

NovaGold's Donlin Creek at 29.3 Mozs probable Au

2009-04-28 10:49 ET - News Release

Mr. Don MacDonald reports

DONLIN CREEK FEASIBILITY STUDY ADDS 14.7 MOZS TO NOVAGOLD'S RESERVES

NovaGold Resources Inc. has completed a feasibility study for its Donlin Creek project. The Donlin Creek project is owned equally by NovaGold and Barrick Gold U.S. Inc. and operated by Donlin Creek LLC, a jointly owned limited liability company. The property is under lease from two Native Alaskan Corporations, Calista Corp. (subsurface rights) and The Kuskokwim Corp. (surface rights). The Donlin Creek mine, once built, is expected to be one of only a handful of gold mines worldwide that is capable of producing over one million ounces of gold annually. All amounts are in American dollars unless otherwise stated.

Highlights (100 per cent project basis)

- Proven and probable reserves estimated at 29.3 million ounces of contained gold
- Twenty-one-year life of mine at 53,500 tonnes per day throughput

First five full years of production

- Average of 1.6 million ounces of annual gold production
- Total cash costs of \$394 per ounce of gold
- Average annual after-tax cash flow of \$779-million at \$900/oz gold
- Average annual gold production: 1.5 million ounces first 12 full years; 1.25 million ounces for the life of mine
- At current \$900/oz gold, pretax net cash flow (NCF) is \$5.9-billion, net present value of cumulative cash flow (NPV, 5 per cent discount rate) is \$1.5-billion with an IRR of 9.4 per cent
- At \$1,000/oz gold, pretax NCF is \$8.4-billion, NPV is \$2.7-billion with an IRR of 12.3 per cent
- Three-million six-hundred-thousand ounce increase in P&P Reserve plus M&I Resource over the previous M&I Resource estimate

Donlin Creek project feasibility study results

NovaGold commissioned AMEC Americas Limited to provide an independent qualified person's review and technical report for the Donlin Creek gold project located in Alaska, based on information contained in a feasibility study prepared for Donlin Creek LLC. NovaGold expects the feasibility study to be accepted by the Donlin Creek LLC board of directors shortly. The technical report will be filed within 45 days on SEDAR. This technical report is based on third- and fourth-quarter 2008 costs discounted where applicable to the fourth quarter of 2008. NovaGold believes that capital costs have reduced since Q4, 2008.

Based on the feasibility study, the Donlin Creek mine has been designed as a year-round, open-pit operation with plant start-up anticipated for 2015. With the current 29.3 million ounce gold reserve base, the anticipated life of mine of 21 years with a mill throughput of 53,500 tonnes per day. During the first five full years, production averages 1.6 million ounces with an average total cash cost of \$394/oz. The lowest 25th percentile for current global industry total cash costs is approximately \$400/oz. Gold production for the first 12 full years is expected to average nearly 1.5 million ounces annually at an average total cash cost of \$444/oz. Life of mine production is estimated at an average of 1.25 million ounces of gold annually, for total recovered gold of 26.2 million ounces. These production levels would make Donlin Creek one of the world's largest gold producing mines.

It is expected that the Donlin Creek ores will be processed by crushing and milling followed by flotation, pressure oxidation and CIL recovery. Total gold recovery is expected to average 89.5 per cent, based on the combined life-of-mine average recovery of 92.6 per cent from flotation and 96.6 per cent from pressure oxidation of the concentrate. The process plant design uses the most current technology for both the process systems and equipment selection. Particular attention was paid to incorporating state-of-the-art technology for safety and environmental protection.

The Donlin Creek mine is expected to draw an average of 127 megawatts of electrical power sourced from a combination of on-site combined cycle gas turbine generators and wind co-generation. In an effort to optimize energy costs and reduce environmental impact, an average of 7.5 per cent of annual energy requirements is expected to come from 14 wind turbine generators.

Key infrastructure for the mine includes a port on the Kuskokwim River, an access road connecting the port to the mine site, an airstrip, camp accommodations, the mine and plant site area, the tailings facility, and supporting turbine generator and wind power facilities. Cargo and supplies would be shipped on ocean barges to a port on the Kuskokwim River, barged up river and then transported via truck along the 123-kilometer access road to the mine site.

DONLIN CREEK SUMMARY STATISTICS 100 PER CENT PROJECT BASIS(1)

Mine parameters

Unit

Life of mine

Total mined	tonnes (M)	2,567.7
Ore milled	tonnes (M)	383.8
Strip ratio (waste: ore)	tonne:tonne	5.69
Gold grade	grams per tonne	2.37
Contained gold	ounces (M)	29.3
Average gold recovery	%	89.5
Recovered gold	ounces (M)	26.2
Mine life	years	21
Oil price	\$/barrel	75

	\$/tonne milled	\$/tonne mined	
\$/ounce			
Mining cost	13.62	2.08	
200			
Process cost	14.76	2.26	
216			
G&A	1.54	0.24	
23			
Refining	0.11	0.02	
2			
	-----	-----	--

Operating cost	30.03	4.60	
440(2)			

	Unit		
Average annual gold production	ounces	1.6	million
First full five years	ounces	1.5	million
First full 10 years	ounces	1.25	million
Life of mine	ounces		
Total start-up capital(3)	\$	4,481	million
Total sustaining capital(3)	\$	803	million

	Unit	\$725/oz	\$900/oz
\$1,000/oz			
Average annual cash flow(4)			
First full five years	\$ (M)	521	790
944			
First Full 10 years	\$ (M)	415	663
805			

		\$725/oz	\$900/oz
Average total cash costs			
First full five years	\$ per ounce Au	394	398
400			
First full 10 years	\$ per ounce Au	442	448
451			
Life of mine	\$ per ounce Au	467	473
477			

Financial results

Undiscounted cumulative net cash flow after tax (NCF)(5)	\$ (M)	1,103	4,166
5,876			
IRR pretax	%	3.0	9.4
12.3			

IRR after-tax	%	2.3	7.7
10.2			
Payback year	years	15	7
5			

Note: NPV equals net present value of cumulative cash flow; IRR equals internal rate of return. NPV and IRR figures are discounted to Jan. 1 2009.

(1) Numbers shown on 100 per cent project basis. NovaGold and Barrick Gold U.S.

Inc. each own 50 per cent of the Donlin Creek project subject to a 5- to 15-per-cent back-in right by Calista Corporation.

(2) Rounding of data equals \$440

(3) Does not include sunk costs, closure costs or credit for salvage values.

(4) Total revenues minus total operating costs and royalties before interest, taxes, depreciation and amortization.

(5) Net of initial and sustaining capital and operating costs.

Project economics

Industry wide capital costs saw significant increases over the past two years and peaked in the latter half of 2008, which is when Donlin Creek LLC was estimating costs for the project. The total estimated cost to design and build the Donlin Creek project is \$4,481 million, including an owner-provided mining fleet and self-performed pre-development costs. This represents an approximate 10 per cent increase in the total estimated capital costs over the studies conducted in 2007 using a similar approach to the project with on-site power generation. Sustaining capital requirements total \$803 million over the 21-year mine life. All costs are expressed in Q4 2008, American dollars, with no allowances for interest during construction, taxes or duties. Recognizing the recent decrease in costs for construction inputs such as steel, concrete, diesel and labor, Donlin Creek LLC is reviewing the capital cost estimates for the project and consequently NovaGold may release updated economics later in 2009. To provide an indication of the sensitivity of the project to decreased capital costs, NovaGold has illustrated the resulting economic outcomes with a 15 per cent across the board decrease in capital costs in the table below.

Life-of-mine operating costs, including allocations for mining, processing, administration and refining are estimated at \$30.03 per tonne milled, \$4.60 per tonne mined. The operating cost estimates have been assembled by area and component, based on estimated staffing levels, consumables and expenditures, according to the mine plan and process design.

The project is expected to generate positive net cash flow at the base case gold price assumption of \$725/oz used for the reserve estimate. At the current gold price of \$900/oz the project would generate \$5.9-billion in pre-tax cash flow and has a pretax NPV (5 per cent) of \$1.5-billion with a pre-tax IRR of 9.4 per cent. At a gold price of \$1,000/oz the

project would generate \$8.4-billion in pretax cash flow and has a pre-tax NPV (5 per cent) of \$2.7-billion with a pretax IRR of 12.3 per cent.

DONLIN CREEK PROJECT ECONOMICS 100 PER CENT PROJECT BASIS(1)

Return on investment (millions of dollars)		
Gold price (\$/oz)	\$725	\$900
\$1,000		
Undiscounted cumulative net cash flow pretax	\$1,504	\$5,915
\$8,435		
Undiscounted cumulative net cash flow after tax	\$1,103	\$4,166
\$5,876		
NPV (5 per cent) pretax	-\$592	\$1,525
\$2,735		
NPV (5 per cent) after-tax	-\$733	\$829
\$1,674		
IRR pretax	3.0	9.4
12.3		
IRR after-tax	2.3	7.7
10.2		
Payback	15 years	seven years
five years		

Return on investment with 15 per cent reduction in capital costs(2)(3) (millions of dollars)		
Undiscounted cumulative net cash flow pretax	\$2,297	\$6,707
\$9,227		
Undiscounted cumulative net cash flow after tax	\$1,895	\$4,958
\$6,669		
NPV (5 per cent) pretax	\$4	\$2,121
\$3,331		
NPV (5 per cent) after tax	-\$138	\$1,425
\$2,270		
IRR pretax	5.0	11.8
14.9		
IRR after tax	4.4	10.2
12.8		
payback	11 years	five years
four years		

Note: NPV equals net present value of cumulative cash flow; IRR equals internal rate of return. NPV and IRR figures are discounted to Jan. 1, 2009.

(1) Numbers shown on 100 per cent project basis. NovaGold and Barrick Gold U.S. Inc.

each own 50 per cent of the Donlin Creek project subject to a 5- to 15-per-cent back-in right by Calista Corporation.

(2) Lower confidence limit of AACE Class 3 capital cost estimate.

(3) Prepared by Kevin Francis, PGeo., QP, technical services manager of NovaGold and not included in the NI 43-101 Technical Report or 2009 Feasibility Study report.

Environmental assessment and permitting

Baseline environmental studies commenced in 1996, comprising water quality studies, meteorology, aquatic studies in the main drainages, wetlands delineation in the areas of the mineral resource estimates and some waste rock characterization. The baseline program was expanded during 2003 to include ambient air monitoring, terrestrial wildlife and avian surveys, groundwater monitoring, detailed aquatic studies, cultural site surveys, detailed waste rock characterization and additional wetlands delineation.

Over the nearly 13 years since exploration and environmental baseline data collection began, considerable effort has been spent developing support for the project by fostering local relationships, developing a strong local workforce, educating stakeholders about the project and mining in general and providing stakeholders with regular project updates and site visits. In particular, local hiring and training programs have resulted in 90 per cent local hire from the region. This enabled Donlin Creek LLC to better understand and address the perspectives and concerns of the project stakeholders and has resulted in broad public support for the project in the region. This support has taken the form of resolutions from tribal councils and organizations, participation by individuals, tribal groups and Alaska Native corporations in various project-related forums, and permissions granted to conduct environmental baseline studies on tribal lands.

Donlin Creek LLC will continue to focus on community and stakeholder relations as it moves through the permitting process and works with regulators to complete an environmental impact statement for the project. Work at the Donlin Creek project will now focus on obtaining required permits. The Donlin Creek mine is a large-scale project and will require a considerable number of permits and authorizations from both federal and state agencies, to enable a construction decision.

Donlin Creek mineral reserve and mineral resource estimates

The report estimates proven and probable mineral reserves for the Donlin Creek project as of April 1, 2009, as summarized below.

DONLIN CREEK MINERAL RESERVE ESTIMATE(1)(2)

Class	Tonnes (millions)	Gold (g/t)	Contained gold (Mozs)
Proven	8.4	2.59	0.70
Probable	375.4	2.37	28.57
-----	-----	-----	-----
Total	383.8	2.37	29.27

(1) Mineral reserves are reported to a gold price of \$725/oz.

(2) Mineral reserves are reported on a 100 per cent basis. NovaGold and Barrick

Gold U.S. Inc. each own 50 per cent of the Donlin Creek project
subject to a 5-

to 15-percent back-in right by Calista Corp.

Mineral reserves and mineral resources have been estimated using a long-term gold price assumption of \$725/oz and \$850/oz, respectively. Mineral resources have been classified using criteria appropriate under the 2005 CIM Definition Standards for mineral resources and mineral reserves by application of a net smelter return based cut-off grade which incorporated mining and recovery parameters, and constraint of the resources to a pit shell based on commodity prices. Mineral reserves were estimated based on a series of Lerchs-Grossmann pit shells, established following a number of throughput rationalization studies. The pit shell considered measured and indicated resources only. Flotation recoveries in the pit optimization varied by rock type, domain, and degree of oxidation, and ranged from 86.66 per cent to 94.17 per cent.

The combined proven and probable mineral reserve plus measured and indicated mineral resource at Donlin Creek of 35.28 million ounces shows a 3.6 million ounce increase over the previously disclosed measured and indicated Resource of 31.67 million ounces announced on June 10, 2008.

DONLIN CREEK MEASURED, INDICATED AND INFERRED MINERAL RESOURCE ESTIMATE(1)(2)(3)

Resource Category	Tonnes (Millions)	Gold (g/t)	Contained gold (Mozs)
Measured	1.2	2.19	0.08
Indicated	93.4	1.97	5.92
Measured and indicated	94.6	1.98	6.01
Inferred	54.5	2.29	4.02

- (1) Measured and indicated resources are exclusive of proven and probable reserves and are reported on a 100 per cent basis. NovaGold and Barrick Gold U.S. Inc. each own 50 per cent of the Donlin Creek project subject to a 5- to 15-per-cent back-in right by Calista Corporation.
- (2) Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- (3) Mineral resources are reported to a gold price of \$850/oz.

Exploration potential

The project remains open to expansion along the Donlin trend and the potential for underground mineable targets has yet to be evaluated. NovaGold believes that the discovery potential along the remaining six-km geologic trend is high. An integrated

exploration program, including mapping, geochemical characterization, geophysics and drilling would be required to test known targets and pit area extensions and potential underground targets, and to identify new targets within the Donlin trend.

Feasibility project management and contributions

The independent technical report and resource/reserve estimates, have been prepared in accordance with the standards of disclosure for mineral projects as defined by National Instrument 43-101 of the Canadian Securities Administrators. Proven and probable mineral reserves have been estimated as of April 1, 2009, using a gold price of \$725/oz within an engineered pit using an NSR cut-off. Kirk Hanson, PE, principal mining engineer (AMEC, Reno), Gordon Seibel, MAusIMM, principal geologist (AMEC, Reno), Gregory Wortman, PEng, technical director of process (AMEC, Santiago), Alexandra Kozak, PEng, manager of process engineering (AMEC, Vancouver) and Simon Allard, PEng, financial analyst (AMEC, Vancouver) are the qualified persons responsible for preparation of the independent technical report, and have verified that the data from their technical report is fairly and accurately disclosed in this news release.

Readers are cautioned that the conclusions, projections and estimates set out in this press release are subject to important qualifications, assumptions and exclusions, all of which are detailed in the Report. To fully understand the summary information set out above, the report that will be filed on SEDAR and on the U.S. Securities and Exchange Commission EDGAR databases should be read in its entirety.

We seek Safe Harbor.