NovaGold Resources Inc.

Third Quarter 2011
Consolidated Financial Statements with
Management's Discussion & Analysis

August 31, 2011

(Unaudited)

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Management's Discussion and Analysis

General

This Management's Discussion and Analysis ("MD&A") of NovaGold Resources Inc. ("NovaGold" or "the Company") is dated October 13, 2011 and provides an analysis of NovaGold's unaudited financial results for the three and nine month periods ended August 31, 2011 compared to the same periods in the previous year.

The following information should be read in conjunction with the Company's August 31, 2011 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, 2010, which were prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). The accounting policies as outlined in the annual consolidated financial statements have been consistently followed in preparation of the interim consolidated financial statements. All amounts are in Canadian dollars unless otherwise stated.

The Company's shares are listed on the Toronto Stock Exchange and the NYSE Amex LLC under the symbol "NG". Additional information related to NovaGold is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Description of business

NovaGold is a precious metals company engaged in the exploration and development of mineral properties principally in Alaska, U.S.A. and British Columbia, Canada. The Company conducts its operations through wholly-owned subsidiaries, partnerships, limited liability companies and joint ventures. The Company has assembled a portfolio of projects, with 50% interests in two large undeveloped gold and copper-gold projects — Donlin Gold and Galore Creek — 100% of the Ambler high-grade copper-zinc-lead-gold-silver deposit and other exploration-stage properties. The Company is primarily focused on gold properties, some of which also have significant copper, silver and zinc resources. Due to the scale and complexity of its projects, NovaGold has partnered with Barrick Gold Corporation ("Barrick") at Donlin Gold and Teck Resources Limited ("Teck") at Galore Creek, both senior mining companies who have significant experience and expertise building and operating large open pit mining operations. In addition, NovaGold's core properties are located in low geopolitical risk regions that have a long history of mining, established permitting standards and governments supportive of resource development.

Approach to business

NovaGold is focused on advancing its two main properties, Donlin Gold and Galore Creek, with the objective of becoming a significant gold and copper producer. The Company is also advancing its Ambler property and continues to explore at its earlier-stage properties, including the San Roque project in Argentina, to build a pipeline of quality projects. NovaGold's business model focuses on five main steps: identifying high-quality assets and making strategic, timely acquisitions; engaging with local communities; using exploration expertise to expand existing deposits; advancing the projects to a feasibility level to bring reserves to the Company and value to shareholders; and creating strong partnerships with well-respected senior producers to advance the projects to production. NovaGold will continue to leverage its exploration and development expertise to bring additional resources and value to shareholders. The Company also recognizes the value of strong partnerships and a strong team, and looks for opportunities to acquire or partner in new projects that can bring talented people to the Company and value to NovaGold shareholders.

Responsible mine development and community collaboration continues to be a trademark of NovaGold's business strategy at all of its projects. NovaGold believes that long-lasting social and economic benefits can flow to the communities in which it operates. Through continuous collaboration with Alaskan Native and BC First Nation groups from the outset at each project, NovaGold considers the long-term impacts and benefits of operations for stakeholders when developing its projects and reduces development risk for its shareholders.

Recent developments

During the three months ended August 31, 2011, NovaGold filed a National Instrument 43-101 ("NI 43-101") technical report based on the Prefeasibility Study ("PFS") completed on its 50% owned Galore Creek copper-gold-silver project in Northwestern British Columbia, Canada by Galore Creek Mining Company ("GCMC"). A summary of the technical report was originally announced on July 27, 2011. The technical report was prepared by AMEC Americas Limited and Lemley International. The PFS outlined a large-scale open-pit mine with a conventional 95,000 tonne-per-day milling and concentrating facility. Proven and probable mineral reserves total 528 million tonnes grading 0.6% copper, 0.32 grams per tonne gold and 6.02 grams per tonne silver. The PFS estimated production of 6.2 billion pounds of copper, 4.0 million ounces of gold and 65.8 million ounces of silver over an approximate 18 year mine life with cash costs averaging $0.80 per pound copper at base case prices and $0.42 per pound copper at current case prices.[1] The total capital cost estimate for the Galore Creek project is approximately $5.2 billion dollars. Capital costs are estimated with an accuracy range of +25% / -20% (including contingency).

The PFS confirmed the technical and economic viability of Galore Creek and was a significant increase in scale and redesign of from previous configurations. The PFS configuration separates the mine infrastructure from the mill infrastructure, each located in adjacent valleys, thereby increasing flexibility to enable open-pit mine expansion, higher mill throughput and additional exploration. Exploration on the property remains very prospective both within current deposit areas and on identified targets in the Galore Valley.

In reviewing the PFS and opportunities identified, NovaGold and Teck have decided to assess an enhanced project engineering plan ("Enhanced Plan") for the project description required for permitting and to support a feasibility decision. GCMC will complete the engineering required to define the project description before year-end 2011. The Enhanced Plan envisions adding mineral resources that are within an optimized measured, indicated and inferred pit shell. The Enhanced Plan also considers the addition of a second Semi-Autogenous Grinding (SAG) mill in the fifth or sixth year of operations to maintain throughput at or above the nominal 95,000 tonne-per-day throughput rate as harder rock types are expected to be encountered as the pit deepens. The Enhanced Plan will also re-evaluate two other areas of the PFS: method of transport of concentrate from plant to the highway and port facilities operations. Both issues are important elements for the project description and scope for permitting. The Enhanced Plan will be the basis for NovaGold and Teck to consider approving Galore Creek proceeding to feasibility study and permitting.

In June 2011, Teck completed its 50% earn in on Galore Creek and NovaGold and Teck are now obligated to equally fund future project costs. On June 23, 2011, the partners announced a $30.5 million budget to carry out further work on the project during the remainder of 2011, which included completion of the PFS, infill drilling and the completion of the Enhanced Plan.

NovaGold announced that Donlin Gold LLC, owned equally by wholly owned subsidiaries of NovaGold and Barrick, had provided its owners with preliminary capital cost estimates for the Donlin Gold project of approximately US$6 billion for the mine site with an additional approximately US$1 billion for the natural gas pipeline. The previous capital cost estimate for Donlin Gold in the feasibility study dated April 2009 was US$4.5 billion and did not include a natural gas pipeline. The natural gas pipeline is a new component of the feasibility study and is expected reduce power costs on the project, which represent approximately 25% of the total projected operating costs. In addition, the gas pipeline is an environmentally sound, long-term socially responsible alternative source of power for the project as compared to diesel power. Donlin Gold LLC is on schedule to release an updated feasibility study before the end of 2011.

At the Ambler project, two drill rigs operated on the property during the quarter. Approximately, 1,800 metres of infill and geotechnical drilling has been completed to August 31, 2011 on the Arctic deposit and 3,200 metres of exploration drilling has been completed to August 31, 2011 on the Bornite target. The Company expects to complete the 6,900 meters of geotechnical and exploration drilling at the Ambler project by the end of fiscal 2011 and plans to release a new NI 43-101 compliant mineral resource estimate on Bornite in the first half of 2012.

At the San Roque project in Argentina, NovaGold has started a second drilling program of between 3,500 and 5,000 metres of drilling. NovaGold conducted an IP geophysical survey on the area and identified additional prospective targets on the property. The property consists of about 70,000 hectares located in Rio Negro Province.

Following a review of sale and closure options, the Company approved plans to initiate permanent closure and reclamation of the Rock Creek project. The Company has evaluated required closure activities and its associated costs and is currently working closely with the State of Alaska regulators and the local community on obtaining agreement with an approved closure plan.

[1] Cash costs net of by-product credits. Base Price Case utilizes metal prices of US$2.65/lb copper, US$1,100/oz gold and US$18.50/oz silver and a foreign exchange rate of 1.11 CAD/USD. Current Price Case metal prices are closing prices on July 27, 2011 of US$4.44/lb Cu, US$1,613/oz Au and US$40.34/oz Ag respectively and foreign exchange rate of 0.949 CAD/USD.

Management's Discussion and Analysis

Property review

Donlin Gold

Donlin Gold, one of the world's largest known undeveloped gold deposits is owned and operated by Donlin Gold LLC, a company owned equally by wholly-owned subsidiaries of NovaGold and Barrick. The 81,361 acre (32,926 hectare) property is located primarily on private, Alaskan Native-owned land, with surface rights owned by The Kuskokwim Corporation and sub-surface rights owned by Calista Corporation.

A mineral reserve and resource estimate for the project totals 33.6 million ounces of proven and probable gold reserves averaging 2.2 grams per tonne gold, 4.3 million ounces of measured and indicated mineral resources and an additional 4.4 million ounces of inferred mineral resource. With estimated production of more than one million ounces of gold annually for at least 25 years, Donlin Gold would be one of the world's largest gold-producing mines.

Activities at the Donlin Gold project during 2011 have focused on engineering and environmental studies to support the permitting process and community outreach programs, as well as a revision to the feasibility study to incorporate the use of natural gas as the primary power source at the mine site rather than using diesel to generate power, as contemplated in the 2009 feasibility study. The natural gas option would require building a buried pipeline that will run approximately 315 miles from the Cook Inlet to the project. Using natural gas to generate power is expected result in a reduction to this component of operating costs. Power costs account for approximately 25% of estimated project operating costs in the 2009 feasibility study. The estimated capital costs for the Donlin Gold project are approximately US$6 billion with an additional approximately US$1 billion for the natural gas pipeline. This feasibility study revision incorporating these updated capital costs and updated operating parameters and costs and associated economics based on the inclusion of the natural gas pipeline is scheduled for completion by the end of 2011.

Donlin Gold spent approximately US$13.8 million in the third quarter, which was US$0.8 million under its third quarter budget due to a decrease in G&A costs. Work during the remainder of 2011 will focus on completing the feasibility study revision and preparing to file permit applications for the project.

Due to the accounting rules under Accounting Guideline-15 for Variable Interest Entity accounting, NovaGold continues to record its interest in the Donlin Gold project as an equity investment, which results in all of NovaGold's funding being recorded in the income statement as equity loss, and any unspent funding to Donlin Gold being recorded in the balance sheet on the equity investment line.

Galore Creek

Galore Creek, a large copper-gold-silver project located in northwestern British Columbia, is managed by Galore Creek Management Corporation ("GCMC") and owned by a partnership in which wholly-owned subsidiaries of NovaGold and Teck each own a 50% interest. The 293,840 acre (118,912 hectare) property holds a large undeveloped porphyry-related copper-gold-silver deposit. A mineral reserve and resource estimate for the Galore Creek project totals proven and probable reserves of 6.8 billion pounds of copper, 5.45 million ounces of gold, and 102.2 million ounces of silver. The measured and indicated mineral resources include 2.07 billion pounds of copper, 2.5 million ounces of gold and 33 million ounces of silver, with additional inferred mineral resources (including the Copper Canyon deposit of which NovaGold owns 70%) of 3.8 billion pounds of copper, 4.0 million ounces of gold and 66.0 million ounces of silver. The PFS, with a capital cost estimate of $5.2 billion, confirmed the technical and economic viability of the Project and showed a significant increase in scale and redesign of the Project from previous configurations.

GCMC spent approximately $11.9 million in the third quarter, which was $2.1 million under its third quarter budget due to a decrease in engineering costs. Work during the remainder of 2011 will involve completing the Enhanced Plan for Galore Creek to use as the basis for the partners decision on proceeding to feasibility and permitting in 2012.

Due to accounting rules under Accounting Guideline-15 for Variable Interest Entity accounting, NovaGold continues to consolidate 100% of the activities of GCMC on the income statement, and the Galore Creek asset and a non-controlling interest for Teck's contributions on the balance sheet.

Ambler

Ambler is an advanced exploration-stage property located in Alaska comprising 90,315 acres (36,549 hectares) of Federal patented mining claims and State of Alaska mining claims, covering a major portion of the precious-metal-rich Ambler volcanogenic massive sulfide belt. A preliminary economic assessment for the development and operation of an underground mining operation at the Arctic deposit was completed in April 2011. Mineral resources estimated for the Arctic deposit are 16.8 million tonnes of indicated mineral resource grading 4.1% copper and 6.0% zinc and 12.1 million tonnes of inferred mineral resource grading 3.5% copper and 4.9% zinc for contained metal totaling indicated mineral resource of 1.5 billion pounds of copper, 2.2 billion pounds of zinc, 450,000 ounces of gold, 32 million ounces of silver and 350 million pounds of lead, with additional inferred mineral resource of 940 million pounds of copper, 1.3 billion pounds of zinc, 260,000 ounces of gold, 19 million ounces of silver and 212 million pounds of lead. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Company spent approximately US$5.1 million during the third quarter, focused on further drilling activities including geotechnical and exploration drilling. During the quarter, two drill rigs were operating on the Ambler property with a focus on infill and geotechnical drilling on the Arctic deposit and exploration drilling at the Bornite target. NovaGold is anticipating drill results from the project in the coming months and into the first quarter of 2012. NovaGold is working very closely with the NANA Regional Corporation to negotiate an agreement on future development and exploration in the Ambler region based on a signed Letter of Intent. Road access to the Ambler property is an important element for the project's development. The Company is working with State of Alaska agencies to develop a strategy and funding arrangement for the road.

Other properties

San Roque is an early-stage exploration property located in Rio Negro Province, Argentina. NovaGold signed an option agreement with Marifil Mines Ltd. ("Marifil") on June 22, 2010, which gives NovaGold the right to earn up to a 70% interest in the property. The San Roque project comprises eleven claims totaling 173,087 acres (70,046 hectares). The San Roque property contains a large sulphide system as defined by an induced polarization ("IP") survey and widespread drilling over the area. This area is the site of a coincident lead-zinc-gold-silver anomaly in soils and the IP geophysical anomaly. NovaGold conducted a $1.0 million drill program in mid-2011, which was designed to test three areas at the San Roque project. A second drill campaign began September 2011 and is expected to be completed by the end of the year.

Additional information concerning mineral reserves and resources can be found in Appendix – Reserve and Resource Table.

Outlook

At August 31, 2011, the Company had cash and cash equivalents of $91.6 million.

The Donlin Gold project's approved 2011 budget is US$43.5 million of which US$30.8 million has been spent as at August 31, 2011. The 2011 work program focuses on completing the feasibility revision to incorporate the natural gas pipeline and preparing permit applications. During 2011, Donlin Gold has continued to consult with stakeholders and solicit feedback from local communities and its Alaskan Native partners as well as State and Federal regulatory agencies. Donlin Gold has budgeted to spend US$8.8 million in the fourth quarter, of which the Company's 50% share is approximately US$4.4 million, on community engagement, environmental studies and feasibility revision activities. The feasibility revision is expected to be completed in the fourth quarter of 2011, at which point Donlin Gold may, subject to approval by NovaGold and Barrick, proceed to prepare and file permit applications for the project in the first half of 2012.

At the Galore Creek project, GCMC spent approximately $23.1 million in the nine month period ended August 31, 2011 on care and maintenance, community engagement and completing the PFS. Teck was the sole funding partner until June 22, 2011, when it completed its $373.3 million earn-in obligation. NovaGold expects to fund $6.7 million in the fourth quarter at the Galore Creek project for resource and geotechnical drilling and additional environmental and advanced engineering work to prepare for integration into the Enhanced Plan and routine care and maintenance activities.

At the Ambler project, NovaGold has budgeted approximately US$10.0 million for 2011 for exploration and geotechnical drilling at site and for additional studies to determine the environmental and engineering aspects of developing the Arctic deposit, with US$7.6 million spent at the end of the third quarter. The Company continues to work with NANA Corporation to establish an agreement for collaborative development of the Ambler region, including district consolidation and infrastructure development that would benefit both the project and local communities. Management has been working actively with the State of Alaska in discussions regarding the Ambler Mining District Transportation Access. The Company expects to spend US$2.9 million in the fourth quarter on exploration activities as well as environmental and engineering studies.

At the Rock Creek project, the decision was made during the third quarter to proceed with mine closure for the project. The Company expects to spend US$3.9 million in the fourth quarter and is working closely with the State Regulatory authorities and the local community on obtaining agreement for an approved closure plan. The Company revised the closure cost estimates for the required closure activities and recorded an expense for the revision of its asset reclamation obligation of $20.6 million in the third quarter of 2011 for a total retirement obligation of $27.9 million. Once a closure plan is approved, additional bonding may be required.

Results of operations

in thousands of Canadian dollars, except for per share amounts

	Three months ended August 31, 2011 $	Three months ended August 31, 2010 $	Nine months ended August 31, 2011 $	Nine months ended August 31, 2010 $
Asset impairment				
Impairment - Rock Creek	-	116,231	-	116,231
Impairment - Power transmission rights	-	-	52,668	-
Loss attributable to non-controlling interest	-	-	(13,779)	-
Future income tax recovery	-	-	(9,722)	-
Asset reclamation obligation	20,572	-	20,572	-
Equity loss	6,589	7,898	16,772	14,689
Foreign exchange (gain) loss	(998)	134	(1,827)	(3,043)
General and administrative	1,254	1,086	3,628	3,225
Gain on disposition of alluvial gold properties	-	-	(16,110)	-
Interest and accretion	4,017	3,912	11,309	11,341
Inventory write down	6,933	7,537	6,933	7,537
Mineral properties expense	15,507	5,776	22,648	6,930
Project care and maintenance (Galore Creek)	1,258	2,539	7,776	5,270
Project care and maintenance (Rock Creek)	3,830	3,967	8,705	14,595
Salaries, severance and payroll taxes	2,442	1,282	6,986	5,483
Salaries – stock-based compensation	1,295	688	6,347	3,829
Loss for the period	(56,527)	(147,599)	(115,054)	(182,068)
Basic and diluted loss per share attributable to the shareholders of the Company	(0.24)	(0.66)	(0.49)	(0.87)

For the three-month period ended August 31, 2011, the Company reported a net loss of $56.5 million (or $0.24 basic and diluted loss per share) compared to a net loss of $147.6 million (or $0.66 basic and diluted loss per share) for the corresponding period in 2010. This variance was mainly due to a 2010 non-cash asset impairment charge on the Rock Creek project for $116.2 million with no comparable amount in 2011. On the three-months ended August 31, 2011, the Company recorded an asset reclamation obligation adjustment of $20.6 million to reflect anticipated increased cost estimate for the closure activities of the Rock Creek project. In addition the Company recorded an inventory write down of $6.9 million during the three-months ended August 31, 2011 as a result of the Rock Creek project closure decision.

For the nine-month period ended August 31, 2011, the Company reported a net loss of $115.1 million (or $0.49 basic and diluted loss per share) compared to a net loss of $182.1 million (or $0.87 basic and diluted loss per share) for the corresponding period in 2010. This variance was mainly due to the non-cash asset impairment of the Rock Creek project for $116.2 million in 2010 compared to the non-cash asset impairment of the power transmission rights for $52.7 million in 2011, of which $13.8 million was attributable to non-controlling interest and $9.7 million to future income tax recovery partially offset by the gain on disposition of alluvial gold properties of $16.1 million.

Expenses for the three-month period ended August 31, 2011 were $36.8 million compared to $28.2 million for the same period in 2010. This increase was primarily due to an increased exploration expense of $15.5 million compared to $5.8 million for the same period in 2010 as the result of an increased level of activity for the Galore Creek prefeasibility study and exploration work at the Ambler project.

Expenses for the nine-month period ended August 31, 2011 were $86.1 million compared to $65.0 million for the same period in 2010. This was primarily due to the increased level of activity for the Galore Creek prefeasibility study and exploration work at the Ambler project which resulted in the increase of mineral property expenses to $22.6 million compared with $6.9 million in 2010. The Company also recorded expense of $6.3 million compared with $3.8 million for stock-based compensation during the same periods in 2011 and 2010, respectively; the increase is due to higher valuations for the stock option and performance share units ("PSU") issued as a result of the higher stock price. During the first nine months of 2011, the Company granted 1,244,700 stock options and 244,000 PSUs to employees and directors. These increases were offset by the reduction of care and maintenance expenditures at Rock Creek, as the Company recorded $8.7 million in the first nine months in 2011 compared with $14.6 million in 2010. This was due to the decreased level of activity in 2011 compared to 2010, when the Company was improving the tailings pond infrastructure and water treatment processes at Rock Creek. The Company also recorded $7.8 million of Galore Creek project care and maintenance expenses in 2011 compared with $5.3 million in 2010, mainly due to the increased level of activity in 2011 compared to 2010 as the project progresses by strengthening the existing access areas and upgrading its environmental program.

Selected financial data

Quarterly information

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

in thousands of Canadian dollars, except per share amounts

	08/31/11 $	05/31/11 $	02/28/11 $	11/30/10 $	8/31/10 $	5/31/10 $	2/28/10 $	11/30/09 $
Net revenues	108	711	103	172	334	67	26	290
Loss for the quarter	(62,464)	(10,561)	(67,356)	(24,462)	(150,875)	(16,813)	(19,412)	(28,845)
Loss per share – basic	(0.24)	(0.03)	(0.22)	(0.14)	(0.68)	(0.08)	(0.10)	(0.12)
Loss per share – diluted	(0.24)	(0.03)	(0.22)	(0.14)	(0.68)	(0.08)	(0.10)	(0.12)

Factors that can cause fluctuations in the Company's quarterly results include the timing of stock option grants, foreign exchange gains or losses related to the Company's U.S. dollar-denominated debt when the Canadian dollar exchange rate fluctuates, disposal of assets or investments, and events such as the suspension of construction activities at the Galore Creek project or the suspension of commissioning at the Rock Creek project and subsequent activities related thereto. During the last quarter of fiscal 2009, the Company incurred a $9.1 million loss on disposal of property, plant and equipment by GCMC as certain road construction equipment and facilities were sold as the road progressed; also, the Company incurred a total of $18.1 million in interest and accretion and care and maintenance. During the first quarter of 2010, the Company incurred $11.5 million in interest and accretion and care and maintenance. During the second quarter of 2010, the Company incurred $13.6 million on salaries, exploration and care and maintenance. During the third quarter of 2010, the Company recorded an impairment loss on the Rock Creek project for the year of $116.4 million and a $7.5 million inventory write down. During the last quarter of fiscal 2010, the Company incurred a total of $17.9 million in care and maintenance and exploration activities. During the first quarter of 2011, the Company recorded an impairment loss on the Galore Creek project of $52.7 million related to its power transmission rights. During the second quarter of 2011, the Company had a gain on disposition of its alluvial gold properties and recorded a gain of $16.1 million. During the third quarter of 2011, the Company had recorded an adjustment to its asset retirement obligation of $20.6 million and inventory write-down of $6.9 million to reflect the Company's decision to proceed with closure activities at the Rock Creek project. The Company's properties are not yet in production; consequently, the Company believes that its loss (and consequent loss per share) is not a primary concern to investors in the Company.

Management's Discussion and Analysis

Liquidity and capital resources

At August 31, 2011, the Company had $91.6 million in cash and cash equivalents, of which $7.2 million was held by GCMC for the Galore Creek project.

The Company expended $23.2 million on operating activities during the three-month period ended August 31, 2011, compared with expenditures of $7.6 million for operating activities for the same periods in 2010, mostly due to the increase in activities at the Donlin Gold, Galore Creek and Ambler projects. Also during the three-month period ended August 31, 2011, the Company expended $1.2 million in cash from financing activities compared with $14.0 million generated in the same period in 2010. During the third quarter of 2011, the Company received $8.7 million in cash from Teck's contribution to GCMC and $1.8 million from warrant exercise, the Company also paid the remaining balance of $12.0 million for the acquisition of Ambler. The Company generated $4.4 million cash in investing activities during the three-month period ended August 31, 2011, compared with expending $9.1 million in the same period in 2010. The Company funded $6.2 million for its share of exploration costs at the Donlin Gold project compared with $8.5 million for the same period in 2010. The Company had received $7.6 million for the second payment related to the alluvial gold land sale and an additional $3.9 million cash payment in lieu for the reclamation bonding requirement associated with the alluvial gold land sale.

The Company expended $56.4 million on operating activities during the nine-month period ended August 31, 2011, compared with expenditures of $35.8 million for operating activities for the same periods in 2010, mostly due to the increase in activities at the Donlin Gold, Galore Creek and Ambler projects. During the nine-month period ended August 31, 2011; the Company generated $11.0 million in cash from financing activities compared with $190.9 million over the same period in 2010. The Company received $13.2 million from warrant exercises and $21.1 million from Teck's contribution to GCMC and paid $23.7 million for the acquisition of Ambler, with no comparative amount for the same period in 2010. The Company expended $14.7 million on investing activities during the nine-month period ended August 31, 2011, compared with $20.4 million in the same period of 2010. The Company funded $17.9 million for its share of exploration costs at the Donlin Gold project compared to $18.8 million for the same period in 2010. In addition, the Company expended $4.0 million on acquisition costs related to Copper Canyon and received $7.6 million for the second payment related to the alluvial gold land sale, with no comparative amount in 2010.

The Company has no material off-balance sheet arrangements.

Contractual obligated undiscounted cash flow requirements as at August 31, 2011, excluding operating leases, are as follows.

in thousands of Canadian dollars otherwise specified

	Total $	**< 1 Year** $	**1–2 Years** $	**2–3 Years** $	**3–4 Years** $	**4–5 Years** $	**Thereafter** $
Accounts payable and accrued liabilities	$14,061	$14,061	-	-	-	-	-
Capital leases	$547	$547	-	-	-	-	-
Asset retirement obligations (Canada)	$13,670	-	-	-	-	-	$13,670
Asset retirement obligations (US)	US$28,495	US$26,995	US$1,000	US$500	-	-	-
Convertible notes – interest (a)	US$20,900	US$5,225	US$5,225	US$5,225	US$5,225	-	-
Convertible notes – holders option (a)	US$95,000	-	-	-	US$95,000	-	-
Promissory note	US$63,012	-	-	-	-	-	US$63,012

(a) The convertible notes ("Notes") mature on May 1, 2015. The holders of the Notes 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 future minimum payments under operating leases at August 31, 2011 are approximately as follows.

in thousands of Canadian dollars

	Operating leases $
2011	203
2012	629
2013	571
2014	580
2015	662
Thereafter	1,358
Total	**4,003**

The Company's cash balances are held in the form of demand deposits.

Related party transactions

The Company has arms-length market-based agreements to provide certain services to Tintina Resources Inc. ("Tintina") and Alexco Resource Corp ("Alexco"). During the nine months ended August 31, 2011, the fees for services provided were $12,000 (August 31, 2010: $100,000) to Tintina, a related party having one director and a major shareholder in common with the Company; and $13,000 (August 31, 2010: $30,000) to Alexco, a related party having two directors in common with the Company. The Company also provided exploration and management services totaling US$0.5 million for the nine months ended August 31, 2011 (August 31, 2010: US$0.7 million) to Donlin Gold LLC. These transactions were in the normal course of business and are measured at the exchange amount, which is the amount agreed to by the parties. At August 31, 2011, the Company had $0.3 million (August 31, 2010: $0.3 million) receivable from related parties.

Financial instruments

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 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 U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the U.S. 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 August 31, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars.

in thousands of U.S. dollars

	August 31, 2011	November 30, 2010
Cash and cash equivalents	81,891	125,164
Accounts receivables	12,642	148
Reclamation deposits	6,845	6,845
Accounts payable and accrued liabilities	(5,631)	(4,718)
Other notes payable	-	(23,026)
Amounts payable to Barrick – long term	(63,836)	(61,401)
Convertible notes	(64,542)	(60,278)
Total	**(32,631)**	**(17,266)**

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $3.2 million in the Company's net losses.

(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 accounts receivables consist of general sales tax due from the Federal Government of Canada and amounts due from related parties.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure and financial leverage. Accounts payable, accrued liabilities and coupon interest on the Notes are due within one year from the balance sheet date.

(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. In respect of financial liabilities, convertible notes and capital leases are not subject to interest rate risk because they are at fixed rates. The promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as at August 31, 2011, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of $0.6 million in the interest accrued by the Company per annum.

(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. The Company does not currently have any hedging or other commodity-based risk management programs respecting its operations.

New accounting pronouncements

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, 2010, and have been consistently followed in the preparation of these consolidated financial statements.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method and related disclosures. In addition, the CICA issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which replace the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. The Company adopted these pronouncements at December 1, 2010; the result from this adoption led to the non-controlling interest balance classified as shareholders' equity on the consolidated balance sheet and loss attributable to non-controlling interest on the statement of operations and deficit.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company of our interim and annual amounts for the fiscal year ending November 30, 2011.

The Company is currently engaged in the process to transition from Canadian GAAP to IFRS. The transition process consists of three primary phases:

- Scoping and diagnostic phase
- Impact analysis, evaluation and design phase
- Implementation and review phase

Completion of the scoping and diagnostic phase occurred in 2010 through the completion of a preliminary diagnostic review by an external consultant. The preliminary diagnostic review included the determination, at a high level, of the financial reporting differences under IFRS and the key areas that may be impacted. From the review, a focused transition plan was created to further evaluate the areas of difference, including changes required from existing accounting policies and the impact of changes to information systems, internal controls and business processes.

The Company is currently undergoing the analysis, quantification and evaluation phase. This phase involves specification of changes required to existing accounting policies, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. We are completing our evaluations of the changes required to existing accounting policies, and are currently quantifying the impact of those changes on our opening balance sheet at the transition date. IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company has completed its analysis of IFRS 1 and the exemptions it will apply on transition. Management has also completed its first draft of the annual financial statement disclosure under IFRS and will continue to refine its statements prior to release.

The identified impacts disclosed below highlight the preliminary impacts and should not be regarded as final as they are subject to change. We continue to review the impacts of our accounting policy choices and have not yet completed the processing of approving and finalizing all policies. The discussion below should not be regarded as a complete list of differences as it is designed to highlight the significant impacts identified at the transition date. We also note that the International Accounting Standards Board ("IASB") is currently working on several projects which may significantly impact the Company's decisions, most notably as discussed below.

Through our analysis and quantification of the opening balance sheet as of December 1, 2010, the following significant impacts have been identified to date:

- Foreign Currency Translation – The approach to evaluating the functional currency under IFRS focuses on determining each individual entity's functional currency from the entity's viewpoint. Under Canadian GAAP, the functional currency of a foreign subsidiary was determined based on whether the subsidiary was self-sustaining from the parent entity. The IFRS approach results in a change to the functional currency of several of the Company's foreign subsidiaries. Under IFRS 1, "First time adoption of International Financial Reporting Standards", an exemption is available which allows the Company to reset its cumulative translation account to zero on the transition date. The Company has elected to take this exemption. On transition, a net change to shareholders' equity of $0.3 million is expected.

- Convertible Debt – Under Canadian GAAP, the convertible debt is bifurcated into two separate elements, an equity component to recognize the conversion value of the instrument and a liability component to recognize the debt value of the instrument. As the functional currency of NovaGold is Canadian dollars and the convertible debt is denominated in US dollars, an embedded derivative is determined to exist under IFRS as the instrument is denominated in a currency other than an entity's functional currency. As a result, the Company will recognize an embedded derivative at fair value upon transition. The expected net impact to shareholders' equity on transition is a decrease of $89.9 million and a corresponding increase to long term liabilities of $89.9 million.

- Warrants – Similarly to the convertible debentures, the Company has warrants which are denominated in a currency other than its functional currency. Under IFRS, the warrants meet the definition of a derivative instrument recorded at fair value at each reporting date, with movements through the statement of operations. The warrants were treated as an equity instrument under Canadian GAAP and recorded at fair value at inception. This treatment is similar to the presentation disclosed by the Company under its reconciliation to US Generally Accepted Accounting Principles. On transition, a net reduction of $658.8 million in shareholders' equity and a corresponding increase to long term liabilities is expected. Irrespective of the change in accounting for the warrants, the Company notes the warrants do not provide for settlement in cash.

- Asset Retirement Obligations – IFRS differs from Canadian GAAP in the recognition of asset retirement obligations. Under IFRS, an obligation is recognized if there is a legal obligation or a constructive obligation which results in a more encompassing framework than Canadian GAAP. The Company has evaluated and determined that there are no additional constructive obligations at the transition date from the legal obligations currently recognized.

- Income Taxes – One of the significant changes to IFRS from Canadian GAAP arises in the treatment of deferred taxes on the initial recognition of an asset acquisition. The Company has had several notable asset acquisitions, which under Canadian GAAP had an iterative deferred tax liability recognized where the accounting basis was greater than the tax basis. Under IFRS, the recognition of deferred taxes on acquisitions other than in a business combination is not permitted. On transition, the Company expects a reduction in long term assets of $58.2 million, a reduction in future income tax liabilities of $7.2 million and a reduction in shareholders' equity of $51.0 million.

On May 12, 2011, the International Accounting Standards Board released a set of 5 new standards including IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; IFRS 12, Disclosure of Involvement in Other Entities; along with amendments to the current and renamed IAS 27, Separate Financial Statements & IAS 28, Investments in Associates and Joint Ventures. This package of standards is effective for annual periods beginning on or after January 1, 2013, with earlier adoption of the entire package permitted. As a result of this recent release, the Company is continuing to assess the determination of the accounting treatments of its interests in Donlin Gold and Galore Creek. We expect to complete this evaluation in the fourth quarter.

The implementation and review phase includes execution of any changes to information systems and business processes and completing formal authorization processes to approve recommended accounting policy changes. It will also include the collection of financial information necessary to compile IFRS-compliant financial statements and audit committee approval of IFRS financial statements. The Company has completed its analysis of its information systems and does not anticipate significant changes arising from the transition to IFRS. Several areas have been identified requiring changes to the Company's business processes which the Company is currently designing into its processes.

Management is continuing to evaluate the differences and the full impact on future financial reporting is not reasonably determinable or estimable at this time.

Critical accounting estimates

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

Mineral properties and development costs

The Company expenses mineral property exploration expenditures when incurred. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against future production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. The

Rock Creek project was impaired during the year ended November 30, 2010 and an impairment loss was proportionately allocated to mineral properties and development costs.

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify title to mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Reclamation costs

The amounts recorded for reclamation costs are estimates based on independent third party engineering studies and the Company's assessment of the work that is anticipated to remediate old mining facilities of the Company's Nome Gold site, 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. The Galore Creek reclamation obligation has not been discounted due to the uncertainty of timing of when the costs will be incurred. Actual costs incurred during reclamation and the timing of when the costs will be incurred could be materially different from these estimates. The Rock Creek reclamation obligation has been adjusted during the third quarter of 2011 to reflect the updated closure plan for Rock Creek project.

Risk factors

The Company and its future business, operations and financial condition are subject to various risks and uncertainties due to the nature of its business and the present stage of exploration and development of its mineral properties. Certain of these risks and uncertainties are set out under the heading "Risk factors" in NovaGold's Annual Information Form for the year ended November 30, 2010 available on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Other

In July 2010, December 2010, February 2011, and March 2011, the Company's wholly-owned subsidiary AGC received a total of 37 citations and orders from the Mine Safety Health Administration ("MSHA") alleging certain violations of U.S. Federal mine safety laws under the Federal Mine Safety and Health Act of 1977 (the "Mine Safety Act") at the Rock Creek project. MSHA subsequently vacated one of these citations after receiving further information from AGC. MSHA assessed a US$100 penalty for the February 2011 citation which AGC paid. MSHA assessed proposed penalties in the amount of US$37,658 for the remaining citations, aside from one citation that has not yet been assessed. AGC is presently contesting these remaining citations and proposed assessments, and is in active settlement discussions with MSHA over these citations and orders.

Previous estimates of overall liability were based on a statutory maximum penalty of up to US$500,000. However, given the assessment of outstanding citations to date of US$37,658 and based on recent meetings with MSHA, the reasonable maximum penalties for existing and outstanding penalties is US$40,000 in total estimated penalties. This estimated amount may be lower pending completion of settlement discussions.

Cautionary notes

Forward-looking statements

This 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" and elsewhere in the Management's Discussion and Analysis and may include statements regarding perceived merit of properties; exploration results and budgets; mineral reserve and resource estimates; work programs; capital expenditures; timelines; strategic plans; the completion of transactions; market price of precious and base metals; or other statements that are not statements 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 Barrick and Teck to advance the Donlin Gold and Galore Creek projects, respectively; 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 herein under the heading "Risk Factors" and in NovaGold's Annual Information Form for the year ended November 30, 2010, filed with the Canadian securities regulatory authorities, NovaGold's annual report on Form 40-F filed with the United States Securities and Exchange Commission (the "SEC"), and other information released by NovaGold and filed with the appropriate regulatory agencies.*

Reserve and resource estimates

This Management's Discussion and Analysis and other information released by NovaGold uses the terms "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 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 Management's Discussion and Analysis and in press releases by the Company in the past and 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.

Consolidated Balance Sheets – Unaudited

in thousands of Canadian dollars

	August 31, 2011 $	November 30, 2010 $
Assets		
Current assets		
Cash and cash equivalents	91,611	151,723
Accounts receivable	833	1,037
Note receivable (note 5)	12,308	-
Inventories (note 6)	522	8,120
Deposits and prepaid amounts	1,013	1,938
	106,287	162,818
Accounts receivable	122	142
Land	191	1,876
Property, plant and equipment (note 7)	350,041	346,777
Mineral properties, rights and development costs (note 8)	275,406	266,408
Investments (note 9)	8,122	7,362
Investment tax credits	3,271	3,271
Reclamation deposits (note 11)	12,828	13,086
	756,268	**801,740**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	14,060	9,654
Current portion of asset retirement obligations (note 11)	28,043	7,890
Current portion of capital lease obligation	547	698
Notes payable	-	12,245
	42,650	30,487
Long-term liabilities		
Asset retirement obligations (note 11)	15,139	15,967
Convertible notes (note 10)	63,212	61,882
Capital lease obligations	-	369
Deferred liability (note 12)	3,869	-
Future income taxes	15,286	7,193
Other liabilities	165	11,594
Promissory note (note 9(b))	62,521	63,034
	202,842	190,526
Shareholders' equity		
Share capital (note 13)	1,140,392	1,077,219
Equity component of convertible notes (note 13)	43,352	43,352
Contributed surplus	8,629	8,629
Stock-based compensation (note 13)	34,808	30,589
Warrants (note 13)	23,419	28,488
Deficit	(990,861)	(875,807)
Accumulated other comprehensive income	670	1,452
Non-controlling interest (note 4)	293,017	297,292
	553,426	611,214
	756,268	**801,740**
Nature of operations (note 1)		

(See accompanying notes to consolidated financial statements)

/s/ Rick Van Nieuwenhuyse, Director

/s/ 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 August 31, 2011 $	Three months ended August 31, 2010 $	Nine months ended August 31, 2011 $	Nine months ended August 31, 2010 $
Revenue				
Land, gravel, gold and other revenue	81	334	290	427
Interest income	83	128	340	338
	164	462	630	765
Cost of sales	56	116	161	219
	108	346	469	546
Expenses and other items				
Corporate development and communication	87	306	403	955
Equity loss (note 9)	6,589	7,898	16,772	14,689
Foreign exchange (gain) loss	(1,002)	135	(1,831)	(3,043)
General and administrative	1,254	1,086	3,628	3,225
Interest and accretion expense	4,017	3,912	11,309	11,341
Mineral property expense	15,507	5,776	22,648	6,930
Professional fees	1,525	661	3,386	1,726
Project care and maintenance	5,088	6,506	16,481	19,865
Salaries	2,442	1,282	6,986	5,483
Salaries – stock-based compensation (note 13)	1,295	688	6,347	3,829
Total expenses	36,802	28,250	86,129	65,000
Loss before other items	(36,694)	(27,904)	(85,660)	(64,454)
Other items				
Accretion income	(534)	-	(987)	-
Asset impairment – power transmission rights (note 8)	-	-	52,668	-
Asset impairment – Rock Creek project	-	116,231	-	116,231
Asset reclamation obligation (note 11)	20,572	-	20,572	-
Inventory write down (note 6)	6,933	7,537	6,933	7,537
Gain on disposition of alluvial gold properties (note 5)	-	-	(16,110)	-
Gain on disposition of equipment	(1,090)	-	(1,090)	-
	25,881	123,768	61,986	123,768
Loss for the period before income taxes	**(62,575)**	**(151,672)**	**(147,646)**	**(188,222)**
Future income tax recovery – power transmission rights (note 8)	-	-	(9,722)	-
Future income tax (recovery) expense	(111)	(796)	2,458	(1,122)
Loss for the period	**(62,464)**	**(150,876)**	**(140,382)**	**(187,100)**
Attributable to the shareholders of the Company	(56,527)	(147,599)	(115,054)	(182,068)
Attributable to non-controlling interest				
Power transmission rights (note 4 and 8)	-	-	(13,779)	-
Operating and other expenses (note 4)	(5,937)	(3,277)	(11,549)	(5,032)
	(62,464)	**(150,876)**	**(140,382)**	**(187,100)**
Loss for the period – attributable to the shareholders of the Company	(56,527)	(147,599)	(115,054)	(182,068)
Deficit – beginning of period	(934,334)	(706,728)	(875,807)	(672,259)
Deficit – end of period	**(990,861)**	**(854,327)**	**(990,861)**	**(854,327)**
Loss per share – attributable to the shareholders of the Company				
Basic and diluted	(0.24)	(0.66)	(0.49)	(0.87)
Weighted average number of shares (thousands)	238,577	223,407	234,906	209,620

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Comprehensive Loss – Unaudited

in thousands of Canadian dollars

	Three months ended August 31, 2011 $	Three months ended August 31, 2010 $	Nine months ended August 31, 2011 $	Nine months ended August 31, 2010 $
Net loss for the period	(62,464)	(150,876)	(140,382)	(187,100)
Unrealized (loss) gain on available-for-sale investments	(641)	7	(723)	(470)
Future income tax recovery (expenses)	(99)	23	(59)	206
Comprehensive loss	**(63,204)**	**(150,846)**	**(141,164)**	**(187,364)**
Attributable to the shareholders of the Company	(57,267)	(147,569)	(115,836)	(182,332)
Attributable to the non-controlling interest (note 4)	(5,937)	(3,277)	(25,328)	(5,032)
	(63,204)	**(150,846)**	**(141,164)**	**(187,364)**

Consolidated Statements of Changes in Shareholders' Equity – Unaudited

in thousands of Canadian dollars

	Nine months ended August 31, 2011 $	Year ended November 30, 2010 $
Share capital		
Balance – beginning of period	1,077,219	878,086
Issued pursuant to acquisition of Copper Canyon (note 3)	42,339	-
Issued pursuant to private placement net of share issue costs	-	179,000
Issued pursuant to stock options exercised	2,575	3,991
Issued pursuant to warrants exercised	18,259	9,549
Issued pursuant to performance share units vested	-	1,426
Issued pursuant to property acquisition	-	5,167
Balance – end of period	1,140,392	1,077,219
Equity component of convertible notes		
Balance – beginning of period	43,352	43,352
Balance – end of period	43,352	43,352
Contributed surplus		
Balance – beginning of period	8,629	9,994
Excess value over fair value of performance share unit (note 13 (c))	-	(1,365)
Balance – end of period	8,629	8,629
Stock-based compensation		
Balance – beginning of period	30,589	31,838
Stock option vesting	4,809	3,738
Performance share unit vesting	1,476	1,352
Director share unit vesting	98	101
Transfer to share capital on exercise of stock options	(2,164)	(3,991)
Transfer to share capital on issuance of performance share units	-	(2,449)
Balance – end of period	34,808	30,589
Warrants		
Balance – beginning of period	28,488	31,065
Transfer to share capital on exercise of warrants	(5,069)	(2,577)
Balance – end of period	23,419	28,488
Deficit		
Balance – beginning of period	(875,807)	(672,258)
Loss for the period – attributable to the shareholders of the Company	(115,054)	(203,549)
Balance – end of period	(990,861)	(875,807)
Accumulated other comprehensive income		
Balance – beginning of period	1,452	495
Unrealized (losses) gains on available-for-sale investments	(723)	994
Future income taxes on unrealized losses (gains)	(59)	(37)
Balance – end of period	670	1,452
Total shareholders' equity	**260,409**	**313,922**
Non-controlling interest (note 4)		
Balance – beginning of period	297,292	293,247
Contributions by Teck Resources Limited	21,053	12,058
Loss for the period – attributable to the non-controlling interest	(25,328)	(8,013)
Balance – end of period	293,017	297,292
Total equity	**553,426**	**611,214**

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows – Unaudited

in thousands of Canadian dollars

	Three months ended August 31, 2011 $	Three months ended August 31, 2010 $	Nine months ended August 31, 2011 $	Nine months ended August 31, 2010 $
Cash flows used in operating activities				
Loss for the period	(62,464)	(147,599)	(140,382)	(182,068)
Items not affecting cash				
Accretion income	(534)	-	(987)	-
Amortization	129	166	258	474
Asset impairment				
Power transmission rights (note 8)	-	-	52,668	-
Rock Creek project	-	116,231	-	116,231
Future income tax recovery	-	(3,277)	(9,722)	(5,032)
Asset retirement obligations	20,572	-	20,572	-
Equity loss	6,589	7,898	16,772	14,689
Future income tax expense (recovery)	285	(842)	2,458	(1,534)
Gain on disposition of alluvial gold properties	-	-	(16,110)	-
Gain on disposition of equipment	(1,090)	-	(1,090)	-
Interest and accretion expense	3,101	1,656	9,254	9,084
Inventory write down	7,611	7,537	7,611	7,537
Stock-based compensation	1,295	688	6,347	3,829
Unrealized foreign exchange (gain) loss	(375)	4,995	(8,099)	3,020
Net change in non-cash working capital				
Decrease in receivables, deposits and prepaid amounts, and deferred charges	855	220	1,344	827
Decrease (increase) in inventories	(27)	56	-	150
Increase (decrease) in accounts payable and accrued liabilities	898	4,627	2,717	(3,043)
	(23,155)	(7,644)	(56,389)	(35,836)
Cash flows from financing activities				
Proceeds from issuance of common shares – net	-	-	411	179,000
Payments from non – controlling interest	8,654	7,275	21,053	7,275
Proceeds from warrant exercise	1,831	6,723	13,190	6,971
Payroll and withholding tax on issuance of performance share units	-	-	-	(2,387)
Repayment of note payable	(11,737)	-	(23,658)	-
	(1,252)	13,998	10,996	190,859
Cash flows used in investing activities				
Proceeds from disposal of land & equipment	7,565	-	7,565	-
Acquisition of Copper Canyon (note 3)	-	-	(4,007)	-
Acquisition of property, plant and equipment	(237)	(347)	(3,530)	(817)
Expenditures on mineral properties	(392)	(337)	(392)	(819)
Reclamation bonds	-	64	(66)	64
Decrease (increase) in long term accounts receivable	(118)	4	-	(99)
Investment in Donlin Gold	(6,239)	(8,468)	(17,889)	(18,751)
Purchase of marketable securities	-	-	(269)	-
Increase in deferred liability	3,869	-	3,869	-
	4,448	(9,084)	(14,719)	(20,422)
Increase (decrease) in cash and cash equivalents during the period	(19,959)	(2,730)	(60,112)	134,601
Cash and cash equivalents – beginning of period	111,570	175,510	151,723	38,179
Cash and cash equivalents – end of period	91,611	172,780	91,611	172,780
Supplemental disclosure				
Interest received	81	124	317	327
Interest paid	(77)	(3)	(2,560)	(2,649)
Non – cash investing activity				
Common shares issued for acquisition of Copper Canyon (note 3)	-	-	42,339	-

(See accompanying notes to consolidated financial statements)

Notes to Consolidated Financial Statements

1 Nature of operations

NovaGold Resources Inc. ("NovaGold" or "the Company") is a precious metals company engaged in the exploration and development of mineral properties located primarily in Alaska, U.S.A. and British Columbia, Canada.

The Donlin Gold project (formerly: Donlin Creek project) in Alaska is held by a limited liability company owned equally by wholly-owned subsidiaries of NovaGold and Barrick Gold Corporation ("Barrick"). The Galore Creek project is held by a partnership owned equally by wholly-owned subsidiaries of NovaGold and Teck Resources Limited ("Teck"). The Ambler project in Alaska is 100% owned by NovaGold.

2 Accounting policies

Basis of presentation

These consolidated financial statements have been prepared using accounting principles generally accepted in Canada ("Canadian GAAP") and include the accounts of NovaGold Resources Inc. and its subsidiaries, NovaGold Canada Inc., Copper Canyon Resources Ltd. ("Copper Canyon"), Alaska Gold Company ("AGC") and NovaGold Resources Alaska, Inc. All significant intercompany transactions are eliminated on consolidation. In addition, the Company consolidates variable interest entities for which it is determined to be the primary beneficiary.

As these unaudited interim consolidated financial statements do not contain all of the disclosures required by Canadian GAAP for complete financial statements, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended November 30, 2010.

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, 2010, and have been consistently followed in the preparation of these consolidated financial statements.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method and related disclosures. In addition, the CICA issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which replace the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company adopted these pronouncements at December 1, 2010 with retroactive application for the comparative periods; the result of this adoption led to the non-controlling interest balance being classified as shareholders' equity on the consolidated balance sheet and non-controlling interest loss and loss attributable to shareholders is shown separately.

3 Acquisition of Copper Canyon

On May 20, 2011, under a plan of arrangement the Company acquired all of the issued and outstanding common shares of Copper Canyon. Copper Canyon shareholders received common shares of the Company on the basis of 0.0735 of a NovaGold common share and $0.001 for each common share of Copper Canyon. The Company issued 4,171,303 common shares to Copper Canyon shareholders at a price of $10.15 per share, which was the closing price of the Company's shares on the TSX on the closing date of the transaction and paid the shareholders of Copper Canyon $57,000. As part of the plan of arrangement, the Company also received 1,725,857 shares of Omineca Mining and Metals Ltd which are held as an investment.

The transaction was accounted for as an asset acquisition which, under Canadian GAAP, requires the tax effects of the difference between the assigned values and their tax bases to be recognized in future income taxes and allocated to the cost of purchase. The excess of consideration over book value acquired amounted to $45,899,000, including a future income tax provision of $15,298,000, and was allocated to the Copper Canyon mineral property as follows:

in thousands of Canadian dollars

	August 31, 2011 $
Issuance of 4,171,303 NovaGold shares	42,339
Cost of subscription of shares in Copper Canyon	2,318
Cash consideration	57
Transaction costs	1,742
Purchase consideration	46,456
The purchase price was allocated as follows:	
Net working capital acquired	480
Mineral properties, rights and development costs (note 8)	61,274
Future income taxes	(15,298)
Net identifiable assets	46,456

4 Galore Creek Partnership

The Company determined that the Galore Creek Partnership is a variable interest entity and consequently uses the principles of Accounting Guideline 15 ("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 consolidates the activities of the Galore Creek Partnership.

The Galore Creek Partnership was formed in May 2007, with Teck able to earn a 50% interest in the Galore Creek project by funding approximately $520.0 million in project development costs. The Galore Creek Partnership funding arrangement was amended following the November 2007 decision to suspend construction activities at the project, and again in February 2009. Under the amended agreement, Teck was responsible for funding all costs for the Galore Creek project up to approximately $373.3 million, at which point the partners were responsible to share project costs on a 50/50 basis. At August 31, 2011, the Galore Creek Partnership had cash of $7.3 million. Total cash contributions to date by Teck at August 31, 2011 were $381.2 million. During the 9 months ended August 31, 2011, Teck contributed $21.1 million to the Galore Creek Partnership; its share of expenses was $11.5 million and its share of impairment costs was $13.8 million for a total of $25.3 million.

Teck completed its sole funding obligation in June 2011. Starting from July, 2011, the Company and Teck have been equally funding all costs for the Galore Creek project. Teck's funding completion was a reconsideration event under AcG-15. Management had reconsidered the situation after Teck's earn-in and assessed that the Company remains the primary beneficiary and will continue to consolidate the activities of the Galore Creek Partnership under Canadian GAAP.

5 Note receivable

On March 14, 2011, the Company divested its patented alluvial gold mining claims near Nome, Alaska, held by AGC, for a purchase price of US$21.0 million to be paid in three installments over two years. A total of US$14.0 million is due in 2012. The Company was to be provided with a letter of credit for US$4.0 million as an environmental reclamation bond which has been revised on July 25, 2011 to a cash payment in lieu to the Company (note 12). The Company used a weighted average cost of capital at 20.0% to discount the 2012 payment.

6 Inventories

in thousands of Canadian dollars

	August 31, 2011 $	November 30, 2010 $
Gold	522	519
Supplies (a)	-	7,601
Total inventories	**522**	**8,120**

(a) Management reviewed the valuation of its supplies inventory to the lower of cost and net realizable value ("NRV") and recorded a $6.9 million write down net of proceeds from dispositions to reflect the decrease to the NRV. This write down is due to the decision to initiate closure of the Rock Creek mine (note 11).

Notes to Consolidated Financial Statements

7 Property, plant and equipment

in thousands of Canadian dollars

	Cost $	Accumulated amortization $	August 31, 2011 Net $
Alaska, USA			
Equipment - Ambler	1,341	(163)	1,178
British Columbia, Canada			
Construction costs – Galore Creek (a)	320,989	-	320,989
Mobile equipment – Galore Creek (a)	26,651	-	26,651
Office furniture and equipment	2,558	(1,588)	970
Leasehold improvements	628	(375)	253
	352,167	(2,126)	**350,041**

in thousands of Canadian dollars

				November 30, 2010
	Cost $	Accumulated amortization $	Impairment $	Net $
Alaska, USA				
Construction costs – Rock Creek	90,519	-	(90,519)	-
Mining and milling equipment – Rock Creek	15,342	-	(15,342)	-
Heavy machinery and equipment – Rock Creek	1,680	(570)	(1,110)	-
Building	297	(161)	(136)	-
British Columbia, Canada				
Construction costs – Galore Creek (a)	318,877	-	-	318,877
Mobile equipment – Galore Creek (a)	26,651	-	-	26,651
Office furniture and equipment	2,506	(1,505)	-	1,001
Leasehold improvements	575	(327)	-	248
	456,447	(2,563)	(107,107)	**346,777**

(a) Construction costs and mobile equipment had not yet been placed in productive activity, and accordingly were not depreciated.

8 Mineral properties, rights and development costs

in thousands of Canadian dollars

	November 30, 2010 $	Expenditures (Amortization) $	Impairment $	August 31, 2011 $
Alaska, USA				
Ambler	27,437	-	-	**27,437**
British Columbia, Canada				
Copper Canyon (note 3)	-	61,274	-	**61,274**
Galore Creek	185,855	334	-	**186,189**
Power transmission rights (a)	53,002	(334)	(52,668)	**-**
Rio Negro, Argentina				
San Roque	114	392	-	**506**
	266,408	**61,666**	**(52,668)**	**275,406**

Notes to Consolidated Financial Statements

in thousands of Canadian dollars

	November 30, 2009 $	Expenditures (Amortization) $	Impairment $	November 30, 2010 $
Alaska, USA				
Ambler	-	27,437	-	**27,437**
Rock Creek	8,395	868	(9,263)	-
British Columbia, Canada				
Galore Creek	184,400	1,455	-	**185,855**
Power transmission rights	54,335	(1,333)	-	**53,002**
Rio Negro, Argentina				
San Roque	-	114	-	**114**
	247,130	**28,541**	**(9,263)**	**266,408**

(a) In May 2006, NovaGold acquired Coast Mountain Power Corp. and all of its assets, which included the power transmission rights to build a 138kV power line from Meziadin Junction to Bob Quinn to bring power to the Galore Creek project. In 2010, the Canadian Federal and British Columbia Provincial Governments announced their intention to build a high-capacity 287 kV transmission line ("NTL") in northwestern British Columbia that would follow roughly the same route from Meziadin Junction to Bob Quinn. The NTL received Provincial environmental assessment approval in February and Federal approval in May; hence, NovaGold will not need to build its own transmission line to bring power to the Galore Creek project, and management has accordingly impaired the full value of the 138 kV power transmission rights of $52.7 million and recorded a related future income tax recovery of $9.7 million and a corresponding offset to non-controlling interest for the impairment in the amount of $13.8 million.

9 Investments

in thousands of Canadian dollars

	August 31, 2011 $	November 30, 2010 $
Available-for-sale investments (a)	5,308	5,665
Investments accounted for under the equity method		
Donlin Gold (b)	2,814	1,697
Total investments	**8,122**	**7,362**

Investment in Donlin Gold accounted for using the equity method as follows.

in thousands of Canadian dollars

	August 31, 2011 $	November 30, 2010 $
Balance – beginning of period	1,697	849
Funding	17,890	21,721
Equity loss	(16,773)	(20,873)
Balance – end of period	**2,814**	**1,697**

(a) Investments classified as available-for-sale are reported at fair value (or mark-to-market) based on quoted market prices, with unrealized gains or losses and reported as other comprehensive income or loss. The total cost as at August 31, 2011 was $4.6 million (November 30, 2010: $4.2 million) and total unrealized holding gain for the nine months ended August 31, 2011 was $0.8 million (November 30, 2010: $1.0 million). The balance includes marketable securities of two companies that have a director and a major shareholder in common with NovaGold; 3,125,000 shares in Tintina Resources Inc. (cost: $1.4 million; fair value at August 31, 2011: $2.0 million), and 3,125,000 shares in AsiaBaseMetals Inc. (cost: $0.2 million; fair value at August 31, 2011: $1.0 million).

(b) On December 1, 2007, together with Barrick, the Company formed a limited liability company ("Donlin Gold LLC" formerly "Donlin Creek LLC") to advance the Donlin Gold project. The Donlin Gold LLC has a board of four directors, with two nominees selected by each company. All significant decisions related to the Donlin Gold project require the approval of both companies. As part of the Donlin Gold agreement, the Company agreed to reimburse Barrick over time approximately US$64.3 million, representing 50% of Barrick's approximately US$128.6 million in expenditures at the Donlin Gold project from April 1, 2006 to November 30, 2007. Reimbursement had been partially made by the Company paying US$12.7 million of Barrick's share of project development costs during 2008. A promissory note for the remaining US$51.6 million plus interest accrued at a rate of U.S. prime plus 2% will be paid out of future mine production cash flow.

Both parties are currently sharing development costs on a 50/50 basis. Interest on this long-term promissory note is expensed.

The Company determined that the Donlin Gold LLC is a variable interest entity and consequently uses the principles of AcG-15 Consolidation of Variable Interest Entities to determine the accounting for its 50% ownership interest. Management concluded that the Company is not the primary beneficiary and has accounted for its investment in the Donlin Gold LLC using the equity method of accounting. The equity method is a basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value, adjusted thereafter to include the investor's pro rata share of post-acquisition earnings of the investee, is computed by the consolidation method. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

10 Convertible notes

On March 26, 2008, the Company issued US$95.0 million (Canadian equivalent: $96.7 million) in 5.5% unsecured senior convertible notes ("Notes") maturing on May 1, 2015, and incurred a 3% underwriter's fee and other expenses aggregating $3.5 million, for net proceeds of $93.2 million. Interest is payable semi-annually in arrears on May 1 and November 1 of each year, beginning November 1, 2008. The Notes are convertible into the Company's common shares at a fixed conversion rate of US$10.61 per common share. A total of 8,952,971 common shares are issuable upon conversion and additional shares may become issuable following the occurrence of certain corporate acts or events. On conversion, at the Company's election, holders of the Notes will receive cash, if applicable, or a combination of cash and shares. Holders of the Notes have the right to require the Company to repurchase all or part of their Notes on May 1, 2013, or 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 Notes are classified as a liability. The fair value of the conversion feature on the date of issue of $43.4 million is classified as a component of shareholders' equity and was deducted from the initial amount of the liability recorded. As a result, the recorded liability to repay the Notes was initially lower than its face value. Using the effective interest rate method and the 17.78% rate implicit in the calculation, the difference of $43.4 million, characterized as the note discount, is being charged to interest expense and accreted to the liability over the term of the Notes.

in thousands of Canadian dollars

	August 31, 2011 $	November 30, 2010 $
Beginning balance	61,882	58,553
Accretion of debt discount for the period	4,172	4,975
Foreign exchange revaluation	(2,842)	(1,646)
Convertible notes liability	**63,212**	**61,882**
Conversion right	44,992	44,992
Financing costs allocated to equity component	(1,640)	(1,640)
Equity component of convertible notes	**43,352**	**43,352**

11 Asset retirement obligation

Although the ultimate amount of the reclamation costs to be incurred cannot be predicted with certainty, the total undiscounted amount of estimated cash flows required to settle the Company's estimated obligations is $43.2 million, which has not been discounted due to the uncertainty of the timing of the reclamation activities as a result of the suspension of the projects. Significant reclamation and closure activities include land rehabilitation, decommissioning of roads, bridges, buildings and mine facilities, and other costs.

Notes to Consolidated Financial Statements

Changes to the reclamation and closure cost balance during the year are as follows.

in thousands of Canadian dollars

	August 31, 2011 $	November 30, 2010 $
Asset retirement obligation – beginning of year	23,857	21,590
Revision in estimates and liabilities incurred (a)	20,571	2,267
Foreign exchange revaluation	(1,246)	-
Balance – end of year	43,182	23,857
Less current portion of asset retirement obligation	(28,043)	(7,890)
Long-term portion of asset retirement obligation	**15,139**	**15,967**

On August 31, 2011, the Board of Directors approved plans to initiate closure of the Rock Creek mine. As a result, estimates of the closure costs for the required closure activities were evaluated and revised.

The retirement obligation allocated by projects is as follows.

in thousands of Canadian dollars

	August 31, 2011 $	November 30, 2010 $
Galore Creek	13,670	13,670
Rock Creek	27,908	8,415
Nome Gold	1,604	1,772
	43,182	**23,857**

These reclamation liabilities may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations.

As required by regulatory authorities, at August 31, 2011, the Company had cash reclamation deposits totaling $12.8 million (2010: $13.1 million) comprising the following.

in thousands of Canadian dollars

	August 31, 2011 $	November 30, 2010 $
Galore Creek	6,124	6,059
Rock Creek	6,704	7,027
	12,828	**13,086**

Galore Creek's reclamation deposit is supplemented with an additional $6.1 million letter of credit guaranteed by Teck.

These deposits are invested in government bonds and treasury bills and bear interest at rates ranging from 0.2% to 1.75% per annum.

12 Deferred liability

On July 25, 2011, the Company received a US$4.0 million cash payment in lieu of receiving a US$4.0 million letter of credit as an environmental reclamation bond required under the arrangement of the Company's sale of its patented alluvial gold mining claims near Nome, Alaska (note 5). The US$4.0 million cash payment was recorded as a deferred liability, this balance may be used to pay a portion of the last installment or in the case of default the Company will utilize the US$4.0 million for reclamation activities arising from the buyer's operation land disturbance.

13 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

	Number of shares (thousands)	Ascribed value $
Balance at November 30, 2010	225,992	1,077,219
Issued in quarter		
For cash and fair value pursuant to stock option agreements	242	662
For cash and fair value pursuant to warrant agreements	7,100	14,789
Balance at February 28, 2011	**233,334**	**1,092,670**
Issued in quarter		
Pursuant to Copper Canyon acquisition	4,171	42,339
For cash and fair value pursuant to stock option agreements	101	808
For cash and fair value pursuant to warrant agreements	450	926
Balance at May 31, 2011	**238,056**	**1,136,743**
Issued in quarter		
For cash and fair value pursuant to stock option agreements	405	1,105
For cash and fair value pursuant to warrant agreements	1,235	2,544
Balance at August 31, 2011	**239,696**	**1,140,392**
Shares held by a wholly-owned subsidiary eliminated on consolidation	9	-
Total issued and outstanding	**239,705**	**1,140,392**

(a) Warrants

In December 2010, 7.1 million warrants were exercised for total proceeds of $10.7 million. In April and May 2011, 450,000 warrants were exercised for total proceeds of $0.7 million. In June and August 2011, 1,235,000 warrants were exercised for total proceeds of $1.8 million. At August 31, 2011, the Company has 40.6 million warrants outstanding with a 1.42 year of weighted average remaining contractual life; of which 5.2 million warrants have an exercise price of US$1.50 per warrant and the remaining 35.4 million warrants have an exercise price of $1.48 per warrant.

(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, 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 the option grant. 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 for a maximum of five years from the date of grant, and may be subject to vesting provisions. The Company recognizes compensation cost on a straight-line basis over the respective vesting period for the stock options.

During the three months ended February 28, 2011, the Company granted 1,064,700 stock options (three months ended February 28, 2010: 1,237,000). For the three months ended February 28, 2011, the Company recognized a stock-based compensation charge against income of $3.0 million for options granted to directors, employees and consultants.

During the three months ended May 31, 2011, the Company granted 170,000 stock options (three months ended May 31, 2010: 40,000). For the three months ended May 31, 2011, the Company recognized a stock-based compensation charge against income of $1.0 million for options granted to directors, employees and consultants.

During the three months ended August 31, 2011, the Company granted 10,000 stock options (three months ended August 31, 2010: 100,000). For the three months ended August 31, 2011, the Company recognized a stock-based compensation charge against income of $1.3 million for options granted to directors, employees and consultants. As of August 31, 2011, there were 9,714,731 vested options outstanding with a weighted average exercise price of $6.41 and a 3 year weighted average remaining contractual life.

The fair value of stock options granted has been estimated using an option pricing model. Assumptions used in the pricing model for each year are provided below.

	Vested during three months ended August 31, 2011	Granted during three months ended August 31, 2011
Average risk-free interest rate	0.50% – 2.11%	1.27%
Expected life	1.00 – 3.50 years	3.50 years
Expected volatility	57% – 97%	81%
Expected dividends	Nil	Nil

The Black-Scholes and other option pricing models require the input of highly subjective assumptions. The expected life of the options considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise and the vesting period of the grants. Volatility was estimated based upon historical price observations over the expected term. Changes in the subjective input 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.

(c) Performance share units

The Company has a performance share unit ("PSU") plan that provides for the issuance of PSUs in amounts as approved by the Company's Compensation Committee. Each PSU entitles the participant to receive that number of common shares of the Company at the end of a specified period set by the Compensation Committee to be determined by the achievement of certain performance and vesting criteria. The performance and vesting criteria are based on the Company's performance relative to a representative group of other mining companies and the Toronto Stock Exchange index. The actual performance against each of these criteria generates a multiplier that varies from 0% to 150%. Thus, the shares that may be issued vary between 0% and 150% of the number of PSUs granted, as reduced by the amounts for recipients no longer at the Company on vesting date.

For the three months ended August 31, 2011, the Company recognized a stock-based compensation charge against income of $0.5 million for PSUs vested to employees in accordance with CICA 3870, net of forfeitures.

(d) Deferred share units

The Company has a deferred share unit ("DSU") plan that provides for the issuance of DSUs in amounts ranging from 50% to 100% of directors' annual retainers at the election of the directors. Each DSU entitles the directors to receive one common share when they retire from the Company.

For the three months ended August 31, 2011, the Company recognized a stock-based compensation charge against income of $0.03 million for DSUs granted to directors.

14 Related party transactions

The Company has arms-length market-based agreements to provide certain services to Tintina Resources Inc. ("Tintina") and Alexco Resource Corp ("Alexco"). During the nine months ended August 31, 2011, the fees for services provided were $12,000 (August 31, 2010: $0.1 million) to Tintina, a related party having one director and a major shareholder in common with the Company; and $13,000 (August 31, 2010: $30,000) to Alexco, a related party having two directors in common with the Company. The Company also provided exploration and management services totaling US$0.5 million for the nine months ended August 31, 2011 (August 31, 2010: US$0.7 million) to Donlin Gold LLC. These transactions were in the normal course of business and are measured at the exchange amount, which is the amount agreed to by the parties. At August 31, 2011, the Company had $0.3 million (August 31, 2010: $0.3 million) receivable from related parties.

15 Segmented information

The Company's revenues and cost of sales from external customers are generated from one reportable operating segment: sales from land and gravel and gold royalties from the Company's operations located in Nome, Alaska. The majority of the Company's property, plant and equipment and exploration assets are located in the United States and Canada and the geographical breakdown is shown in notes 7 and 8.

Appendix – Reserve & Resource Table

NovaGold Resources Inc.
Proven and Probable Mineral Reserves, Measured, Indicated and Inferred Mineral Resources for Gold (Au), Silver (Ag), Copper (Cu), Zinc (Zn) and Lead (Pb)
As at July 27, 2011

Reserves

Property	Reserve	Tonnes	In Situ Grade					Total Contained Metal					NovaGold Share Net After Earn-Ins					
% Ownership	Category	Millions	Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb
Donlin Gold (1) approximately 0.74 g/t Au Cutoff	Proven	7.0	2.46					0.55					0.28		0.28			
50% Ownership - 50% Owned by Barrick Gold U.S. Inc.	Probable	460.7	2.23					33.04					16.52		16.52			
	Total P&P	**467.7**	**2.23**					**33.59**					**16.80**		**16.80**			
Galore Creek (2) C$10.08 NSR Cutoff	Proven	69.0	0.52	4.94	0.61			1.15	11.0	900			0.58	5.5	0.67	450		
50% Ownership - 50% Owned by Teck Resources Inc.	Probable	459.1	0.29	6.18	0.58			4.30	91.2	5900			2.15	45.6	2.91	2,950		
	Total P&P	**528.0**	**0.32**	**6.02**	**0.58**			**5.45**	**102.2**	**6800**			**2.73**	**51.1**	**3.58**	**3,400**		

Resources (exclusive of Reserves)

Property	Resource	Tonnes	In Situ Grade					Total Contained Metal					NovaGold Share Net After Earn-Ins					
% Ownership	Category	Millions	Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb
Donlin Gold (3)(4) approximately 0.74 g/t Au Cutoff	Measured	0.2	6.61					0.04					0.02		0.02			
50% Ownership - 50% Owned by Barrick Gold U.S. Inc.	Indicated	39.6	3.34					4.25					2.13		2.13			
	Total M&I	**39.8**	**3.36**					**4.29**					**2.15**		**2.15**			
	Inferred	58.4	2.35					4.41					2.21		2.21			
Galore Creek (3)(5) C$10.08 NSR Cutoff	Measured	39.5	0.39	2.58	0.25			0.50	3.27	220.0			0.25	1.64	0.28	110.0		
50% Ownership - 50% Owned by Teck Resources Limited	Indicated	247.2	0.26	3.81	0.34			2.04	30.26	1,850.0			1.02	15.13	1.27	925.0		
	Total M&I	**286.7**	**0.27**	**3.64**	**0.33**			**2.53**	**33.54**	**2,070.0**			**1.27**	**16.77**	**1.55**	**1,035.0**		
	Inferred	346.6	0.24	4.28	0.42			2.70	47.73	3,230.0			1.35	23.87	1.75	1,615.0		
Copper Canyon (3)(6)(9) 0.6% CuEq Cutoff	Inferred	53.7	0.73	10.60	0.50			1.26	18.36	592.0			0.88	12.85	1.10	414.4		
70% Ownership - 30% Owned by Teck Resources Limited																		
	Total Inferred	**400.3**	**0.31**	**5.14**	**0.43**			**3.96**	**66.09**	**3,822.0**			**2.23**	**36.72**	**2.84**	**2,029.4**		
Ambler (3)(7)(8) $75 NSR / Tonne Cutoff	Measured																	
100% Ownership	Indicated	16.8	0.83	59.62	4.14	6.02	0.94	0.45	32.29	1,538.3	2,237.0	350.3	0.45	32.29	0.98	1,538.3	2,237.0	350.3
	Total M&I	**16.8**	**0.83**	**59.62**	**4.14**	**6.02**	**0.94**	**0.45**	**32.29**	**1,538.3**	**2,237.0**	**350.3**	**0.45**	**32.29**	**0.98**	**1,538.3**	**2,237.0**	**350.3**
	Inferred	12.1	0.67	48.04	3.53	4.94	0.79	0.26	18.67	939.9	1,316.9	211.6	0.26	18.67	0.57	939.9	1,316.9	211.6

	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb
Total Proven & Probable Reserves Contained Metal	**39.04**	**102.2**	**6,800.0**			**19.53**	**51.10**	**20.38**	**3,400.0**		
Total Measured & Indicated Contained Metal (exclusive of Reserves)	**7.27**	**65.83**	**3,608.3**	**2,237.0**	**350.3**	**3.86**	**49.06**	**4.68**	**2,573.3**	**2,237.0**	**350.3**
Total Inferred Contained Metal	**8.63**	**84.76**	**4,761.9**	**1,316.9**	**211.6**	**4.70**	**55.38**	**5.62**	**2,969.3**	**1,316.9**	**211.6**

Appendix – Reserve & Resource Table

Notes:

1. These resource estimates have been prepared in accordance with National Instrument 43-101 and the Canadian Institute of Mining and Metallurgy Resource Classification System, unless otherwise noted.
2. See numbered footnotes below on resource information.
3. AuEq - gold equivalent is calculated using gold and silver in the ratio of gold + silver ÷ (US$1023 Au ÷ US$17 Ag) 2008 - 2010 average metal prices.
4. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content
5. Tonnage and grade measurements are in metric units. Contained gold and silver ounces are reported as troy ounces, contained copper, zinc, and lead pounds as imperial pounds

Resource Footnotes:

(1) The basis for the cut-off grade was an assumed gold price of US$825/oz. The new reserve estimate represents a 15% increase over the 29.3 million ounce reserve estimate contained in the 2009 technical report referenced below, and is based on the inclusion of additional drilling and a US$100/oz increase in long-term gold price assumptions from that used in 2009. The increase in reserves is expected to extend the mine life from 21 years to 25 years at the feasibility production rate, and does not materially change the information contained in the technical report. It is believed that the additional storage capacity provided for in the 2009 feasibility study will accommodate the increase in tailings and that the waste rock storage facility can be modified to contain the additional unmineralized rock material. The Qualified Person for this reserve estimate is Kevin Francis, P.Geo., NovaGold Resources Inc.

(2) Mineral Reserves are contained within Measured and Indicated pit designs using metal prices for copper, gold and silver of US$2.50/lb, US$1,050/oz, and US$16.85/oz, respectively. 2. Appropriate mining costs, processing costs, metal recoveries and inter ramp pit slope angles varing from 42º to 55º were used to generate the pit phase designs. Mineral Reserves have been calculated using a 'cashflow grade' ($NSR/SAG mill hr) cut-off which was varied from year to year to optimize NPV. The net smelter return (NSR) was calculated as follows: NSR = Recoverable Revenue – TCRC (on a per tonne basis), where: NSR = Net Smelter Return; TCRC = Transportation and Refining Costs; Recoverable Revenue = Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using metal prices of US$2.50/lb, US$1,050/oz, and US$16.85/oz for copper, gold, and silver, respectively, at an exchange rate of CDN$1.1 to US$1.0; Cu Recovery = Recovery for copper based on mineral zone and total copper grade; for Mineral Reserves this NSR calculation includes mining dilution. SAG throughputs were modeled by correlation with alteration types. Cashflow grades were calculated as the product of NSR value in $/t and throughput in t/hr. 4. The life of mine strip ratio is 2.16.

(3) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Resources are in addition to Measured and Indicated Resources. Details of Measured and Indicated Resources and other NI 43-101 information can be found by following the links below to the relevant Technical Report. Inferred Resources have a great amount of uncertainty as to their existence and 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. See "Cautionary Note Concerning Reserve & Resource Estimates".

(4) A variable cut-off grade has been estimated based on recent estimates of mining costs, processing costs (dependent upon sulfur content), selling costs and royalties. Resources are constrained within a Lerchs-Grossman (LG) open-pit shell using the long-term metal price assumption of US$900/oz of gold, which is a US$50/oz increase over the long-term gold price assumption used in the 2009 technical report. Assumptions for the LG shell included pit slopes variable by sector and pit area: mining cost is variable with depth, averaging US$2.08/t mined; process cost is calculated as the percent sulfur grade x US$2.7948 + US$12.82; general and administrative costs, gold selling cost and sustaining capital are reflected on a per tonne basis. Based on metallurgical testing, gold recovery is assumed to be 89.5%. The Qualified Person for this resource estimate is Kevin Francis, P.Geo., NovaGold Resources Inc.

(5) Mineral resources are contained within a conceptual Measured, Indicated and Inferred optimized pit shell using the same economic and technical parameters as used for Mineral Reserves. Tonnages are assigned based on proportion of the block below topography. The overburden/bedrock boundary has been assigned on a whole block basis. 4) Mineral resources have been estimated using a constant NSR cut-off of C$10.08/t milled. The Net Smelter Return (NSR) was calculated as follows: NSR = Recoverable Revenue – TCRC (on a per tonne basis), where: NSR = Diluted Net Smelter Return; TCRC = Transportation and Refining Costs; Recoverable Revenue = Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using silver using the economic and technical parameters mentioned above. 5) The mineral resource includes material within the conceptual M&I pit that is not scheduled for processing in the mine plan but is above cutoff.

(6) The copper-equivalent grade was calculated as follows: CuEq = Recoverable Revenue ÷ 2204.62 * 100 ÷ 1.55. Where: CuEq = Copper equivalent grade; Recoverable Revenue = Revenue in US dollars for recoverable copper, recoverable gold and recoverable silver using metal prices of US$1.55/lb, US$650/oz, and US$11/oz for copper, gold, and silver, respectively; Cu Recovery = 100%.

(7) Resources stated as contained within a potentially economically minable underground shapes above a US$75.00/t NSR cut-off

(8) NSR calculation is based on assumed metal prices of US$2.50/lb for copper, US$1,000/oz for gold, US$16.00/oz for silver, US$1.00/lb for zinc and US$1.00/lb for lead. A mining cost of US$45.00/t and combined processing and G&A costs of US$31.00 were assumed to form the basis for the resource NSR cut-off determination.

(9) NovaGold Canada Inc. has agreed to transfer its 60% joint venture interest in the Copper Canyon property to the Galore Creek Partnership, which is equally owned by NovaGold Canada Inc.and a subsidiary of Teck Resources Limited. The remaining 40% joint venture interest in the Copper Canyon property is owned by another wholly owned subsidiary of NovaGold."

Cautionary Note Concerning Reserve & Resource Estimates

This summary table uses the term "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. 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 ounces" is permitted disclosure under Canadian regulations, however, the SEC normally only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this release may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

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 resource estimates contained in this circular have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System.

Technical Reports and Qualified Persons

The documents referenced below provide supporting technical information for each of NovaGold's projects.

Project	Qualifed Person(s)	Most Recent Disclosure & Filing Date	Link to Most Recent Disclosure
Donlin Gold	Kirk Hanson P.E., AMEC Gordon Seibel M.AusIMM, AMEC Simon Allard, P.Eng. Gregory Wortman P.Eng., AMEC Alexandra Kozak P.Eng., AMEC	Donlin Creek Gold Project, Alaska, USA NI 43-101 Technical Report - April 1, 2009	http://www.novagold.com/upload/technical_reports/DonlinCreekFS.pdf
Donlin Gold	Kevin Francis, P.Geo., NovaGold Resources Inc.	March 2010 reserve and resource updates: NovaGold press release - March 22, 2010	http://novagold.com/section.asp?pageid=13238
Galore Creek	Robert Gill, P.Geo., AMEC Jay Melnyk, P.Eng., AMEC Greg Kulla, P.Geo., AMEC Greg Wortman, P.Eng., AMEC Dana Rogers, P.Eng., Lemley International	NovaGold Resources Inc., Galore Creek Copper–Gold Project, British Columbia, NI 43-101 Tech	http://www.novagold.com/section.asp?pageid=15854
Copper Canyon	Erin Workman, P.Geo., NovaGold Resources Inc.	Not publicly released - updated March 2008	http://www.novagold.net/upload/technical_reports/CopperCanyonFebruary2005.pdf
Ambler	Russ White, P.Geo., SRK Consulting	NI 43-101 Preliminary Economic Assessment, Ambler Project - May 9, 2011	http://www.novagold.com/upload/pdf/Ambler_PEA_May2011.pdf