropriate/required as studies proceed
- prepare application in accordance with TOR and submit application to EAO for screening
- revise application if required and resubmit
- provide required copies of acceptable application

Step 6: Reviewing the Application and Referring to Ministers

- provide notice of application review
- conduct consultation in accordance with approved consultation plan and any additional required measures
- respond to issues raised during comment period
- provide additional information as required

Step 7: Preparing the Assessment Report

- continue any ongoing consultation activities
- continue to respond to information requests

Step 8: Deciding to Issue/Not Issue a Certificate

Ministers make decision (within 45 days) and:
- issue environmental assessment certificate; or
- refuse to issue environmental assessment certificate; or
- require further assessment

The federal environmental process, governed by the CEAA, is the federal measure by which the project's integrity is tested. In a similar mandate to the BCEAA, the CEAA also ensures that the environmental effects of projects are carefully reviewed before federal authorities take action in connection with them so that projects do not cause significant adverse environmental effects. Under CEAA, projects again receive a level of environmental assessment tailored to their impact potential. There are four environmental assessment review options under CEAA: screening, comprehensive study, mediation and panel review. The Galore Creek Project has initiated the CEAA process, and a comprehensive study report is required. This environmental assessment is meant to satisfy both the provincial and federal approval requirements.

Consultation

On the matter of public consultation for First Nation groups, government and the community at large, NovaGold began an extensive outreach to interested parties who will become involved in the Galore Creek Project.

NovaGold recognizes that local community involvement and support of mineral development projects is key to the success of the project, and acknowledges the value of Traditional Knowledge (information gained about an area through observation over an extended period of time, rather than through scientific study). The geographic location of the proposed mine has dictated that much of the focus of consultation efforts has been with the Tahltan Nation.

In early meetings with the Tahltan people, NovaGold agreed to support the formation of several joint ventures, one of which was the May 2004 formation of Rescan Tahltan Environmental Consultants (RTEC), a 50/50 joint venture between Rescan Environmental Services Ltd. and the TNDC. RTEC combines the environmental expertise of Rescan with the regional savvy of the TNDC. The ethos of the union is perhaps clearest in its logo, which includes the phrase "Keepers of the Land," representing a long-standing moral obligation assumed by the Tahltan people to maintain the sanctity of the natural landscape. Both companies see the RTEC venture as an opportunity to meet their business goals while contributing to sustainable development practices in the resource sector.

Tahltan Traditional Knowledge refers to:

"…contemporary and generations-old knowledge accumulated and applied through generations of living in close contact with nature, including Aboriginal environmental knowledge, traditional ecological knowledge, traditional knowledge, local knowledge, indigenous environmental knowledge, land use and occupancy knowledge, empirical observations about the local environment, systems of land tenure, classification and self management governing use of resources, traditions, beliefs, legends and customs, and that is in oral, written, or machine-readable form."

- Tahltan Central Council, December 2005

Consultation (continued)

During the 2004 and 2005 field seasons, RTEC took the lead in collecting and assembling all baseline data and information on environmental components such as climate, water quality, fish, and wildlife, for the development of the environmental assessment. NovaGold also collaborated with RTEC and Kwantlen University College to develop a learning/training program for environmental field work geared toward the Tahltan community.

NovaGold initiated discussions with the Tahltan Nation in November 2004, within two months of signing the deal to explore Galore Creek. Several open houses were held in the predominantly Tahltan communities of Dease Lake, Iskut and Telegraph Creek as well as in Stewart, in 2004 and 2005. NovaGold prepared and distributed the *Galore Creek Newsletter*, providing details and updates about the project, in these communities, and a Tahltan Elder and members of the TCC and Iskut First Nation participated in a series of site visits. NovaGold also funded local researchers to conduct projects that incorporated and documented Traditional Knowledge about the region. A highlight of the consultation process was a Special Assembly held in January 2005 in Dease Lake. A series of workshops and information sessions were held, and community members provided extensive feedback on the project.

Much knowledge was gained from the consultation process. NovaGold's decision to select the modified northern access route over to the southern access route was based heavily on information provided by Tahltan Traditional Knowledge, including the importance of the Iskut and Stikine rivers, and the fish and wildlife habitats, wetlands and vegetation found along the southern route.

Tahltan Elders expressed concern over the toxic impacts the Galore Creek Project could have on wildlife if concentrate were to spill into the environment. NovaGold acknowledged these concerns and incorporated pipelines rather than truck transport to pump the concentrate from the process plant to Highway 37 and to supply diesel to site, in order to decrease the number of trucks on the access road.

Water management options, such as the timing of discharges from the tailings storage facility, were guided by the needs of aquatic life (e.g., pacing discharges from the storage facility to

match natural flow conditions). Traditional Knowledge interviews emphasized the economic importance of fish and the importance of preserving the integrity of aquatic resources.

A number of the wildlife and aquatic VECs, such as marmot and marten, were identified or confirmed through interviews with Tahltan members. Interviews with Tahltan Elders about seasonal rainfalls helped to guide water management strategies for discharges from the tailings storage facility. Tahltan Elders and members confirmed the importance of protecting hunting grounds and wildlife stocks in the localized study area. The Participation Agreement between NovaGold and the Tahltan provides for the development of a road protocol to address concerns about use of the road. Traditional Knowledge also provided NovaGold with an understanding of traditional land use in both the broad Cassiar Iskut-Stikine region and the local project area. This information was used during numerous baseline studies.

Ongoing discussion with the Tahltan community resulted in the signing of the Participation Agreement on February 10, 2006. The agreement supports the Tahltan Nation's principles of environmental stewardship, economic sustainability and self-determination. It also commits both parties to working collaboratively throughout the environmental assessment review and the permitting process for Galore Creek. The agreement provides certainty for local communities and investors alike that Galore Creek will be developed with the support and involvement of the Tahltan Nation.

NovaGold initiated meetings with government regulators shortly after the project officially entered the pre-application phase of the B.C. environmental assessment process in February 2004. Overview meetings were held with Canadian regulators from the provincial and federal governments in Smithers in April 2004, and with American regulators in Juneau in May 2004. A joint meeting with close to 30 regulators held in June 2004 helped define and clarify the similarities and differences between the B.C., Canadian, Alaskan and U.S. regulatory system. Tahltan leadership participated in all of these meetings as well. These general meetings and the technical working groups that were formed to address specific issues provided NovaGold with valuable input on the baseline program.

Regulators became more familiar with the project by participating in two site tours in the summer of 2004. Additional overview meetings were held in Smithers in 2005 to provide an update of the project and present the 2005 baseline program for comments and input. The technical working groups continued to meet throughout 2004 and 2005 and held more than 20 meetings. Tours to site were conducted for smaller groups of regulators, as well as representatives from the provincial and regional governments.

The early engagement and participation of the Tahltan Nation and various government regulators and the Tahltan has enabled NovaGold to incorporate valuable input into the design and planning for the Galore Creek Project.

Project Description

Project History

While prospecting for the Hudson Bay Exploration and Development Company in 1955, M. Monson and W. Bucholz identified mineral deposits in the upper Galore Creek Valley. Before the end of the year, staking and sampling in the area were completed, and mapping and preliminary diamond drilling were conducted in the following year. Consolidated Mining and Smelting Company of Canada (Cominco) and a subsidiary of Kennecott Copper Corporation soon staked claims in the vicinity of the original Hudson Bay claim. The three companies formed Stikine Copper Limited in 1963, and conducted extensive exploration until 1992.

Geology

The Galore Creek Project area lies within the Coast Mountain Range, an area characterized by well-stratified sedimentary, volcanic and plutonic rocks. The upper Galore Creek Valley is underlain by mostly volcanic rock, while the copper, gold and silver deposits in the West Fork of the valley are associated with sills and dikes intruding into the volcanic rock. In the middle of the valley, under the proposed tailings and waste impoundments, the bedrock is mostly volcanic and sedimentary. The top 100 metres of bedrock throughout the valley is highly fractured and is underlain by less fractured rock known as "stick rock." Limestone and granitic rocks predominate near the confluence of Galore Creek and the Scud River. Overburden in the Galore Creek valley can reach depths of 80 metres.

Mineral deposits occur in four zones: the Central, Southwest, West Fork and Junction zones. A fifth zone, called the Middle Creek zone, will likely be mined with the Central zone. Several other mineralized zones have been identified, but have not been explored sufficiently to be included in this assessment. Resources at the Galore Creek Project are estimated to include 12.0 billion pounds of copper, 13.7 million ounces of gold, and 156 million ounces of silver. To obtain these resources, NovaGold intends to extract 475 million tonnes of ore and 1,016 million tonnes of waste material.

Mining

Mining of the open pits will employ conventional truck and shovel methods over a twenty-year period. Mining will be performed top-down, in bench-like steps, within multiple pits simultaneously. The slopes of the pit sides have been designed specifically for stability under local geological and groundwater conditions.

The ore deposits are near the surface, so little pre-stripping will be necessary. Both electric and diesel blast hole drills will be used to extract ore and load a fleet of large-capacity trucks. Mining operations are scheduled to allow an even flow of materials to the mill using a consistent number of haul vehicles.

Overburden and topsoil stockpiled during mining operations will be used later for reclamation purposes. Waste rock will be hauled to several dump areas. Waste rock that has been determined to be not potentially-acid-generating will be used to construct a tailings dam and other water management structures, while acid-generating waste will be hauled to a designated engineered dump for long term management under water.

Acid Rock Drainage

Acid Rock Drainage, or ARD, occurs when sulphide minerals react with oxygen and water to create sulphuric acid. This acid drainage may then leach metals from the surrounding rock and contaminate adjacent surface water and groundwater. Assessment of the mine area has concluded that some of the waste rock will have the potential to generate acid, but that the process will take decades. To support a safe and environmentally sound long-term closure plan, potentially acid generating waste rock and tailings will be placed in an impoundment in the Galore Creek Valley, and managed using a permanent water cover. A comprehensive ARD prediction program, including sampling and analysis of cuttings from blast holes, will facilitate the management of waste rock to avoid problems with ARD.

Project Description (continued)

Processing

Ore will be processed at a rate of approximately 65,000 tonnes per day in a conventional mill. The mill will operate 24 hours a day, 365 days a year, with scheduled downtime for equipment maintenance.

Trucks will deliver ore from the open pits to either an ore stockpile or the primary crusher, which will be fitted with water sprays and other measures to minimize dust. Crushed ore will be conveyed to a stockpile with a 32,000 tonne capacity. From there, it will enter the grinding circuit, where it will be pulverized to an even finer texture. The ground ore will be further refined to a concentrate using conventional flotation processes where air bubbles pumped through a slurry of water, ground ore and reagents cause the valuable minerals to float to the surface. Residual materials will be removed and placed in a tailings pond. The concentrate will be combined with water (forming a concentrate slurry) and pumped to the filter plant via the concentrate slurry pipeline.

Pipeline

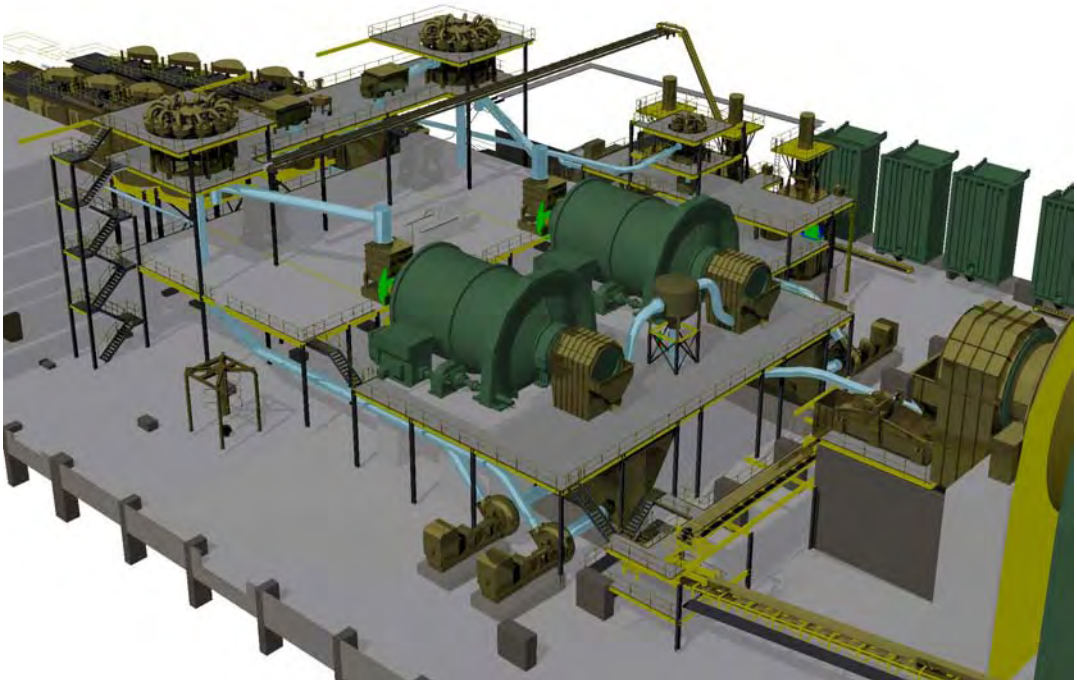
A 140 kilometre concentrate slurry pipeline will be constructed between the mill and the filter plant located near Highway 37. The pipeline system will incorporate concepts, equipment and operating conditions proven in currently operating slurry pipelines. A large pump will move the concentrate slurry through the pipeline at a rate of about 90 tonnes per hour. Five monitoring stations will be installed along the pipeline to monitor its operation and detect leaks within a few minutes of their occurrence.

The pipeline will be buried at depths ranging from 1.6 to 3 metres. It will generally follow the access road ditch, but minor diversions will be constructed to maintain appropriate grades and to avoid the settlement of solids in low points during shut-downs. Heat from friction and the slurry will be sufficient to prevent the pipeline from freezing in most areas. Where the pipeline crosses watercourses on bridges, it will be insulated to prevent freezing.

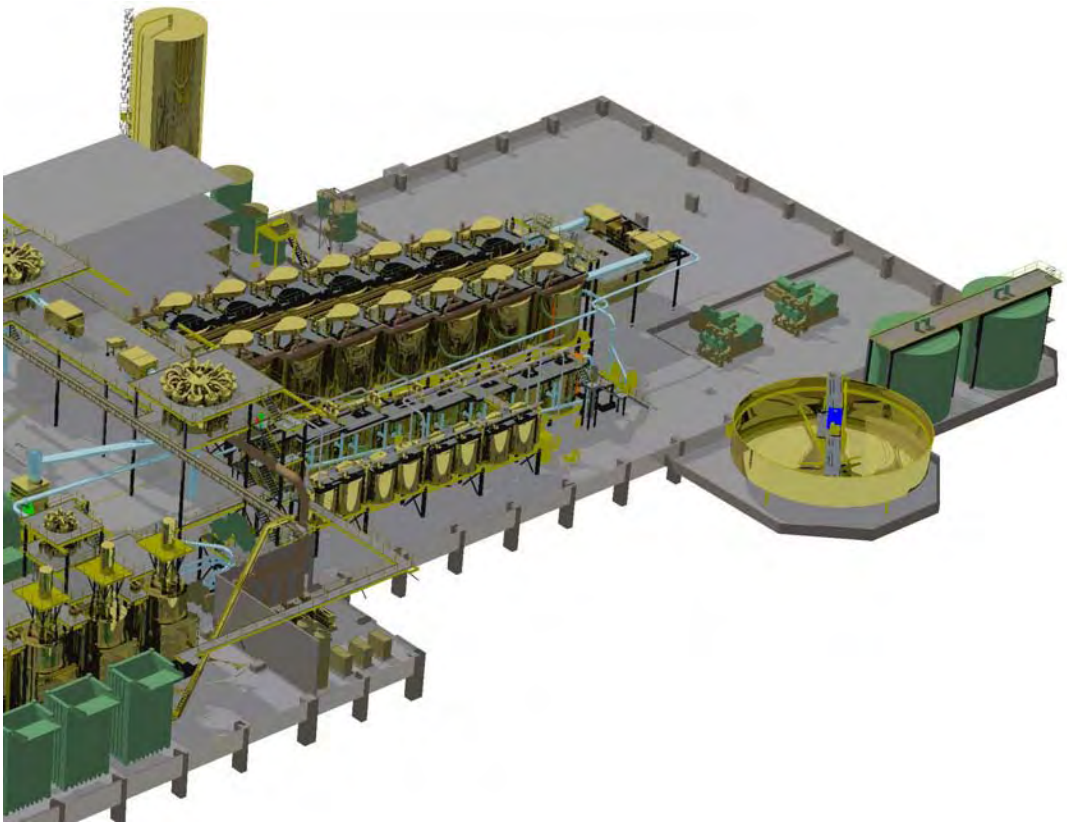
The pipeline will also feature a protection system and external coating to prevent corrosion. A covered tank will be constructed at the low point of the pipeline in the Lower Sphaler Creek area to serve as an emergency drain point.

A smaller pipeline will be installed next to the concentrate pipeline to transport diesel fuel to the mine. The diesel pipeline will have similar leak detection and protection systems as the concentrate pipeline.

3-D rendering of process plant interior showing grinding circuit



3-D rendering of process plant interior showing flotation circuit

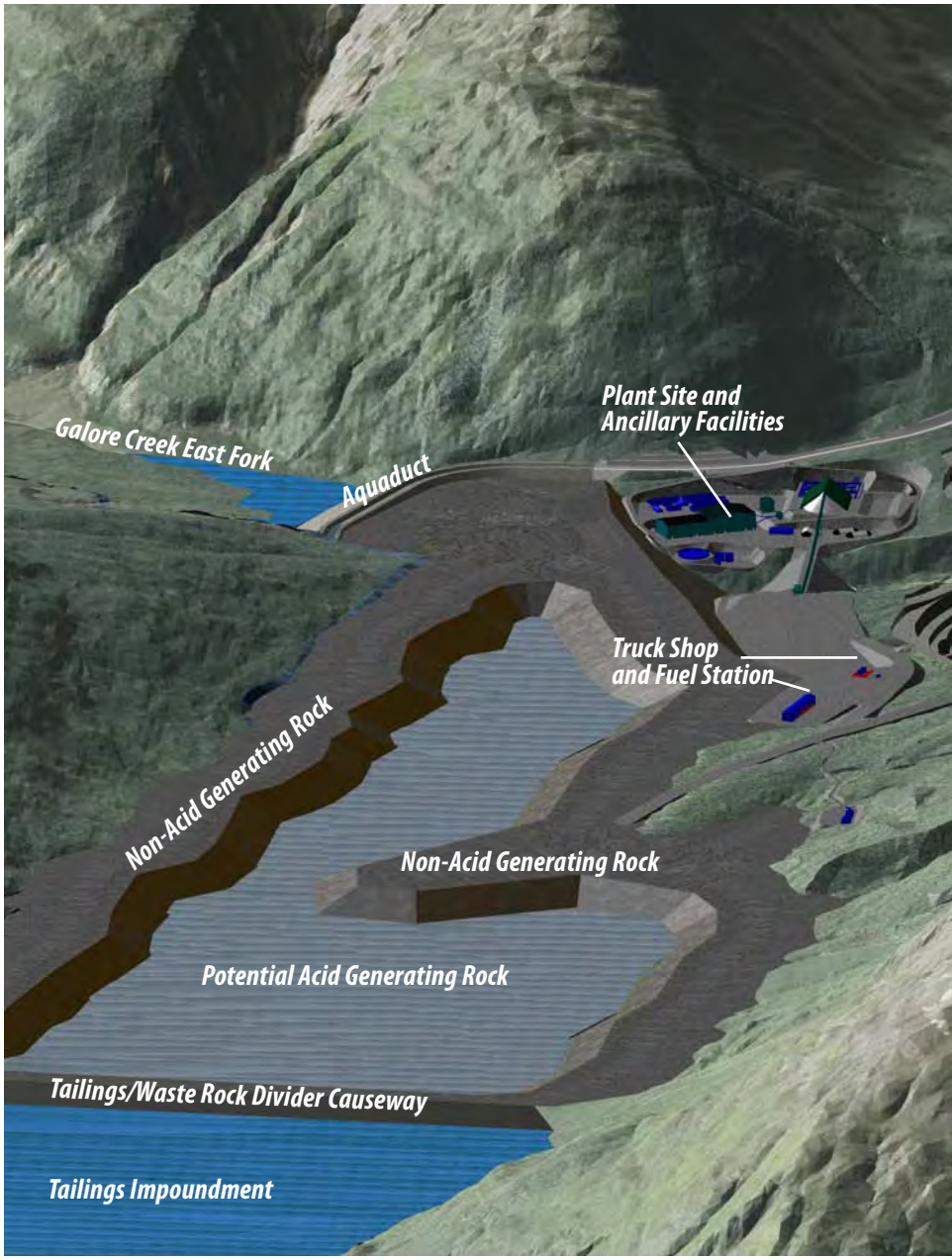


Project Description (continued)

Filter Plant

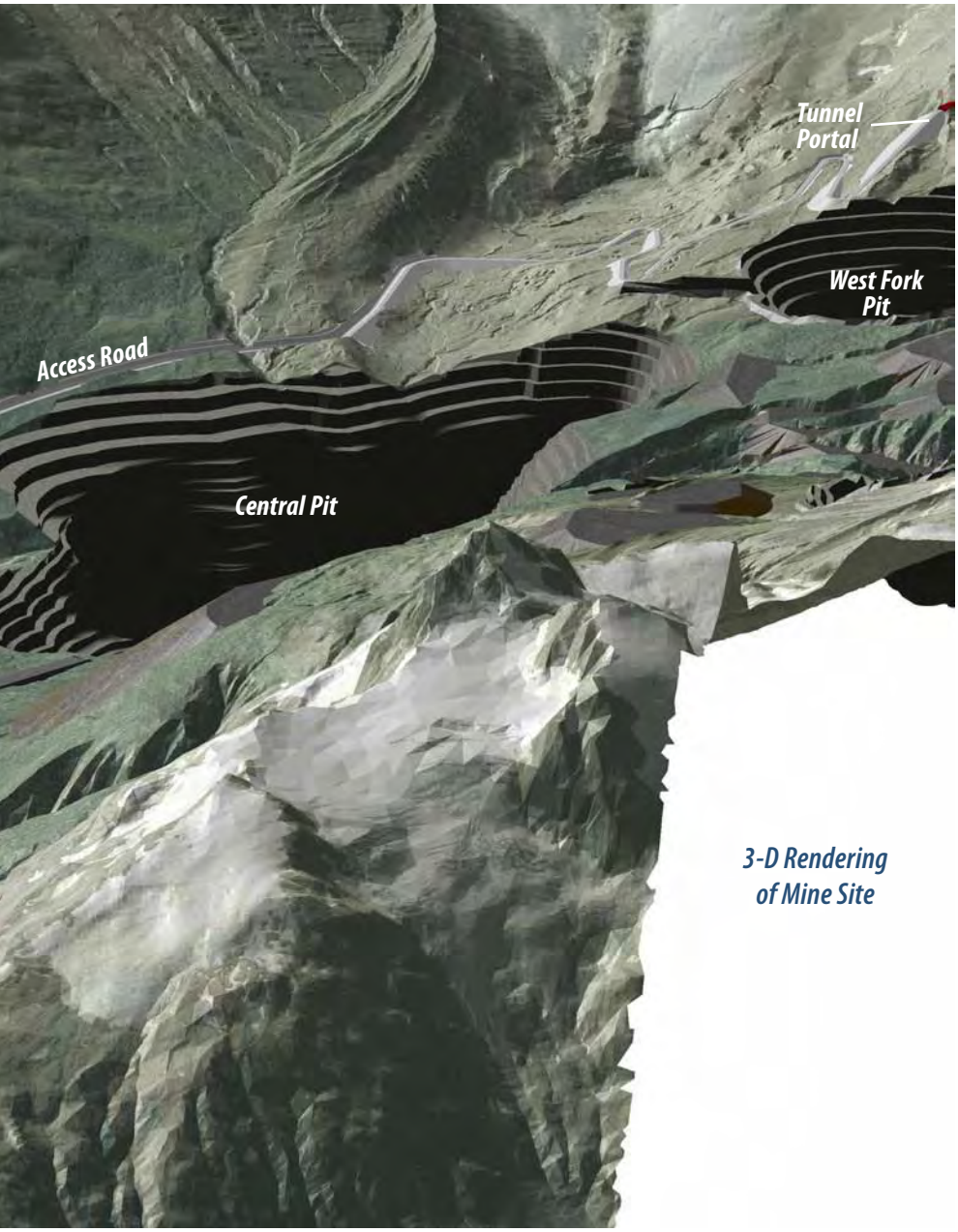
A filter plant will be constructed at the terminus of the concentrate slurry pipeline, next to the access road and three kilometers west of Highway 37. At this plant, water will be removed from the concentrate slurry and treated before it is discharged. The clean water from the filter plant will be pumped through a small underground pipeline to the Iskut River. The concentrate will be conveyed by truck to the Port of Stewart, via Highways 37 and 37A.

In addition to treatment and storage facilities for water and slurry, the filter plant will include accommodations for 30 plant workers and truck loading and weighing facilities. It will also include the storage and pumping systems for the diesel pipeline.



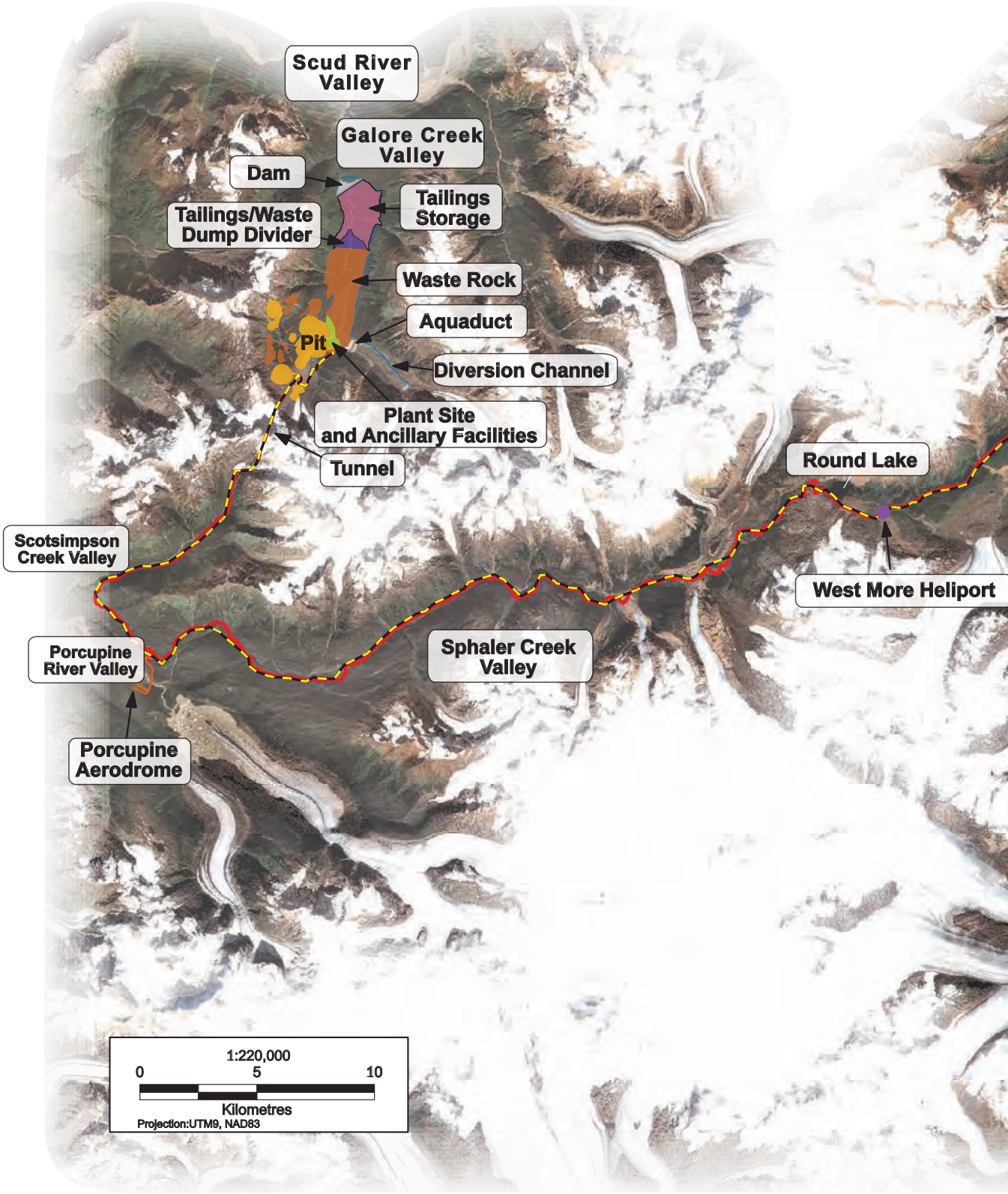
Water Supply

Potable water for the construction, mine and filter plant camps will be supplied from wells. This water will be treated by ozonation or chlorination, and will be stored at dedicated tanks at each camp. Process water will be pumped from wells around and within the pits, as well as from the concentrate and tailings thickener overflows. If required, the water will be combined with water recycled from the tailings pond. The process water will be stored in a steel tank or in a small process water reservoir to be constructed near the mill, and pumped to the various distribution points.



3-D Rendering of Mine Site

Project Description (continued)



Project site map

Project Description (continued)

Tailings and Waste

The main tailings dam will be constructed with an impervious central core and a synthetic liner on the upstream face. Initially, the height of the dam will be 152 metres, but it will be raised every year to accommodate the anticipated annual volume of tailings. The completed dam will have a 30 metre wide crest and a 1.1 kilometre wide base. A seepage collection system will be constructed below the dam to collect seepage from the tailings impoundment, and an emergency spillway will provide a route for excess water in case of flooding.

Tailings will be pumped to the tailings impoundment. During operations, a pond and settling basin in the impoundment will be used to collect and reclaim water for use at the plant.

The Galore Creek mine is expected to generate a total of 1,016 million tonnes of waste rock. This waste rock will be hauled by the mine fleet to a designated dump in the middle of the Galore Creek valley. To prevent tailings from mixing with the waste rock dump, a waste dump divider will be constructed 2.6 kilometres upstream of the tailings dam, and will be built up throughout the life of the mine so that its crest remains above the top of the tailings.

Freshwater Diversions

Freshwater runoff will be diverted around the proposed plant, pits, tailings, and waste dump facilities using several open channels. These channels will also feature diversion dams, an aqueduct, and other structures necessary to divert and control water flow. Some of the major drainages that the channels will cross, such as Bear Creek and Friendly Creek, exhibit signs of past debris flow activity. Debris flows will be managed upstream of the diversion channels, to minimize blockages. The diversion channels will be inspected and maintained year-round.

The main diversion channel will be 12.3 kilometres long, excavated into bedrock or surficial materials along the eastern slopes above the tailings and waste impoundment from the East Fork of Galore Creek to the main tailings dam. It will be up to 5.5 m deep and 10 m wide at the base. A total of five emergency overflow areas are planned along the main diversion channel so that if a blockage occurs, water will pass into the waste catchment area upstream of the blockage.

Access Road

The construction and operation of the remote Galore Creek mine will require the development of a new road. After considering several alternative routes, and consulting with the TCC, NovaGold chose a route beginning at the Devil Creek forest road north of the Bob Quinn airstrip near Highway 37, crossing the Iskut River just upstream of the mouth of More Creek, following More Creek to the headwaters of its western fork, descending Sphaler Creek to near its mouth, and then crossing over the divide to Scotsimpson Creek. From there, it will follow the course of Scotsimpson Creek to its headwaters and enter a 3.8 kilometre tunnel to

the western fork of Galore Creek. The road will be about 128 kilometres from Highway 37 to the tunnel, 118 kilometres of which will require new construction. A three kilometre spur road will also be built to the proposed Porcupine Aerodrome.

This route is more difficult to engineer compared with other potential routes, but was determined to be the least harmful to sensitive wildlife habitats. Due to steep grades and other factors affecting the access road, NovaGold has opted not to use the road for regular shipments of concentrate, which will instead be transported via the concentrate slurry pipeline. This pipeline, as well as an electrical power transmission line and a fuel pipeline, will follow the access road alignment.

Aerodrome

An aerodrome designed to accommodate fixed wing aircraft will be established near the confluence of Sphaler Creek and Porcupine River. Its initial function will be to support construction activities. The aerodrome will be maintained as a key feature of the operational infrastructure to permit timely all-season transportation of personnel.

Other Facilities

Employees at the mine will live at camp on a two-week-in, two-week-out work rotation. The camp will house 440 people, accommodating all direct and contract employees for the site during mine operation. The camp will include kitchen, dining, recreation and fitness facilities. The mine will also be equipped with a full laboratory to support mining and environmental functions.

Three storage buildings will provide covered storage and a venue for maintenance and other activities during the winter. A truck shop, warehouse and office complex constructed 1.3 kilometres north of the plant site will house truck maintenance bays, a truck wash bay, a tire shop, repair areas, office space, a first aid room, and other amenities.

The on-site explosives manufacturing and storage facilities will be constructed in a fenced, secured compound 800 metres north of the truck shop. Access will be limited to authorized personnel.

Mine Schedule

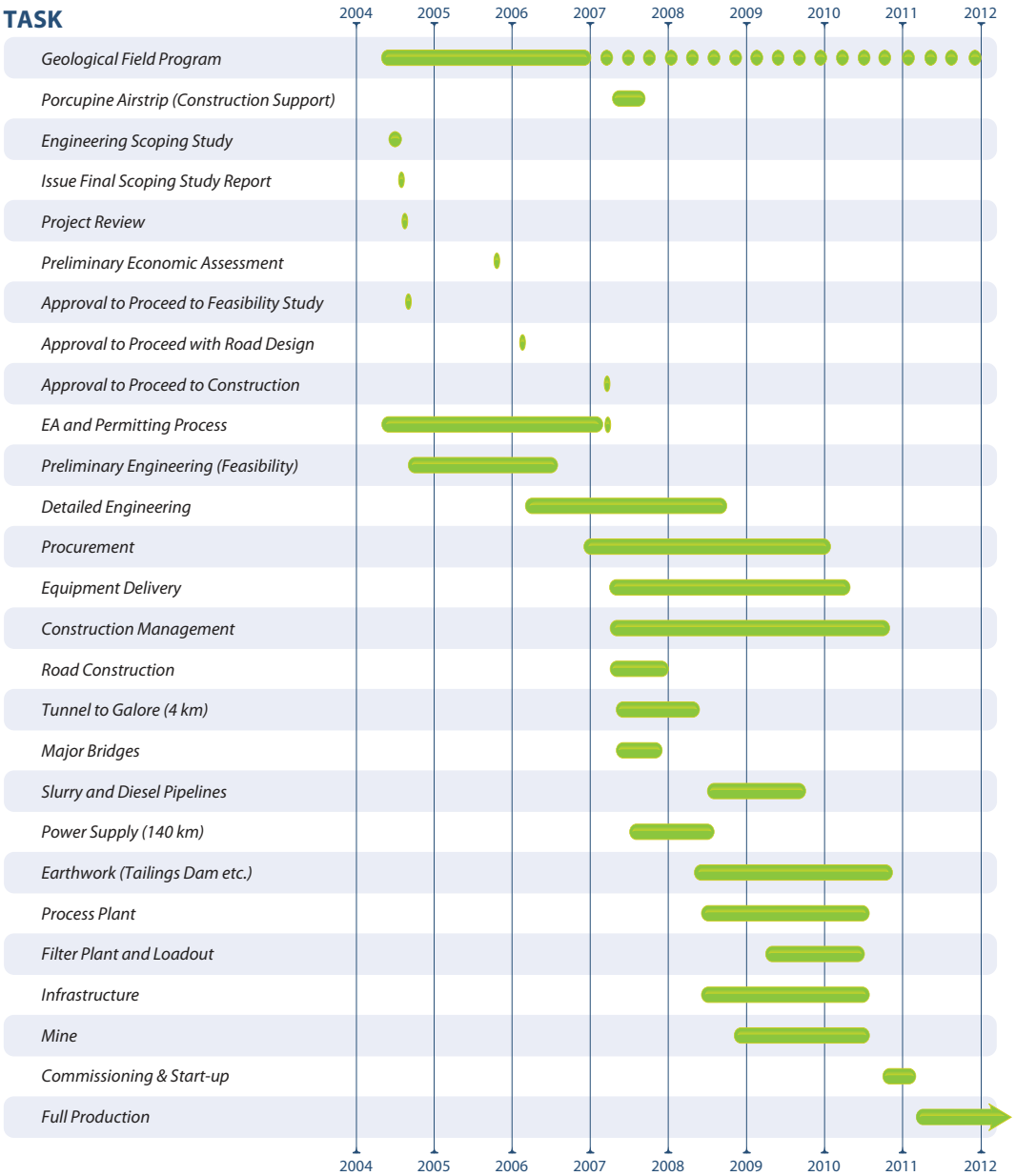
Once the main access road and the tunnel are established, major production and construction equipment will be mobilized to the site. The timeline of construction will begin with the development of the access road from the mine site to the north tunnel portal. Next, diversion channels on the east and west sides of the valley will be installed. This construction will take place during the spring of 2007 to facilitate summer start for the tailings dam development.

Project Description (continued)

The key cut for the tailings dam installation is slated for 2007, to be completed in 2008, at which time the plant site development will begin. The pipeline pumping station will be constructed in 2008/2009. The power transmission lines will be installed shortly after the access road is completed, and the main plant substation will be completed in late 2008, coinciding with the completion of the tunnel construction.

The main infrastructure buildings will be constructed beginning in early 2009, and equipment will be shipped and installed at the end of that year. The remaining construction and installation will be completed by the late fall of 2010.

Galore Creek Project implementation schedule



Environmental Setting

The Galore Creek Project property is located in northwestern British Columbia, adjacent to the Alaska panhandle, some 1,000 kilometres north of Vancouver and approximately 90 kilometres northeast of Wrangell, Alaska. The area is a transitional landscape between Coast and Mountain, Sub-Boreal Interior and Northern Boreal Mountains ecosystems. Typical biogeoclimatic zones (geographic areas having similar patterns of vegetation and soils as a result of a homogenous climate) range from Coastal Western Hemlock and Mountain Hemlock zones to the west of the Galore Creek property and the Interior Cedar Hemlock and Engelmann Spruce-Subalpine Fir zones to the east. Alpine tundra is present at higher elevations.

The property lies within a regional structure known as the Stikine Arch. Medium to steep slopes characterize the local terrain in the central and northern parts of the Galore Creek property. The surrounding topography is mountainous. Elevations on the property range from 500 metres to over 2,000 metres above sea level. The elevation of the tree line is variable, but alpine vegetation predominates above 1,100 metres. The forests below consist of Balsam fir, Sitka spruce and cedar. A variety of unique habitat types exist within the larger regional project area, including extensive floodplain habitat and wetlands, moist alpine meadows and mature and old growth forest.

The Galore Creek project area includes major watersheds of both the Stikine and Iskut river drainages. The Stikine watershed is recognized as a major wilderness area of significant ecological value to both Canada and the United States.

The climate of the Stikine-Iskut basin is strongly influenced by the Pacific Ocean to the west and continental Arctic regions to the northeast. As a result, the Galore Creek Project area has typically mild, wet coastal climatic conditions at lower elevations and cold, dry northern interior at higher ones.

The meteorology in the valley is typical for a humid continental climate zone. Summers are cool and winters are cold, humid and wet with several months of snow cover. Average stream flows are high and annual freshet runoff rates very high, as remnant glaciers are present within the headwaters of many watersheds in the area. Recent glacial retreat within the Cordillera of North America has exposed large areas previously covered by millions of tonnes of snow and ice. These areas are now subject to precipitation and runoff erosion that results in large quantities of rock and sediments into the aquatic environment.

The Stikine, Iskut, More, Sphaler and Porcupine valleys themselves are relatively pristine areas with road access currently limited to the upper reaches of the Iskut Valley. The Stikine and Iskut rivers and their tributaries provide important habitat for all five species of Pacific salmon as well as other resident fish species such as Dolly Varden. The area is also one of the more important remaining grizzly bear habitats in British Columbia. Wetlands along the Porcupine and Stikine rivers provide breeding habitat and migration staging areas for

Environmental Setting (continued)

waterfowl. The valleys and associated floodplains provide important moose winter range and the rugged Coast Range supports high densities of mountain goats. There are resident populations of black bears, wolves, foxes, martens and other mammals.

Important Tahltan communities in the vicinity include Dease Lake, Iskut and Telegraph Creek, which are respectively 166, 118 and 90 kilometres by air from the proposed mine site. Neighbouring First Nations include the Nisga'a, Kaska and Tlingit. Traditionally, the Tahltans travelled through their territory in small family groups following the available food supply. They hunted animals, fished and gathered plants for food. Fish harvesting from the Stikine River was an important activity each spring and summer, when the Tahltan would gather in large social groups for feasting, visiting and trading.

The Stikine River also provided the Tahltan with a link to the ocean. Situated between coastal and interior native groups, the Tahltan became a crucial trading link for the region. Each year, the Tlingit from Wrangell, Alaska, made their way up the river to dry fish and trade goods with the Tahltans.

Environmental Impacts

NovaGold recognizes that different components of the environment require particular consideration during the planning and design of the Galore Creek Project. Local communities and others have recognized these components as matters of scientific concern, or as relevant to cultural values. These components are widely termed Valued Ecosystem Components (VECs) and were formally identified through a comprehensive consultation with the Tahltan Nation, federal and provincial regulatory bodies, and other interested parties. Following the consultation, further screening was done to determine if the identified natural and human environmental components qualified as VECs.

Evaluation of the potential environmental effects of the Galore Creek Project begins with the VECs. They are the most representative aspects of the natural environment deemed susceptible to influence by the wide-reaching scope of the project. As the environmental footprint of the project is large, the determinations about the future integrity of each VEC over the life of the mine are crucial to the development of initiatives designed to lessen environmental impacts whenever it is reasonable to do so.

Valued Ecosystem Components (VECs):

Any part of the environment that is considered important by the proponent, public, scientists and government involved in the assessment process. Importance may be determined on the basis of cultural values or scientific concern. VECs incorporate both the natural and human environments.

Air Quality

Air quality is a fundamental component of the natural ecosystem and an important health and safety issue; it is of the utmost biological importance to vegetation and wildlife. Air emissions from the project will consist primarily of diesel emissions from the mobile mining equipment and, to a lesser extent, fugitive dust from drilling, blasting and traffic along the unpaved haul and access roads during the two driest summer months.

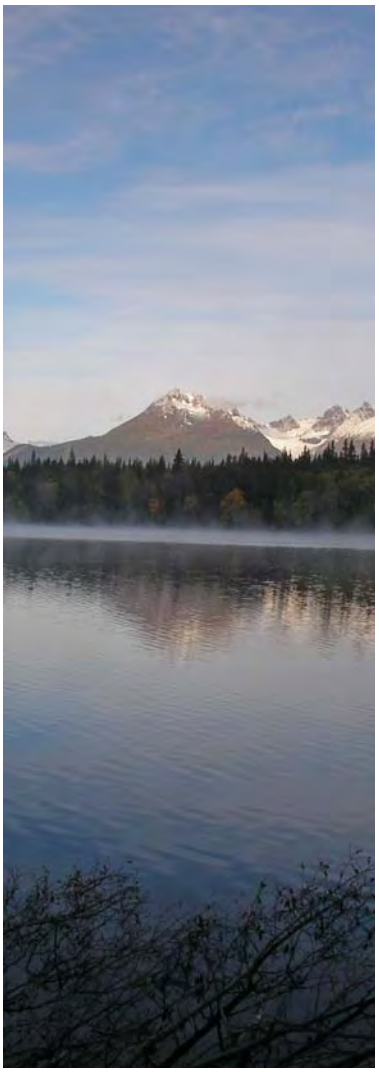
The effects assessment for air quality was designed to explicitly address the potential air quality issues and concerns, and issues included potential effects on air quality associated with all phases of the project. The project will meet both federal and provincial government ambient air quality objectives intended to ensure long-term protection of public health and the environment. The magnitude of the effects to air quality for all project activities was deemed to be moderate, since the geographic extent of the air quality effects was confined to the local ambient air quality study area.

Climate

Climate describes the predominant weather patterns of an area and has been selected as a VEC for the project because it is a fundamental aspect of the natural environment, and changes to the climate will affect many other ecosystem components.

The Galore Creek Project will marginally affect the climate by changing the level of greenhouse gases (GHGs) emissions in the atmosphere. The primary GHGs emissions from man made sources are CO_2, CH_4 and N_2O. All three gases will be emitted as a consequence of diesel emissions from mobile equipment and, to a lesser extent, small amounts of N_2O from blasting. The amounts are relatively small and the impacts are negligible.

Environmental Impacts (continued)



Noise

Noise has been selected as a VEC because it has intrinsic value for employees and wildlife. High noise levels from mining activities have the capacity to negatively affect employee performance, as well as cause wildlife to leave their preferred foraging, resting and breeding habitats.

Due to the remote location of the Galore Creek Project site, with no residences in close proximity, noise from the project site will have a minimal effect on communities. Noise may disperse wildlife from their preferred foraging and breeding areas, with mountain goat and grizzly gear being particularly sensitive to disturbance. Detailed evaluation of various noise sources at the project site and along the access road indicate that, overall, noise will have a minimal impact in these areas. There are, however, concerns that elevated noise levels from concentrate haul trucks in Stewart may have the capacity to irritate local residents. Stewart's Official Community Plan includes a by-pass around residential and commercial districts, and NovaGold will support Stewart's initiative to develop this road.

Surface Water

Surface water is a VEC and a critical component of the biological and physical environment. Water is protected under the *British Columbia Water Act* and the *Canada Water Act*. Surface water quantity is the first of two water-based considerations. The construction of mine site infrastructure for the Galore Creek Project will alter the natural flow paths within Galore Creek Valley. During mine operations much of the mainstem of Galore Creek Valley will be flooded under the waste rock and tailings storage facility. At closure, the diversion channels within Galore Creek Valley will be decommissioned and all runoff will enter the flooded tailings and waste rock storage facility. The storage facility will operate as a free-flowing reservoir or lake. In the West Fork area, the pits will be allowed to fill and will overflow into the storage facility.

Surface water quality is the second consideration, and is linked to other key ecosystem components, including fish and fish habitat, aquatic resources and wildlife. It acts as an indicator of environmental health. Surface water quality for the project has international implications as well, as the Stikine River flows into Alaska.

The assessment of the potential effects of the project on water quality are focused around Galore Creek, where liquid discharge from the tailings and waste rock impoundment in Galore Valley in the receiving environment has the potential to cause low magnitude effects. These low level effects may also occur in a localized area of the Scud River. Discharge of a similar nature from the filter plant to the receiving environment has the potential for similar low magnitude impacts, restricted to a localized area of the Iskut River immediately downstream of the diffuser. Neither of these effects will occur as far downstream as the Stikine River, downstream of the Scud and Iskut rivers.

Groundwater

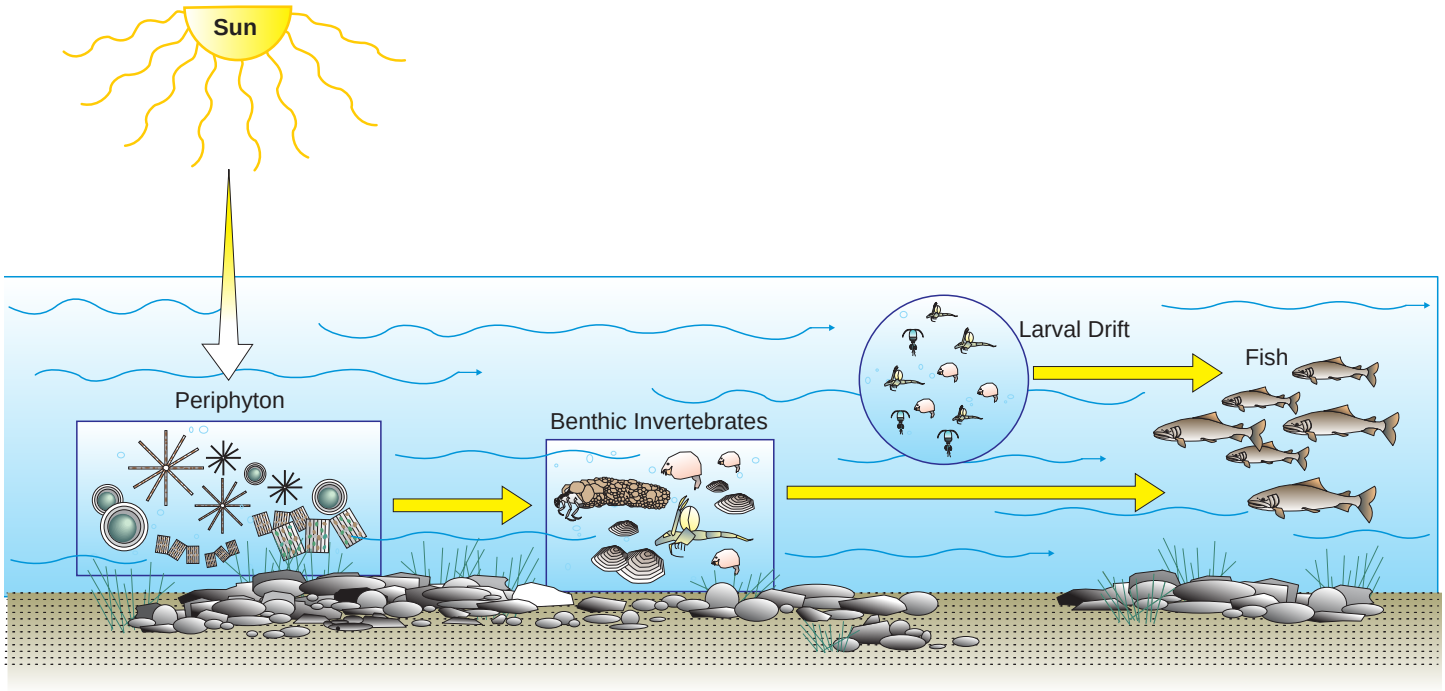
Groundwater has been included as a VEC because the groundwater system is a connected and inseparable component of the surrounding hydrological (creeks, rivers, wetlands) and terrestrial environment of the Galore Creek watershed.

Mine development and operation, including the construction of water diversions, groundwater extraction, open pits and waste management facilities all have the potential to affect the quantity and quality of groundwater in the aquifer contained in Galore Creek basin.

Appropriate mitigation measures, such as materials handling procedures, lined containment structures for potential contaminants, and spill contingency plans will protect groundwater quality. Impacts on the groundwater regime are not expected to be material.

Aquatic Resources

The term aquatic resources refers to organisms such as periphyton and benthic invertebrates in streams and river systems, as well as phytoplankton, zooplankton and benthic invertebrates in slow-moving water habitats, which include wetlands and lakes. These biotic components are fundamental to aquatic ecosystems because they serve important functions in cycling nutrients, photosynthesis and the production and processing of organic matter. They also provide food resources to fish, birds and other organisms. In addition to forming the base of the aquatic food chain, aquatic resources are often useful as indicators of environmental quality and can be used to assess various impacts related to degraded water and/or sediment quality.



Conceptual model of stream aquatic ecosystem

Environmental Impacts (continued)

The aquatic resources of streams, rivers, wetlands and lakes may experience various effects related to the development of the project; effects related to this VEC may vary depending on the phase of mine development and activity of concern. The various physical or chemical stressors introduced to the aquatic habitats may be related to different effects and recoveries for the various groups of organisms present in each system. This is related to biological sensitivity to various stressors, life histories, rates of adaptation, as well as stressor factors such as chemical fate (movement to water or sediment), timing (exposure of critical life stages), duration and magnitude of exposure. Effects on aquatic resources will be observed in the Galore Valley within the mine site area due to the alteration of streams. This will have minimal effects on the fisheries resources located at the mouth of the Galore Creek, and negligible effects in the Scud River.

Sediment Quality

Environment Canada specifically requested that sediment quality be characterized as an independent VEC for this project. Federal metal mining effluent regulations require sediment quality monitoring. Sediment quality refers to the physical and chemical nature of the upper sediment layers of aquatic systems in relation to the sensitivities of aquatic organisms found in these areas. Federal and provincial guidelines have been created to assess sediment quality on a parameter-by-parameter basis, as sediment quality is strongly tied to surface water quality with regard to the potential for contamination. Degraded sediment quality can affect aquatic organisms (such as fish), with the potential for contaminants to be passed along through consumption, a potential human health risk. The inclusion of sediment quality as a VEC is thus justified because of its linkage to several VECs including surface water quality, aquatic resources and various fish and wildlife species.

Activities associated with the Galore Creek Project have the potential to cause adverse effects to sediment quality in the immediate and downstream aquatic environments. These issues include physical and chemical changes to sediment quality, such as siltation or altered chemical loadings of metals or nutrients. Siltation is the unintentional transport and deposition of soil particles into the aquatic environment due to surface runoff. The project will have an Erosion Control and Sediment Management Plan in place which will mitigate effects to sediment quality. There will be negligible effects on sediment quality in the downstream aquatic environment.

Fish and Fish Habitat

Many fish species serve an important role in the ecological, economic and cultural health of British Columbia and within neighbouring Alaska. Salmon species in particular support local economies and cultures, while other species may be used as indicators of environmental health and water quality. The project has the potential to affect many fish species and their habitats both directly and indirectly over the lifespan of the mine. As a result, individual species and groups of species were isolated for further study as VECs due to their conservation status, commercial value, cultural importance and ecological significance.

The Stikine River was also identified as a VEC because of the importance of its habitat for many life forms, including fish, and because of its cultural and commercial significance. The Stikine River supports a modest commercial salmon fishery as well as subsistence food fisheries for local First Nations communities. It is an important river for all five species of Pacific salmon and supports the highest fish species diversity of any body of water in the region. The most relevant effects of the project on fish and fish habitat are the potential loss of productive capacity at the mouth of Galore Creek and direct loss of habitat in one wetland and a few stream crossings due to construction of access corridors. Fish habitat compensation, primarily construction of off-channel wetlands, will ensure a net regional increase in aquatic biological production.

Wetlands

Wetlands were selected as a VEC for the environmental assessment because of their importance in ecosystem functions and in respect of wetland-related policy and legislation. NovaGold has recognized the value of wetlands in the project area and has committed to following the federal wetland mitigation process.

Where logistically possible, project engineers have adhered to the first step in the federal wetland mitigation process and have designed mine infrastructure so as to avoid wetland areas. However, there are locations where portions of mine infrastructure are confined logistically, making it unfeasible to avoid wetlands. Other sections of the project area are also susceptible to wetland loss or alteration due to indirect effects of infrastructure development. As wetlands are defined by their hydrology, subtle changes to this hydrology as a consequence of development could alter wetland quality and quantity.

Project infrastructure has been designed to minimize effects on the hydrology and quality of wetlands, including installation of culverts and the use of concentrate and diesel pipelines to minimize truck haulage along the access road. The loss of wetland habitat will be compensated by construction of off-channel wetlands.

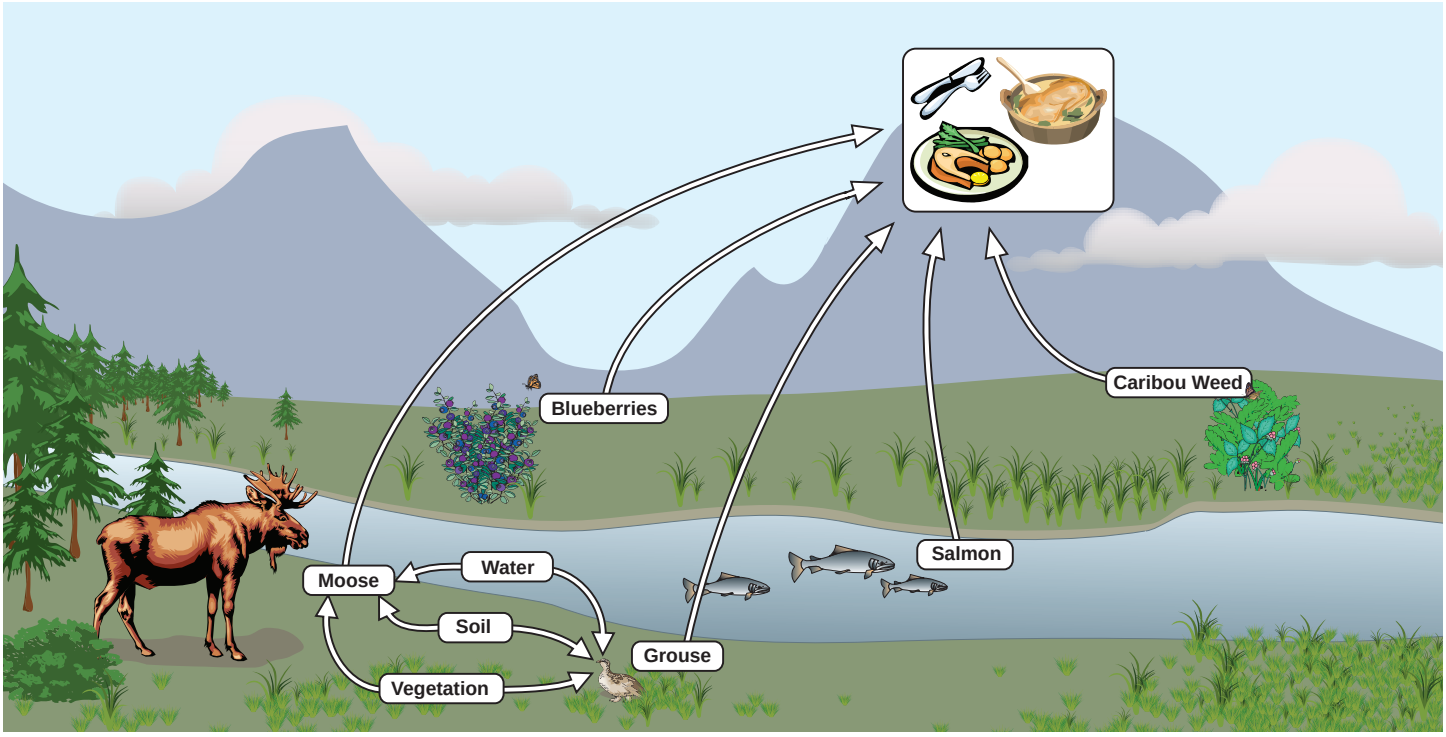
Environmental Impacts (continued)

Terrestrial Ecosystems, Vegetation, and Soil Landscapes

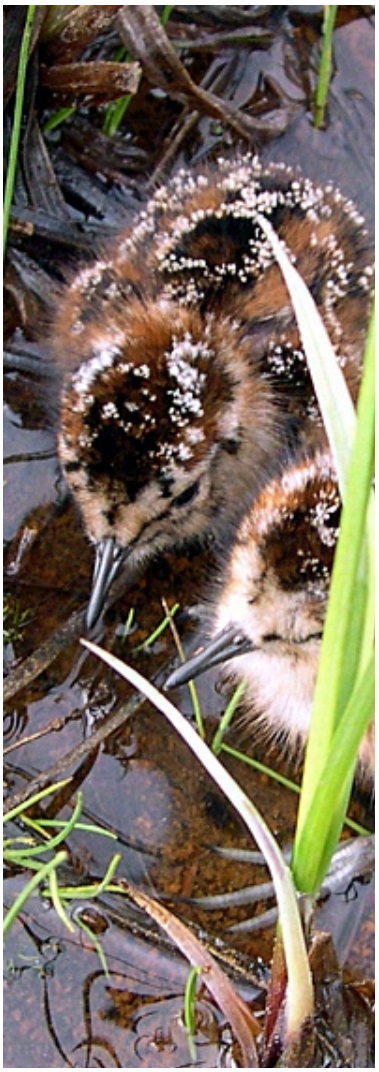
Terrestrial ecosystem, vegetation and soil landscape VECs primarily include ecosystems and plant species that are sensitive to development, provide habitat for wildlife (with emphasis on wildlife species identified as VECs in the project area) and are of conservation concern to regulatory agencies and the public. Ecosystems selected as VECs were identified as important biodiversity components to multiple stakeholders. The ecosystems include rare ecological communities that would be considered potential candidates for conservation. Soil landscapes supporting these systems are included within each VEC.

Development associated with the Galore Creek Project will directly and indirectly affect terrestrial ecosystems, vegetation, and soils. Direct impacts will include the alteration of ecosystems through the disturbance of vegetation and soils during construction, operations, and decommissioning. Indirect impacts could be in the form of dust from pits or roads, microclimate changes (as with increased sunlight to previously shaded environments) and a decrease in ecological integrity through the potential introduction of invasive plant species. The potential impacts of invasive plant species on ecosystem integrity are thought to have the largest effect. Focussed mitigation measures including progressive reclamation where feasible and revegetation of disturbed sites will avoid or mitigate adverse affects to vegetation and terrestrial ecosystems. The effects on these VECs are not considered to be significant relative to the socio-economic benefits of the project.

Conceptual model of country foods ecosystem web



Wildlife and Wildlife Habitat



Wildlife VECs were recognized as those species or groups of species that are most likely to generate concern from regulatory agencies and the public. They include species of conservation concern, keystone species and species of economic or cultural significance to humans.

A number of species were selected as wildlife VECs for the project, including species at risk or of conservation concern, requested to receive enhanced consideration by regulatory agencies, or identified through traditional knowledge interviews with Tahltan elders as being culturally and/or economically significant to the Tahltan Nation.

The most likely effect to wildlife is sensory disturbance due to noise from industrial activity, aircraft activity, avalanche control and blasting. In many cases wildlife will habituate to these disturbances or will move to adjacent less disrupted areas. Mountain goat, however, are sensitive to disturbance during their breeding season, and grizzly bear may be affected by disturbance when feeding on salmon spawning along the Porcupine River Valley during late summer/early fall. It is uncertain to what extent these two VECs will habituate to disturbance.

Project construction and operation activities will be planned to minimize disturbance of mountain goat natal habitat and grizzly bear salmon feeding habitat during sensitive times of the year. A wildlife management plan developed for the project, which includes access restrictions, a no-firearms policy, and an employee education program, will mitigate many of the other potential adverse effects. Although there may be localized adverse impacts, the overall effects on wildlife will not affect the sustainability of populations.

Environmental Impacts (continued)

Archaeology

Archaeological resources are non-renewable and are considered valuable provincial resources, similar to mineral deposits, forests, fish and wildlife. In British Columbia, these resources are protected under the *Heritage Conservation Act*, established to encourage and facilitate the protection and conservation of the heritage of British Columbia. In the case of the Galore Creek Project, the provincial Archaeology Branch is directly involved in the referral process through the environmental assessment, making approvals contingent on satisfactory assurance that archaeological sites will not be destroyed, excavated or altered without a permit issued by the Minister or designate.

All documentary and archaeological evidence pertaining to the archaeological resources of the Stikine region suggest that the project area was peripheral to the intensive use areas of Mount Edziza, the upper Stikine drainage system and the Klappan Plateau. Archaeological surveys conducted along the proposed access road route and within the Galore Creek Valley resulted in the discovery of six sites. The access route has been re-aligned to avoid direct impacts to all but one of these sites; a recent helicopter crash site from which most of the remains have been removed. The Galore Creek Project will therefore have minimal effects on archaeological and heritage resources.

Navigable Waters

At the majority of the stream and rivers that the access corridor will cross there is a limited human requirement for navigation. Galore Creek, More Creek and Sphaler Creek are steep sided mountain streams with limited access for river craft. However, there are some reaches along the Iskut and the Porcupine rivers that are either currently or potentially capable of being navigated. All bridge crossings for this project are designed to accommodate human navigational requirements.

Socio-economic Setting

With the exception of Stewart, the residents of northwestern B.C. are largely members of the Tahltan Nation living in the communities of Dease Lake, Iskut and Telegraph Creek. Historical and archaeological data suggests that the Tahltan are Athapaskan-speaking people of Dene descent. The Tahltan people migrated to northwestern B.C. from the Athabasca region thousands of years ago and claim extensive territorial hunting and fishing grounds. These long-inhabited Tahltan communities are considered to lie within the primary area of socio-economic impact of the Galore Creek Project.

Northwestern B.C. is relatively remote from the rest of the province and supports a small population generally dependent upon the region's resource base, making land-based economies important for Tahltan people. The nearest large communities to the project site are Terrace and Smithers to the south and southeast; these communities lie within the secondary area of impact of the Galore Creek Project. The Tahltan people represent two-thirds of the residents in the Galore Creek area. Annually, families gather during the summer months in fishing villages such as Tahltan Village, located at the confluence of the Stikine and Tahltan rivers, and during the fall and winter families head into known hunting areas to acquire meat provisions.

The Tahltan people have identified the long-term viability of the regional mining sector as an essential driver for the economic, cultural and political advancement of the Tahltan Nation. Northwestern B.C. is a rich geological environment where mining has been a characteristic of economic activity since the 1850s, but reliance on mining has led to a boom-and-bust pattern of population and economic growth throughout the region. Economic development is hampered by limited infrastructure, the long distance to markets, long and cold winters, and a small and scattered resident population that to date has been able to provide only a limited range of goods and services to the mining industry.

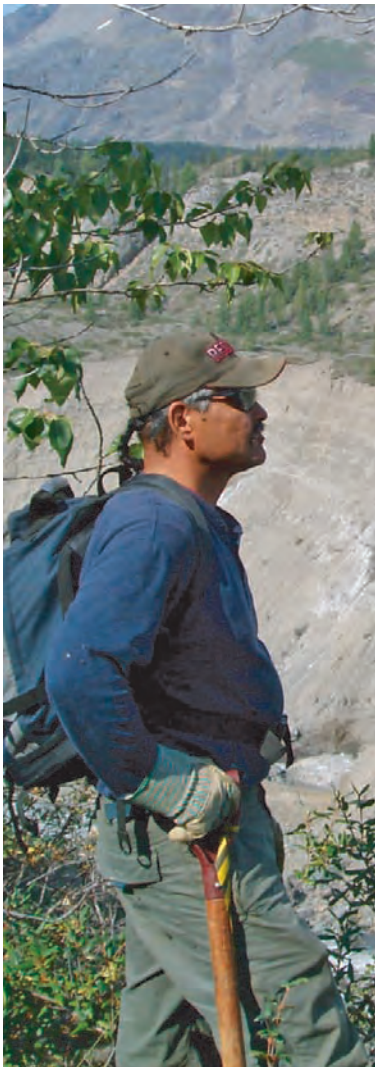
The total population resident along Highway 37 is approximately 1,000, two-thirds of whom are Tahltan. The remoteness of Dease Lake, Iskut, Telegraph Creek and Stewart and the limited availability of employment opportunities have contributed to extensive out-migration of residents. Some of those remaining in northwestern B.C. are employed in public service, forestry or the resurgent mining industry, but until recently unemployment rates have been high. Employment remains subject to the vagaries of outside economic influences and decisions. These negative economic circumstances are exacerbated locally by a range of social issues including low education attainment, substance abuse, lack of or inadequate local infrastructure and services, family stress arising from spousal absences and lack of money management skills.

Socio-economic Setting (continued)

Many Tahltan see a long-term sustainable mining industry as providing the means to encourage and sustain their culture; they welcome economic development that will benefit the Tahltan people and culture, and provide an incentive to former residents to return to their home communities.

The TNDC was created through the collaborative efforts of the predominantly Iskut and Tahltan populations of Dease Lake, Iskut and Telegraph Creek. Representing the Iskut First Nation, the Tahltan Band and the TCC, the TNDC has evolved into a major local and regional employer and a force for Tahltan economic development through its own activities and through joint-venture relationships with other companies. It has established a range of long-term initiatives geared to increasing Tahltan employment, enhancing skill levels and ensuring sustainable economic livelihoods for greater numbers of Tahltan people.

Socio-economic Impacts



Community-based issues are most likely to generate concern from government and the public, giving them a special place among the VECs. The TCC, elders, leaders and community members of the Tahltan and Iskut Bands, the District of Stewart, local governments of Smithers and Terrace as well as representatives of regional, provincial and federal governments were all consulted during the environmental assessment. Their feedback rendered a scope of issues ranging from employment and business development opportunities, substance abuse, highway traffic and accidents to the cultural implications of development and the ability of local jurisdictions to be opportunistic. A number of issues were considered as potential socio-economic VECs for the project, including broadly based community concerns, implications to the Tahltan Nation and delivery of services to people, as well as potential cause-effect relationships.

The Galore Creek Project will take place in the context of the imminent closure of two mines, a situation that requires significant consideration when weighing the project's socio-economic impact. The Eskay Creek and Huckleberry mines are scheduled to cease operations in 2007 and 2008 respectively, which will mean a loss of direct employment for 138 residents of Dease Lake, Iskut, Telegraph Creek and Stewart. The Red Chris mine is scheduled for start-up in 2007, Mt. Klappan mine in 2008 and Galore Creek mine in 2010. This activity prompted a July 2005 socio-economic overview assessment of prospective mine developments in northwestern B.C. The report concluded that:

- Most of the social concerns related to the new developments in the most affected communities exist presently and are not specific to mining development. Rather, they are characteristic of economic development problems experienced in many communities in the north.

- Iskut and Tahltan communities are having difficulty coping with the problems that bear some association with existing mine operations. There is evidence to suggest that existing education, social and health programs and capacities are not adequate to meet present demands. The closure of Eskay mine and the opening of one or more of the proposed mines may increase the stress on the present communities.

- The potential socio-economic impacts of a large mine such as Galore Creek could provide stable employment, training and apprenticeship openings, and business supplier opportunities that would provide economic stability.

- The Tahltan and Iskut communities are small and their ability to participate in the mines is limited. Hence, the effect of one mining development may be significant, while the impact of a second or third mining development would be less so.

In the specific case of Galore Creek, there are several other pivotal socio-economic factors that will evolve in the region due to the presence of such a significant, long-term project. Many of these have been addressed through the Participation Agreement between NovaGold and the TCC – a document designed to minimize potential adverse impacts from the Galore Creek project while enhancing opportunities for the Tahltan.

Socio-economic Impacts (continued)

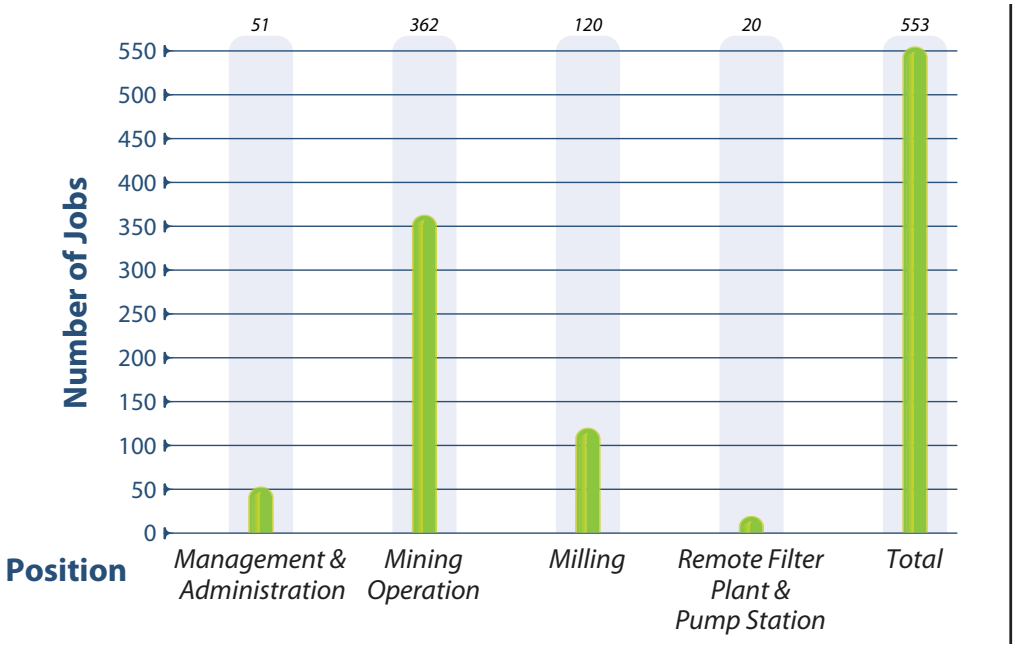
The physical, mental and social health of the region's residents is unavoidably intertwined with economic issues of development, employment and income. Healthy individuals are a prerequisite for healthy communities, but while the Galore Creek Project contributes to health by offering economic development, identifiable health issues, most notably substance abuse and related spousal and family violence, existed before NovaGold arrived. Health impacts associated with the Galore Creek Project give recognition to these issues while illustrating how best to manage prosperity.

Overall, the Galore Creek Project will have a positive impact on the education of locally based employees through preparation programs, on-the-job training, apprenticeship programs and opportunities for career advancement. Training and apprenticeships leading to trade credentials are an investment in the future, contributing over the long term to develop education and expand the range of goods and services available from the region.

The preservation of the Tahltan culture is a stated priority of the TCC and is a top priority of NovaGold. It has been deemed integral to the individual and community health of the Tahltan, and both the Tahltan and NovaGold acknowledge the opportunity to reassert the this culture through the project.

The construction and operation of the Galore Creek Project represents an opportunity for local businesses to acquire contracts to provide goods and services to NovaGold. NovaGold has established practices with local contractors relating to the notification of upcoming contracts, access to contracts through bidding assistance, bonding waivers and other practices.

Long-term employment at the Galore Creek Project



Environmental Management, Monitoring and Follow-up

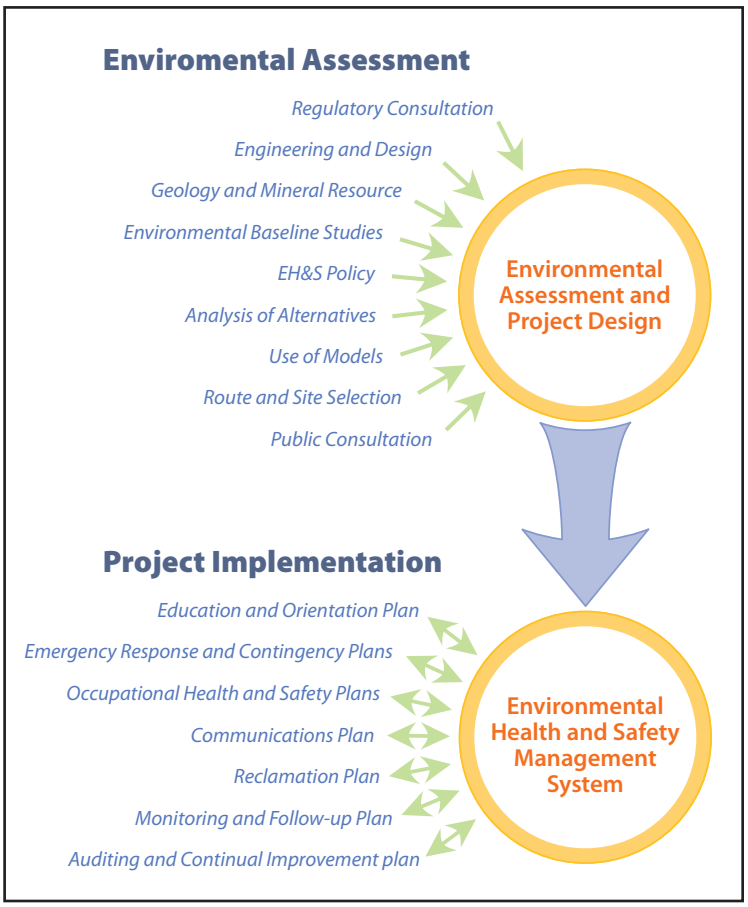
NovaGold has developed, and will continue to develop and adapt, comprehensive environmental management plans to avoid or mitigate adverse impacts of the Galore Creek Project facilities and activities during the construction, operation and closure of the mine. These plans have been developed using best management practices and scientific and engineering studies focused on site-specific conditions.

The Galore Creek Project has proposed a number of different monitoring systems, each of which has been designed to monitor sentinel environmental components to ensure the Environmental Management System (EMS) is functioning effectively. As part of the adaptive management process, the EMS will be updated and associated training programs enhanced to improve the level of environmental protection based on the results of these monitoring programs. Final details of these plans will be developed prior to the start of construction.

The Environmental Management System (EMS) comprises a series of written plans that outline the scope of environmental management pertaining to compliance with both regulatory requirements and NovaGold environmental policy.

Climate Change and Glacier Monitoring

The sensitivity of the Galore Creek Project to changing aspects of the environment and vice versa makes it important to monitor climate change within the Galore Creek Valley. Climate change monitoring will include collecting meteorological and hydrological data and comparison to regional norms, monitoring of changes to glaciated areas, as well as documenting greenhouse gas emissions from the project.



Development of the Environmental, Health, and Safety Management System

Environmental Management, Monitoring and Follow-up (continued)

Air Quality Monitoring

Air quality monitoring is planned for both the ambient and workplace environments, although the air quality guidelines are different for each. The air quality monitoring for the ambient environment will consist of dustfall monitoring, whereas the air quality monitoring for the workplace will consist of control measures in the process plant and open pit mining areas.

Noise Monitoring

Noise monitoring in the workplace will consist of applying the best practical hearing protection equipment for the process plant and open pit mining work areas based on the maximum equivalent noise levels associated with each work area. The Galore Creek mine health and safety personnel will implement the noise monitoring program and conduct periodic spot checks to see that adequate hearing protection is being used.

Wildlife and Wildlife Habitat

A Wildlife Effects Monitoring Program (WEMP) will be implemented to document changes in wildlife abundance, behaviour, health and habitat resulting from project development, operation and closure. Changes to wildlife will be documented to assess the success of mitigation measures proposed in the Wildlife Management Plan, identify opportunities for adaptive management and enable the actual wildlife effects to be compared with those predicted in the environmental assessment. This will allow the Wildlife Management Plan to be refined to foster management strategies that continue to minimize wildlife effects in the context of ongoing environmental change.

Project Components

The project components selected for monitoring are those with the greatest potential for interactions between project activities and wildlife. Monitoring of access roads, aerodrome and air traffic, transmission line, pit walls, waste, wildlife attractants, and the tailings facility will occur through all project phases (construction, operation and decommissioning).

Additional project components may be added to the monitoring program under a process of adaptive management if evidence emerges that the components pose a potential hazard to wildlife. Monitoring of mine components will be done through regular surveys conducted by environmental staff and by incidental reports from other mine employees and contractors.

Aquatic Effects Monitoring Program

A rigorous regimen of collection and testing procedures under the Aquatic Effects Monitoring Program (AEMP) will ensure regulatory compliance with respect to discharge limits and other criteria, as well as verification of predictions made in the environmental assessment. This testing will also serve to detect any unforeseen impacts as measured against the baseline established as part of the initial environmental assessment and identify cause-effect relationships between project activities and environmental impacts.

Cumulative Effects

Cumulative effects are defined as changes to the environment that are caused by human projects and activities in combination with other past, present and future human actions. While the effects of an individual action may be relatively small, the effects of two or more actions may combine to produce cumulative effects that could be considered significant. For cumulative effects to occur, the action under review must have a residual effect on a Valued Ecosystem Component (VEC), and that VEC must also be affected by one or more other actions. When assessing cumulative effects, other projects that were considered included the Schaft Creek, Red Chris and Kutcho Creek metal mines, the Mount Klappan coal mine and the Forrest Kerr hydroelectric facility.

The Canadian Environmental Assessment Agency (CEAA) defines cumulative effects as:

"Changes to the environment that are caused by an action in combination with other past, present and future human actions"

The residual effects of the Galore Creek Project on surface water quantity are limited to the Galore Creek and Scud River watersheds. There are no other existing or foreseeable human actions that could also affect water quantity in these watersheds.

On the matter of surface water quality, residual effects of the Galore Creek Project are limited to Galore Creek, a short section of the Scud River downstream of Galore Creek, and a confined section of the Iskut River downstream of the filter plant. There is potential for future mineral exploration and timber harvesting to also affect these water courses. Any mineral exploration will, however, likely have minimal influence on surface water quality, and any project to harvest timber will be required to implement sediment control measures. No residual cumulative effects are anticipated.

In addition to the effects discussed for surface water quality, the Galore Creek Project has the potential to affect aquatic resources and fish and fish habitat along the access road corridor. Aquatic resources and Dolly Varden char within the More Creek watershed could be affected by increased sedimentation as a result of future timber harvesting or development of access to the proposed Schaft Creek Project. Any future activity would, however, be required to implement erosion and sediment control plans. With this mitigation measure in place residual cumulative effects will not be significant.

The Galore Creek project will have residual effects on forested, parkland and alpine ecosystems, occurring through the permanent loss of terrestrial ecosystems in the Galore Creek Valley and along the access road. There is also the possibility that invasive vegetation species will be introduced to the project area. Additional loss and disturbance of terrestrial ecosystems could occur as a consequence of future timber harvesting, mineral exploration, recreational activity, or development of access to the proposed Schaft Creek Project. With appropriate access controls and vegetation management procedures in place, residual cumulative effects will not affect the sustainability of terrestrial ecosystems.

Residual effects of the Galore Creek Project on wildlife will be limited to sensory disturbance of grizzly bear salmon feeding habitat and mountain goat feeding and natal habitat.

Cumulative Effects (continued)

The potential effects of fishing activities on salmon abundance could act in combination with the residual effects of the project to produce cumulative effects. Although the probability of occurrence and magnitude of these potential cumulative effects are unknown, the contribution of the Galore Creek Project to any cumulative effects will be negligible.

Mountain goats in the project area may be affected by guide-outfitting, resident and First Nations harvest, and by disturbance from mineral exploration, recreational activities, and road access to Eskay Creek Mine, Forrest Kerr hydroelectric project and the proposed Schaft Creek Project. Any cumulative effects will, however, be restricted to localized areas and the sustainability of the mountain goat population will not be affected.

It is within the realm of socio-economic impacts where the Galore Creek Project will render the most tangible and visible positive results. Other projects that may be developed in a similar time-frame to Galore Creek include Red Chris, Mount Klappan Coal Project, Kutcho Creek and Schaft Creek. Together, these projects provide an unsurpassed opportunity for First Nations peoples to acquire the skills, education and training to enter sustainable employment, while facilitating negotiations with mining companies to provide a range of socio-economic mitigation measures that address issues beyond employment and business opportunities and that extend to broader community, capacity building, health and infrastructure.

By recognizing the employment policies presented in the NovaGold-Tahltan Participation Agreement, resident Tahltan and then non-resident Tahltan will be sought as priority employees for the Galore Creek Project before opportunities are opened to the general public. This competition for employment will cause a ripple in the labour market, and which will likely to lead to the full employment of locally available Tahltan, while some abandonment of current employers will occur in favour of permanent employment at higher wages, and an influx of non-resident Tahltan could potentially be constrained by the lack of housing infrastructure and other services to accommodate them. This could also occur if a substantial number of non-resident Tahltan decide to return to their homeland to work.

The simultaneous development of a number of mining projects would lead to cumulative truck traffic and noise along Highways 37 and 37A and in the port of Stewart. This may result in adverse cumulative effects on non-development traffic, highway maintenance and the quality of life of residents in Stewart and along haul routes

The complex, and often unpredictable interactions and relationships between various socio-economic factors make the significance of cumulative socio-economic effects challenging to assess. However, the successful management of both benefits and adverse impacts over the life cycles of projects could result in overall effects that are both positive and significant.

Alternatives

NovaGold's decisions regarding its proposed operational practices have been based on a considerable amount of evaluation of alternative scenarios. In each of the following cases, all viable options were explored to the depth that allowed for a reasonable decision about how best to approach further planning.

Access Roads

In early 2004, NovaGold commissioned a complete evaluation of seven access alternatives as part of the Galore Creek Project Scoping Study. The key factors considered during this short-listing process include safety and operability, environmental constraints, timeline on permits, trans-boundary issues, costs, power transmission and proximity to a deep-sea port. After careful consideration, the original northern route, modified to create efficiencies and satisfy environmental concerns raised by other access road options, was chosen.

Location of Site Infrastructure

The Galore Creek ore deposits are located in a very rugged and remote area. Siting of mine infrastructure must consider availability of sufficient flat ground for buildings, foundation conditions, safety from geohazards, proximity to ore zones and tailings, waste rock and low grade ore storage areas, and access for construction materials, personnel, operations consumables and for shipment of concentrates. Three primary site configurations were considered, with the final decision being made to locate principal project facilities in the Galore Creek Valley, with concentrate storage and pipeline water treatment facilities located nearer Highway 37.

Mining Method

The determination of mining method to be used on the Galore Creek Project came as a result of scrutiny of both open pit and underground approaches. It was deemed that although underground mining would produce less waste rock, the higher cost did not make it a viable choice; the preferred method was determined to be open pit.

Tailings Storage

The Galore Creek Project is expected to produce approximately 500 million tonnes of tailings over the 20-year life of the mine. NovaGold assessed eleven potential tailings storage sites, considering potential adverse environmental effects, geotechnical stability, volume capacity, distance from the mine and overall cost. Among the various alternative locations for the storage facilities, a tailings impoundment site located behind a cross valley dam in the Galore Creek Valley is the preferred alternative based on superior economics, smaller overall footprint, simpler monitoring and maintenance on closure and less dispersed receiving environments. NovaGold believes that it is feasible and reasonable to manage any and all potential environmental, economic and safety risks associated with this alternative.

Alternatives (continued)

Waste Rock Storage

The Galore Creek Project will require the disposal of about a billion tonnes of waste rock, produced mainly from five open pits with lesser volumes from numerous rock cuts for road and diversion channel construction and from the access tunnel. NovaGold has determined that the most effective alternative for disposal of waste rock from the Galore Creek Project is to store all reactive and potentially reactive waste rock under water and the rest in sub-aerial dumps adjacent to the tailings impoundment. The dam constructed to create the tailings impoundment will flood a large enough area to accommodate all of the reactive and potentially reactive waste rock.

Effluent Discharge Alternatives

There are two primary types of liquid waste from the Galore Creek Project mill: water discharged with the tailings slurry, and water discharged with the concentrate slurry. Tailings slurry water will be stored in the tailings impoundment and water that is not recycled to the mill will be released to Galore Creek downstream of the dam during natural high flow periods. It was decided that the preferred discharge location for effluent from the filter plant is a narrow reach of the Iskut River upstream of the mouth of the More Creek. This location will provide ample year-round dilution and good mixing with minimal in-stream construction. Fisheries impacts will be minimal and the proximity to the filter plant will keep the length of the necessary pipeline relatively short.

Water Supply

The Galore Creek mill will require over 6,600 cubic metres of water per hour for the grinding and flotation processes. Much of the water could be reclaimed and recycled to the plant process water system, but a significant volume of water will be lost to the tailings and concentrate slurries. Additional water will be required on an ongoing basis to make up process requirements. NovaGold investigated both groundwater and surface water sources of auxiliary water.

Water from pit area dewatering wells has become the preferred alternative for additional water for the mill. Surface water has better quality parameters and should be diverted around disturbed areas and the tailings impoundment so that it is available to maintain Galore Creek flows and support natural processes. Surface freshwater would be used only rarely, if at all, for tertiary make-up water for the mill.

Concentrate Management and Transportation Alternatives

The Galore Creek mine will produce up to 730,000 (average 480,000) tonnes of copper/gold/silver concentrate per year, operating 24 hours per day and 365 days per year. It is expected that this concentrate will be marketed to offshore smelters, probably in Asia.

NovaGold has investigated several options to transport this concentrate to a port, including trucking of dewatered concentrate directly from the processing plant, from the terminus of a slurry pipeline located near Highway 37, or to the railhead at Kitwanga and then by train to Prince Rupert. The possibility of using a slurry pipeline to transport the concentrate from the processing plant directly to a port was also explored.

NovaGold proposes to construct a concentrate slurry pipeline along the alignment of the modified Northern route to a filter plant near Highway 37, to then be trucked to the existing port at Stewart.

Power Supply Alternatives

The Galore Creek Project will require a consistent and reliable source of electrical power of about 80 MW. NovaGold has examined a range of electrical power supply options to identify the most reliable and cost effective source with the least environmental impact. After careful consideration, it was determined that the best option with respect to economy, reliability, environmental impact and feasibility would be a connection to the provincial electricity grid at a point near Forrest Kerr power plant or Bob Quinn Lake.

Effects of the Environment on the Project

Just as a project can have effects on the environment, the environment can have effects on a project. Environmental impacts can occur as a result of minor events such as small windstorms, or from catastrophic events such as volcanic eruptions. The effects of the environment on a project are generally not simple or direct, such as trees blown down by a windstorm. They tend to be more complex in their effect – depending on the type of environmental occurrence, one or more components of the project could be affected, on a scale from minimal to extreme.

The discussion of possible consequences of environmental occurrences on the Galore Creek Project is rife with variables, yet every effort has been made to devise a plan to minimize their potential impact relative to the likelihood of their occurrence, their severity and the complexity of mitigation measures.

Extreme Weather

Extreme weather events could include droughts, storms, heat waves and cold snaps. As the Galore Creek Project area typically experiences high annual precipitation levels, a significant reduction in the accumulated annual rain and snowfall could produce several adverse scenarios. The most important of these is the effective management of tailings; the process requires a predictable and significant amount of water, and the absorption of discharged water is predicated on consistent water levels. In the event of such a drought, absorption can be managed by strategically pumping water at times of the year when the water quality and supply can accommodate the discharge.

Storms

Storm events can include rainstorms, thunderstorms, hailstorms, damaging winds, tornadoes and blizzards. In the case of rainstorms, severe precipitation could result in several million cubic metres of water being rapidly added to the Galore Creek catchment. The mine site water management strategy includes a design that can accommodate a massive influx of unpredicted water, and the diversion channel design includes five emergency overflow structures.

Thunderstorms, sometimes accompanied by hail and damaging winds, can cause flash flooding, damage building infrastructure, cause temporary blockages in the diversion channels and create unsafe working conditions. Lightning could cause forest fires under dry conditions, or damage infrastructure such as buildings and power lines.

Mitigation measures will rely heavily on the monitoring capabilities of the project. Weather forecasts will be monitored for advanced warning of incoming weather patterns to allow time for extreme storm preparation, such as securing buildings and equipment, mobilizing equipment, initiating maintenance procedures (snow or debris removal, repairing damage), and even shutting down the mill if necessary. To help mitigate the effects on all mine infrastructure (buildings, power poles, bridges, etc.) relevant emergency supplies will be stored at the site to facilitate timely repairs and reconstruction. Design and construction of the project's infrastructure are highly resistant to damage in these situations of inclement weather.

High and Low Temperature Extremes

Extended periods of higher temperatures could bring on heat waves and fewer frosts, decrease the amount of discontinuous permafrost and possibly trigger a wetter climate, which could in turn reduce the return period of severe flooding. Extended cold spells could result in more precipitation falling as snow than rain, thus increasing the amount of snow and ice to be managed at the mine site and along the access corridor. Both scenarios generate many issues related to water level, but also create challenges in maintaining the quality of life at times of extreme cold. Mitigation of water-related issues is consistent with other instances when water poses a problem for tailings management. Overall, extreme temperatures should not pose significant challenges for equipment operation because all equipment will be designed for these conditions.

Seismic Activity

The project site is located in a moderately high seismic zone. Although all project components could be affected by a seismic event, the stability of the tailings management structures poses the greatest concern. The downstream consequences of the failure of a tailings dam in the Galore Creek Valley are considered to be very high because of potential socio-economic, financial and environmental losses. This consequence remains for all stages of the life of the tailings dam: construction, operations and closure. Given this very high consequence, the main tailings dam and seepage recovery dams have been designed for the maximum credible earthquake.

Effects of the Environment on the Project (continued)

Flooding

In the Coast Mountains, which includes the Galore Creek area, the largest floods are typically caused by rain falling on melting snow during freshet conditions in June or July, or during early winter in November and December, or because of heavy rainfall during September or October. Floods occurring along the access corridor could result in access road closures due to excess water on the road surface, erosion of the road surface or damage to stream crossings. Under the most extreme flood conditions there is the potential for drainage structure washouts (bridges, culverts and cross-drains) and pipeline ruptures.

The location of the access road was strategically selected so that less than five kilometres of the road runs through an active floodplain. The road maintenance program will anticipate and repair the consequences of flood events, and an extensive leak detection system will minimize loss of materials from any pipeline rupture.

Forest Fires

The number and size of forest fires in a region each year vary with annual weather, natural disturbance type (which reflects climate) and suppression effort. A safety plan will be developed for the Galore Creek Project, which will outline and describe appropriate procedures and protocols to effectively deal with hazards such as forest fires. The plan will address hazard evaluation, appropriate control procedures and protocols (including action levels), personal protective equipment to be used, air and water monitoring protocols and specifications, and detailed fire-fighting procedures.

Climate Change

Global observations suggest a number of climate trends during the 20th century, including increased average surface temperature, precipitation, frequency of heavy precipitation events and cloud cover, together with reductions in the length of the freeze season, the frequency of extreme low temperatures, and the extent of snow cover and mountain glaciers. These types of trends will affect the Galore Creek Project in a manner similar to many of the previously explained scenarios. It is good practice to exercise the same stringent observational practices to be able to anticipate climate change events, and plan the evolution of the project accordingly.

Accidents and Malfunctions

Planning stages of the Galore Creek Project required a detailed look at the potential for accidents and malfunctions to occur during the life of the mine across both construction and operation phases. This assessment included many possibilities, ranging from the most probable (a water treatment failure or a concentrate spill) to the least-likely (major damage from landslides, avalanches or volcanic activity). Each hypothesis began with the question of "what if?" Each hypothetical situation was then used as a starting point to work out all conceivable mitigation measures. The result was a bank of probability analyses to be used as a risk assessment approach that identifies the probability, potential magnitude and likelihood of accidents and/or malfunctions associated with various components of the project.

Three risk evaluations were completed to identify failure modes and effects. The first was a risk evaluation that included the identification of all potential technical, environmental, health and safety, cost, schedule, legal, regulatory and corporate reputation issues. The second focused on failures and possible environmental consequences associated with geotechnical failures of major mine structures during construction, operations and closure. The third risk evaluation addressed a catastrophic failure of the tailings dam. This analysis was consistent with typical practices for modeling catastrophic failures of large hydropower and water supply reservoir dams.

The Galore Creek Project entails many large-scale, interrelated components that must be built and operated in isolated, uncompromising terrain. By identifying and understanding the risks, controls can be established to ensure that, if they cannot be eliminated, the risks are at least managed. NovaGold's strategy with respect to risk is to identify risks of concern and, where elimination, avoidance or transfer is not possible, reduce the risk to as low as reasonably practicable. Then, it will apply due diligence by identifying and fully assessing all the material risks, taking appropriate measures to control them and ensuring that the justification for accepting the risk that remains is acceptable, leading to the development of reduction plans for identified major risks of concern. This includes making monetary provisions for remaining major risks, which are generally external risks beyond NovaGold's control, as a component of the project contingency.

To identify all risks associated with the construction and operation of the project, all potential technical performance, health and safety hazards, project delays and environmental hazards associated with performing the work, including any existing safeguards, were considered. It was also necessary to quantify the likelihood of occurrence and the severity of the consequences for each of the identified risks, and develop a risk response plan for each major risk.

The first risk evaluation was divided into the following subsections:

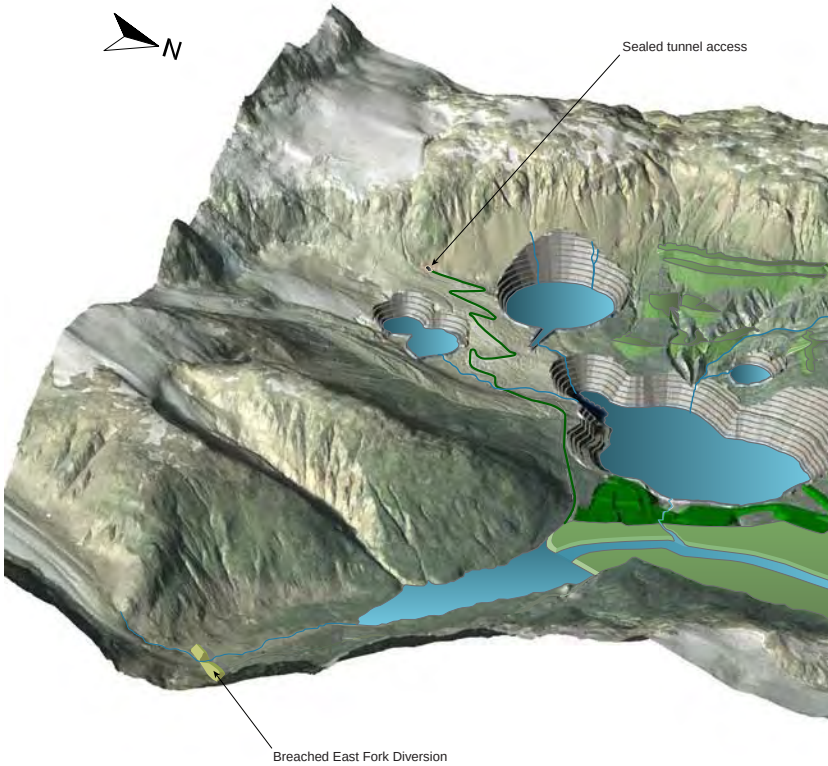
- resource/reserve
- mine planning/costs
- metallurgy/process
- design and management of the pipeline
- design and operations of the filter plant
- geohazards – project impact
- access road and tunnel
- power supply
- permits/socio-economic
- environmental issues
- basis of estimate
- construction plan
- operations/power distribution
- closure plan

Closure and Reclamation

Once the life of the Galore Creek Project is complete, the primary focus of management will be towards the reclamation and closure of the mine site. The key objective of this process will be to restore the equivalent capability of the site land so that it can once again be of significant use to wildlife, natural vegetation and human inhabitants of the area. These activities will be directed toward the development of appropriate and functional ecosystems, supported by appropriate soil handling procedures and strategies to reintroduce indigenous vegetation. The present timeline for operation of the mine will see closure activities begin in the year 2031 and extend over a two-year period, with annual monitoring conducted thereafter.

The scope of the site closure is dramatic; the government permitting process requires NovaGold to outline an exit strategy that details its plan, according to permit conditions, for the closure and reclamation of the Galore Creek Project. This plan has three main objectives. The first is the disassembly and disposal of the mine infrastructure, where all buildings not relevant to the closure process are disposed of in a manner consistent with government regulations. This includes a strict mandate to recycle where possible, and to remove facilities in a manner that enables the re-establishment of vegetation cover.

The second objective involves the contouring of the natural terrain. By landscaping the areas in and around the open pit – including access roads and other similar environments – the Galore Creek mine will be blended to more closely match its original aesthetic.

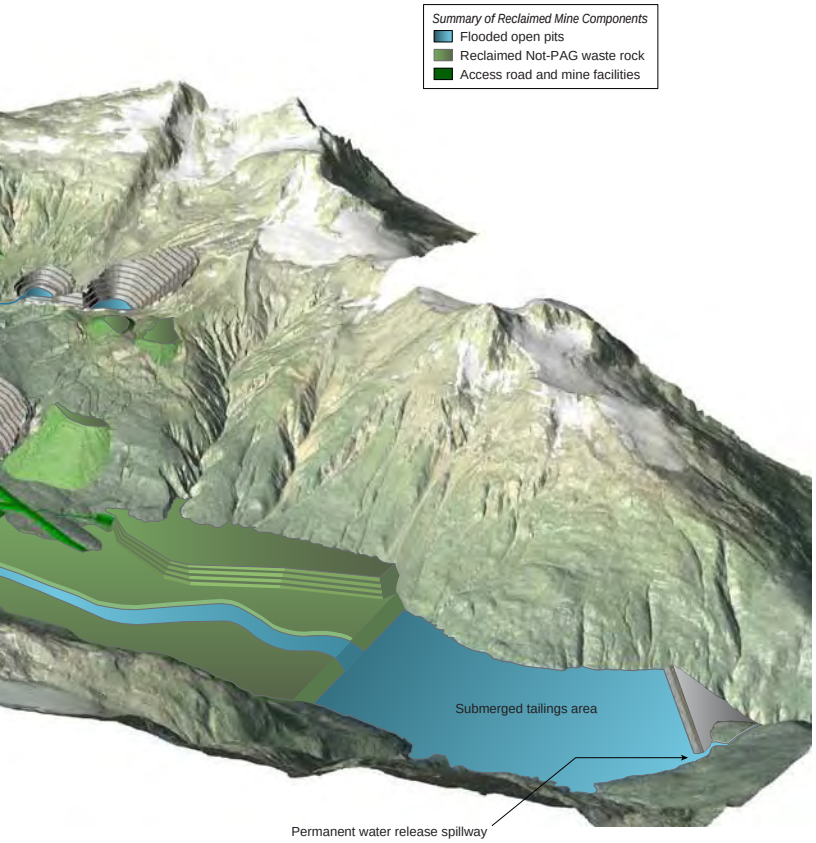


Galore Creek Valley conceptual post-mine closure and reclamation plan view looking southwest

The final objective of this process pertains to the regional waterways that had been diverted for the purposes of the mine. These diversions will be decommissioned with the goal of re-establishing natural drainage patterns. The reintroduction of these natural patterns will then provide the area with long-term geotechnical stability. Open pits will be allowed to flood and overflow sequentially into one another with the re-establishment of a surface connection from the West Fork of Galore Creek to allow water movement into the main portion of the Galore Creek Valley.

NovaGold's commitment to the community is also considered in this plan. To address the impacts of mine closure on the people and communities of northwestern B.C., NovaGold and the Tahltan Nation will provide advance notification of impending closure and termination of employment, assist former employees as they pursue alternative employment, and, together with the Tahltan Nation, implement an employee assistance plan oriented toward developing successive employment.

NovaGold has also committed to the education, skill development and apprenticeship training of its employees, which will significantly enhance the employability and labour mobility of members of the Tahltan Nation beyond the life of the Galore Creek Project. Similarly, the capacity-building projects initiated during the life of the mine will allow alternative sources of employment to be generated locally, thus fulfilling the TNDC's objective to build a sustainable economic base for its people.



Corporate Commitments

During the short history of NovaGold, the company has demonstrated corporate commitment to community investment, good citizenship, environmental responsibility and economic development. This comes despite NovaGold's position as a relatively new company; the management team has extensive experience gained through former corporate employers. NovaGold is committed to operating and doing business in British Columbia in a socially and environmentally responsible manner, evident throughout all phases of NovaGold's various projects in western Canada and Alaska. The company is committed to the underlying principles of integrated environmental management and sustainable development.

NovaGold has made numerous corporate commitments for the Galore Creek Project, and the context of these commitments is evident throughout the environmental assessment document. They range from building relationships with the Tahltan Nation to how the company will manage the construction, operation, and closure of the mine. Many measures that will help to mitigate the effects of the Galore Creek Project on the environment are the direct result of decisions made by NovaGold early in the conceptual and design stages of the project.

NovaGold is committed to building long-term relationships with the communities in which it operates and recognizes and respects cultural and regional diversity. The successful development of a precedent-setting Participation Agreement with the Tahltan Nation is an example of NovaGold's commitment to the people in the Tahltan Traditional Territory. The inputs of the Tahltan Nation and other communities are critical to the success of the Galore Creek Project.

The fruits of this mutually beneficial relationship are many for the Tahltan. NovaGold is committed to hiring as many Tahltan and local northwestern British Columbians as possible as a first priority, with the goal to provide succession planning to help prepare and train them for a long-term career with NovaGold at the Galore Creek Project.

NovaGold is also committed to a strict program of risk reduction. This will provide a safe and healthy environment for all personnel employed by the Galore Creek Project. NovaGold will establish a Loss Control Policy, which will guide the company in health and safety matters through all phases of the project. Accidental losses will be controlled through best management practices and systems, combined with the active participation of the workforce.

NovaGold's commitment to the concept of sustainable development, which requires balancing good environmental stewardship with economic growth, is consistent in every aspect of project planning. NovaGold has established an Environmental Policy to help guide the company in all phases of the Galore Creek Project. To help meet the Environmental Policy, NovaGold will continue to examine areas where the project can be improved. This includes a commitment to the continued application of traditional knowledge, to searching for alternative energy sources and further power reduction opportunities and to the use of an adaptive and constantly evolving management approach in developing the project's final closure plans.

Throughout the preliminary consultation process, the Tahltan Nation and other communities repeatedly stated their concerns that NovaGold respect the environment and work diligently to ensure that the air, water and land are protected. NovaGold has listened to these concerns, and has fully committed itself to construct and operate the Galore Creek Project in an environmentally and socially responsible manner.

NovaGold will develop a formal EMS that will meet the highest international standard: ISO 14001 (an International Organization for Standardization standard that represents an international consensus on the "state of the art" in a variety of areas). NovaGold will also abide by its own Environmental Policy, which requires it to operate in a manner that meets the expectations of the Tahltan Nation and other northwestern British Columbia communities, providing a consistent level of assurance that NovaGold is indeed "doing what it said it would do."

Conclusions

As an extremely important initiative for the province of British Columbia, the various complexities of the Galore Creek Project, a world-class deposit of copper, gold and silver, have been investigated in great detail over the past two years. The environmental baseline study, through its extensive consultation and wide-ranging consideration of all aspects of the natural environment, was second to none in British Columbia. NovaGold consulted with residents of the local communities and listened to their concerns. This research changed planning approaches in a number of different instances.

Through the project evaluation process, it became evident that all mining activity should be focused in the Galore Valley to reduce the size of the footprint and focus waste management in one area. This decision meant contending with other variables, such as building a 3.8 kilometre tunnel south to the Scotsimpson Valley, in addition to the special considerations made to manage waste and waste storage. Also, because the area is exposed to very high levels of precipitation that falls mostly as snow, a significant effort has been expended to divert as much natural runoff away from the waste rock/tailings facility as possible.

All the various components of the project have been subjected to risk evaluations to address and minimize the potential for accidents and malfunctions. A large number of construction and operations management plans have been developed to manage and minimize the effects of the project on the environment.

During construction, NovaGold plans to respect all identified fisheries and wildlife issues in order to minimize impacts to the environment. NovaGold has also maintained an excellent relationship with the Tahltan, having not only negotiated a precedent-setting Participation Agreement, but cooperated with the Tahltan community on preliminary research as well.

Given the level of scrutiny in the design and the regulatory review of the Galore Creek Project, the predicted impacts to the receiving environment should be negligible. NovaGold is making commitments to provide a further level of comfort to the authorities, regulators and indigenous people by keeping them at the highest level of involvement.

Although the mere presence of the project will have some negative effects, they are outweighed by the project's capacity to benefit the community. The group of professional consultants who have worked diligently on this project are collectively of the opinion that the Galore Creek Project can be built and operated in a safe manner, and can contribute to society while maintaining NovaGold's commitment to sustainability.

Prepared by Rescan Environmental Services Ltd.

The proposed Galore Creek copper-gold-silver mining project lies in a remote and rugged area of the Coast Range Mountains. The site, located within Tahltan Traditional Territory and near the communities of Dease Lake, Iskut and Telegraph Creek will, according to the current plan, produce 5.9 billion pounds of copper, 3.7 million ounces of gold and 40 million ounces of silver over the 20-year life of the mine. The project represents highly positive working relationships between NovaGold Canada Inc. and the Tahltan Nation. NovaGold intends the Galore Creek Project to be a showcase of sustainable mining practices. It is their mandate to make every reasonable effort to minimize long-term environmental impacts while generating substantial income and various ancillary opportunities for shareholders, the Tahltan Nation, employees and the broader community.

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