NovaGold Resources Inc.

Consolidated Financial Statements with Management's Discussion & Analysis

November 30, 2011 and 2010

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Management's Discussion & Analysis

General

This Management's Discussion and Analysis ("MD&A") of NovaGold Resources Inc. ("NovaGold" or "the Company") is dated February 22, 2012 and provides an analysis of NovaGold's audited financial results for the fiscal year ended November 30, 2011 compared to the previous year. At February 22, 2012, the Company had 278.0 million common shares issued and outstanding.

The following information should be read in conjunction with the Company's November 30, 2011 audited consolidated financial statements and related notes, which are prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") and reconciled to U.S. GAAP in note 21 in the financial statements. The accounting policies have been consistently followed in preparation of these financial statements. All amounts are in Canadian dollars unless otherwise stated.

The Company's shares are listed on the Toronto Stock Exchange ("TSX") and the NYSE Amex LLC under the symbol "NG". Additional information related to NovaGold including the Company's Annual Information Form for the year ended November 30, 2011 is available on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Description of business

NovaGold is a precious metals company engaged in the exploration and development of mineral properties primarily in Alaska, U.S.A. and British Columbia, Canada. The Company conducts its operations through wholly-owned subsidiaries, partnerships, limited liability companies and joint ventures. Since 1998, the Company has assembled a portfolio of projects, with 50% interests in two of the world's largest known undeveloped gold and copper-gold projects — Donlin Gold and Galore Creek — 100% of the Ambler copper-zinc-gold-silver deposit and other exploration-stage properties. The Company is primarily focused on gold properties, some of which also have significant copper, silver and zinc resources. In addition, NovaGold's properties are located in Alaska and British Columbia, regions with low geopolitical risk that have a long history of mining, established permitting standards and governments supportive of resource development. NovaGold has drawn on the expertise of our senior operating partners, Barrick Gold Corporation ("Barrick") on the Donlin Gold project and Teck Resources Limited ("Teck") on the Galore Creek project. Toward the end of 2011, NovaGold announced the restructuring of the organization, including senior management changes. The Company also announced that it will explore opportunities to divest its partnership interest in the Galore Creek project and that it intends to distribute the shares of NovaCopper Inc., a wholly-owned subsidiary that holds the Ambler project assets, to NovaGold shareholders.

Approach to business

NovaGold's business model focuses on five main steps: identifying high-quality assets and making strategic, timely acquisitions; developing local partnerships through engagement, open and honest communication, and participation to assure the projects' sustainability; using our exploration expertise to establish and expand resources; and advancing projects to a feasibility level to bring reserves to the Company and value to shareholders. By creating strong partnerships with well-respected senior producers to advance the projects to production, NovaGold will continue to leverage its exploration and development expertise to create shareholder value.

Responsible mining and community collaboration continues to be a trademark of NovaGold's business strategy at all of its projects. NovaGold published its second annual integrated report in May 2011 with the objective of providing an overview of its commitment and approach to sustainability and its goals for future years. The report demonstrates the Company's commitment to responsible mining and transparent disclosure and will allow NovaGold to more effectively monitor progress as it strives for continuous improvement and best practices in responsible mining. NovaGold believes that long-lasting social and economic benefits can flow to the communities in which it operates. Through continuous collaboration with Alaskan Native and BC First Nation groups from the outset at each project, NovaGold considers the long-term impacts and benefits of operations for stakeholders when developing its projects.

Corporate developments

Technical reports

On May 26, 2011, NovaGold filed a National Instrument 43-101 ("NI 43-101") technical report regarding the preliminary economic assessment for its 100% owned Ambler project in Alaska. On September 12, 2011, the Company filed a NI 43-101 technical report based on the Prefeasibility Study completed on its 50% owned Galore Creek project in Northwestern British Columbia. On January 12, 2012, the Company filed a NI 43-101 technical report regarding the Feasibility Study update on its 50% owned Donlin Gold (formerly Donlin Creek) project in Alaska. Results of the technical reports are discussed in further detail under the heading Property review.

Corporate changes

On November 16, 2011, NovaGold announced several major changes to its organization, including the appointment of Mr. Gregory A. Lang as President and CEO of NovaGold. Rick Van Nieuwenhuyse, the Company's former President and CEO, has remained as a Director of NovaGold and has assumed the position of the President and CEO of NovaCopper Inc. ("NovaCopper"), a wholly-owned subsidiary that holds the Ambler project as its primary asset. It is proposed that the shares of NovaCopper will be distributed to shareholders of NovaGold as a return of capital by way of a Plan of Arrangement under the Companies Act (Nova Scotia) ("the Plan"). In addition to the spin-out of NovaCopper, NovaGold has decided to explore opportunities to sell all or part of NovaGold's 50% share of the Galore Creek project located in northwestern British Columbia. With these changes, the Board of NovaGold has re-iterated its objective to unlock the value of NovaGold's copper assets in order to focus on the Company's flagship Donlin Gold project.

Other properties

In March 2011, NovaGold sold 11,500 acres (4,654 hectares) comprising its Nome Gold project. The claims were held by NovaGold's wholly-owned subsidiary, Alaska Gold Company LLC ("AGC"). Nome Gold Alaska Corp. agreed to pay NovaGold US$21.0 million in three installments, and provide a letter of credit for US$4.0 million as an environmental reclamation bond. A total of US$7.0 million was paid during 2011 and the remaining balance of US$14.0 million is due in 2012. The Company also received US$4.0 million cash payment in lieu of the letter of credit for the reclamation bond. NovaGold continues to solicit offers for the balance of its land package around Nome, Alaska, including valuable in-town real estate lots and substantial sand and gravel holdings.

On May 20, 2011, NovaGold completed the acquisition of Copper Canyon Resources Ltd. ("Copper Canyon"), a junior exploration company whose principal asset was its 40% joint venture interest in the Copper Canyon copper-gold-silver property that is adjacent to the Galore Creek project. A wholly-owned subsidiary of NovaGold holds the remaining 60% joint venture interest in the Copper Canyon property on behalf of the Galore Creek Partnership. Under the acquisition arrangement, NovaGold acquired all of the issued and outstanding common shares of Copper Canyon which it did not already hold. As a result, Copper Canyon is now a wholly-owned subsidiary of NovaGold. NovaGold issued a total of 4,171,303 common shares under the arrangement, representing approximately 1.7% of the number of NovaGold common shares then outstanding and paid cash of $2,557,000. Under the arrangement, Copper Canyon transferred to a new company, Omineca Mining and Metals Ltd. ("Omineca"), substantially all of its assets other than certain cash and its 40% interest in the Copper Canyon property. NovaGold holds and exercises control over an aggregate of 1,725,858 common shares of Omineca, representing approximately 10.8% of Omineca's outstanding common shares. The Omineca shares are being held by NovaGold as a portfolio investment.

During the year, the decision was made to proceed with mine closure at the Rock Creek project. The Company spent $12.5 million in the fiscal year on care and maintenance activities and for the closure plan preparation and is working closely with the State Regulatory authorities and the local community on obtaining agreement for an approved closure plan. The Company revised the closure cost estimates for the required closure activities and recorded an expense for the revision of its asset reclamation obligation of $20.5 million for a total asset retirement obligation balance related to Rock Creek closure to $27.8 million in 2011. On February 10, 2012, the Company increased its reclamation bond with the State of Alaska by US$13.4 million for a total bond of US$20.3 million. Funds are expected to be returned to the Company once closure activities are completed.

Corporate governance

NovaGold announced changes to its senior management team and Board of Directors in 2011.

In November 2011, NovaGold announced Gregory A. Lang had accepted the position of President and CEO of NovaGold effective January 9, 2012. Mr. Lang joined NovaGold from Barrick where, most recently, he was the President of Barrick Gold of North America. In that capacity, Mr. Lang had executive responsibilities for nine operations in the United States, Canada and the Dominican Republic, including the Donlin Gold project.

Mr. Lang has more than 30 years of diverse experience in mine operations, project development and evaluations. He has held progressively responsible operating and project development positions over his 10-year tenure with Barrick and, prior to that, with Homestake Mining Company and International Corona Corporation, both of which are now part of Barrick. He holds a Bachelor of Science in Mining Engineering from University of Missouri-Rolla and is a Graduate of the Stanford University Executive Program.

Rick Van Nieuwenhuyse, NovaGold's Founder, stepped down from his position as President and CEO of the Company and has assumed the position of President and CEO of NovaCopper Inc., a wholly-owned subsidiary that holds the Ambler project as its primary asset. Mr. Van Nieuwenhuyse will continue to serve as a member of the Board of Directors of NovaGold. He will also serve as Senior Advisor to the President of NovaGold for a period of one year.

NovaGold also announced that Dr. Thomas S. Kaplan joined the Board of Directors of the Company and was appointed Chairman of the Board effective November 16, 2011. Gerry McConnell, the outgoing Chairman of the Board of Directors continues to serve as a Director of the Company. In addition, Mr. Gillyeard Leathley, NovaGold's Senior Vice President and COO joined the Board of Directors with the same effective date.

Dr. Kaplan is Chairman and Chief Executive Officer of The Electrum Group LLC ("Electrum"), a privately held global natural resources investor. An affiliate of Electrum currently holds approximately 22% of NovaGold's outstanding shares. Dr. Kaplan is an entrepreneur and investor with a track record of both creating and unlocking shareholder value in public and private companies.

Mr. Leathley is Senior Vice President and Chief Operating Officer of NovaGold. He has been with the Company since January 2010 when he joined NovaGold as Senior Advisor to the President. With more than 50 years of mining experience, Mr. Leathley is highly regarded within the mining industry among its mine operators and builders. He has worked globally in a variety of mining operations and retired in 2000 as Senior Vice President and Chief Operating Officer of Homestake Mining Company.

In February 2011, NovaGold announced the appointment of Elaine Sanders to the position of Vice President and Chief Financial Officer. Ms. Sanders joined NovaGold as Controller in March 2003, and was promoted to Vice President Finance in 2006; in addition Ms. Sanders was appointed Corporate Secretary in 2008. Prior to NovaGold, she worked in the high tech sector and in the assurance practice of PriceWaterhouse.

Litigation

On May 11, 2011, one claim was settled that had been filed against NovaGold in the United States Federal District Court for the District of Alaska. The settlement was paid through insurance and NovaGold did not pay any funds. The claims were originally filed in July 15, 2009 against NovaGold and its subsidiary, AGC and other parties seeking wrongful death damages as the result of an accident on July 19, 2007, where two employees of a contractor were killed in a construction-related accident at the Company's Rock Creek project. The Company and AGC filed an answer to the complaint denying all allegations and asserting certain affirmative defenses, and the claims against AGC were dismissed on May 19, 2010 by agreement without any payment. The settlement reached on May 11, 2011 has resolved this issue and the plaintiffs do not have any further recourse against the Company.

Other

On January 6, 2012, the Company filed a 25-month US$500.0 million universal shelf prospectus that is intended to facilitate the Company's ability to complete financings over coming years. On February 7, 2012, the Company issued by way of a bought deal equity financing 35,000,000 common shares at US$9.50 per common shares for net proceeds of approximately US$318 million after deducting underwriters' fees and issuance expenses.

Property review

Donlin Gold

Donlin Gold is one of the world's largest known undeveloped gold deposits. Donlin Gold is owned and operated by Donlin Gold LLC (formerly Donlin Creek LLC), a limited liability company that is owned equally by wholly-owned subsidiaries of NovaGold and Barrick. The deposit is located entirely on private, Alaska Native-owned land and Alaska state mining claims totaling 81,431 acres (32,954 hectares). Donlin Gold LLC has a good working relationship with Calista Corporation ("Calista"), owner of the sub-surface rights and The Kuskokwim Corporation ("TKC"), owner of the surface rights. The property has estimated proven and probable mineral reserves of 505 million tonnes grading 2.09 grams per tonne gold for 33.8 million ounces of gold. This represents an approximate 16% increase from the mineral reserve estimate outlined in the feasibility study completed in April 2009 (the "2009 Feasibility Study") and is broadly comparable to the March 2010 mineral reserve and resource update released by NovaGold. The property hosts estimated measured and indicated mineral resources (inclusive of mineral reserves) of 541 million tonnes grading 2.24 grams per tonne gold for 39 million ounces of gold and inferred mineral resources of 92 million tonnes grading 2.02 grams per tonne gold for 6.0 million ounces of gold.

On December 5, 2011, NovaGold announced the completion of the Feasibility Study update for the Donlin Gold project ("Study"). This updated study revised the feasibility study completed in April 2009 with updated mineral reserves and resources, capital cost and operating cost estimates. The Study was compiled by AMEC Americas Ltd.

Donlin Gold, if put into production in accordance with the Study, would produce an average of 1.5 million ounces of gold per year in its first five years of operation at an average cash cost of US$409/oz, and an average of 1.1 million ounces of gold per year at average cash cost of US$585/oz over its projected 27-year mine life. Proven and probable mineral reserves are estimated at 33.8 million ounces along three kilometers of an established mineralized corridor in excess of eight kilometers long.

The Study utilizes natural gas rather than the original diesel option for power generation. Natural gas would be delivered to site via a 500-kilometer-long pipeline. The change to utilizing natural gas is an important modification that is believed to improve numerous project parameters including lowering power operating costs; improving environmental management and social infrastructure; providing flexibility for future operational modifications; and facilitating potential increases in the scale of operations in this geologically prospective district.

The capital cost was estimated at US$6.7 billion including costs related to the natural gas pipeline and a contingency of US$984.0 million. The resultant after-tax net present value ("NPV") using the three-year trailing average of US$1,200 per ounce gold for the base case displays a positive NPV of US$547 million using a 5% discount rate. Importantly, the resultant NPV sensitivity analysis shows a more than eight-fold expansion to US$4.6 billion at US$1,700 per ounce gold, and then a nearly 50% increase again to US$6.7 billion at US$2,000 per ounce gold. Based on the results of this Study, NovaGold anticipates Donlin Gold commencing formal project permitting in the first half of 2012, subject to the Donlin Gold LLC Board of Directors approval.

The Donlin Gold deposit is located on Calista mineral lands and the project operates under a mining lease with Calista. Calista is one of 13 regional Alaska Native corporations established as part of the Alaska Native Claims Settlement Act ("ANCSA") of 1971 and under ANCSA has title to the subsurface estate in the region. The mining lease agreement provides Calista with payments, royalties and economic development rights.

ANCSA established TKC, the owner of the surface rights estate. Donlin Gold operates under a surface use agreement with TKC which is currently set to expire in 2015 unless certain lease conditions are met. Donlin Gold is negotiating a restructuring of the TKC agreement. The surface use agreement provides TKC with payments for lands used and protection of subsistence activities.

Donlin Gold LLC expended approximately US$43.4 million in the fiscal year ended November 30, 2011, of which NovaGold and Barrick equally contributed. The expenditures focused mainly on engineering and environmental studies to support the permitting process and community outreach programs, as well as a revision to the 2009 Feasibility Study to incorporate the use of natural gas as the primary power source at the mine site.

Due to the accounting rules under Accounting Guideline-15, NovaGold continues to record its interest in the Donlin project as an equity investment, which results in all of NovaGold's funding being recorded in the income statement as equity loss, and any unspent funding to Donlin Gold LLC being recorded in the balance sheet on the equity investment line.

Ambler

Ambler is an advanced exploration-stage property located in Alaska comprising Federal patented mining claims and State of Alaska mining claims and private Alaska Native owned lands, covering a major portion of the precious-metal-rich Ambler volcanogenic massive sulfide belt, and a separate area characterized by copper-rich carbonate replacement deposits. NovaGold and NANA Regional Corporation, Inc. ("NANA"), an Alaska Native Corporation headquartered in Kotzebue, Alaska, entered into a progressive agreement ("Agreement") founded on the cooperative development of their respective resource interests in the Ambler mining district of Northwest Alaska. The Agreement consolidated NovaGold's and NANA's land holdings into a large land package and provides a framework for the exploration and development of this high-grade and prospective poly-metallic belt. The agreement is underlain by a mutual commitment to sustainable development. NovaGold will have a 100% interest in any mining project subject to NANA's right, exercisable at the time of any construction decision, to purchase between 16% and 25% of any project on the combined property. Alternatively, NANA can elect to retain a 15% Net Proceeds Royalty with respect to the project.

The Ambler property comprises a number of deposits, including the high-grade copper-zinc-lead-gold-silver Arctic deposit. On April 14, 2011, NovaGold announced the results of a preliminary economic assessment ("PEA") for its 100% owned Ambler project in Alaska. The PEA is preliminary in nature, and includes inferred mineral resources that are considered as speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized.

Based on the PEA, mining of the Arctic deposit is envisioned as an underground operation processing up to 4,000 tonnes of material per day. The current estimated mineral resource base of 16.8 million tonnes of indicated mineral resources and 12.1 million tonnes of inferred mineral resources support a 25-year mine life. Mineral resources estimated for the Arctic deposit are 16.8 million tonnes of indicated mineral resource grading 4.1% copper and 6.0% zinc and 12.1 million tonnes of inferred mineral resource grading 3.5% copper and 4.9% zinc for contained metal totaling indicated mineral resource of 1.5 billion pounds of copper, 2.2 billion pounds of zinc, 450,000 ounces of gold, 32 million ounces of silver and 350 million pounds of lead, with additional inferred mineral resource of 940 million pounds of copper, 1.3 billion pounds of zinc, 260,000 ounces of gold, 19 million ounces of silver and 212 million pounds of lead. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The mine is anticipated to produce three concentrates: a copper concentrate with gold byproduct, a lead concentrate with silver and gold byproducts and a zinc concentrate with silver byproduct, with copper cash costs, net of byproducts at long-term metal prices, estimated at US$0.89/lb copper[1]. Average annual payable metal production is forecast at 67 million pounds of copper, 80 million pounds of zinc, 12 million pounds of lead, 11,000 ounces of gold and 866,000 ounces of silver. Life-of-mine payable metal production is estimated at 1.7 billion pounds of copper, 2.0 billion pounds of zinc, 291 million pounds of lead, 266,000 ounces of gold and 22 million ounces of silver. The production schedule is based on processing average-grade material through the life of the operation, with potential upside to be obtained by mining higher-grade ore during the early years of the project.

[1] Base case metal price assumptions of US$2.50/lb copper, US$1.05/lb zinc, US$1.00/lb lead, US$1,100/oz gold and US$20/oz silver;

The project's net present value ($NPV_{8\%}$), using the PEA base case metal price assumptions of US$2.50/lb copper, US$1.05/lb zinc, US$1.00/lb lead, US$1,100/oz gold and US$20/oz silver, was assessed at US$718 million and US$505 million on a pre-tax and post-tax basis, respectively. The corresponding internal rates of return were estimated at 30% and 25%. Post-tax cash flows were estimated at US$1.7 billion, with full payback occurring in year four of operations.

In addition, NovaGold announced results from its initial exploration drilling program on the Bornite deposit located in the Ambler mining district of Northwest Alaska. This campaign not only confirmed previous drill results by Kennecott Exploration Company and Kennecott Arctic Company (collectively "Kennecott"), subsidiaries of Rio Tinto, but also expanded the known extent of the mineralization. Bornite is located approximately 26 kilometers southwest of the Arctic deposit. Some highlights of the drilling program included Hole RC11-187 which intersected 178 meters grading 4.0% copper and a high-grade intersection of 34.7 meters of 12.0% copper. Hole RC11-194 intersected two mineralized intervals totaling 110.6 meters averaging 2.6% copper including 11.8 meters grading 7.5% copper.

In November 2011, NovaGold announced that it intends to distribute the common shares of NovaCopper Inc., a wholly-owned subsidiary which holds the Ambler assets, to shareholders of NovaGold as a return of capital by way of a Plan of Arrangement under the *Companies Act* (Nova Scotia). The Plan is to be voted on at a Special Meeting of Shareholders of NovaGold which is anticipated to occur in the first half of 2012, and will be subject to numerous conditions including shareholder and court approvals, approval by, and listing of the NovaCopper shares on TSX and NYSE-AMEX and completion of all required regulatory filings. It is proposed that the record date for shareholders of NovaGold entitled to receive shares of NovaCopper under the Plan will be the effective date of the Plan.

The Company spent approximately US$10.0 million during the year, focused on completing the preliminary economic assessment and the drilling program through 2011 which included infill and geotechnical drilling on Arctic and exploration drilling on the Bornite deposit. Road access to the Ambler mining district is an important element for the project's development. The Company is working with State of Alaska agencies to develop a strategy and funding arrangement for the road.

The Company has included the Ambler project in its segmented information disclosure in its financial statements for the year ended November 30, 2011. The segmented information highlights the Company's assets associated with the Ambler project as well as the expenditure related to the project, including $31.5 million in mineral properties related to acquisition costs and $1.1 million in property, plant and equipment. For the year ended November 30, 2011, total assets of $32.7 million were attributed to Ambler compared to $27.5 million in 2010. This increase primarily related to a US$4.0 million payment to NANA as part of the Agreement to acquire the rights to explore and develop the Bornite lands in the Ambler project. Property, plant and equipment attributed to Ambler increased from nil in 2010 to $1.1 million in 2011 as a result of acquiring camp equipment. Mineral property expense increased from nil in 2010 to $8.7 million in 2011, primarily as a result of the drilling program. For the year ended November 30, 2011, Ambler's portion of the net loss attributable to the shareholders was $0.3 million compared to no net loss for the previous year.

Galore Creek

Galore Creek, a large copper-gold-silver project located in northwestern British Columbia, is held by a partnership, in which wholly-owned subsidiaries of NovaGold and Teck each own a 50% interest, and is managed by Galore Creek Mining Corporation ("GCMC"). The 293,838 acre (118,912 hectare) property holds a large undeveloped porphyry-related copper-gold-silver deposit. On July 27, 2011 NovaGold announced the results of the prefeasibility study ("PFS") on the project. The PFS confirmed the technical and economic viability of the Galore Creek project.

The PFS was based on a significant increase in scale and redesign of the project from previous configurations including separating the mine infrastructure from the mill infrastructure, each located in adjacent valleys thereby increasing flexibility to enable open-pit mine expansion, higher mill throughput and additional exploration. The PFS Plan provides for a mining and operating facility with a nominal 95,000 tonne-per-day capacity. Proven and probable mineral reserves total 528 million tonnes grading 0.6% copper, 0.32 grams per tonne gold and 6.03 grams per tonne silver. The project is forecast to produce 6.2 billion pounds of copper, 4.0 million ounces of gold and 65.8 million ounces of silver over an 18-year mine life.

Concurrent with the completion of the PFS, NovaGold announced GCMC would complete further engineering on the project prior to the end of 2011. The further work targeted adding mineral resources within an optimized measured, indicated and inferred pit shell, the assessment of adding a second semi-autogenous grinding mill and a reevaluation of certain off-site infrastructure. To support the addition of mineral resources, GCMC also commenced and completed a 10,000 metre infill drilling program during the 2011 drilling season and completed additional geotechnical work on the project. GCMC completed the advanced engineering as scheduled and presented to the owners a mine project, which included a portion of inferred mineral resources, that demonstrated increased production levels, an extended mine life and improved economics.

GCMC expended approximately $36.3 million in the fiscal year ended November 30, 2011, of which Teck fully contributed to GCMC's expenditures for the first half of fiscal 2011 and for the remainder of the year NovaGold and Teck contributed equally. The expenditures were mainly for care and maintenance activities, infill exploration drilling to convert inferred resources in the Bountiful Zone on the southeast end of the central pit to measured and indicated resources and prefeasibility study costs.

The completion of the advanced engineering enabled the Company to consider opportunities to maximize the value of the Galore Creek asset and the Company announced it would explore opportunities to sell all or part of NovaGold's 50% share of the Galore Creek partnership.

Due to accounting rules under Accounting Guideline-15 for Variable Interest Entity accounting, NovaGold continues to consolidate 100% of the activities of GCMC on the income statement, and the Galore Creek asset and a non-controlling interest for Teck's contributions on the balance sheet.

Additional information concerning mineral reserves and resources can be found in "Appendix – Reserve and Resource Table".

Results of operations

in thousands of Canadian dollars, except for per share amounts

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Asset impairment – power transmission	52,668	116,370
Asset impairment – Equipment	8,343	-
Asset retirement obligation	20,415	-
Equity loss	21,352	20,873
Foreign exchange loss (gain)	1,111	(3,158)
Gain on disposal of mineral properties	-	(1,440)
General and administrative expenses	4,771	3,656
Interest and accretion	15,025	15,187
Inventory write down	6,933	7,537
Mineral properties expense	39,842	12,727
Project care and maintenance (Galore Creek)	8,822	7,383
Project care and maintenance (Rock Creek)	12,471	18,405
Salaries, severance and payroll taxes	10,591	6,788
Gain on disposal of property, plant and equipment	1,875	-
Loss for the year after taxes attributable to the shareholders	153,153	203,549
Basic and diluted loss per share	0.65	0.95

For the year ended November 30, 2011, the Company reported a loss attributable to the shareholder of $153.2 million (or $0.65 basic and diluted loss per share) compared to a loss of $203.5 million (or $0.95 basic and diluted loss per share) for the previous year. This variance was mainly due to the non-cash asset impairment of the Rock Creek project for $116.4 million in 2010 compared to the non-cash asset impairment of the power transmission rights for $52.7 million and the equipment for $8.3 million in 2011, of which $13.8 million was attributable to non-controlling interest and $9.7 million to future income tax recovery partially offset by the gain on disposition of alluvial gold properties of

$16.1 million. Another factor that contributed to this variance was the Company's additions in closure cost estimates for the required closure activities at the Rock Creek project, which the Company recorded an expense of $20.4 million for the revision of its asset reclamation obligation in 2011, with no comparable amount in 2010.

Income from the Company's land and gravel sales, gold royalties and other revenues were $0.4 million during 2011 compared with $0.6 million in 2010 due to decreased land sales in Nome, Alaska. Interest income decreased to $0.4 million in 2011 from $0.6 million in 2010 as the result of the decrease in cash holdings during the year.

Expenses for the year ended November 30, 2011 were $107.9 million compared to $70.3 million in 2010. This was primarily due to the increased level of activity for the Galore Creek prefeasibility study and exploration work at the Ambler project which resulted in the increase of mineral property expenses to $39.6 million compared with $12.7 million in 2010. The Company also recorded expense of $7.7 million in 2011 compared with $5.0 million in 2010 for stock-based compensation; the increase is due to higher valuations for the stock option and performance share units ("PSU") issued as a result of higher stock prices. During 2011, the Company granted 1.3 million stock options and 0.2 million PSUs to its employees.

These increases were offset by the reduction of care and maintenance expenditures at Rock Creek, as the Company recorded $12.5 million in 2011 compared with $18.4 million in 2010. This was due to the decreased level of activity in 2011 compared to 2010, when the Company was improving the tailings pond infrastructure and water management and treatment systems at Rock Creek. The Company also recorded $8.8 million of Galore Creek project care and maintenance expenses in 2011 compared with $7.4 million in 2010, mainly due to the increased level of activity in 2011 compared to 2010 as the project progresses by strengthening the existing access areas and upgrading its environmental program.

Fourth quarter results

During the fourth quarter of 2011, the Company incurred $16.9 million in mineral property expenditures compared to $6.5 million in the same period in 2010; the increase is mainly due to the resource and geotechnical drilling and additional environmental and advanced engineering work to prepare for integration into the Galore Creek's Enhanced Plan. The Company also incurred $4.9 million in care and maintenance ($3.8 million at Rock Creek and $1.0 million at Galore Creek) compared to $5.9 million in the same period in 2010 ($3.8 million at Rock Creek and $2.1 million at Galore Creek), the decrease is due to the decreased level of activity required for maintenance of the tailings pond and water treatment plant at Rock Creek. The Company also incurred $3.6 million in salaries expense during the fourth quarter of 2011 compared to $1.3 million in 2010; the increase is due primarily to a compensation expense accrual as a result of the Company's corporate reorganization. The Company paid approximately $10.4 million for the cash calls for the Donlin Gold and Galore Creek projects in the fourth quarter.

Outlook

At November 30, 2011, the Company had cash and cash equivalents of $66.8 million and working capital of $37.3 million. The 2012 budget for Rock Creek closure is discussed below.

The Company is focused on advancing the Donlin Gold project. Donlin Gold LLC has conditionally approved a 2012 budget of approximately US$37.2 million of which the Company's 50% share is approximately US$18.7 million. The 2012 work program includes funds for permitting activities, community development and planning for future development. Project permitting is expected to commence in the first half of 2012 following approval by the Donlin Gold LLC Board of Directors.

At the Ambler project, held by NovaCopper, NovaGold has approved a US$4.0 million interim budget to support exploration and development activities in advance of the completion of the proposed Plan of Arrangement in regard to the distribution of the shares of NovaCopper. Should the Plan of Arrangements not be completed before the field drilling season commencing in May 2012, further funding by NovaGold may be required.

At the Galore Creek project, GCMC has an approved 2012 budget of approximately $35.4 million of which the Company's 50% share is approximately $17.7 million to fund the 2012 infill drilling program, additional engineering studies and site care and maintenance costs. The portion of this budget funded by NovaGold is contingent on the timing and success of its divestment process. The Company has recently commenced a formal process to investigate opportunities to sell all or part of its interest in the Galore Creek Partnership.

The Company has a budget of approximately $30.0 million for completion of closure activities at Rock Creek and an additional $7.0 million for site care and maintenance. The majority of Closure activities are expected to take place during 2012 with certain activities carrying over to 2013. A majority of the closure activities have been accounted for in the working capital as part of the current portion of the asset retirement obligation. Subsequent to the year end, the Company has increased its reclamation bond with the State of Alaska by US$13.4 million for a total bond of $20.3 million. Funds are expected to be returned to the Company once closure activities are completed. Also the Company is considering a corporate general and administrative budget at approximately $21.9 million in 2012. On February 7, 2012, the Company issued by way of a bought deal equity financing 35,000,000 common shares at US$9.50 per common shares for net proceeds of approximately US$318 million after deducting underwriters' fees and issuance expenses.

Selected financial data

The following annual and quarterly information is prepared in accordance with Canadian GAAP.

Annual information

Fiscal years ended November 30, 2011, 2010 and 2009:

in thousands of Canadian dollars, except per share amounts

	2011 $	2010 $	2009 $
Net revenues	401	599	1,195
Expenses and other items	(174,706)	(205,051)	(80,356)
Loss for the year	(190,247)	(211,562)	(73,364)
Attributable to the shareholders of the Company			
Loss for the year	(153,153)	(203,549)	(60,973)
Loss per share – basic and diluted	(0.65)	(0.95)	(0.35)
Total assets	725,694	801,740	781,253
Total long-term financial liabilities	(153,683)	(152,846)	(142,212)

Quarterly information

The following unaudited quarterly information is prepared in accordance with Canadian GAAP.

in thousands of Canadian dollars, except per share amounts

	11/30/11 $	8/31/11 $	5/31/11 $	2/28/11 $	11/30/10 $	8/31/10 $	5/31/10 $	2/28/10 $
Net revenues	111	81	193	16	172	334	67	26
Attributable to the shareholders of the Company								
Loss for the quarter	(38,099)	(56,527)	(7,076)	(51,451)	(21,481)	(147,598)	(15,753)	(18,717)
Loss per share – basic and diluted	(0.16)	(0.24)	(0.03)	(0.22)	(0.12)	(0.66)	(0.07)	(0.10)

Factors that can cause fluctuations in the Company's quarterly results include the timing of stock option grants, foreign exchange gains or losses related to the Company's U.S. dollar-denominated debt when the Canadian dollar exchange rate fluctuates, disposal of assets or investments, and events such as the decision to proceed with closure of the Rock Creek project and subsequent activities related thereto. During the first quarter of 2010, the Company incurred $11.5 million in interest and accretion and care and maintenance. During the second quarter of 2010, the Company incurred $13.6 million on salaries, exploration and care and maintenance. During the third quarter of 2010, the Company recorded an impairment loss on the Rock Creek project for the year of $116.4 million and a $7.5 million inventory write down. During the last quarter of fiscal 2010, the Company incurred a total of $17.9 million in care and maintenance and exploration activities. During the first quarter of 2011, the Company recorded an impairment loss on the Galore Creek project of $52.7 million related to its power transmission rights. During the second quarter of 2011, the Company had a gain on disposition of its alluvial gold properties and recorded a gain of $16.1 million. During the third quarter of 2011, the Company had recorded an adjustment to its asset retirement obligation of $20.4 million and inventory write-down of $6.9 million to reflect the Company's decision to proceed with closure activities at the Rock Creek project. During the last quarter of fiscal 2011, the Company recorded an impairment loss on the Galore Creek project of $8.3 million related to its equipment and incurred a total of $2.7 million in compensation expense as a result of the corporate reorganization. The Company's properties are not yet in production; consequently, the Company believes that its loss (and consequent loss per share) is not a primary concern to investors in the Company.

Liquidity and capital resources

At November 30, 2011, the Company had $66.8 million in cash and cash equivalents, of which $6.2 million was held by GCMC for the Galore Creek project. The Company expended $81.3 million on operating activities during the year ended November 30, 2011, compared with expenditures of $58.4 million on operating activities during the year ended November 30, 2010; this was mostly due to the increase in activities with the Company's projects. At Galore Creek project, $36.3 million was expended mainly for its prefeasibility studies and its care and maintenance activities in 2011 compared with $16.0 million for the year ended 2010. Also the Company expended US$10.0 million for its Ambler project on completing the PEA and infill and geotechnical drilling at the Arctic deposit and exploration drilling at the Bornite deposit compared with US$1.5 million for the year ended 2010.

During the year, the Company generated $17.6 million in cash flows from financing activities compared with $195.6 million in 2010. In 2011, the Company received $13.4 million from warrant exercises and $27.2 million from Teck's contribution to GCMC and paid $23.7 million as part of the final acquisition cost for Ambler; compared to 2010 when the Company received $179.0 million in cash from the sale of 31,818,183 common shares at a price of US$5.50 per share.

During the year, the Company expended $22.1 million on investing activities compared with $23.7 million in 2010. The Company funded $22.0 million for its share of exploration costs at the Donlin Gold project compared to $21.7 million in 2010. In addition, the Company expended $4.0 million on acquisition costs related to the purchase of Copper Canyon and US$4.0 million payment to NANA as part of the Agreement to acquire the rights to explore and develop the Bornite lands in the Ambler project and received $8.3 million for the second payment related to the alluvial gold land sale, with no comparative amount in 2010.

The Company has no material off-balance sheet arrangements and no material capital lease agreements.

Contractual obligated cash flow requirements, excluding operating leases, as at November 30, 2011 are as follows.

in thousands of Canadian dollars, unless otherwise specified

	Total $	< 1 Year $	1–2 Years $	2–3 Years $	3–4 Years $	4–5 Years $	Thereafter $
Accounts payable and accrued liabilities	19,773	19,773	-	-	-	-	-
Capital leases	369	369	-	-	-	-	-
Asset retirement obligations	42,846	26,574	2,602	-	-	-	13,670
Convertible notes – interest (a)	US$18,288	US$5,225	US$5,225	US$5,225	US$2,613	-	-
Convertible notes – holders option (a)	US$95,000	-	-	-	US$95,000	-	-
Promissory note	US$64,666	-	-	-	-	-	US$64,666

(a) The Convertible notes ("Notes") mature on May 1, 2015. The holders of the Notes have the right to require the Company to repurchase all or part of their Notes on May 1, 2013 and upon certain fundamental corporate changes at a price equal to 100% of the principal amount of such Notes plus any accrued and unpaid interest.

At November 30, 2011, the Company's aggregate commitments for operating leases totaled $3.8 million. These operating leases include the Company's leased head office location and certain office equipment leases with terms ranging from one to ten years.

The future minimum payments under operating leases at November 30, 2011 are approximately as follows.

in thousands of Canadian dollars

	Operating leases $
2012	629
2013	571
2014	580
2015	662
2016	776
Thereafter	582
Total	**3,800**

Share capital

The fully diluted share capital as at November 30, 2011 is as follows.

	Number of shares (in thousands)	Weighted average exercise/conversion price
Issued and outstanding (a)	239,984	-
Options (b)	10,849	$7.06
Performance share units (c)	231	-
Warrants		
Canadian dollar warrants:	35,275	$1.48
U.S. dollar warrants:	5,145	US$1.50
Convertible notes (d)	8,953	US$10.61
Fully diluted	300,437	-

(a) As at February 22, 2012, the Company had 283.9 million common shares issued and outstanding.

(b) As at November 30, 2011, the number of shares available for granting stock options under the Company's 2004 Stock Option Plan was 13.1 million shares (2010: 11.3 million shares). In December 2011, the Company granted 2,557,150 stock options at an exercise price of $11.11 per share to its employees and directors.

(c) On December 3, 2010, the Company granted 244,000 PSUs to employees. Each PSU entitles the participant to receive that number of common shares of the Company at the end of a specified period set by the Compensation Committee to be determined by the achievement of certain performance and vesting criteria. The performance and vesting criteria are based on the Company's share performance relative to both a representative group of other mining companies and the TSX index. At November 30, 2011, 231,000 PSUs remained outstanding net of forfeiture.

(d) In March 2008, the Company issued US$95.0 million in unsecured senior convertible notes. A total of 8,952,971 common shares are issuable upon conversion and additional shares may become issuable following the occurrence of certain corporate acts or events. On conversion, at the Company's election, holders of the Notes will receive cash, if applicable, or a combination of cash and shares.

Related party transactions

The Company has market-based agreements to provide certain services to TintinaGold Resources Inc. ("TintinaGold") and Alexco Resource Corp. ("Alexco"). During 2011, the services provided were $0.03 million (2010: $0.1 million) to TintinaGold, a related party having one director and a major shareholder in common with the Company; and $0.02 million (2010: $0.03 million) to Alexco, a related party having two directors in common with the Company. The Company also provided exploration and management services totaling US$0.6 million (2010: US$0.9 million) to Donlin Gold LLC. These transactions were in the normal course of business and are measured at the exchange amount, which is the amount agreed to by the parties. At November 30, 2011, the Company had $0.05 million (2010: $0.2 million) receivable from related parties.

Financial instruments

The Company classifies its financial assets as held-for-trading, available-for-sale or loans and receivables. Financial liabilities are classified as either held-for-trading or loans and receivables.

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available or, where not available, inputs generated by the Company. Changes in fair value of held-for-trading financial instruments are recorded in net earnings.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income. If a decline in fair value is deemed to be other than temporary, the unrealized loss is recognized in net earnings. Investments in equity instruments that do not have an active quoted market price are measured at cost.

Loans and receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

The following provides a comparison of carrying and fair values of each classification of financial instrument as at November 30, 2011.

in thousands of Canadian dollars

	Loans and receivables $	Available for sale $	Held for trading $	Other financial liabilities $	Total carrying amount $	Total fair value $
Financial assets						
Cash and cash equivalents	-	-	66,785	-	66,785	66,785
Accounts and short-term receivable	14,961	-	-	-	14,961	14,961
Investments						
At cost (a)	-	500	-	-	500	N/A
At fair value	-	4,025	-	-	4,025	4,025
Reclamation deposits	-	-	13,108	-	13,108	13,108
Long-term accounts receivable	17	-	-	-	17	17
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	19,772	19,772	19,772
Other liabilities				4,030	4,030	4,030
Promissory note (b)	-	-	-	65,979	65,979	65,979
Convertible debt (c)	-	-	-	67,402	67,402	143,220

(a) The investments held at cost are not publicly traded and thus the fair value of the investments is not readily determinable.

(b) The fair value of the promissory note payable to Barrick approximates its carrying value due to the floating interest rate.

(c) The carrying value of the convertible debt is a split instrument between equity and liabilities. The fair value represents the value payable of the instrument, including the fair value of the convertible feature.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

(a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position or cash flows.

The Company has not hedged its exposure to currency fluctuations. At November 30, 2011, the Company was exposed to currency risk through the following financial assets and liabilities denominated in U.S. dollars.

in thousands of U.S. dollars

	November 30, 2011	November 30, 2010
Cash and cash equivalents	55,204	125,164
Accounts receivables	13,200	148
Reclamation deposits	6,845	6,845
Accounts payable and accrued liabilities	(6,008)	(4,718)
Other notes payable	-	(23,026)
Amounts payable to Barrick – long term	(64,666)	(61,401)
Convertible notes	(66,061)	(60,278)
Deferred Liability	(3,950)	-
Total	(65,486)	(17,266)

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $6.5 million in the Company's net earnings before tax.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash equivalents and short-term investments are held through large Canadian financial institutions. Short-term and long-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period. The Company's taxes and other receivables consist of general sales tax due from the Federal Government of Canada and amounts due from related parties.

The Company's promissory note is contingent on the future cash flow generated from the Donlin Gold project thus it is not exposed to any credit risk.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 17 to the consolidated financial statements. Accounts payable and accrued liabilities and coupon interest on the Notes are due within one year from the balance sheet date.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments, although available-for-sale, are generally held to maturity. In respect of financial liabilities, notes and capital leases are not subject to interest rate risk because they are at fixed rates. The promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note at November 30, 2011, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of $0.6 million in the interest accrued by the Company per annum.

(e) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. The Company does not have any hedging or other commodity-based risks respecting its operations.

New accounting pronouncements

The accounting policies followed by the Company are set out in note 2 to the audited consolidated financial statements for the year ended November 30, 2011, and have been consistently followed in the preparation of these consolidated financial statements.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method and related disclosures. In addition, the CICA issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which replace the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. The Company will adopt these pronouncements at December 1, 2010; the result from this adoption would be the non-controlling interest balance will be classified as shareholders' equity on the consolidated balance sheet.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company of our interim and annual amounts for the fiscal year ending November 30, 2011.

The Company is currently engaged in the process to transition from Canadian GAAP to IFRS. The transition process consists of three primary phases:

- Scoping and diagnostic phase
- Impact analysis, evaluation and design phase
- Implementation and review phase

Completion of the scoping and diagnostic phase occurred in 2010 through the completion of a preliminary diagnostic review by an external consultant. The preliminary diagnostic review included the determination, at a high level, of the financial reporting differences under IFRS and the key areas that may be impacted. From the review, a focused transition plan was created to further evaluate the areas of difference, including changes required from existing accounting policies and the impact of changes to information systems, internal controls and business processes.

The Company is nearing the completion with the analysis, quantification and evaluation phase and has begun the implementation and review phase. The second phase involved an analysis of policy alternatives allowed under IFRS, completing changes required to existing accounting policies and development of draft IFRS financial statement content. Management has completed detailed evaluations of the changes required to existing accounting policies and quantification of the impact of those changes on our opening balance sheet at the transition date. IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company has completed its analysis of IFRS 1 and the exemptions it will apply on transition. Management has completed their quantification of the quarterly impacts during the transition year and continues to refine their draft IFRS financial statement content in anticipation of their first quarter 2012 release of financial statements under IFRS.

The identified impacts disclosed below highlight the preliminary impacts and should not be regarded as final as they are subject to change. The discussion below should not be regarded as a complete list of differences as it is designed to highlight the significant impacts identified at the transition date. We also note that the International Accounting Standards Board ("IASB") is currently working on several projects which may impact the Company's decisions, most notably as discussed below.

Through our analysis and quantification of the opening balance sheet as of December 1, 2010, the following significant impacts have been identified to date:

- Treatment of Interest in Galore Creek Partnership – In the third quarter, the Company announced management was reviewing their treatment of the 50% interest in the Galore Creek Partnership in light of the recent release in May 2011 by the IASB of a set of 5 new standards including IFRS 11, Joint Arrangements, which are effective for annual periods beginning on or after January 1, 2013, with earlier adoption of the entire package permitted. The Company has determined that early adoption of the standards will not be applied. Under the current standard in effect at transition, IAS 28 Investments in Associates and Joint Ventures, the Company's interest in Galore Creek project is accounted for under the equity method. The currently consolidated partnership, with recognition of a non-controlling interest, will be accounted for as an equity investment resulting in significant presentational changes to the Company's balance sheet. On transition, there is a reduction to total assets of $221.4 million expected, and a corresponding reduction to total liabilities and shareholders' equity.

- Foreign Currency Translation – The approach to evaluating the functional currency under IFRS focuses on determining each individual entity's functional currency from the entity's viewpoint. Under Canadian GAAP, the functional currency of a foreign subsidiary was determined based on whether the subsidiary was self-sustaining from the parent entity. Since all of the Company's US subsidiaries relied on parent-Company funding, the functional currency used on consolidation was Canadian dollars. The IFRS approach results in a change to the functional currency of several of the Company's US subsidiaries. Under IFRS 1, "First time adoption of International Financial Reporting Standards", an exemption is available which allows the Company to reset its cumulative translation account to zero on the transition date. The Company has elected to take this exemption. On transition, a net change to shareholders' equity of $0.3 million is expected.

- Convertible Notes – Under Canadian GAAP, the convertible notes are bifurcated into two separate elements, an equity component to recognize the conversion value of the instrument and a liability component to recognize the debt value of the instrument. As the functional currency of NovaGold is Canadian dollars and the convertible debt is denominated in US dollars, an embedded derivative is determined to exist under IFRS as the instrument is denominated in a currency other than an entity's functional currency. As a result, the Company will recognize an embedded derivative at fair value upon transition. The expected net impact to shareholders' equity on transition is a decrease of approximately $89.9 million and a corresponding increase to long-term liabilities of approximately $89.9 million.

- Warrants – Similar to the convertible notes, the Company has warrants which are denominated in a currency other than its functional currency. Under IFRS, the warrants denominated in a currency other than the Company's functional currency meet the definition of a derivative instrument which is recorded at fair value at each reporting date, with movements through the statement of operations. The warrants were treated as an equity instrument under Canadian GAAP and recorded at fair value at inception. This treatment is similar to the presentation disclosed by the Company under its reconciliation to United States Generally Accepted Accounting Principles. On transition, a net reduction of approximately $658.8 million in shareholders' equity and a corresponding increase to long-term liabilities is expected. Irrespective of the change in accounting for the warrants, the Company notes the warrants do not provide for settlement in cash.

- Income Taxes – One of the significant changes to IFRS from Canadian GAAP arises in the treatment of deferred taxes on the initial recognition of an asset acquisition. The Company has had several notable asset acquisitions: Copper Canyon Resources Inc., Stikine Copper Limited., Pioneer Metals Corporation., Coast Mountain Power Corp. and Spectrum Gold Inc., which under Canadian GAAP had an iterative deferred tax liability recognized where the accounting basis was greater than the tax basis. Under IFRS, the recognition of deferred taxes on acquisitions other than in a business combination is not permitted. On transition, the Company expects a reduction in long-term assets of $58.2 million, a reduction in future income tax liabilities of $7.2 million and a reduction in shareholders' equity of $51.0 million.

Through our analysis and quantification of the opening balance sheet as of December 1, 2010, the following have significant accounting policy differences with no significant quantification impact identified to date:

- Treatment of Interest in Donlin Gold – the Company does not anticipate any significant change to its accounting for its interest in Donlin Gold under IFRS. Under IFRS section: IAS 28 Investments in Associates and Joint Ventures, the Company's interest in Donlin Gold project is accounted for under the equity method; which is the current accounting treatment under Canadian GAAP: Accounting Guideline-15. The Company records its interest in the Donlin project as an equity investment, which results in all of the Company's funding being recorded in the income statement as equity loss, and any unspent funding to Donlin Gold LLC being recorded in the Company's balance sheet on the equity investment line.

- Asset Retirement Obligations – IFRS differs from Canadian GAAP in the recognition of asset retirement obligations. Under IFRS, an obligation is recognized if there is a legal obligation or a constructive obligation which results in a more encompassing framework than Canadian GAAP. The Company has evaluated and determined that there are no additional constructive obligations at the transition date from the legal obligations currently recognized.

The implementation and review phase includes execution of any changes to information systems and business processes and completing formal authorization processes to approve recommended accounting policy changes. It will also include the collection of financial information necessary to compile IFRS-compliant financial statements and audit committee approval of IFRS financial statements. The Company has completed its analysis of its information systems and does not anticipate significant changes arising from the transition to IFRS. Several areas have been identified requiring changes to the Company's business processes which the Company has implemented into its processes beginning December 1, 2011.

Management is continuing to evaluate the differences and the full impact on future financial reporting will not be certain until the release of the Company's first quarter 2012 financial statements.

Critical accounting estimates

The most critical accounting estimates upon which the Company's financial status depends are those requiring estimates of the recoverability of its capitalized mineral property expenditures and development costs, impairment of long-lived assets and the amount of future reclamation obligations.

Mineral properties and development costs

The Company expenses mineral property exploration expenditures when incurred. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against future production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. The Rock Creek project was impaired during the year ended November 30, 2010 and an impairment loss was proportionately allocated to mineral properties and development costs.

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify title to mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Impairment of long-lived assets

In May 2006 NovaGold acquired Coast Mountain Power Corp. and all of its assets for 2.5 million shares of the Company valued at $44.4 million with an additional $15.6 million future income tax impact. The total valuation of $60.0 million included a number of early-stage run-of-river hydroelectric projects and the 138kV power transmission rights to build a power line from Meziadin Junction to Bob Quinn to bring power to the Galore Creek project. The Company intended to amortize the power transmission rights over the expected life of the Galore Creek project on a straight-line basis. In 2010 the Canadian Federal and British Columbia Provincial Governments announced their intention to build a high-capacity 287-kV transmission line ("NTL") in northwestern British Columbia that would follow roughly the same route from Meziadin Junction to Bob Quinn. On February 23, 2011, the NTL project received provincial environmental assessment approval and construction is expected to begin in 2011. Construction of the NTL is positive news for the region and for the Galore Creek project. NTL construction means that the Galore Creek Mining Corporation will not need to build its own transmission line to bring power to the Galore Creek project, and management has accordingly impaired the full value of the 138kV power transmission rights for $52.7 million and recorded a related future income tax recovery of $9.7 million. Because the Galore Creek project is jointly owned by NovaGold and Teck, the Company has recorded a corresponding offset to non-controlling interest for the impairment in the amount of $13.8 million.

Reclamation costs

The amounts recorded for reclamation costs are estimates based on independent third party engineering studies and the Company's assessment of the work that is anticipated to remediate old mining facilities of the Company's Nome Gold sites, exploration and road remediation at the Galore Creek project, and the Rock Creek mine site. An asset retirement obligation ("ARO") is recognized initially at fair value with a corresponding increase in the related asset. The ARO is accreted to full value over time through periodic charges to operations. The Galore Creek reclamation obligation has not been discounted due to the uncertainty of timing of when the costs will be incurred. Actual costs incurred during reclamation and the timing of when the costs will be incurred could be materially different from these estimates. The Rock Creek reclamation obligation has been adjusted during the year of 2011 to reflect the updated closure plan for Rock Creek project.

Disclosure controls and internal control over financial reporting

Disclosure controls and procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted by the Company under U.S. and Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules, including providing reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to permit timely decisions regarding public disclosure. Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) and15d-15(e) of the US Exchange Act and the rules of Canadian Securities Administration, as at November 30, 2011. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective.

Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) of the U.S. Exchange Act and National Instrument 52-109 Certification of

Disclosure in Issuer’s Annual and Interim filings. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management has used the Committee of Sponsoring Organizations of the Treadway Commission framework to evaluate the effectiveness of the Company’s internal control over financial reporting. Based on this assessment, management has concluded that as at November 30, 2011, the Company’s internal control over financial reporting was effective.

The effectiveness of the Company’s internal control over financial reporting has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm that has expressed its opinion in its report included with the Company’s annual consolidated financial statements.

Risk factors

The Company and its future business, operations and financial condition are subject to various risks and uncertainties due to the nature of its business and the present stage of exploration and development of its mineral properties. Certain of these risks and uncertainties are set out below and under the heading “Risk Factors” in NovaGold’s Annual Information Form for the year ended November 30, 2011 available on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Other

In July 2010, December 2010, February 2011, and March 2011, the Company’s wholly-owned subsidiary AGC received a total of 37 citations and orders from the Mine Safety Health Administration (“MSHA”) alleging certain violations of U.S. Federal mine safety laws under the Federal Mine Safety and Health Act of 1977 (the “Mine Safety Act”) at the Rock Creek project. MSHA subsequently vacated one of the citations after receiving further information from AGC. MSHA assessed a US$100 penalty for the February 2011 citation which AGC paid. In November 2011, MSHA and AGC developed and submitted a joint motion for settlement covering contested citations and assessments under the U.S. Mine Safety & Health Act. On December 12, 2011, a federal administrative law judge issued a decision approving the settlement and dismissing the AGC's remaining MSHA cases. The dismissal was conditioned on the AGC's payment of a US$22,671.00 penalty within 90 days of the decision. On January 18, 2012, the Company paid MSHA that amount, resolving all outstanding MSHA citations and assessments at the Rock Creek Mine.

Management's Responsibility for Financial Reporting – Canada

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada, and within the framework of the summary of significant accounting policies in these consolidated financial statements.

A system of internal accounting control is maintained in order to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. This system includes established policies and procedures, the selection and training of qualified personnel and an organization providing for appropriate delegation of authority and segregation of responsibilities.

The Audit Committee of the Board of Directors meets periodically with management and the Company's independent auditors to review the scope and results of their annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the shareholders and their report follows.

/s/ Gregory A. Lang

Gregory A. Lang
President & Chief Executive Officer

/s/ Elaine Sanders

Elaine Sanders
Vice President & Chief Financial Officer

February 22, 2012

Management's Report on Internal Control over Financial Reporting – U.S.

The management of NovaGold Resources Inc. is responsible for establishing and maintaining adequate internal control over financial reporting under Rule 13a-15(f) and 15d-15(f). The Securities Exchange Act of 1934 defines this as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that may have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of November 30, 2011. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework.

Based upon our assessment and those criteria, management concluded that the Company's internal control over financial reporting was effective as of November 30, 2011.

PricewaterhouseCoopers LLP, our independent auditors, has issued an audit report on internal control over financial reporting for NovaGold Resources Inc. as of November 30, 2011, which is included herein.

/s/ Gregory A. Lang

Gregory A. Lang
President & Chief Executive Officer

/s/ Elaine Sanders

Elaine Sanders
Vice President & Chief Financial Officer

February 22, 2012

Independent Auditor's Report

To the Shareholders of NovaGold Resources Inc.

We have completed integrated audits of NovaGold Resources Inc.'s 2011 and 2010 consolidated financial statements and its internal control over financial reporting as at November 30, 2011. Our opinions, based on our audits, are presented below.

Consolidated financial statements

We have audited the accompanying consolidated financial statements of NovaGold Resources Inc., which comprise the consolidated balance sheets as at November 30, 2011 and November 30, 2010 and the consolidated statements of operations and deficit, comprehensive loss, changes in shareholders' equity and consolidated statements of cash flows for each of the two years in the period ended November 30, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NovaGold Resources Inc. as at November 30, 2011 and November 30, 2010 and the results of its operations and its cash flows for each of the two years in the period ended November 30, 2011 in accordance with Canadian generally accepted accounting principles.

Report on internal control over financial reporting

We have also audited NovaGold Resources Inc.'s internal control over financial reporting as at November 30, 2011, based on criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's responsibility for internal control over financial reporting

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control over Financial Reporting – U.S.

Auditor's responsibility

Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the company's internal control over financial reporting.

Definition of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, NovaGold Resources Inc. maintained, in all material respects, effective internal control over financial reporting as at November 30, 2011 based on criteria established in Internal Control - Integrated Framework, issued by COSO.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
February 21, 2012

Consolidated Balance Sheets
As at November 30, 2011 and 2010

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Assets		
Current assets		
Cash and cash equivalents	66,785	151,723
Accounts receivable	1,642	1,037
Note receivable (note 6)	13,319	-
Inventories (note 7)	522	8,120
Deposits and prepaid amounts	1,757	1,938
	84,025	162,818
Accounts receivable	17	142
Land	191	1,876
Property, plant and equipment (note 8)	339,599	346,777
Mineral properties, rights and development costs (note 9)	278,620	266,408
Investments (note 10)	6,913	7,362
Investment tax credits	3,221	3,271
Reclamation deposits (note 12)	13,108	13,086
	725,694	**801,740**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	19,773	9,654
Current portion of asset retirement obligations (note 12)	26,574	7,890
Current portion of long-term liabilities	369	12,943
	46,716	30,487
Long-term liabilities		
Asset retirement obligations (note 12)	16,272	15,967
Convertible notes (note 11)	67,402	61,882
Deferred liability (note 13)	4,030	-
Future income taxes (note 19)	14,362	7,193
Note payable	-	11,393
Other liabilities	153	570
Promissory note (note 10 (b))	65,979	63,034
	214,914	190,526
Equity		
Share capital (note 14)	1,141,099	1,077,219
Equity component of convertible notes (note 11)	43,352	43,352
Contributed surplus	8,629	8,629
Stock-based compensation (note 14)	35,970	30,589
Warrants (note 14)	23,338	28,488
Deficit	(1,028,960)	(875,807)
Accumulated other comprehensive income (loss)	(80)	1,452
Equity attributable to the shareholders of the Company	223,348	313,922
Equity attributable to non-controlling interest	287,432	297,292
Total equity	510,780	611,214
	725,694	**801,740**
Nature of operations (note 1)		
Commitments (note 16)		
Subsequent event (note 22)		

(See accompanying notes to consolidated financial statements)

/s/ Rick Van Nieuwenhuyse, Director

/s/ James Philip, Director

Approved by the Board of Directors

Consolidated Statements of Operations and Deficit
For the years ended November 30, 2011 and 2010

in thousands of Canadian dollars, except for per share and share amounts

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Revenue		
Land, gravel, gold and other revenue	401	599
Cost of sales	223	258
	178	341
Expenses		
Amortization	2,397	527
Corporate development and communication	500	1,273
Foreign exchange loss (gain)	1,111	(3,158)
General and administrative	4,771	3,704
Interest and accretion	15,025	15,187
Mineral properties expense (note 20)	39,842	12,727
Professional fees	4,656	2,513
Project care and maintenance	21,293	25,788
Salaries	10,591	6,788
Salaries – stock-based compensation (note 14)	7,699	4,952
Total expenses	107,885	70,301
Loss before other items	107,707	69,960
Other items		
Accretion income (note 6)	(1,533)	-
Asset impairment – equipment (note 8)	8,343	-
Asset impairment – power transmission rights (note 9)	52,668	-
Asset impairment – Rock Creek project	-	116,370
Asset retirement obligation (note 12)	20,415	-
Interest income	(408)	(577)
Inventory write down (note 7)	6,933	7,537
Gain on disposition of alluvial gold properties (note 6)	(16,059)	-
Gain on disposal of equipment	(1,875)	-
Gain on disposal of mineral properties	-	(1,440)
Loss from equity pick-up (note 10)	21,352	20,873
	89,836	142,763
Loss for the year before income taxes	(197,543)	(212,723)
Future income tax recovery – power transmission rights (note 9)	9,722	-
Future income tax (expense) recovery (note 19)	(2,426)	1,161
Loss for the year	**(190,247)**	**(211,562)**
Attributable to the shareholders of the Company	(153,153)	(203,549)
Attributable to non-controlling interest		
Power transmission rights (notes 5 and 9)	(13,779)	-
Operating and other expenses (note 5)	(23,315)	(8,013)
Deficit – beginning of year	(875,807)	(672,258)
Deficit – end of year	**(1,028,960)**	**(875,807)**
Loss per share attributable to the shareholders of the Company		
Basic and diluted	(0.65)	(0.95)
Weighted average number of shares (thousands)	236,124	213,597

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Comprehensive Loss
For the years ended November 30, 2011 and 2010

in thousands of Canadian dollars

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Net loss for the year before other comprehensive income	**(190,247)**	**(211,562)**
Unrealized gain (loss) on available-for-sale investments	(1,468)	994
Future income tax expense	(64)	(37)
Comprehensive loss for the year	**(191,779)**	**(210,605)**
Attributable to the shareholders of the Company	(154,685)	(202,592)
Attributable to the non-controlling interest (note 5)	(37,094)	(8,013)
	(191,779)	**(210,605)**

Consolidated Statements of Changes in Shareholders' Equity
For the years ended November 30, 2011 and 2010

in thousands of Canadian dollars

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Share capital		
Balance – beginning of year	1,077,219	878,086
Issued pursuant to private placement net of share issue costs	-	179,000
Issued pursuant to stock options exercised	2,995	3,991
Issued pursuant to warrants exercised	18,547	9,549
Issued pursuant to performance share units vested	-	1,426
Issued pursuant to property acquisition	42,338	5,167
Balance – end of year	1,141,099	1,077,219
Equity component of convertible notes		
Balance – beginning of year	43,352	43,352
Balance – end of year	43,352	43,352
Contributed surplus		
Balance – beginning of year	8,629	9,994
Excess value over fair value of performance share unit (note 14 (c))	-	(1,365)
Balance – end of year	8,629	8,629
Stock-based compensation		
Balance – beginning of year	30,589	31,838
Stock option vesting	5,647	3,738
Performance share unit vesting	1,982	1,352
Director share unit grants	132	101
Transfer to share capital on exercise of stock options	(2,380)	(3,991)
Transfer to share capital on issuance of performance share units	-	(2,449)
Balance – end of year	35,970	30,589
Warrants		
Balance – beginning of year	28,488	31,065
Transfer to share capital on exercise of warrants	(5,150)	(2,577)
Balance – end of year	23,338	28,488
Deficit		
Balance – beginning of year	(875,807)	(672,258)
Loss for the year attributable to the shareholders of the Company	(153,153)	(203,549)
Balance – end of year	(1,028,960)	(875,807)
Accumulated other comprehensive income (loss)		
Balance – beginning of year	1,452	495
Unrealized gains on available-for-sale investments	(1,468)	994
Future income taxes on unrealized gains	(64)	(37)
Balance – end of year	(80)	1,452
Total shareholders' equity	**223,348**	**313,922**
Non-controlling interest (note 5)		
Balance – beginning of year	297,292	293,247
Contributions by Teck Resources Limited	27,234	12,058
Loss for the year – attributable to the non-controlling interest	(37,094)	(8,013)
Balance – end of year	**287,432**	**297,292**
Total equity	**510,780**	**611,214**

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows
For the years ended November 30, 2011 and 2010

in thousands of Canadian dollars

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Cash flows used in operating activities		
Loss for the year	(190,247)	(203,549)
Items not affecting cash		
Accretion	(1,533)	-
Amortization	2,397	527
Asset impairment		
Equipment (note 8)	8,343	-
Power transmission rights (note 9)	52,668	-
Rock Creek project	-	116,370
Future income recovery	(9,722)	(8,013)
Asset retirement obligation	19,882	-
Equity loss	21,352	20,873
Future income tax expense (recovery)	1,534	(1,161)
Gain on disposition of alluvial gold properties	(16,059)	-
Gain on disposition of equipment	(1,875)	-
Interest and accretion	10,344	10,313
Inventory write down	7,611	7,537
Mineral properties expense	62	1,162
Stock-based compensation	7,699	4,952
Unrealized foreign exchange gain	(3,355)	(3,520)
Net change in non-cash working capital		
Decrease (increase) in GST and other receivables, deposits and prepaid amounts	(104)	121
Increase in inventories	-	(110)
Increase (decrease) in accounts payable and accrued liabilities	9,666	(3,877)
	(81,337)	(58,375)
Cash flows from financing activities		
Proceeds from issuance of common shares – net	614	179,000
Proceeds from non-controlling interest	27,234	12,058
Proceeds from warrant exercise	13,397	6,971
Payroll and withholding tax on issuance of performance share units	-	(2,387)
Repayment of note payable	(23,658)	-
	17,587	195,642
Cash flows used in investing activities		
Proceeds from disposal of land & equipment	8,298	38
Acquisition of Copper Canyon (note 4)	(4,007)	-
Acquisition of property, plant and equipment	(3,573)	(1,029)
Decrease (increase) in reclamation deposits	(66)	64
Expenditures on mineral properties and related deferred costs	(3,557)	(1,064)
Funding contributed to Donlin Gold (note 10)	(22,044)	(21,721)
Purchase of marketable securities	(269)	-
Increase in accounts receivable	-	(12)
Increase in deferred liability	4,030	-
	(21,188)	(23,724)
Increase (decrease) in cash and cash equivalents during the year	(84,938)	113,543
Cash and cash equivalents – beginning of year	151,723	38,180
Cash and cash equivalents – end of year	**66,785**	**151,723**
Supplemental disclosure		
Increase in accounts payable and accrued liabilities and other liabilities related to mineral properties and property, plant and equipment	-	328
Interest received	408	577
Interest paid	5,087	5,330
Non – cash investing activity		
Common shares issued for acquisition of Copper Canyon (note 4)	42,339	-

(See accompanying notes to consolidated financial statements)

Notes to Consolidated Financial Statements

1 Nature of operations

NovaGold Resources Inc. ("NovaGold" or "the Company") is a precious metals company engaged in the exploration and development of mineral properties primarily in North America. The Company has a portfolio of mineral properties located principally in Alaska, U.S.A. and British Columbia, Canada.

The Donlin Gold project (formerly: Donlin Creek project) in Alaska is held by a limited liability company owned equally by wholly-owned subsidiaries of NovaGold and Barrick Gold Corporation ("Barrick"). The Galore Creek project is held by a partnership owned equally by wholly-owned subsidiaries of NovaGold and Teck Resources Limited ("Teck"). The Ambler project in Alaska is 100% owned by NovaCopper Inc., a wholly-owned subsidiary of NovaGold.

2 Accounting policies

Basis of presentation

These consolidated financial statements have been prepared using accounting principles generally accepted in Canada ("Canadian GAAP") and include the accounts of NovaGold Resources Inc. and its subsidiaries, NovaGold Canada Inc., Copper Canyon Resources Inc. ("Copper Canyon"), NovaCopper Inc., Alaska Gold Company LLC ("AGC") and NovaGold Resources Alaska, Inc. All significant intercompany transactions are eliminated on consolidation. In addition, the Company consolidates variable interest entities for which it is determined to be the primary beneficiary. As described in note 21, Canadian GAAP differs in certain material respects from accounting principles generally accepted in the United States.

All figures are in Canadian dollars except where noted.

Revenue recognition

Revenue from land sales is recognized when title passes to the purchaser. Gravel revenue is recognized upon shipment when title passes to the purchaser. Lease and rental revenue is recognized as services are rendered. Gold royalties and incidental gold production revenues earned from third-party placer mining activities carried out on the Company's sand and gravel resource properties are recognized as revenue when the amounts are determinable and collectible and title to the gold has transferred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits and short-term highly liquid investments with an original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value. Interest from cash and cash equivalents is recorded on an accrual basis. Cash equivalents are stated at cost, which approximates fair market value.

Reclamation deposits

Certain cash is held in long-term reclamation bonds with various government entities to support future reclamation work. Interest from reclamation deposits is recorded on an accrual basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortization begins when the asset is substantially put into service. Amortization of heavy machinery and equipment and office furniture and equipment is calculated on a straight-line basis over their estimated useful lives at annual rates ranging between 20% to 33%. Amortization of leasehold improvements is calculated on a straight-line basis over the term of the lease.

Construction costs related to the Galore Creek project are recorded at cost. No amortization is calculated until the assets are substantially put into service. Care and maintenance equipment related to Galore Creek project are recorded at cost and are being amortized over three years on a straight line basis.

Land and gravel resources

Land is recorded at cost and, at the time of acquisition, cost was allocated to each of the identifiable parcels of land on a pro rata basis in accordance with that parcel's estimated value as a percentage of the value of the entire parcel acquired. Cost of sales is determined on the basis of the allocated costs. The costs of the remaining unsold parcels of land are reviewed regularly to determine if impairment exists and, if impairment were determined, the costs would be written down to fair value. To date, there have been no charges for impairment. Property taxes are charged as a current expense in the statement of operations and deficit.

Mineral properties and development costs

The Company expenses mineral property exploration expenditures when incurred. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Impairment of long-lived assets

The Company assesses the possibility of impairment in the net carrying value of its long-lived assets when events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, proven and probable reserves and other mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted future cash flows. Management's estimates of mineral prices, mineral resources, foreign exchange, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset. It is possible that material changes could occur that may adversely affect management's estimates.

Capitalized financing costs

Financing costs, including interest, are capitalized when they arise from indebtedness incurred directly, to finance development and construction activities on properties that are not yet subject to depreciation or depletion. Once commercial production is achieved, financing costs are charged against earnings.

Asset retirement obligation

The Company's asset retirement obligation ("ARO") relates to expected mine reclamation and closure activities. An ARO is recognized initially at fair value with a corresponding increase in related assets. The ARO is accreted to full value over time through periodic accretion charges recorded to operations using the Company's credit-adjusted risk free rate. In subsequent periods, the Company adjusts the carrying amounts of the ARO and the related asset for changes in estimates of the amount or timing of underlying future cash flows.

For the Galore Creek project, the amount of the asset retirement liability initially recognized and any subsequent adjustments are capitalized as part of the asset's carrying value and amortized over the asset's estimated useful life. For the Rock Creek project, the adjustments to the liability are expensed as the project is currently in closure. Asset retirement obligations are only recorded when the timing or amount of remediation costs can be reasonably estimated.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets are evaluated and, if realization is not considered more likely than not, a valuation allowance is provided.

Investment tax credits

The Company is eligible to receive investment tax credits (“ITCs”) related to certain of its mineral property expenditures. The ITCs are accounted for as a reduction in the cost of mineral properties or exploration costs in the period when related expenditures are incurred.

Translation of foreign currencies

Foreign operations are integrated with the parent company, NovaGold, and consequently the financial statements of foreign subsidiaries are translated into Canadian currency, NovaGold’s functional currency, using the temporal method. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, and non-monetary assets and liabilities at the exchange rate in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating the exchange rate in effect at the time of the transactions. Exchange gains or losses arising on translation are included in income or loss for the year.

Loss per share

Loss per common share attributable to shareholders of the Company is calculated based on the weighted average number of common shares outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be antidilutive.

Variable interest entities

The Company accounts for variable interest entities (“VIE”) in accordance with CICA Accounting Guideline 15, “Consolidation of Variable Interest Entities” (“AcG-15”). AcG-15 prescribes the application of consolidation principles for entities that meet the definition of a VIE. An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary, whereby it would absorb the majority of the VIE’s expected losses, receive the majority of its expected residual returns, or both.

Stock-based compensation and warrants

The Company accounts for stock-based payments and warrants at fair value pursuant to CICA Handbook section 3870, which established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. Compensation expense for options granted to employees is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model. The cost is recognized over the vesting period of the respective options and is capitalized to mineral properties and development costs for grants to individuals working directly on advanced mineral projects or expensed to exploration costs on projects in the exploration stage. Warrants issued are recorded at estimated fair values using the Black-Scholes option pricing model. When warrants are issued as part of a unit, the net proceeds are prorated between the fair value of the shares and warrants.

The Company grants employees performance share units (“PSUs”), wherein each PSU entitles the participant to receive that number of common shares of the Company at the end of a specified period set by the Compensation Committee to be determined by the achievement of certain performance and vesting criteria. The performance criteria are based on the Company’s performance relative to a representative group of other mining companies and the TSX index. The number of units that will ultimately vest will be in the range of 0% to 150% of the original grant. The fair value of the PSUs is measured at the grant date using Monte Carlo simulation, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected dividend yield and the risk-free interest rate over the life of the PSU to generate potential outcomes for stock prices which are used to estimate the probability of the PSUs vesting at the end of the performance measurement period. The fair value is recognized in earnings over the related service period.

The Company grants directors deferred share units ("DSUs"), whereby each DSU entitles the directors to receive one common share of the Company when they retire from the Company. The fair value of the DSUs is measured at the date of the grant in amounts ranging from 50% to 100% of directors' annual retainers at the election of the directors. The fair value is recognized in earnings over the related service period.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company classifies and accounts for its financial instruments in the following categories:

The Company's held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available or, where not available, inputs generated by the Company. Changes in fair value of held-for-trading financial instruments are recorded in the Statement of operations and deficit.

The Company's available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in the Statement of comprehensive loss. If a decline in fair value is considered to be other than temporary, the unrealized loss is recognized in net earnings. Investments in equity instruments that do not have an active quoted market price are measured at cost.

The Company's loans and receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

The Company's held-to-maturity reclamation deposits are carried at cost and bear fixed interest rates. The fair value of these deposits approximates their carrying values.

Financial liabilities are accounted for initially at fair value and subsequently at amortized cost using the effective interest method.

Convertible notes

The convertible notes are classified as a liability, less the portion relating to the conversion feature which is classified as a component of equity. As a result, the recorded liability to repay the convertible notes is lower than its face value. The liability was initially recorded at fair value and subsequently at amortized cost using the effective interest rate method; the liability is accreted to the face value over the term of the convertible notes.

Investments subject to significant influence

Investments over which the Company exercises significant influence are accounted for using the equity method. The equity method is a basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value, adjusted thereafter to include the investor's pro rata share of post-acquisition earnings of the investee, as computed by the consolidation method. Profit distributions received or receivable from an investee reduce the carrying value of the investment. The Company's investment in the Donlin Gold project is accounted for under this method.

Notes to Consolidated Financial Statements

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions of future events that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Significant estimates include the basis of impairment of mineral properties, inventory, fair value of stock based compensation, future income taxes and the provision for reclamation costs. Actual results could differ materially from those reported.

New accounting pronouncements

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method and related disclosures. In addition, the CICA issued Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling Interests”, which replaces the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. The Company has adopted these pronouncements at December 1, 2010; the result of this adoption led to the non-controlling interest balance being classified as equity on the consolidated balance sheet and loss attributable to non-controlling interest on the statement of operation and deficit.

3 Transition to International Financial Reporting Standards

Under a pronouncement issued by the Canadian Accounting Standards Board in February 2008, effective for its fiscal year commencing December 1, 2011 the Company will be required to adopt International Financial Reporting Standards (“IFRS”) in replacement of Canadian GAAP, including restatement of amounts reported for comparative purposes. The Company will issue its first IFRS annual consolidated financial statements for the fiscal year ending November 30, 2012, with restatement of comparative balance sheets as at November 30, 2011 and December 1, 2010 and statement of operations and comprehensive loss for the year ended November 30, 2011. During the year ending November 30, 2012, the Company will issue interim consolidated IFRS financial statements prepared in accordance with IAS 34 “Interim Financial Reporting” for the periods ending February 29, 2012, May 31, 2012, and August 31, 2012, with restatement of comparative balance sheets as at November 30, 2011 and December 1, 2010 and statements of operations for the comparative periods presented.

4 Acquisition of Copper Canyon

On May 20, 2011, under a plan of arrangement the Company acquired all of the issued and outstanding common shares of Copper Canyon. Copper Canyon shareholders received common shares of the Company on the basis of 0.0735 of a NovaGold common share and $0.001 in cash for each common share of Copper Canyon. The Company issued 4,171,303 common shares to Copper Canyon shareholders at a price of $10.15 per share, which was the closing price of the Company’s shares on the TSX on the closing date of the transaction and paid the shareholders of Copper Canyon $57,000. As part of the plan of arrangement, the Company also received 702,247 shares of Omineca Mining and Metals Ltd. (“Omineca”) valued at $0.2 million accounted for as part of the working capital in the purchase price allocation below. The Company then acquired 1,023,610 additional shares of Omineca for $0.3 million in a private placement. The investment in Omineca is included in available for sale investments (note 10).

The transaction was accounted for as an asset acquisition which, under Canadian GAAP, requires the tax effects of the difference between the assigned values and their tax bases to be recognized in future income taxes and allocated to the cost of purchase. The excess of consideration over book value acquired amounted to $45.9 million, including a future income tax provision of $15.3 million, and was allocated to the Copper Canyon mineral property as follows:

in thousands of Canadian dollars

	November 30, 2011 $
Issuance of 4,171,303 NovaGold shares	42,339
Cost of subscription of shares in Copper Canyon	2,318
Cash consideration	57
Transaction costs	1,742
Purchase consideration	46,456
The purchase price was allocated as follows:	
Net working capital acquired	480
Mineral properties, rights and development costs (note 9)	61,274
Future income taxes	(15,298)
Net identifiable assets	46,456

5 Galore Creek Partnership

The Company determined that the Galore Creek Partnership is a variable interest entity and consequently uses the principles of Accounting Guideline 15 ("AcG-15") Consolidation of Variable Interest Entities to determine the accounting for its ownership interest. Management concluded that the Company is the primary beneficiary and consolidates the activities of the Galore Creek Partnership.

The Galore Creek Partnership was formed in May 2007, with Teck able to earn a 50% interest in the Galore Creek project by funding approximately $520.0 million in project development costs. The Galore Creek Partnership funding arrangement was amended following the November 2007 decision to suspend construction activities at the project, and again in February 2009. Under the amended agreement, Teck was responsible for funding all costs for the Galore Creek project up to approximately $373.3 million, at which point the partners were responsible to share project costs on a 50/50 basis. Teck completed its sole funding obligation in June 2011. At November 30, 2011, the Galore Creek Partnership had cash of $6.2 million. Total cash contributions to date by Teck at November 30, 2011 were $387.3 million. During the year ended November 30, 2011, Teck contributed $27.2 million to the Galore Creek Partnership; its share of expenses was $18.1 million and its share of impairment costs was $13.8 million for a total of $31.9 million.

Following the completion of Teck's earn-in, the Company and Teck have been equally funding all costs for the Galore Creek project Since July 2011. Management identified Teck's funding completion as a reconsideration event under AcG-15. Management assessed that the Company remains the primary beneficiary as its overall contribution to the project is greater than Teck and since the Company is entitled to receive preferential royalties upon the project reaching certain targets thus the Company continues to consolidate the activities of the Galore Creek Partnership under Canadian GAAP.

6 Note receivable

On March 14, 2011, the Company divested its patented alluvial gold mining claims near Nome, Alaska, held by AGC, for a purchase price of US$21.0 million to be paid in three installments over two years. A total of US$14.0 million is due in 2012. The Company was to be provided with a letter of credit for US$4.0 million as an environmental reclamation bond which was revised on July 25, 2011 to a cash payment in lieu to the Company. The Company used a weighted average cost of capital at 20.0% to discount the 2012 payment. As of November 30, 2010, the Company recorded a discounted value of $13.3 million in note receivable.

Notes to Consolidated Financial Statements

7 Inventories

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Gold	522	519
Supplies (a)	-	7,601
Total inventories	**522**	**8,120**

(a) Management reviewed the valuation of its supplies inventory to the lower of cost and net realizable value ("NRV") and recorded a $6.9 million write down net of proceeds from dispositions to reflect the decrease to the NRV. This write down is due to the decision to initiate closure of the Rock Creek mine (note 12).

8 Property, plant and equipment

in thousands of Canadian dollars

				November 30, 2011
	Cost $	Accumulated amortization $	Impairment (b) $	Net $
Alaska, USA				
Equipment - Ambler	1,345	(272)	-	1,073
British Columbia, Canada				
Construction costs – Galore Creek (a)	308,762	-	-	308,762
Equipment – Galore Creek (b)	38,878	(2,004)	(8,343)	28,531
Office furniture and equipment	2,618	(1,622)	-	996
Leasehold improvements	628	(391)	-	237
	352,231	**(4,289)**	**(8,343)**	**339,599**

in thousands of Canadian dollars

				November 30, 2010
	Cost $	Accumulated amortization $	Impairment (b) $	Net $
Alaska, USA				
Construction costs – Rock Creek	90,519	-	(90,519)	-
Mining and milling equipment – Rock Creek	15,342	-	(15,342)	-
Heavy machinery and equipment – Rock Creek	1,680	(570)	(1,110)	-
Building	297	(161)	(136)	-
British Columbia, Canada				
Construction costs – Galore Creek (a)	306,650	-	-	306,650
Equipment – Galore Creek (b)	38,878	-	-	38,878
Office furniture and equipment	2,506	(1,505)	-	1,001
Leasehold improvements	575	(327)	-	248
	456,447	**(2,563)**	**(107,107)**	**346,777**

(a) Construction costs had not yet been placed in productive activity, and accordingly were not depreciated.

(b) The Company reassessed the value of the equipment and recorded an impairment charge for the year of $8.3 million in accordance with CICA Handbook Section 3063, "Impairment of Long-lived Assets".

Notes to Consolidated Financial Statements

9 Mineral properties, rights and development costs

in thousands of Canadian dollars

	November 30, 2010 $	Expenditures (Amortization) $	Impairment $	November 30, 2011 $
Alaska, USA				
Ambler	27,437	4,020	-	31,457
British Columbia, Canada				
Copper Canyon (note 4)	-	60,464	-	60,464
Galore Creek	185,855	334	-	186,189
Power transmission rights (a)	53,002	(334)	(52,668)	-
Argentina				
San Roque	114	396	-	510
	266,408	**64,880**	**(52,668)**	**278,620**

in thousands of Canadian dollars

	November 30, 2009 $	Expenditures (Amortization) $	Impairment $	November 30, 2010 $
Alaska, USA				
Ambler	-	27,437	-	27,437
Rock Creek	8,395	868	(9,263)	-
British Columbia, Canada				
Galore Creek	184,400	1,455	-	185,855
Power transmission rights (a)	54,335	(1,333)	-	53,002
Argentina				
San Roque	-	114	-	114
	247,130	**28,541**	**(9,263)**	**266,408**

(a) In May 2006, NovaGold acquired Coast Mountain Power Corp. and all of its assets, which included the power transmission rights to build a 138kV power line from Meziadin Junction to Bob Quinn to bring power to the Galore Creek project. In 2010, the Canadian Federal and British Columbia Provincial Governments announced their intention to build a high-capacity 287-kV transmission line ("NTL") in northwestern British Columbia that would follow roughly the same route from Meziadin Junction to Bob Quinn. The NTL received Provincial environmental assessment approval in February 2011 and Federal approval in May 2011. As a result, the Company will not need to build its own transmission line to bring power to the Galore Creek project, and management has accordingly impaired the full value of the 138 kV power transmission rights of $52.7 million and recorded a related future income tax recovery of $9.7 million and a corresponding offset to non-controlling interest for the impairment in the amount of $13.8 million.

10 Investments

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Available-for-sale investments (a)	4,525	5,665
Investments accounted for under the equity method		
Donlin Gold LLC (b)	2,388	1,697
Total investments	**6,913**	**7,362**

The investment in Donlin Gold LLC is accounted for using the equity method as follows:

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Balance – beginning of year	1,697	849
Funding contributed	22,044	21,721
Equity pick-up of share of loss	(21,353)	(20,873)
Balance – end of year	**2,388**	**1,697**

(a) Investments classified as available-for-sale are recorded at fair value based on quoted market prices, with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. The total cost as at November 30, 2011 was $4.1 million (2010: $4.2 million) and total unrealized holding gain for the year ended November 30, 2011 was $0.2 million (2010: $1.0 million). The balance includes 3,125,000 shares in TintinaGold Resources Inc. (cost: $1.4 million; fair value at November 30, 2011: $1.8 million) and 3,125,000 shares in AsiaBaseMetals Inc. (cost: $0.2 million; fair value at November 30, 2011: $0.7 million), both companies have a director and a major shareholder in common with NovaGold.

(b) On December 1, 2007, together with Barrick, the Company formed a limited liability company (“Donlin Gold LLC”) to advance the Donlin Gold project in Alaska. Donlin Gold LLC has a board of four directors, with two nominees selected by each company. All significant decisions related to Donlin Gold require the approval of both companies. As part of the Donlin Gold LLC agreement, the Company agreed to reimburse Barrick over time approximately US$64.3 million, representing 50% of Barrick’s approximately US$128.6 million in expenditures at the Donlin Gold project from April 1, 2006 to November 30, 2007. Reimbursement has been partially made by the Company paying US$12.7 million of Barrick’s share of project development costs during 2008. A promissory note for the remaining US$51.6 million plus interest at a rate of U.S. prime plus 2% will be paid out of future mine production cash flow. The Company has recorded $14.4 million in accrued interest since the inception of the promissory note. As of November 30, 2011, the Company recorded $66.0 million in promissory note and $3.2 million in interest expense related to this promissory note for the year. Interest on this long-term debt is expensed. Both parties are currently sharing development costs on a 50/50 basis.

The Company determined that the Donlin Gold LLC is a variable interest entity and consequently used the principles of AcG-15 Consolidation of Variable Interest Entities to determine the accounting for its 50% ownership interest. Management concluded that the Company is not the primary beneficiary and has accounted for its investment in the Donlin Gold LLC using the equity method of accounting.

11 Convertible notes

On March 26, 2008, the Company issued US$95.0 million ($96.7 million) in 5.5% unsecured senior convertible notes (“Notes”) maturing on May 1, 2015, and incurred a 3.0% underwriter’s fee and other expenses aggregating US$2.9 million ($3.5 million), for net proceeds of US$ 92.2 million ($93.2 million). Interest is payable semi-annually in arrears on May 1 and November 1 of each year, beginning November 1, 2008. The Notes are convertible into the Company’s common shares at a fixed conversion rate of US$10.61 per common share. A total of 8,952,971 common shares are issuable upon conversion and additional shares may become issuable following the occurrence of certain corporate acts or events. On conversion, at the Company’s election, holders of the Notes will receive cash, if applicable, or a combination of cash and shares. Holders of the Notes will have the right to require the Company to repurchase all or part of their Notes on May 1, 2013, or upon certain fundamental corporate changes, at a price equal to 100% of the principal amount of such Notes plus any accrued and unpaid interest.

The Notes are classified as a liability, less the portion relating to the conversion feature ($43.4 million) which is classified as a component of shareholders’ equity. As a result, the recorded liability to repay the Notes is lower than its face value. Using the effective interest rate method and the 17.78% rate implicit in the calculation, the difference of $43.4 million, characterized as the note discount, is being charged to interest expense and accreted to the liability over the term of the Notes.

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Beginning balance	61,882	58,553
Accretion of debt discount for the year	5,717	4,975
Foreign exchange revaluation	(196)	(1,646)
Convertible notes liability	**67,402**	**61,882**
Conversion right	44,992	44,992
Financing costs allocated to equity component	(1,640)	(1,640)
Equity component of convertible notes	**43,352**	**43,352**

12 Asset retirement obligation

Although the ultimate amount of the reclamation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated retirement obligation is $42.8 million, which has not been discounted due to the uncertainty of the timing of the reclamation activities as a result of the suspension of the Rock Creek and Galore Creek projects. Significant reclamation and closure activities include land rehabilitation, decommissioning of roads, bridges, buildings and mine facilities, and other costs.

Changes to the asset retirement obligation balance during the year are as follows.

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Asset retirement obligation – beginning of year	23,857	21,590
Revision in estimates and liabilities incurred (a)	19,876	2,267
Reclamation expenditures	(887)	-
Balance – end of year	42,846	23,857
Less current portion of asset retirement obligation	(26,574)	(7,890)
Long-term portion of asset retirement obligation	**16,272**	**15,967**

(a) In August 2011, the Company approved plans to initiate permanent closure and reclamation of the Rock Creek project. The Company has evaluated the required closure activities and its associated costs and had increased the Rock Creek reclamation liability by $19.9 million.

The retirement obligation allocated by projects is as follows.

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Galore Creek	13,670	13,670
Rock Creek	27,826	8,415
Nome Gold	1,350	1,772
	42,846	**23,857**

These reclamation liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations.

As required by regulatory authorities, at November 30, 2011, the Company had cash reclamation deposits totaling $13.1 million (2010: $13.1 million) comprising the following.

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Galore Creek	6,124	6,059
Rock Creek	6,984	7,027
	13,108	**13,086**

Galore Creek's reclamation deposit is supplemented with an additional $6.1 million letter of credit guaranteed by Teck.

These deposits are invested in government bonds and treasury bills and bear interest at rates ranging from 0.2% to 1.75% per annum.

13 Deferred liability

On July 25, 2011, the Company received a US$4.0 million cash payment in lieu of receiving a US$4.0 million letter of credit as an environmental reclamation bond required under the arrangement of the Company's sale of its patented alluvial gold mining claims near Nome, Alaska (note 6). The US$4.0 million cash payment was recorded as a deferred liability, this balance may be used to pay a portion of the last installment or in the case of default the Company will utilize the US$4.0 million for reclamation activities arising from the buyer's operation land disturbance.

14 Share capital

Authorized
1,000,000,000 common shares, no par value
10,000,000 preferred shares issuable in one or more series

in thousands of Canadian dollars

	November 30, 2011		November 30, 2010	
	Number of shares (thousands)	Ascribed value $	Number of shares (thousands)	Ascribed value $
Balance – beginning of year	225,992	1,077,220	187,133	878,086
Issued period to date				
For cash pursuant to private placement	-	-	31,818	179,000
For cash and fair value pursuant to stock option agreements	887	2,995	1,280	3,991
For cash and fair value pursuant to purchase share unit agreements	-	-	365	1,426
For cash and fair value pursuant to warrant agreements	8,925	18,545	4,465	9,549
Pursuant to mineral property acquisition agreements (note 4)	4,171	42,339	931	5,168
Balance – end of year	**239,975**	**1,141,099**	**225,992**	**1,077,220**
Shares held by a wholly-owned subsidiary eliminated on consolidation	9	-	9	-
Total issued and outstanding	**239,984**	**1,141,099**	**226,001**	**1,077,220**

(a) Issuance of common shares

In May 2011, the Company issued 4,171,303 shares with a fair value of $42.3 million as consideration for the acquisition of Copper Canyon Resources Inc.

(b) Stock options

The Company has a stock option plan providing for the issuance of options at a rolling maximum number that shall not be greater than 10% of the issued and outstanding common shares of the Company at any given time. The Company may grant options to its directors, officers, employees and service providers. The exercise price of each option cannot be lower than the market price of the shares at the date of the option grant. The number of shares optioned to any single optionee may not exceed 5% of the issued and outstanding shares at the date of grant. The options are exercisable for a maximum of five years from the date of grant, and may be subject to vesting provisions. The Company recognizes compensation cost on a straight-line basis over the respective vesting period for the stock options.

For the year ended, November 30, 2011, the Company granted 1,279,700 (2010: 1,537,100) stock options at a weighted average fair value of $13.91 (2010: $7.33) and recognized a stock-based compensation charge against income of $5.6 million (2010: $3.7 million) for options granted to directors, employees and consultants in accordance with CICA 3870, net of forfeitures. As of November 30, 2011, there were 1,339,463 non-vested options outstanding with a weighted average exercise price of $10.97. The non-vested stock option and PSU expense not yet recognized was $1.9 million (2010: $2.7 million); this expense is expected to be recognized over the next 13 months.

The fair value of the stock options recognized in the consolidated statements of operations and deficit has been estimated using an option pricing model. Assumptions used in the pricing model for each year are provided below.

	Year ended November 30, 2011	Year ended November 30, 2010
Average risk-free interest rate	1.05% – 2.11%	1.22% – 1.84%
Expected life	2.50 – 3.50 years	1.00 – 2.50 years
Expected volatility	70% - 81%	57% – 87%
Expected dividends	Nil	Nil

The Black-Scholes and other option pricing models require the input of highly subjective assumptions. The expected life of the options considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise and the vesting period of the grants. Volatility was estimated based upon historical price observations over the expected term.

A summary of the Company's stock option plan and changes during the years ended is as follows.

	November 30, 2011		November 30, 2010	
	Number of options (thousands)	Weighted average exercise price $	Number of options (thousands)	Weighted average exercise price $
Balance – beginning of year	11,338	6.09	13,069	5.62
Granted	1,280	13.91	1,537	7.33
Exercised	(1,475)	4.61	(2,434)	4.32
Forfeited	(294)	11.69	(834)	6.22
Balance – end of year	**10,849**	**7.06**	**11,338**	**6.09**

The following table summarizes information about the stock options outstanding at November 30, 2011.

	Stock options - issued and outstanding			Stock options - exercisable	
Range of price	Number of outstanding options (thousands)	Weighted average years to expiry	Weighted average exercise price $	Number of exercisable options (thousands)	Weighted average exercise price $
$ 0.62 to $ 1.99	296	1.85	1.01	296	1.01
$ 2.00 to $ 3.99	2,074	1.85	2.76	2,074	2.76
$ 4.00 to $ 5.99	3,142	2.35	5.19	3,132	5.19
$ 6.00 to $ 7.99	2,055	3.26	6.70	1,834	6.71
$ 8.00 to $ 9.99	1,141	4.49	8.59	741	8.79
$10.00 to $11.99	20	4.49	11.10	-	-
$12.00 to $13.99	355	4.28	13.24	95	13.52
$14.00 to $15.99	1,596	4.11	14.39	1,167	14.33
$16.00 to $17.99	150	5.55	16.34	150	16.34
$18.00 to $19.78	20	4.85	19.76	20	19.76
	10,849	**3.01**	**7.06**	**9,509**	**6.51**

The aggregate intrinsic value of vested share options (the market value less the exercise value) at November 30, 2011 was $8.1 million (2010: $24.2 million) and the aggregate intrinsic value of exercised options in 2011 was $9.6 million (2010: $12.7 million).

(c) Performance share units

The Company has a Performance Share Unit ("PSU") plan that provides for the issuance of PSUs in amounts as approved by the Company's Compensation Committee. Each PSU entitles the participant to receive that number of common shares of the Company at the end of a specified period set by the Compensation Committee to be determined by the achievement of certain performance and vesting criteria. The performance criteria are based on the Company's performance relative to a representative group of other mining companies and the TSX index. The actual performance against each of these criteria generates a multiplier that varies from 0% to 150%. Thus, the shares that may be issued vary between 0% and 150% of the number of PSUs granted, as reduced by the amounts for recipients no longer at the Company on vesting date.

For the year ended November 30, 2011, the Company recognized a stock-based compensation charge against income of $2.0 million (2010: $1.4 million) for PSUs vested to employees in accordance with CICA 3870, net of forfeitures.

(d) Deferred share units

The Company has a deferred share unit ("DSU") plan that provides for the issuance of DSUs in amounts ranging from 50% to 100% of directors' annual retainers at the election of the directors. Each DSU entitles the directors to receive one common share when they retire from the Company.

For the year ended November 30, 2011, the Company recognized a stock-based compensation charge against income of $0.1 million (2010: $0.1 million) for the 11,814 DSUs granted to directors during the year.

(e) Warrants

In December 2010, 7.1 million warrants were exercised for total proceeds of $10.7 million. In January 2011, an agreement was entered into between the Company and the holder of 37.1 million warrants to amend the currency that the exercise price is denominated in from U.S. dollars to Canadian dollars. The exercise price was amended from US$1.50 to $1.479 at the prevailing spot rate on the date of the agreement. The terms of the remaining 5.1 million warrants were unchanged.

In April and May 2011, 450,000 warrants were exercised for total proceeds of $0.7 million. In June and August 2011, 1,235,000 warrants were exercised for total proceeds of $1.8 million. In November 2011, 140,000 warrants were exercised for total proceeds of $0.2 million.

A summary of the Company's share purchase warrants and the changes for the years ended is presented below.

	November 30, 2011		November 30, 2010	
	Number of warrants (thousands)	Weighted average exercise price $	Number of warrants (thousands)	Weighted average exercise price $
Balance – beginning of year	49,345	1.65	53,810	1.65
Exercised	(8,925)	1.48	(4,465)	1.56
Balance – end of year	**40,420**	**1.49**	**49,345**	**1.65**

A summary of the Company's share purchase warrants outstanding at November 30, 2011 is presented below.

Prices	Warrants outstanding and exercisable (thousands)	Weighted average exercise price $	Weighted average remaining contractual life (years)
US$ 1.50	5,145	1.53	1.17
$1.48	35,275	1.48	1.17
	40,420	**1.49**	**1.17**

15 Related party transactions

The Company has market-based agreements to provide certain services to TintinaGold Resources Inc. ("TintinaGold") and Alexco Resource Corp. ("Alexco"). During 2011, the services provided were $0.03 million (2010: $0.1 million) to TintinaGold, a related party having one director and a major shareholder in common with the Company; and $0.02 million (2010: $0.03 million) to Alexco, a related party having two directors in common with the Company. The Company also provided exploration and management services totaling US$0.6 million (2010: US$0.9 million) to the Donlin Gold LLC. These transactions were in the normal course of business and are measured at the exchange amount, which is the amount agreed to by the parties. At November 30, 2011, the Company had $0.05 million (2010: $0.2 million) receivable from related parties.

16 Commitments

Lease commitments

The Company is party to certain operating leases. These operating leases include the Company's leased head office location and certain office equipment with commitments ranging from one to ten years. The future minimum lease payments as at November 30, 2011 are approximately as follows.

in thousands of Canadian dollars

	November 30, 2011 $
2012	629
2013	571
2014	580
2015	662
2016	776
Thereafter	582
Total	**3,800**

17 Management of capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity and convertible notes. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt or acquire or dispose of assets.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

18 Financial instruments

The Company's activities expose it to a variety of risks arising from financial instruments. These risks and management's objectives, policies and procedures for managing these risks are disclosed as follows.

The following provides a comparison of carrying and fair values of each classification of financial instrument as at November 30, 2011.

in thousands of Canadian dollars

	Loans and receivables	Available for sale	Held for trading	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	66,785	-	-	-	66,785	66,785
Accounts and note receivable	14,961	-	-	-	14,961	14,961
Investments						
At cost (a)	-	500	-	-	500	N/A
At fair value	-	4,025	-	-	4,025	4,025
Reclamation deposits	13,108	-	-	-	13,108	13,108
Long-term accounts receivable	17	-	-	-	17	17
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	19,773	19,773	19,773
Other notes payable	-	-	-	4,030	4,030	4,030
Promissory note (b)	-	-	-	65,979	65,979	65,979
Convertible debt (c)	-	-	-	67,402	67,402	143,220

The following provides a comparison of carrying and fair values of each classification of financial instrument as at November 30, 2010.

in thousands of Canadian dollars

	Loans and receivables	Available for sale	Held for trading	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	151,723	-	-	-	151,723	151,723
Accounts and short-term receivable	469	-	-	-	469	469
Investments						
At cost (a)	-	500	-	-	500	N/A
At fair value	-	5,165	-	-	5,165	5,165
Reclamation deposits	13,086	-	-	-	13,086	13,086
Long-term accounts receivable	49	-	-	-	49	49
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	9,654	9,654	9,654
Other notes payable	-	-	-	23,638	23,638	23,638
Promissory note (b)	-	-	-	63,034	63,034	63,034
Convertible debt (c)	-	-	-	61,882	61,882	165,304

(a) The investments held at cost are not publicly traded and thus the fair value of the investments is not readily determinable.
(b) The fair value of the promissory note payable to Barrick approximates its carrying value due to the floating interest rate.
(c) The carrying value of the convertible debt is a split instrument between equity and liabilities. The fair value represents the value payable under the debt instrument.

The Company uses the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. The financial instruments from the above schedule are classified as follows:

Level 1 – Quoted prices in active markets for identical assets: investments.
Level 2 – Observable inputs without significant adjustments: cash and cash equivalents.
Level 3 – Significant unobservable inputs: reclamation deposits, investments – at cost, other liabilities, promissory notes and convertible debt.

Financial risk management

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

(a) Currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position or cash flows.

The Company has not hedged its exposure to currency fluctuations. At November 30, 2011, the Company is exposed to currency risk through the following assets and liabilities.

in thousands of U.S. dollars

	November 30, 2011 US$	November 30, 2010 US$
Cash and cash equivalents	55,204	125,164
Accounts receivables	13,200	148
Reclamation deposits	6,845	6,845
Accounts payable and accrued liabilities	(6,008)	(4,718)
Promissory note	(64,666)	(61,401)
Convertible notes	(66,061)	(60,278)
Deferred liability	(3,950)	(23,026)

Based on the above net exposures as at November 30, 2011, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $6.5 million in the Company's net earnings before tax.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash equivalents and short-term investments are held through large Canadian financial institutions. Short-term and long-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period. The Company's HST and other receivables consist of general sales tax due from the Federal Government of Canada and amounts due from related parties.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 17 to the consolidated financial statements.
Contractual obligated cash flow requirements as at November 30, 2011 are as follows.

in thousands of Canadian dollars, unless otherwise specified

	Total $	< 1 Year $	1–2 Years $	2–3 Years $	3–4 Years $	4–5 Years $	Thereafter $
Accounts payable	19,773	19,773	-	-	-	-	-
Operating leases	3,800	629	571	580	662	776	582
Capital leases	369	369	-	-	-	-	-
Asset retirement obligations	42,846	26,574	2,602	-	-	-	13,670
Convertible notes – interest (i)	US$18,288	US$5,225	US$5,225	US$5,225	US$2,613	-	-
Convertible notes – holders option (i)	US$95,000	-	-	-	US$95,000	-	-
Promissory note	US$51,576	-	-	-	-	-	US$51,576

(i) The Notes mature on May 1, 2015. The holders of the Notes have the right to require the Company to repurchase all or part of their Notes on May 1, 2013 and upon certain fundamental corporate changes at a price equal to 100% of the principal amount of such Notes plus any accrued and unpaid interest.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments, although available-for-sale, are generally held to maturity. In respect of financial liabilities, the convertible notes and capital leases are not subject to interest rate risk because they are at fixed rates. The promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as at November 30, 2011, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of $0.6 million in the interest accrued by the Company per annum.

(e) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. The Company does not have any hedging or other commodity-based risks respecting its operations.

19 Income taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Combined federal and provincial statutory tax rate	26.67%	28.62%
Income taxes recovery at statutory rate	(52,685)	(58,549)
Loss expiry	-	411
Share issuance and financing costs	-	(143)
Foreign exchange on future income tax balance	12,938	6,872
Difference in foreign tax rates	906	(21,508)
Valuation allowance	51,204	67,653
Non-deductible expenditures	41,070	3,509
Effect of statutory tax rate change	1,293	747
Ambler Reorganization	(63,785)	-
Others	1,763	(153)
Income tax recovery	(7,296)	(1,161)
Income tax recovery – power transmission rights (note 9)	(9,722)	-
Income tax expense (recovery)	2,426	(1,161)
	(7,296)	(1,161)

Future income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of future income tax assets and liabilities at November 30, 2011 and 2010 are as follows:

in thousands of Canadian dollars

	November 30, 2011 $	November 30, 2010 $
Future income tax assets		
Non-capital losses	110,081	86,757
Mineral property interest	50,769	45,890
Property, plant and equipment	94,315	102,213
Non-controlling interest	71,859	74,323
Asset retirement obligations	15,063	6,606
Share issuance costs	604	1,651
Capital loss carry forwards	31,804	5,381
Other deductible temporary differences	9,300	17,392
Total future tax assets	383,795	340,213
Valuation allowance	(305,300)	(254,050)
Net future income tax assets	78,495	86,163
Future income tax liabilities		
Property, plant and equipment	55,550	57,614
Mineral property, rights and development costs	37,006	34,975
Other taxable temporary differences	301	767
Future income tax liabilities	92,857	93,356
Net future income tax liabilities	14,362	7,193

Future tax assets have been recognized to the extent of future taxable income and the future taxable amounts related to taxable temporary differences for which a future tax liability is recognized can be offset. A valuation allowance has been provided against future income tax assets where it is not more likely than not that the Company will realize those benefits.

Notes to Consolidated Financial Statements

The Company has loss carry-forwards of approximately C$128.8 million and US$189.7 million that may be available for tax purposes. The losses are in the following countries and expire as follows:

in thousands of dollars

	Non-capital losses Canada $	Operating losses United States US$
2012	-	915
2013	-	-
2014	7,433	-
2015	18,802	-
2016	-	-
Thereafter	102,540	188,823
	128,775	189,738

Future use of these U.S. loss carry-forwards is subject to certain limitations under provisions of the Internal Revenue Code including limitations subject to Section 382, which relates to a 50% change in control over a three-year period, and are further dependent upon the Company attaining profitable operations.

An ownership change under Section 382 occurred on March 31, 2009 regarding the losses incurred by AGC and NovaGold Resources Alaska, Inc. Therefore, approximately US$80.5 million of the U.S. losses above are subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited.

An additional change in control may occurred after November 30, 2011 which may further limit the availability of losses prior to the date of change in control.

20 Segmented information

The Company has six reportable segments based on its exploration and development projects. The corporate segment includes all of our corporate growth activities and groups that provide administrative, technical, financial and other support to all of our business units. The Company's segments are summarized in the following tables:

in thousands of Canadian dollars

								November 30, 2011
	Galore Creek $	Copper Canyon $	Ambler $	San Roque $	Rock Creek $	Donlin Gold $	Corporate & Other $	Total $
Assets								
Cash and cash equivalents	6,214	76	1	635	694	-	59,165	66,785
Accounts receivable, note receivable & prepaids	1,140	34	98	364	13,814	-	1,268	16,718
Account Receivable – LT	-	-	-	-	17	-	-	17
Inventories	-	-	-	-	522	-	-	522
Land	-	-	-	-	191	-	-	191
Property, plant & equipment	336,798	-	1,100	-	16	-	1,685	339,599
Mineral properties	186,190	60,464	31,456	510	-	-	-	278,620
Investments	-	118	-	-	-	-	6,795	6,913
Investment tax credits	-	-	-	-	-	-	3,221	3,221
Reclamation deposits	4,208	-	-	-	6,983	-	1,917	13,108
Total assets	**534,550**	**60,692**	**32,655**	**1,509**	**22,237**	**-**	**74,051**	**725,694**
Impairment charges:								
Equipment	8,343	-	-	-	-	-	-	8,343
Transmission rights	62,011	-	-	-	-	-	-	62,011
Care & maintenance expense	8,822	-	-	-	12,471	-	-	21,293
Loss from equity pick-up (Mineral property charge)	-	-	-	-	-	21,352	-	21,352
Mineral property expense	27,918	-	8,666	2,692	245	321	-	39,842
Net income (loss) attributable to the shareholders of the Company	**(63,305)**	**(310)**	**(338)**	**(3,044)**	**(38,131)**	**(21,352)**	**(26,673)**	**(153,153)**

in thousands of Canadian dollars

								November 30, 2010
	Galore Creek $	**Copper Canyon $**	**Ambler $**	**San Roque $**	**Rock Creek $**	**Donlin Gold $**	**Corporate & Other $**	**Total $**
Assets								
Cash and cash equivalents	1,566	-	-	4	886	-	149,267	151,723
Accounts receivable, note receivable & prepaids	709	-	-	1	654	-	1,611	2,975
Account Receivable – LT	-	-	-	-	49	-	93	142
Inventories	-	-	-	-	8,120	-	-	8,120
Land	-	-	-	-	1,876	-	-	1,876
Property, plant & equipment	345,053	-	-	-	75	-	1,649	346,777
Mineral properties	238,858	-	27,437	113	-	-	-	266,408
Investments	-	-	-	-	-	-	7,362	7,362
Investment tax credits	-	-	-	-	-	-	3,271	3,271
Reclamation deposits	4,142	-	-	-	7,027	-	1,917	13,086
Total assets	**590,328**	**-**	**27,437**	**118**	**18,687**	**-**	**165,170**	**801,740**
Impairment charge	-	-	-	-	116,370	-	-	116,370
Care & maintenance expense	7,383	-	-	-	18,405	-	-	25,788
Loss from equity pick-up (Mineral property charge)	-	-	-	-	-	20,873	-	20,873
Mineral property expense	8,731	-	-	68	3,767	-	157	12,723
Net loss attributable to the shareholders of the Company	**(16,025)**	**-**	**-**	**(113)**	**(150,253)**	**(20,873)**	**(16,285)**	**(203,549)**

21 Significant differences from United States accounting principles

These consolidated financial statements have been prepared in accordance with Canadian GAAP which varies in certain significant respects from the principles and practices generally accepted in the United States ("U.S. GAAP"). The effect of the principal measurement differences on the Company's consolidated financial statements is quantified below and described in the accompanying notes.

Notes to Consolidated Financial Statements

in thousands of Canadian dollars, except for per share and share amounts

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Loss for the year reported under Canadian GAAP	(190,247)	(211,562)
Recovery of non-controlling interest's expenses (a)	17,705	-
Gain realized on the fair value of Galore Creek (a)	111,432	-
Interest and accretion expense (b)	158	53
Foreign exchange gain (b) (c)	24,571	11,571
Future income tax recovery (expense) (f)	(999)	(1,162)
Gain (Loss) in embedded derivatives (b)	15,290	(64,431)
Gain (Loss) in derivative (c)	30,322	(434,669)
Asset impairment	-	30,483
Effect of U.S. GAAP adjustments – current year income (loss)	**198,479**	**(458,155)**
Net income (loss) for the year under U.S. GAAP	**8,232**	**(669,717)**
Net income (loss) per common share – U.S. GAAP		
Basic	0.03	(3.14)
Diluted	0.03	(3.14)
Shareholders' equity reported under Canadian GAAP	**510,780**	**611,214**
Current year U.S. GAAP adjustments		
Effect of U.S. GAAP adjustments – income (loss)	198,479	(458,155)
Non-controlling interest eliminated on deconsolidation of Galore Creek (a)	(290,302)	-
Eliminate contribution from non-controlling interest (a)	(14,835)	-
Increase in equity due to exercise of U.S. denominated warrants and re-denomination of warrants into the functional currency of the Company (c)	552,536	-
Prior year's cumulative U.S. GAAP adjustments		
Cumulative loss in derivatives – prior year (c)	(666,768)	(242,321)
Cumulative gain (loss) in embedded derivatives – prior year (b)	(48,193)	14,836
Equity component of bridge loan – prior year (g)	(3,883)	(3,883)
Equity component of convertible notes – prior year (b)	(43,352)	(43,352)
Future income taxes – prior year (f)	64	(589)
Interest and accretion expense – prior year(b)	3,200	3,200
Share capital – prior year (c)	11,810	11,810
Development costs – prior year	(43,229)	(73,712)
Shareholders' equity (deficiency) under U.S. GAAP	**166,307**	**(180,952)**
Total assets reported under Canadian GAAP	**725,694**	**801,740**
Current year U.S. GAAP adjustments		
Deconsolidation of Galore Creek's assets (a)	(199,873)	-
Decrease in deferred financing costs (d)	1,059	1,318
Decrease in investment – interest capitalization (e)	2,295	3,527
Prior year's cumulative U.S. GAAP adjustment		
Development costs – prior year	(52,173)	(52,173)
Total assets under U.S. GAAP	**477,002**	**754,412**
Total liabilities reported under Canadian GAAP	**214,914**	**190,526**
Current year U.S. GAAP adjustments		
Deconsolidation of Galore Creek's liabilities (a)	(25,365)	-
Decrease in convertible notes (b)	2,569	2,725
Increase in future income taxes (f)	935	-
Increase in liabilities in embedded derivatives (b)	73,567	90,465
Exercise of U.S. denominated warrants and conversion - USD denominated warrants to CAD denominated warrants (c)	(575,501)	-
Increase (decrease) in liabilities in derivatives	(30,322)	658,841
Prior year's cumulative U.S. GAAP adjustment		
Future income taxes – prior year (f)	(8,944)	(7,193)
Increase in liabilities in derivatives – prior year (c)	658,841	-
Total liabilities under U.S. GAAP	**310,695**	**935,364**

Notes to Consolidated Financial Statements

in thousands of Canadian dollars

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Net income (loss) for the year before other comprehensive income – U.S. GAAP	**8,232**	**(669,717)**
Unrealized gain (loss) on available-for-sale investments	(1,468)	994
Future income tax expense	(64)	(37)
Comprehensive income (loss) for the year – U.S. GAAP	**6,700**	**(668,760)**

in thousands of Canadian dollars

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Cash flows from operating activities under Canadian GAAP	**(81,337)**	**(58,375)**
Deconsolidation of Galore Creek (a)	22,137	-
Cash flows from operating activities U.S. GAAP	**(59,200)**	**(58,375)**
Cash flows from financing activities under Canadian	**17,587**	**195,642**
Deconsolidation of Galore Creek (a)	(14,835)	-
Cash flows from financing activities under U.S. GAAP	**2,752**	**195,642**
Cash flows from investing activities under Canadian GAAP	**(21,188)**	**(23,724)**
Deconsolidation of Galore Creek (a)	(11,949)	-
Cash flows from investing activities under U.S. GAAP	**(33,157)**	**(23,724)**

Measurement differences

A description of the material measurement differences between Canadian GAAP and U.S. GAAP is as follows.

(a) Variable Interest Entities

Under Canadian GAAP, the Company consolidates its interest in the Galore Creek Partnership ("Partnership"). The Company accounts for its interest using the principles of AcG 15 "Consolidation of Variable Interest Entities" as it had concluded to be the primary beneficiary of the Partnership. The Partnership was formed in May 2007, with Teck earning a 50% interest in the Galore Creek project upon completion of its funding commitment of $373.3 million in June 2011, Teck completed its funding commitment to the Partnership thereby achieving its 50% ownership ("the reconsideration event"). Starting July 2011, the partners funded the project costs on a 50/50 basis.

Under SFAS No. 167 amendments to FIN 146(R), effective November 15, 2009, upon a reconsideration event, an entity is required to reassess whether an entity is a VIE when the holders of the entity loses power to direct the activities that most significantly impact the entity's economic performance. The reconsideration event resulted in a loss of the Company's primary beneficiary status under US GAAP, upon Teck completing their earn-in obligations under the partnership agreement. Prior to the completion of earn-in, if Teck had failed to the meet their obligations, the Company would have had the power to exercise control. Following the reconsideration event, the Company and Teck share joint control of the partnership. All future costs are funded equally between the partners. Under Topic 323-30, the Company determined the fair value of the Partnership at the reconsideration date and deconsolidated the Galore Creek partnership and equity accounted for its share of the investment. As a result, for U.S. GAAP purposes, the Company recognized a gain of $111.4 million from the fair value of the investment of Galore Creek project, a recovery of $17.7 million upon derecognizing the non-controlling interest's share of operating costs after the date of the deconsolidation of the Galore Creek partnership and the de-recognition of contributions made by Teck to the Galore Creek partnership after the date of the deconsolidation of $14.8 million. The Company also deconsolidated Galore Creek's assets and liabilities and recorded the investment in the Galore Creek partnership under the equity method resulting in a decrease to assets of $199.9 million, a decrease in consolidated liabilities of $25.4 million and the elimination of the non-controlling interest of $290.3 million at the date of de-recognition for U.S. GAAP purposes.

The determination of the estimated fair value of the equity investment in the Galore Creek partnership required management to make estimates and assumptions of future events. These estimates and assumptions affect the reported amount of the investment and the reported amount of the gain recognized upon fair valuing the equity investment in the Galore Creek partnership during the reported period. Significant estimates include future commodity prices, future foreign exchange rates, various operational assumptions, and recovery rates. Actual results could differ materially from those reported.

(b) Convertible notes

Under U.S. GAAP, prior to adoption of EITF 07-5 on December 1, 2009, convertible debt instruments were classified as debt, whereas under Canadian GAAP, convertible debt instruments were allocated to both debt and equity components with the debt component being accreted over time to its face value.

Under U.S. GAAP, upon adoption of amendments to ASC Topic 815 (as a result of EITF 07-5) which were effective December 1, 2009, the conversion feature of the Company's Notes would be considered an embedded derivative liability due to the Notes being denominated in a currency other than the Company's functional currency. The change has been applied retroactively without restatement under U.S. GAAP. The amounts received from the issuance of the Notes are first allocated to the fair value of the embedded derivative liability and the remaining proceeds are then allocated to the debt instrument, with the debt component being accreted over time to its face value. The embedded derivative is then measured at fair value with changes in fair values included in net earnings. The estimated fair value of the conversion feature is determined using a Black-Scholes model. Under U.S. GAAP, at December 1, 2009, the primary changes resulted in an increase in consolidated liabilities related to the debt portion, of \$1.3 million; the consolidated equity amount, related to the conversion feature was reduced by \$43.4 million and the creation of consolidated liabilities from the embedded derivative, were increased to \$27.2 million. The cumulative effect of adoption of amendments to ASC Topic 815 reduced the consolidated deficit by \$14.8 million.

Under U.S. GAAP, as at and for the year ended November 30, 2010, the consolidated liabilities, related to the debt portion increased by \$1.1 million and the embedded derivative liability increased to \$90.5 million, resulting in an increase of \$64.4 million in the consolidated loss for the year.

Under U.S. GAAP, as at and for the year ended November 30, 2011, the consolidated liabilities, related to the debt portion decreased to \$2.6 million and the embedded derivative liability decreased to \$73.6 million, resulting in an increase of \$15.3 million in the consolidated net income for the year. The Company also recorded an increase in the consolidated net income for the year due to a \$1.6 million foreign exchange gain as the Canadian dollar exchange rates were more favorable compared with the U.S. dollar during in 2011.

The fair value of the embedded derivative conversion feature in the Notes has been estimated using the Black-Scholes pricing model as it is considered as Level 3 financial instruments in the fair value hierarchy with significant unobservable inputs. Assumptions used in the pricing model for each year are provided below.

	Year ended November 30, 2011	Year ended November 30, 2010
Average risk-free interest rate	1.10%	2.53%
Expected life	3.42 years	4.42 years
Expected volatility	108%	81%
Expected dividends	Nil	Nil

(c) Warrants

In late June 2008, FASB released ASC 815-40 "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock", which provides further guidance on the accounting treatment for certain equity instruments with elements of foreign currency risk.

The Company's functional currency is the Canadian Dollar and it has issued and outstanding warrants that have an exercise price denominated in United States Dollars. For Canadian GAAP Purposes, all the Company's warrants are classified and accounted for as equity instruments. Under U.S. GAAP, the Company has determined that such warrants with an exercise price that is different from the entity's functional currency cannot be classified as equity based on the evaluation of the warrant's settlement provisions. As a result, these instruments are treated as derivatives and recorded as liabilities carried at their fair value for U.S. GAAP purposes. Any changes in the fair value from period to period are recorded as a gain or loss in the income statement.

The estimated fair value of the warrants was determined using the Black-Scholes model and is classified as a non-current derivative liability. The cumulative effect of the adjustment as at December 1, 2009 was an increase of $259.4 million to consolidated liabilities in embedded derivatives, an increase of $14.0 million to equity related to the share capital component, a decrease of $31.1 million to equity related to the warrants, and an increase of $242.3 million to the opening consolidated deficit.

Under U.S. GAAP, as at and for the year ended November 30, 2010, the consolidated liabilities, related to the embedded derivative, increased to $658.8 million, resulting in an increase of $434.7 million in the consolidated loss and comprehensive loss for the year.

In February 2011, a significant holder of the Company's U.S. dollar denominated warrants converted 37.1 million warrants into Canadian dollar denominated warrants, thereby resulting in a decrease in consolidated liabilities, related to the embedded derivatives, under U.S. GAAP of $486.0 million and a corresponding increase in equity (warrants) of $463.0 million and an increase in consolidated net income of $23.0 million, related to a foreign exchange gain up to the date of the conversion of the warrants. The conversion of the current denomination on these warrants permanently crystallized the fair value of these warrants, for purposes of determining future transfers to share capital upon exercise of these warrants. During the year ended November 30, 2011, a further 7.1 million warrants were exercised by the holders, thereby resulting in a transfer of $89.5 million from consolidated liabilities to equity (share capital). For the year ended November 30, 2011, the Company recorded an increase in consolidated net income of $30.3 million related to decreases in the U.S.-denominated warrants up to the date of conversion and a gain of $23.0 on the warrants remaining denominated in U.S. dollars.

The fair value of the embedded derivative for the warrants has been estimated using the Black-Scholes pricing model as it is considered as Level 3 financial instruments in the fair value hierarchy with significant unobservable inputs. Assumptions used in the pricing model for each year are provided below.

	Year ended November 30, 2011	Year ended November 30, 2010
Average risk-free interest rate	1.01%	1.75%
Expected life	1.15 years	2.15 years
Expected volatility	59%	85%
Expected dividends	Nil	Nil

(d) Deferred financing costs

U.S. GAAP requires that debt issue costs be reported in the balance sheet as deferred charges. Generally, debt issue costs are capitalized as an asset and amortized over the term of the debt. Financing costs associated with the Notes have been offset with the proceeds of the financing under Canadian GAAP. Under U.S. GAAP, the financing costs associated with the Notes are set up as a long-term deferred asset and amortized over the life of the debt.

(e) Interest capitalization

ASC Topic 835 provides for interest costs to be capitalized for qualifying assets under development. Under Canadian GAAP policy, interest is capitalized only on project specific debt. In 2008, interest expenses were capitalized to assets under development under U.S. GAAP. The capitalized interest was reduced from $3.5 million to $2.3 million for the year ended November 30, 2011 as a result of the deconsolidation of Galore Creek.

(f) Future income taxes

Under U.S. GAAP, the Company recorded future income tax recovery from the deconsolidation of Galore Creek and eliminated future income tax assets from valuation allowance. For the year ended November 30, 2011, the Company recorded $1.0 million in future income tax expense for U.S. GAAP.

(g) Historical bridge loan

On September 26, 2008, the Company secured a bridge loan in the amount of US$20.0 million. The bridge loan was to mature on December 29, 2008 and bore interest at a rate of 12.0% per annum. In February 2009, the entire US$20.0 million bridge loan into common shares. Under U.S. GAAP, the face value of a bridge loan is classified as debt. Under Canadian GAAP, the net proceeds of the bridge loan are allocated to both debt and an equity conversion feature, with the debt component being accreted over time to its face value. Accordingly this is a permanent GAAP difference and under U.S. GAAP the accretion expense recognized in consolidated deficit and the conversion feature recognized in equity would decrease by $3.9 million.

Other U.S. GAAP disclosures

Uncertain tax position

These standards require uncertain tax positions to be classified as non-current income tax liabilities unless expected to be paid within one year.

There were no unrecognized tax benefits as at November 30, 2011 and November 30, 2010.

The Company recognizes interest and penalties related to uncertain tax positions, if any, as interest expense. As of November 30, 2011 and November 30, 2010, there were no balances of accrued interest and penalties related to uncertain tax positions.

The Company is subject to taxes in Canada and the United States. The Company is not currently under audit by any taxing jurisdiction. The tax years that remain subject to examination as of November 30, 2011 are as follows.

Canada	2006 to 2011
United States	1996 to 2011

Recent Accounting Pronouncements

Additional new accounting pronouncement disclosures required by U.S. GAAP are as follows.

i. Fair Value Measurements

In May 2011, the FASB issued new authoritative guidance to provide a consistent definition of fair value and ensure that fair value measurements and disclosure requirements are similar between GAAP and International Financial Reporting Standards. This guidance changes certain fair value measurement principles and enhances the disclosure requirements for fair value measurements. This guidance is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The Company does not expect that the adoption of this guidance will have a material impact on its financial statements.

ii. Presentation of Comprehensive Income

In June 2011, the FASB issued an update to ASC 220, "Presentation of Comprehensive Income". This ASU provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either 1) a single statement that presents the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income; or 2) a two-statement approach which presents the components of net income and total net income in a first statement, immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. The option in current GAAP that permits the presentation of other comprehensive income in the statement of changes in equity was eliminated. The guidance will be applied retrospectively and is effective for the Company for annual periods beginning on January 1, 2012. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial position or results of operations.

iii. Goodwill and Intangibles

In September 2011, the FASB issued ASU No. 2011-08, which updates the guidance in ASC Topic 350, “Intangibles - Goodwill& Other” (ASU-2011-08). The amendments in ASU 2011-08 permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments in ASU 2011-08 include examples of events and circumstances that an entity should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, however the examples are not intended to be all-inclusive and an entity my identify other relevant events and circumstances to consider in making the determination. The examples in this ASU 2011-08 supersede the previous examples under ASC Topic 350 of events and circumstances an entity should consider in determining whether it should test for impairment between annual tests, and also supersede the examples of events and circumstances that an entity having a reporting unit with a zero or negative should consider in determining whether to perform the second step of the impairment test. Under the amendments in ASU 2011-08, an entity is no longer permitted to carry forward its detailed calculation of a reporting unit's fair value from a prior year as previously permitted under ASC Topic 350. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. ASU 2011-08 is not expected to have a material impact on the Company's financial position or results of operations.

iv. Comprehensive Income

In December 2011, the FASB issued ASU No. 2011- 12, “Comprehensive Income – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05” (“ASU 2011-12”). ASU 2011-12 defers changes in Update 2011-05 that relate to the presentation of reclassification adjustments. ASU 2011-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (November 30, 2012 for the Company). We do not expect the adoption of ASU 2011-12 to have a material impact on our results of operations, financial condition, or cash flows.

22 Subsequent event

On February 7, 2012, the Company issued by way of a bought deal financing 35,000,000 common shares at US$9.50 per common share for net proceeds of approximately US$318 million after deducting underwriters’ fees and issuance expenses.

On February 10, 2012, the Company increased its reclamation bond with the State of Alaska by US$13.4 million for a total bond of US$20.3 million. Funds are expected to be returned to the Company once closure activities are completed.

Cautionary Notes

Forward-looking statements

This Management's Discussion and Analysis contains statements of forward-looking information. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including the Company's plans and expectations relating to its Donlin Gold, Galore Creek and Ambler projects, completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute "forward-looking statements" to the extent that they involve estimates of the mineralization that will be encountered if the property is developed.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- *our ability to achieve production at any of the Company's mineral exploration and development properties;*
- *estimated capital costs, operating costs, production and economic returns;*
- *estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying the Company's resource and reserve estimates;*
- *our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;*
- *assumptions that all necessary permits and governmental approvals will be obtained;*
- *assumptions made in the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;*
- *our expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties; and*
- *our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.*

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- *uncertainty of whether there will ever be production at the Company's mineral exploration and development properties;*
- *uncertainty of estimates of capital costs, operating costs, production and economic returns;*
- *uncertainties relating to the assumptions underlying the Company's resource and reserve estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;*
- *risks related to the Company's ability to commence production and generate material revenues or obtain adequate financing for its planned exploration and development activities;*
- *risks related to the Company's ability to finance the development of its mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;*
- *risks related to the third parties on which the Company depends for its exploration and development activities;*
- *dependence on cooperation of joint venture partners in exploration and development of properties;*
- *credit, liquidity, interest rate and currency risks;*
- *risks related to market events and general economic conditions;*
- *uncertainty related to inferred mineral resources;*
- *risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;*

- *risks related to lack of infrastructure;*
- *mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production;*
- *the risk that permits and governmental approvals necessary to develop and operate mines on the Company's properties will not be available on a timely basis or at all;*
- *commodity price fluctuations;*
- *risks related to governmental regulation and permits, including environmental regulation;*
- *risks related to the need for reclamation activities on the Company's properties and uncertainty of cost estimates related thereto;*
- *uncertainty related to title to the Company's mineral properties;*
- *uncertainty related to unsettled aboriginal rights and title in British Columbia;*
- *the Company's history of losses and expectation of future losses;*
- *uncertainty as to the outcome of potential litigation;*
- *uncertainty inherent in litigation including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal;*
- *risks related to default under the Company's unsecured convertible notes;*
- *risks related to the Company's majority shareholder;*
- *risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;*
- *increased competition in the mining industry;*
- *the Company's need to attract and retain qualified management and technical personnel;*
- *risks related to the Company's current practice of not using hedging arrangements;*
- *uncertainty as to the Company's ability to acquire additional commercially mineable mineral rights;*
- *risks related to the integration of potential new acquisitions into the Company's existing operations;*
- *risks related to unknown liabilities in connection with acquisitions;*
- *risks related to conflicts of interests of some of the directors of the Company;*
- *risks related to global climate change;*
- *risks related to adverse publicity from non-governmental organizations;*
- *uncertainty as to the Company's ability to maintain the adequacy of internal control over financial reporting as per the requirements of the Sarbanes-Oxley Act;*
- *increased regulatory compliance costs relating to the Dodd-Frank Act; and*
- *increased regulatory compliance costs related to the Company's loss of its foreign private issuer status in the event of a disposition of the Galore Creek project.*

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in in NovaGold's Annual Information Form for the year ended November 30, 2011, filed with the Canadian securities regulatory authorities, NovaGold's annual report on Form 40-F filed with the United States Securities and Exchange Commission (the "SEC"), and other information released by NovaGold and filed with the appropriate regulatory agencies. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

Reserve and resource estimates

This Management's Discussion and Analysis has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all resource and reserve estimates included in this Management's Discussion and Analysis have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy, and Petroleum Definition Standards on Mineral Resources and Mineral Reserves. 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. Canadian standards, including NI 43-101, differ *significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. 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. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.*

Appendix – Reserve & Resource Table

NovaGold Resources Inc.
Proven and Probable Mineral Reserves, Measured, Indicated and Inferred Mineral Resources for Gold (Au), Silver (Ag), Copper (Cu), Zinc (Zn) and Lead (Pb)
As at December 5, 2011

Reserves

Property	Reserve	Tonnes	Diluted Grade					Total Contained Metal					NovaGold Share Net After Earn-Ins					
% Ownership	Category	Millions	Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb
Donlin Gold (1) approximately 0.57 g/t Au Cutoff	Proven	7.7	2.32					0.57					0.29		0.29			
50% Ownership - 50% Owned by Barrick Gold U.S. Inc.	Probable	497.1	2.08					33.28					16.64		16.64			
	Total P&P	**504.8**	**2.09**					**33.85**					**16.93**		**16.93**			
Galore Creek (2) C$10.08 NSR Cutoff	Proven	69.0	0.52	4.94	0.61			1.15	11.0	900			0.58	5.5	0.67	450		
50% Ownership - 50% Owned by Teck Resources Inc.	Probable	459.1	0.29	6.18	0.58			4.30	91.2	5900			2.15	45.6	2.91	2,950		
	Total P&P	**528.0**	**0.32**	**6.02**	**0.59**			**5.45**	**102.2**	**6800**			**2.73**	**51.1**	**3.58**	**3,400**		

Resources (Inclusive of Reserves)

Property	Resource	Tonnes	In Situ Grade					Total Contained Metal					NovaGold Share Net After Earn-Ins					
% Ownership	Category	Millions	Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb
Donlin Gold (3) approximately 0.46 g/t Au Cutoff	Measured	7.7	2.52					0.63					0.31		0.31			
50% Ownership - 50% Owned by Barrick Gold U.S. Inc.	Indicated	533.6	2.24					38.38					19.19		19.19			
	Total M&I	**541.3**	**2.24**					**39.01**					**19.50**		**19.50**			
	Inferred	92.2	2.02					5.99					3.00		3.00			
Galore Creek (4) C$10.08 NSR Cutoff	Measured	108.4	0.48	4.10	0.48			1.70	14.30	1,147.0			0.85	7.15	0.97	573.5		
50% Ownership - 50% Owned by Teck Resources Limited	Indicated	706.3	0.28	5.38	0.50			6.40	122.10	7,786.0			3.20	61.05	4.21	3,893.0		
	Total M&I	**814.7**	**0.31**	**5.21**	**0.50**			**8.00**	**136.40**	**8,933.0**			**4.00**	**68.20**	**5.18**	**4,466.5**		
	Inferred	346.6	0.24	4.28	0.42			2.70	47.73	3,230.0			1.35	23.87	1.75	1,615.0		
Copper Canyon (5)(6) 0.6% CuEq Cutoff	Inferred	53.7	0.73	10.60	0.50			1.26	18.36	592.0			0.88	12.85	1.10	414.4		
70% Ownership - 30% Owned by Teck Resources Limited																		
	Total Inferred	**400.3**	**0.31**	**5.14**	**0.43**			**3.96**	**66.09**	**3,822.0**			**2.23**	**36.72**	**2.84**	**2,029.4**		
Ambler (7) $75 NSR / Tonne Cutoff	Measured																	
100% Ownership	Indicated	16.8	0.83	59.62	4.14	6.02	0.94	0.45	32.29	1,538.3	2,237.0	350.3	0.45	32.29	0.98	1,538.3	2,237.0	350.3
	Total M&I	**16.8**	**0.83**	**59.62**	**4.14**	**6.02**	**0.94**	**0.45**	**32.29**	**1,538.3**	**2,237.0**	**350.3**	**0.45**	**32.29**	**0.98**	**1,538.3**	**2,237.0**	**350.3**
	Inferred	12.1	0.67	48.04	3.53	4.94	0.79	0.26	18.67	939.9	1,316.9	211.6	0.26	18.67	0.57	939.9	1,316.9	211.6

	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb
Total Proven & Probable Reserves Contained Metal	**39.30**	**102.2**	**6,800.0**			**19.66**	**51.10**	**20.51**	**3,400.0**		
Total Measured & Indicated Contained Metal (inclusive of Reserves)	**47.45**	**168.69**	**10,471.32**	**2,237.0**	**350.3**	**23.95**	**100.49**	**25.67**	**6,004.8**	**2,237.0**	**350.3**
Total Inferred Contained Metal	**10.21**	**84.76**	**4,761.9**	**1,316.9**	**211.6**	**5.49**	**55.38**	**6.41**	**2,969.3**	**1,316.9**	**211.6**

Notes:

a. These resource estimates have been prepared in accordance with NI43-101 and the CIM Definition Standard, unless otherwise noted.

b. See numbered footnotes below on resource information.

c. AuEq - gold equivalent is calculated using gold and silver in the ratio of gold + silver ÷ (US$1023 Au ÷ US$17 Ag) 2008 - 2010 average metal prices.

d. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content

e. Tonnage and grade measurements are in metric units. Contained gold and silver ounces are reported as troy ounces, contained copper, zinc, and lead pounds as imperial pounds

Resource Footnotes:

(1) Mineral Reserves are contained within Measured and Indicated pit designs, and supported by a mine plan, featuring variable throughput rates, stockpiling and cut-off optimization. The pit designs and mine plan were optimized on diluted grades using the following economic and technical parameters: Metal price for gold of US$975/oz; reference mining cost of US$1.67/t incremented US$0.0031/ t/m with depth from the 220 m elevation (equates to an average mining cost of US$2.14/t), variable processing cost based on the formula 2.1874 x (S%) + 10.65 for each US$/t processed; general and administrative cost of US$2.27/t processed; stockpile rehandle costs of US$0.19/t processed assuming that 45% of mill feed is rehandled; variable recoveries by rocktype, ranging from 86.66% in shale to 94.17% in intrusive rocks in the Akivik domain; refining and freight charges of US$1.78/oz gold; royalty considerations of 4.5%; and variable pit slope angles, ranging from 23º to 43º. Mineral Reserves are reported using an optimized net sales return value based on the following equation: Net Sales Return = Au grade * Recovery * (US$975/oz – (1.78 + ((US$975/oz – 1.78) * 0.045))) ⍰ (10.65 + 2.1874 * (S%) + 2.27 + 0.19) and reported in US$/tonne. The life of mine strip ratio is 5.48. The assumed life-of-mine throughput rate is 53.5 kt/d.

(2) Mineral Reserves are contained within Measured and Indicated pit designs using metal prices for copper, gold and silver of US$2.50/lb, US$1,050/oz, and US$16.85/oz, respectively. Appropriate mining costs, processing costs, metal recoveries and inter ramp pit slope angles varying from 42º to 55º were used to generate the pit phase designs. Mineral Reserves have been calculated using a 'cashflow grade' ($NSR/SAG mill hr) cut-off which was varied from year to year to optimize NPV. The net smelter return (NSR) was calculated as follows: NSR = Recoverable Revenue – TCRC (on a per tonne basis), where: NSR = Net Smelter Return; TCRC = Transportation and Refining Costs; Recoverable Revenue = Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using metal prices of US$2.50/lb, US$1,050/oz, and US$16.85/oz for copper, gold, and silver, respectively, at an exchange rate of CDN$1.1 to US$1.0; Cu Recovery = Recovery for copper based on mineral zone and total copper grade; for Mineral Reserves this NSR calculation includes mining dilution. SAG throughputs were modeled by correlation with alteration types. Cashflow grades were calculated as the product of NSR value in $/t and throughput in t/hr. The life of mine strip ratio is 2.16.

(3) Mineral Resources are inclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Mineral Resources are contained within a conceptual Measured, Indicated and Inferred optimized pit shell using the following assumptions: gold price of US$1,200/oz; variable process cost based on 2.1874 * (sulphur grade) + 10.65; administration cost of US$2.29/t; refining, freight & marketing (selling costs) of US$1.85/oz recovered; stockpile rehandle costs of US$0.20/t processed assuming that 45% of mill feed is rehandled; variable royalty rate, based on royalty of 4.5% – (Au price – selling cost). Mineral Resources have been estimated using a constant Net Sales Return cut-off of US$0.001/t milled. The Net Sales Return was calculated using the formula: Net Sales Return = Au grade * Recovery * (US$1200/oz – (1.85 + ((US$1200/oz – 1.85) * 0.045))) (10.65 + 2.1874 * (S%) + 2.29 + 0.20) and reported in US$/tonne. See "Cautionary Note Concerning Reserve & Resource Estimates".

(4) Mineral Resources are inclusive of Mineral Reserves. Mineral resources are contained within a conceptual Measured, Indicated and Inferred optimized pit shell using the same economic and technical parameters as used for Mineral Reserves. Tonnages are assigned based on proportion of the block below topography. The overburden/bedrock boundary has been assigned on a whole block basis. Mineral resources have been estimated using a constant NSR cut-off of C$10.08/t milled. The Net Smelter Return (NSR) was calculated as follows: NSR = Recoverable Revenue – TCRC (on a per tonne basis), where: NSR = Diluted Net Smelter Return; TCRC = Transportation and Refining Costs; Recoverable Revenue = Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using silver using the economic and technical parameters mentioned above. The mineral resource includes material within the conceptual M&I pit that is not scheduled for processing in the mine plan but is above cutoff. See "Cautionary Note Concerning Reserve & Resource Estimates".

(5) The copper-equivalent grade was calculated as follows: CuEq = Recoverable Revenue ÷ 2204.62 * 100 ÷ 1.55. Where: CuEq = Copper equivalent grade; Recoverable Revenue = Revenue in US dollars for recoverable copper, recoverable gold and recoverable silver using metal prices of US$1.55/lb, US$650/oz, and US$11/oz for copper, gold, and silver, respectively; Cu Recovery = 100%. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Resources are in addition to Measured and Indicated Resources. Inferred Resources have a great amount of uncertainty as to their existence and 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. See "Cautionary Note Concerning Reserve & Resource Estimates".

(6) NovaGold Canada Inc. has agreed to transfer its 60% joint venture interest in the Copper Canyon property to the Galore Creek Partnership, which is equally owned by NovaGold Canada Inc. and a subsidiary of Teck Resources Limited. The remaining 40% joint venture interest in the Copper Canyon property is owned by another wholly owned subsidiary of NovaGold.

(7) Resources stated as contained within a potentially economically minable underground shapes above a US$75.00/t NSR cut-off. NSR calculation is based on assumed metal prices of US$2.50/lb for copper, US$1,000/oz for gold, US$16.00/oz for silver, US$1.00/lb for zinc and US$1.00/lb for lead. A mining cost of US$45.00/t and combined processing and G&A costs of US$31.00 were assumed to form the basis for the resource NSR cut-off determination. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Resources are in addition to Measured and Indicated Resources. Inferred Resources have a great amount of uncertainty as to their existence and 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. See "Cautionary Note Concerning Reserve & Resource Estimates".

Cautionary Note Concerning Reserve & Resource Estimates

This summary table uses the term “resources”, “measured resources”, “indicated resources” 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. Mineral resources that are not mineral reserves do not have demonstrated economic viability. 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 release may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

NI 43-101 is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all resource estimates contained in this circular have been prepared in accordance with NI 43-101 and the CIM Definition Standards.

Technical Reports and Qualified Persons

The documents referenced below provide supporting technical information for each of NovaGold's projects.

Project	Qualified Person(s)	Most Recent Disclosure & Filing Date
Donlin Gold	Tony Lipiec, P. Eng., AMEC Gordon Seibel R.M. SME, AMEC Kirk Hanson P.E., AMEC	Donlin Creek Gold Project Alaska, USA NI 43-101 Technical Report on Second Updated Feasibility Study amended filing on January 23, 2012
Galore Creek	Robert Gill, P.Eng., AMEC Jay Melnyk, P.Eng., AMEC Greg Kulla, P.Geo., AMEC Greg Wortman, P.Eng., AMEC Dana Rogers, P.Eng., Lemley International	Galore Creek Copper–Gold Project, British Columbia, NI 43-101 Technical Report on Pre-Feasibility Study, filed on September 12, 2011
Copper Canyon	Erin Workman, P.Geo., NovaGold Resources Inc.	Not publicly released - updated March 2008
Ambler	Russ White, P.Geo., SRK Consulting Neal Rigby, C.Eng., MIMMM, Ph.D., SRK Consulting	NI 43-101 Preliminary Economic Assessment, Ambler Project - May 9, 2011