

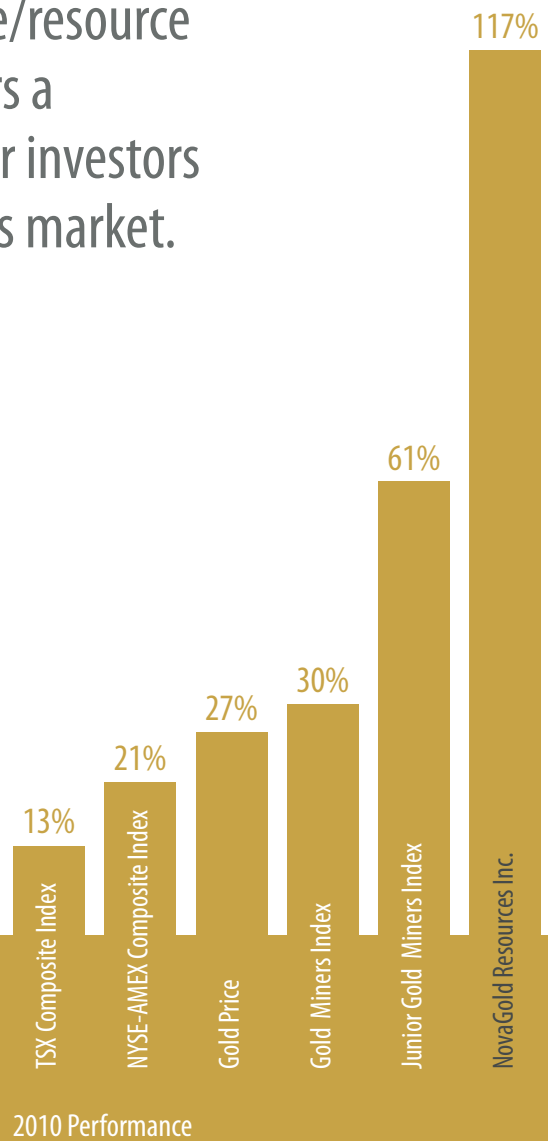


**NE GOAL**  
LOW-COST MILLION-OUNCE-A-YEAR  
GOLD PRODUCER



With three world-class projects, experienced partners and one of the largest reserve/resource bases in its peer group, NovaGold offers a compelling investment opportunity for investors looking for exposure to a strong metals market.

**16.8 Mozs**  
Gold Reserves



## President's Message



What a difference a year can make! 2010 was a remarkable year for commodities, with gold increasing 25%, copper gaining 30% during the year and silver rallying an astounding 78%. Indeed, gold reached new all-time highs in 2010, trading through US\$1,412 on December 29. The average closing price in 2010 was US\$1,225 compared to US\$972 in 2009, a 26% increase.

This is certainly an exciting time to be a development-stage, gold-focused company, and with a reserve/resource base comparable to many of the intermediate producers, we believe NovaGold offers superior leverage to the gold market. Our share price increased 117% in 2010 on NYSE-AMEX compared to 10% for the Dow Jones Index, 13% for the TSX Composite Index and 21% for the NYSE-AMEX Composite Index. Indeed, the leverage inherent in a development-stage company allowed the juniors to significantly outperform the senior gold companies in 2010, with a 61% increase for the Junior Gold Miners Index compared to just 30% for the Gold Miners Index.

NovaGold is focused on ONE GOAL: becoming a low-cost million-ounce-a-year gold producer. With two world-class gold and copper-gold assets and equal partnerships with experienced partners, NovaGold is well positioned to advance its projects and be a key player in this strong metals market. After three years of planning and preparation we are gaining momentum as our core properties advance, with significant new studies to be released from both Donlin Creek and Galore Creek in 2011.

### Advancing our projects

At our 50%-owned Donlin Creek gold project in Alaska, we are revising the 2009 feasibility study to incorporate a natural gas pipeline, bringing a new source of power generation to site that may further enhance profitability. While the 2009 diesel base case showed a project with very respectable operating costs, optimization studies show that using natural gas as the primary fuel source should reduce power costs, which account for 25% of overall project operating costs. Using natural gas will also reduce the environmental footprint of the project and simplify the supply chain logistics. The revised feasibility study will be complete in the second half of 2011, providing updated capital and operating cost estimates and new cash flow projections using updated long-term gold pricing. Once the feasibility revision has been finalized, Donlin Creek LLC will proceed to file permit applications for the project, a significant milestone on the path toward construction and production.

A pre-feasibility study is underway for our 50%-owned Galore Creek copper-gold-silver project located in northern British Columbia. The optimized project design has expanded throughput to approximately 90,000 tonnes per day, relocated the project facilities to allow for easier construction and future expansion, and reduced the risks associated with construction and operations. The pre-feasibility study will provide new capital and operating cost estimates and life-of-mine production profiles for copper, gold and silver. The report will also outline permitting, construction and production timelines. With the completion of the pre-feasibility study, NovaGold anticipates adding additional gold reserves and new silver and copper reserves to its portfolio. Depending on the results of the pre-feasibility study, the Galore Creek project may advance directly into permitting and feasibility, with the potential to resume full-scale road construction during 2011.

At our advanced exploration-stage Ambler copper-zinc-gold-silver project located in northern Alaska, we are staffing up to prepare for a significantly expanded field season in 2011. We plan to release an updated resource estimate and preliminary economic assessment for Ambler in the first half of the year, and will continue with the environmental and engineering studies required to initiate a pre-feasibility study for the project. NovaGold is considering alternatives to realize value from this high-grade property in the current strong base metals market, while ensuring NovaGold's senior team can focus its time and resources on advancing the Company's two core assets, Donlin Creek and Galore Creek.

### People and partnerships

In our industry it's often said that a company is only as good as its underlying assets, which puts NovaGold in a strong position with 50% interests in two of the world's largest undeveloped gold and copper-gold projects. But an equally important asset is the team that works every day to advance these projects to production. NovaGold has an exceptional team of experienced, loyal and hard-working professionals that dedicate themselves to ensuring the Company is using

strategy, innovation and leadership to achieve our corporate objectives. Donlin Creek and Galore Creek are big, complex projects, and we need a strong team to make sure these projects are developed and operated to the highest standards. We added Gil Leathley as Chief Operating Officer and Ron Rimelman as Vice President Environment, Health, Safety & Sustainability to the team in 2010, and will continue to recruit highly experienced professionals to our team in 2011.

We continue to strengthen the relationships with our senior partners, Barrick Gold at Donlin Creek and Teck Resources at Galore Creek. These are true 50/50 partnerships, with each company bringing its strengths and expertise to the technical and planning committees. And we have found like-minded partners with strong sustainability and community engagement principles. We are very proud to have forged strong, collaborative relationships with our aboriginal partners at all of our projects, and will continue to focus on community engagement as these projects advance.

We have fostered strategic relationships with a group of well-respected blue-chip investors, which I believe reflects on the underlying value of our assets and long-term potential of the Company. We go to great effort to meet frequently and in person with existing and potential new shareholders, building relationships and open lines of communication that we believe further enhances the value of our stock.

### The gold market

The macroeconomic picture indicates support for continued strong gold prices. Governments are responding to economic concerns with policies to stimulate growth, while sovereign debt and currency concerns continue to push investors toward gold as a store of wealth and hedge against inflation and currency devaluation. A significant shift has seen central banks become net buyers of gold over the last year, and investment demand remains strong for both gold equities and physical gold through gold coins and bars, jewelry and gold ETFs. Gold supply continues to lag behind demand. There have been few significant new gold discoveries — approximately 75% of global gold deposits contain less than one million ounces of gold — and longer timelines to permit new mines and bring them into production means mine supply is slow to respond to rising gold prices. While gold has slowed its frantic pace and pulled back modestly in the first quarter of 2011, copper, silver and other commodities remain solid, indicating that the fundamental support for a strong commodities market is still in place.

In the current environment of strong metals prices and increasing demand for both gold and copper, we look forward to reporting on the progress at our properties. As we move into 2011, I truly feel we are poised to take the Company to a whole new level. Through the execution of our business strategy and the careful stewardship and development of our projects, NovaGold is committed to adding both near-term and long-term value for our shareholders.

I would like to thank all of our shareholders for their continued support. Our employees, management team and Board of Directors remain committed to NovaGold and to our shareholders. Their dedication, hard work and expertise are paving the way to achieving NovaGold's ONE GOAL of becoming a low-cost million-ounce-a-year gold producer.



Rick Van Nieuwenhuysse  
President & CEO



**NovaGold Resources Inc.**

**Consolidated Financial Statements with  
Management's Discussion & Analysis**

**November 30, 2010 and 2009**

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# Management's Discussion and Analysis

## General

This Management's Discussion and Analysis ("MD&A") of NovaGold Resources Inc. ("NovaGold" or "the Company") is dated February 16, 2011 and provides an analysis of NovaGold's audited financial results for the fiscal year ended November 30, 2010 compared to the previous year. At February 16, 2011, the Company had 233.3 million common shares issued and outstanding.

The following information should be read in conjunction with the Company's November 30, 2010 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 17 in the financial statements. The accounting policies have been consistently followed in preparation of these financial statements except that the Company has adopted the CICA standards outlined in the new accounting pronouncements section below, effective December 1, 2009. 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, 2010 is available on SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

## Description of business

NovaGold is a precious metals company engaged in the exploration and development of mineral properties situated principally 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 undeveloped gold and copper-gold projects — Donlin Creek 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. NovaGold has reduced some of the development risk at its two core projects by leveraging the construction and operating expertise of its senior operating partners, Barrick Gold Corporation ("Barrick") and Teck Resources Limited ("Teck"). In addition, both of NovaGold's core 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.

## Approach to business

NovaGold is focused on advancing its two core properties, Donlin Creek and Galore Creek, with the objective of becoming a low-cost million-ounce-a-year gold producer. 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 exploration expertise to expand existing deposits; advancing the projects to a feasibility level to bring reserves to the Company and value to shareholders; and 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 bring additional resources and value to shareholders.

Responsible mining and community collaboration continues to be a trademark of NovaGold's business strategy at all of its projects. NovaGold published its first sustainability report in May 2010 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.

# Management's Discussion and Analysis

## Corporate developments

### *Financings*

In early March 2010, NovaGold completed non-brokered offerings with two respected investors in the gold sector for gross proceeds of US\$175.0 million. The financings were completed under two supplements to the Company's base shelf prospectus for US\$500.0 million dated December 30, 2009. NovaGold issued 18,181,818 common shares of the Company at a price of US\$5.50 per common share to several investment funds managed by Paulson & Co. Inc., and 13,636,364 common shares of the Company at a price of US\$5.50 per common share with Quantum Partners Ltd., a private investment fund managed by Soros Fund Management LLC.

During fiscal 2010, NovaGold received proceeds of US\$6.7 million from the exercise of 4,464,571 warrants. Subsequent to the year end the Company also received proceeds of US\$10.6 million from the exercise of 7,099,969 warrants.

### *Purchase and sale of properties*

On December 20, 2010, NovaGold announced its intention to make a takeover offer for all outstanding common shares of Copper Canyon Resources Ltd. ("Copper Canyon"), a junior exploration company, on the basis of 0.0425 of a NovaGold common share for each one Copper Canyon common share. The offer represents a 41.8% premium based on the closing price of Copper Canyon common shares and NovaGold common shares on the TSX-V and TSX, respectively, on December 17, 2010. Based on public disclosure, there are approximately 57.4 million Copper Canyon common shares outstanding on a fully diluted basis, valuing the acquisition at approximately \$34.1 million. Copper Canyon's principal asset is 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 owns the remaining 60% joint venture interest in the Copper Canyon property. NovaGold mailed the formal offer and takeover bid circular to Copper Canyon shareholders on January 18, 2011.

On December 18, 2009, NovaGold and its wholly-owned subsidiary, Alaska Gold Company ("AGC"), entered into an agreement with Kennecott Exploration Company and Kennecott Arctic Company (collectively "Kennecott") to purchase a 100% interest in the Ambler property in northern Alaska, which hosts the high-grade copper-zinc-gold-silver Arctic deposit. Upon completion of the purchase on January 11, 2010, NovaGold issued to Kennecott 931,098 common shares valued at US\$5.0 million, and agreed to make cash payments to Kennecott of US\$12.0 million each in January 2011 and January 2012. The January 2011 payment was made. Kennecott retained a 1% net smelter return royalty that NovaGold can purchase at any time for a one-time payment of US\$10.0 million. The agreement terminated the exploration agreement between NovaGold and Kennecott dated March 22, 2004, as amended, under which NovaGold had the ability to earn a 51% interest in the Ambler property.

The Company is currently soliciting offers to sell the Rock Creek project to provide more information to the Company's Board of Directors. During the third quarter ended August 31, 2010 the Company wrote off the asset from its balance sheet. The Board of Directors will make a decision as to the future of the Rock Creek project following completion of the solicitation of offers. This decision may involve the sale of Rock Creek or its permanent closure.

### *Corporate governance*

NovaGold announced several changes to its board of directors and senior management team during 2010.

In September, NovaGold appointed Gerry McConnell as Chairman of the Board, and in July appointed two new directors, Igor Levental and Marc Faber. Mr. McConnell has been a Director of NovaGold since 1984. Mr. McConnell served as President and Chief Executive Officer of NovaGold from 1984 until 1998, as President and Chief Executive Officer of Etruscan Resources Inc. from June 1990 until 2010, and is now Chief Executive Officer of Namibia Rare Earths Inc., a newly created private Canadian company dedicated to the development of rare earth opportunities in Namibia. Dr. Faber has over 35 years of experience in the finance industry and is the Managing Director of Marc Faber Ltd., an investment advisory and fund management firm. He is an advisor to a number of private investment funds and serves as a Director of Ivanhoe Mines and Sprott Asset Management. Mr. Levental is President of the Electrum Group of Companies, a leading privately-owned mineral exploration and development group with strategic holdings in private and public precious metals companies, including NovaGold. Mr. Levental is also a Director of Gabriel Resources Ltd. and Taung Gold Limited. Mr. Levental has held senior positions with major mining companies including Homestake Mining Company and International Corona Corporation.



## Management's Discussion and Analysis

In November, NovaGold appointed Gil Leathley to the position of Senior Vice President and Chief Operating Officer. Mr. Leathley has been Senior Advisor to the President of NovaGold since 2009. As Senior Vice President and Chief Operating Officer, Mr. Leathley is responsible for all technical and operating aspects of NovaGold's portfolio of projects, and will work with NovaGold's partners, Barrick and Teck, to develop Donlin Creek and Galore Creek. With more than 50 years of mining experience, Mr. Leathley has been involved in all aspects of mine construction and operations as well as the evaluation of exploration properties and potential acquisitions. Mr. Leathley retired in 2000 as Senior Vice President and Chief Operating Officer of Homestake Mining and has since worked as a consultant for a diverse group of Canadian mining companies. In December, NovaGold announced that Ron Rimelman had joined the senior team as Vice President Environment, Health, Safety & Sustainability ("EHSS"). Mr. Rimelman has worked as a consultant to NovaGold since June 2009. As Vice President EHSS, Mr. Rimelman will provide leadership, strategic direction and technical expertise in the areas of environment, health, safety, sustainability, risk management and security. With nearly 25 years of environmental experience, Mr. Rimelman has managed environmental impact assessments and permitting activities for mines around the world, with a focus in Alaska and other northern climates. His most recent position was Vice President Environmental Services for Tetra Tech, Inc.

### *Litigation*

On September 10, 2010, the Company received final U.S. court approval for the U.S. settlement of a consolidated class action lawsuit filed on December 22, 2008 in the United States District Court for the Southern District of New York consolidating similar complaints of violations of U.S. Securities laws. On October 14, 2009, a similar notice of action was filed in the Ontario Superior Court of Justice in Canada and on October 28, 2009, the same parties were named as defendants in a class action lawsuit in the Supreme Court of British Columbia. On August 4, 2010, the Ontario Court approved the settlement of the Ontario action and on August 6, 2010, the British Columbia Court approved the settlement of the British Columbia action. As a result of these court approvals of the settlement, these proceedings are complete and the actions were dismissed. The \$28.0 million settlement was covered by NovaGold's insurance, and the Company did not pay out any of its own cash under the terms of the settlement.

NovaGold is also the subject of a lawsuit arising out of an accident at the Rock Creek mine in 2007 where two contractors were killed. See "Legal proceedings".

### Property review

#### **Donlin Creek**

Donlin Creek is one of the world's largest known undeveloped gold deposits, with an update to the feasibility study in progress and pre-permitting activities underway. Donlin Creek is owned and operated by Donlin Creek LLC, a limited liability company that is owned 50% by NovaGold and 50% by Barrick Gold U.S. Inc., a subsidiary of Barrick. The deposit is located entirely on private, Alaskan Native-owned land, and Donlin Creek LLC has a strong relationship with Calista Corporation ("Calista"), owner of the sub-surface rights. The Donlin Creek property hosts a number of deposits and the current reserves and resources are contained within just 3 km of the 8 km district, with significant exploration potential remaining in the Donlin Creek district.

A reserve/resource update in March 2010, which incorporated additional drilling and an increase in gold price assumptions, estimated 33.6 million ounces of proven and probable gold reserves averaging 2.2 grams per tonne gold, 4.3 million ounces of measured and indicated resources and an additional 4.4 million ounces of inferred resources. With estimated production of more than one million ounces of gold annually for at least 25 years, Donlin Creek would be one of the world's largest gold-producing mines.

Donlin Creek LLC expended approximately US\$40.4 million in the fiscal year ended November 30, 2010, of which NovaGold contributed 50%. The 2010 work program completed the majority of the environmental and engineering studies required to review the option of using natural gas as the primary power source at the mine site, as opposed to using diesel to generate power as contemplated in the 2009 feasibility study. Donlin Creek LLC had discussions with major gas suppliers and engaged an energy consultant to lead the gas line studies; an analysis on the impacts to project infrastructure related to transportation and logistics is ongoing. The natural gas option would require building a 12-inch buried pipeline that would run approximately 315 miles from the Cook Inlet to the Donlin Creek site. Donlin Creek LLC worked with multiple regulatory agencies, consultants and contractors to initiate environmental baseline and

## Management's Discussion and Analysis

engineering studies along the proposed pipeline corridor, consulted stakeholders along the pipeline corridor, and reviewed permission and permitting requirements.

Using natural gas to generate power could result in a reduction to operating costs; power accounts for 25% of estimated project operating costs. The capital cost to build the pipeline could be partially offset by cost savings from elimination of the wind cogeneration facility, the potential for a shorter access road and a significant reduction in requirements for diesel storage, with some additional cost reduction opportunities. The potential impact of the pipeline option on capital and operating costs will be addressed in a revision to the project feasibility study, anticipated to be completed in the second half of 2011.

In March 2010, Donlin Creek LLC renegotiated its lease with Calista, securing additional land to allow for future expansion and extending the lease to 2031. In addition to the 49,261 acres (20,081 hectares) leased from Calista, Donlin Creek LLC holds 242 Alaska State mining claims comprising 31,740 acres (12,845 hectares), bringing the total land package to 81,361 acres (32,926 hectares). The existing lease covers the subsurface rights for the entire Donlin Creek mineral reserves and resources. Among other things, amendments to the renegotiated lease provide for (i) the lease of certain additional lands that may be required for the development of the property, (ii) an extension of the term of the lease to April 30, 2031 and automatically year to year thereafter, so long as either mining or processing operations are carried out on or with respect to the property in good faith on a continuous basis in such year, or Donlin Creek LLC pays to Calista an advanced minimum royalty of US\$3.0 million (subject to adjustment for increases in the Consumer Price Index) for such year, (iii) the elimination of Calista's option to acquire a 5% to 15% participating operating interest in the project and replacement with the payment to Calista of a net proceeds royalty equal to 8% of the net proceeds realized by Donlin Creek LLC at the project after deducting certain capital and operating expenses (including an overhead charge, actual interest expenses incurred on borrowed funds and a 10% per annum deemed interest rate on investments not made with borrowed funds), and (iv) an increase in the advanced minimum royalties payable to Calista under the lease to US\$0.5 million for the year ending April 30, 2010, increasing on an annual basis thereafter until reaching US\$1.0 million for each of the years 2015 to 2024 inclusive and US\$2.0 million for each of the years 2025 to 2030 inclusive. All advance minimum royalties paid to Calista continue to be recoverable as a credit against Calista's existing net smelter royalty under the lease agreement, which remains unchanged.

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 Creek LLC being recorded in the balance sheet on the equity investment line.

### **Galore Creek**

Galore Creek, a large copper-gold-silver project located in northwestern British Columbia, is held by a partnership in which 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. A resource estimate for the Galore Creek project totals measured and indicated resources of 8.9 billion pounds of copper, 7.3 million ounces of gold and 123 million ounces of silver, with additional inferred resources (including the Company's share of the Copper Canyon deposit, of which NovaGold owns 60%) of 3.5 billion pounds of copper, 3.3 million ounces of gold and 61 million ounces of silver.

GCMC expended approximately \$16.0 million in the fiscal year ended November 30, 2010. Under the terms of the Galore Creek Partnership Agreement ("Partnership Agreement"), Teck is funding all costs for the project until it completes its earn-in obligations. At November 30, 2010, the Galore Creek Partnership had cash of \$1.6 million and Teck had approximately \$13.2 million remaining in project contributions to earn its 50% interest in the project.

During 2010, GCMC focused its efforts on care and maintenance of the existing infrastructure at the Galore Creek project. GCMC has also been reviewing a number of optimization scenarios for the Galore Creek project with the objective of expanding throughput, relocating the project facilities to allow for easier construction and future expansion, and reducing the risks associated with construction and operations. Based on these studies, GCMC has identified a preferred project design and initiated a pre-feasibility study for the optimized mine plan, with completion scheduled for Q2-2011. The pre-feasibility study will provide capital cost estimates, potential permitting, construction and production

## Management's Discussion and Analysis

timelines, and an updated resource estimate using expected long-term commodity prices. Compared with previous studies, changes to the project include:

- Relocation of the tailings facility allowing for construction of a conventional tailings dam;
- Relocation of the processing facilities allowing for future expansion;
- Realignment of the tunnel and access road; and
- An increase of daily throughput to approximately 90,000 tonnes per day.

Current plans envision the ore being crushed in the valley and then conveyed through the tunnel and along the access road to the processing plant. From there, concentrate would be piped along the remainder of the access road to Hwy 37. A trade-off study will identify the best alternative for transport of concentrate to market. The project would primarily use electric power, with a power line built along the access road to tie into the 287-kV transmission line ("NTL") that the British Columbia and Canadian Governments have announced their intention to build. On April 15, 2010, the governments announced that the power line project had entered the public review process for its Environmental Assessment ("EA") Certificate, and the British Columbia Transmission Corporation website indicates that the NTL completed its public comment period with an overwhelmingly positive response, including support from the Tahltan Nation. On January 13, 2011, the BC Environmental Assessment Office referred the NTL application for an EA Certificate to the Minister of Mines and the Minister of the Environment. The Ministers have up to 45 days to make their decision on whether the NTL project should be awarded an EA Certificate.

Some components of the revised Galore Creek mine plan, such as the mill and tailings location, would require new permits or amendments to existing permits. The majority of permits required for road construction remain in good standing. GCMC may continue with road and bridge work as the project moves through the feasibility stage, with the objective of shortening the construction timeline and reducing the need for helicopter support. Depending on the results of the pre-feasibility study, the project may move directly into feasibility and permitting. Completion of the pre-feasibility study should also allow NovaGold to add additional gold, copper and silver reserves to its portfolio.

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.

### **Nome Operations**

NovaGold's Nome Operations comprises three properties: Rock Creek, Big Hurrah and Nome Gold. The properties are located on the Seward Peninsula in Alaska, an area with historical gold production and well-maintained roads and infrastructure. The most advanced property is Rock Creek, which is currently in care and maintenance.

The Company is currently soliciting offers to sell the Rock Creek project to provide more information to the Company's Board of Directors. During the third quarter ended August 31, 2010 the Company wrote off the asset from its balance sheet. The Board of Directors will make a decision as to the future of the Rock Creek project following completion of the solicitation of offers. This decision may involve the sale of Rock Creek or its permanent closure. NovaGold will continue to assess the value of its other assets in the Nome area, which include Big Hurrah, Nome Gold, a sand and gravel business and a considerable land package.

During the third quarter of 2010, the Company assessed the estimated recoverability of the Rock Creek project resulting in an asset impairment for the year of \$116.4 million and a remaining value of \$nil. The impairment was calculated using a probability weighted approach considering various sales and closure scenarios where the sales scenarios were evaluated based upon the present value of the estimated future cash flows. Major assumptions incorporated into the present value calculation include long-term gold prices, operating costs, start-up capital and gold recovery percentages. Sensitivity analyses were prepared and scenarios of sale and closure were probability weighted. Another consideration was the cost of start-up and the availability of critical parts. The expected cash flow approach was used to determine fair value as there were uncertainties both in the timing and amount of the cash flows. The impairment loss was recorded to construction in progress, mining and milling equipment, and mineral properties and development costs. There can be no assurances that the subsequent decision to sell or reclaim the project would result in an accrual of closure costs which would be incurred when a decision is made.

## Management's Discussion and Analysis

The Company worked diligently in 2009 and 2010 to improve the project's water management structures. NovaGold budgeted US\$19.1 million at Rock Creek for 2010, with US\$17.3 million spent during the fiscal year ended November 30, 2010. For 2011, NovaGold has budgeted US\$8.5 million with a focus on continuing to meet permit requirements and environmental responsibilities. The Company will also prepare a preliminary closure plan for the project in the event that the Board chooses to close and reclaim the property rather than selling it to another operator.

### Ambler

On January 11, 2010, the Company purchased 100% of the Ambler project, which hosts the high-grade copper-zinc-gold-silver Arctic deposit. To complete the purchase, the Company issued 931,098 common shares to Kennecott with a market value of approximately US\$5.0 million, with a commitment for future cash payments to Kennecott of US\$12.0 million each in January 2011 and January 2012. The January 2011 payment was made. Kennecott retained a 1% net smelter return royalty that NovaGold can purchase at any time for a one-time payment of US\$10.0 million.

Ambler is an exploration-stage property located in Alaska comprising 90,614 acres (36,670 hectares) of Federal patented and unpatented mining claims and State of Alaska mining claims, covering a major portion of the precious-metal-rich Ambler volcanogenic massive sulfide belt. A resource estimate for the Arctic deposit shows 16.8 million tonnes of indicated resource grading 4.1% copper and 6.0% zinc and 11.9 million tonnes of inferred resource grading 3.6% copper and 5.0% zinc for contained metal totaling indicated resources 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 resources of 937 million pounds of copper, 1.3 billion pounds of zinc, 260,000 ounces of gold, 19 million ounces of silver and 210 million pounds of lead. NovaGold has a solid record of identifying exploration opportunities and bringing value to shareholders by expanding resources through exploration success. The Company feels there is excellent potential to expand the existing resources at the Arctic deposit and locate new high-quality resources in nearby areas, as well as identify new exploration targets in the district.

NovaGold budgeted US\$1.5 million at Ambler for 2010, with US\$1.5 million spent by NovaGold's 2010 fiscal year end. Work at the property during 2010 focused on initiating the environmental and engineering studies necessary to initiate a pre-feasibility study to assess project economics. Until the Ambler camp reopens for the 2011 work season, project activities are focused on community engagement and opportunities to consolidate NovaGold's land package in the district.

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

### Outlook

At November 30, 2010, the Company had cash and cash equivalents of \$151.7 million and working capital of \$132.3 million. At November 30, 2009, the Company had cash and cash equivalents of \$38.2 million and working capital of \$26.6 million.

The Company is focused on advancing its two core properties, Donlin Creek and Galore Creek. At the Donlin Creek project, Donlin Creek LLC has an approved 2011 budget of approximately US\$41.0 million of which the Company's 50% share is approximately US\$20.5 million. The 2011 work program will focus on completing the feasibility revision to incorporate the natural gas pipeline, and preparing permit applications for the project. The feasibility revision will provide operating costs using natural gas rather than diesel as the primary power source for the project, and will also use more recent gold prices and capital inputs to provide updated capital and cash flow estimates. During 2011, Donlin Creek LLC will continue to consult with stakeholders and solicit feedback from local communities and its Alaskan Native partners as well as State and Federal regulatory agencies. The feasibility revision should be complete in the second half of 2011, at which point Donlin Creek LLC is expected to proceed to prepare and file permit applications for the project.

At the Galore Creek project, GCMC has an approved 2011 budget of approximately \$12.3 million to focus on community engagement and completing the pre-feasibility study. Teck is currently contributing 100% of the funding for the Galore Creek project under the amended terms of the Partnership Agreement. Based on the 2011 budget, it is anticipated that Teck will complete its funding by mid-2011. Depending on the results of the pre-feasibility study, GCMC may consider resuming road construction activities and move into feasibility and permitting activities to advance Galore Creek toward a construction decision. A preliminary budget has been discussed and would be refined for these activities at the time a

## Management's Discussion and Analysis

decision is made to proceed. GCMC has maintained a very positive relationship with the Tahltan Nation and regulators during this period of review and optimization, and has received preliminary approval to resume road construction should NovaGold and Teck agree to advance the project following the results of the pre-feasibility study, which is anticipated to be completed in Q2-2011.

At the Ambler project, NovaGold has budgeted approximately US\$10.0 million for additional studies to determine the environmental and engineering aspects of developing the Arctic deposit, as well as exploration and geotechnical drilling at site. The Company continues to work with NANA Corporation to establish a memorandum of agreement for collaborative development of the Ambler region, including district consolidation and infrastructure development that would benefit both the project and local communities.

At the Rock Creek project, the Company has budgeted approximately US\$8.5 million for care and maintenance activities. These costs may be reduced if the project is sold during the year. The Company will also prepare a preliminary closure plan for the project in the event that the Board chooses to close and reclaim the property rather than selling it to another operator.

### Results of operations

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

	Year ended November 30, 2010 \$	Year ended November 30, 2009 \$
Asset impairment	116,370	-
Equity loss	20,873	14,737
Foreign exchange gain	(3,158)	(15,160)
Gain on disposal of mineral properties	(1,440)	(1,563)
General and administrative expenses	4,231	4,294
Interest and accretion	15,187	18,470
Inventory write down	7,537	-
Mineral properties expense	12,727	3,179
Project care and maintenance (Galore Creek)	7,383	14,072
Project care and maintenance (Rock Creek)	18,405	25,489
Salaries, severance and payroll taxes	6,788	5,364
Loss on disposal of property, plant and equipment	-	9,707
Loss for the year after taxes	203,549	73,364
Basic and diluted loss per share	0.95	0.42

For the year ended November 30, 2010, the Company reported a loss of \$203.5 million (or \$0.95 basic and diluted loss per share) compared to a loss of \$73.4 million (or \$0.42 basic and diluted loss per share) for the previous year.

In 2010, the Company incurred a non-cash asset impairment cost of \$116.4 million and a \$7.5 million inventory write down at the Rock Creek project, with no comparable amount in 2009. The impairment adjustment was calculated using a probability weighted approach considering various sales and closure scenarios, where the sales scenarios were evaluated based upon the present value of the estimated future cash flows.

Other important variances are as follows: (a) the Company's project care and maintenance charges in 2010 were \$25.8 million compared to \$39.6 million in 2009, due primarily to the reduction of care and maintenance activities at both Rock Creek and Galore Creek in 2010; (b) equity loss increased to \$20.9 million in 2010 from \$14.7 million in 2009, reflecting increased activity at the Company's Donlin Creek project; (c) a \$3.2 million foreign exchange gain occurred during 2010 compared to a gain of \$15.2 million in 2009, due primarily to the effect on the Company's U.S. dollar-denominated liabilities of the strengthening of the Canadian dollar against the U.S. dollar.

Income from the Company's land and gravel sales, gold royalties and other revenues were \$0.6 million during 2010 compared with \$1.2 million in 2009 due to decreased land sales in Nome, Alaska. Interest income increased to \$0.6 million in 2010 from \$0.4 million in 2009 as the result of an increase in cash holdings during the year.

## Management's Discussion and Analysis

Expenses for the year ended November 30, 2010 were \$91.2 million compared to \$85.8 million in 2009. The increase is primarily the result of an increase in mineral properties expenditures to \$12.7 million in 2010 compared to \$3.1 million in 2009, mainly due to the pre-feasibility study for the Galore Creek project and an increase in exploration activities at the Ambler project. This increase was offset by the decrease in project care and maintenance in 2010 of \$25.8 million compared with \$39.6 million in 2009, mainly due to the decreased level of activity required for maintenance of the tailings pond and water treatment plant at Rock Creek.

In 2010, the Company completed the sale of 100% of its interest in the Shotgun project in Alaska to TNR Gold Corp., resulting in a \$1.4 million gain on disposal.

### Fourth quarter results

During the fourth quarter of 2010, the Company incurred \$5.9 million in care and maintenance (\$3.8 million at Rock Creek and \$2.1 million at Galore Creek) compared to \$15.5 million in the same period in 2009 (\$11.6 million at Rock Creek and \$3.9 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 \$5.7 million in equity loss in the Company's Donlin Creek project during the fourth quarter of 2010 compared to \$4.1 million in 2009; the increase is due primarily to expenditure related to the gas pipeline studies at the Donlin Creek project.

### Selected financial data

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

#### Annual information

Fiscal years ended November 30, 2010, 2009 and 2008:

*in thousands of Canadian dollars,  
except per share amounts*

	2010 \$	2009 \$	2008 \$
Net revenues	599	1,195	2,167
Expenses and other items	(205,051)	(80,356)	(192,978)
Loss for the year	(203,549)	(73,364)	(194,972)
Loss per share – basic and diluted	(0.95)	(0.42)	(1.84)
Total assets	801,740	781,253	777,185
Total long-term financial liabilities	(152,846)	(142,212)	(180,671)

#### Quarterly information

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

*in thousands of Canadian dollars,  
except per share amounts*

	11/30/10 \$	8/31/10 \$	5/31/10 \$	2/28/10 \$	11/30/09 \$	8/31/09 \$	5/31/09 \$	2/28/09 \$
Net revenues	172	334	67	26	290	331	226	348
Earnings (loss) for the quarter	(21,481)	(147,598)	(15,753)	(18,717)	(21,999)	(18,113)	(4,769)	(28,483)
Earnings (loss) per share – basic	(0.12)	(0.66)	(0.07)	(0.10)	(0.09)	(0.10)	(0.03)	(0.20)
Earnings (loss) per share – diluted	(0.12)	(0.66)	(0.07)	(0.10)	(0.09)	(0.10)	(0.03)	(0.20)

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 suspension of operations at the Rock Creek project and subsequent activities related thereto. During the first quarter of 2009, the Company incurred a total of \$16.8 million in interest and accretion and care and maintenance. During the second quarter in 2009, the Company had a foreign exchange gain of \$16.1 million. During the third quarter in 2009, the Company incurred a total of \$12.0 million in interest and accretion and care and maintenance. During the last quarter of fiscal 2009, the Company incurred a

## Management's Discussion and Analysis

\$9.1 million loss on disposal of property, plant and equipment by GCMC as certain road construction equipment and facilities were sold as the road progressed; also, the Company incurred a total of \$18.1 million in interest and accretion and care and maintenance. 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. 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, 2010, the Company had \$151.7 million in cash and cash equivalents, of which \$1.6 million was held by GCMC for the Galore Creek project. The Company expended \$58.4 million on operating activities during the year ended November 30, 2010, compared with expenditures of \$60.5 million on operating activities during the year ended November 30, 2009.

During the year, the Company generated \$195.6 million in cash flows from financing activities compared with \$117.4 million in 2009. In March 2010, 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, compared with \$93.9 million in the same period in 2009. The Company also received \$7.0 million in cash from warrants exercised compared with \$9.1 million in the same period in 2009; as a result, the Company issued 4,307,691 common shares at an average price of US\$1.50 per share. Further, the Company elected to pay \$2.4 million in cash for withholding and payroll taxes related to performance share unit ("PSU") vesting in lieu of issuing 261,445 common shares, as employees would be required to sell their common shares for the taxes due. Payroll remittances were due immediately upon vesting and the Company remitted the employee and employer portions of the taxes to the tax authorities. All of the Galore Creek costs, totaling \$12.1 million in 2010 compared with \$14.4 million in 2009, were funded by Teck.

During the year, the Company expended \$23.7 million on investing activities compared with \$31.0 million in 2009. This is mainly related to the \$21.7 million funding for the Company's share of exploration costs at the Donlin Creek project.

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, 2010 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	9,654	9,654	-	-	-	-	-
Capital leases	1,067	698	369	-	-	-	-
Asset retirement obligations	23,857	7,890	2,297	-	-	-	13,670
Other notes payable	US\$23,026	US\$11,928	US\$11,098	-	-	-	-
Convertible notes – interest (a)	US\$23,077	US\$5,225	US\$5,225	US\$5,225	US\$5,225	US\$2,177	-
Convertible notes – holders option (a)	US\$95,000	-	-	-	US\$95,000	-	-
Promissory note	US\$61,401	-	-	-	-	-	US\$61,401

(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, 2010, the Company's aggregate commitments for operating leases totaled \$4.6 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 Company also had purchase commitments outstanding at November 30, 2010 in the amount of \$0.8 million for its operations.

## Management's Discussion and Analysis

The future minimum payments under operating leases at November 30, 2010 are approximately as follows.

*in thousands of Canadian dollars*

	Operating leases \$
2011	788
2012	629
2013	571
2014	580
2015	662
Thereafter	1,359
<b>Total</b>	<b>4,589</b>

The Company's cash balances are largely invested in bank and non-asset-backed commercial paper all with the two highest possible investment ratings and that can be easily liquidated with terms of 90 days or less.

### Share capital

The fully diluted share capital as at November 30, 2010 is as follows.

	Number of shares (in thousands)	Weighted average exercise/conversion price
Issued and outstanding (a)	226,001	-
Options (b)	11,338	\$6.09
Performance share units (c)	136	\$6.40
Warrants	49,346	US\$1.50
Convertible notes (d)	8,953	US\$10.61
<b>Fully diluted</b>	<b>295,774</b>	

- (a) As at February 16, 2011, the Company had 233.3 million common shares issued and outstanding.
- (b) As at November 30, 2010, the number of unoptioned shares available for granting stock options under the Company's 2004 Stock Option Plan was 11.3 million shares (2009: 5.6 million shares). Subsequent to the year end, the Company granted 899,700 stock options at an exercise price of \$14.53 per share to its employees and directors.
- (c) On January 21, 2010, the Company granted 169,800 PSUs to employees and consultants. Each PSU entitles the participant to receive one common share of the Company at the end of a two-year period if certain performance and vesting criteria have been met. 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, 2010, 135,700 PSUs remained outstanding net of forfeiture. Subsequent to year end, the Company granted an additional 244,000 PSUs to its employees 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.

To facilitate the Company's ability to complete financings over coming years, in December 2009 the Company filed a 25-month US\$500.0 million universal shelf prospectus that is intended to expedite the regulatory review associated with certain debt, convertible or equity financing. To date, US\$175.0 million has been raised under this shelf prospectus through equity financing.



## Management's Discussion and Analysis

### Related party transactions

The Company has arms-length market-based agreements in place to provide certain services to TintinaGold Resources Inc. ("TintinaGold") and Alexco Resource Corp. ("Alexco"). During 2010, the services provided were \$0.1 million (2009: \$0.05 million) to TintinaGold, a related party having one director and a major shareholder in common with the Company; and \$0.03 (2009: \$0.1 million) to Alexco, a related party having two directors in common with the Company. The Company also provided exploration and management services totaling US\$0.9 million (2009: US\$0.8 million) to Donlin Creek 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, 2010, the Company had \$0.2 million (2009: \$0.3 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, 2010.

*in thousands of Canadian dollars*

	Loans and receivables	Available for sale	Held for trading	Other financial liabilities	Total carrying amount	Total fair value
<b>Financial assets</b>						
Cash and cash equivalents	-	-	151,723	-	151,723	151,723
Accounts and prepaid 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
<b>Financial liabilities</b>						
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.

## Management's Discussion and Analysis

- (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 instrument.

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, 2010, the Company was exposed to currency risk through the following assets and liabilities denominated in U.S. dollars.

	<i>in thousands of U.S. dollars</i>	
	<b>November 30, 2010</b>	<b>November 30, 2009</b>
Cash and cash equivalents	125,164	9,937
Accounts receivables	148	376
Reclamation deposits	6,845	6,845
Accounts payable and accrued liabilities	(4,718)	(8,089)
Other notes payable	(23,026)	-
Amounts payable to Barrick – long term	(61,401)	(58,300)
Convertible notes	(60,278)	(55,469)
<b>Total</b>	<b>(17,266)</b>	<b>(104,700)</b>

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 \$1.7 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 Creek 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 13 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.

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### (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, 2010, 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, 2010, 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 for the fiscal year commencing December 1, 2010.

The Company has commenced the process to transition from current 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

Scoping and diagnostic phase – A preliminary diagnostic review was completed by an external consultant and included the determination, at a high level, of the financial reporting differences under IFRS and the key areas that may be

## Management's Discussion and Analysis

impacted. The areas with the highest potential impact were identified to include the basis of consolidation, related party transactions, impairment of assets, financial instruments and initial adoption of IFRS under the provisions of IFRS 1.

Analysis, quantification and evaluation phase – In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The Company is currently undergoing this phase and is expected to complete this phase by the second quarter of 2011. The Company anticipates that there will be changes in accounting policies and that these changes may materially impact the financial statements. The areas where the Company expects material differences relate to US dollar denominated convertible debt and warrants where under IFRS the instruments are not considered to be linked to the Company's own equity as they are denominated in a currency other than the functional currency of NovaGold. Management is continuing to evaluate the differences and the full impact on future financial reporting is not reasonably determinable or estimable at this time.

Implementation and review phase – This 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.

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 various accounting policy choices available are being assessed and those determined to be most appropriate to the Company's circumstances will be implemented.

The International Accounting Standard Board currently has projects underway that are expected to result in new pronouncements and, as a result, IFRS as at the transition date is expected to differ from its current form. The final impact of IFRS on the Company's financial statements will only be determined once all applicable standards at the conversion date are known.

### 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 intangible assets, 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. There can be no assurances that the subsequent decision to sell or reclaim the project would result in a material gain on sale or accrual of closure costs, which would be incurred when a decision is made.

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.

#### Intangible assets

Intangible assets consist of power transmission rights acquired by the Company upon the acquisition of Coast Mountain Power Corp. Intangible assets are recorded at cost and amortized over their respective useful lives on a straight-line basis. The Company intends to amortize the power transmission rights over the expected life of the Galore Creek project

## Management's Discussion and Analysis

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. The NTL is currently in the final phases of approval. Should the NTL be built, NovaGold will no longer retain its power transmission rights and will accordingly impair the full value of that asset.

### 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 mine workings of the Company's Nome Gold site, 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.

### 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 the rules of the U.S. Securities and Exchange Commission and Canadian Securities Administration, as at November 30, 2010. 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, 2010, 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, 2010 available on SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

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**Ability to continue its exploration activities and any future development activities, and to continue as a going concern, will depend in part on its ability to commence production and generate material revenues or to obtain suitable financing**

NovaGold has limited financial resources. The Company intends to fund its plan of operations from working capital, the proceeds of financings and revenue from land and gravel sales. In the future, the Company's ability to continue its exploration and development activities, if any, will depend in part on the Company's ability to obtain suitable financing.

There can be no assurance that the Company will commence production at any of its mineral properties, generate sufficient revenues to meet its obligations as they become due or obtain necessary financing on acceptable terms, if at all. The Company's failure to meet its ongoing obligations on a timely basis could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties. In addition, should the Company incur significant losses in future periods, it may be unable to continue as a going concern, and realization of assets and settlement of liabilities in other than the normal course of business may be at amounts materially different than the Company's estimates.

### Exploration and development

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The Company has only defined or delineated reserves at its Donlin Creek projects and none of its properties are currently under development. The future development of any properties found to be economically feasible will require obtaining permits, financing and construction. The Company is subject to all the risks associated with establishing new mining operations. In addition, there is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of ore. There is also no assurance that if further mineralization is discovered that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors that are beyond the Company's control. Some of these factors are the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

### Environmental laws and regulations

All of the Company's exploration and production activities in Canada and the United States are subject to regulation by governmental agencies under various environmental laws. To the extent that the Company conducts exploration activities or undertakes new mining activities in other foreign countries, the Company will also be subject to environmental laws and regulations in those jurisdictions. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species, and reclamation of lands disturbed by mining operations. Environmental legislation in many countries is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect the Company's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time.

### Reserve and resource estimates

There is a degree of uncertainty attributable to the calculation of reserves and resources and the corresponding grades. Reserve and resource estimates are dependent partially on statistical inferences drawn from drilling, sampling and other data. Reserve and resource figures set forth by the Company are estimates, and there is no certainty that the mineral deposits would yield the production of metals indicated by reserve and resource estimates. Declines in the market price for metals may adversely affect the economics of a deposit and may require the Company to reduce its reserve and resource estimates.

## Management's Discussion and Analysis

### Price volatility – gold, copper and other metals

The market price for gold, copper and other metals is volatile and cannot be controlled. There is no assurance that if commercial quantities of gold, copper and other metals are discovered, a profitable market may exist or continue to exist for a production decision to be made or for the ultimate sale of the metals. As the Company is currently not in production, no sensitivity analysis for price changes has been provided or carried out.

### Legal proceedings

On July 15, 2009, two claims were filed in the United States District Court for the District of Alaska against NovaGold, AGC and other parties arising out 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 claims are seeking wrongful death damages in excess of US\$2.5 million. The Company and AGC filed an answer to the complaint denying all allegations and asserting certain affirmative defenses. The Company and AGC have disputed these claims and believe they have substantial and meritorious legal and factual defenses, which they intend to pursue vigorously. Indeed, the claims against AGC have now been dismissed by agreement without payment of any money. However, there can be no assurance that these proceedings will be resolved in favor of NovaGold.

### Increased Regulatory Compliance Costs Relating to Dodd-Frank

In July 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" ("Dodd-Frank Act") was enacted, representing an overhaul of the framework for regulation of U.S. financial markets. The Dodd-Frank Act calls for various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, to establish regulations for implementation of many of the provisions of the Dodd-Frank Act, and the Company anticipates that these new regulations will provide additional clarity regarding the extent of the impact of this legislation on NovaGold. Dodd-Frank Act also requires companies in the mining industry to disclose in their periodic reports filed with the SEC substantial additional information about safety issues relating to their mining operations. The Company may also incur additional costs associated with the Company's compliance with the new regulations and anticipated additional reporting and disclosure obligations. While the Company is not able to assess the full impact of the Dodd-Frank Act until all the implementing regulations have been adopted, based on the information available to the Company at this time, the Company does not believe provisions of the regulations implementing the Dodd-Frank Act will have a material adverse effect on the Company's financial position, results of operations or cash flows.

## 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.



Rick Van Nieuwenhuysse  
President & Chief Executive Officer



Elaine Sanders  
Vice President & Chief Financial Officer

February 16, 2011



## 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:

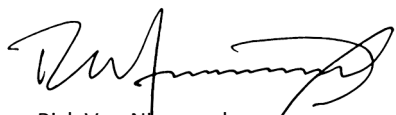
- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with 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, 2010. 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, 2010.

PricewaterhouseCoopers LLP, our independent auditors, has issued an attestation report on internal control over financial reporting for NovaGold Resources Inc. as of November 30, 2010, which is included herein.



Rick Van Nieuwenhuysse  
President & Chief Executive Officer



Elaine Sanders  
Vice President & Chief Financial Officer

February 16, 2011

## Independent Auditors' Report

### To the Shareholders of NovaGold Resources Inc.

We have completed integrated audits of NovaGold Resources Inc.'s 2010 and 2009 consolidated financial statements and of its internal control over financial reporting as at November 30, 2010. Our opinions, based on our audits, are presented below.

#### Consolidated financial statements

We have audited the accompanying consolidated balance sheets of NovaGold Resources Inc. as at November 30, 2010 and November 30, 2009, and the related consolidated statements of operations and deficit, comprehensive loss, changes in shareholders' equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of the Company's financial statements 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 financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at November 30, 2010 and November 30, 2009 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

#### Internal control over financial reporting

We have also audited NovaGold Resources Inc.'s internal control over financial reporting as at November 30, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's 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 the accompanying Management's Report on Internal Control over Financial Reporting – U.S. 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 opinion.

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.

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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at November 30, 2010 based on criteria established in Internal Control - Integrated Framework issued by the COSO.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

Vancouver, British Columbia

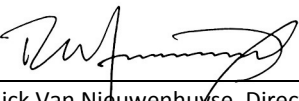
February 16, 2011

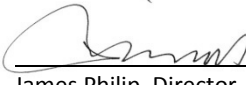
## Consolidated Balance Sheets As at November 30, 2010 and 2009

*in thousands of Canadian dollars*

	November 30, 2010 \$	November 30, 2009 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	151,723	38,180
Accounts and taxes receivable	1,037	942
Inventories (note 4)	8,120	-
Deposits and prepaid amounts	1,938	2,154
	<b>162,818</b>	<b>41,276</b>
<b>Accounts receivable</b>	142	130
<b>Land</b>	1,876	1,892
<b>Inventories</b> (note 4)	-	15,547
<b>Property, plant and equipment</b> (note 5)	346,777	454,271
<b>Mineral properties, rights and development costs</b> (note 6)	266,408	247,130
<b>Investments</b> (note 7)	7,362	4,287
<b>Investment tax credits</b>	3,271	3,393
<b>Reclamation deposits</b> (note 9)	13,086	13,326
	<b>801,740</b>	<b>781,252</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	9,654	13,132
Current portion of asset retirement obligations (note 9)	7,890	860
Current portion of long-term liabilities (note 6 (a))	12,943	705
	<b>30,487</b>	<b>14,697</b>
<b>Long-term liabilities</b>		
Promissory note (note 7 (b))	63,034	61,532
Convertible notes (note 8)	61,882	58,553
Capital lease obligations	369	1,148
Asset retirement obligations (note 9)	15,967	20,730
Future income taxes (note 15)	7,193	8,524
Other liabilities (note 6 (a))	11,594	249
	<b>190,526</b>	<b>165,433</b>
<b>Non-controlling interest</b> (note 3)	297,292	293,247
<b>Shareholders' equity</b>		
Share capital (note 10)	1,077,219	878,086
Equity component of convertible notes (note 8)	43,352	43,352
Contributed surplus	8,629	9,994
Stock-based compensation (note 10)	30,589	31,838
Warrants (note 10)	28,488	31,065
Deficit	(875,807)	(672,258)
Accumulated other comprehensive income	1,452	495
	<b>313,922</b>	<b>322,572</b>
	<b>801,740</b>	<b>781,252</b>
<b>Commitments and contingencies</b> (note 12)		
<b>Subsequent event</b> (note 18)		

(See accompanying notes to consolidated financial statements)

  
 Rick Van Nieuwenhuysse, Director  
**Approved by the Board of Directors**

  
 James Philip, Director

## Consolidated Statements of Operations and Deficit For the years ended November 30, 2010 and 2009

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

	Year ended November 30, 2010 \$	Year ended November 30, 2009 \$
<b>Revenue</b>		
Land, gravel, gold and other revenue	599	1,195
<b>Cost of sales</b>	258	265
	341	930
<b>Expenses</b>		
Corporate development and communication	1,273	1,478
Equity loss (note 7)	20,873	14,737
Foreign exchange gain	(3,158)	(15,160)
General and administrative	4,231	4,294
Interest and accretion	15,187	18,470
Mineral properties expense	12,727	3,179
Professional fees	2,513	4,244
Salaries	6,788	5,364
Salaries – stock-based compensation (note 10 (b), (c) and (d))	4,952	9,623
Project care and maintenance	25,788	39,561
<b>Total expenses</b>	91,174	85,790
Loss before other items	90,833	84,860
<b>Other items</b>		
Interest income	(577)	(414)
Gain on disposal of investments (note 7)	-	(125)
Gain on disposal of mineral properties (note 6)	(1,440)	(1,563)
Asset impairment (notes 5 and 6)	116,370	-
Inventory write down	7,537	-
Project suspension cost recovery	-	(648)
Loss on disposal of property, plant and equipment	-	9,707
Non-controlling interest (note 3)	(8,013)	(12,391)
	113,877	(5,434)
<b>Loss for the year before income taxes</b>	(204,710)	(79,426)
Future income tax recovery (note 15)	(1,161)	(6,062)
<b>Loss for the year</b>	<b>(203,549)</b>	<b>(73,364)</b>
Deficit – beginning of year	(672,258)	(598,894)
<b>Deficit – end of year</b>	<b>(875,807)</b>	<b>(672,258)</b>
<b>Loss per share</b>		
Basic and diluted	(0.95)	(0.42)
Weighted average number of shares (thousands)	213,597	172,654

(See accompanying notes to consolidated financial statements)

## Consolidated Statements of Comprehensive Loss For the years ended November 30, 2010 and 2009

*in thousands of Canadian dollars*

	Year ended November 30, 2010 \$	Year ended November 30, 2009 \$
Net loss for the year before other comprehensive income	(203,549)	(73,364)
Unrealized gain on available-for-sale investments	994	1,119
Future income tax expense	(37)	(206)
<b>Comprehensive loss for the year</b>	<b>(202,592)</b>	<b>(72,451)</b>

## Consolidated Statements of Changes in Shareholders' Equity For the years ended November 30, 2010 and 2009

*in thousands of Canadian dollars*

	Year ended November 30, 2010 \$	Year ended November 30, 2009 \$
<b>Share capital</b>		
Balance – beginning of year	878,086	776,237
Issued pursuant to private placement net of share issue costs	179,000	61,480
Issued pursuant to stock options exercised	3,991	1,558
Issued pursuant to warrants exercised	9,549	14,601
Issued pursuant to performance share units vested	1,426	-
Issued pursuant to property acquisition	5,167	-
Issued pursuant to debt conversion	-	24,210
Balance – end of year	1,077,219	878,086
<b>Equity component of convertible notes</b>		
Balance – beginning of year	43,352	43,352
Balance – end of year	43,352	43,352
<b>Contributed surplus</b>		
Balance – beginning of year	9,994	9,994
Excess value over fair value of performance share unit (note 10 (c))	(1,365)	-
Balance – end of year	8,629	9,994
<b>Stock-based compensation</b>		
Balance – beginning of year	31,838	22,223
Stock option vesting	3,738	9,117
Performance share unit vesting	1,352	1,265
Director share unit grants	101	-
Transfer to share capital on exercise of stock options	(3,991)	(767)
Transfer to share capital on issuance of performance share units	(2,449)	-
Balance – end of year	30,589	31,838
<b>Warrants</b>		
Balance – beginning of year	31,065	1,995
Issuance of warrants	-	34,606
Fair value of warrant exercises	(2,577)	(5,536)
Balance – end of year	28,488	31,065
<b>Deficit</b>		
Balance – beginning of year	(672,258)	(598,894)
Loss for the year	(203,549)	(73,364)
Balance – end of year	(875,807)	(672,258)
<b>Accumulated other comprehensive income</b>		
Balance – beginning of year	495	(418)
Unrealized gains on available-for-sale investments	994	1,119
Future income taxes on unrealized gains	(37)	(206)
Balance – end of year	1,452	495
<b>Total shareholders' equity</b>	<b>313,922</b>	<b>322,572</b>

(See accompanying notes to consolidated financial statements)

## Consolidated Statements of Cash Flows

### For the years ended November 30, 2010 and 2009

*in thousands of Canadian dollars*

	Year ended November 30, 2010 \$	Year ended November 30, 2009 \$
<b>Cash flows used in operating activities</b>		
Loss for the year	(203,549)	(73,364)
Items not affecting cash		
Amortization	527	258
Asset impairment	116,370	-
Equity loss	20,873	14,737
Future income tax recovery	(1,161)	(6,062)
Foreign exchange gain	(3,520)	(16,253)
Gain on sale of investments (note 7)	-	(125)
Gain on disposal of mineral properties	-	(1,563)
Interest and accretion	10,313	12,435
Inventory write down	7,537	-
Loss on disposal of property, plant and equipment	-	9,707
Mineral properties expense	1,162	8
Project suspension recovery	-	(648)
Stock-based compensation	4,952	9,622
Non-controlling interest	(8,013)	(12,391)
Net change in non-cash working capital		
Decrease in GST and other receivables, deposits and prepaid amounts	121	1,879
Increase in inventories	(110)	(311)
(Decrease) increase in accounts payable and accrued liabilities	(3,877)	2,046
Decrease in suspension costs – long term	-	(453)
	(58,375)	(60,478)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common shares – net	179,000	93,948
Proceeds from non-controlling interest	12,058	14,407
Proceeds from warrant exercise	6,971	9,065
Payroll and withholding tax on issuance of performance share units	(2,387)	-
	195,642	117,420
<b>Cash flows used in investing activities</b>		
Acquisition of property, plant and equipment	(1,029)	(27,674)
Proceeds from disposition of property, plant and equipment	38	7,683
Expenditures on mineral properties and related deferred costs	(1,064)	(3,090)
Decrease (increase) in reclamation deposits	64	(87)
Decrease (increase) in accounts receivable	(12)	426
Proceeds on sale of investments	-	3,769
Increase in investments	(21,721)	(12,013)
	(23,724)	(30,986)
Increase in cash and cash equivalents during the period	113,543	25,956
Cash and cash equivalents – beginning of year	38,180	12,224
<b>Cash and cash equivalents – end of year</b>	<b>151,723</b>	<b>38,180</b>
<b>Supplemental disclosure</b>		
Increase (decrease) in accounts payable and accrued liabilities and other liabilities related to mineral properties and property, plant and equipment	328	(28,056)
Bridge loan converted into shares	-	24,210
Interest received	577	394
Interest paid	5,330	6,292

(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 Creek project in Alaska is held by a limited liability company owned equally by NovaGold and Barrick Gold U.S. Inc. (“Barrick”). The Galore Creek project in British Columbia is held by a partnership owned equally by NovaGold and Teck Resources Limited (“Teck”).

### 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., Alaska Gold Company (“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 17, Canadian GAAP differs in certain material respects from accounting principles generally accepted in the United States.

#### 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.

#### Inventories

Inventories consist of supplies and spare parts to be consumed in operations, as well as stockpile ore, and are stated at the lower of cost and net realizable value.

#### 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 between 20% to 30%. Amortization of leasehold improvements is calculated on a straight-line basis over the term of the lease.

Construction in progress costs relate to the Galore Creek project and are recorded at cost. No amortization is calculated until the assets are substantially put into service.



## Notes to Consolidated Financial Statements

### Intangible assets

Intangible assets consist of power transmission rights acquired by the Company upon the acquisition of Coast Mountain Power Corp. Intangible assets are recorded at cost and amortized over their respective useful lives on a straight-line basis. The Company intends to amortize the power transmission rights over the expected life of the Galore Creek project on a straight-line basis. The Company assesses the fair value of this intangible assets with the Galore Creek long-lived assets and, if there are indications of impairment, the carrying value would be written down.

Management of the Company reviews and evaluates the carrying value of each intangible asset for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value, which is normally determined using the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value.

### 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 or indirectly, 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.

## Notes to Consolidated Financial Statements

### 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.

### 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 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 options 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.

## Notes to Consolidated Financial Statements

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 one common share of the Company at the end of a two-year period if certain market performance and service vesting criteria have been met. The performance and vesting 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”), wherein 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 in amounts of 50% of the directors’ annual retainers. The fair value is recognized in earnings over the related service period.

### Financial instruments

The CICA amended Section 3862, “Financial Instruments – Disclosures,” in 2009 to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. These amendments are effective for the year ended November 30, 2010.

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 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.

### Convertible notes

The convertible notes (“Notes”) are classified as a liability, less the portion relating to the conversion feature 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, the liability is accreted to the face value over the term of the 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, is computed by the consolidation method. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

## 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.

### Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

### 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 will adopt these pronouncements at December 1, 2010; the result from this adoption would be that non-controlling interest balance will be classified as shareholders' equity on the consolidated balance sheet.

### 3 Galore Creek Partnership

The Company determined that the Galore Creek Partnership is a variable interest entity and consequently uses the principles of 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 ("Partnership").

The Partnership was formed in May 2007, with Teck earning a 50% interest in the Galore Creek project by funding approximately \$520 million in project development costs. The Partnership funding arrangement was amended following the November 2007 decision to suspend construction activities at the project, and again in February 2009. Under the terms of the current agreement, Teck is funding all costs for the Galore Creek project up to approximately \$373.3 million, at which point the partners will share project costs on a 50/50 basis. At November 30, 2010, the Partnership had cash of \$1.6 million. Total cash contributions to date by Teck at November 30, 2010 were \$360.1 million and \$13.2 million remained to be contributed by Teck to earn its 50% interest.

Teck's contributions to date have been recorded as non-controlling interest as follows.

	November 30, 2010	November 30, 2009
	\$	\$
Balance – beginning of year	293,247	291,231
Contributions by Teck	12,058	14,407
Teck's share of suspension recoveries	-	324
Teck's share of care and maintenance costs	(8,013)	(7,863)
Teck's share of loss on disposal of fixed assets	-	(4,852)
Balance – end of year	<b>297,292</b>	<b>293,247</b>

*in thousands of Canadian dollars*

## Notes to Consolidated Financial Statements

### 4 Inventories

*in thousands of Canadian dollars*

	November 30, 2010 \$	November 30, 2009 \$
<b>Current portion</b>		
Gold	519	-
Supplies (a)	7,601	-
<b>Long-term portion</b>		
Gold	-	439
Supplies (a)	-	13,609
Stockpiled ore (a)	-	1,499
<b>Total inventories</b>	<b>8,120</b>	<b>15,547</b>

- (a) Management reviewed the valuation of the inventory to the lower of cost and net realizable value (“NRV”) and recorded a \$7.5 million write down to reflect the decrease of the NRV. This write down is mainly due to the impairment of the Rock Creek project.

### 5 Property, plant and equipment

*in thousands of Canadian dollars*

	November 30, 2010			
	Cost \$	Accumulated amortization \$	Impairment (b) \$	Net \$
<b>Alaska, USA</b>				
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)	-
<b>British Columbia, Canada</b>				
Construction costs – Galore Creek (a)	318,877	-	-	318,877
Mobile equipment – Galore Creek (a)	26,651	-	-	26,651
Office furniture and equipment	2,506	(1,505)	-	1,001
Leasehold improvements	575	(327)	-	248
	<b>456,447</b>	<b>(2,563)</b>	<b>(107,107)</b>	<b>346,777</b>

*in thousands of Canadian dollars*

	November 30, 2009		
	Cost \$	Accumulated amortization \$	Net \$
<b>Alaska, USA</b>			
Construction costs – Rock Creek (a)	90,519	-	90,519
Mining and milling equipment – Rock Creek (a)	15,342	-	15,342
Heavy machinery and equipment – Rock Creek	1,298	(267)	1,031
Building	372	(140)	232
<b>British Columbia, Canada</b>			
Construction costs – Galore Creek (a)	318,980	-	318,980
Mobile equipment – Galore Creek (a)	26,651	-	26,651
Office furniture and equipment	2,459	(1,248)	1,211
Leasehold improvements	575	(270)	305
	<b>456,196</b>	<b>(1,925)</b>	<b>454,271</b>

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

## Notes to Consolidated Financial Statements

### (b) Asset impairment

The Rock Creek project located in Nome, Alaska, was substantially constructed by the summer of 2008 and the start-up process began in September 2008, upon receipt of operating permits. During start-up, the mine experienced unanticipated mechanical problems in the mill and Arctic weather conditions caused problems with the crushing circuit. On November 24, 2008, the Company suspended the start-up, system testing and commissioning activities and the project was placed on care and maintenance. As a result, the Company had previously assessed the estimated recoverability of the Rock Creek project in the year ended 2008 and recorded an asset impairment of \$160.9 million. Due to management's decision to not restart operations at the project, the Company reassessed the estimated recoverability of the project in the third quarter ended August 31, 2010 and recorded an impairment charge for the year of \$116.4 million (property, plant and equipment: \$107.1 million; and mineral properties: \$9.3 million) and a remaining value of \$nil for accounting purposes.

The impairment adjustment was calculated using the probability weighted approach considering various sales and closure scenarios where the sales scenarios were evaluated based upon the present value of the estimated future cash flows in accordance with CICA Handbook Section 3063, "Impairment of Long-lived Assets". The impairment loss was allocated proportionately to construction in progress, mining and milling equipment, and mineral properties and development costs. There can be no assurance that a subsequent decision to reclaim the project would not result in an accrual of closure costs, which would incur when a decision is made.

### 6 Mineral properties, rights and development costs

*in thousands of Canadian dollars*

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

*in thousands of Canadian dollars*

	November 30, 2008 \$	Tax credit \$	Expenditures (Amortization) \$	November 30, 2009 \$
<b>Alaska, USA</b>				
Rock Creek	6,717	-	1,678	8,395
<b>British Columbia, Canada</b>				
Galore Creek	183,597	(625)	1,428	184,400
Power transmission rights (b)	55,668	-	(1,333)	54,335
	<b>245,982</b>	<b>(625)</b>	<b>1,773</b>	<b>247,130</b>

- (a) On January 11, 2010, the Company purchased 100% of the Ambler property in northern Alaska, which hosts the high-grade copper-zinc-gold-silver Arctic deposit. As consideration, the Company issued 931,098 shares with a fair value of US\$5.0 million and agreed to make cash payments to the vendor of US\$12.0 million each in January 2011 and January 2012, respectively. The January 2011 payment was made. The vendor retained a 1% net smelter return royalty that the Company can purchase at any time for a one-time payment of US\$10.0 million.

The Company used a weighted average cost of capital at 7.76% to discount the above cash payments due in 2011 and 2012. As of November 30, 2010, the Company recorded \$12.2 million in the current portion of long-term liabilities and \$11.4 million in long-term other liabilities.

## Notes to Consolidated Financial Statements

- (b) In May 2006 NovaGold acquired Coast Mountain Power Corp. and all of its assets, which included the power transmission rights to build a power line from Meziadin Junction to Bob Quinn to bring power to the Galore Creek project. The power transmission rights are currently treated as an intangible asset as outlined in note 2. 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 is currently in the final phases of approval. Should the NTL be built, NovaGold will no longer retain its power transmission rights and will accordingly impair the full value of that asset.
- (c) On June 22, 2010, the Company entered into an option agreement for the San Roque property in Argentina with Marifil Mines Inc. (“Marifil”). The Company has the option to acquire a 49% interest in the property by making a \$0.4 million payment, spending \$2.6 million prior to the second anniversary of the effective date of the agreement and paying Marifil \$0.1 million per year. After the Company earns its 49% interest, it also has the option to increase its interest to 70% by spending an additional \$6.0 million prior to the fifth anniversary of the effective date of the agreement and paying Marifil \$0.1 million per year.

In September 2010, the Company disposed its remaining 50% interest in its Shotgun property in Alaska to TNR Gold Corp. (“TNR”) for 6,000,000 TNR shares and 3,000,000 TNR share purchase warrants. In addition, the Company retained a 2% net smelter return royalty which can be purchased by TNR for US\$5.0 million any time prior to a production decision.

### 7 Investments

	<i>in thousands of Canadian dollars</i>	
	November 30, 2010	November 30, 2009
	\$	\$
Available-for-sale investments (a)	5,665	3,438
Investments accounted for under the equity method		
Donlin Creek LLC (b)	1,697	849
<b>Total investments</b>	<b>7,362</b>	<b>4,287</b>

Investment in Donlin Creek LLC accounted for using the equity method is as follows.

	<i>in thousands of Canadian dollars</i>	
	November 30, 2010	November 30, 2009
	\$	\$
Balance – beginning of year	849	3,197
Funding	21,721	12,389
Equity loss	(20,873)	(14,737)
<b>Balance – end of year</b>	<b>1,697</b>	<b>849</b>

- (a) Investments classified as available-for-sale are reported 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, 2010 was \$4.2 million (2009: \$2.8 million) and total unrealized holding gain for the year ended November 30, 2010 was \$1.0 million (2009: \$1.1 million). The balance includes 11,801 shares of Endeavour Mining Corp. (cost: \$0.005 million; fair value at November 30, 2010: \$0.03 million); 3,125,000 shares in TintinaGold Resources Inc. (cost: \$1.4 million; fair value at November 30, 2010: \$2.3 million), a company having one director and a major shareholder in common with the Company; and 3,125,000 shares in AsiaBaseMetals Inc. (cost: \$0.2 million; fair value at November 30, 2010: \$0.8 million), a company having one director and a major shareholder in common with the Company.
- (b) On December 1, 2007, together with Barrick, the Company formed a limited liability company (“Donlin Creek LLC”) to advance the Donlin Creek project in Alaska. The Donlin Creek LLC has a board of four directors, with two nominees selected by each company. All significant decisions related to Donlin Creek require the approval of both companies. As part of the Donlin Creek 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 Creek 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

## Notes to Consolidated Financial Statements

cash flow. 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 Creek 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 Creek LLC using the equity method of accounting.

### 8 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 \$3.5 million, for net proceeds of \$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 for projects that do not meet the criteria to capitalize, and accreted to the liability over the term of the Notes.

*in thousands of Canadian dollars*

	November 30, 2010 \$	November 30, 2009 \$
Beginning balance	58,553	63,573
Accretion of debt discount for the year	4,975	4,692
Foreign exchange revaluation	(1,646)	(9,712)
Convertible notes liability	<b>61,882</b>	<b>58,553</b>
Conversion right	44,992	44,992
Financing costs allocated to equity component	(1,640)	(1,640)
Equity component of convertible notes	<b>43,352</b>	<b>43,352</b>

### 9 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 obligations is \$23.8 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 projects. Significant reclamation and closure activities include land rehabilitation, decommissioning of roads, bridges, buildings and mine facilities, and other costs.

Changes to the reclamation and closure cost balance during the year are as follows.

*in thousands of Canadian dollars*

	November 30, 2010 \$	November 30, 2009 \$
Asset retirement obligation – beginning of year	21,590	21,359
Revision in estimates and liabilities incurred	2,267	872
Reclamation expenditures	-	(641)
Balance – end of year	23,857	21,590
Less current portion of asset retirement obligation	(7,890)	(860)
Long-term portion of asset retirement obligation	<b>15,967</b>	<b>20,730</b>



## Notes to Consolidated Financial Statements

The retirement obligation allocated by projects is as follows.

*in thousands of Canadian dollars*

	November 30, 2010 \$	November 30, 2009 \$
Galore Creek	13,670	13,670
Rock Creek	8,415	7,060
Nome Gold	1,772	860
	<b>23,857</b>	<b>21,590</b>

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, 2010, the Company had cash reclamation deposits totaling \$13.1 million (2009: \$13.3 million) comprising the following.

*in thousands of Canadian dollars*

	November 30, 2010 \$	November 30, 2009 \$
Galore Creek	6,059	6,100
Rock Creek	7,027	7,226
	<b>13,086</b>	<b>13,326</b>

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.

### 10 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, 2010		November 30, 2009	
	Number of shares (thousands)	Ascribed value \$	Number of shares (thousands)	Ascribed value \$
<b>Balance – beginning of year</b>	187,133	878,086	107,509	776,237
Issued period to date				
For cash pursuant to private placement	31,818	179,000	57,692	61,480
Pursuant to debt conversion	-	-	15,763	24,210
For cash and fair value pursuant to stock option agreements	1,280	3,991	538	1,558
For cash and fair value pursuant to purchase share unit agreements	365	1,426	-	-
For cash and fair value pursuant to warrant agreements	4,465	9,549	5,631	14,601
Pursuant to mineral property acquisition agreements	931	5,168	-	-
<b>Balance – end of year</b>	<b>225,992</b>	<b>1,077,220</b>	<b>187,133</b>	<b>878,086</b>
Shares held by a wholly-owned subsidiary eliminated on consolidation	9	-	9	-
<b>Total issued and outstanding</b>	<b>226,001</b>	<b>1,077,220</b>	<b>187,142</b>	<b>878,086</b>

#### (a) Issuance of common shares

In January 2010, the Company issued 931,098 shares with a fair value of US\$5.0 million (\$5.2 million) as consideration for the Ambler mineral property acquisition.

In March 2010, the Company issued by way of private placement 31,818,182 shares at US\$5.50 per common share for gross proceeds of US\$175.0 million (\$179.0 million) to several investment funds managed by Paulson & Co. Inc and to Quantum Partners Ltd, a private investment fund managed by Soros Fund Management LLC.

## Notes to Consolidated Financial Statements

### (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, 2010, the Company granted 1,537,100 (2009: 7,711,750) stock options at a weighted average fair value of \$7.33 (2009: \$1.66) and recognized a stock-based compensation charge against income of \$3.5 million (2009: \$8.4 million) for options granted to directors, employees and consultants in accordance with CICA 3870, net of forfeitures. As of November 30, 2010, there were 1,918,937 non-vested options outstanding with a weighted average exercise price of \$5.21. The non-vested stock option and PSU expense not yet recognized was \$2.7 million (2009: \$5.4 million); this expense is expected to be recognized over the next two years.

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, 2010	Year ended November 30, 2009
Average risk-free interest rate	1.22% – 1.84%	0.44% – 1.73%
Expected life	1.00 – 2.50 years	1.00 – 3.71 years
Expected volatility	57% – 87%	70% – 98%
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, 2010		November 30, 2009	
	Number of options (thousands)	Weighted average exercise price \$	Number of options (thousands)	Weighted average exercise price \$
<b>Balance – beginning of year</b>	13,069	5.62	8,356	8.15
Granted	1,537	7.33	7,712	4.16
Exercised	(2,434)	4.32	(644)	2.20
Forfeited	(834)	6.22	(2,355)	9.96
<b>Balance – end of year</b>	<b>11,338</b>	<b>6.09</b>	<b>13,069</b>	<b>5.62</b>

## Notes to Consolidated Financial Statements

The following table summarizes information about the stock options outstanding and exercisable at November 30, 2010.

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	671	1.62	1.01	671	1.01
\$ 2.00 to \$ 3.99	2,352	2.86	2.75	1,730	2.86
\$ 4.00 to \$ 5.99	3,502	3.35	5.19	3,014	5.18
\$ 6.00 to \$ 7.99	2,329	4.30	6.73	1,911	6.78
\$ 8.00 to \$ 9.99	1,351	5.27	8.64	961	8.81
\$10.00 to \$11.99	28	5.04	10.16	28	10.16
\$12.00 to \$13.99	40	5.50	13.90	40	13.90
\$14.00 to \$15.99	895	5.23	14.23	735	14.08
\$16.00 to \$17.99	150	6.55	16.34	150	16.34
\$18.00 to \$19.78	20	5.85	19.76	20	19.76
	<b>11,338</b>	<b>3.78</b>	<b>6.09</b>	<b>9,260</b>	<b>6.12</b>

The aggregate intrinsic value of vested share options (the market value less the exercise value) at November 30, 2010 was \$24.2 million (2009: \$11.9 million) and the aggregate intrinsic value of exercised options in 2010 was \$12.7 million (2009: \$1.7 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 and vesting 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 501,050 PSUs granted in May 2009, a multiplier of 125% was determined based upon the Company’s actual performance in January and December 2009, resulting in 626,308 common shares vested during the period ending May 31, 2010. In May 2010, the Company issued 364,863 common shares and withheld and cancelled the remaining vested PSUs for tax remittance purposes and consequently, the Company paid the cash equivalent amount of \$2.4 million to the corresponding tax authorities. The value of the vested PSU cancellation was in excess of the original PSU fair value and as a result the excess of \$1.4 million was charged against contributed surplus.

For the year ended November 30, 2010, the Company recognized a stock-based compensation charge against income of \$1.3 million (2009: \$1.2 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 of 50% of directors’ annual retainers. Each DSU entitles the directors to receive one common share when they retire from their Board of Directors position in the Company.

For the year ended November 30, 2010, the Company recognized a stock-based compensation charge against income of \$0.1 million (2009: nil) for the 12,178 DSUs granted to directors during the year.

### (e) Warrants

In December 2009, the Company issued 156,880 common shares upon the exercise of 156,880 share purchase warrants at US\$1.50 per common share for total proceeds of US\$0.2 million (\$0.2 million).

## Notes to Consolidated Financial Statements

In July 2010, the Company issued 4,307,691 common shares upon the exercise of 4,307,691 share purchase warrants at US\$1.50 per common share for total proceeds of US\$6.5 million (\$6.7 million).

Subsequent to the year ended November 30, 2010, the Company issued 7,099,969 common shares upon the exercise of 7,099,969 share purchase warrants at US\$1.50 per common share for total proceeds of US\$10.6 million.

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

	November 30, 2010		November 30, 2009	
	Number of warrants (thousands)	Weighted average exercise price \$	Number of warrants (thousands)	Weighted average exercise price \$
<b>Balance – beginning of year</b>	53,810	1.65	750	7.18
Granted	-	-	58,692	1.64
Exercised	(4,465)	1.56	(5,632)	1.61
<b>Balance – end of year</b>	<b>49,345</b>	<b>1.65</b>	<b>53,810</b>	<b>1.65</b>

A summary of the Company's share purchase warrants outstanding at November 30, 2010 is presented below.

Prices	Warrants outstanding and exercisable (thousands)	Weighted average exercise price \$	Weighted average remaining contractual life (years)
US\$ 1.50	49,346	1.65	2.17

### 11 Related party transactions

The Company has market-based agreements to provide certain services to TintinaGold Resources Inc. ("TintinaGold") and Alexco Resource Corp. ("Alexco"). During 2010, the services provided were \$0.1 million (2009: \$0.05 million) to TintinaGold, a related party having one director and a major shareholder in common with the Company; and \$0.03 million (2009: \$0.1 million) to Alexco, a related party having two directors in common with the Company. The Company also provided exploration and management services totaling US\$0.9 million (2009: US\$0.8 million) to the Donlin Creek 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, 2010, the Company had \$0.2 million (2009: \$0.3 million) receivable from related parties.

### 12 Commitments and contingencies

#### (a) 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, 2010 are approximately as follows.

<i>in thousands of Canadian dollars</i>	
	November 30, 2010 \$
2011	788
2012	629
2013	571
2014	580
2015	662
Thereafter	1,358

## Notes to Consolidated Financial Statements

### (b) Purchase commitments

As at November 30, 2010, the Company has commitments outstanding in the amount of \$0.4 million for its operations.

### (c) Legal actions

On September 10, 2010, the Company received final U.S. court approval for the U.S. settlement of a consolidated class action lawsuit filed on December 22, 2008 in the United States District Court for the Southern District of New York consolidating similar complaints of violations of U.S. Securities laws. On October 14, 2009, a similar notice of action was filed in the Ontario Superior Court of Justice in Canada and on October 28, 2009, the same parties were named as defendants in a class action lawsuit in the Supreme Court of British Columbia. On August 4, 2010, the Ontario Court approved the settlement of the Ontario action and on August 6, 2010, the British Columbia Court approved the settlement of the British Columbia action. As a result of these court approvals of the settlement, these proceedings are complete and the actions were dismissed. The \$28.0 million settlement was covered by NovaGold's insurance, and the Company did not pay out any of its own cash under the terms of the settlement.

On July 15, 2009, two claims were filed in the United States District Court for the District of Alaska against NovaGold, AGC and other parties arising out 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 claims are seeking wrongful death damages in excess of US\$2.5 million. The Company and AGC filed an answer to the complaint denying all allegations and asserting certain affirmative defenses. The Company and AGC have disputed these claims and believe they have substantial and meritorious legal and factual defenses, which they intend to pursue vigorously. Indeed, the claims against AGC have now been dismissed by agreement without payment of any money. However, there can be no assurance that these proceedings will be resolved in favor of NovaGold.

## 13 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 annual and updated budgets are approved by the Company's Board of Directors.

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.

## 14 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, 2010.

## Notes to Consolidated Financial Statements

*in thousands of Canadian dollars*

	Loans and receivables	Available for sale	Held for trading	Other financial liabilities	Total carrying amount	Total fair value
<b>Financial assets</b>						
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
<b>Financial liabilities</b>						
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

The following provides a comparison of carrying and fair values of each classification of financial instrument as at November 30, 2009.

*in thousands of Canadian dollars*

	Loans and receivables	Available for sale	Held for trading	Other financial liabilities	Total carrying amount	Total fair value
<b>Financial assets</b>						
Cash and cash equivalents	-	-	38,180	-	38,180	38,180
Accounts and short-term receivable	943	-	-	-	943	943
Investments						
At cost (a)	-	500	-	-	500	N/A
At fair value	-	2,938	-	-	2,938	2,938
Reclamation deposits	-	-	13,326	-	13,326	13,326
Long-term accounts receivable	130	-	-	-	130	130
<b>Financial liabilities</b>						
Accounts payable and accrued liabilities	-	-	-	13,132	13,132	13,132
Promissory note (b)	-	-	-	61,532	61,532	61,532
Convertible debt (c)	-	-	-	58,553	58,553	82,082

- (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 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.

## Notes to Consolidated Financial Statements

### 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, 2010, the Company is exposed to currency risk through the following assets and liabilities.

	<i>in thousands of U.S. dollars</i>	
	<b>November 30, 2010</b>	<b>November 30, 2009</b>
	<b>US\$</b>	<b>US\$</b>
Cash and cash equivalents	125,164	9,937
Accounts receivables	148	376
Reclamation deposits	6,845	6,845
Accounts payable and accrued liabilities	(4,718)	(8,089)
Promissory note	(61,401)	(58,300)
Convertible notes	(60,278)	(55,469)
Other liabilities	(23,026)	-

Based on the above net exposures as at November 30, 2010, 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 \$1.7 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 Company's promissory note is contingent on the future cash flow generated from the Donlin Creek 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 13 to the consolidated financial statements.

## Notes to Consolidated Financial Statements

Contractual obligated cash flow requirements as at November 30, 2010 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	9,654	9,654	-	-	-	-	-
Operating leases	4,589	788	629	571	580	662	1,359
Capital leases	1,067	698	369	-	-	-	-
Asset retirement obligations	23,857	7,890	2,297	-	-	-	13,670
Other notes payable	US\$23,026	US\$11,928	US\$11,098	-	-	-	-
Convertible notes – interest (i)	US\$23,077	US\$5,225	US\$5,225	US\$5,225	US\$5,225	US\$2,177	-
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, 2010, 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.

### 15 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, 2010 \$	November 30, 2009 \$
Combined federal and provincial statutory tax rate	28.62%	30.04%
Income taxes at statutory rate	(58,549)	(23,860)
Loss expiry	411	169
Share issuance and financing costs	(143)	(680)
Foreign exchange on future income tax balance	6,872	26,632
Difference in foreign tax rates	(21,508)	(5,725)
Valuation allowance	67,653	(5,599)
Non-deductible expenditures	3,509	2,519
Effect of statutory tax rate change	747	642
Others	(153)	(160)
Income tax recovery	(1,161)	(6,062)



## Notes to Consolidated Financial Statements

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, 2010 and 2009 are as follows.

*in thousands of Canadian dollars*

	November 30, 2010	November 30, 2009
	\$	\$
Future income tax assets		
Non-capital losses	86,757	63,414
Mineral property interest	45,890	41,925
Property, plant and equipment	102,213	63,886
Non-controlling interest	74,323	73,352
Asset retirement obligations	6,606	6,123
Share issuance costs	1,651	3,207
Capital loss carry forwards	5,381	4,644
Other deductible temporary differences	17,392	14,092
Total future tax assets	340,213	270,643
Valuation allowance	(254,050)	(186,623)
Net future income tax assets	86,163	84,020
Future income tax liabilities		
Property, plant and equipment	57,614	57,720
Mineral property, rights and development costs	34,975	34,824
Other taxable temporary differences	767	-
Future income tax liabilities	93,356	92,544
Net future income tax liabilities	7,193	8,524

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.

The Company has loss carry-forwards of approximately \$102.8 million in Canada and US\$144.7 million in the United States 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\$
2011	-	-
2012	-	915
2013	-	-
2014	7,433	-
2015	18,802	-
Thereafter	76,582	143,748
	102,817	144,663

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\$82.1 million of the U.S. losses above are subject to limitation under Section 382.

No change in control has occurred since November 1, 2009. It is possible a future change in control may occur which could limit the availability of losses incurred prior to the change in control.

## Notes to Consolidated Financial Statements

### 16 Segmented information

The Company's revenues and cost of sales from external customers are generated from one reportable operating segment: sales from land and gravel and gold royalties from the Company's operations located in Nome, Alaska. The Company's property, plant and equipment and exploration assets are located in the United States and Canada and the geographical breakdown is shown in notes 5 and 6.

### 17 Significant differences from United States accounting principles

Canadian GAAP 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.

*in thousands of Canadian dollars*

	Year ended November 30, 2010 \$	Year ended November 30, 2009 \$
<b>Loss for the year reported under Canadian GAAP</b>	(203,549)	(73,364)
Interest and accretion expense (a)	53	8,231
Future income tax expense (f)	(1,162)	(626)
Gain on disposal of investment	-	1,472
Loss in embedded derivatives (a)	(63,082)	7,521
Loss in derivative (b)	(424,447)	-
Asset impairment (c)	30,483	-
<b>Loss and comprehensive loss for the year under U.S. GAAP</b>	<b>(661,704)</b>	<b>(56,766)</b>
<b>Net loss per common share – U.S. GAAP</b>		
Basic and diluted	(3.10)	(0.34)
<b>Shareholders' equity reported under Canadian GAAP</b>	<b>313,922</b>	<b>322,572</b>
Cumulative adjustments to shareholders' equity		
Share capital from warrant exercises	36,415	-
Equity component of bridge loan (a)	(3,883)	(3,883)
Equity component of convertible notes (a)	(43,352)	(43,352)
Warrants (b)	(28,488)	-
Cumulative loss in embedded derivatives (a)	(46,974)	(2,174)
Cumulative loss in derivatives (b)	(668,040)	-
Future income taxes (f)	(1,751)	(420)
Interest and accretion expense (a)	7,136	14,052
Development costs (c)	(43,229)	(73,712)
Non-controlling interest (g)	297,292	293,247
<b>Shareholders' equity under U.S. GAAP</b>	<b>(180,952)</b>	<b>506,330</b>
<b>Total assets reported under Canadian GAAP</b>	<b>801,740</b>	<b>781,252</b>
Deferred financing costs (d)	1,318	2,880
Property, plant and equipment-interest capitalization (a)(d)(e)	3,527	3,492
Development costs (c)	(52,173)	(82,656)
<b>Total assets under U.S. GAAP</b>	<b>754,412</b>	<b>704,968</b>
<b>Total liabilities reported under Canadian GAAP</b>	<b>190,526</b>	<b>165,433</b>
Convertible notes (a)	2,725	41,729
Liabilities in embedded derivatives (a)	90,465	-
Liabilities in derivatives (b)	658,841	-
Future income taxes (c)	(7,193)	(8,524)
<b>Total liabilities under U.S. GAAP</b>	<b>935,364</b>	<b>198,638</b>

*in thousands of Canadian dollars*

	Year ended November 30, 2010 \$	Year ended November 30, 2009 \$
Cash flows from operating activities under Canadian and U.S. GAAP	(58,375)	(60,478)
Cash flows from financing activities under Canadian and U.S. GAAP	195,642	117,420
Cash flows from investing activities under Canadian and U.S. GAAP	(23,724)	(30,986)

## Notes to Consolidated Financial Statements

### Measurement differences

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

#### (a) Bridge loan and convertible notes

##### *Bridge loan*

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, under U.S. GAAP as at November 30, 2010, the accretion expense recognized in deficit and the conversion feature recognized in equity would decrease by \$3.9 million.

##### *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 the debt balance by \$1.3 million; the equity conversion feature was reduced by \$43.4 million and the creation of liabilities from the embedded derivative of \$27.2 million. The cumulative effect of adoption of amendments to ASC Topic 815 reduced the deficit by \$14.8 million.

Under U.S. GAAP, as at November 30, 2010, the debt balance would increase by \$1.1 million and the embedded derivative liability would increase to \$90.5 million. For the year ended November 30, 2010, under U.S. GAAP accretion expense would decrease by \$0.05 million, loss in embedded derivatives would increase by \$64.4 million, and the foreign exchange gains would increase by \$1.3 million.

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, 2010	Year ended November 30, 2009
Average risk-free interest rate	2.53%	2.37%
Expected life	4.42 years	5.42 years
Expected volatility	81%	75%
Expected dividends	Nil	Nil

#### (b) Warrants

For Canadian GAAP Purposes, all the Company's warrants are classified and accounted for as equity instruments. 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 Company's U.S.-denominated stock purchase warrants are considered to be derivatives as their strike price is denominated in a currency other than the Company's functional currency. The derivative is measured at fair value with changes in fair values included in net earnings. 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 liabilities in embedded derivatives, an increase of \$14.0 million to share capital, a decrease of \$31.1 million to warrants, and an increase of \$242.3 million to opening deficit.

## Notes to Consolidated Financial Statements

Accordingly, for the year ended November 30, 2010, the foreign exchange gains increased by \$10.2 million, loss on embedded derivatives increased by \$434.7 million, share capital increased by \$22.4 million, warrants decreased by \$2.6 million and derivative liability increased by \$399.4 million.

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, 2010	Year ended November 30, 2009
Average risk-free interest rate	1.75%	1.96%
Expected life	2.15 years	3.15 years
Expected volatility	85%	88%
Expected dividends	Nil	Nil

(c) Development costs

Under U.S. GAAP, the Company expenses development costs until proven and probable reserves are determined and substantially all required permits are obtained.

Under U.S. GAAP, the impairment charge recognized for the Rock Creek project in the current year was reduced by \$30.5 million due to certain development costs being written off in a prior year.

(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. In 2009 and 2010, all interest was charged against income.

(f) Future income taxes

Under U.S. GAAP, future income tax assets previously unrecognized under Canadian GAAP are used.

(g) Non-controlling interest

In December 2007, the FASB issued ASC 810 – Non-controlling Interests in Consolidated Financial Statements (“ASC 810”), which are effective for December 1, 2009. U.S. GAAP requires non-controlling interests to be treated as a separate component of equity, not as a liability or other item outside of equity. Because non-controlling interests are an element of equity, increases and decreases in the parent’s ownership interest that leave control intact are accounted for as capital transactions. The provisions of ASC 810 have been applied prospectively with the exception of the presentation and disclosure provisions, which have been applied for all prior periods presented in the financial statements. The presentation and disclosure provisions resulted in the reclassification of non-controlling interests to the equity section of the balance sheet, totaling \$297.2 million as at November 30, 2010.

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.

## Notes to Consolidated Financial Statements

There were no unrecognized tax benefits as at November 30, 2010 and November 30, 2009.

The Company recognizes interest and penalties related to uncertain tax positions, if any, as interest expense. As of November 30, 2010 and November 30, 2009, 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, 2010 are as follows.

Canada	2005 to 2010
United States	1995 to 2010

### Additional disclosures

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

#### *ASU Topic 820 "Improving Disclosures about Fair Value Measurements"*

The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update No. 2010-06 ("ASU 2010-06"), "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements". This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. ASU 2010-06 amends Codification Subtopic 820-10 and now requires a reporting entity to use judgment in determining the appropriate classes of assets and liabilities and to provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The current year adoption did not have an impact on the Company's consolidated financial position and results of operations.

In February 2010, the FASB issued an accounting standard that amended certain recognition and disclosure requirements related to subsequent events. The accounting standard requires an entity that is an SEC filer to evaluate subsequent events through the date that the financial statements are issued and removes the requirement that an SEC filer disclose the date through which subsequent events have been evaluated. This guidance was effective upon issuance. The adoption of this standard had no effect on the Company's condensed consolidated financial position or results of operations.

#### *ASC Topic 605 "Revenue Recognition"*

In March 2010, the FASB issued new accounting guidance under ASC Topic 605 on Revenue Recognition. This standard provides that the milestone method is a valid application of the proportional performance model for revenue recognition if the milestones are substantive and there is substantive uncertainty about whether the milestones will be achieved. Determining whether a milestone is substantive requires judgment that should be made at the inception of the arrangement. To meet the definition of a substantive milestone, the consideration earned by achieving the milestone (1) would have to be commensurate with either the level of effort required to achieve the milestone or the enhancement in the value of the item delivered, (2) would have to relate solely to past performance, and (3) should be reasonable relative to all deliverables and payment terms in the arrangement. No bifurcation of an individual milestone is allowed and there can be more than one milestone in an arrangement. The standard is effective December 1, 2010. The Company does not believe the impact of the adoption of this guidance will have a material effect on its financial statements.

#### *ASU No. 2009-13 "Multiple-Deliverable Revenue Arrangements"*

In October 2009, the FASB issued Accounting Standards Update ASU No. 2009-13 ("ASU 2009-13") "Multiple-Deliverable Revenue Arrangements" (formerly EITF 08-1, Revenue Arrangements with Multiple Deliverables) which amends ASC Topic 605, Revenue Recognition. This accounting update establishes a hierarchy for determining the value of each element within a multiple deliverable arrangement. ASU 2009-13 is effective for the Company beginning December 1, 2010 and applies to arrangements entered into on or after this date. The Company does not believe the impact of the adoption of this guidance will have a material effect on its financial statements.

## Notes to Consolidated Financial Statements

### 18 Subsequent events

The Company has evaluated subsequent events through the date of issuance, February 16, 2011 and provides disclosure as follows.

On December 20, 2010, the Company announced that it intended to make an offer to acquire all of the outstanding shares of Copper Canyon Resources Ltd. ("Copper Canyon") (TSX-V: CPY), on the basis of 0.0425 of a NovaGold common share for each one Copper Canyon common share. Based on public disclosure, there are approximately 57.4 million Copper Canyon common shares outstanding on a fully diluted basis, valuing the acquisition at approximately \$34.1 million. Copper Canyon's principal asset is its 40% joint venture interest in the Copper Canyon copper-gold-silver property that is adjacent to the Galore Creek project, owned equally by NovaGold and Teck. A wholly-owned subsidiary of NovaGold owns the remaining 60% joint venture interest in the Copper Canyon property. On January 18, 2011, the Company filed its formal offer to acquire all of the outstanding shares of Copper Canyon with the Canadian securities regulators and U.S. Securities and Exchange Commission.

## Cautionary Notes

### Forward-looking statements

*This Management's Discussion and Analysis contains certain forward-looking statements concerning anticipated developments in NovaGold's operations in future periods. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. These forward-looking statements are set forth principally under the heading "Outlook" and elsewhere in the Management's Discussion and Analysis and may include statements regarding perceived merit of properties; exploration results and budgets; mineral reserve and resource estimates; work programs; capital expenditures; timelines; strategic plans; market price of precious and base metals; possible outcome or merits of litigation; or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of NovaGold may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors. NovaGold's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and NovaGold 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. Important factors that could cause actual results to differ materially from NovaGold's expectations include uncertainties involved in disputes and litigation; fluctuations in gold, copper and other commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and estimated economic return; the need for cooperation of Barrick and Teck to advance the Donlin Creek and Galore Creek project, respectively; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty of meeting anticipated program milestones; uncertainty as to timely availability of permits and other governmental approvals; and other risks and uncertainties disclosed in NovaGold's Annual Information Form for the year ended November 30, 2010, 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.*

### Reserve and resource estimates

*This Management's Discussion and Analysis and other information released by NovaGold uses the terms "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 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. Inferred resources are in addition to measured and indicated resources. 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. National Instrument 43-101 Standards of Disclosure for Mineral Projects ("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 reserve and resource estimates contained in this Management's Discussion and Analysis and in press releases by the Company in the past and in the future, have been or will be prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. The requirements of NI 43-101 are not the same as those of the SEC, and reserves reported by NovaGold in compliance with NI 43-101 may not qualify as reserves under the SEC's standards.*

## Appendix – Reserve & Resource Table

NovaGold Resources Inc.  
Proven and Probable Reserves, Measured, Indicated and Inferred Resources for Gold (Au), Silver (Ag), Copper (Cu), Zinc (Zn) and Lead (Pb)  
As at February 22, 2011

### Reserves

Property % Ownership	Reserve Category	Tonnes Millions	In Situ Grade			Total Contained Metal			NovaGold Share Net After Eam-Ins							
			Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Zn	Mlbs Pb	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb	
	Proven	7.0	2.46			0.55			0.28			0.28				
	Probable	460.7	2.23			33.04			16.52			16.52				
	<b>Total P&amp;P</b>	<b>467.7</b>	<b>2.23</b>			<b>33.59</b>			<b>16.80</b>			<b>16.80</b>				

### Resources (exclusive of Reserves)

Property % Ownership	Resource Category	Tonnes Millions	In Situ Grade			Total Contained Metal			NovaGold Share Net After Eam-Ins							
			Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Zn	Mlbs Pb	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb	
	Measured	0.2	6.61			0.04			0.02			0.02				
	Indicated	39.6	3.34			4.25			2.13			2.13				
	<b>Total M&amp;I</b>	<b>39.8</b>	<b>3.36</b>			<b>4.29</b>			<b>2.15</b>			<b>2.15</b>				
	Inferred	58.4	2.35			4.41			2.21			2.21				
	Measured	4.7	0.37	4.41	0.52	0.06	0.67	54.1	0.03	0.34	0.04	0.04	27.0			
	Indicated	781.0	0.29	4.88	0.52	7.21	122.42	8,872.3	3.61	61.21	4.62	4,436.1				
	<b>Total M&amp;I</b>	<b>785.7</b>	<b>0.29</b>	<b>4.87</b>	<b>0.52</b>	<b>7.27</b>	<b>123.09</b>	<b>8,926.3</b>	<b>3.64</b>	<b>61.55</b>	<b>4.66</b>	<b>4,463.2</b>				
	Inferred	357.7	0.18	3.69	0.36	2.06	42.49	2,858.3	1.03	21.24	1.38	1,429.1				
	Inferred	53.7	0.73	10.60	0.50	1.26	18.36	592.0	0.76	11.02	0.94	355.2				
	<b>Total Inferred</b>	<b>411.4</b>	<b>0.25</b>	<b>4.60</b>	<b>0.38</b>	<b>3.32</b>	<b>60.85</b>	<b>3,450.3</b>	<b>1.78</b>	<b>32.26</b>	<b>2.32</b>	<b>1,784.3</b>				
	Measured	16.8	0.83	59.63	4.14	0.45	32.29	1,538.2	0.45	32.29	0.98	1,538.2	2,237.1	350.3		
	Indicated	16.8	0.83	59.63	4.14	0.45	32.29	1,538.2	0.45	32.29	0.98	1,538.2	2,237.1	350.3		
	<b>Total M&amp;I</b>	<b>16.8</b>	<b>0.83</b>	<b>59.63</b>	<b>4.14</b>	<b>0.94</b>	<b>60.3</b>	<b>3,076.4</b>	<b>0.90</b>	<b>64.58</b>	<b>1.96</b>	<b>3,076.4</b>	<b>4,474.2</b>	<b>700.6</b>		
	Inferred	11.9	0.67	48.37	3.56	0.26	18.57	936.9	0.26	18.57	0.57	936.9	1,313.1	210.0		

**Total Proven & Probable Reserves Contained Metal**  
**Total Measured & Indicated Contained Metal (exclusive of Reserves)**  
**Total Inferred Contained Metal**

		<b>33.59</b>				<b>16.80</b>			<b>16.80</b>			<b>16.80</b>				
		<b>12.01</b>				<b>6.23</b>			<b>6.23</b>			<b>6.23</b>				
		<b>7.99</b>				<b>4.25</b>			<b>4.25</b>			<b>4.25</b>				



**Notes:**

1. These resource estimates have been prepared in accordance with National Instrument 43-101 and the Canadian Institute of Mining and Metallurgy Resource Classification System, unless otherwise noted.
2. See numbered footnotes below on resource information. Resources shown in blue are reported as net values to NovaGold after all project earn-ins.
3. 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.
4. Sums may not agree due to rounding.

**Resource Footnotes:**

(1) The basis for the cut-off grade was an assumed gold price of US\$825/oz. The new reserve estimate represents a 15% increase over the 29.3 million ounce reserve estimate contained in the 2009 technical report referenced below, and is based on the inclusion of additional drilling and a US\$100/oz increase in long-term gold price assumptions from that used in 2009. The increase in reserves is expected to extend the mine life from 21 years to 25 years at the feasibility production rate, and does not materially change the information contained in the technical report. It is believed that the additional storage capacity provided for in the 2009 feasibility study will accommodate the increase in billings and that the waste rock storage facility can be modified to contain the additional unmineralized rock material. The Qualified Person for this reserve estimate is Kevin Francis, P.Geo., NovaGold Resources Inc.

(2) Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred Resources are in addition to Measured and Indicated Resources. Details of Measured and Indicated Resources and other NI 43-101 information can be found by following the links below to the relevant Technical Report. 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".

(3) A variable cut-off grade has been estimated based on recent estimates of mining costs, processing costs (dependent upon sulfur content), selling costs and royalties. Resources are constrained within a Lerche-Crossman (LG) open-pit shell using the long-term metal price assumption of US\$900/oz of gold, which is a US\$50/oz increase over the long-term gold price assumption used in the 2009 technical report. Assumptions for the LG shell included pit slopes variable by sector and pit area; mining cost is variable with depth, averaging US\$2.08/t mine; process cost is calculated as the percent sulfur grade x US\$2.7948 + US\$12.82; general and administrative costs; gold selling cost and sustaining capital are reflected on a per-tonne basis. Based on metallurgical testing, gold recovery is assumed to be 89.5%. The Qualified Person for this resource estimate is Kevin Francis, P.Geo., NovaGold Resources Inc.

(4) The copper-equivalent grade was calculated as follows:  
CuEq = Recoverable Revenue + 2204.62 ÷ US\$1.55 ÷ Cu Recovery. Where: CuEq = Copper equivalent grade; Recoverable Revenue = Revenue in US dollars for recoverable copper, recoverable gold, and recoverable silver using metal prices of Cu US\$8/oz = 1,550, Au US\$8/oz = 650, Ag US\$8/oz = 11. Cu Recovery = Recovery for copper based on mineral zone and total copper grade. The cutoff grade is based on assumptions of offsite concentrate and smelter charges and onsite plant recovery and is used for break-even mill feed/waste selection.

(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%.

(6) US\$100 gross metal value/tonne cutoff. Gross metal value was calculated based on metal prices of Cu US\$2.25/lb, Zn US\$1.05/lb, Au US\$525/oz, Ag US\$9.5/oz and Pb US\$0.55/lb applied to each individual grade. The gross metal value is equal to the sum of each grade multiplied by the value of the metal unit. No metallurgical recovery has been applied.

**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 above resources will ever be converted into reserves. This summary table is prepared in accordance with the Canadian Securities Administrators' (the "CSA") National Instrument 43-101, which prescribes the minimum standards for the disclosure of mineral resources. The disclosure of mineral resources is permitted only 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.

National Instrument 43-101 Standards of Disclosure for Mineral Projects ("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 Canadian Institute of Mining, Metallurgy and Petroleum Classification System.

**Technical Reports and Qualified Persons**

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

**Project**

Donlin Creek

**Qualified Person(s)**  
Kirk Hanson P.Eng., AMEC  
Gordon Seibel M.AusIMM, AMEC  
Simon Allard, P.Eng.  
Gregory Wortman P.Eng., AMEC  
Alexandra Kozak P.Eng., AMEC

**Most Recent Disclosure & Filing Date**

Donlin Creek Gold Project, Alaska, USA NI 43-101 Technical Report - April 1, 2009

**Link to Most Recent Disclosure**

[http://www.novagold.com/upload/technical\\_reports/DonlinCreekFS.pdf](http://www.novagold.com/upload/technical_reports/DonlinCreekFS.pdf)

Donlin Creek

Kevin Francis, P.Geo., NovaGold Resources Inc.

March 2010 reserve and resource updates; NovaGold press release - March 22, 2010

<http://novagold.com/section.asp?pageid=3238>

Galore Creek

Kevin Francis, P.Geo., NovaGold Resources Inc.

Galore Creek Property NI 43-101 Technical Report - January 25, 2008

[http://www.novagold.net/upload/technical\\_reports/GaloreCreekJan2008TechReport.pdf](http://www.novagold.net/upload/technical_reports/GaloreCreekJan2008TechReport.pdf)

Copper Canyon

Erin Workman, P.Geo., NovaGold Resources Inc.

Not publicly released - updated March 2008

[http://www.novagold.net/upload/technical\\_reports/CopperCanyonFebuan2008.pdf](http://www.novagold.net/upload/technical_reports/CopperCanyonFebuan2008.pdf)

Ambler

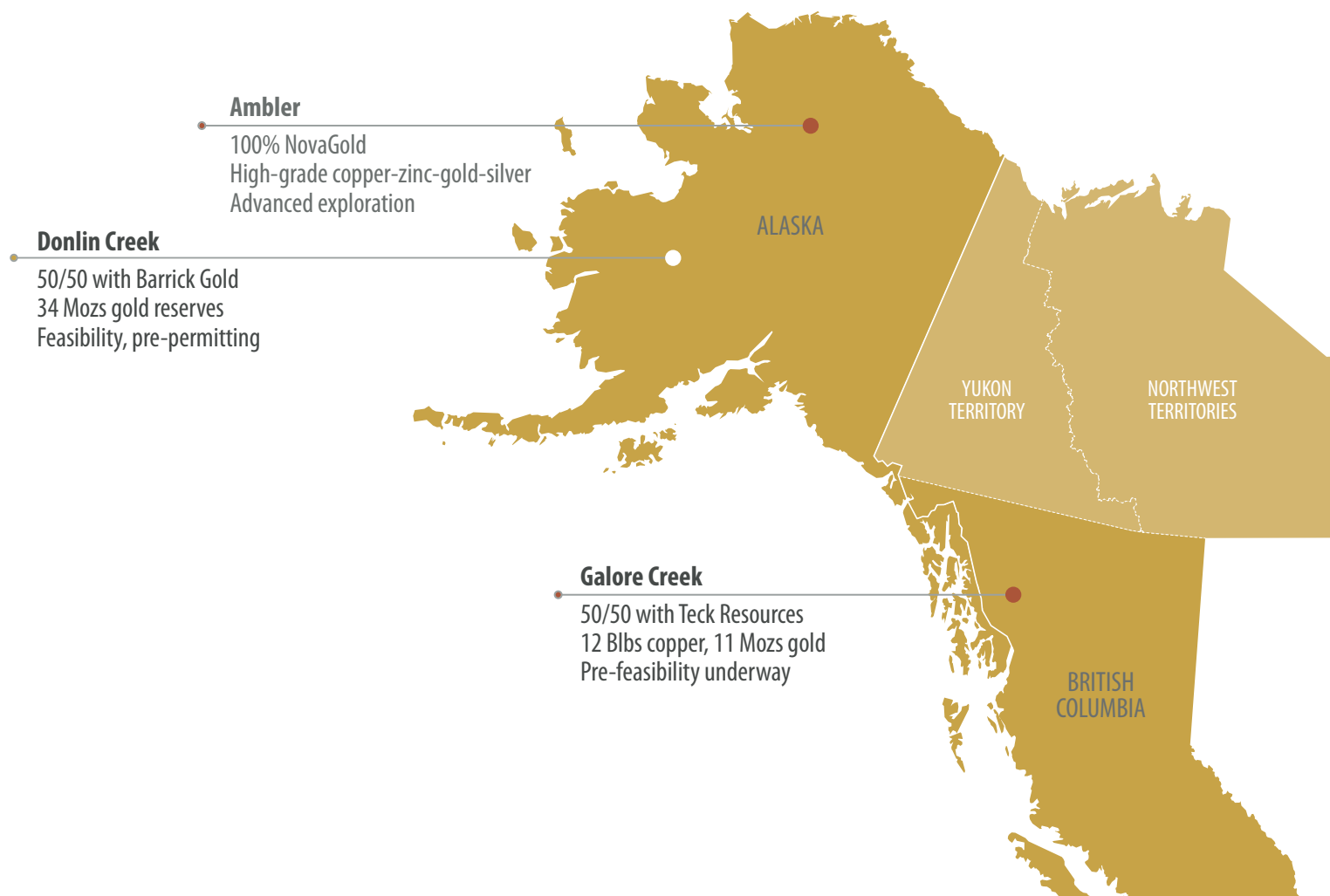
Russ White, P.Geo., SRK Consulting  
Neal Rigby, C.Eng., MIMMM, Ph.D., SRK Consulting

NI 43-101 Technical Report on Resources, Ambler Project, Arctic Deposit - January 31, 2008

[http://www.novagold.net/upload/technical\\_reports/AmblerJan2008TechReport.pdf](http://www.novagold.net/upload/technical_reports/AmblerJan2008TechReport.pdf)



# World-class portfolio of North American gold and copper-gold projects





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