

Management Discussion & Analysis For the Period Ended September 30, 2006

The following Management Discussion and Analysis of the Company's financial position is for the period ended September 30, 2006. The operations information is current to 31 October 2006. This discussion should be read in conjunction with the unaudited financial statements and related "Notes to the Consolidated Financial Statements" which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

This discussion includes certain statements that may be deemed "forward-looking statements". Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions.

All amounts are stated in Canadian dollars unless indicated otherwise. Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.newguineagold.ca.

BUSINESS & DEVELOPMENT STRATEGY IN PAPUA NEW GUINEA

The Company is involved in Mineral Exploration and Mine Development in Papua New Guinea ("PNG"). New Guinea Gold Corporation ("NGG") has interests in 10 gold properties and 2 porphyry copper-gold-molybdenum properties. In excess of 63,000 metres of drilling has been completed on all properties and this drilling has located extensive mineralisation at 11 of the 12 projects. An additional project contains widespread and extensive alluvial gold.

Three gold properties, Sinivit, Normanby and Mt. Penck are currently regarded as key projects. Mine development is underway at Sinivit and on the latter two projects the Company is presently focusing on defining resources by early 2007.

The remaining gold properties are all well advanced in terms of exploration. The two porphyry copper-gold-molybdenum systems are large areas of mineralisation, each in excess of 6 square kilometers in area as defined by surface geochemistry, trenching and drilling. The Company is presently in discussions regarding financing the definition of resources at these properties with the objective of obtaining better value for shareholders without further share dilution.

The Sinivit, Mt. Nakru, Simuku, Normanby, Sehulea, Feni and Crater Mountain Projects, are each subject to a 1% Net Smelter Royalty (NSR) payable, and a one time issue on one project only of 9% of the Company's issued share capital to Macmin Silver Ltd. at the time that any mine is developed on these properties and production is achieved in excess of 50,000 ounces of gold or equivalent in any year.

Readers are advised to review the Company's Press Releases and website for complete details of each project.

SINIVIT MINE DEVELOPMENT (92.5% NGG)

The development of the Sinivit Gold Project experienced delays due to unseasonable weather and delayed delivery of equipment caused by shipping problems and the worldwide shortage of mining equipment. In late August, over a two-day period, 350mm (14 inches) of rain fell, followed by several days when 50mm (2 inches) was recorded each day. On the 13th September a further 320mm (12.8 inches) of rain fell with 150mm (6 inches)

on the 14th September. This latter rainfall has not resulted in any substantial delays, due to substantial upgrading of all site roads over the past few weeks. Total rainfall for the past year has been more than 200% of average annual rainfall.

Completion has been held up by late delivery of equipment due to shipping delays, and a consequence of the general pressure on suppliers of mining equipment. For example, the screening plant from Ireland was off-loaded in the Solomon Islands (it is now on site), the scheduled shipping of the crushing plant to site has now been twice delayed and, in another instance, our cargo was left at the wharf in Brisbane, Australia.

All site and haul roads are now completed to all weather gravel status, and rain since September has not resulted in significant delays. Mine infrastructure is essentially complete. The mining contractor is now fully operational and the first gold production is expected in early 2007.

Total capital cost to date is approximately C\$7 million. Delays and increases in costs will add approximately C\$1 million to the original capital estimate of \$6.2 million.

EXPLORATION

Most of the Company's projects already have significant defined mineralisation in drill hole and/or trench. For details refer to project descriptions at www.newguineagold.ca. The Company's main objective is to increase its resource base as rapidly as possible. In the third quarter, three diamond core rigs were being used for resource definition at the Imwauna (100% NGG) and Mt Penck (60% NGG) Projects. Imwauna is within the Normanby Property. NI 43-101 compliant resource estimates are targeted for completion in the first quarter of 2007 for the Imwauna project.

Independent Qualified Person, Ralph Stagg, visited the Normanby, Sehulea and Mt Penck properties in preparation for compilation of Independent Technical reports on those properties.

NGG has acquired two further drills, which have commenced operating at its Sinivit property, with the objective of increasing the present defined resources.

Excellent drill results are being received from both Imwauna and Mt Penck.

Imwauna (Normanby Property – 100% NGG)

Resource definition drilling has continued using a single diamond core drill rig. Subject to available finance it is intended to acquire a further drill rig for the project later this year or early 2007. Excellent drill assays have been received since the last update and were released in a Press Release dated 13th September 2006. In particular two further holes were drilled into the high-grade zone noted in recent press releases. Previous intersections into this zone gave best results of 6m at 68g/t gold including 3m at 106g/t gold and 6.45m at 20.9g/t gold (see Press Release dated 26th July 2006) In the latest Press release the highest gold value so far intersected in core at Imwauna, 438g/t gold, was noted with the best intersections summarized below. All results are available in the Press Release of 13th September 2006.

Hole No	From (m)	To (m)	Interval* (m)	Gold (g/t)	Silver (g/t)
IMH 075	56.9	57.7	0.8	52.1	100
IMH 076	56.2	57.1	0.9	20.5	50
IMH 081 including	80.8	86.4	5.6	36.2	45
			0.4	438.0	485
IMH 084	106.2	108.5	2.3	10.6	30

* - Please note that the interval is length down hole and not a true thickness. True thickness is unknown.

The Imwauna Vein system has been defined at surface over a length of 1.2 kms by excavator trenching. Refer to the website for excavator trench results. Approximately 110 drill holes have now been completed over approximately 850m of the 1.2 km system. The vein system with significant gold grades is now known to extend

over a vertical interval of at least 200m. In the southern end of the system the highest grades and greatest widths are occurring at depths of greater than 50m. An additional drill is required to define the system to greater depths.

The individual veins within the Imwauna Vein System are not planar or linear over long distances. They vary in dip from as low as 50 degrees west to 65 degrees east. In addition veins may bifurcate into two or more veins, substantially vary in thickness and attitude (dip) over intervals of less than five metres thus making estimation of true thickness of any intersection uncertain. All data is being compiled into a Surpac model to more accurately assess continuity, attitude and thickness of individual veins.

Mt. Penck Project (60% NGG)

Drilling has proceeded rapidly at the Kavola East Prospect at Mt. Penck with 28 holes now completed and results (as at 14 November 2006) available for 19 holes (including one historic hole).

The drilling is defining widespread and multiple zones of lower grade disseminated type gold mineralisation with mineralisation commencing at surface and traced to a depth of approximately 130m at present.

Two drill rigs are operating, but in October one rig will be mobilised to drill at the Simuku and Mt. Nakru properties and the remaining rig will continue drilling at Mt. Penck for the remainder of 2006. A total of 18 drill holes since mid 2005 have now been reported and all drill holes intersected several zones of mineralisation at greater than 0.5g/t (see the better intervals shown below, and refer to Press Release dated 6th September 2006 for all results).

There appear to be both vertical and horizontal controls to the mineralisation and the true thickness of any intersection is not known.

Below are examples of the better intervals intersected to date:

Hole No	From (m)	To (m)	Interval (m)	Gold (g/t)
MPD 004	0	6	6	3.7
MPD 005	156	160	4	8.0
MPD 006	0	3	3	3.5
	27	34	7	2.3
	41	61	20	2.3
	62	66	4	4.5
MPD 007	0	14	14	2.8
	66	70	4	18.7
MPD 008	0	23	23	2.3
	52	56	4	2.5
MPD 009	96	100	4	4.0
MPD 011	67	70	3	4.3
	75	76	1	16.2
MPD 015	5	12	7	2.3
	13	24	11	1.1
MPD 018	10	23	13	2.1
	27	33	6	1.9
	48	53	5	2.5
DHH 007	18	38	20	2.1

Mt. Nakru (NGG 75%) and Simuku Properties (NGG 90%)

The Company's strategy is to have both the Simuku (90%) and Mt. Nakru (75% NGG) copper/gold/molybdenum prospects developed through to pre-feasibility within two years. However, since these are base metals properties, Management believes that the value of these properties is not reflected in the Company's share price and, in conjunction with its advisors, is investigating the possibility of financing further operations by way of raising funds into a "spin off" company.

Two diamond core holes recently tested a zone of previously announced molybdenum mineralisation at Simuku. Both holes recorded widespread, disseminated molybdenite and assays are expected in mid December.

Several drill holes are scheduled to test a zone of gold mineralisation at the Mt. Nakru property. This drilling will commence in the near future.

Fergusson Project (50% NGG)

A review of the Fergusson Project is underway with the intention of defining a comprehensive exploration program to be initiated in 2007, initially at the Igwageta prospect. Historic drill holes intersected numerous promising intersections with intersections above 0.2g/t set out in the table below.

Hole Number	Easting	Northing		Down hole Intersection	Intercept* Length (g/t Au)
1	224759	8934974		0-19	19m @ 0.51
2	224768	8934927		2-6	4m @ 1.78
002a	224768	8934927		2-5	3m @ 1.20
3	224781	8934878		0-44	44m @ 0.70
			including	0-26	26m @ 1.06
5	224729	8934895		0-13	13m @ 0.27
7	224765	8934902		0-10	10m @ 8.14
			including	0-3	3m @ 20.82
8	224744	8935010		23-27	4m @ 0.28
9	225168	8934968		0-6	6m @ 2.81
			including	4-5	1m @ 11.20
10	225110	8934963		0-14	14m @ 0.46
010a	225110	8934963		0-12	12m @ 5.88
			including	7-8	1m @ 64.00
11	224579	8935231		15-16	1m @ 1.56
20	224905	8935072		0-25	25m @ 2.93
			including	3-6	3m @ 19.84
21	225091	8934925		5-6	1m @ 2.33
23	224755	8934942		1-9	8m @ 1.02
025a	224763	8934884		3-13	10m @ 1.12
41	224918	8935092		32-33	1m @ 1.93
42	224775	8935130		0-20	20m @ 3.04
			including	10-20	10m @ 5.83
			including	14-19	5m @ 10.83
			including	14-15	1m @ 42.18
44	224707	8935149		10-11	1m @ 1.02
46	224894	8935057		8-14	6m @ 1.41
			including	10-12	2m @ 3.16
				27-30	3m @ 1.30

* - Please note that the intercept is length down hole and not a true thickness. True thickness is unknown.

Twenty-one of 52 RC drill holes have open mineralisation at depth.

Allemata Project (50% NGG)

A review of the Allemata Project is almost complete with additional drill sites identified for testing in 2007.

Yup River Project (50% NGG)

A comprehensive soil and rock chip program was completed at the Biaka prospect. This program yielded 752 soil samples and 32 outcrop samples. Results, which have just become available, suggest extensive gold in soil anomalism and compilation of data is underway.

Feni Project (50% NGG, Vangold earning 75%)

A field assessment of the northern Caldera area of the Feni project by former VP Exploration Dr D. Lindley resulted in a recommendation for approximately 2,250m of drilling in 10 holes to be completed in early 2007.

Drilling Schedule for Remainder of 2006

A reverse-circulation drill and a diamond core drill rig have been purchased for the Sinivit Project, and both are scheduled to be in operation during the last quarter, also with the objective of defining additional resources.

The drilling schedule for later in 2006, anticipates possibly 5 or 6 holes to test the recently discovered gold in trench (35m at 7.2g/t gold) at the Mt. Nakru porphyry copper/gold Project.

NGG also anticipates drilling several holes at the Weioko Prospect (Sehulea Property NGG 100%) towards the end of the year to ensure compliance with work commitments, using the drill rig presently at Imwauna.

CORPORATE

NGG has agreed to an extension to June 30, 2007 for Vangold Resources to spend a further C\$1.26M and issue 200,000 common shares to earn a further 25% in the Feni Islands Project (EL 1021). Vangold presently owns 50% of the project. The Feni Islands lie within the Lihir Corridor, which hosts the world-class porphyry copper-gold deposit at Bougainville and the large gold deposit at Lihir Island (approx. 50 million ounces gold).

NGG has accepted an offer of Kina 7 million (about C\$3 million) working capital facility from Bank of South Pacific, the leading Papua New Guinea based bank, with assets totalling Kina 2.95 billion (C\$ 1.3 billion). The Bank of South Pacific is internationally rated by Standard and Poors. The line of credit is regarded as "insurance" but could provide required working capital for the Company prior to receipt of cash flow. Final documentation is in progress.

NGG recently requested warrant holders, in view of the premium between current stock market share price and exercise price of C\$0.30, to exercise some or all of their warrants now.

Warrant holders including Company Officers, exercised a total of approximately C\$2.25 million of warrants.

MARKET OUTREACH

New Guinea Gold has been very active in getting the story of its properties out to the marketplace. In October, Chairman and CEO Bob McNeil completed presentations at Vancouver, Toronto, Frankfurt and Munich, and exhibited at Resource Conferences at Frankfurt and Munich. The Company continues to promote excellent community relations in the locations in which it operates, meeting frequently with landowners and residents to outline its plans, update progress, and deal with questions or concerns.

RESULTS OF OPERATIONS

The Company's net loss for the three-month period ended September 30, 2006 was \$702,538 or \$0.01 per common share compared to \$210,494 in the same period ended 2005 or \$0.01 per common share. The

Company received \$57,764 in interest payments on cash balances and deposits. Interest revenues fluctuate according to the amounts of funds held in deposit and the interest rates attained during the period.

The increase in net loss for the period ended September 30, 2006 compared to the same period in 2005 was \$492,044 and due to increases in amortization and repairs and maintenance costs for equipment purchases during the previous two fiscal years, higher losses on foreign exchange, and increases in stock-based compensation. Also, the Company had higher salaries and wages, a cost necessary to retain and hire quality staff. The loss in the period ended 2005 was lessened by \$157,992 in other income, which derived from operating third party projects.

During the three-month period ended September 30, 2006 the Company completed \$2,834,768 in exploration and development expenditures on its mineral property interests, primarily the Mt. Sinivit gold project.

Summary of Quarterly Results December 31, 2004 to September 30, 2006

	Q4 December 31 2004	Q1 March 31 2005	Q2 June30 2005	Q3 September 30 2005
	\$	\$	\$	\$
Total Interest	57,056	83,069	22,893	180
Net Loss	(14,144)	(185,241)	(255,470)	(210,494)
Loss per share	0.01	0.00	0.01	0.01

	Q4 December 31 2005	Q1 March 31 2006	Q2 June30 2006	Q3 September 30 2006
	\$	\$	\$	\$
Total Interest	15,833	36,995	62,979	57,764
Net Loss	(1,783,262)	(329,984)	(183,462)	(702,538)
Loss per share	0.02	0.01	0.01	0.01

The Company is in the exploration and development stage and has no mining revenue, and therefore variances in its quarterly losses are not affected by sales or production-related factors. Increases in costs are generally attributed to growth in operations related to the success in financing activities, which in turn allows the Company to increase expenditures on its properties.

FINANCIAL CONDITION

At September 30, 2006, the Company had working capital of \$2,946,865 (2005 - \$1,447,983). The Company has no long-term indebtedness or long-term obligations. The change in working capital is the result of increased available cash of \$3,839,879 compared to the previous period (2005 – \$2,127,193).

Current liabilities increased to \$893,014 as at September 30, 2006 from \$416,529 on June 30, 2006. This was primarily owed to Macmin Silver Ltd., a related party, for expenditures made on behalf of NGG.

The Company is committed to paying approximately \$360,000 in amounts owing at October 31, 2006 for expenses billed subsequent to the period end.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources of the Company consist primarily of cash and liquid short-term deposits of approximately \$3,564,000 at October 31, 2006.

The Company has adequate cash reserves to continue operations at current levels to early 2007, and has been able to fund its operations by the issue of shares as needed. The Company has warrants and stock options

outstanding, which are "in-the-money" and could generate an additional \$11,702,031 if exercised. There is no certainty that the Company will be able to continue to obtain funding by share issuances in the future.

The Company does not anticipate the payment of dividends in the foreseeable future.

Financing Operations

During the nine month period ended September 30, 2006:

- The Company closed a brokered Private Placement with Bolder Investment Partners Ltd acting as Agent. The total subscriptions represent 32,850,000 units (the "Units") priced at \$0.20 per unit, raising gross proceeds of \$6,570,000. The units consisted of one share and one non-transferable share purchase warrant. Each warrant is exercisable into an additional share for a period of two years from closing at an exercise price of \$0.30. The Agent received a cash commission of \$429,662 plus 315,438 Units at a deemed price of \$0.20 per Unit in lieu of cash and 3,285,000 Agent's Warrants. In addition, the Agents received a Corporate Finance Fee of 300,000 Units of the Company plus an administration fee of \$7,500. The Agent's Warrants have the same terms as the clients' warrants.
- The Company also closed a non-brokered Private Placement of 2,150,000 Units at \$0.20 per Unit, raising gross proceeds of \$430,000. Finder's fees of \$2,500 and 15,000 Agent's Warrants were paid in respect of the non-brokered placement.
- The Company granted 550,000 stock options to employees and consultants exercisable at a price of \$0.23 for a five-year period.
- On July 25, 2006 the Company announced that it had granted 1,000,000 incentive stock options to officers, employees, contractors and consultants at an exercise price of \$0.30 for a period of five years.
- The Company issued 270,000 common shares for proceeds of \$62,100 on the exercise of stock options.

CASH FLOWS

The Company has not generated cash flow from mining operations. The Company has funded its operations by issuing its shares either through financings or the exercise of existing share purchase warrants and stock options.

Shares issued from December 31, 2005 to October 31, 2006 and to the date of this report are as follows:

	Number of Shares	Share Capital
		\$
Balance, December 31, 2005	64,913,496	18,614,693
Private placements	35,614,438	5,874,904
Exercise of stock options	270,000	62,100
Exercise of warrants	5,938,000	1,746,600
Stock-based compensation		40,230
Shares issued	41,823,438	5,931,754
Balance, September 30, 2006	106,736,934	26,338,527
Exercise of warrants	1,706,500	501,711
Balance, October 31, 2006	108,443,434	26,840,238

Related Party Transactions

Amounts paid to related parties were in the normal course of operations and were valued at fair market value as determined by management.

Contractual Obligations

The Company has no long-term debt and does not anticipate that it will require debt financing for current planned expenditures.

Off-Balance Sheet Arrangement

The Company has no off-balance sheet arrangements or transactions and none are contemplated.

Financial and Other Instruments

The Company's financial instruments consist of cash, amounts receivable, prepaid expenses, marketable securities, accounts payable and accrued liabilities and amounts due to related parties. The balances in these accounts are in Canadian dollars, Papua New Guinea kina and Australian dollars and are recorded at their fair value.

Legal Proceedings

The Company and its subsidiaries are not parties to any legal proceedings and have no contingent liabilities.

Changes in Accounting Policy

There were no significant changes in accounting policy.

Outstanding Share Data

The Company has one class of shares and there were 108,443,434 shares issued as at October 31, 2006 and 146,228,372 on a fully diluted basis.

The Company has a stock option plan and at October 31, 2006 there were 6,415,000 options outstanding exercisable into one common share between \$0.23 and \$0.49.

The Company has 37,784,938 warrants outstanding as at October 31, 2006.

Between 1 October 2006 and 28 October 2006 the Company issued 1,706,500 common shares at \$0.30 for gross proceeds of \$511,950

On 29 October 2006, 6,909,500 warrants exercisable at \$0.55 expired.

Subsequent Financial Events

On November 23, 2006 the Company announced that it had closed a Kina 7 million (about C\$3 million) working capital facility from Bank of South Pacific, the leading Papua New Guinea based commercial bank, with assets totalling Kina 2.95 billion (C\$ 1.3 billion). The Bank of South Pacific (BSP) is internationally rated by Standard and Poors. The line of credit is intended provide required working capital, if required, for the Company prior to receipt of cash flow.

On 18 November 2006, 100,000 warrants exercisable at \$0.55 expired.

On 16 November 2006 the Company announced a proposed re-organisation ("spin-off"). The following is an extract from the Press Release, a full copy can be obtained at www.newguineagold.ca

"Management, our investment advisers and some major shareholders are of the opinion that the present share price and market capitalisation of the Company only reflects the few key properties on which exploration/ development is currently focussed and does not factor in a value for most of the remaining properties.

Seven properties are being considered as part of the re-organisation and of these seven properties six are held in conjunction with Vangold Resources Ltd. The Boards of Directors of the partners are pleased to announce that their respective management teams are preparing a proposal for the re-organisation of mineral property assets currently held by Kanon Resources Ltd (Kanon), the Simuku porphyry copper/gold/molybdenum system held by NGG (90%) and Yeaman (10%) and the Mt Nakru porphyry copper/gold/molybdenum system held by NGG 50% and Kanon (50%). Kanon is owned 50% NGG and 50% Vangold. Each of the respective Boards of Directors have instructed their management teams to negotiate the terms of the re-organisation, review financing sources and nominate Boards of Directors.

The terms of the re-organisation are subject to the necessary financing and the respective Board's, shareholder, regulatory and statutory approvals.

The re-organisation will allow NGG to focus more closely on its three key gold properties, Sinivit (NGG 92.5%), Normanby (Imwauna 100% NGG), and Sehulea (Weioko 100% NGG). NGG will also retain its interests in J/V properties Feni and Crater Mountain. The re-organisation should allow a substantial increase in drilling activity at the key properties.

The "spin off" companies being considered for the re-organisation are:

- The first company would be Kanon Resources properties which include the Mt Penck, Allemata, Bismarck, Fergusson and Yup River properties.*
- The second company would include the 90% NGG, 10% Yeaman owned Simuku porphyry copper/gold/molybdenum property and the jointly held Mt Nakru porphyry copper/gold/molybdenum property (Kanon 50%, NGG 50% giving NGG an effective 75% interest). Yeaman has indicated an interest in extending an option on his 10% carried interest in Simuku to NGG."*