Management Discussion and Analysis of Operating Results

For the year ended November 30, 2000 compared with the year ended November 30, 1999

Results of Operations

The company is a diversified natural resource company focused on discovery, acquisition and development of gold, high tech minerals and construction aggregates in North America. The company's operations during the past few years have focused on exploration opportunities in Alaska and the Yukon. In April 1999 the company acquired a 100% interest in Alaska Gold Company (Alaska Gold), from Mueller Industries, Inc. (Mueller) for total consideration of US$5.5 million.

The company's net income for the year ended November 30, 2000 was $2,706,331 or 0.13 per share as compared to a net loss of $2,323,877 or $0.14 per share in 1999. The company's net income position is due solely to its gain on the settlement of its intercorporate debt with Etruscan Resources Inc. (Etruscan). The total gain amounted to $7,437,300 or $0.35 per share. In lieu of the payment of the intercompany debt, in the amount of $8,000,539, owing by the company to Etruscan, the company agreed to issue 2,000,000 common shares and transfer 1,880,209 of its common shares of Etruscan to an agent of Etruscan to be sold and the proceeds delivered to Etruscan. The issuance of shares was recorded at an attributed value of $490,798. The proceeds on the transfer of Etruscan shares have been recorded at an attributed value of $911,362.

In the current year, Alaska Gold generated revenues from land sales of $2,213,551 as compared to $1,647,454 in 1999. In 2000, the company sold the remainder of its land in Fairbanks leaving it with 15,000 acres of patented land mostly located in the Nome area. In 2000, Alaska Gold also generated gravel sales of $381,929 as compared to $1,048,575 in 1999. A decrease in the amortization of acquisition cost of the gravel resource from $375,000 to $75,000 has resulted from the decline in gravel sales. Placer gold production and royalties decreased to $79,131 from $325,551 in 1999. There was no placer gold production in 2000. Other revenue including property leases and building rentals totaled $181,940 as compared to $215,832 in the prior year.

In 2000 the company has written-off the accumulated mineral property acquisition and related deferred exploration costs associated with the California Lake property in New Brunswick, its Sawtooth property in Nevada and its Summit property in Mexico. The company has adjusted its Pine Cove property to its estimated net realizable value based on the disposition of the property to New Island Resources Inc. in exchange for one million shares of New Island. The company also has written-off the costs associated with a number of other smaller exploration properties. The write-downs recorded in 2000 total $3,043,703 or $0.14 per share. In 1999 the company recorded a write-down of the accumulated mineral property costs associated primarily with the Koala property in Mexico. The total write-down was $830,631 or $0.05 per share. The company also recovered $45,644 against costs previously written-off on the Murray Brook property in 1999.

The company's general and administrative expenses increased to $726,569 in 2000 from $518,030 in 1999. The 2000 amount includes a provision of $115,200 relating to the settlement of an outstanding litigation matter of Alaska Gold. The current year also includes a full year of Alaska Gold operations as compared to seven months in 1999. The company's interest on long-term debt has increased from the prior year due to the interest accretion of $508,636 on convertible debt instruments. Under the terms of the debt settlement agreement with Etruscan the company recorded interest on its indebtedness with Etruscan only for the first six months of the year resulting in a decrease from $422,904 to $298,378. Professional fees increased slightly from $257,898 to $269,632. Wages and benefits decreased to $401,471 from $614,855 with decreased staffing levels.

At the end of 1999, the company commissioned an independent consultant to prepare an updated reclamation plan for the Murray Brook mine site. This site ceased operations in 1992. The plan estimated the cost to reclaim the Murray Brook site at approximately $1,400,000 and consequently the company accrued an additional reclamation liability and a charge against 1999 operations of $400,000. In 2000, the company initiated its reclamation program at the Murray Brook mine site and incurred $1,272,305 in reclamation expenditures. These amounts have been charged against the provision for reclamation costs. The balance of the provision for reclamation at the end of 2000 is $140,595. The reclamation bond held by the Province of New Brunswick has funded $798,527 of these expenditures. The amount remaining in the reclamation bond at the end of 2000 is $101,361. During 2000, the company also incurred $81,645 in routine site maintenance as compared to $181,601 in 1999.

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Liquidity and Capital Resources

During the past two years the company has financed its acquisition and exploration of mineral properties and its ongoing operating costs primarily from cash flow generated by Alaska Gold. In 1999 the company also generated funding from equity subscriptions, loans from Viceroy and financial support from Etruscan. During the current year the company generated revenue of $2,856,551 to finance its operations. In 1999 the company generated revenue of $3,237,412.

The company's working capital position as at November 30, 2000 was $(2,501,554) as compared to $(2,382,132) at the end of 1999. During 1999, the company issued 1,435,480 common shares for cash proceeds of $784,006. The company also issued 4,064,433 common shares for the acquisition of Alaska Gold for an attributed value of $2,212,824. In 2000, the company issued 4000 common shares for proceeds of $1,400. Its operations in 2000 were funded by revenue generated by Alaska Gold.

In 1999, the total consideration paid to Mueller on the acquisition of Alaska Gold comprised US$3 million cash, US$1.5 million in NovaGold common shares and a royalty payable on future placer production capped at US$1 million. The cash payment to Mueller was funded in part by Cdn$4 million of debt financing provided by Viceroy. The debt financing was comprised of a $2 million convertible debenture and a $2 million bridge facility. Payments on the bridge facility totaled $998,427 during 1999 and the balance of $1,001,573 was paid in 2000.

During 2000, the company received administration services and some technical support services from Etruscan. The total amounts charged to the company by Etruscan was $175,784. Of this amount $120,000 was included in the debt settlement with Etruscan. The company funded the balance after the end of the year. The company received advances of $650,119 in 1999 from Etruscan, which included $364,000 for administration and technical support services.

The company incurred expenditures on the acquisition and exploration of mineral properties of $1,373,225 in 2000 and $6,359,548 in 1999. In 1999 the primary focus was on its Alaskan properties with expenditures, including acquisition costs, of $3,268,128 on the Rock Creek and Anvil Creek properties. The company also incurred $286,845 on the Caribou property in Alaska. The company expended a total of $2,551,587 on its Yukon properties including the acquisition of 22 properties from Viceroy in exchange for the issuance of 3.4 million common shares with an attributed value of $2.244 million. In 2000, the company's exploration activities continued to focus on the Rock Creek and Anvil Creek properties in Alaska spending $591,805 on exploration. The company also incurred $403,694 on the Sprogge property in the Yukon. A significant portion of the Sprogge costs was funded under an agreement with Kennecott Exploration.

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 Cdn$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.

Donlin Creek Overview