

NovaGold Resources Inc. **Consolidated Financial Statements**

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the company have been prepared by management in accordance with accounting principles generally accepted in Canada, and contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the company's independent accountants

to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The company's independent accountants, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards and their report follows.

[signed: G. J. McConnell]

G. J. McConnell
Chairman and Chief Executive Officer

[signed: R. Van Nieuwenhuyse]

R. Van Nieuwenhuyse
President and Chief Operating Officer

Auditors' Report

To the Shareholders of NovaGold Resources Incorporated

We have audited the consolidated balance sheets of **NovaGold Resources Inc.** as at November 30, 1998 and 1997 and the consolidated statements of operations and deficit and changes in financial position for 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence

supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at November 30, 1998 and 1997 and the results of its operations and its changes in financial position for the years then ended in accordance with generally accepted accounting principles.

[signed: PricewaterhouseCoopers LLP]

Halifax, Canada
March 27, 1999

CHARTERED ACCOUNTANTS

Consolidated Financial Statements

Consolidated Balance Sheets ***As at November 30, 1998 and 1997***

	1998 \$	1997 \$
<i>Assets</i>		
Current assets		
Cash and short-term deposits	67,524	119,970
Amounts receivable	114,258	65,605
Deposits and prepaid amounts	12,425	19,522
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	194,207	205,097
Capital assets (note 4)	24,598	900,729
Investments (note 5)	77,317	137,316
Reclamation deposit	872,788	846,549
Mineral properties and related deferred costs (note 6)	8,849,896	9,711,050
Deferred pre-production costs	–	1,143,106
	<hr/>	<hr/>
	10,018,806	12,943,847

Liabilities

Current liabilities

Loans payable (note 7)	200,000	626,973
Accounts payable and accrued liabilities	2,752,446	1,675,308
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	2,952,446	2,302,281
Amount payable to Etruscan Resources Incorporated (note 8)	6,495,927	3,854,632
Provision for reclamation costs (note 9)	1,012,900	1,012,900
Non-controlling interest in subsidiary company	–	874,833
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	10,461,273	8,044,646

Commitments and contingencies (note 10)

Shareholders' Equity

Capital stock (note 11)	63,292,244	60,089,345
Deficit	(63,734,711)	(55,190,144)
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	(442,467)	4,899,201
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	10,018,806	12,943,847

Signed On Behalf of the Board

[signed: Gerald J. McConnell]

Gerald J. McConnell, Director

[signed: Angus MacIsaac]

Angus MacIsaac, Director



Consolidated Financial Statements

Consolidated Statement of Operations and Deficit For the years ended November 30, 1998 and 1997

	1998 \$	1997 \$
<i>Income</i>		
Interest and other	18,553	11,739
<i>Expenses</i>		
General and administrative	1,721,853	905,218
Interest on long-term debt	35,679	80,793
Loss on disposition of subsidiary company	474,194	–
Murray Brook mine site maintenance	294,093	470,525
Property investigation	275,941	22,482
Write-down of mineral properties and related deferred costs	3,673,745	1,747,282
Write-down of assets	2,027,616	–
Write-down of investment	59,999	300,000
	8,563,120	3,526,300
Loss for the year before non-controlling interest	8,544,567	3,514,561
Non-controlling interest in loss of subsidiary company	–	501,705
Loss for the year	8,544,567	3,012,856
Deficit – Beginning of year	55,190,144	52,177,288
Deficit – End of year	63,734,711	55,190,144
Loss per share	0.76	0.34

Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position ***For the Years ended November 30, 1998 and 1997***

	1998 \$	1997 \$
<i>Operating Activities</i>		
Loss for the year	(8,544,567)	(3,012,856)
Charges to operations not involving cash-		
Amortization	4,335	3,828
Loss on disposition of subsidiary company	474,194	-
Write-down of mineral properties and related deferred costs	3,673,745	1,747,282
Write-down of assets	2,027,616	-
Write-down of investment	59,999	300,000
Non-controlling interest in loss of subsidiary company	-	(501,705)
	(2,304,678)	(1,463,451)
Net change in non-cash working capital balances related to operations	1,035,580	388,044
	(1,269,098)	(1,075,407)
<i>Financing Activities</i>		
Repayment of loans payable	(426,973)	(804,349)
Advances from Etruscan Resources Incorporated	2,641,295	999,310
Proceeds from issuance of common shares	3,202,899	3,466,015
	5,417,221	3,660,976
<i>Investing Activities</i>		
Acquisition of capital assets	(12,712)	-
Decrease (increase) in reclamation deposit	(26,239)	206,851
Expenditures on mineral properties and related deferred costs	(6,720,538)	(2,936,429)
Decrease in non-controlling interest	(641,080)	-
Proceeds on disposition of a subsidiary	3,200,000	-
	(4,200,569)	(2,729,578)
Decrease in cash and short-term deposits during the year	(52,446)	(144,009)
Cash and short-term deposits – Beginning of year	119,970	263,979
Cash and short-term deposits – End of year	67,524	119,970



Notes to Consolidated Financial Statements

For the Years ended November 30, 1998 and 1997

1. Nature of Operations

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the company to obtain necessary financing to continue operations and to complete the development, and upon future profitable production or proceeds from the disposition thereof. The company will periodically have to raise additional funds to complete exploration and development and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts amortized and/or written off, and do not necessarily represent present or future values.

2. Accounting Policies

a) Basis of presentation

These consolidated financial statements are prepared on a going-concern basis and include the accounts of NovaGold Resources Inc. and its wholly-owned subsidiaries, NovaGold Resources (Bermuda) Limited, NovaGold (Bermuda) Alaska Limited, NovaGold Resources Alaska, Inc., Pine Cove Resources Inc., Murray Brook Resources Inc., NovaGold Resources Nevada Inc., NovaGold Finance Corporation Inc., and Nova-Venez Resources Inc.

b) Cash and short-term deposits

In order to limit its exposure, the company deposits these funds with large financial institutions and limits maturity dates to 30 days or less.

c) Capital assets

Capital assets are recorded at cost. Amortization of the vehicle and the office furniture and equipment is calculated using the declining balance method at the annual rates of 30% and 20%, respectively.

d) Mineral properties and related deferred costs

Exploration and development costs relating to mineral properties are deferred until the properties are brought into production, at which time they are amortized on the units-of-production basis, or until the properties are abandoned or sold or management determines that the mineral property is not economically viable, at which time the deferred costs are written off. The units-of-production amortization is calculated based on proven and probable reserves following commencement of production. Costs applicable to properties abandoned or having no current value are charged to expense. The company has maintained title to certain properties that have been written off. Any proceeds relating to these properties will be recorded in income as received.

e) Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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. Actual results could differ from those reported.

Consolidated Financial Statements

Notes to Consolidated Financial Statements

For the Years ended November 30, 1998 and 1997

2. Accounting Policies (continued)

f) Financial instruments

The fair value of the company's cash and short-term deposits, amounts receivable, accounts payable and accrued liabilities approximate their carrying values.

3. Acquisition of Subsidiary Company

During the year, the company acquired 100,000 common shares (1997 – 285,000 common shares) of Secor GeoMin Mining Development Corporation Inc. (Secor GeoMin), which hold the Bounsankoba property, for a cash consideration of \$686,635. These shares, together with the shares acquired in prior years, represented a 65% (1997 – 61.11%) ownership of Secor GeoMin and had an aggregate cost of \$4,213,983 (1997 - \$3,527,348). During the year, the company also acquired an additional 250,000 common shares of Secor GeoMin held by arms' length parties in exchange for the issuance of 500,000 of its common shares. This acquisition brought the company's ownership in Secor GeoMin to 90%. The acquisition was accounted for using the purchase method and operations since the date of acquisition have been consolidated in these financial statements.

On November 30, 1998, the company sold its 90% interest in Secor GeoMin to Etruscan Resources Incorporated. The proceeds in disposition were \$3,200,000 (see note 12(b)).

4 Capital Assets

			<u>1998</u>	<u>1997</u>
	<u>Cost \$</u>	<u>Accumulated amortization \$</u>	<u>Net\$</u>	<u>Net\$</u>
Vehicle	21,218	15,656	5,562	6,952
Office furniture and equipment	80,121	61,085	19,036	9,469
Murray Brook mine copper leach facility	–	–	–	884,308
	<u>101,339</u>	<u>76,741</u>	<u>24,598</u>	<u>900,729</u>

5. Investments

a) Composition

	<u>1998 \$</u>	<u>1997\$</u>
2,006,834 shares (5.6%) of Etruscan Resources Incorporated (Etruscan), at cost. Quoted market value - \$2,247,654 (1997 - \$8,609,747)	77,316	77,316
600,000 shares of Electra Mining Consolidated, recorded at nominal value	1	60,000
	<u>77,317</u>	<u>137,316</u>



Notes to Consolidated Financial Statements

For the Years ended November 30, 1998 and 1997

5. Investments (continued)

b) Shares pledged

The company has pledged 1,880,209 shares of Etruscan as security for the amount due to Etruscan (see note 8). The Province of New Brunswick holds 126,625 of the company's shares of Etruscan pending the settlement of outstanding mining taxes aggregating \$282,289.

6. Mineral Properties and Related Deferred Costs

a) For the year ended November 30, 1998

	Balance November 30, 1997\$	Expenditures during the year\$	Disposition (1) and write-down\$ (2)	Balance November 30, 1998\$
Shotgun, Alaska, USA	-	4,006,896	-	4,006,896
Caribou Creek, Alaska, USA	-	372,892	-	372,892
North Donlin, Alaska, USA	-	80,067	-	80,067
Koala claims, Mexico	-	794,830	-	794,830
Bounsankoba, Senegal, West Africa	3,373,915	534,032	3,907,947 (1)	-
Pine Cove, Nfld.	1,923,703	17,554	-	1,941,257
Murray Brook, NB	2,805,069	844,598	3,649,667 (2)	-
Sewell Brook, NB	563,525	1,182	-	564,707
California Lake, NB	347,308	58,690	-	405,998
New Mexico and Nevada	649,079	9,595	-	658,674
Other, NB	48,451	202	24,078 (2)	24,575
	9,711,050	6,720,538	7,581,692	8,849,896

b) For the year ended November 30, 1997

	Balance November 30, 1996\$	Expenditures during the year\$	Write-down \$	Balance November 30, 1997\$
Bounsankoba, Senegal, West Africa	1,006,365	2,367,550	-	3,373,915
N'goyboma, Congo, West Africa	1,338,271	409,011	1,747,282	-
Pine Cove, Nfld.	1,851,309	72,394	-	1,923,703
Murray Brook, NB	2,740,469	64,600	-	2,805,069
Sewell Brook, NB	561,958	1,567	-	563,525
California Lake, NB	342,679	4,629	-	347,308
New Mexico and Nevada	640,901	8,178	-	649,079
Other, NB	39,951	8,500	-	48,451
	8,521,903	2,936,429	1,747,282	9,711,050

Notes to Consolidated Financial Statements

For the Years ended November 30, 1998 and 1997

6. Mineral properties and related deferred costs (continued)

c) Carrying value of mineral properties

The company's recorded amount of its mineral properties is accumulated based upon costs incurred to date. This approach to recording mineral properties is consistent with industry standards and the company believes that this represents its best estimate of the appropriate carrying amount for each property. The economic feasibility of each property is assessed regularly by management based upon current geological exploration and results thereof, independent geological reports, surrounding exploration and development activities, ongoing assessment of the political environment in the countries where properties are held, and the availability of funding. When a property is deemed economically unfeasible, the cost thereof is written off.

d) Shotgun, Alaska

During 1998, the company acquired a 49% interest in the Shotgun group of claims located in Southwest Alaska at a cost of US\$900,000. On July 2, 1998 the company and the owner of the 51% interest, Cominco American Limited (Cominco), entered into a letter of agreement setting out the preliminary terms and conditions for the establishment of a joint venture for the exploration and development of the Shotgun group of claims. The agreement provided for Cominco to contribute to the joint venture its 100% owned peripheral claims. The initial ownership interests of the venture were established at 47.5% for the company and 52.5% for Cominco.

The company has the right to earn an additional 22.5% interest in the venture by incurring a total of US\$4,000,000 in exploration expenditures over a five-year period. In the event that the company earns this additional interest, it may earn up to an additional 20% interest at the rate of one percentage point increase for every US\$200,000 of exploration and development expenditures.

At any time after the company has earned a 70% interest, but prior to it earning a 90% interest, Cominco has a back-in right to reacquire a 51% interest in the venture over a maximum period of ten years by incurring exploration and development expenditures or making cash payments to the company at the rate of US\$500,000 for each single percentage point increase. If Cominco does not expend or pay to the company within ten years the total amount required to regain a 51% interest in the venture, its ownership interest remains unchanged.

In the event that either party is reduced to a 10% ownership interest, the party's interest will be converted to a 5% net proceeds royalty interest.

e) Caribou Creek and North Donlin, Alaska

Pursuant to Exploration and Development Option agreements dated December 1, 1998 with Placer Dome US Inc. (PDUS), the company can earn a 100% interest in the Donlin North and Caribou Creek properties by expending total exploration and development costs of US\$200,000 on each property prior to December 1, 2003. Upon earning its 100% interest in either of the properties, the company shall grant to PDUS a 5% net profits interest in the property.

The company is then required to incur within 10 years an additional US\$5,000,000 in exploration and development costs on each property to maintain its 100% interest. In the event that the company incurs the additional expenditures of US\$5,000,000, PDUS shall have a period of 90 days to elect to convert its 5% net profits interest to a 51% ownership interest by paying to the company an amount equal to the property expenditures incurred by the company in excess of the initial US\$200,000.

Notes to Consolidated Financial Statements

For the Years ended November 30, 1998 and 1997

6. Mineral Properties and Related Deferred Costs (continued)

f) Koala claims, Mexico

On February 19, 1998, the company entered into an option agreement with Consolidated Magna Ventures Ltd. (Magna) and its wholly-owned subsidiary, Minera del Ceilo Azul S.A. de C.V. (Minera), to acquire from Magna an interest in the Koala property covering approximately 12,765 hectares in central Chihuahua State, Mexico.

The Koala property consists of three claim blocks, Koala I, Koala II, and Koala III. Magna, through its subsidiary Minera, has an option and joint venture agreement to acquire up to a 95% interest in the property known as the Koala I Claim, from Minera Delta S.A. de C.V. (Minera Delta) and Xenolith Gold Limited (Xenolith). The Koala I Claim is beneficially owned by Minera Delta and Xenolith and covers approximately 990 hectares. Magna, through its wholly-owned subsidiary, holds a 100% interest in the Koala II and Koala III Claims which surround the Koala I Claim.

Pursuant to the terms of the option agreement between the company and Magna, Magna has granted the company the right to earn a 51% interest in Koala II and Koala III and a 25.9% interest in Koala I. The company has also acquired an additional 20% interest in the Koala I Claim for a cash consideration of \$100,000.

In consideration of the grant of the option, the company issued Magna 100,000 units, each unit consisting of one common share and one common share purchase warrant. The common share purchase warrant is exercisable for a period of two years at a price of \$1.25 per share. To earn its 51% interest in the Koala II and Koala III claims and a further 25.9% in the Koala I Claim, the company has agreed to fund a total of US\$3,000,000 for exploration on the Koala claims.

g) Pine Cove property

The company, through its wholly-owned subsidiary Pine Cove Resources Inc., holds a 70% interest in this property. New Island Resources Inc., holds the remaining 30% interest.

7. Loans payable

a) Composition

	1998\$	1997\$
Loan payable to the Province of New Brunswick, bearing interest at 10.7%, repayable in 1993 – note 7(b)	200,000	200,000
Loan payable	–	426,973
	200,000	626,973

b) Loan payable to the Province of New Brunswick

This loan was made to Murray Brook Resources Inc. and guaranteed by the company. No payments have been made on this loan and the company is attempting to arrange new repayment terms with the Province.

Notes to Consolidated Financial Statements

For the Years ended November 30, 1998 and 1997

8. Amount Payable to Etruscan Resources Incorporated

The principal portion of the amount payable to Etruscan bears interest at the Royal Bank of Canada prime lending rate plus 1%. Subsequent to November 30, 1998, Etruscan advanced an additional \$325,000. The company has pledged 1,880,209 common shares of its holdings in Etruscan as security for the total amount due (see note 5).

9. Provision for Reclamation costs

a) Murray Brook site

A provision in the amount of \$1,012,900 has been made for future site restoration and reclamation at the Murray Brook mine site. A study prepared by independent consulting engineers estimated that the total reclamation costs would be approximately \$900,000. However, \$1,012,900 has been provided in the accounts, based on the reclamation deposit required by the Province of New Brunswick. The company has provided reclamation deposits totalling \$872,788 (1997 - \$846,549) to the Province. It is management's estimation that the future liability for reclamation costs has been fully provided for.

b) Reclamation costs for other mineral properties

In recent years, the company's activities have primarily focused on exploration directed toward the discovery of mineral resources and the evaluation phase relating to assessing the technical feasibility and commercial viability of discovered mineral resources. When it is determined that a future reclamation cost is likely, and the amount can be reasonably estimated, the costs thereof will be accrued.

10. Commitments and Contingencies

a) Legal action

During 1992, the Limited Partners of the Murray Brook Processing Limited Partnership commenced a legal action against the company and Murray Brook Resources Inc. seeking \$881,627 plus interest and general damages. The company is of the opinion that this claim is without merit and a defence and a counterclaim for damages has been filed.

b) Royalty agreements

The company has royalty agreements on certain mineral properties entitling the vendor of the property to a net smelter return royalty or net profits royalty, ranging from 3% to 7% commencing when the properties enter commercial production.

c) Finders fee

The company is committed to pay up to \$250,000 in a finders fee to an arms-length party relating to the Summit property in New Mexico, out of proceeds from commercial production. To date, commercial production has not commenced.

d) License agreement

The company has issued an exclusive license to Etruscan to sell, lease and use the indoor vat leaching technology in Africa and is entitled to a 1% net smelter royalty on Etruscan's share of the value of metal extracted using the technology.



Notes to Consolidated Financial Statements

For the Years ended November 30, 1998 and 1997

10. Commitments and contingencies (continued)

e) Executive employment arrangements

The company has employment arrangements with the Chief Executive Officer, a Vice President and the Secretary/Treasurer of the company which provide that in the event of a sale of substantially all the assets of the company or a change of control of the company by virtue of a takeover bid, as that term is defined in the Securities Act (Ontario), or in the event management's nominees to the Board of Directors are not elected, then such officers may elect to terminate their employment with the company in which event the company is required to pay to such officers a lump sum payment equal to three times their respective annual salary.

f) Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of suppliers or other third parties, will be fully resolved.

11. Capital Stock

a) Authorized

During the prior year, the company increased its authorized capital by the creation of 900,000,000 common shares without nominal or par value. On December 17, 1998 the company completed a share consolidation of its common shares on the basis of one common share for every 10 outstanding common shares. At November 30, 1998, the authorized capital of the company is -

100,000,000 common shares without nominal or par value
10,000,000 preferred shares issuable in one or more series

b) Issuance of common stock

	Number of shares	Ascribed value\$
Balance at November 30, 1996	77,100,097	56,623,330
Issued in 1997 -		
For cash pursuant to warrant agreements	12,000,000	2,418,015
For cash pursuant to stock option agreements	150,000	41,000
In settlement of commitments	4,310,900	1,007,000
Balance at November 30, 1997	93,560,997	60,089,345
As consolidated	9,355,698	60,089,345
Issued in 1998 -		
For cash	2,077,213	2,087,899
In settlement of commitments	800,000	1,115,000
Balance at November 30, 1998	12,232,911	63,292,244

Consolidated Financial Statements

Notes to Consolidated Financial Statements

For the Years ended November 30, 1998 and 1997

11. Capital Stock (continued)

c) Shares held by a subsidiary

During 1995, the company issued 10,820,246 of its common shares to a wholly-owned subsidiary in conjunction with an agreement with a creditor. To November 30, 1997, 8,076,900 of these shares were sold on behalf of the creditor by a registered dealer. The net proceeds in the amount of \$2,103,651 have been recorded as an issuance of common shares. The balance of these shares, 274,334 (post consolidation), is eliminated on consolidation.

d) Warrants

As at November 30, 1998, the company had 2,152,213 common share purchase warrants outstanding which expire on various dates from January 5, 2000 to July 16, 2000 entitling the holder to purchase one common share at various prices ranging from \$.90 to \$1.75.

e) Stock options

At November 30, 1998, the company had 2,247,500 (1997 – 358,500) incentive stock options outstanding which expire on various dates to January 30, 2008 allowing certain directors and employees to purchase one share per option at various prices ranging from \$0.60 to \$2.70 per share.

12. Related Party Transactions

a) Charges from a related party

During the year, the company incurred interest expense of \$402,710 (1997 - \$169,480) on the amount payable to Etruscan.

b) Disposition of investment in Secor GeoMin

On November 30, 1998, the company sold its 90% interest in Secor GeoMin to Etruscan. Certain directors of the company are also directors of Etruscan and, accordingly, Independent Committees of the Boards of Directors were established to negotiate the terms of the binding agreement. An independent valuator reviewed the price and the notice of the transaction was accepted by The Toronto Stock Exchange.

13. Future Income Taxes

The company has accumulated losses for tax purposes of approximately \$13,600,000 which may be carried forward and used to reduce taxable income in future years. These losses may be claimed no later than:

Year ending November 30,	1999	2,650,000
	2000	1,870,000
	2001	1,885,000
	2002	1,585,000
	2003	1,610,000
	2004	2,000,000
	2005	2,000,000

In addition, the company has incurred resource expenditures of approximately \$14,000,000 which may be carried forward indefinitely and used to reduce taxable income in future years.

The potential tax benefits of these items have not been recognized in these accounts.



Notes to Consolidated Financial Statements

For the Years ended November 30, 1998 and 1997

14. Subsequent Events

a) Acquisition of Alaska Gold Company

On December 16, 1998, the company entered into an agreement to acquire Alaska Gold Company ("Alaska Gold") from Mueller Industries, Inc. of Memphis, Tennessee. The core assets of Alaska Gold are located in Alaska and comprise approximately 14,000 acres of patented mining claims in the Nome Mining District and 8,500 acres of patented mining claims in the Fairbanks Mining District. Other significant assets of Alaska Gold include royalty incomes from producing placers (2,000 ounces per year), offices and real estate holdings in both Nome and Fairbanks.

Under the terms of the formal agreement of purchase and sale dated March 27, 1999, the company will acquire 100% of the outstanding shares of Alaska Gold from Mueller for a total compensation of US\$5.5 million. The compensation will be paid as follows: US\$3 million cash plus US\$1.5 million in shares of the company due at closing and an additional US\$1 million to be satisfied by way of a 10% royalty on future placer gold production. Mueller has the option to convert the production royalty to common shares of the company. The agreement is subject to the approval of The Toronto Stock Exchange.

b) Agreements with Viceroy Resource Corporation

On March 24, 1999, the company arranged \$4 million of debt financing for purposes of completing the acquisition of Alaska Gold. The financing is being provided by Viceroy Resource Corporation ("Viceroy") of Vancouver and is comprised of a \$2 million convertible debenture and a \$2 million bridge facility. The debenture will have a term of 2 years and be convertible into shares of the company at a price of \$0.66 per share. The bridge facility will have a term of 1 year. Both the convertible debenture and the bridge facility will bear interest at the Royal Bank of Canada prime rate. The shares of Alaska Gold and a first charge against certain AlaskaGold assets have been pledged as security for the convertible debenture financing. The Viceroy financing is subject to the completion of formal agreements and the approval of The Toronto Stock Exchange.

In addition, Viceroy will sell to the company 100% of its interests in 22 grass roots properties located in the Yukon Territories in exchange for 3.4 million common shares of the company.