

NovaGold Resources Inc. (NRI – TSE)

Interim Report to Shareholders

Unaudited Consolidated Interim Financial Statements

For the six-month period ended May 31, 2001

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Interim Report to Shareholders

We are pleased to report herein the financial statements for the six month period ended May 31, 2001 together with an update of the Company's activities.

On July 16, 2001 NovaGold announced completion of the final formal agreements with Placer Dome and Calista Corporation to acquire a 70% interest in the world-class 13 million ounce Donlin Creek Gold Deposit.

Under the terms of the definitive agreement NovaGold will expend \$US10 million within a ten year period toward exploration and development to earn a 70% interest in the project. NovaGold will be the manager and operator. Upon vesting by NovaGold, a joint venture between NovaGold and Placer Dome would be established, and Placer Dome would have 90 days to decide on one of three options: a) to remain at 30% interest and participate as a minority partner; or b) to convert to a 5% Net Profits Interest (NPI); or c) to exercise a back-in right to re-acquire a majority interest in the project (70% Placer Dome / 30% NovaGold) by expending three times that expended by NovaGold at the time the back-in is exercised, conducting a feasibility study, and making a decision to mine at a production rate of not less than 600,000 ounces of gold per year within a five year period from the exercise of the back-in. NovaGold would contribute its share of costs after Placer Dome has expended three times NovaGold's initial earn-in expenditure.

Since early June, NovaGold personnel have completed on-site geologic mapping, geochemical sampling and trenching with a focus on defining the higher-grade structural corridors within the deposit. The Donlin Creek property has been advanced through a total of US\$37-million dollars in exploration expenditures, including over 110,000 meters of drilling, and 25,800 meters of trenching, as well as comprehensive surface and airborne geophysics.

NovaGold's 2001 exploration program at Donlin Creek will be directed at increasing the drill definition of the higher-grade core zone of the currently defined resource. The objective will be to better define the 5 million-ounce +5 g/t gold high-grade resource in preparation for detailed engineering and feasibility studies later in the year.

On June 21, 2001 the Company also announced that it had completed an agreement with Cominco American Ltd. to acquire a 100% interest in the 1 million ounce Shotgun deposit located south of the 13 million ounce Donlin Creek deposit in the Kuskokwim Mineral Belt. Cominco American retains a 5% net profits interest on the Shotgun property and receives from NovaGold the remaining 50% interest in the nearby Sleitat tin deposit subject to a 5% net profits interest to NovaGold.

The company maintains its interest in the Rock Creek and Nome Gold projects, and six other highly-prospective early stage Tintina Gold Belt exploration properties. We continue our efforts to attract investment capital for these projects through the participation of strategic joint venture partners, while all of the company's resources will be dedicated to advancing Donlin Creek. The Company is on track to meet revenue projections for FY 2001 and anticipates land and gravel sales in excess of \$4 million (\$0.17 per share) in FY 2001.

We look forward to reporting on further positive developments on Donlin Creek and the Company's other exciting projects during the coming months.

ON BEHALF OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read "Rick Van Nieuwenhuysse". The signature is fluid and cursive, with a large initial "R" and a long, sweeping tail.

Rick Van Nieuwenhuysse
President & Chief Executive Officer

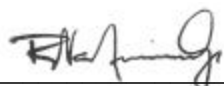
NovaGold Resources Inc.

Consolidated Interim Balance Sheet

As at May 31, 2001

	May 31, 2001 \$ (Unaudited)	November 30, 2000 \$ audited
Assets		
Current assets		
Cash and short-term deposits	919,812	416,040
Amounts receivable	458,741	393,400
Inventory	91,103	91,103
Deposits and prepaid amounts	45,531	42,130
	<u>1,515,187</u>	<u>942,673</u>
Capital assets	190,540	232,246
Investments (note 2)	119,876	4,876
Reclamation deposit	104,126	101,361
Land and gravel resource (note 3)	1,837,009	1,910,904
Mineral properties and related deferred costs (note 4)	<u>11,820,220</u>	<u>11,627,847</u>
	<u>15,586,958</u>	<u>14,819,907</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,223,130	3,244,227
Loan payable	200,000	200,000
	<u>3,423,130</u>	<u>3,444,227</u>
Convertible debt instruments (note 5)	3,263,446	3,144,636
Provision for reclamation costs (note 6)	<u>1,557,819</u>	<u>1,583,687</u>
	<u>8,244,395</u>	<u>8,172,550</u>
Shareholders' Equity		
Capital stock (note 7)	69,103,464	69,099,614
Equity portion of convertible debt instruments (note 5)	900,000	900,000
Deficit	<u>(62,660,901)</u>	<u>(63,352,257)</u>
	<u>7,342,563</u>	<u>6,647,357</u>
	<u>15,586,958</u>	<u>14,819,907</u>

Approved by the Board of Directors



Director



Director

NovaGold Resources Inc.

Unaudited Consolidated Interim Statements of Operations and Deficit
For the period ended May 31, 2001

	Three Months Ended May 31,		Six Months Ended May 31,	
	2001 \$	2000 \$	2001 \$	2000 \$
Revenue				
Land sales	1,467,028	1,984,658	1,729,512	1,984,658
Gravel sales	-	-	-	57,203
Gold production and royalties	21	2,165	1,041	16,535
Lease and rental revenue	16,381	24,059	32,122	38,783
Other	10,721	5,188	13,703	10,188
	1,494,151	2,016,070	1,776,378	2,107,367
Land cost and amortization	40,613	1,789,685	78,486	1,789,685
Property tax	45,778	56,549	75,180	99,466
Amortization of gravel quarries	-	-	-	-
	1,407,760	169,836	1,622,712	218,216
Expenses				
General and administrative	208,968	223,278	285,627	342,168
Interest on amount payable to Etruscan Resources	-	155,350	-	298,378
Interest on convertible debt instruments	151,254	11,196	187,761	62,857
Murray Brook mine site maintenance	1,315	11,482	16,805	51,954
Professional fees	205,183	37,553	241,086	105,450
Wages and benefits	115,400	118,680	200,076	213,147
Write-down of mineral properties and related deferred costs	-	-	-	-
	682,120	557,539	931,355	1,073,954
Income (loss) for the period	725,640	(387,703)	691,357	(855,738)
Deficit – Beginning of period	(63,386,541)	(66,526,623)	(63,352,258)	(66,058,588)
Deficit – End of period	(62,660,901)	(66,914,326)	(62,660,901)	(66,914,326)
Income (loss) per share	0.03	(0.02)	0.03	(0.04)

NovaGold Resources Inc.

Unaudited Consolidated Interim Statements of Cash Flows For the period ended May 31, 2001

	Three Months Ended May 31,		Six Months Ended May 31,	
	2001 \$	2000 \$	2001 \$	2000 \$
Cash provided by (used in)				
Operating activities				
Income (loss) for the period	725,640	(387,703)	691,357	(855,738)
Charges (credits) to operations not involving cash				
Foreign exchange loss	2,300	46,900	12,400	22,000
Amortization	20,821	19,439	41,706	44,495
Interest on reclamation deposit	(1,385)	(10,565)	(2,765)	(28,010)
Interest on advances from Etruscan Resources	-	155,350	-	298,378
Accretion portion of interest on convertible debt instruments	116,410	-	116,410	-
Write-down of mineral properties and deferred costs	-	-	-	-
Gain on sale of land	(1,426,415)	(194,973)	(1,651,026)	(194,973)
	(562,629)	(371,552)	(791,918)	(713,848)
Reclamation expenditures	(12,039)	(152,871)	(25,868)	(152,871)
Net change in non-cash balances related to operations				
Decrease (increase) in amounts receivable, deposits and prepaid amounts	(167,338)	86,563	(68,742)	236,179
Decrease (increase) in inventories	-	-	-	210,080
Increase (decrease) in accounts payable and accrued liabilities	(5,846)	131,164	(21,098)	105,092
	(747,852)	(306,696)	(907,626)	(315,368)
Financing activities				
Advances from Etruscan Resources Inc.	-	33,310	-	110,612
Proceeds from (repayment of) bridge financing – net	-	(1,001,573)	-	(1,001,573)
Proceeds from issuance of common shares	3,850	1,400	3,850	1,400
	3,850	(966,863)	3,850	(889,561)
Investing activities				
Proceeds on sale of land	1,467,028	1,929,047	1,724,921	1,929,047
Acquisition of capital assets	-	(18,095)	-	(18,095)
Expenditures on mineral properties and related deferred costs – net	(182,862)	(563,980)	(317,373)	(640,566)
	1,284,166	1,346,972	1,407,548	1,270,386
Net change in cash and short-term deposits during the period	540,164	73,413	503,772	65,457
Cash and short-term deposits – Beginning of period	379,648	294,688	416,040	302,644
Cash and short-term deposits – End of period	919,812	368,101	919,812	368,101

NovaGold Resources Inc.

Notes to Unaudited Consolidated Interim Financial Statements
For the six-month period ended May 31, 2001

1 Basis of presentation

These unaudited consolidated financial statements include the accounts of NovaGold Resources Inc. and its wholly-owned subsidiaries, NovaGold Resources (Bermuda) Limited, NovaGold (Bermuda) Alaska Limited, Alaska Gold Company, 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.

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim reporting. The accounting policies followed by the Company are set out in Note 2 to the audited consolidated financial statements included in the Company's 2000 Annual Report and have been consistently followed in the preparation of these interim financial statements. These interim financial statements should be read in conjunction with the 2000 Annual Report.

In the opinion of management, the unaudited consolidated financial statements present fairly the company's financial position as at May 31, 2001 and the results of its operations and its cash flows for the six months ended May 31, 2001. The results of operations and cash flows are not necessarily indicative of the future results of operations or cash flows.

2 Investments

	May 31, 2001	November 30, 2000
	\$	\$
126,625 shares of Etruscan Resources Incorporated (Etruscan), at cost. Quoted market value - \$49,383 (November 30, \$41,786)	4,875	4,875
1 million shares of New Island Minerals Resources Inc., received in exchange for the company's interest in the Pine Cove property, recorded at its average market value for a period prior to the closing date. Quoted market value - \$80,000	115,000	-
600,000 shares of Electra Mining Consolidated, recorded at nominal value	1	1
	<hr/> 119,876	<hr/> 4,876

3 Land and gravel resource

	May 31, 2001	November 30, 2000
	\$	\$
Land, Fairbanks, Alaska	51,576	51,576
Land, Nome, Alaska	1,495,490	1,569,385
Gravel resource, net of accumulated amortization of \$450,000	289,943	289,943
	<hr/> 1,837,009	<hr/> 1,910,904

NovaGold Resources Inc.

Notes to Unaudited Consolidated Interim Financial Statements
For the six-month period ended May 31, 2001

4 Mineral properties and related deferred costs

a) For the six months ended May 31, 2001

	Balance – November 30, 2000 \$	Expenditures \$	Recovery and disposal \$	(1) (2)	Balance – May 31, 2001 \$
Alaska, USA					
Donlin Creek	-	101,257	-		101,257
Shotgun	4,270,949	-	-		4,270,949
Rock Creek and Anvil Creek	3,296,790	64,842	-		3,361,632
Caribou	669,315	65,322	-		734,637
North Donlin	83,760	-	-		83,760
Other Alaska properties	32,272	11,799	-		44,071
Yukon, Canada					
German Creek	177,998	-	-		177,998
Harlan	697,911	955	-		698,866
McQuesten	726,823	68,942	-		795,765
Sprogge	887,763	925	-		888,688
Klondike	94,030	955	-		94,985
Other Yukon properties	509	2,376	-		2,885
Eastern Canada					
Pine Cove, Nfld.	125,000	-	(125,000)	(2)	-
Sewell Brook, NB	564,727	-	-		564,727
Other					
	-	-	-		-
	11,627,847	317,373	(125,000)		11,820,220

b) Donlin Creek, Alaska

On April 3, 2001, the company signed a Letter Agreement with Placer Dome U.S. Inc. (Placer Dome) to acquire a 70% interest in the 13 million ounce Donlin Creek Gold Deposit located in southwestern Alaska on part of Calista Corporation's 6.5 million acres of private patented land.

Under the terms of the Letter Agreement, NovaGold will expend \$US10 million over a ten year period to earn a 70% interest in the project. NovaGold will be the manager and operator. Upon vesting by NovaGold, a joint venture between NovaGold and Placer Dome would be established, and Placer Dome would have 90 days to decide on one of three options: a) to remain at 30% interest and participate as a minority partner; or b) to convert to a 5% NPI; or c) to exercise a back-in right to re-acquire a majority interest in the project (70% Placer Dome / 30% NRI) by expending three times that expended by NovaGold at the time the back-in is exercised, conduct a feasibility study, and make a decision to mine at a production rate of not less than 600,000 ounces of gold per year within a five year period from the exercise of the back-in. NovaGold would contribute its share of costs after Placer Dome has expended three times NovaGold's initial earn-in expenditure.

NovaGold Resources Inc.

Notes to Unaudited Consolidated Interim Financial Statements
For the six-month period ended May 31, 2001

5 Convertible debt instruments

a) Composition

			2001	2000
	Convertible debenture \$	Convertible royalty \$	Total \$	Net \$
Convertible debt instruments	2,000,000	1,538,400	3,538,400	3,536,000
Equity portion of convertible debt instruments	350,000	550,000	900,000	900,000
	1,650,000	988,400	2,638,400	2,636,000
Interest accretion	324,184	300,862	625,046	508,636
Debt portion of convertible debt instruments	1,974,184	1,289,262	3,263,446	3,144,636

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 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 maturity of the convertible debenture has been extended to July 31, 2001 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.

NovaGold Resources Inc.

Notes to Unaudited Consolidated Interim Financial Statements
For the six-month period ended May 31, 2001

6 Provision for reclamation costs

a) Composition

	May 31, 2001 \$	November 30, 2000 \$
Murray Brook site	114,727	140,595
Alaska Gold Company	1,443,092	1,443,092
	<u>1,557,819</u>	<u>1,583,687</u>

b) Murray Brook site

During 2000, the company commenced its reclamation of the Murray Brook mine site. As at May 31, 2001, the company has charged \$1,298,173 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 May 31, 2001, the company had reclamation deposits with the Province totalling \$104,126. It is management's estimation that the remaining provision of \$114,727 adequately provides for future reclamation costs of the site.

7 Capital stock

a) Issuance of common stock

	Number of shares	Ascribed value \$
Balance at November 30, 1999	21,332,762	68,607,416
Issued in 2000		
For cash pursuant to option agreements	4,000	1,400
	<u>21,336,762</u>	<u>68,608,816</u>
Issued pursuant to debt settlement agreement	2,000,000	490,798
Balance at November 30, 2000	23,336,762	69,099,614
Issued in 2001		
For cash pursuant to option agreements	11,000	3,850
Balance at May 31, 2001	<u>23,347,762</u>	<u>69,103,464</u>

b) Stock options

As at May 31, 2001, the company had 3,759,500 incentive stock options outstanding, which expire on various dates to May 3, 2010 allowing certain individuals to purchase one common share per option at various prices ranging from \$0.35 to \$3.20 per share.

Corporate Information

Headquarters

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Registrar and Transfer Agent

Computershare Trust Company
Halifax, Nova Scotia

Stock Listing

Toronto Stock Exchange
(Trading Symbol: NRI)

Legal Counsel

Patterson Palmer Hunt Murphy
Halifax, Nova Scotia

Auditors

PricewaterhouseCoopers LLP
Halifax, Nova Scotia

Bankers

Bank of America
Los Gatos, California
National Bank of Alaska
Nome, Alaska

Directors

Pierre Besuchet	Geneva, Switzerland
George Brack	Vancouver, British Columbia
Angus MacIsacc	Pictou, Nova Scotia
Gerald McConnell	Windsor, Nova Scotia
Cole McFarland	San Diego, California
Rick Van Nieuwenhuyse	Los Gatos, California
Clynton Nauman	Vancouver, British Columbia

Officers

Rick Van Nieuwenhuyse	President & CEO
Greg Johnson	Vice President, Corporate Development
Glenn Holmes	Secretary-Treasurer
Phil St. George	Vice President, Exploration