

NovaGold Resources Inc. (NRI – TSE)

Interim Report to Shareholders

Unaudited Consolidated Interim Financial Statements

For the nine-month period ended August 31, 2001

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Interim Report to Shareholders

NovaGold Resources Inc. is pleased to announce its financial and operating results for the 3rd quarter and nine month periods ended August 31, 2001 together with an update of the Company's activities.

Financial and operating results for both the 3rd quarter and the first 9 months of 2001 have substantially exceeded those for the same period in 2000. These results are due to continued improvement in revenues from the company's Nome, Alaska operations for sand and gravel, real estate development and gold royalties. The company is on track to meet its fiscal year objective of generating \$4 million in revenues from its Nome operations. Currently two very large commercial and industrial developments related to the Nome Airport and Port of Nome expansion projects are in the final planning stages. Both projects would have a favourable impact on the companies future land and gravel revenues. The company continues to pursue expansion of its sand and gravel materials business outside of our existing market to the large and growing markets in California and Japan. These on-going initiatives should help the company continue to build on its operating performance.

This past quarter has been a particularly exciting period for the company's exploration investments. Following the completion of the final formal agreements on the 13 million ounce Donlin Creek gold deposit last July and with the continued success of the on-going drill program at Donlin Creek, the company has continued to add significant shareholder value. In fact, NovaGold has been recognized as the top performing Toronto listed stock in terms of share price appreciation for the year-to-date.

Exploration at Donlin Creek began in early June with on-site work to integrate the comprehensive exploration database put together by Placer Dome and other previous workers on the property. The NovaGold technical team developed a plan to define a smaller, but higher-grade core deposit within the larger 13 million ounce gold deposit. This plan focused on the Acma zone within the main Donlin Resource area due to the wider and higher-grade zones of mineralization identified in previous drilling there.

The NovaGold drill program at Donlin Creek began in August and had several important goals. The first priority of the drilling was to demonstrate that there was continuity and consistency to the higher-grade +5 g/t (0.15 oz/t) gold mineralization within the substantially larger zones of 3 g/t (0.09 oz/t) gold mineralization. The second goal was to improve the quality of the higher-grade resource through closer spaced drilling that would upgrade Inferred category resources to the Measured and Indicated Resource categories. The third goal was to expand the extent of the known mineralization where it remained open down dip to the south and to both the east and west along strike, as well as to drill a few test holes in some of the most prospective targets near the Acma zone. All of these objectives have been met.

As a result of successful drilling from this program, NovaGold is on target to exceed its objective to define a higher quality resource of +5 million ounces of gold with grades of +5 g/t (0.15 oz/t) at Donlin Creek. The company has just initiated work on an updated Resource Estimate and Economic Scoping Study for the Donlin Creek deposit. This will further refine the economic operating parameters for the deposit and help define the scope of additional exploration work to be completed in 2002. NovaGold currently intends to fast track development of the project and to complete the \$10 million dollar earn-in expenditures by the end of 2002 as part of the pre-feasibility and feasibility development work.

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



Rick Van Nieuwenhuyse
President & Chief Executive Officer

NovaGold Resources Inc.

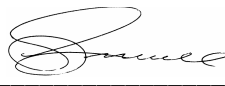
Consolidated Interim Balance Sheet
As at August 31, 2001

	August 31, 2001 \$ (Unaudited)	November 30, 2000 \$ audited
Assets		
Current assets		
Cash and short-term deposits	1,990,379	416,040
Amounts receivable	479,154	393,400
Amount receivable from directors	495,642	-
Inventory	91,103	91,103
Deposits and prepaid amounts	62,601	42,130
	<u>3,118,879</u>	942,673
Capital assets	172,023	232,246
Investments (note 2)	119,876	4,876
Reclamation deposit	105,098	101,361
Land and gravel resource (note 3)	1,836,175	1,910,904
Mineral properties and related deferred costs (note 4)	12,392,677	11,627,847
	<u>17,744,728</u>	14,819,907
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,412,978	3,244,227
Loan payable	200,000	200,000
	<u>3,612,978</u>	3,444,227
Convertible debt instruments (note 5)	3,278,089	3,144,636
Provision for reclamation costs (note 6)	1,544,438	1,583,687
	<u>8,435,505</u>	8,172,550
Shareholders' Equity		
Capital stock (note 7)	71,004,846	69,099,614
Equity portion of convertible debt instruments (note 5)	900,000	900,000
Deficit	(62,595,623)	(63,352,257)
	<u>9,309,223</u>	6,647,357
	<u>17,744,728</u>	14,819,907

Approved by the Board of Directors



Director



Director

NovaGold Resources Inc.

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2001 \$	2000 \$	2001 \$	2000 \$
Revenue				
Land sales	319,877	3,372	2,049,389	1,988,030
Gravel sales	103,819	33,872	103,819	91,075
Gold production and royalties	113,301	13,754	114,342	30,289
Lease and rental revenue	105,018	32,627	137,139	71,410
Other	33,161	13,298	46,867	23,486
	675,176	96,923	2,451,556	2,204,290
Land cost and amortization	842	-	79,328	1,789,685
Property tax	28,001	30,081	103,182	129,547
	646,333	66,842	2,269,046	285,058
Expenses				
General and administrative	287,440	139,664	573,068	481,832
Interest on amount payable to Etruscan Resources	-	156,710	-	455,088
Interest on convertible debt instruments	91,727	27,501	279,488	90,358
Murray Brook mine site maintenance	(3,823)	19,223	12,982	71,177
Professional fees	85,002	38,985	326,088	144,435
Wages and benefits	120,709	116,116	320,785	329,263
	581,055	498,199	1,512,411	1,572,153
Income (loss) for the period	65,278	(431,357)	756,635	(1,287,095)
Deficit – Beginning of period	(62,660,901)	(66,914,326)	(63,352,258)	(66,058,588)
Deficit – End of period	(62,595,623)	(67,345,683)	(62,595,623)	(67,345,683)
Income (loss) per share	0.003	(0.02)	0.03	(0.06)

NovaGold Resources Inc.

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2001 \$	2000 \$	2001 \$	2000 \$
Cash provided by (used in)				
Operating activities				
Income (loss) for the period	65,278	(431,357)	756,635	(1,287,095)
Charges (credits) to operations not involving cash				
Foreign exchange loss	(10,000)	(25,000)	2,400	(3,000)
Amortization	20,847	110,441	62,553	154,936
Interest on reclamation deposit	(972)	-	(3,737)	-
Interest on advances from Etruscan Resources	-	156,710	-	455,088
Accretion portion of interest on convertible debt instruments	61,738	-	178,148	-
Gain on sale of land	(319,033)	(3,372)	(1,970,060)	(198,345)
	(182,142)	(192,578)	(974,061)	(878,416)
Reclamation expenditures	(13,381)	(1,108,511)	(39,249)	(1,261,382)
Net change in non-cash balances related to operations				
Decrease (increase) in amounts receivable, deposits and prepaid amounts	(37,483)	(173,172)	(106,226)	63,007
Decrease (increase) in inventories	-	109,920	-	320,000
Increase (decrease) in accounts payable and accrued liabilities	189,847	679,107	168,751	784,199
	(43,159)	(685,234)	(950,785)	(972,592)
Financing activities				
Proceeds from reclamation deposit	-	606,900	-	578,890
Advances from Etruscan Resources Inc.	-	72,012	-	182,624
Repayment of convertible royalty	(47,095)	-	(47,095)	-
Advances to directors	(495,642)	-	(495,642)	-
Repayment of bridge financing	-	-	-	(1,001,573)
Proceeds from issuance of common shares	1,901,382	-	1,905,232	1,400
	1,358,645	678,912	1,362,495	(238,659)
Investing activities				
Proceeds on sale of land	319,868	3,372	2,044,789	1,932,419
Acquisition of capital assets	(2,330)	-	(2,330)	(18,095)
Expenditures on mineral properties and related deferred costs – net	(562,457)	(114,259)	(879,830)	(754,825)
	(244,919)	(110,887)	1,162,629	1,159,499
Net change in cash and short-term deposits during the period	1,070,567	(117,209)	1,574,339	(51,752)
Cash and short-term deposits – Beginning of period	919,812	368,101	416,040	302,644
Cash and short-term deposits – End of period	1,990,379	250,892	1,990,379	250,892

NovaGold Resources Inc.

Notes to Unaudited Consolidated Interim Financial Statements For the nine-month period ended August 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 August 31, 2001 and the results of its operations and its cash flows for the nine months ended August 31, 2001. The results of operations and cash flows are not necessarily indicative of the future results of operations or cash flows.

2 Investments

	August 31, 2001	November 30, 2000
	\$	\$
126,625 shares of Etruscan Resources Incorporated, at cost. Quoted market value - \$41,786 (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 - \$40,000	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

	August 31, 2001	November 30, 2000
	\$	\$
Land, Fairbanks, Alaska	51,576	51,576
Land, Nome, Alaska	1,494,656	1,569,385
Gravel resource, net of accumulated amortization of \$450,000	289,943	289,943
	<hr/> 1,836,175	<hr/> 1,910,904

NovaGold Resources Inc.

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

4 Mineral properties and related deferred costs

a) For the nine months ended August 31, 2001

	Balance – November 30, 2000 \$	Expenditures \$	Recovery and disposal \$	(1) (2)	Balance – August 31, 2001 \$
Alaska, USA					
Donlin Creek	-	774,060	-		774,060
Shotgun	4,270,949	-	-		4,270,949
Rock Creek and Anvil Creek	3,296,790	66,369	-		3,363,159
Caribou	669,315	65,892	-		735,207
North Donlin	83,760	-	-		83,760
Other Alaska properties	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	75,574	(8,579)	(1)	793,818
Sprogge	887,763	2,075	(87,638)	(1)	802,200
Klondike	94,030	2,044	(5,314)	(1)	90,760
Other Yukon properties	509	2,783	(2,528)	(1)	764
Eastern Canada					
Pine Cove, Nfld.	125,000	-	(125,000)	(2)	-
Sewell Brook, NB	564,727	-	-		564,727
Other	-	-	-		-
	11,627,847	1,004,210	(239,380)		12,392,677

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. At NovaGold's option Placer Dome would fund NovaGold's share of any remaining costs out of future operating cashflow.

NovaGold Resources Inc.

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

5 Convertible debt instruments

a) Composition

			August 31, 2001	November 30, 2000
	Convertible debenture \$	Convertible royalty \$	Total \$	Net \$
Convertible debt instruments	2,000,000	1,491,305	3,491,305	3,536,000
Equity portion of convertible debt instruments	350,000	550,000	900,000	900,000
	1,650,000	941,305	2,591,305	2,636,000
Interest accretion	350,000	336,784	686,784	508,636
Debt portion of convertible debt instruments	2,000,000	1,278,089	3,278,089	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 was extended to July 31, 2001 and the debenture 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. (See Subsequent Events note)

NovaGold Resources Inc.

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

6 Provision for reclamation costs

a) Composition

	August 31, 2001	November 30, 2000
	\$	\$
Murray Brook site	101,346	140,595
Alaska Gold Company	1,443,092	1,443,092
	<hr/> 1,544,438	<hr/> 1,583,687

b) Murray Brook site

During 2000, the company commenced its reclamation of the Murray Brook mine site. As at August 31, 2001, the company has charged \$1,311,556 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 August 31, 2001, the company had reclamation deposits with the Province totalling \$105,098. It is management's estimation that the remaining provision of \$101,344 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	<hr/> 4,000	1,400
	21,336,762	68,608,816
Issued pursuant to debt settlement agreement	<hr/> 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	2,355,500	1,871,632
For cash pursuant to option agreements	<hr/> 35,000	33,600
Balance at August 31, 2001	<hr/> 25,727,262	<hr/> 71,004,846

b) Stock options

As at August 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.

NovaGold Resources Inc.

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

c) Warrants

As at August 31, 2001, the company had 1,177,750 common share purchase warrants outstanding, which expire on August 27, 2002 entitling the holder to purchase one common share per warrant at \$1.00.

8 Subsequent events

a) Convertible debenture

As at August 31, 2001, the convertible debenture and its accrued interest amounted to \$2,319,055. Subsequent to August 31, 2001, the holder of the convertible debenture exercised its option to convert \$1,629,025 of its convertible debenture and accrued interest in exchange for 2,468,220 common shares. The company paid the balance of \$690,030.

b) Private placements

Subsequent to August 31, 2001, the company entered two private placement agreements for aggregate proceeds of \$1,326,000. Pursuant to the agreements, the company issued 1,030,000 common shares and 515,000 common share purchase warrants, which expire on September 18, 2002, entitling the holder to purchase one common share per warrant at prices ranging from \$1.25 and \$1.50.

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 MacIsaac	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