

New Guinea Gold Corporation
Interim Report to the Shareholders
2nd Quarter, 2004

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators the Company discloses that its external auditors have not reviewed the unaudited financial statements for the period ended June 30, 2004

NEW GUINEA GOLD CORPORATION

Consolidated Financial Statements

June 30, 2004

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators the Company discloses that its external auditors have not reviewed the unaudited financial statements for the period ended June 30, 2004.

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Chartered Accountant

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Notice to Reader

I have compiled the consolidated balance sheet of New Guinea Gold Corporation as at June 30, 2004,

And the statement of operations and deficit and the statement of changes in cash flows for the six months then ended from information provided by management.

I have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Accordingly, readers are cautioned that these statements may not be appropriate for their purposes.

“David Raftery”

Chartered Accountant

Vancouver, British Columbia
August 28, 2004

	June 30, 2004	December 31, 2003 (audited)
	\$	\$
A S S E T S		
Current Assets		
Cash and short-term deposits	1,689,020	2,838,230
Amounts receivable	85,864	24,864
Prepaid expenses	1,450	21,173
Marketable securities (note 7)	147,600	54,000
	<u>1,923,934</u>	<u>2,938,267</u>
Due from related party	47,993	-
Advances to joint venture (note 6)	201,425	-
Mining deposits receivable	26,338	21,367
Equipment (note 3)	349,855	99,600
Mineral properties (note 5)	699,050	414,123
	<u>3,248,595</u>	<u>3,473,357</u>
L I A B I L I T I E S		
Current Liabilities		
Accounts payable and accrued liabilities	63,315	78,142
Due to related parties	35,566	490,822
	<u>98,881</u>	<u>568,964</u>
S H A R E H O L D E R S= E Q U I T Y		
Share capital (note 4(a))	13,481,320	12,940,207
Contributed surplus	866,193	866,193
Deficit	(11,197,799)	(10,902,007)
	<u>3,149,714</u>	<u>2,904,393</u>
	<u>3,248,595</u>	<u>3,473,357</u>
Continuing operations (note 1)		

Approved on behalf of the Board of Directors:

"Robert D. McNeil"

"Judith O'Quinn"

NEW GUINEA GOLD CORPORATION
Consolidated Statements of Operations and Deficit
For the period ended June 30
(Unaudited – See Notice to Reader)

	2004		2003	
	Six months ended June 30	Three months ended June 30	Six months ended June 30	Three months ended June 30
	\$	\$	\$	\$
Expenses				
Amortization	23,429	23,144	1,000	825
Bank charges and interest	22,172	14,903	7,293	7,293
General exploration	212	212	-	-
Office	17,889	1,538	16,085	9,941
Professional fees	21,269	20,723	15,548	8,239
Rent	6,705	3,383	3,050	2,375
Shareholder communications	47,567	47,372	-	-
Transfer agent and regulatory fees	28,934	15,850	12,193	5,625
Wages and benefits	55,810	34,522	27,014	12,987
(Gain) Loss on foreign exchange	65,530	88,703	8,540	8,540
Write-down of mineral property costs	15,551	15,551	-	-
Interest income	(9,276)	(6,272)	(794)	(591)
	<u>(295,792)</u>	<u>(259,629)</u>	<u>(89,929)</u>	<u>(55,234)</u>
Net loss for the period	(295,792)	(259,629)	(89,929)	(55,234)
Deficit - beginning of period	(10,902,007)	(10,938,170)	(10,220,388)	(10,255,083)
Deficit - end of period	<u><u>(11,197,799)</u></u>	<u><u>(11,197,799)</u></u>	<u><u>(10,310,317)</u></u>	<u><u>(10,310,317)</u></u>
Loss per share	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.00)</u>	<u>(0.00)</u>
Weighted average number of shares outstanding	<u>47,544,778</u>	<u>49,040,890</u>	<u>24,579,169</u>	<u>25,717,014</u>

NEW GUINEA GOLD CORPORATION
Consolidated Statements of Cash Flows
For the Period Ended June 30

(Unaudited – See Notice to Reader)

	2004		2003	
	Six months ended June 30	Three months ended June 30	Six months ended June 30	Three months ended June 30
	\$	\$	\$	\$
Cash Provided by (Used for):				
Operating Activities				
Net loss for the period	(295,792)	(259,629)	(84,929)	(50,234)
Items not involving cash:				
Amortization	23,421	23,136	1,000	825
Amortization of loan bonus	17,500	13,750	-	-
Write-down of mineral property costs	15,551	15,551	-	-
	<u>(239,320)</u>	<u>(207,192)</u>	<u>(83,929)</u>	<u>(49,409)</u>
Changes in non-cash working capital items:				
Amounts receivable	(61,000)	(166,500)	(41,086)	(40,238)
Accounts payable and accrued liabilities	(14,827)	4,121	13,468	11,087
Due from related parties	(47,993)	(47,993)	-	-
Due to related parties	(455,256)	(395,685)	119,186	87,938
Prepaid expenses	2,223	(1,450)	-	-
	<u>(816,173)</u>	<u>(481,699)</u>	<u>7,639</u>	<u>9,378</u>
Investing Activities				
Purchase of equipment	(271,383)	(111,620)	-	-
Joint venture advances	(201,425)	(201,425)	-	-
Mineral property expenditures	(394,078)	(183,552)	(75,238)	(43,990)
	<u>(866,886)</u>	<u>(496,597)</u>	<u>(75,238)</u>	<u>(43,990)</u>
Financing Activities				
Common shares issued	540,455	242,606	-	-
Share issue costs	(6,817)	-	-	-
Loan advance from related party	-	-	152,293	2,293
	<u>533,638</u>	<u>242,606</u>	<u>152,293</u>	<u>2,293</u>
Cash acquired in jointly controlled business	<u>211</u>	<u>211</u>	<u>-</u>	<u>-</u>
Increase (decrease) in cash	<u>(1,149,210)</u>	<u>(742,296)</u>	<u>84,694</u>	<u>(32,319)</u>
Cash - beginning of period	<u>2,838,230</u>	<u>2,431,316</u>	<u>61,891</u>	<u>178,904</u>
Cash - end of period	<u><u>1,689,020</u></u>	<u><u>1,689,020</u></u>	<u><u>146,585</u></u>	<u><u>146,585</u></u>

Supplementary cash flow information: Refer to note 8.

NEW GUINEA GOLD CORPORATION

Notes to the Consolidated Financial Statements

June 30, 2004

(Unaudited – See Notice to Reader)

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

The Company is incorporated in the Yukon Territory, Canada, and is an exploration stage company whose business activity is the exploration of mineral properties located in Papua New Guinea. The Company has not yet determined if any of these properties contain economic mineral reserves and, accordingly, the amounts shown for deferred exploration costs represent costs incurred to date, less write-downs, and do not necessarily reflect present or future values. The recovery of these amounts is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration of the properties, and upon the commencement of future profitable production or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidate financial statements should be read in conjunction with the Company's audited consolidated financial statements dated December 31, 2003, both of which were prepared in accordance with the Canadian Generally Accepted Accounting Principles. The results for the six month period ended June 30, 2004 are stated utilizing the same accounting policies and methods of application as the most recent annual consolidated financial statements.

3. EQUIPMENT

	2004			2003		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Cost \$	Accumulated Amortization \$	Net Book Value \$
Furniture and fixtures	9,833	7,048	2,785	9,140	,848	2,292
Trucks	69,582	12,315	57,267	69,582	5,952	63,630
Equipment	309,333	19,530	289,803	36,162	2,484	33,678
	<u>388,748</u>	<u>38,893</u>	<u>349,855</u>	<u>114,884</u>	<u>15,284</u>	<u>99,600</u>

4. SHARE CAPITAL

Authorized share capital consists of 100,000,000 common shares without par value.

a) Issued Share Capital

	2004		2003	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Issued, beginning of year	44,649,509	12,940,207	23,167,014	10,281,628
Issued for:				
• private placement ⁽¹⁾	-	-	3,715,000	1,003,003
• short-form offering ⁽²⁾	-	-	11,740,000	905,407
• mineral property	-	-	250,000	30,000
• loan bonus	-	-	300,000	30,000
• acquisition of subsidiary ⁽³⁾	-	-	2,250,000	214,200
• financing costs	-	(6,837) ⁽⁵⁾	-	-
• joint venture interest ⁽⁴⁾	1,400,000	7,475	-	-
• exercise of warrants	2,398,487	302,714	2,572,495	377,719
• exercise of options	1,188,409	237,761	655,000	98,250
Issued, end of year	<u>49,636,405</u>	<u>13,481,320</u>	<u>44,649,509</u>	<u>12,940,207</u>

4. SHARE CAPITAL (continued)

(1) Net of share issue costs of \$385,993 of which \$102,960 was paid in cash, \$56,000 was paid in 140,000 units of the Company (each unit consisted of one share and one-half of one share purchase warrant, exercisable at a price of \$0.40 for one year), and \$30,000 was paid in 75,000 shares of the Company. The remaining \$197,033 was representative of the fair value of 525,000 share purchase warrants exercisable at a price of \$0.40 for 1 year. Refer to note 4(b).

(2) Net of share issue costs of \$482,997, of which \$85,237 was paid in cash, \$48,400 was paid in 440,000 units of the Company (each unit consisted of one share and one-half of one share purchase warrant, exercisable at a price of \$0.12 for one year), and

warrants exercisable at a price of \$0.12 for 1 year. Refer to note 4(b).

(3) Refer to note 5.

(4) Refer to note 6.

(5) Share issue costs relating to 2003 private placement.

b) Stock options

	Options	Weighted Average Exercise Price \$	Expiry date range
Outstanding and exercisable at December 31, 2003	3,228,409	0.36	June 5, 2004 to November10, 2008
Expired	(255,000)	0.15	June 5, 2004
Exercised	<u>(1,188,409)</u>	0.20	June 5, 2004 to November10, 2008
Outstanding and exercisable at June 30, 2004	<u><u>1,785,000</u></u>	0.49	

c) Share purchase warrants outstanding at June 30, 2004:

<u>Number of Warrants</u>	<u>Exercise Price \$</u>	<u>Expiry Date</u>
<u>2,299,860</u>	0.45	December 29, 2004

5. **MINERAL PROPERTIES**

The Company=s mineral properties are located in Papua New Guinea.

	Mt. Sinivit \$	Normanby \$	Sehulea \$	Mt. Allemtata \$	Various \$	Total \$
Balance - December 31, 2002	2,595	48,788	2,303	-	28,151	81,837
Additions - acquisition	185,164	-	30,000	-	-	215,164
- exploration	67,026	11,928	15,772	-	156,312	251,038
Write-downs	-	-	(8,264)	-	(71,652)	(79,916)
Option payments received	-	-	-	-	(54,000)	(54,000)
Balance - December 31, 2003	<u>254,785</u>	<u>60,716</u>	<u>39,811</u>	<u>-</u>	<u>58,811</u>	<u>414,123</u>
Additions - acquisition	-	-	-	17,500	52,500	70,000
- exploration	148,798	59,855	22,643	53,844	185,035	470,175
Write-downs	-	-	-	(53,844)	(64,289)	(118,133)
Operating fees received	-	-	-	-	(43,515)	(43,515)
Option payments received	-	-	-	-	(93,600)	(93,600)
	<u><u>403,583</u></u>	<u><u>120,571</u></u>	<u><u>62,454</u></u>	<u><u>17,500</u></u>	<u><u>94,942</u></u>	<u><u>699,050</u></u>

5. **MINERAL PROPERTIES (continued)**

The Company has a 100% interest in five and a 90% interest in two exploration projects in Papua New Guinea. The Company originally had a 25% interest in two properties and acquired the remaining interest with the acquisition of Macmin (PNG) Ltd. The Company is conducting operations on the Sinivit, Normanby, Sehulea and Simuku Projects and has optioned out the following:

- **Crater Mountain** – optioned by agreement dated January 6, 2004, to Celtic Minerals Ltd., a TSX Venture listed company, to acquire subject to regulatory consent, a 51% interest by expending \$2,000,000 on exploration prior to March 1, 2006, and a further 25% interest can be acquired upon completion of a further \$2,000,000 exploration program prior to March 1, 2009.

- **Feni** - optioned to Vangold Resources Ltd. ("Vangold"), a TSX Venture listed company, to acquire a 75% interest by performing \$2,500,000 in exploration over three years, of which \$500,000 must be spent by September 26, 2004, and to issue to the Company 200,000 shares upon receipt of regulatory consent to the agreement (issued) and a further 600,000 shares in stages prior to June 30, 2006. The Company must pay a finders fee of 10% of all share consideration received (20,000 Vangold shares paid).
- **Mt. Nakru** - optioned to Kanon Resources Ltd. ("Kanon"), whereby Kanon can acquire a 50% interest by spending \$250,000 on exploration within two years and issue to the Company 5% of its issued share capital.
- **Shulea** - The Company acquired a 30% interest to bring its interest to 100%, subject to a 2% gross royalty, by the issue of 250,000 shares valued at \$30,000.

These projects are subject to a 1% NSR royalty payable, and the issue 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.

6. **KANON REOURCES LTD.**

7. **MARKETABLE SECURITIES**

The Company held marketable securities at June 30, 2004 with a fair market value of \$187,200 and a book value of \$147,600.

8. **SUPPLEMENTARY CASH FLOW INFORMATION**

During 2003, the Company:

- Issued 2,250,000 common shares valued at \$214,200 for acquisition of a subsidiary.

During 2004, the Company:

- Issued 1,400,000 common shares valued at \$7,475 for acquisition in a company to be operated as a joint venture
- Received shares valued at \$93,600 as an option payment on a mineral property

9. **SUBSEQUENT EVENTS**

In addition to items mentioned elsewhere in these notes, the follow occurred subsequent to June 30, 2004:

- The Company issued 1,770,000 stock options exercisable at \$0.41 for five years to employees and consultants.