

NovaGold Resources Inc.
Consolidated Financial Statements
February 29, 2008
(Unaudited)

Management's Discussion and Analysis

General

This Management's Discussion and Analysis ("MD&A") of NovaGold Resources Inc. ("NovaGold" or "the Company") is dated April 11, 2008 and provides an analysis of NovaGold's unaudited financial results for the quarter ended February 29, 2008 compared to the same period in the previous year. At April 11, 2008, the Company had 105.2 million common shares issued and outstanding.

The following information should be read in conjunction with the Company's February 29, 2008 unaudited consolidated financial statements and related notes and with the Company's audited consolidated financial statements and related notes for the year ended November 30, 2007, which were prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). The accounting policies have been consistently followed in preparation of these financial statements except that the Company has adopted the following CICA standards effective for the Company's first quarter commencing December 1, 2007.

Capital disclosures and financial instruments – disclosures and presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures", Handbook Section 3862, "Financial Instruments – Disclosures", and Handbook Section 3863, "Financial Instruments – Presentation". Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

All amounts are in Canadian dollars unless otherwise stated. Additional information related to NovaGold is available on the Company's website at www.novagold.net or on SEDAR at www.sedar.com.

NovaGold is a precious metals company focused on the exploration and development of mineral properties in Alaska, U.S.A., and British Columbia, Canada, with one property near production, one property under re-engineering and re-evaluation, two properties progressing toward development and numerous early-stage exploration properties. The Company conducts its operations through wholly-owned subsidiaries and joint ventures and is primarily focused on gold properties, some of which have significant copper and silver resources.

On December 1, 2007, the Company entered into an agreement with Barrick Gold U.S., a wholly owned subsidiary of Barrick Gold Corporation ("Barrick") that provided for the conversion of the Donlin Creek project into a new limited liability company, owned

50% by the Company and 50% by Barrick (the "Donlin Creek LLC"). As part of the Donlin Creek LLC, the Company has agreed to reimburse Barrick over time for approximately US\$64.8 million, representing 50% of Barrick's approximately US\$129.6 million expenditures at the Donlin Creek project from April 1, 2006 to November 30, 2007. The reimbursement is being made by the Company paying the next US\$12.7 million of Barrick's share of project development costs, and the remaining US\$52.1 million will bear interest and be paid out of future mine production cash flow. After the Company's initial contribution, all funding will be shared by both parties on a 50/50 basis. The Company determined that the Donlin Creek LLC is a variable interest entity and consequently has used the principles of AcG-15 and FIN 46 Consolidation of Variable Interest Entities to determine the accounting for its ownership interest. Management concluded that NovaGold is not the primary beneficiary and has accounted for its investment using the equity method of accounting.

On December 1, 2007, the Company, Galore Creek Mining Corporation ("GCMC") and Pioneer Metals Corporation ("Pioneer") entered into an asset purchase and sale agreement whereby GCMC purchased a 100% interest in the Grace claims, located adjacent to the Galore Creek project and held by Pioneer, a wholly-owned subsidiary of Barrick, for a purchase price of \$54 million. This amount was shown as restricted cash at November 30, 2007.

Results of operations

For the three months ended February 29, 2008, the Company reported earnings of \$28.0 million (or \$0.27 basic earnings per share and \$0.26 diluted earnings per share) compared to a loss of \$4.9 million (or \$0.05 basic and diluted loss per share) for the corresponding period in 2007. The increase in earnings before income taxes for the quarter was primarily related to the \$15.3 million gain on disposal of the shares in US Gold Corporation and the \$15.2 million suspension cost recovery at Galore Creek, net of related non-controlling interest.

Revenues for the quarter ended February 29, 2008 were \$1.7 million compared to \$1.1 million in the corresponding period in 2007. The Company generates modest revenues from land and gravel sales and gold royalties. The increase in revenues from the previous year's results relates mainly to land sales.

Expenses for the three months ended February 29, 2008 were \$3.2 million compared to \$5.7 million for the same period in 2007. During the quarter, the Company recorded a foreign exchange gain of \$1.0 million resulting from the effect of the strengthening of the Canadian dollar on the Company's US dollar payable balances compared to a foreign exchange loss of \$0.7 million for the same period in 2007. The Company recorded \$0.2 million and \$0.3 million for stock-based compensation during the same period in 2008 and 2007, respectively. Professional fees decreased to \$0.6 million in 2008 from \$1.1 million in 2007 due to payments made in 2007 related to litigation defense. Corporate development costs decreased to \$0.3 million in 2008 from \$1.0 million in 2007 due to a marketing effort made in 2007 after the unsolicited take-over bid expired.

The Company equity accounts for its strategic investment in Alexco Resource Corp. (“Alexco”) as it has significant influence over Alexco. For the quarter ended February 29, 2008, the Company recorded a net gain of \$1.1 million from the combination of its share of net income or loss and dilution in its ownership of Alexco compared to a net loss of \$0.5 million for the same period in 2007. At February 29, 2008, the Company had a pre-tax unrecorded gain of \$18.1 million in its Alexco holdings.

Selected financial data

The following unaudited quarterly information is prepared in accordance with Canadian GAAP.

Quarterly information

In \$000’s except per share amounts, for the fiscal quarters ended:

	2/29/08 \$	11/30/07 \$	8/31/07 \$	5/31/07 \$	2/28/07 \$	11/30/06 \$	8/31/06 \$	5/31/06 \$
Net revenues	1,712	1,730	2,173	1,946	1,062	2,080	2,391	2,213
Income (loss) for the quarter	27,967	(32,534)	(4,159)	(3,212)	(4,861)	(19,346)	(2,578)	(8,629)
Income (loss) per share – basic	0.27	(0.31)	(0.04)	(0.03)	(0.05)	(0.20)	(0.03)	(0.10)
Income (loss) per share – diluted	0.26	(0.31)	(0.04)	(0.03)	(0.05)	(0.20)	(0.03)	(0.10)
Expenditures on mineral properties and related deferred costs ⁽¹⁾								
USA	(91,582)	(13,423)	27,203	25,969	18,133	16,088	27,461	3,254
Canada	54,528	13,183	25,981	2,156	3,645	18,081	11,501	1,599

⁽¹⁾ Expenditures on mineral properties and related deferred costs include fair value adjustments and stock-based compensation, net of recoveries, tax credits and adjustments, writedowns, disposals, option payments received and changes in ownership interest of mineral property title. Additionally, during the quarter ended February 29, 2008, all Donlin Creek related expenditures were reclassified to investments as a result of the formation of the Donlin Creek LLC.

The Company carries out exploration activities in Canada and the United States. The Company’s exploration activities are seasonal in nature and programs tend to start late in the spring and finish by the end of the year.

Factors that can cause fluctuations in the Company’s quarterly results are the timing of stock option grants, equity accounting for the Donlin Creek LLC and one time events, such as the suspension of the Galore Creek project. The Company’s properties are not yet in production; consequently the Company believes that its earnings or loss (and consequent earnings or loss per share) is not a primary concern to investors in the Company.

Liquidity and capital resources

At February 29, 2008, the Company held \$13.8 million in unrestricted cash and cash equivalents. During the quarter ended February 29, 2008, the Company generated proceeds of \$18.8 million from the sale of US Gold Corporation shares, resulting in a gain realized in the quarter of \$15.3 million, offset by a future tax expense of \$4.6 million. The Company believes that there are sufficient tax pools to shelter any current tax arising from this sale. The Company also entered into an agreement effective January 31, 2008 with the Bank of Nova Scotia for a \$30.0 million credit facility maturing on July 30, 2008 of which \$10 million was drawn down at February 29, 2008. Additionally, Teck Cominco, as the

The Company recorded a future income tax (“FIT”) expense of \$2.2 million which resulted mainly from a FIT expense of \$4.0 million from the suspension cost recovery at Galore Creek; a FIT expense of \$4.6 million from the sale of US Gold Corporation shares; offset by a FIT recovery of \$6.6 million from an income tax rate reduction totalling approximately 4.5%.

non-controlling interest, funded \$9.8 million relating to expenditures on the Galore Creek Partnership.

The Company expended \$18.2 million on net operating activities during the three months ended February 29, 2008 compared with expenditures of \$15.0 million for the same period in 2007. Major changes in non-cash working capital in the first three months of the fiscal year were payments of \$15.2 million of Galore Creek suspension related payments that were accrued at November 30, 2007 and decreases in the long-term suspension liabilities of approximately \$30.1 million related to a re-estimation of the suspension costs and the negotiation of the purchase of certain contractors’ equipment left on site during the shutdown of Galore Creek construction.

The Company expended \$86.0 million on investing activities in the first quarter of 2008 compared with \$39.3 million in the same period in 2007. A total of approximately \$28.9 million was expended on construction and pre-production operating costs at the Rock Creek project related to equipment purchases and the final stages of construction of processing facilities, the plant site and buildings for the mine.

The Company has no material off-balance sheet arrangements and no material capital lease agreements, except that GCMC may assume leases from the settlement of contracts in relation to the suspension at Galore Creek.

At February 29, 2008, the Company's aggregate commitments for operating leases totaled \$7.0 million. These operating leases include the Company's leased head office location and certain office equipment ranging from one to ten years. The Company also had commitments outstanding at February 29, 2008 in the amount

Commitments at February 29, 2008 are approximately as follows:

in millions of Canadian dollars

	Operating Leases \$	Galore Creek \$	Rock Creek \$	Total \$
2008	0.7	31.5	4.1	36.3
2009	0.9	-	-	0.9
2010	0.8	-	-	0.8
2011	0.8	-	-	0.8
2012	0.6	-	-	0.6
Thereafter	3.2	-	-	3.2

The Company has no significant financial or other instruments except that its cash balances are largely invested in bank and non-asset backed commercial paper all with the two highest-possible investment ratings and with terms of 90 days or less that can be easily liquidated.

Outlook

At February 29, 2008, the Company had cash and cash equivalents of \$13.8 million. Of this amount \$10.2 million was designated for Galore Creek suspension related activities, including payment of other payables. Subsequent to the quarter end, the Company drew down an additional \$6.0 million from the Bank of Nova Scotia credit facility for a total amount drawn down of \$16.0 million. On March 26, 2008, the Company completed the issuance of US\$95.0 million of 5.5% convertible senior unsecured notes due May 1, 2015 for net proceeds of US\$90.7 million and has subsequently repaid the \$16.0 million drawn down on the credit facility and closed the line.

The Company had budgeted to spend approximately \$42.0 million on Rock Creek construction in fiscal 2008 and an additional \$7.0 million on exploration costs to identify additional resources for the mine. At quarter end, \$29.2 million had been spent. Gold production is targeted for mid-2008. The Company does not currently intend to enter into forward sales arrangements to reduce the risk of exposure to volatility in commodity prices at this time.

The Company had budgeted to spend approximately US\$25.4 million on Donlin Creek to May 31, 2008 for engineering and environmental studies, particularly related to power alternatives and optimization, and on exploration activities with the objective of expanding the existing resource base. At February 29, 2008, US\$5.0 million had been spent. The Donlin Creek LLC expects to approve a second budget for the remainder of 2008, the amount of which has yet to be determined.

The Company had estimated to spend approximately \$33 million on suspension related activities, which is its portion (one third) of the estimated maximum suspension liability of \$100 million. The Galore Creek Partnership's efforts in 2008 are focused on

of \$31.5 million for equipment purchases related to contract settlements from the suspension of construction at the Galore Creek project and US\$4.1 million related to Rock Creek construction.

demobilization of the project and then to place it on a care and maintenance basis that will enable the project to restart at a later date. A demobilization estimate of \$93.1 million had been included in the Company's November 30, 2007 year end financial statements based on the information available at that time. Since year end, GCMC has negotiated settlement of numerous contracts having determined, after analyzing the costs and benefits associated with the purchase of the equipment compared with demobilizing the contractors' equipment, that it was more cost effective to buy the equipment left at the site. Total contracts of approximately \$37.9 million have been signed to date for the purchase of equipment. During the quarter, the Company has revised the demobilization cost to \$62.7 million from the estimate of \$93.1 million recorded for the year ended November 30, 2007 as a result of the settlement of six of the major contracts. The Company has reflected the \$30.4 million reduction as a recovery in the current period's statement of operations, net of non-controlling interest of \$15.2 million and future income tax expense of \$4.0 million.

As of April 11, 2008, NovaGold anticipates funding its planned activities for 2008 from available cash.

Related party transactions

There were no related party transactions during the three months ended February 29, 2008.

Critical accounting estimates

The most critical accounting principles upon which the Company's financial status depends are those requiring estimates of the recoverability of its capitalized mineral property expenditures and intangible assets, the amount of project suspension costs and the amount of future reclamation obligations.

Mineral properties and related deferred costs

The Company records its interest in mineral properties at cost. Exploration expenditures relating to properties that have resources or significant mineralization requiring additional exploration are deferred and will be amortized against future production following commencement of commercial production, or written off if the

properties are sold, allowed to lapse, abandoned or become impaired.

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is measured and assets are written down to fair value, which is normally the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired, it is written down to its estimated fair value in accordance with the CICA Handbook Section 3063 "Impairment of Long-Lived Assets".

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that material changes could occur that may adversely affect management's estimate of the net cash flows expected to be generated from its properties.

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 development and upon future profitable production or proceeds from the disposition thereof. The discovery or establishment of adequate reserves is dependent on successful exploration. Competition for exploration resources at all levels is currently very intense, particularly affecting availability of manpower, drill rigs and helicopters. As a result of this, and other factors inherent in exploration, the Company has uncertainty that it will be able to carry out its planned exploration programs.

Intangible assets

Management of the Company reviews and evaluates the carrying value of each intangible asset for impairment when events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying value of the asset, an impairment loss is recognized and the asset is written down to fair value, which is normally determined using the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that an intangible asset is impaired, it is written down to its estimated fair value.

Project suspension costs

The Company's future obligations as a result of the suspension of the Galore Creek project are based on estimated costs to complete the construction demobilization and place the site on care and maintenance. The revised estimate of demobilization costs at February 29, 2008 of \$62.7 million could change materially as more

information becomes available. In addition, the project is located in an area that is subject to severe weather conditions that can affect the nature, extent and timing of work. Accordingly, the actual project suspension costs could vary materially from our estimates.

Reclamation costs

The amounts recorded for reclamation costs are estimates based on engineering studies and management's assessment of the work that is anticipated to remediate old mine workings of the Company's Nome Gold and Murray Brook sites, exploration and road remediation at the Galore Creek project, and the Rock Creek mine site. An asset retirement obligation ("ARO") is recognized initially at fair value with a corresponding increase in the related asset. The ARO is accreted to full value over time through periodic charges to operations. Actual results could be materially different from these estimates.

The Company's accounting policies are described in note 2 to the Company's audited consolidated financial statements for the year ended November 30, 2007.

Risk factors

Exploration and development

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that if commercial ore is discovered, that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors that are beyond the Company's control. Some of these factors are the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

The Company is earning an interest in certain of its key properties through option agreements, and acquisition of title to the properties is completed only when the option conditions have been met. These conditions include making property payments, incurring exploration expenditures on the properties and satisfactory completion of certain pre-feasibility studies and third-party agreements. If the Company does not satisfactorily complete these option conditions in the time frame laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write down its previously capitalised costs related to that property.

Reserve and resource estimates

There is a degree of uncertainty attributable to the calculation of reserves and resources and the corresponding grades. Reserve and resource estimates are dependent partially on statistical inferences drawn from drilling, sampling and other data. The measured and indicated and inferred resource figures and proven and probable reserves set forth by the Company are estimates, and there is no certainty that the mineral deposits would yield the production of metals indicated by reserve and resource estimates. Declines in the

market price for metals may adversely affect the economics of a deposit and may require the Company to reduce its estimates.

Price volatility – gold, copper and other metals

The market price for gold, copper and other metals is volatile and cannot be controlled. There is no assurance that, if commercial quantities of gold, copper and other metals are discovered, a profitable market may continue to exist for a production decision to be made or for the ultimate sale of the metals. As the Company is currently not in production, no sensitivity analysis for price changes has been provided or carried out.

Alaska “Clean Water” initiatives

Two ballot initiatives may appear on the November 2008 Alaskan general election ballot regarding large scale metallic mining. The full impact of either of these initiatives, even if adopted and found to be constitutional, cannot yet be determined as the full impact will be dependent on the rules and regulations implementing such initiatives.

One initiative seeks to impose two water quality standards on new large scale metallic mineral mining operations in Alaska. The cost statement prepared by the Alaska Division of Elections accompanying this initiative indicated that the language in the initiative does not differ significantly from existing water quality standards. The Company believes this initiative, if adopted and implemented, would not significantly impact NovaGold’s ability to develop its Alaskan properties.

The other initiative imposes new prohibitions on new large scale metallic mineral mining operations in Alaska. In the cost statement accompanying the initiative, the Division of Elections noted that “[b]y prohibiting any discharge of certain pollutants, even if those discharges meet or exceed existing state and federal water quality standards, this initiative would effectively prohibit most, if not all new large scale mining activity.” This initiative has been held to be

Caution on Forward-Looking Statements

The Management’s Discussion and Analysis contains certain forward-looking statements concerning anticipated developments in NovaGold’s operations in future periods. Forward-looking statements are frequently, but not always, identified by words such as “expects,” “anticipates,” “believes,” “intends,” “estimates,” “potential,” “possible” and similar expressions, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved. These forward-looking statements are set forth principally under the heading “Outlook” in the Management’s Discussion and Analysis and may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of precious metals or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of NovaGold may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors. NovaGold’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and NovaGold does not assume any obligation to update forward-looking statements if circumstances or management’s beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from NovaGold’s expectations include uncertainties involved in disputes and litigation; fluctuations in gold, copper and other commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and estimated economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty of meeting anticipated program milestones; uncertainty as to timely availability of permits and other governmental approvals; and other risks and uncertainties disclosed in NovaGold’s Annual Information Form for the year ended November 30, 2007, filed with the Canadian securities regulatory authorities, NovaGold’s annual report on Form 40-F filed with the United States Securities and Exchange Commission, and other information released by NovaGold from time to time and filed with the appropriate regulatory agencies.

unconstitutional by an Alaskan state court, but that ruling is expected to be appealed to the Supreme Court of Alaska. The Company believes if this initiative is adopted and found to be constitutional, it may be difficult or impossible for any new large mining project, such as the Donlin Creek project or other Alaskan properties, to be successfully developed and operated.

Permits

The Company’s current and anticipated future operations, including further exploration, development activities and commencement of production on the Company’s properties, require permits from various United States and Canadian federal, state, provincial, territorial and local governmental authorities. There can be no assurance that all permits which the Company requires for the construction of mining facilities and the conduct of mining operations will be obtainable on reasonable terms, or at all. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company. There also can be no assurance that once permits are awarded that they will not be challenged at any time. A group of individuals from Nome, Alaska filed a lawsuit against the U.S. Army Corps of Engineers (“Corps”) in mid-November 2006, alleging that the Corps issued the Section 404 permit for Rock Creek in violation of the governing legislation. Although neither NovaGold nor Alaska Gold Company were named as defendants, the Alaskan Court granted NovaGold’s motion to intervene in the case. On January 4, 2008, NovaGold announced that the United States Ninth Circuit Court of Appeals ruled in NovaGold’s favor on all counts regarding the appeal challenging the Clean Water Act permit for Rock Creek mine. The Ninth Circuit Court affirmed the June 2007 decision of the United States District Court for Alaska dismissing the lawsuit. On February 15, 2008, the plaintiffs filed a petition for panel rehearing and rehearing en banc with the Ninth Circuit Court of Appeals. The Appellate Court has not yet advised whether they will rehear the case, but the Company believes that it will again be successful if this matter proceeds.

Cautionary Note Concerning Reserve and Resource Estimates

This Management's Discussion and Analysis and other information released by NovaGold uses the terms "reserves", "resources", "measured resources", "indicated resources" and "inferred resources". United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the United States Securities and Exchange Commission (the "SEC") does not recognize them. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Mineral resources that are not mineral reserves do not have demonstrated economic viability. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Inferred resources are in addition to measured and indicated resources. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically.

National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in this press release or released by NovaGold in the future, have been or will be prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. The requirements of NI 43-101 are not the same as those of the SEC, and reserves reported by NovaGold in compliance with NI 43-101 may not qualify as reserves under the SEC's standards.

NovaGold Resources Inc.

Consolidated Balance Sheets – Unaudited

in thousands of Canadian dollars

February 29, November 30,
2008 2007
\$ \$

	February 29, 2008 \$	November 30, 2007 \$
Assets		
Current assets		
Cash and cash equivalents	13,812	97,916
Restricted cash	4,600	4,600
GST and other receivables	11,740	11,668
Temporary investments (note 6)	-	18,381
Deposits and prepaid amounts	5,425	6,817
Supplies inventory	8,898	9,197
	44,475	148,579
Accounts receivable	550	267
Land	1,706	1,713
Property, plant and equipment (note 4)	561,906	526,657
Mineral properties and related deferred costs (note 5)	359,989	397,043
Power project development costs	3,668	3,128
Investments (note 6)	109,625	11,877
Investment tax credits	6,708	6,708
Reclamation deposits	11,871	20,268
Restricted cash (note 5)	-	54,000
	1,100,498	1,170,240
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	30,042	93,534
Suspension costs – short term (note 3)	16,000	31,035
Loans payable (note 7)	10,200	200
Current portion of asset retirement obligations	1,755	1,791
	57,997	126,560
Other liabilities (note 6(d))	52,890	65,335
Suspension costs (note 3)	32,000	62,070
Asset retirement obligations	11,726	11,726
Future income taxes	46,696	44,320
	201,309	310,011
Non-controlling interest (note 3)	242,711	217,754
Shareholders' equity		
Share capital (note 8)	760,779	760,468
Contributed surplus	9,994	820
Stock-based compensation (note 8)	20,281	19,739
Warrants (note 8(c))	-	9,178
Deficit	(135,690)	(163,657)
Accumulated other comprehensive income	1,114	15,927
	656,478	642,475
	1,100,498	1,170,240
Nature of operations (note 1)		
Commitments and contingencies (note 10)		
Subsequent events (note 13)		

(See accompanying notes to consolidated financial statements)

(signed) Rick Van Nieuwenhuysse Director

(signed) James Philip Director

Approved by the Board of Directors

Consolidated Statements of Operations and Deficit – Unaudited

*in thousands of Canadian dollars,
except for per share and share amounts*

Three months ended

February 29, February 28,
2008 2007
\$ \$

Other income		
Land, gravel, gold and other revenue	902	126
Interest income	813	948
	1,715	1,074
Cost of sales	3	12
	1,712	1,062
Expenses and other items		
Corporate development and communication	263	952
Exploration	61	39
Foreign exchange (gain) loss	(987)	739
General and administrative	1,580	1,230
Professional fees	643	1,143
Salaries	1,405	1,287
Salaries – stock-based compensation (note 8)	189	322
	3,154	5,712
Gain on dilution from equity investment (note 6)	(1,153)	-
Loss from equity investment	5	547
Gain on disposal of investment (note 6)	(15,278)	-
Project suspension cost recovery	(30,400)	-
Non-controlling interest (note 3)	15,200	-
	(31,626)	547
Earnings (loss) for the period before income taxes	30,184	(5,197)
Future income tax (expense) recovery	(2,217)	336
Earnings (loss) for the period after income taxes	27,967	(4,861)
Deficit – beginning of period	(163,657)	(118,891)
Deficit – end of period	(135,690)	(123,752)
Earnings (loss) per share		
Basic	0.27	(0.05)
Diluted	0.26	(0.05)
Weighted average number of shares (thousands)	105,041	91,696

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Comprehensive Income – Unaudited

in thousands of Canadian dollars

	Three months ended	
	February 29, 2008	February 28, 2007
Earnings (loss) for the period before other comprehensive income	27,967	(4,861)
Unrealized gains on available-for-sale investments (note 6)	443	726
Realized gains on available-for-sale investments	(15,278)	-
Future income tax recovery	22	-
Comprehensive earnings (loss)	13,154	(4,135)

Consolidated Statements of Changes in Shareholders' Equity – Unaudited

in thousands of Canadian dollars

	Three months ended	
	February 29, 2008	November 30, 2007
Share capital		
Balance – beginning of period	760,468	533,658
Issued pursuant to stock option agreements	293	8,108
Issued pursuant to warrant agreements	18	77
Issued pursuant to property agreement	-	1,433
Issued pursuant to public offering	-	217,192
Balance – end of period	760,779	760,468
Contributed surplus		
Balance – beginning of period	820	820
Expiration of warrants	9,174	-
Balance – end of period	9,994	820
Stock-based compensation		
Balance – beginning of period	19,739	16,674
Stock option grants	542	4,982
Fair value of exercises	-	(1,917)
Balance – end of period	20,281	19,739
Warrants		
Balance – beginning of period	9,178	9,178
Expiration of warrants	(9,174)	-
Fair value of exercises	(4)	-
Balance – end of period	-	9,178
Deficit		
Balance – beginning of period	(163,657)	(118,891)
Earnings (loss) for the period	27,967	(44,766)
Balance – end of period	(135,690)	(163,657)
Accumulated other comprehensive income		
Balance – beginning of period	15,927	-
Transition adjustment to opening balance (note 2)	-	30,828
Unrealized gains on available-for-sale investments (note 6)	443	(10,621)
Realized gains on available-for-sale investments (note 6)	(15,278)	(4,196)
Future income taxes on unrealized gains (losses)	22	(84)
Balance – end of period	1,114	15,927
Total shareholders' equity	656,478	642,475

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows – Unaudited

in thousands of Canadian dollars

Three months ended

	February 29, 2008 \$	February 28, 2007 \$
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Cash flows used in operating activities		
Earnings (loss) for the period	27,967	(4,861)
Items not affecting cash		
Amortization	65	69
Future income tax expense (recovery)	2,217	(336)
Gain on sale of investments (note 6)	(15,278)	-
Foreign exchange gain	(904)	-
Gain on dilution from equity investment	(1,153)	-
Loss from equity investment	5	547
Stock-based compensation	189	322
Non-controlling interest	15,200	-
Net change in non-cash working capital		
Decrease (increase) in GST and other receivables, deposits and prepaid amounts	1,321	(56)
Decrease in supplies inventory	299	-
Decrease in accounts payable and accrued liabilities	(3,034)	(11,384)
Decrease in suspension costs – short term	(15,035)	-
Decrease in suspension costs – long term	(30,071)	-
	(18,212)	(15,699)
Cash flows from financing activities		
Proceeds from issuance of common shares – net	293	2,070
Drawdown of credit facility	10,000	-
Proceeds from non-controlling interest	9,757	-
Proceeds from warrant exercise	14	-
	20,064	2,070
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(105,162)	(29,727)
Expenditures on power project development	(540)	(749)
Expenditures on mineral properties and related deferred costs – net	(61,072)	(2,867)
Decrease in restricted cash	54,000	-
Decrease (increase) in reclamation deposits	8,290	(271)
(Increase) decrease in accounts receivable	(283)	26
Proceeds on sale of investments	18,811	-
Investments	-	(5,667)
	(85,956)	(39,255)
Decrease in cash and cash equivalents during the period	(84,104)	(52,884)
Cash and cash equivalents – beginning of period	97,916	106,583
Cash and cash equivalents – end of period	13,812	53,699
Supplemental disclosure		
Shares issued for option agreement	-	1,433
(Decrease) increase in accounts payable and accrued liabilities related to mineral properties and construction in process	(72,889)	21,508
Interest received	1,013	1,033

(See accompanying notes to consolidated financial statements)

Notes to Consolidated Financial Statements – Unaudited

1 Nature of operations

NovaGold Resources Inc. (“NovaGold” or “the Company”) is a natural resource company engaged in the exploration and development of gold and copper properties in Alaska, U.S.A., and British Columbia, Canada, with one property near production, one property under re-engineering and re-evaluation, two properties progressing towards development and numerous early-stage exploration properties. The Company conducts its operations through wholly-owned subsidiaries and joint ventures and is primarily focused on gold properties, some of which have significant copper and silver resources.

Three of the Company’s projects are being advanced with major mining companies. The Donlin Creek project is held by a newly created limited liability company that is owned equally by NovaGold and Barrick Gold Corporation (“Barrick”) (refer to note 6 for discussion). The Galore Creek project is held by a partnership which is owned equally by NovaGold and Teck Cominco Limited (“Teck Cominco”) (refer to note 3 for discussion). The Ambler

project is an option agreement to acquire a joint venture interest with subsidiaries of Rio Tinto plc.

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 net costs incurred to date, less amounts recovered from third parties 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 existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, entering into agreements with others to explore and develop the mineral properties, and upon future profitable production or proceeds from disposition of the mineral properties.

2 Accounting policies

Basis of presentation

The consolidated financial statements have been prepared using accounting principles generally accepted in Canada (“Canadian GAAP”) for interim reporting and include the accounts of NovaGold Resources Inc. and its material wholly-owned subsidiaries, NovaGold Canada Inc., Alaska Gold Company, NovaGold Resources Alaska, Inc., and NovaGreenPower Inc. (formerly Coast Mountain Power Corp). All significant inter-company transactions are eliminated on consolidation. In addition, the Company consolidates variable interest entities for which it is determined to be the primary beneficiary.

The accounting policies followed by the Company are set out in note 2 to the audited consolidated financial statements for the year ended November 30, 2007 and have been consistently followed in the preparation of these consolidated financial statements except that the Company has adopted the following CICA standards effective for the Company’s first quarter commencing December 1, 2007.

Capital disclosures and financial instruments – disclosures and presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, “Capital Disclosures”,

Handbook Section 3862, “Financial Instruments – Disclosures”, and Handbook Section 3863, “Financial Instruments – Presentation”. Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861, “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

3 Galore Creek Partnership

On August 1, 2007, the Company formed a 50/50 partnership with Teck Cominco at the Galore Creek project. The Company contributed its assets in the Galore Creek project to the partnership, including the transmission rights, and Teck Cominco was to fund

an initial contribution, which at the time was determined to be approximately \$537 million. After the initial contribution was completed, both partners were to be equally responsible to fund the project going forward.

Notes to Consolidated Financial Statements – Unaudited

The Company determined that the Galore Creek Partnership is a variable interest entity and consequently used the principles of AcG-15 Consolidation of Variable Interest Entities to determine the accounting for its ownership interest. Management concluded that the Company is the primary beneficiary and consolidated the activities of the Galore Creek Partnership.

On November 26, 2007, the Company and Teck Cominco announced the suspension of construction activities at the Galore Creek project due to substantially higher capital costs, a longer construction schedule and a stronger Canadian dollar than previously estimated, and amended the terms of Teck Cominco's initial contribution. Under the amended arrangements, Teck Cominco agreed to invest a total of \$403 million in the Partnership. In addition to funding \$264.4 million from August 1, 2007 to the year ended November 30, 2007, Teck Cominco agreed to invest \$72 million in the Partnership over the next five years principally to reassess and evaluate the project's alternative development strategies and, excluding costs covered by the \$72 million above, Teck Cominco agree to share the next \$100 million of project costs one third NovaGold and two thirds Teck Cominco, respectively, and to share project costs on a 50/50 basis thereafter.

At February 29, 2008, the Company has revised the demobilization cost to \$62.7 million from the estimate of \$93.1 million recorded for the year ended November 30, 2007 as a result of the settlement of six of the major contracts. The Company has reflected the difference as a recovery in the current period's statement of operations, net of non-controlling interest and income taxes. The revised estimate of demobilization costs could change materially as more information becomes available. In addition, the project is located in an area that is subject to severe weather conditions that can affect the nature, extent and timing of work. Accordingly, the actual project suspension costs could vary materially.

The expenditures in the Galore Creek project have been recorded in property, plant and equipment for construction in progress costs, and mineral properties and related deferred costs for exploration and development costs. At February 29, 2008, no provision has been made against the carrying value of the project as the Company believes that the project retains fair value in excess of its carrying value. However, there can be no assurances that the Company's view will result in a commercially viable project or that a future material impairment writedown will not be required. Teck Cominco's contributions to date have been recorded as non-controlling interest.

4 Property, plant and equipment

in thousands of Canadian dollars

			February 29, 2008
	Cost \$	Accumulated amortization \$	Net \$
Construction costs – Galore Creek	383,929	-	383,929
Mobile equipment – Galore Creek	6,356	-	6,356
Construction in progress – Rock Creek	137,633	-	137,633
Mining and milling equipment – Rock Creek	30,933	-	30,933
Heavy machinery and equipment	2,371	313	2,058
Office furniture and equipment	1,395	804	591
Leasehold improvements	575	169	406
	563,192	1,286	561,906

Notes to Consolidated Financial Statements – Unaudited

in thousands of Canadian dollars

	November 30, 2007		
	Cost \$	Accumulated amortization \$	Net \$
Construction costs – Galore Creek	383,748		383,748
Construction in progress – Rock Creek	108,388	-	108,388
Mining and milling equipment – Rock Creek	31,363	-	31,363
Heavy machinery and equipment	2,399	310	2,089
Office furniture and equipment	1,382	734	648
Leasehold improvements	575	154	421
	527,855	1,198	526,657

During the quarter ended February 29, 2008, \$88,000 of depreciation expense was recorded with respect to capital assets (quarter ended February 28, 2007: \$81,000).

5 Mineral properties and related deferred costs

in thousands of Canadian dollars

	Balance – November 30, 2007 \$	Expenditures \$	Stock-based compensation Reclassification to investments \$ ⁽¹⁾ ⁽²⁾	Balance – February 29, 2008 \$
Alaska, USA				
Donlin Creek (note 6)	92,931	-	(92,931) ⁽²⁾	-
Rock Creek	29,280	732	14 ⁽¹⁾	30,026
Ambler	13,945	255	17 ⁽¹⁾	14,217
Big Hurrah	6,105	10		6,115
Shotgun	4,476	-		4,476
Khotol	3,074	-		3,074
Baird	2,662	208		2,870
Saddle	1,334	-		1,334
Kugruk	1,740	99		1,839
Nome Gold	1,164	40		1,204
Other	1,993	(27)		1,966
British Columbia, Canada				
Galore Creek	232,112	54,468	25 ⁽¹⁾	286,605
Copper Canyon	5,354	1		5,355
Other	873	35		908
	397,043	55,821	(92,875)	359,989

On December 1, 2007, the Company and Pioneer Metals Corporation (“Pioneer”) entered into a purchase and sale agreement whereby the Company purchased a 100% interest in the Grace claims, located adjacent to the Galore Creek project and held by Pioneer, a wholly-owned subsidiary of Barrick, for a purchase price of \$54.0 million.

The Company is eligible to receive investment tax credits (“ITCs”) related to some of its mineral property expenditures. The ITC balances are accounted for as a reduction in the cost of mineral properties when accrued.

Notes to Consolidated Financial Statements – Unaudited

6 Investments

in thousands of Canadian dollars

	February 29, 2008		
	Cost \$	Accumulated unrealized holding gains \$	Carrying value \$
Available-for-sale investments (a)			
1,437,500 shares of TNR Gold Corp.	317	287	604
600,000 shares of Eagle Plains Resources Ltd.	82	164	246
600,000 shares of Copper Canyon Resources Ltd.	98	163	261
Other investments (b)	176	562	738
	673	1,176	1,849
Investments accounted for under the equity method			
Alexco Resource Corp. (c)	-	-	11,188
Donlin Creek LLC (d)	-	-	96,588
	-	-	107,776
Total investments	673	1,176	109,625

	November 30, 2007		
	Cost \$	Accumulated unrealized holding gains \$	Carrying value \$
Available-for-sale investments			
Temporary investments			
5,374,544 shares of US Gold Corporation (e)	3,534	14,847	18,381
Long-term investments			
1,437,500 shares of TNR Gold Corp.	317	158	475
600,000 shares of Eagle Plains Resources Ltd.	82	242	324
600,000 shares of Copper Canyon Resources Ltd.	98	112	210
Other investments (b)	176	652	828
	673	1,164	1,837
Investments accounted for under the equity method			
Alexco Resource Corp. (c)	-	-	10,040
Total long-term investments	673	1,164	11,877
Total investments	4,207	16,011	30,258

- (a) Investments classified as available-for-sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss.
- (b) Included in “Other investments” is an investment of 126,625 shares (cost: \$5,000; market value: \$291,000) in Etruscan Resources Incorporated (“Etruscan”). The Province of New Brunswick holds the Company’s shares of Etruscan pending the settlement of outstanding mining taxes that the Company believes aggregates \$366,000.
- (c) The Company owns 6,352,978 shares of Alexco Resource Corp. (“Alexco”) (market value: \$29.3 million). The Company has determined that it has significant influence in Alexco

and has accounted for the investment using the equity method. Alexco has a June 30 year end and is a related party, having two directors in common with the Company. During the three months ended February 29, 2008, the Company recorded a \$1,148,000 gain (\$547,000 loss for the three months ended February 28, 2007) resulting from accounting for the equity investment.

On December 11, 2007, Alexco completed a private placement of 1,500,000 flow-through common shares. The Company did not participate, and as a result the Company’s ownership in Alexco decreased to 17.75%. The Company has recorded a dilution gain of \$1.2 million for the quarter ended February 29, 2008 as a result of this issuance. The

Notes to Consolidated Financial Statements – Unaudited

Company continues to exercise significant influence over Alexco and therefore accounts for its investment using the equity method.

- (d) On December 1, 2007, together with Barrick Gold U.S., a wholly-owned subsidiary of Barrick, the Company formed a limited liability company (the “Donlin Creek LLC”) to advance the Donlin Creek project.

As part of the Donlin Creek LLC agreement, the Company has agreed to reimburse Barrick over time for approximately US\$64.8 million, representing 50% of Barrick’s approximately US\$129.6 million expenditures at the Donlin Creek project from April 1, 2006 to November 30, 2007. The Company’s reimbursement is being made by the Company paying, in 2008, the next US\$12.7 million of Barrick’s share of project development costs, and the remaining US\$52.1 million plus interest will be paid out of future mine production cash flow. After the Company’s initial contribution, all funding will be shared by both parties on a 50/50 basis.

The Company determined that the Donlin Creek LLC is a variable interest entity and consequently used the principles of AcG-15 Consolidation of Variable Interest Entities to determine the accounting for its ownership interest. Management

concluded that the Company is not the primary beneficiary and has accounted for its investment in the Donlin Creek LLC using the equity method of accounting. The Donlin Creek LLC has a board of four directors, with two nominees selected by each company. All significant decisions related to Donlin Creek require the approval of both companies.

The Company’s initial investment in the Donlin Creek LLC is \$96.6 million and represents the cost basis of assets transferred into the Donlin Creek LLC. The Company’s maximum exposure to loss in this entity is limited to the carrying amount of the investment in Donlin Creek, which totals \$96.6 million, offset by amounts payable to the Company’s partner totalling US\$63.4 million, of which US\$10.2 million is recorded as a current accounts payable, and US\$53.2 million (inclusive of US\$1.1 million of accrued interest) will be paid out of future mine production cash flow.

- (e) On January 29, 2008, the Company sold its entire share holdings of US Gold Corporation for a sale price of \$3.50 per share. The Company received proceeds of \$18.8 million and recorded a gain of \$15.3 million, offset by a future tax expense of \$4.6 million. The Company believes that there are sufficient tax pools to shelter any current tax arising from this sale.

7 Loan payable

On January 31, 2008, the Company entered into an agreement with the Bank of Nova Scotia for a \$30.0 million credit facility maturing on July 30, 2008. The credit facility bears variable interest based on the Canadian prime rate, and is secured only against

certain marketable securities held by the Company. Net of \$10.0 million of drawdowns, the unused portion of the credit facility is \$20.0 million as at February 29, 2008.

8 Share capital

Authorized

1,000,000,000 common shares, no par value
10,000,000 preferred shares issuable in one or more series

in thousands of Canadian dollars

(a) Issuance of common shares	Number of shares (thousands)	Ascribed value \$
Balance at November 30, 2007	104,889	760,468
Issued in quarter		
For cash and fair value pursuant to stock option agreements	262	293
For cash and fair value pursuant to warrant agreements	1	18
Balance at February 29, 2008		
Shares held by a wholly-owned subsidiary eliminated on consolidation	9	-
Total issued and outstanding	105,161	760,779

- (b) Stock options

The Company has a stock option plan providing for the issuance of options at a rolling maximum number that shall not be greater than

10% of the issued and outstanding common shares of the Company at any given time. The Company may grant options to its directors,

Notes to Consolidated Financial Statements – Unaudited

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 single optionee may not exceed 5% of the issued and outstanding shares at the date of grant. The options are exercisable immediately for a 10-year period from the date of grant or may be exercisable 1/3 three months after commencement of employment, 1/3 at the first anniversary date and 1/3 at the second anniversary date for a 10-year period from the date of grant.

The fair value of the stock options recognized in the consolidated statements of operations and deficit, has been estimated using an option pricing model. Assumptions used in the pricing model for each year are as provided below:

	Vesting during three months ended February 29, 2008	Granted during three months ended February 29, 2008
Average risk-free interest rate	3.50% – 4.73%	4.01%
Expected life	1.76 – 3.22 years	3.22 years
Expected volatility	42.0% – 59.2%	59.2%
Expected dividends	Nil	Nil

The Black-Scholes and other option pricing models require the input of highly subjective assumptions that can materially affect the fair value estimate, and therefore do not necessarily provide a reliable measure of the fair value of the Company's stock options.

For the three months ended February 29, 2008, the Company granted 95,000 stock options (322,500 stock options for the three months ended February 28, 2007). For the three months ended February 29, 2008, the Company recognized a stock-based compensation charge of \$0.6 million for options granted to directors, employees and non-employees in accordance with CICA 3870, net of cancellations. Of that amount \$0.4 million was capitalized into mineral properties and deferred costs and construction in process, and \$0.2 million was charged to income.

(c) Warrants

On January 7, 2008, 3.13 million share purchase warrants with an exercise price of \$12.10 expired unexercised. The value originally attributed to these warrants has been transferred to contributed surplus.

9 Segmented information

The Company's revenues and cost of sales from external customers are generated from one reportable operating segment: sales from land, gravel and gold from its operations located in Nome, Alaska.

The Company's exploration assets are located in the United States and Canada; the geographical breakdown is shown in note 5.

10 Commitments and contingencies

(a) Lease and purchase commitments

At February 29, 2008, the Company's aggregate commitments for operating leases totalled \$7.0 million. These operating leases include the Company's leased head office location and certain office equipment ranging from one to ten years. The Company also had commitments outstanding at February 29, 2008 in the amount of US\$4.1 million for construction activities at the Company's Rock Creek project. Additionally, the Company is committed to \$31.5 million of equipment purchases relating to contract settlements from the suspension of construction at the Galore Creek project.

(b) Legal actions

In October 2006, the former CEO of Coast Mountain commenced an action in the British Columbia Supreme Court against Coast Mountain seeking wrongful dismissal damages arising from the

termination of his employment. The amount of the claim has not been determined at this time.

The Company, together with several other mining participants, was served with a writ of summons by an individual claiming he was owed a finder's fee by NovaGold with respect to the partnership agreement for the Galore Creek project between NovaGold and Teck Cominco. The Company does not believe it has any agreement with this individual and considers this to be a nuisance suit that is entirely without merit. The Company has brought a motion to strike the pleading and the claim, which is scheduled to be heard on April 17, 2008.

Notes to Consolidated Financial Statements – Unaudited

11 Management of capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity and loans payable, as well as the cash and cash equivalents, investments and investment tax credit receivable balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period.

12 Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

(a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States and a portion of its expenses are incurred in US dollars. A significant change in the currency

exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At February 29, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	February 29, 2008 US\$	November 30, 2007 US\$
Cash and cash equivalents	985	7,925
Reclamation deposits	6,845	6,845
Accounts payable and accrued liabilities	(22,567)	(11,226)

Based on the above net exposures as at February 29, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of \$1.5 million in the Company's net earnings.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash equivalents and short-term investments are held through large Canadian financial institutions. Short-term and long-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks and companies with high investment-grade

ratings. These investments mature at various dates over the current operating period.

The Company's GST and other receivables consist of general sales tax due from the Federal Government of Canada.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 11 to the unaudited consolidated financial statements.

Accounts payable and accrued liabilities, current and long term suspension costs and loans payable are due within the current operating period.

Notes to Consolidated Financial Statements – Unaudited

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and

cash equivalents is limited because these investments, although available for sale, are generally held to maturity.

(e) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

13 Subsequent events

On March 26, 2008, the Company completed the public offering of US\$95.0 million in senior convertible notes ("Notes"). Net proceeds before deducting estimated offering expenses of US\$1.5 million were US\$92.2 million. The unsecured Notes mature on May 1, 2015 and bear an interest rate of 5.5% per annum, payable semi-annually. The Notes will be convertible into the Company's common shares at a fixed conversion rate of US\$10.61 per common share upon specified events. On conversion, at the Company's election, holders of the Notes will receive cash and, if applicable, common shares, or a combination of cash and shares. Holders of the Notes will have the right to require the Company to repurchase all or part of their Notes on May 1, 2013 and upon certain fundamental corporate changes at a price equal to 100% of the principal amount of such Notes plus any accrued and unpaid interest. The Company has granted the underwriter an option to purchase up to an additional US\$14.0 million aggregate principal amount of the Notes at the offering price until April 25, 2008.

On March 31, 2008, the Company repaid \$16.0 million plus interest and stand-by fees on the credit facility with the Bank of Nova Scotia. The credit facility was then closed.

Subsequent to February 28, 2008, the Company granted 1,461,700 stock options at exercise prices ranging between \$7.98 and \$8.20.