

NovaGold Resources Inc.

an exploration stage company

Consolidated Financial Statements

November 30, 2001 and 2000

***Management's Responsibility
for Financial Reporting***

To the Shareholders of NovaGold Resources Inc.

(an exploration stage company)

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. Management is responsible for all information in the annual report. All financial and operating data in the annual report is consistent, where appropriate, with that contained in the 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 has met with 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 on behalf of the shareholders by the company's independent auditors, PricewaterhouseCoopers LLP, in accordance with Canadian generally accepted auditing standards. The auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements.

[signed: Rick Van Nieuwenhuysse] [signed: Glenn A. Holmes]

Rick Van Nieuwenhuysse
President and Chief Executive Officer

Glenn A. Holmes
Secretary Treasurer

April 8, 2002

Auditors' Report

To the Shareholders of

NovaGold Resources Inc.

We have audited the consolidated balance sheets of **NovaGold Resources Inc.** (an exploration stage company) as at November 30, 2001 and 2000 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, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, B.C.
Canada
April 8, 2002

Consolidated Balance Sheets

As at November 30, 2001 and 2000

	2001 \$	2000 \$
Assets		
Current assets		
Cash and cash equivalents	421,803	416,040
Amounts receivable	521,658	139,709
Amounts receivable from related party (note 13(e))	200,000	-
Inventory	11,372	91,103
Deposits and prepaid amounts	126,630	42,130
	1,281,463	688,982
Officer loan receivable (note 13(c))	241,005	253,691
Property, plant and equipment (note 3)	174,461	232,246
Investments (note 4)	44,876	4,876
Reclamation deposit	105,098	101,361
Land and gravel resource (note 5)	1,761,175	1,910,904
Mineral properties and related deferred costs (note 6)	14,352,291	11,627,847
	17,960,369	14,819,907
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,678,432	3,244,227
Accounts payable to related party (note 13(f))	70,134	-
Loan payable (note 7)	200,000	200,000
	3,948,566	3,444,227
Convertible debt instruments (note 8)	1,217,156	3,144,636
Provision for reclamation costs (note 9)	1,496,215	1,583,687
	6,661,937	8,172,550
Shareholders' Equity		
Capital stock (note 10)	74,393,683	69,099,614
Contributed surplus	266,694	-
Equity portion of convertible debt instruments (note 8)	484,700	900,000
Deficit	(63,846,645)	(63,352,257)
	11,298,432	6,647,357
	17,960,369	14,819,907
Nature of operations (note 1)		
Commitments and contingencies (note 12)		
Subsequent events (note 15)		

Approved by the Board of Directors

[signed: Rick Van Nieuwenhuysen]

Director

[signed: Gerald McConnell]

Director

Consolidated Statements of Operations and Deficit

For the years ended November 30, 2001 and 2000

	2001 \$	2000 \$
Revenue		
Land sales	2,167,102	2,213,551
Gravel sales	259,816	381,929
Gold production and royalties	115,271	79,131
Lease and rental revenue	144,083	114,112
Other	137,752	67,828
	2,824,024	2,856,551
Land cost	74,729	1,804,086
Property tax	143,187	220,387
Amortization of gravel quarries	75,000	75,000
	2,531,108	757,078
Expenses		
General and administrative	1,254,261	726,569
Interest on amount payable to Etruscan Resources Incorporated (note 13(b))	-	298,378
Interest on convertible debt instruments	323,775	666,649
Murray Brook mine site maintenance	144,821	81,645
Professional fees	463,460	269,632
Wages and benefits	430,483	401,471
Write-down of mineral properties and related deferred costs	564,727	3,043,703
	3,181,527	5,488,047
	(650,419)	(4,730,969)
Other income (expense)		
Write-off of accounts payable	231,031	-
Write-down of investments	(75,000)	-
Gain on debt settlement	-	6,598,379
Gain on disposition of investment	-	838,921
	156,031	7,437,300
(Loss) net earnings for the year (note 14)	(494,388)	2,706,331
Deficit - Beginning of year	(63,352,257)	(66,058,588)
Deficit - End of year	(63,846,645)	(63,352,257)
(Loss) earnings per share (note 11)		
Basic	(0.02)	0.13
Diluted	(0.02)	0.09

Consolidated Statements of Cash Flows

For the years ended November 30, 2001 and 2000

	2001	2000
	\$	\$
Cash provided by (used in)		
Operating activities		
(Loss) net earnings for the year	(494,388)	2,706,331
Items not affecting cash		
Foreign exchange loss	38,071	61,500
Amortization	232,654	1,959,794
Charges from Etruscan Resources Incorporated	-	133,211
Interest on reclamation deposit	(3,737)	-
Interest on advances from Etruscan Resources Incorporated	-	298,378
Write-down of mineral properties and related deferred costs	564,727	3,043,703
Gain on debt settlement	-	(6,598,379)
Gain on disposition of investment	-	(838,921)
Write-down of investments	75,000	-
Write-off of accounts payable	(231,031)	-
Issue of shares for settlement of commitments	123,544	-
Accretion of interest on convertible instruments	222,396	508,636
	527,236	1,274,253
Reclamation expenditures	(87,472)	(1,272,305)
Net change in non-cash working capital		
(Increase) decrease in amounts receivable, deposits and prepaid amounts	(704,520)	161,642
Decrease in inventory	79,731	367,308
Increase in accounts payable and accrued liabilities	1,089,707	705,441
	904,682	1,236,339
Financing activities		
Repayment of convertible debenture	(690,030)	-
Repayment of convertible royalty	(185,158)	-
Directors loans	(270,000)	-
Proceeds from issuance of common shares	3,662,894	1,400
Proceeds from reclamation deposit	-	798,527
Repayment of bridge financing - net	-	(1,001,573)
	2,517,706	(201,646)
Investing activities		
Acquisition of property, plant and equipment	(12,454)	(19,296)
Expenditures on mineral properties and related deferred costs - net	(3,404,171)	(902,001)
	(3,416,625)	(921,297)
Increase in cash and cash equivalents during the year	5,763	113,396
Cash and cash equivalents - Beginning of year	416,040	302,644
Cash and cash equivalents - End of year	421,803	416,040

Supplemental non-cash financing and investing activities (note 17)

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

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 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. 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. Subsequent to year-end, the company engaged Salman Partners Inc. to act as lead agent in a syndicate to market, by way of private placement, up to \$20 million of units at a price of \$3.50 per unit (note 15(b)). The company has ongoing sand and gravel resource revenues, intends to develop and sell a significant amount of its land in the Nome, Alaska area and plans to fund its operations and activities in the upcoming year from these proceeds, and the proceeds of the private placement.

2. Accounting policies

Basis of presentation

These 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.

Revenue recognition and inventories

Revenue from land sales is recognized when title passes to the purchaser. Gravel revenue is recognized upon shipment. Lease and rental revenue is recognized as services are rendered over time. Gold royalties and incidental gold production revenues earned from placer mining activities carried out on the company's land and gravel resource properties are recognized as revenue when the amounts are determinable and collectible and title to the gold, if sold by the company, has transferred.

Pre-production revenues from mineral properties are applied to reduce the carrying cost of the related property. Other inventories are valued at the lower of average cost and net realizable value.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing investments with maturities of less than 90 days from the original date of acquisition.

Property, plant and equipment

Property, plant and equipment is recorded at cost. Amortization of heavy machinery and equipment and office furniture and equipment is calculated on a straight-line basis at annual rates of 30% and 20%, respectively.

Investments

The company accounts for its investments in shares of other resource companies as long-term investments. They are recorded at cost unless an other-than-temporary decline in value has been determined, in which case they are written down to market value.

Land and gravel resource

Land is recorded at cost and at the time of acquisition cost is 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. Revenue is recorded upon transfer of title to the purchaser and 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 is determined the costs would be written down to recoverable value. To date, there have been no charges for impairment. Property taxes are charged as a current expense rateably over the year.

Gravel property is recorded at cost and is being amortized at the straight-line rate of 10% per year which is estimated to approximate the useful life.

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. Any proceeds relating to these properties prior to commencement of production, including refundable mining taxes, are

recorded as a reduction of the carrying value of the property when received. 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.

Although the company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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.

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 of the debt.

Earnings per share

The company has adopted the new accounting standard for the calculation of earnings per share which follows the "treasury stock method" in the calculation of diluted earnings per share and requires the presentation of both basic and diluted earnings per share on the face of the consolidated statement of operations and deficit regardless of the materiality of the difference between them. The new standard has been applied on a retroactive basis which has resulted in the restatement of the prior year's diluted earnings per share.

Financial instruments

The fair values of the company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities approximate their carrying values. The fair value of the company's investments is disclosed in note 4.

Stock option plan

The company has a stock option plan which is described in note 10(c). No compensation expense is recognized when stock options are issued as the exercise price equals the market price of the common stock at the time of grant. Consideration paid on the exercise of stock options or purchase of shares is credited to share capital.

Use of estimates

The preparation of financial statements in conformity with Canadian 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. Significant estimates include the recoverable amounts of land and gravel resource, mineral properties and the provision for reclamation costs. Actual results could differ from those reported.

3. Property, plant and equipment

	2001		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Heavy machinery and equipment	793,206	654,134	139,072
Office furniture and equipment	148,464	113,075	35,389
	941,670	767,209	174,461

	2000		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Heavy machinery and equipment	785,456	596,192	189,264
Office furniture and equipment	143,760	100,778	42,982
	929,216	696,970	232,246

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

4. Investments

	2001 \$	2000 \$
126,625 shares of Etruscan Resources Incorporated (Etruscan), at cost. Quoted market value - \$43,053 (2000 - \$41,786)	4,875	4,875
1,000,000 shares of New Island Resources Inc., received in exchange for the company's interest in the Pine Cove property. Quoted market value - \$40,000	40,000	-
600,000 shares of Electra Mining Consolidated, recorded at nominal value	1	1
	44,876	4,876

The Province of New Brunswick holds the company's shares of Etruscan pending the settlement of outstanding mining taxes aggregating \$365,023 (2000 - \$360,366).

5. Land and gravel resource

	2001 \$	2000 \$
Land, Fairbanks, Alaska	51,576	51,576
Land, Nome, Alaska	1,494,656	1,569,385
Gravel resource, net of accumulated amortization of \$525,000 (2000 - \$450,000)	214,943	289,943
	1,761,175	1,910,904

6. Mineral properties and related deferred costs

For the year ended November 30, 2001:

	Balance - November 30, 2000	Expenditures	Recovery, disposal and write-down	(1) (2) (3)	Balance - November 30, 2001
	\$	\$	\$		\$
Alaska, USA					
Donlin Creek	-	3,277,487	-		3,277,487
Shotgun	4,270,949	-	-		4,270,949
Rock Creek	3,296,790	78,036	-		3,374,826
Caribou	669,315	65,892	-		735,207
North Donlin	83,760	-	-		83,760
Nome Gold Project	32,272	13,708	-		45,980
Yukon, Canada					
German Creek	177,998	-	(101)	(1)	177,897
Harlan	697,911	1,705	(10,220)	(1)	689,396
McQuesten	726,823	91,814	(8,579)	(1)	810,058
Sprogge	887,763	2,075	(94,631)	(1)	795,207
Klondike	94,030	2,044	(5,314)	(1)	90,760
Other	509	2,783	(2,528)	(1)	764
Eastern Canada					
Pine Cove, Nfld.	125,000	-	(125,000)	(2)	-
Sewell Brook, NB	564,727	-	(564,727)	(3)	-
	11,627,847	3,535,544	(811,100)		14,352,291

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

6. Mineral properties and related deferred costs

For the year ended November 30, 2000:

	Balance - November 30, 1999 \$	Expenditures \$	Recovery and write-down \$	(1) (2)	Balance - November 30, 2000 \$
Alaska, USA					
Shotgun	4,160,071	110,878	-		4,270,949
Rock 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)	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)	-
Other					
New Mexico and Nevada	667,169	244	(667,413)	(2)	-
	13,769,549	1,373,225	(3,514,927)		11,627,847

a) 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, and the availability of funding. When a property is deemed economically unfeasible, the cost thereof is written off.

b) Donlin Creek, Alaska

On July 14, 2001, the company signed an Agreement with Placer Dome U.S. Inc. (Placer Dome) to acquire a 70% interest in the Donlin Creek Gold Deposit located in southwestern Alaska.

Under the terms of the Agreement, the company may earn a 70% interest in the project, by expending US\$10,000,000 over a ten-year period from the date of the Agreement. The company will be the manager and operator. Upon vesting by the company, a joint venture between the company and Placer Dome would be established, and Placer Dome would have 90 days to decide on one of three options:

- i) to remain at 30% interest and participate as a minority partner;
- ii) to convert to a 5% net profits interest (NPI)
- iii) to exercise a back-in right to reacquire a majority interest in the project (70% Placer Dome/30% the company) by expending three times that expended by the company 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. The company would contribute its share of costs after Placer Dome has expended three times the company's initial earn-in expenditure.

c) Shotgun, Alaska

In 1998, the company acquired a 49% interest in the Shotgun group of claims and Sleitat group of claims located in Southwest Alaska at a cost of US\$900,000. On July 2, 1998, the company entered into a letter of agreement for a joint venture on the exploration and development of the Shotgun group of claims with Teck Cominco Limited (Teck Cominco), owner of a 51% interest in the claims. On June 21, 2001, the company acquired a 100% interest in the Shotgun group of claims from Teck Cominco. Teck Cominco retains a 5% net proceeds interest in the Shotgun group of claims and received a 50% interest in the nearby Sleitat tin deposit subject to a 5% net proceeds interest to the company.

On February 18, 2002, the company entered into a letter of agreement with TNR Resources (TNR) where TNR could earn up to a 50% interest in the Shotgun group of claims by spending US\$3,000,000 on exploration by December 2005 to advance the project towards a production decision. TNR must complete exploration expenditures of US\$500,000 in 2002, US\$750,000 in 2003, US\$750,000 in 2004, and US\$1,000,000 in 2005 and issue 250,000 TNR shares to the company each year of the option. TNR can earn an additional 20% by expending an additional US\$6,000,000 by December 2008 with a US\$2,000,000 annual work commitment, at which time the company has a one-time back-in option to regain a 50% interest by agreeing to expend the next US\$8,000,000 on project development within three years. If the company elects to exercise its one-time back-in option, TNR will issue an additional CAD\$1,000,000 worth of shares to the company.

d) Rock Creek, Alaska

As part of its acquisition of Alaska Gold Company (Alaska Gold), the company acquired a 100% interest in patented mineral claims surrounding the city of Nome, Alaska. By agreement dated July 13, 1999 and superseded by agreement dated March 13, 2002, the company increased its land position 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 US\$15,000 to US\$25,000 and annual work commitments ranging from US\$50,000 to US\$150,000. This land package contains two known areas of interest - Rock Creek and the Nome Gold Project.

On February 18, 2002, the company entered into a letter of agreement with TNR where TNR could earn up to a 49.9% interest in a joint venture on the Rock Creek Project by investing US\$10,000,000 by December 2004 to put the project into production (US\$1,000,000 through December 2002, then US\$3,000,000 by December 2003 and US\$6,000,000 by December 2004). After the earn-in, the company and TNR would contribute to or dilute their percentage according to a straight-line formula. Upon signing of this agreement and regulatory approval, TNR will issue 500,000 shares to the company.

e) Nome Gold Project

The company owns a large area of the coastal plain adjacent to the city of Nome that is underlain by unconsolidated sand and gravel deposits containing alluvial gold.

The company is currently reviewing options for a sand and gravel aggregate operation producing co-product gold. An independent preliminary assessment has been commissioned to study the potential capital, operating costs and transportation costs for pro-

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

ducing sand and gravel products in Nome and shipping them to markets in Seattle, San Francisco, Los Angeles, San Diego, Hawaii and Japan.

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.

g) **Yukon properties**

On April 26, 1999, the company acquired from Viceroy Resources Corporation (Viceroy) title to certain 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 3,400,000 common shares. The value attributed to these common shares, based on the market value at the date of issue, is \$2,200,000. This purchase price has been allocated, based on management estimates of relative values at the time of acquisition, 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 \$875,000 on the property, which the company has completed. The company is also required to make all annual property payments to the underlying property owner, which it has done, and to complete a 10,000 foot drilling program by October 1, 2003. A 2% 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. (Battle Mountain). 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, 2001, the company's interest in the property is 77.6% and Battle Mountain has a 22.4% interest.

h) **Klondike, Yukon**

On October 6, 1999, the company acquired a 100% interest in the Klondike group of claims located in the Yukon Territory from Active Assets & Associates Inc. (formerly known as "Orinoco Gold Inc.") for 150,000 common shares of the company at a deemed price of \$1.00 per share.

i) **Pine Cove, Newfoundland**

During the year ended November 31, 2001, the company assigned its mineral property holdings at Pine Cove, Newfoundland to New Island Resources Inc. (New Island) in exchange for 1,000,000 common shares of New Island and \$10,000 in cash. During the year ended November 30, 2000, the company wrote down its Pine Cove mineral property holdings to estimated net realizable value, in anticipation of the assignment, based on the ten day average closing price of New Island shares at March 7, 2001.

7. 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 is guaranteed by the company. The loan was repayable in 1993; however no payments have been made on this loan. As at November 30, 2001, the company has accrued \$330,363 (2000 - \$285,069) of interest payable in respect of this loan which is included in the balance of accounts payable and accrued liabilities.

8. Convertible debt instruments

	2001		2000	
	Convertible royalty \$	Convertible debenture \$	Convertible royalty \$	Net \$
Convertible debt instruments	1,386,085	2,000,000	1,536,000	3,536,000
Equity portion of convertible debt instruments	484,700	350,000	550,000	900,000
	901,385	1,650,000	986,000	2,636,000
Interest accretion	315,771	279,617	229,019	508,636
Debt portion of convertible debt instruments	1,217,156	1,929,617	1,215,019	3,144,636

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

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 was estimated 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 comprises the value of the conversion option, being the difference between the face value of the convertible debt and the liability element already calculated.

a) Convertible debenture

The convertible debenture had an original maturity date of April 21, 2001, bore interest at the Royal Bank of Canada prime rate, and was convertible into shares of the company at a price of \$0.66 per share.

The shares of Alaska Gold and a first charge against certain assets were pledged as security for the debt. During the year ended November 30, 2001, the maturity date of the convertible debenture was extended to July 31, 2001. On September 18, 2001, the holder of the convertible debenture exercised its option to convert the convertible debenture plus accrued interest totalling \$2,319,055.

Accordingly, the company issued 2,468,220 common shares in settlement of \$1,629,025 of the debt and paid the remaining \$690,030 in cash. This transaction also resulted in the reclassification of \$245,900 of the equity portion of the convertible debt to share capital and the recognition of \$104,100 of contributed surplus. As a result, the common shares issued on conversion of the convertible debenture have an ascribed value of \$1,874,925.

b) Convertible royalty payable

As part of the March 26, 1999 purchase agreement to acquire Alaska Gold from Mueller Industries (Mueller), the company granted a 10% net proceeds royalty on all placer gold production to a maximum of US\$1,000,000. 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 proceeds 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. The company has not made the minimum advance royalty payments required by the agreement.

On May 18, 2001, the agreement was amended to allow for postponement of any notice of default under the agreement in consideration that Mueller will receive, in cash, one-half of the proceeds of each sale of Nome, Alaska real estate against the net pro-

ceeds royalty fee. For the year ended November 30, 2001, the company has made cash payments totalling \$185,158 (US\$118,715) (2000 - \$nil (US\$nil)) to Mueller pursuant to the amended agreement. These cash payments have resulted in a \$65,300 reduction of the equity portion of the convertible debt instrument and the recognition of \$65,300 of contributed surplus (note 15(a)).

9. Provision for reclamation costs

	2001 \$	2000 \$
Murray Brook site	53,123	140,595
Alaska Gold Company	1,443,092	1,443,092
	1,496,215	1,583,687

a) Murray Brook site

During 2000, the company commenced its reclamation of the Murray Brook mine site. As at November 30, 2001, the company has charged \$1,359,779 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, 2001, the company had reclamation deposits with the Province totalling \$105,098 (2000 - \$101,361). It is management's estimation that the remaining provision of \$53,123 adequately provides for future reclamation costs of the site.

b) 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 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 which would currently be required has been fully provided for with this provision.

c) 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. Capital stock

Authorized

100,000,000 common shares without nominal or par value

10,000,000 preferred shares issuable in one or more series

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 ((c) below)	4,000	1,400
	21,336,762	68,608,816
Issued pursuant to debt settlement agreement (note 13(a))	2,000,000	490,798
Balance at November 30, 2000	23,336,762	69,099,614
Issued in 2001		
For cash pursuant to private placements ((a) below)	3,385,500	3,200,759
For cash pursuant to option agreements ((c) below)	601,200	462,135
For conversion of debenture (note 8(a))	2,468,220	1,874,925
In settlement of commitments ((d) below)	175,000	26,250
Common stock pledged as loan security (note 13(d))	-	(270,000)
Balance at November 30, 2001	29,966,682	74,393,683

- a) During the year ended November 30, 2001, the company issued common stock pursuant to private placements as follows:
- i) On August 27, 2001, the company issued 2,355,500 units at \$0.80 per unit for proceeds of \$1,874,759, net of share issuance costs of \$9,641; each unit comprises one common share and one-half share purchase warrant. One full share purchase warrant entitles the holder to acquire one common share of the company at a price of \$1.00 on or before August 27, 2002.
 - ii) On September 18, 2001, the company issued 730,000 units at \$1.20 per unit for proceeds of \$876,000; each unit comprises one common share and one-half share purchase warrant. One full share purchase warrant entitles the holder to acquire one common share of the company at a price of \$1.50 on or before September 18, 2002.
 - iii) On September 18, 2001, the company issued 300,000 units at \$1.50 per unit for proceeds of \$450,000; each unit comprises one common share and one-half share purchase warrant. One full share purchase warrant entitles the holder to acquire one common share of the company at a price of \$2.00 on or before September 18, 2003.

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

b) Share purchase warrants

A summary of the company's share purchase warrants at November 30, 2001 and 2000, and the changes for the years then ended, is presented below:

	2001		2000	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance outstanding -				
Beginning of year	629,028	0.90	3,310,269	1.29
Granted	1,692,750	1.20	-	-
Cancelled/expired	(629,028)	0.90	(2,681,241)	1.38
Balance outstanding -				
End of year	1,692,750	1.20	629,028	0.90

Share purchase warrants outstanding at November 30, 2001:

Number of shares	Exercise price \$	Expiry date
1,177,750	1.00	August 27, 2002
365,000	1.50	September 18, 2002
150,000	2.00	September 18, 2003
1,692,750		

Subsequent to November 30, 2001, 300,000 share purchase warrants were exercised at \$1.00 for proceeds of \$300,000 to the company.

c) Stock options

The company has a stock option plan providing for the issuance of up to 4,500,000 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.

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

A summary of the company's stock option plan at November 30, 2001 and 2000, and changes during the years ended on those dates, is as follows:

	2001		2000	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance -				
Beginning of year	3,035,500	0.84	2,640,000	0.85
Granted during the year	1,460,000	0.74	405,000	0.73
Exercised during the year	(601,200)	0.77	(4,000)	0.35
Cancelled during the year	(131,500)	0.98	(5,500)	1.00
Balance - End of year	3,762,800	0.80	3,035,500	0.84

During the year ended November 30, 2001, the company has also committed to issue 610,000 stock options, exercisable at \$1.78 and expiring in ten years. The issuance of these stock options is subject to regulatory and shareholder approval.

The following table summarizes information about the stock options outstanding and exercisable at November 30, 2001:

	Number outstanding and exercisable	Weighted average remaining contractual life	Weighted average exercise price
Range of prices \$		(years)	\$
0.35 - 0.82	2,179,500	8.82	0.62
1.00	1,543,300	5.65	1.00
1.99	40,000	9.88	1.99
	3,762,800	7.85	0.79

Subsequent to November 30, 2001, 1,137,800 stock options were exercised at prices ranging from \$0.35 to \$1.00 for proceeds of \$775,165 to the company.

d) **Shares held by a subsidiary**

A wholly-owned subsidiary company holds 49,396 (2000 - 224,396) of the common shares of the company which are valued at \$0.15 per share. During the year, 175,000 of the shares were transferred to a third party for the settlement of commitments totalling \$123,544 resulting in the recognition of contributed surplus of \$97,294. The balance of these shares is eliminated on consolidation.

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

11. (Loss) earnings per share

Basic (loss) earnings per share is calculated on (loss) net earnings available to common shareholders using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method.

	2001 \$	2000 \$
Basic		
(Loss) net earning available to common shareholders	(494,388)	2,706,331
Weighted average number of shares	24,790,510	21,335,666
Basic (loss) earnings per share	(0.02)	0.13
Diluted		
Incremental shares	-	10,240,000
Adjusted weighted average number of shares	24,790,510	31,574,666
Diluted (loss) earnings per share	(0.02)	0.09

For the year ended November 30, 2000, options, warrants and convertible instruments to purchase 6,932,631 common shares outstanding at year end were excluded from the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the common shares.

For the year ended November 30, 2001, diluted loss per share is the same as basic loss per share as the exercise of dilutive convertible securities would be anti-dilutive.

12. Commitments and contingencies

a) Legal actions

i) 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.

ii) The company's subsidiary Alaska Gold has been named in an action, initiated by K&K Recycling, relating to an alleged wrongful assignment of a contract to purchase and move a dredge, which was owned by Alaska Gold. K&K Recycling was awarded approximately US\$68,000 for damages against Alaska Gold, and approximately US\$117,000 against a co-defendant for which Alaska Gold may be liable. Alaska Gold is appealing this initial judgement to the Alaska Supreme Court and subsequent to the year end, posted a bond of US\$105,000 with the Alaska Courts in connection with this appeal. The company believes it has made an appropriate accrual in the accounts for the resolution of this issue.

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 arrangement

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 (note 13(c)).

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

13. Related party transactions

a) Debt settlement agreement with Etruscan

During the year ended November 30, 2000, the company entered a debt settlement agreement with 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
	8,000,539

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

b) Interest on amount payable to Etruscan

During the year, the company incurred interest expense of \$nil (2000 - \$298,378) on the amount payable to Etruscan.

c) Officer loan receivable

A loan receivable in the amount of \$253,691 (US\$165,454) (2000 - \$266,377 (US\$173,728)) was granted in connection with an employment agreement and is due from an officer and director of the company. The loan is unsecured, non-interest bearing and forgivable at the rate of \$12,686 (US\$8,274) per year. Accordingly, \$12,686 (2000 - \$12,686) representing the current portion of the loan has been included in amounts receivable.

d) Amounts receivable from directors

Amounts receivable from directors comprise \$135,000 (2000 - \$nil) due from each of two directors of the company, with interest calculated at Royal Bank of Canada prime rate plus 2%. The parties have agreed that the loans will each be collateralized by a pledge of 100,000 common shares of the company, and are payable on demand but not later than May 30, 2002. As the amounts receivable are collateralized by common shares of the company, the receivable of \$270,000 (2000 - \$nil) has been shown as a reduction of the company's outstanding capital stock (note 10).

e) Loan to Etruscan

Etruscan has directors in common with the company. At November 30, 2001, the company has \$200,000 (2000 - \$nil) owing from Etruscan bearing interest at Royal Bank of Canada prime plus 2%. The parties have agreed that the loan is to be collateralized by Etruscan's pledge of 100,000 shares of the company and is repayable on demand, but not later than May 30, 2002.

f) Accounts payable to related party

Accounts payable to related party represents \$70,134 (2000 - \$nil) for management and other services provided to the company by Etruscan at market rates.

14. Income taxes

During the year ended November 30, 2001, the company had a net loss of \$494,388 (2000 - net earnings of \$2,706,331). The tax on the company's income for the year ended November 30, 2000 was reduced to \$nil primarily through the recognition of previously unrecognized loss carryforward benefits, resulting in no income taxes payable for the year ended November 30, 2000.

The company has non-capital loss carryforwards of approximately CAD\$8,490,000 and US\$54,091,000 that may be available for tax purposes. The losses are in the following countries and expire as follows:

Expiry date	Canada \$	United States US \$
2002	-	4,202,000
2003	600,000	4,593,000
2004	2,300,000	3,804,000
2005	900,000	1,596,000
2006	2,500,000	1,685,000
2007	1,400,000	1,483,000
2008	790,000	1,532,000
Thereafter	-	35,196,000
	8,490,000	54,091,000

In addition, the company has incurred resource expenditures of approximately \$17,900,000 (2000 - \$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.

15. Subsequent events

a) Convertible royalty payable

Subsequent to November 30, 2001, the company entered into an agreement with Mueller to settle the convertible royalty payable for US\$750,000 by issuance of 319,543 common shares of the company.

b) Financing

Subsequent to November 30, 2001, the company engaged Salman Partners Inc. to act as lead agent in a syndicate including BMO Nesbitt Burns and Griffiths McBurny Inc. to market by way of private placement up to \$20 million of units at a price of \$3.50 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the company at a price of \$4.50 for a period of 18 months. The closing of the private placement is planned to occur on or about April 18, 2002.

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

16. Segmented information

The company's operating segments include the exploitation of the company's land and gravel resources and the exploration and development of mineral resource properties. Segmented information for these operating segments is set out below.

	2001				2000			
	Mineral properties \$	Land and gravel operations \$	Other \$	Total \$	Mineral properties \$	Land and gravel operations \$	Other \$	Total \$
Revenue	-	2,686,272	137,752	2,824,024	-	2,788,723	67,828	2,856,551
Expenses	709,548	292,916	20,333	1,022,797	3,125,348	2,099,473	-	5,224,821
Segment earnings (loss)	(709,548)	2,393,356	117,419	1,801,227	(3,125,348)	689,250	67,828	(2,368,270)
Unallocated expenses				(2,451,646)				(2,362,699)
Unallocated other income				156,031				7,437,300
(Loss) net earnings for the year				(494,388)				2,706,331
Segment assets	14,352,291	1,761,175	-	16,113,466	11,627,847	1,910,904	-	13,538,751
Unallocated assets				1,846,903				1,281,156
Total assets				17,960,369				14,819,907
Capital expenditures	3,547,998	-	-	3,547,998	1,392,521	-	-	1,392,521

Notes to Consolidated Statements

For the years ended November 30, 2001 and 2000

The company's geographic segments are as follows:

	2001		2000	
	Revenue	Land and gravel quarries and mineral properties	Revenue	Land and gravel quarries and mineral properties
	\$	\$	\$	\$
United States	2,807,292	13,549,384	2,850,454	10,263,990
Canada	16,732	2,564,082	6,097	3,274,761
	2,824,024	16,113,466	2,856,551	13,538,751

17. Supplemental non-cash financing and investing activities

	2001	2000
	\$	\$
Disposal of Pine Cove mineral property for shares of New Island Resources Inc.	(115,000)	-
Issuance of capital stock on partial settlement of convertible debenture	1,874,925	-
Issuance of capital stock pursuant to debt settlement agreement	-	490,798
Transfer of Etruscan shares pursuant to debt settlement agreement	-	911,362

Officers

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President & CEO

Greg S. Johnson, B. Sc. Honors
Vice President, Corporate Development

Phil St. George, B.Sc.
Vice President, Exploration

Glenn Holmes, C.A.
Secretary-Treasurer

Directors

Pierre Besuchet
Geneva, Switzerland

George Brack
Vancouver, British Columbia

Angus MacIsaac
Dartmouth, Nova Scotia

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Stock Listing

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US Over-the-Counter
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