
Auditors' Report

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, Price-waterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards and their report follows.

[signed: R. van Nieuwenhuysse]

[signed: G.A. Holmes]

R. Van Nieuwenhuysse
President and Chief Executive Officer

G.A. Holmes
Secretary Treasurer

Auditors' Report

To the Shareholders of NovaGold Resources Incorporated

We have audited the consolidated balance sheets of **NovaGold Resources Inc.** as at November 30, 2000 and 1999 and the consolidated statements of operations and deficit and cash flows 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 Canadian 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, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles

Halifax, Canada
March 12, 2001

PriceWaterhouseCoopers LLP

CHARTERED ACCOUNTANTS



Consolidated Financial Statements

Consolidated Balance Sheets ***As at November 30, 2000 and 1999***

	2000\$	1999 \$
<i>Assets</i>		
Current assets		
Cash and short-term deposits	416,040	302,644
Amounts receivable	393,400	571,753
Gold inventory	-	320,000
Inventory	91,103	138,411
Deposits and prepaid amounts	42,130	25,419
	<u>942,673</u>	<u>1,358,227</u>
Capital assets (note 4)	232,246	295,360
Investments (note 5)	4,876	77,317
Reclamation deposit	101,361	899,888
Land and gravel resource (note 6)	1,910,904	3,788,288
Mineral properties and related deferred costs (note 7)	11,627,847	13,769,549
	<u>14,819,907</u>	<u>20,188,629</u>
<i>Liabilities</i>		
Current liabilities		
Accounts payable and accrued liabilities	3,244,227	2,538,786
Bridge financing	-	1,001,573
Loan payable (note 8)	200,000	200,000
	<u>3,444,227</u>	<u>3,740,359</u>
Convertible debt instruments (note 9)	3,144,636	2,574,500
Amount payable to Etruscan Resources Incorporated (note 14)	-	7,568,950
Provision for reclamation costs (note 10)	1,583,687	2,855,992
	<u>8,172,550</u>	<u>16,739,801</u>
Commitments and contingencies (note 11)		
<i>Shareholders' Equity</i>		
Capital stock (note 12)	69,099,614	68,607,416
Equity portion of convertible debt instruments (note 9)	900,000	900,000
Deficit	(63,352,257)	(66,058,588)
	<u>6,647,357</u>	<u>3,448,828</u>
	<u>14,819,907</u>	<u>20,188,629</u>

Signed On Behalf of the Board

[signed: R. Van Nieuwenhuyse]

R. Van Nieuwenhuyse, Director

[signed: Gerald J. McConnell]

Gerald J. McConnell, Director

Consolidated Financial Statements

Consolidated Statements of Operations and Deficit

For the Years ended November 30, 2000 and 1999

	2000\$	1999\$
Revenue		
Land sales	2,213,551	1,647,454
Gravel sales	381,929	1,048,575
Gold production and royalties	79,131	325,551
Lease and rental revenue	114,112	110,244
Other	67,828	105,588
	2,856,551	3,237,412
Land cost and amortization	1,804,086	1,459,710
Property tax	220,387	193,892
Amortization of gravel quarries	75,000	375,000
Gold production costs	-	168,932
	757,078	1,039,878
Expenses		
General and administrative	726,569	518,030
Interest on amount payable to Etruscan Resources Incorporated	298,378	422,904
Interest on convertible debt instruments	666,649	168,703
Murray Brook mine site maintenance	81,645	181,601
Murray Brook reclamation provision	-	400,000
Professional fees	269,632	257,898
Property investigation	-	14,777
Wages and benefits	401,471	614,855
Write-down of mineral properties and related deferred costs	3,043,703	830,631
	5,488,047	3,409,399
	(4,730,969)	(2,369,521)
Other Income		
Gain on debt settlement	6,598,379	-
Gain on disposition of investment	838,921	-
Gain on sale of assets	-	45,644
	7,437,300	45,644
Income (loss) for the year (note 15)	2,706,331	(2,323,877)
Deficit-Beginning of year	(66,058,588)	(63,734,711)
Deficit-End of year	(63,352,257)	(66,058,588)
Income (loss) per share (note 13)	0.13	(0.14)



Consolidated Statements of Cash Flows
For the Years ended November 30, 2000 and 1999

	2000\$	1999\$
<i>Operating Activities</i>		
Income (loss) for the year	2,706,331	(2,323,877)
Charges (credits) to operations not involving cash		
Foreign exchange loss (gain)	61,500	(7,000)
Amortization	157,410	422,596
Charges from Etruscan Resources Inc.	133,211	364,000
Interest on reclamation deposit	-	(27,100)
Interest on advances from Etruscan Resources Incorporated	298,378	422,904
Accretion portion of interest on convertible debt instruments	508,636	-
Provision for additional reclamation costs	-	400,000
Write-down of mineral properties and related deferred costs	3,043,703	830,631
Gain on debt settlement	(6,598,379)	-
Gain on disposition of investment	(838,921)	-
Gain on sale of assets	-	(45,644)
	(528,131)	36,510
Reclamation expenditures	(1,272,305)	-
Net change in non-cash balances related to operations		
Decrease (increase) in amounts receivable, deposits and prepaid amounts	161,642	(460,776)
Decrease (increase) in inventories	367,308	(320,000)
Decrease in land held for sale	1,802,384	1,372,852
Increase (decrease) in accounts payable and accrued liabilities	705,441	(294,633)
	1,236,339	333,953
<i>Financing Activities</i>		
Proceeds from reclamation deposit	798,527	-
Proceeds from (repayment of) bridge financing-net	(1,001,573)	1,001,573
Proceeds from convertible debenture	-	2,000,000
Advances from Etruscan Resources Incorporated	-	286,119
Proceeds from issuance of common shares	1,400	770,942
	(201,646)	4,058,634
<i>Investing Activities</i>		
Acquisition of Alaska Gold Company-net of cash acquired (note 3)	-	(3,253,337)
Proceeds on sale of capital assets	-	50,650
Acquisition of capital assets	(19,296)	(45,759)
Expenditures on mineral properties and related deferred costs-net	(902,001)	(909,021)
	(921,297)	(4,157,467)
Net change in cash and short-term deposits during the year	113,396	235,120
Cash and short-term deposits-Beginning of year	302,644	67,524
Cash and short-term deposits - End of year	416,040	302,644

Notes to Consolidated Financial Statements

For the Years ended November 30, 2000 and 1999

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 company is in the final stages of negotiating the sale of a land package to the hospital in Nome. Proceeds are expected to be in excess of \$1 million. The company also intends to develop and sell a significant amount of additional land in the Nome area. The company will fund its operations in the upcoming year from these proceeds. The company also anticipates increased gravel revenue in 2001. 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 include the accounts of NovaGold Resources Inc. and its wholly-owned subsidiaries, Pine Cove Resources Inc., Murray Brook Resources Inc., NovaGold Resources Nevada Inc., NovaGold Finance Corporation Inc., and Nova-Venez Resources Inc.

b) *Management 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.

c) *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.

d) *Inventories*

Gold poured, in transit and at refineries, is recorded at net realizable value and included in gold inventory and gold production revenue. Other inventories are valued at the lower of average cost and net realizable value.

e) *Capital assets*

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

Notes to Consolidated Financial Statements

For the Years ended November 30, 2000 and 1999

2. Accounting Policies (continued)

f) Gravel resource

The gravel resource is recorded at cost. Amortization of the quarries is provided at the rate of 50% in the year of acquisition and 10% in each of the next five years.

g) 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.

h) 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.

i) Translation of foreign currencies

Foreign operations are integrated with the parent company and consequently the financial statements of foreign subsidiaries are translated into Canadian 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 rates in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating exchange rates in effect at the time of the transactions. Exchange gains or losses arising in translation are included in income or loss for the year, except for unrealized gains or losses on debt, which are deferred and amortized over the estimated remaining life at the debt.

j) 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.

k) Stock option plan

Compensation expense is not recognized when stock options are issued. When options are exercised, the proceeds are included in capital stock.

Consolidated Financial Statements

Notes to Consolidated Financial Statements

For the Years ended November 30, 2000 and 1999

3. Acquisition of Alaska Gold Company

On April 26, 1999, the company acquired 100% of the issued and outstanding common shares of the Alaska Gold Company (Alaska Gold) from Mueller Industries, Inc. (Mueller) of Memphis, Tennessee for a total consideration of US\$5.5 million (CDN\$8,144,774). The consideration paid comprised US\$3 million cash, US\$1.5 million in NovaGold shares and a royalty payable on future placer production capped at US\$1 million. The royalty payable is convertible to common shares at the option of the holder. The company also incurred professional fees of \$100,000 associated with the acquisition.

The acquisition was accounted for using the purchase method and operations since the date of acquisition have been consolidated in these financial statements. The net assets acquired in this transaction are as follows:

	\$
Net current assets	1,358,313
Capital assets	277,605
Land	3,823,716
	5,459,634
Less: Provision for reclamation costs	(1,443,092)
	<u>4,016,542</u>
Excess of purchase price over net book value, allocated to:	
Land	972,481
Rock Creek and Anvil Creek mineral properties	2,515,808
Gravel resource	<u>739,943</u>
	<u>8,244,774</u>

Cash expended for this acquisition, net of cash acquired, amounted to \$3,253,337. The shares issued and royalty granted are non-cash transactions and have been excluded from the statement of cash flows.

4. Capital Assets

			<u>2000</u>	<u>1999</u>
	<u>Cost\$</u>	<u>Accumulated amortization\$</u>	<u>Net\$</u>	<u>Net\$</u>
Heavy machinery and equipment	785,456	596,192	189,264	244,198
Office furniture and equipment	143,760	100,778	42,982	51,162
	<u>929,216</u>	<u>696,970</u>	<u>232,246</u>	<u>295,360</u>



Notes to Consolidated Financial Statements
For the Years ended November 30, 2000 and 1999

5. Investments

a) Composition

	2000	1999
	\$	\$
126,625 shares (1999 - 2,006,834) of Etruscan Resources Incorporated (Etruscan), at cost. Quoted market value - \$41,786 (1999 - \$1,284,374)(see note 14(a))	4,875	77,316
600,000 shares of Electra Mining Consolidated, recorded at nominal value	<u>1</u>	<u>1</u>
	4,876	77,317

b) Shares pledged

The Province of New Brunswick holds 126,625 of the company's shares of Etruscan pending the settlement of outstanding mining taxes aggregating \$360,366.

6. Land and Gravel Resource

	2000	1999
	\$	\$
Land, Fairbanks, Alaska	51,576	1,853,883
Land, Nome, Alaska	1,569,385	1,569,462
Gravel resource, net of accumulated amortization of \$450,000 (1999 - \$375,000)	<u>289,943</u>	<u>364,943</u>
	1,910,904	3,788,288

7. Mineral Properties and Related Deferred Costs

a) For the year ended November 30, 2000

	Balance - November 30, 1999 \$	Expenditures\$	Recovery (1) and write-down\$ (2)	Balance - November 30, 2000 \$
Alaska, USA				
Shotgun	4,160,071	110,878	-	4,270,949
Rock Creek and Anvil Creek	2,768,891	591,805	(63,906) (1)	3,296,790
Caribou	576,918	92,397	-	669,315
North Donlin	83,582	178	-	83,760
Other Alaska properties	48,473	2,474	(18,675) (2)	32,272
Yukon, Canada				
German Creek	180,176	460	(2,638) (1)	177,998
Harlan	678,227	46,456	(26,772) (1)	697,911
McQuesten	692,606	88,994	(54,777) (1)	726,823
Sprogge	786,049	403,694	(301,980) (1)	887,763
Klondike	90,875	24,154	(20,999) (1)	94,030
Other Yukon properties	96,446	11,491	(107,428) (1) (2)	509
Eastern Canada				
Pine Cove, Nfld.	1,943,639	-	(1,818,639) (2)	125,000
Sewell Brook, NB	564,727	-	-	564,727
California Lake, NB	405,998	-	(405,998) (2)	-
Other, NB	25,702	-	(25,702) (2)	-
New Mexico and Nevada	667,169	244	(667,413) (2)	-
	<u>13,769,549</u>	<u>1,373,225</u>	<u>(3,514,927)</u>	<u>11,627,847</u>

Consolidated Financial Statements

Notes to Consolidated Financial Statements

For the Years ended November 30, 2000 and 1999

7. Mineral Properties and Related Deferred Costs (continued)

b) For the year ended November 30, 1999

	Balance - November 30, 1998\$	Acquisitions and Expenditures during the year\$	Recovery (1) and write-down \$(2)	Balance - November 30, 1999 \$
Alaska, USA				
Shotgun	4,006,896	153,175	-	4,160,071
Rock Creek and Anvil Creek	-	3,268,128	499,237 (1)	2,768,891
Caribou	372,892	286,845	82,819 (1)	576,918
North Donlin	80,067	3,515	-	83,582
Other Alaska properties	-	68,565	20,092 (2)	48,473
Yukon, Canada				
German Creek	-	180,176	-	180,176
Harlan	-	691,632	13,405 (1)	678,227
McQuesten	-	693,858	1,252 (1)	692,606
Sprogge	-	794,111	8,062 (1)	786,049
Klondike	-	90,875	-	90,875
Other Yukon properties	-	100,935	4,489 (1)	96,446
Eastern Canada				
Pine Cove, Nfld.	1,941,257	2,382	-	1,943,639
Sewell Brook, NB	564,707	20	-	564,727
California Lake, NB	405,998	-	-	405,998
Other, NB	24,575	1,127	-	25,702
New Mexico and Nevada	658,674	8,495	-	667,169
Koala claims, Mexico	794,830	15,709	810,539 (2)	-
	<u>8,849,896</u>	<u>6,359,548</u>	<u>1,439,895</u>	<u>13,769,549</u>

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.

Notes to Consolidated Financial Statements

For the Years ended November 30, 2000 and 1999

7. *Mineral properties and related deferred costs (continued)*

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.

e) Rock Creek and Anvil Creek, Alaska

As part of its acquisition of Alaska Gold Company, the company acquired 14,000 acres of mineral claims surrounding the city of Nome, Alaska. On July 13, 1999, the company increased its land position by an additional 15,000 acres of mineral claims by entering into a five-year sublease from the Bering Straits Native Corporation, Golden Glacier Inc. The agreement calls for annual property payments ranging from \$15,000 to \$25,000 and annual work commitments ranging from \$50,000 to \$150,000. This 29,000 acre land package contains two known areas of interest - Rock Creek and Anvil Creek.

f) Caribou 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 North Donlin and certain of the Caribou 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, 2000 and 1999

7. Mineral properties and related deferred costs (continued)

g) Yukon properties

On April 26, 1999, the company acquired from Viceroy Resources Corporation (Viceroy) title to 20 Yukon mineral properties and assumed Viceroy's position on the option agreement on the McQuesten property and the option/joint venture agreement on the Sprogge property in exchange for the issuance of 3.4 million common shares. The value attributed to these common shares, based on the market value at the date of issue, is \$2.2 million. This purchase price has been allocated to the four primary properties acquired, being German Creek, Harlan, McQuesten and Sprogge.

McQuesten, Yukon

The company acquired Viceroy's 70% option in the McQuesten property as outlined in an option agreement with Eagle Plains Resources Ltd. and Miner River Resources Ltd. This agreement allows the company to earn a 70% interest in the property by expending \$250,000 by October 2000 and an additional \$500,000 by October 2001. The company must also make annual property payments of \$50,000 in March 2000, \$60,000 in 2001 and \$80,000 in 2002. A 1.5% net smelter royalty has been granted on future production from the property. The company must make minimum annual royalty payments in the amount of \$20,000 commencing in 2003.

Sprogge, Yukon

The company has assumed Viceroy's interest in a option/joint venture agreement with Battle Mountain Canada Ltd. This agreement provides the company with a 60% interest in the property. Under the terms of the agreement, the company has been designated as the operator with respect to exploration programs for the property. The company's interest in the property increases as it funds the ongoing exploration and development expenditures. At November 30, 2000, the company's interest in the property is 77.6% and Battle Mountain has 22.4% interest.

h) Pine Cove, Newfoundland

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. The property has been written down to the proceeds received subsequent to year-end (see not 16 (b)).

8. Loan Payable

The loan is payable to the Province of New Brunswick and bears interest at a rate of 10.7% per annum. The loan was made to Murray Brook Resources Inc. and guaranteed by the company. The loan was repayable in 1993, however 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, 2000 and 1999

9. Convertible Debt Instruments

a) **Composition**

			2000	1999
	Convertible debenture	Convertible royalty	Total	Net
	\$	\$	\$	\$
Convertible debt instruments	2,000,000	1,536,000	3,536,000	3,474,500
Equity portion of convertible debt instruments	350,000	550,000	900,000	900,000
	1,650,000	986,000	2,636,000	2,574,500
Interest accretion	279,617	229,019	508,636	-
Debt portion of convertible debt instruments	1,929,617	1,215,019	3,144,636	2,574,500

The liability component of the convertible debt is calculated as the present value of the principal, discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debt was issued. This portion of the convertible debt is accreted over its term to the full face value by charges to interest expense. The accretion is a non-cash transaction and has been excluded from the consolidated statement of cash flows.

The equity element of the convertible debt is comprised of the value of the conversion option, being the difference between the face value of the convertible debt and the liability element already calculated.

b) Convertible debenture

The convertible debenture matures on April 26, 2000 and is convertible into shares of the company at a price of \$0.66 per share. The debenture bears interest at the Royal Bank of Canada prime rate. The shares of Alaska Gold and a first charge against certain of its assets have been pledged as security for the debt.

c) Convertible royalty payable

As part of the purchase agreement to acquire Alaska Gold from Mueller, the company granted a 10% net smelter royalty on all placer gold production to a maximum of US\$1 million. The company also agreed to make minimum advance royalty payments of US\$333,333 on the second, third and fourth anniversaries of the acquisition. Mueller has the right to convert the total unpaid balance of the net smelter royalty to free trading common shares at any time based upon the ten day average trading price immediately preceding the date that notice is given.

Consolidated Financial Statements

Notes to Consolidated Financial Statements

For the Years ended November 30, 2000 and 1999

10. Provision for Reclamation Costs

a) Composition

	2000	1999
	\$	\$
Murray Brook site	140,595	1,412,900
Alaska Gold Company	1,443,092	1,443,092
	<u>1,583,687</u>	<u>2,855,992</u>

b) Murray Brook site

An engineering report prepared for the company in 1993 estimated the total reclamation costs of the Murray Brook site would be approximately \$900,000. During 1999, the company commissioned an independent consultant to prepare an updated reclamation plan. This plan has estimated the cost to reclaim the Murray Brook site at approximately \$1,400,000 and the provision for reclamation was increased to \$1,412,900 at November 30, 1999.

During 2000, the company commenced its reclamation of the Murray Brook mine site. As at November 30, 2000, the company has charged \$1,272,305 of reclamation costs against the provision. Portions of the company's reclamation expenditures were funded by its reclamation deposit with the Province of New Brunswick. As at November 30, 2000, the company had reclamation deposits with the Province totalling \$101,361 (1999 - \$899,888). It is management's estimation that the remaining provision of \$140,595 adequately provides for future reclamation costs of the site.

c) Alaska Gold Company

A provision in the amount \$1,443,092 has been recorded for the future reclamation of the company's land holdings in the Nome and Fairbanks areas of Alaska. This amount has been recorded in the accounts of the Alaska Gold prior to the company's acquisition of Alaska Gold. The provision was determined by internal cost estimates of the prior owners of Alaska Gold. It is management's estimation that any future liability for reclamation has been fully provided for with this provision.

d) 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.

11. 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 filed a counterclaim for damages. The trial commenced in November 2000 and was adjourned to allow the plaintiff to call an additional witness and to allow for the filing of post-trial written submissions. The company is of the opinion that this claim is without merit. The outcome of this claim is not determinable at this time and no provision has been recorded in the accounts of the company.



Notes to Consolidated Financial Statements
For the Years ended November 30, 2000 and 1999

11. Commitments and Contingencies (continued)

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) Executive employment arrangements

The company has an employment arrangement with the President and Chief Executive Officer of the company which provides 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 officer may elect to terminate his employment with the company in which event the company is required to pay to such officer a lump sum payment equal to three times his annual salary.

12. Capital Stock

a) Authorized

On December 17, 1998, the company completed a share consolidation of its common shares on the basis of one common share for every ten outstanding common shares.

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, 1998 (as consolidated)	12,232,911	63,292,244
Issued in 1999		
For cash	1,435,480	784,006
For acquisition of mineral properties	3,599,938	2,318,342
For acquisition of Alaska Gold Company	4,064,433	2,212,824
Balance at November 30, 1999	21,332,762	68,607,416
Issued in 2000		
For cash pursuant to option agreements	4,000	1,400
	21,336,762	68,608,816
To be issued pursuant to debt settlement agreement (see note 14(a))	2,000,000	490,798
Balance at November 30, 2000	23,336,762	69,099,614

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12. Capital Stock (continued)

c) Shares held by a subsidiary

A wholly-owned subsidiary company holds 224,396 of the common shares of the company. In 1999, 49,938 of the shares held by the subsidiary were transferred for the acquisition of mineral properties for an attributed amount of \$36,455. The balance of these shares is eliminated on consolidation.

d) Warrants

As at November 30, 2000, the company had 629,028 (1999 - 2,681,241) common share purchase warrants outstanding which expire on March 29, 2001 entitling the holder to purchase one common share at a price of \$0.90.

e) Stock options

The company has a stock option plan providing for the issuance of up to 5,000,000 options, whereby 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 grant of the option. The number of shares optioned to any optionee may not exceed 5% of the issued and outstanding shares at the date of grant. The options are exercisable immediately for a ten-year period from the date of grant.

A summary of the company's stock option plan at November 30, 2000 and 1999, and changes during the years ended on those dates is as follows:

	2000		1999	
	Number	Weighted average exercise price\$	Number	Weighted average exercise price \$
Opening balance	2,640,000	0.85	2,247,500	1.03
Granted during the year	405,000	0.73	500,000	0.35
Exercised during the year	(4,000)	0.35	-	-
Cancelled during the year	(5,500)	1.00	(107,500)	1.02
	3,035,500	1.20	2,640,000	0.85

The following table summarizes information about the stock options outstanding and exercisable at November 30, 2000:

	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price\$
Range of prices\$			
0.35 - 0.75	1,076,000	8.71	0.49
1.00	1,927,500	6.62	1.00
2.45 - 3.20	32,000	6.25	2.50
	3,035,500	7.34	0.84



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13. Earnings Per Share

	2000\$	1999\$
Basic	0.13	(0.14)
Fully diluted	0.08	n/a
Weighted average number of shares		
Basic	21,335,666	17,136,725
Fully diluted	38,136,535	n/a

Basic earnings per share is calculated on the average number of shares outstanding in the periods. Fully diluted earnings per share is calculated based on the weighted average number of shares that would have been outstanding had all of the warrants, options and convertible debt instruments to acquire securities, outstanding at the year-end, been converted into shares at the earlier of the beginning of the year or the date of issuance. Interest for 2000 of \$457,839 imputed at 7% per annum would have accrued on the proceeds from the exercise of all such warrants, options and convertible debt instruments.

Fully diluted earnings per share is not presented for 1999 as it would be anti-dilutive.

14. Related Party Transactions

a) Debt settlement agreement with Etruscan Resources Incorporated

The company has entered a debt settlement agreement with Etruscan Resources Incorporated (Etruscan) whereby the company agreed to issue 2,000,000 common shares and transfer 1,880,209 of the common shares of Etruscan held by the company to an agent of Etruscan in lieu of the payment of the intercompany debt in the amount of \$8,000,539 owing by the company to Etruscan.

The transaction has been accounted for as follows:

Issuance of 2,000,000 common shares recorded at the three-month average closing price for the period ended November 30, 2000.	490,798
Transfer of 1,880,209 of its shares in Etruscan to an Agent to be sold with the proceeds to be delivered to Etruscan. The disposal of shares has been recorded at the six-month average closing price for the period ended November 30, 2000.	911,362
Gain on debt settlement	6,598,379
	<u>8,000,539</u>

The shares issued and transferred are non-cash transactions and have been excluded from the consolidated statement of cash flows.

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14. Related Party Transactions (continued)

b) Charges from a related party

During the year, the company incurred interest expense of \$298,378 (1999 - \$422,904) on the amount payable to Etruscan.

c) Loan to an officer

Amounts receivable include a loan to an officer in the amount of \$266,354 (1999 - \$279,061), which is non-interest bearing and recoverable at the rate of \$12,707 per year, for the purchase of a house and shares of the company.

15. Future Income Taxes

During the year, the company had income of \$2,706,331. The tax on this income has been reduced to \$nil through the application of prior years' losses, resulting in no income taxes payable for the year.

The company has accumulated losses for tax purposes of approximately \$7,700,000 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, 2003	600,000
2004	2,300,000
2005	900,000
2006	2,500,000
2007	1,400,000

In addition, the company has incurred resource expenditures of approximately \$16,300,000 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 as realization is not considered more likely than not.

16. Subsequent Events - Agreement to Assign Pine Cove Property

The company has entered an agreement to assign its mineral property holdings at Pine Cove, Newfoundland to New Island Resources Inc. (New Island) in exchange for one million common shares of New Island. As a result, the company has written-down its Pine Cove mineral property holdings to its estimated net realizable value. This value is based on the 10 day average closing price of New Island shares at March 7, 2001.

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17. Segmented Information

The company's operating segments are gold exploration and land and gravel sales.

	<u>2000</u>			<u>1999</u>		
	Gold exploration \$	Land and gravel sales \$	Total \$	Gold exploration \$	Land and gravel sales \$	Total \$
Revenue	261,071	2,595,480	2,856,551	541,383	2,696,029	3,237,412
Expenses	3,125,348	2,099,473	5,224,821	1,550,297	2,028,602	3,578,899
Segment earnings (loss)	<u>(2,864,277)</u>	<u>496,007</u>	(2,368,270)	<u>(1,008,914)</u>	<u>667,427</u>	(341,487)
Unallocated expenses			(2,362,699)			(2,028,034)
Unallocated other income			<u>7,437,300</u>			<u>45,644</u>
Income (loss) for the year			<u>2,706,331</u>			<u>(2,323,877)</u>
Segment assets	<u>12,094,687</u>	<u>1,910,904</u>	14,005,591	<u>15,448,627</u>	<u>3,788,288</u>	19,236,915
Unallocated assets			<u>814,316</u>			<u>951,714</u>
Total assets			<u>14,819,907</u>			<u>20,188,629</u>
Capital expenditures	1,392,521	-	1,392,521	6,405,307	5,536,140	11,941,447

The company's geographic segments are as follows:

	<u>2000</u>		<u>1999</u>	
	Revenues \$	Land and gravel quarries and mineral properties \$	Revenues \$	Land and gravel quarries and mineral properties \$
United States	2,850,454	8,363,124	3,223,656	12,093,392
Canada	6,097	3,264,723	13,756	5,464,445
	<u>2,856,551</u>	<u>11,627,847</u>	<u>3,237,412</u>	<u>17,557,837</u>