NovaCopper Inc.

(an exploration-stage company)

Consolidated Financial Statements
November 30, 2011

(expressed in US dollars)

Table of Contents

Independent Auditor's Report 3
Consolidated Balance Sheets 4
Consolidated Statements of Loss, Comprehensive Loss and Deficit 5
Consolidated Statements of Changes in Shareholder's Equity 6
Consolidated Statements of Cash Flows 7
Notes to the Consolidated Financial Statements 8

Independent Auditor's Report

To the Shareholder of NovaCopper Inc.

We have audited the accompanying consolidated financial statements of NovaCopper Inc. which comprise the consolidated balance sheets as at November 30, 2011 and 2010 and the consolidated statements of loss, comprehensive loss, and deficit, consolidated statements of changes in shareholder's equity and consolidated statements of cash flows for the years ended November 30, 2011 and 2010, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of NovaCopper Inc. as at November 30, 2011 and 2010 and the results of its operations and its cash flows for the years ended November 30, 2011 and 2010 in accordance with Canadian generally accepted accounting principles.

(signed)

Chartered Accountants
Vancouver, British Columbia
February 20, 2012

Consolidated Balance Sheets
As at November 30, 2011

in thousands of dollars

	2011 $	2010 $
Assets		
Current Assets		
Cash and cash equivalents	1	-
Deposits and prepaid amounts	96	60
	97	60
Property, plant and equipment (note 3)	1,128	-
Mineral properties and development costs (note 4)	30,547	26,547
	31,772	**26,607**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	126	285
Due to related parties (note 5)	395	-
Current portion of Ambler acquisition liability (note 4)	-	11,928
	521	12,213
Ambler acquisition liability (note 4)	-	11,098
		23,311
Shareholders' equity		
Share capital (note 8)	27,280	-
Contributed surplus	36,281	24,270
Deficit	(32,310)	(20,974)
	31,251	3,296
	31,772	**26,607**

Nature of operations, structure, plan of arrangement and economic dependence (note 1)

(See accompanying notes to the consolidated financial statements)

/s/ Rick Van Nieuwenhuyse, Director

/s/ James Philip, Director

Approved on behalf of the Board of Directors of NovaGold Resources Inc.

Consolidated Statements of Loss, Comprehensive Loss and Deficit
For the years ended November 30

in thousands of dollars, except share amounts

	2011 $	2010 $
Expenses		
Community relations	108	36
Corporate development	16	-
Amortization	283	-
General and administrative	1,338	149
Salaries	49	
Mineral properties expense (note 4(c))	8,492	1,591
Professional expense	76	8
Total expenses	10,362	1,784
Other items		
Accretion expense (note 4(a))	974	1,556
Loss and comprehensive loss for the year	**(11,336)**	**(3,340)**
Deficit – beginning of year	(20,974)	(17,634)
Deficit – end of year	**(32,310)**	**(20,974)**
Basic and diluted loss per common share (thousands)	**97**	**-**
Weighted average number of common shares outstanding	**117**	**-**

(See accompanying notes to the consolidated financial statements)

Consolidated Statements of Changes in Shareholder's Equity
For the years ended November 30

in thousands of dollars, except share amounts

		2011
	Number of Shares	**Ascribed Value $**
Share capital		
Balance – beginning of year	-	-
Issued pursuant to incorporation	100	-
Issued pursuant to acquisition of subsidiary	100	27,280
Balance – end of year	**200**	**27,280**
Total issued and outstanding	**200**	
Contributed surplus		
Balance – beginning of year		24,270
Stock-based compensation		208
Funding provided and expenses paid by NovaGold Resources Inc.		39,083
Transfer to share capital		(27,280)
Balance – end of year		**36,281**
Deficit		
Balance – beginning of year		**(20,974)**
Loss for the year		(11,336)
Balance – end of year		**(32,310)**
Total shareholder's equity		**31,251**

in thousands of dollars, except share amounts

		2010
	Number of Shares	**Ascribed Value $**
Share capital		
Balance – beginning and end of year	**-**	**-**
Contributed surplus		
Balance – beginning of year		17,644
Shares issued for mineral property by NovaGold Resources Inc.		5,000
Stock-based compensation		108
Funding provided and expenses paid by NovaGold Resources Inc.		1,518
Balance – end of year		**24,270**
Deficit		
Balance – beginning of year		**(17,634)**
Loss for the year		(3,340)
Balance – end of year		**(20,974)**
Total shareholder's equity		**3,296**

(See accompanying notes to the consolidated financial statements)

Consolidated Statements of Cash Flows
For the years ended November 30

in thousands of dollars

	2011 $	2010 $
Cash flows used in operating activities		
Loss for the year	(11,336)	(3,340)
Items not affecting cash		
Amortization	283	-
Accretion	974	1,556
Stock-based compensation	208	107
Net change in non-cash working capital		
(Increase) decrease in deposits and prepaid amounts	(36)	(50)
Increase in accounts payable and accrued liabilities	236	285
	(9,671)	**(1,442)**
Cash flows from financing activities		
Funding provided by NovaGold	39,083	1,518
Repayment of notes payable	(24,000)	-
	15,083	**1,518**
Cash flows used in investing activities		
Acquisition of property, plant & equipment	(1,411)	-
Expenditures on mineral properties	(4,000)	(76)
	(5,411)	**(76)**
Increase in cash and cash equivalents	1	-
Cash and cash equivalents – beginning of year	-	-
Cash and cash equivalents – end of year	1	-

Non-cash investing and financing activities		
Liabilities assumed on acquisition of mineral property	-	21,471
Issuance of common shares to NovaGold to acquire mineral property	27,280	5,000

(See accompanying notes to the consolidated financial statements)

Notes to the Consolidated Financial Statements

1 Nature of operations, structure, plan of arrangement and economic dependence

NovaCopper Inc. was incorporated on April 27, 2011. The Company is engaged in the exploration and development of mineral properties including the Ambler Project located in Northwest Alaska.

Structure and plan of arrangement

The Ambler Project (the "Project") comprises a copper-zinc-lead-gold-silver exploration property located in the United States of America ("US"). On January 11, 2010, Alaska Gold Company ("AGC") purchased 100% of the Ambler property for consideration of $26.5 million. The Project was acquired on October 17, 2011 by NovaCopper US Inc. ("NovaCopper US") through a purchase and sale agreement with AGC, both wholly owned subsidiaries of NovaGold Resources Inc. ("NovaGold"). NovaGold is a precious metals company engaged in the exploration and development of mineral properties in North America with a portfolio of mineral properties located principally in Alaska and British Columbia. On October 24, 2011, NovaGold transferred its ownership of NovaCopper US to NovaCopper Inc. ("NovaCopper"), a wholly owned subsidiary of NovaGold incorporated on April 27, 2011 in exchange for shares of NovaCopper.

On November 16, 2011, NovaGold announced its intention to distribute the shares of NovaCopper, to the shareholders of NovaGold, as a return of capital by way of a Plan of Arrangement. The Plan of Arrangement is subject to court and shareholder approval, and various other conditions including initial listing on the TSX and NYSE-AMEX. NovaCopper, through its wholly owned subsidiary, NovaCopper US, now owns a 100% interest in the Project.

Where applicable, these consolidated financial statements reflect the balance sheet, statements of loss, comprehensive loss and deficit and cash flows of the Project as if NovaCopper had been an independent operation from the inception of the Project. The statements of loss, comprehensive loss and deficit for the year ended November 30, 2010, and the period to October 17, 2011, which is included in the year results to November 30, 2011, include direct general and administrative and exploration costs of the Project and an allocation of NovaGold's general and administrative costs incurred in each of these periods. NovaGold has historically provided corporate services to the Project, including executive oversight, information technology, technical expertise, accounting, tax, treasury, human resources and other services. The allocation of general and administrative costs to the Project was calculated on the basis of time committed by NovaGold staff to AGC and the ratio of expenses incurred on the Project in each period presented as compared to all costs incurred by AGC in these periods.

The Project's opening deficit has been calculated by applying the same allocation principles described above to the cumulative transactions relating to the project from the date of its initial option in 2004 and includes an allocation of NovaGold's general and administrative expenses from the date of acquisition. All historical spending to date has been funded by NovaGold and is reflected as contributed surplus.

Economic dependence

Presently, the Company is economically dependent upon related parties for financial support. The future recoverability of the Company's mineral properties and development cost is dependent on the ability of the Company to obtain continued support from related parties or to obtain financing necessary to complete exploration and development of its property, the existence of economically recoverable reserves, and upon future profitable production or the profitable disposal of the Project.

2 Significant 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 NovaCopper Inc. and its subsidiary, NovaCopper US Inc. All significant intercompany transactions are eliminated on consolidation.

These financial statements include the historical assets, liabilities and expenses directly related to the Project and allocations of NovaGold's general and administrative expenses, as described in note 1, to present the financial position, results of operations and cash flows of the Project on a standalone basis. The consolidated financial statements have been presented under the continuity of interest basis of accounting whereby the amounts are based on the amounts recorded by NovaGold. As described in note 10, Canadian GAAP may differ in certain respects from accounting principles generally accepted in the United States.

The consolidated financial statements may not necessarily reflect the financial position, results of operations and changes in cash flows of the Company in the future or what they would have been had the Company been a separate, stand-alone entity for the years presented.

Cash and cash equivalents

Cash and cash equivalents comprise of highly liquid investments maturing less than 90 days from date of initial investment. Cash equivalents are designated as loans and receivables.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortization begins when the asset is substantially put into service. Amortization is calculated on a straight-line basis over the respective asset's estimated useful lives. Amortization periods by asset class are:

Computer hardware and software	3 years
Machinery and equipment	3 years
Office furniture and equipment	5 years
Vehicles	3 years

Mineral properties and development costs

All direct costs related to the acquisition of mineral property interests are capitalized. Mineral property exploration expenditures are expensed 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 production following commencement of commercial production using the unit of production method.

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 the mineral property in which it has an interest. Although Management has made efforts to ensure that legal title to its property is properly recorded, there can be no assurance that such title will ultimately be secured.

Impairment of long-lived assets

Management assesses the possibility of impairment in the carrying value of its long-lived assets whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, proven and probable reserves and other mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted future cash flows. Management's estimates of mineral prices, mineral resources, foreign exchange, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset. It is possible that material changes could occur that may adversely affect Management's estimates.

Income taxes

The liability method of accounting for income taxes is used and is based on differences between the accounting and tax bases of assets and liabilities. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets are evaluated and, if realization is not considered more likely than not, a valuation allowance is provided.

Notes to the Consolidated Financial Statements

Financial instruments

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, Management uses readily observable market inputs where available or, where not available, inputs generated by Management. Changes in fair value of held-for-trading financial instruments are recorded in net earnings. The Company has no held-for-trading financial assets or liabilities.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income. If a decline in fair value is deemed to be other than temporary, the unrealized loss is recognized in net earnings. Investments in equity instruments that do not have an active quoted market price are measured at cost. The Company has no available-for-sale financial assets.

Loans and receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method. Loans and receivables consist of cash and cash equivalents, and deposits and prepaid amounts.

Other financial liabilities are recorded initially at fair value and subsequently at amortized cost using the effective interest rate method. Other financial liabilities include accounts payable and accrued liabilities, and due to related parties.

Translation of foreign currencies

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, and non-monetary assets and liabilities at the exchange rate in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating the exchange rate in effect at the time of transactions. Exchange gains or losses arising on translation are included in income or loss for the year.
The Company's functional and reporting currency is the United States dollar.

Loss per share

Loss per common share is calculated based on the weighted average number of common shares outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be anti-dilutive.

Stock-based compensation

Compensation expense for stock options and performance share units ("PSUs") is measured at fair value pursuant to CICA Handbook section 3870, which established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. The expense relating to the fair value of stock options and PSUs are included in mineral property expense and are credited to contributed surplus as each are contracted to be satisfied by NovaGold with NovaGold common stock.

Compensation expense for options granted to employees is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model. The cost is recognized over the vesting period of the respective options.

Certain employees of the Project were granted PSUs, wherein each PSU entitled the participant to receive one common share of NovaGold at the end of a two-year period if certain market performance and service vesting criteria had been met. The performance and vesting criteria were based on NovaGold's performance relative to a representative group of other mining companies and the TSX index. The number of units that ultimately vest will be in the range of 0% to 150% of the original grant. The fair value of the PSUs is measured at the grant date using Monte Carlo simulation, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected dividend yield and the risk-free interest rate over the life of the PSU to generate potential outcomes for stock prices which are used to estimate the probability of the PSUs vesting at the end of the performance measurement period. The fair value is recognized over the related service period.

Compensation expense for employees of the Project is recognized in mineral property expense to the extent the employees are working directly on the Project.

Use of estimates and measurement uncertainties

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions of future events that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of expenditures during the reported period. Significant estimates include the basis of impairment of mineral properties and income taxes. Actual results could differ materially from those reported.

New accounting pronouncements

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 replaces 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 has adopted these pronouncements at incorporation and has assessed there was no impact of adopting these sections on its consolidated financial statements.

3 Property, plant and equipment

in thousands of dollars

			November 30, 2011
	Cost $	**Accumulated amortization $**	**Net $**
Alaska, USA			
Machinery and equipment	1,379	(279)	1,100
Vehicles	72	(49)	23
Computer hardware	31	(26)	5
	1,482	**(354)**	**1,128**

in thousands of dollars

			November 30, 2010
	Cost $	**Accumulated amortization $**	**Net $**
Alaska, USA			
Vehicles	45	(45)	-
Computer hardware	26	(26)	-
	71	**(71)**	**-**

Notes to the Consolidated Financial Statements

4 Mineral properties and development costs

in thousands of dollars

	November 30, 2010 $	Acquisition $	November 30, 2011 $
Ambler property (a)	26,547	-	26,547
Bornite property (b)	-	4,000	4,000
	26,547	**4,000**	**30,547**

in thousands of dollars

	November 30, 2009 $	Acquisition Costs $	November 30, 2010 $
Ambler property (a)	-	26,547	26,547
	-	**26,547**	**26,547**

(a) Ambler property

On January 11, 2010, NovaGold, through its wholly-owned subsidiary AGC, purchased 100% of the Ambler property in Northwest Alaska, which hosts the copper-zinc-lead-gold-silver Arctic deposit. As consideration, NovaGold, issued 931,098 shares with a fair value of $5.0 million and agreed to make cash payments to the vendor of $12.0 million each in January 2011 and January 2012, respectively. The fair value of these cash payments were $11.1 million and $10.3 million, respectively, as at the transaction date. The January 2011 payment was made by NovaGold on January 7, 2011 and the January 2012 payment was made by NovaGold in advance on August 5, 2011. Total fair value of the consideration was $26.5 million, including transaction costs associated with the acquisition of $0.1 million. The vendor retained a 1% net smelter return royalty that NovaGold can purchase at any time for a one-time payment of $10.0 million.

Management used a discount rate of approximately 8% to discount the above cash payments due in 2011 and 2012. The Project recognized accretion expense of $1.0 million for the year ended November 30, 2011 and $1.6 million for the year ended November 30, 2010.

Prior to the acquisition in 2010, NovaGold held an option to earn a 51% interest in the property.

As discussed in note 1, the property was acquired on October 17, 2011 by NovaCopper through a purchase and sale agreement with AGC.

(b) Bornite property

On October 19, 2011, NovaCopper US acquired the exclusive right to explore the Bornite property and lands deeded to NANA Regional Corporation, Inc. ("NANA") through the Alaska Native Claims Settlement Act ("ANSCA"), located adjacent to the Ambler property in Northwest Alaska. As consideration, NovaCopper US paid $4 million upon signing to acquire the right to explore and develop the combined Ambler district including NovaCopper US' Ambler property through an Exploration Agreement and Option to Lease with NANA. Upon the decision to proceed with development of a mine on the lands, NANA maintains the right to purchase between a 16-25% interest in the mine or retain a 15% net proceeds royalty. Should NANA elect to purchase an interest, consideration will be payable equal to the historical costs incurred on the properties at the elected percentage purchased less $40 million. The parties would form a joint venture and be responsible for all future costs based on their pro-rata share.

NANA would also be granted a net smelter return royalty between 1% and 2.5% upon the execution of a mining lease or a surface use agreement, the amount which is determined by the area of land production originates from.

(c) Mineral property expenses

The following table summarizes mineral property expenses for the years ended November 30, 2011 and 2010.

in thousands of dollars

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Drilling	1,759	-
Engineering	1,140	190
Environmental	48	248
Geochemistry and geophysics	213	3
Legal and title	-	261
Project support	2,796	543
Stock based compensation	208	108
Wages and benefits	2,328	238
Mineral property expense	**8,492**	**1,591**

5 Related parties

The Company has payables due to related parties of $395 thousand at November 30, 2011 which are due to NovaGold Resources Inc. and its affiliates. These amounts are unsecured, payable on demand and bear no interest. All expenses during the years ended November 30, 2011 and 2010 were funded by NovaGold Resources Inc. and its affiliates.

6 Management of capital risk

The Company relies upon Management to manage capital in order to accomplish the objectives of safeguarding the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and maintaining a capital structure which optimizes the costs of capital at an acceptable risk (note 1). The Company's current capital consists of share capital and equity funding from its parent company NovaGold Resources Inc.

To facilitate the management of its capital requirements, Management prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

7 Financial instruments

The Company is exposed to a variety of risks arising from financial instruments. These risks and management's objectives, policies and procedures for managing these risks are disclosed as follows.

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and due to related parties. The fair value of accounts payable and accrued liabilities and due to related parties approximates their carrying value due to the short-term nature of their maturity.

Financial risk management

The Company's activities expose them to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

(a) Currency risk

Currency risk is the risk of a fluctuation in financial asset and liability settlement amounts due to a change in foreign exchange rates. The Company operates in the United States and Canada with some expenses incurred in Canadian dollars. The Company's exposure is limited to accounts payables of CDN$42 thousand. Based on a 10% change in the US-Canadian exchange rate, assuming all other variables remain constant, the Company's net loss would change by approximately $4 thousand.

(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 holds cash and cash equivalents with a Canadian Chartered financial institution and is exposed to an insignificant level of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties raising funds to meet its financial obligations as they fall due. The Company is in the exploration stage and does not have cash inflows from operations; therefore, the Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 1 to the consolidated financial statements. The Company expects to meet its financial obligations through funding from its parent.

Contractually obligated cash flow requirements as at November 30, 2011 are as follows.

in thousands of dollars

	Total $	< 1 Year $	1–2 Years $	2–5 Years $	Thereafter $
Accounts payable and accrued liabilities	126	126	-	-	-
Due to related parties	395	395			
	521	**521**	**-**	**-**	**-**

(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 Company holds no instruments which would expose it to interest rate risk.

(e) Price risk

The Company is exposed to price risk with respect to commodity prices as future profitability and long-term viability will depend, in large part on the price of copper, zinc, lead, gold and silver. The market prices for such metals are volatile and subject to numerous factors beyond Management's control. Management closely monitors commodity prices to determine the appropriate course of action to be taken. The Company does not have any hedging or other commodity-based risks respecting its operations.

As the Company is currently in the exploration phase none of its financial instruments are exposed to commodity price risk; however, the Company's ability to obtain long-term financing and its economic viability could be affected by commodity price volatility.

Notes to the Consolidated Financial Statements

8 Share capital

Authorized
unlimited common shares, no par value
unlimited preferred shares, no par value

in thousands of dollars except share amounts

	November 30, 2011	
	Number of shares	Ascribed value $
Balance – beginning of year	-	-
Issued pursuant to incorporation	100	-
Issued pursuant to acquisition of subsidiary	100	27,280
Balance – end of year	**200**	**27,280**

9 Income taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

in thousands of dollars

	November 30, 2011 $	November 30, 2010 $
Combined federal and provincial statutory tax rate	26.67%	26.67%
Income taxes at statutory rate	(3,023)	(891)
Difference in foreign tax rates	(1,638)	(482)
Valuation allowance	4,575	1,329
Non-deductible expenditures	86	44
Income tax expense	-	-

Future income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of future income tax assets and liabilities at November 30, 2011 and 2010 are as follows:

in thousands of dollars

	November 30, 2011 $	November 30, 2010 $
Future income tax assets		
Non-capital losses	48,463	47,234
Mineral property interest	7,976	4,868
Accrued liabilities	-	112
Property, plant and equipment	66	-
Other deductible temporary differences	35	34
Total future tax assets	56,540	52,248
Valuation allowance	(56,422)	(51,847)
Net future income tax assets	118	401
Future income tax liabilities		
Other taxable temporary differences	118	401
Future income tax liabilities	118	401
Net future income tax assets	-	-

The Company has loss carry-forwards of approximately $117.9 million that may be available for tax purposes. Certain of these losses occurred prior to the incorporation of the Company and are accounted for in the financial statements as if they were incurred by the Company, as described in Note 1. The Company undertook a tax reorganization during the year in order to preserve the future deductibility of these losses for the Company, subject to the limitations below. Future tax assets have been recognized to the extent of future taxable income and the future taxable amounts related to taxable temporary differences for which a future tax liability is recognized can be offset. A valuation allowance has been provided against future income tax assets where it is not more likely than not that the Company will realize those benefits.

The losses expire as follows:

in thousands of dollars

	Operating losses United States $
2012	915
2013	-
2014	-
2015	-
2016	-
Thereafter	116,973
	117,888

Future use of these U.S. loss carry-forwards is subject to certain limitations under provisions of the Internal Revenue Code including limitations subject to Section 382, which relates to a 50% change in control over a three-year period, and are further dependent upon the Company attaining profitable operations. An ownership change under Section 382 occurred on March 31, 2009 regarding losses incurred by AGC, of which the attributes of those losses were transferred to NovaCopper US with the purchase of the mineral property in October 2011. Therefore, approximately $42.6 million of the U.S. losses above are subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited.

An additional change in control could have occurred after November 30, 2011 which may further limit the availability of losses prior to the date of change in control.

10 Significant differences from accounting principles generally accepted in the United States

Under the Plan of Arrangement, NovaCopper expects to qualify as a domestic registrant under the United States Securities and Exchange Commission within its first year as a listed entity. As a domestic registrant, NovaCopper expects to report its financial statements under accounting principles generally accepted in the United States ("U.S. GAAP").

Canadian GAAP differs in certain respects from the principles and practices generally accepted in the United States. There are no material measurement differences between Canadian GAAP and U.S. GAAP in accounting for the Project.

Other U.S. GAAP disclosures

Uncertain tax position

These standards require uncertain tax positions to be classified as non-current income tax liabilities unless expected to be paid within one year.

There were no unrecognized tax benefits as at November 30, 2011 and November 30, 2010.

The Company recognizes interest and penalties related to uncertain tax positions, if any, as interest expense. As of November 30, 2011 and November 30, 2010, there were no balances of accrued interest and penalties related to uncertain tax positions.

The Company is subject to taxes in Canada and the United States. The Company is not currently under audit by any taxing jurisdiction. As the Company and its subsidiary were incorporated in 2011, the tax year that remains subject to examination is 2011 in Canada and the United States.

Notes to the Consolidated Financial Statements

Recent Accounting Pronouncements

Additional new accounting pronouncement disclosures required by U.S. GAAP are as follows.

i. *Fair Value Measurements*

In May 2011, the FASB issued new authoritative guidance to provide a consistent definition of fair value and ensure that fair value measurements and disclosure requirements are similar between GAAP and International Financial Reporting Standards. This guidance changes certain fair value measurement principles and enhances the disclosure requirements for fair value measurements. This guidance is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The Company does not expect that the adoption of this guidance will have a material impact on its financial statements.

ii. *Presentation of Comprehensive Income*

In June 2011, the FASB issued an update to ASC 220, “Presentation of Comprehensive Income”. This ASU provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either 1) a single statement that presents the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income; or 2) a two-statement approach which presents the components of net income and total net income in a first statement, immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. The option in current GAAP that permits the presentation of other comprehensive income in the statement of changes in equity was eliminated. The guidance will be applied retrospectively and is effective for the Company for annual periods beginning on January 1, 2012. Early adoption is permitted. The adoption of this guidance is expected to have no impact on the Company's financial position or results of operations. The Company currently presents comprehensive income using a two-statement approach.

iii. *Goodwill and Intangibles*

In September 2011, the FASB issued ASU No. 2011-08, which updates the guidance in ASC Topic 350, “Intangibles - Goodwill & Other” (ASU-2011-08). The amendments in ASU 2011-08 permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments in ASU 2011-08 include examples of events and circumstances that an entity should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, however the examples are not intended to be all-inclusive and an entity my identify other relevant events and circumstances to consider in making the determination. The examples in this ASU 2011-08 supersede the previous examples under ASC Topic 350 of events and circumstances an entity should consider in determining whether it should test for impairment between annual tests, and also supersede the examples of events and circumstances that an entity having a reporting unit with a zero or negative should consider in determining whether to perform the second step of the impairment test. Under the amendments in ASU 2011-08, an entity is no longer permitted to carry forward its detailed calculation of a reporting unit's fair value from a prior year as previously permitted under ASC Topic 350. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. ASU 2011-08 is expected to have no impact on the Company's financial position or results of operations.

Notes to the Consolidated Financial Statements

iv. Comprehensive Income

In December 2011, the FASB issued ASU No. 2011- 12, “Comprehensive Income – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05” (“ASU 2011-12”). ASU 2011-12 defers changes in Update 2011-05 that relate to the presentation of reclassification adjustments. ASU 2011-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (November 30, 2012 for the Company). We do not expect the adoption of ASU 2011-12 to have a material impact on our results of operations, financial condition, or cash flows.