

NOVAGOLD RESOURCES INC

Form SUPPL

February 03, 2006

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PROSPECTUS

**13,000,000 Shares
NovaGold Resources Inc.
Common Shares
US\$11.75 per share**

NovaGold Resources Inc. (the Company or NovaGold) is selling 13,000,000 of its common shares (each a Common Share). The Company has granted the underwriters an option (the Over-Allotment Option) to purchase up to 1,950,000 additional Common Shares to cover over-allotments.

The outstanding common shares of the Company are listed for trading on the Toronto Stock Exchange (the TSX) and the American Stock Exchange (AMEX) under the trading symbol NG . On February 1, 2006, the closing price of the Common Shares on the TSX and AMEX was Cdn\$14.12 and US\$12.38, respectively.

Investing in the Common Shares involves risks. See Risk Factors beginning on page 14.

This offering is made by a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should read the tax discussion under Certain Income Tax Considerations for U.S. Holders .

The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that the Company is incorporated under the laws of Nova Scotia, Canada, that some of its officers and directors are residents of Canada, that some or all of the underwriters or experts named in the registration statement are residents of a foreign country, and that a substantial portion of the assets of the Company and said persons are located outside the United States.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share		Total	
Public Offering Price	US\$	11.75	US\$	152,750,000
Underwriting Commission	US\$	0.646	US\$	8,401,250
Proceeds to NovaGold (before expenses)	US\$	11.104	US\$	144,348,750

The Public Offering Price for the Common Shares offered in the United States is payable in U.S. dollars, and the public offering price for Common Shares offered in Canada is payable in Canadian dollars. The Canadian dollar amount is the equivalent of the U.S. Public Offering Price for the Common Shares being offered hereby.

The underwriters expect to deliver the Common Shares to purchasers on or about February 8, 2006.

Citigroup

Bear, Stearns & Co. Inc.

RBC Capital Markets

February 2, 2006

You should rely only on the information contained in or incorporated by reference into this prospectus. The Company has not authorized anyone to provide you with different information. The Company is not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

TABLE OF CONTENTS

	Page
<u>Cautionary Note to United States Investors</u>	ii
<u>The Company</u>	1
<u>Risk Factors</u>	14
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	25
<u>Exchange Rate Information</u>	27
<u>Use of Proceeds</u>	27
<u>Price Range and Trading Volume</u>	28
<u>Dividend Policy</u>	29
<u>Changes to Consolidated Capitalization</u>	29
<u>Selected Summary Quarterly Financial Data</u>	30
<u>Management</u>	31
<u>Description of Share Capital</u>	33
<u>Certain Income Tax Considerations for U.S. Holders</u>	34
<u>Certain Income Tax Considerations for Canadian Holders</u>	42
<u>Underwriting</u>	44
<u>Legal Matters</u>	48
<u>Transfer Agent and Registrar</u>	48
<u>Interest of Experts</u>	48
<u>Documents Incorporated by Reference</u>	48
<u>Documents Filed as Part of the Registration Statement</u>	50
<u>Additional Information</u>	50
<u>Enforceability of Civil Liabilities</u>	51

Unless stated otherwise or the context otherwise requires, all references to dollar amounts in this prospectus are references to Canadian dollars. References to \$ or Cdn\$ are to Canadian dollars and references to US\$ are to U.S. dollars. See Exchange Rate Information. The Company's financial statements that are incorporated by reference into this prospectus have been prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP), and are reconciled to generally accepted accounting principles in the United States (U.S. GAAP). Unless otherwise indicated, all information in this prospectus assumes no exercise of the Over-Allotment Option.

Unless the context otherwise requires, references in this prospectus to NovaGold or the Company includes NovaGold Resources Inc. and each of its material subsidiaries.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

This prospectus, including the documents incorporated by reference herein, has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. Without limiting the foregoing, this prospectus, including the documents incorporated by reference herein, uses the terms measured, indicated and inferred resources. United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the United States Securities and Exchange Commission (the SEC) does not recognize them. Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of contained ounces is permitted disclosure under Canadian regulations, however, the SEC normally only permits issuers to report resources as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this prospectus or in the documents incorporated by reference, may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

See Preliminary Notes Glossary and Defined Terms in the Company's Annual Information Form for fiscal 2004, which is incorporated by reference herein, for a description of certain of the mining terms used in both this prospectus and the documents incorporated by reference herein.

National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all resource estimates contained in or incorporated by reference in this prospectus have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. These standards differ significantly from the requirements of the SEC, and resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies. NI 43-101 permits a historical estimate made prior to the adoption of NI 43-101 that does not comply with NI 43-101 to be disclosed using the historical terminology if the disclosure: (a) identifies the source and date of the historical estimate; (b) comments on the relevance and reliability of the historical estimate; (c) states whether the historical estimate uses categories other than those prescribed by NI 43-101; and (d) includes any more recent estimates or data available. Such historical estimates are presented in this prospectus concerning the Company's Nome Operations and Ambler project.

THE COMPANY

The following description of the Company highlights selected information about the Company contained in the documents incorporated by reference into this prospectus. This description does not contain all of the information about the Company and its properties and business that you should consider before investing in the Common Shares. You should carefully read the entire prospectus, including the section titled Risk Factors that immediately follows this description of the Company, as well as the documents incorporated by reference into this prospectus, before making an investment decision. This prospectus contains forward-looking statements concerning the Company's plans at its properties, production, capital cost, operating cost and cash flow estimates and other matters. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause the Company's results to differ from those expressed or implied by the forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements .

Summary Description of NovaGold's Business

NovaGold is a growing company engaged in the exploration of mineral properties in Alaska and western Canada, with three of its properties progressing toward development. The Company conducts its operations through wholly-owned subsidiaries and joint ventures. Since 1998, the Company has assembled a portfolio of gold and base metal properties. The Company is primarily focused on gold properties, some of which have significant copper and silver resources. Three of the Company's properties are advanced stage exploration projects with defined gold resources, and one property, the Ambler project, is an earlier stage polymetallic massive sulphide deposit:

Galore Creek is a large copper-gold deposit located in northwestern British Columbia with measured and indicated resources of 6.0 million ounces of gold, 75 million ounces of silver and 6.8 billion pounds of copper, and additional inferred resources of 7.8 million ounces of gold, 81 million ounces of silver and 5.2 billion pounds of copper.

Donlin Creek, a joint venture with Placer Dome U.S. Inc. (Placer Dome), is one of the largest known undeveloped gold deposits in the world with measured and indicated resources of 14.8 million ounces of gold and additional inferred resources of 13.6 million ounces of gold.

The Nome operations include the Rock Creek, Big Hurrah and Nome Gold projects (Nome Operations). Rock Creek is the Company's most advanced project which, together with anticipated production from Big Hurrah, is expected to have an average annual production rate of approximately 100,000 ounces of gold starting by late 2006 or early 2007. The Company is also evaluating a historical gold resource on the Nome Gold project.

Ambler, in which NovaGold has an option to acquire a joint venture interest through an agreement with subsidiaries of Rio Tinto plc, is a large, high grade polymetallic massive sulphide deposit with a historic inferred resource estimated in 1995 (which is not compliant with NI 43-101) of 817,000 ounces of gold, 64 million ounces of silver, 3.2 billion pounds of copper and 4.2 billion pounds of zinc.

In addition, NovaGold holds a portfolio of earlier stage exploration projects that have not advanced to the resource definition stage. The Company is also engaged in the sale of sand, gravel and land, and receives royalties from placer gold production, largely from its holdings around Nome, Alaska. For the purposes of NI 43-101, NovaGold's material properties are the Galore Creek project and the Donlin Creek project.

The following table sets forth the resources at the Company's Galore Creek property, Donlin Creek property, Nome Operations and Ambler property and the Company's share of those resources.

Project Resource Estimates Summary⁽⁵⁾

Total Project Resources

Property	Measured ⁽²⁾			Indicated ⁽²⁾			Measured and Indicated ⁽²⁾			Inferred ⁽²⁾		
	Au Million ozs.	Ag Million oz.	Cu Billion lbs.	Au Million ozs.	Ag Million oz.	Cu Billion lbs.	Au Million ozs.	Ag Million oz.	Cu Billion lbs.	Au Million ozs.	Ag Million oz.	Cu Billion lbs.
Galore Creek ⁽¹⁾	1.8	26.0	2.4	4.2	49.4	4.4	6.0	75.4	6.8	7.8	81.0	5.2
Donlin Creek ⁽¹⁾	1.5			13.4			14.8			13.6		
Nome Operations ⁽⁴⁾	0.8			1.0			1.7			1.6		
Ambler ⁽⁴⁾										0.8	64.0	3.2
Total Project Resources	4.0	26.0	2.4	18.5	49.4	4.4	22.5	75.4	6.8	23.8	145.0	8.4

NovaGold Net Share of Projects⁽³⁾

Property

Galore Creek (100%) ⁽¹⁾	1.8	26.0	2.4	4.2	49.4	4.4	6.0	75.4	6.8	7.2	73.4	5.0
Donlin Creek (30%) ⁽¹⁾	0.4			4.0			4.4			4.1		
Nome Operations (100%) ⁽⁴⁾	0.8			1.0			1.7			1.6		
Ambler (51%) ⁽⁴⁾										0.4	32.7	1.6
Total NovaGold Share	3.0	26.0	2.4	9.1	49.4	4.4	12.1	75.4	6.8	13.4	106.1	6.6

Notes:

(1) Assumes the following commodity prices: US\$375/oz gold, US\$5.50/oz silver and US\$0.90/lb copper for the Galore Creek project and US\$400/oz gold for the Donlin Creek project.

(2) Although measured resources, indicated resources and inferred resources are categories of mineralization that are recognized and required to be disclosed by Canadian regulations, the SEC does not recognize them. Disclosure of contained ounces is permitted under Canadian regulations, however, the SEC generally permits resources to be reported only as in place tonnage and grade. See Cautionary Note to United States Investors.

- (3) Assumes net inventory to NovaGold after Placer Dome earn-in to 70% at Donlin Creek, 100% Galore Creek (80% of Copper Canyon inferred resource), 100% Nome Operations and 51% of the Ambler project. Assumes no exercise of Calista's right to earn up to 15% of the Donlin Creek project. See Properties Donlin Creek Project .
- (4) These resources are historical estimates and are not NI 43-101 compliant. See Cautionary Note to United States Investors .
- (5) Rounding differences may occur.

Based on the engineering reports and studies prepared on the Company's projects, and assuming the Company is successful in executing its business plan, the Company believes its annual production from Galore Creek, Donlin Creek and the Nome Operations will grow from 100,000 ounces of gold beginning in late 2006 or early 2007 to over 700,000 ounces of gold, plus two million ounces of silver and 300 million pounds of copper by 2011. During this period, the Company also expects to advance the Ambler project to the pre-feasibility level. None of these properties are currently in production. Prior to commencing production, studies which demonstrate the economic feasibility of the project must be completed, all necessary permits must be obtained, a production decision must be made by NovaGold's board of directors, financing for construction and development must be arranged and construction must be completed. In addition, in order to proceed to development, NovaGold may have to obtain additional rights including, without limitation, surface rights, access rights, rights of way and other easements. See Risk Factors .

Strengths

Since 1998, the Company has grown its resource base through continued exploration, by advancing individual projects toward development and production, and by adding undervalued assets to its portfolio. The Company believes it is well-positioned to achieve its goals through the following strengths:

Strong projected gold production growth profile.

Pipeline of quality mining projects.

Production anticipated to commence in late 2006 or early 2007.

Anticipated low gold production costs.

Projects located in North America.

Experienced management team with proven exploration, development and operating expertise.

Close working relationships with native groups and governments.

Strategy

The Company believes that shareholder value is created through the discovery of mineral resources and developing these resources into producing mines. The Company intends to realize its objective of generating long-term growth in shareholder value through the following core strategies:

Advancing its key projects, Galore Creek, Donlin Creek and the Nome Operations, to production and becoming a mid-tier gold producer.

Progressing Ambler to delineation of resources and feasibility study.

Utilizing project financing and strategic partnerships to minimize equity dilution.

Identifying additional resources on the Company's properties in order to extend mine life and provide opportunities for increased levels of production.

Maintain leverage to gold price by minimizing hedging arrangements.

Summary of the Offering

Common Shares Offered: 13,000,000 shares

Over-Allotment Option: 1,950,000 shares (15% of shares issued under the Offering)

Common Shares Outstanding after the Offering⁽¹⁾: 86,150,323 shares

Use of Proceeds: The net proceeds of the Offering will be used to fund further exploration at, and construction of, the Rock Creek project, to complete the final feasibility studies for both the Galore Creek and Donlin Creek projects, to fund the US\$7.5 million option payment on Galore Creek due October 26, 2006, to fund exploration on the Ambler project, to fund further exploration on NovaGold's other projects and for general corporate purposes.

Risk Factors:

Prospective purchasers of the Common Shares should consider carefully the information set forth under **Risk Factors** and all other information included or incorporated by reference in this prospectus before making an investment in the Common Shares.

AMEX and TSX Listing NG

Symbol:

Notes:

(1) There are 73,150,323 common shares outstanding as at February 1, 2006, which includes 9,396 common shares held by a wholly-owned subsidiary of the Company. This figure does not include 14,195,727 shares reserved for issuance pursuant to 7,402,185 outstanding stock options, which are exercisable at a weighted average exercise price of \$5.61, and 6,793,542 outstanding common share purchase warrants, which are exercisable at a weighted average exercise price of \$9.45, as at February 1, 2006.

3

Properties

The following description summarizes selected information about the Company's Galore Creek project, Donlin Creek project, Nome Operations and Ambler project. Please refer to the Company's Annual Information Form for the fiscal year ended November 30, 2004, which is incorporated herein by reference, for a further description of these properties, including their location, accessibility, climate, local resources, infrastructure, physiography, geological setting, mineralization, past drilling programs and history.

Galore Creek Project

The Galore Creek project is an advanced stage copper-gold project located in northwestern British Columbia. NovaGold holds the Galore Creek project's known resources under two option agreements. The main Galore Creek property, which consists of the Southwest, Central, Junction and West Fork deposits, contains most of the project's known resources. Under an option agreement originally with subsidiaries of Rio Tinto plc and Anglo American plc, the then shareholders of the company that owns the main Galore Creek property, NovaGold can acquire 100% of this company by completing a pre-feasibility study and making additional payments to the shareholders totalling US\$20 million by October 26, 2011. As of February 1, 2006, the Company had made US\$0.3 million in payments to the shareholders. A payment of US\$7.5 million is due on October 26, 2006 and payments of US\$2.5 million are due on October 26 of each year between 2007 and 2011, inclusive. There are no royalties or back-in rights on the main Galore Creek property.

Under a second option agreement with Eagle Plains Resources Ltd. (Eagle Plains), NovaGold may acquire up to an 80% interest in the Copper Canyon property which is immediately east of the main Galore Creek property. An initial 60% interest in the property may be earned by expending \$3 million on the property, issuing 296,296 common shares of the Company to Eagle Plains (of which 148,148 have been issued) and making property payments of up to \$0.25 million. An additional 20% interest may be earned by paying \$1 million to Eagle Plains and completing a feasibility study by September 2011. The Copper Canyon property is subject to a 2% net smelter returns royalty which may be reduced to 0.5% by the payment of \$2 million to the royalty holder.

In addition, under a further option agreement NovaGold may earn a 60% interest in the Grace claims which are located immediately to the north of the main Galore Creek property pursuant to an option agreement with Pioneer Metals Corporation (Pioneer) by purchasing approximately \$1 million of shares of Pioneer (which was completed in 2004) and expending \$5 million on the Grace property over five years. None of the reported resources at the Galore Creek project are situated within the Grace claims. Pioneer is seeking to rescind this option agreement. See Legal Proceedings .

During 2004, NovaGold completed a drill program which delineated new resources at the Junction, Copper Canyon and West Fork deposits of the Galore Creek property and expanded and upgraded previously identified resources at the Southwest and Central deposits. In May 2005, Hatch Ltd., an independent engineering firm, completed an updated resource estimate for the Galore Creek project. The updated resource estimate is summarized as follows:

Cut-Off ⁽²⁾⁽³⁾ CuEq 0.35%	Total Resources ⁽¹⁾ Galore Creek Project						
	Size M Tonnes	Grade			Cu Billion lbs.	Au Million ozs.	Ag Million ozs.
		Cu (%)	Au (g/t)	Ag (g/t)			
Measured	149.9	0.72	0.38	5.39	2.4	1.81	26.0
Indicated	366.9	0.54	0.35	4.19	4.4	4.15	49.4
Total Measured and Indicated	516.7	0.59	0.36	4.54	6.8	5.95	75.4
Inferred	578.3	0.41	0.42	4.35	5.2	7.80	81.0

Notes:

- (1) Although measured resources, indicated resources and inferred resources are categories of mineralization that are recognized and required to be disclosed by Canadian regulations, the SEC does not recognize them. Disclosure of contained ounces is permitted under Canadian regulations; however, the SEC generally permits resources to be reported only as in place tonnage and grade. See Cautionary Note to United States Investors .
- (2) Resource estimates determined using copper equivalent calculations used metal prices of US\$375/oz for gold (Au), US\$5.50/oz for silver (Ag) and US\$0.90/lb for copper (Cu). Copper equivalent calculations (CuEq%) reflect gross metal content that has been adjusted for metallurgical recoveries based on the following criteria: Copper Recovery = $(\text{Cu}\% - 0.06/\text{Cu}\%)$ with a minimum of 50% and maximum of 95%; Gold Recovery = $(\text{Au g/t} - 0.14)/\text{Au g/t}$ with a minimum of 30% and maximum of 80%; and Silver Recovery = 80%. These criteria may change.
- (3) Rounding differences may occur.

In October 2005, Hatch Ltd. completed an updated economic assessment study (the Study) for the Galore Creek project under the direction of Paul Hosford, P.Eng., Project Manager for Hatch Ltd. and an independent Qualified Person as defined by NI 43-101.

The Study was prepared in accordance with the requirements of NI 43-101 and, unless stated otherwise, the following information is summarized or extracted from the Study. Portions of the following information are based on assumptions, qualifications and procedures which are set out in the Study, and the Company has relied on these assumptions, qualifications and procedures in relation to the information summarized or extracted from the Study. For a complete description of assumptions, qualifications and procedures associated with the following information,

reference should be made to the full text of the Study which is available for review on the System for Electronic Document Analysis and Retrieval (SEDAR) at the following website: www.sedar.com, and which has been furnished to the SEC and is available for review at the following website: www.sec.gov.

The Study defined the project s cost parameters to a level of accuracy within +/- 20% and provided a focus for the final detailed engineering work that will be required to complete the final feasibility study, which is expected to be completed in the second half of 2006. The Study projects the viability of a conventional open-pit mining operation using long-term average metal prices and indicates that the Galore Creek project has the potential to recover at least 3.7 million ounces of gold, 40 million ounces of silver and 5.9 billion pounds of copper over a 20 year mine-life.

The Study indicates that, in the first six years of operation, the Galore Creek project is expected to produce an average of over 300,000 ounces of gold, 2.3 million ounces silver and 370 million pounds of copper at an average total cash cost of US\$140 per ounce of gold and US\$0.57 per pound of copper on a co-product basis.

As envisioned in the Study, the Galore Creek deposit would be developed by a conventional open-pit, truck and shovel mining operation at a mining rate of 65,000 tonnes per day of ore over the expected 20 year mine-life. A conventional copper concentrate process plant using crushing, grinding, flotation, thickening and filtration unit operations is proposed in the Study to process the mined ores. Measured, indicated and inferred resources were used for the mine plan and to define the ultimate limits of the open-pits for the economic analysis. The ultimate pits for the life of the mine are based 80% on measured and indicated resources and 20% on inferred resources. The Study includes inferred resources in addition to measured and indicated resources. As a result, the Study is a preliminary economic assessment. There can be no certainty that the predicted results of the Study will be realized. See Risk Factors .

The Study's base case project economics include detailed capital and operating cost estimates for an all new owner-operated mining fleet, the construction of a processing facility, as well as the transportation and power infrastructure needed to support the operation. The base case economics only consider resources from the main Galore Creek property and do not consider potential mining from other parts of the Galore Creek property.

The tables below assume that NovaGold will maintain a 100% ownership interest in the Galore Creek property. NovaGold, however, is actively considering alternatives to finance any construction of a mine on the Galore Creek property, including sale of a significant minority interest in the project, project debt, a strategic alliance with a company involving the sale of copper concentrates from the property, equity finance or a combination of some or all of these alternatives.

The following is a summary of certain key parameters and estimated results of the Study. As noted above, the Study is a preliminary economic assessment. There can be no certainty that the results described in the tables below will be realized. See Risk Factors .

Galore Creek Project Economic Parameters

All amounts in US\$ unless otherwise indicated

Plant Throughput	Tonnes/day	65,000
Mine Life	Years	20
Life of Mine Ore Tonnage	Tonnes	475 M
Strip Ratio (Average Life of Mine)		2.2:1

First 6 Years of Production (Averages):

	Copper	Gold	Silver
Grades	0.79%	0.56 g/t	5.18 g/t
Annual Production (Payable Metal)	371 M lb	302,000 oz	2.31 M oz

Life of Mine Production (Averages):

Grades	0.65%	0.36 g/t	4.76 g/t
Annual Production (Payable Metal)	296 M lb	188,000 oz	2.0 M oz
Metal Recovery	91%	71%	62%
Total Recovered Metal	5,900 M lb	3.8 M oz	40.5 M oz

Galore Creek Summary Financial Results	Base Case Metal Prices⁽¹⁾⁽³⁾	Alternate Case Metal Prices⁽²⁾⁽³⁾
After-Tax Net Present Value (0% Discount Rate)	\$783 M	\$3,146 M
After-Tax Net Present Value (5% Discount Rate)	\$191 M	\$1,495 M
Pre-Tax IRR	11.1%	30.3%
After-Tax IRR	8.1%	23.5%
After-Tax Payback of Capital (years)	5.2	2.1
After-Tax Net Annual Avg Cash Flow (Years 1-6) ⁽⁴⁾	\$209 M	\$350 M
Cumulative After-Tax Net Cash Flow (Years 1-6) ⁽⁴⁾	\$1,260 M	\$2,110 M

Notes:

- (1) Assumes the following commodity prices: US\$400/oz gold, US\$6.00/oz silver and US\$1.00/lb copper (Base Case Metal Prices).
- (2) Assumes the following commodity prices: US\$450/oz gold, US\$7.00/oz silver and US\$1.75/lb copper (Alternate Case Metal Prices).
- (3) Changes in the market prices of gold and other metals will have a material impact on the Galore Creek financial results. See Risk Factors .
- (4) After sustaining capital.

The following is a summary of certain key estimated operating and production costs from the Study.

Galore Creek Project Estimated Operating and Production Cost Summary

Capital Costs⁽¹⁾

All amounts in US\$ unless otherwise indicated

Direct and Indirect Capital Costs	\$	958 M
Contingency	\$	144 M
Total Capital Costs	\$	1,101 M

Operating Costs⁽¹⁾

Copper⁽²⁾⁽³⁾

Gold⁽²⁾⁽³⁾