

NEW GUINEA GOLD CORPORATION
Consolidated Interim Financial Statements
Nine Months Ended September 30, 2004

(Prepared by Management)

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 September 30, 2004 in accordance with Section 7050 of the CICA Handbook.

NEW GUINEA GOLD CORPORATION

Consolidated Balance Sheets

(Unaudited - Prepared by Management)

As at September 30, 2004 and December 31, 2003

	September 30, 2004	December 31, 2003 <i>(Audited)</i>
ASSETS		
Current assets		
Cash and short-term deposits	\$ 1,755,990	\$ 2,838,230
Amounts receivable	82,111	24,864
Prepaid expenses	-	21,173
Marketable securities	147,600	54,000
	1,985,701	2,938,267
Due from related party	63,265	-
Advances to joint venture	207,737	-
Mining deposit receivable	26,338	21,367
Equipment	329,658	99,600
Deferred mineral property costs (note 5)	1,016,737	414,123
	\$ 3,629,436	\$ 3,473,357
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,627	\$ 78,142
Due to related parties	49,077	490,822
	62,704	568,964
SHAREHOLDERS' EQUITY		
Share capital (note 7)	13,980,148	12,940,207
Contributed surplus	1,330,287	866,193
Deficit	(11,743,703)	(10,902,007)
	3,566,732	2,904,393
	\$ 3,629,436	\$ 3,473,357
Continuing operations (note 1)		

Approved by the Board of Directors:

"Robert D. McNeil"

Director

"Judith O'Quinn"

Director

The accompanying notes are an integral part of these consolidated financial statements.

NEW GUINEA GOLD CORPORATION
Consolidated Statements of Operations and Deficit
(Unaudited - Prepared by Management)
For the Three and Nine Months Ended September 30

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2004	2003	2004	2003
	\$	\$	\$	\$
Expenses				
Amortization	30,400	825	53,829	1,825
Bank charges and interest	407	5,840	22,579	13,133
(Gain) Loss on foreign exchange	(52,966)	(22,312)	12,564	(13,722)
General exploration	-	-	212	-
Office	9,920	8,351	27,809	24,436
Professional fees	5,814	13,148	27,083	28,696
Rent	6,160	675	12,865	3,725
Shareholder communications	49,780	-	97,349	-
Stock-based compensation	464,094	-	464,094	-
Transfer agent and regulatory	4,696	1,233	33,630	13,376
Wages and benefits	28,578	15,014	84,386	42,028
	<u>546,883</u>	<u>22,774</u>	<u>836,400</u>	<u>113,547</u>
Loss before other items	(546,883)	(22,774)	(836,400)	(113,547)
Other items				
Interest income	979	400	10,255	1,194
Write-off of mineral property costs	-	(112,758)	(15,551)	(112,758)
	<u>(545,904)</u>	<u>(135,132)</u>	<u>(841,696)</u>	<u>(225,061)</u>
Net loss for the period	(545,904)	(135,132)	(841,696)	(225,061)
Deficit, beginning of period	<u>(11,197,799)</u>	<u>(10,310,317)</u>	<u>(10,902,007)</u>	<u>(10,220,388)</u>
Deficit, end of period	<u>(11,743,703)</u>	<u>(10,445,449)</u>	<u>(11,743,703)</u>	<u>(10,445,449)</u>
Loss per share – basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.01)</u>
Weighted average number of common shares outstanding	<u>52,269,938</u>	<u>37,707,014</u>	<u>48,160,710</u>	<u>37,707,014</u>

The accompanying notes are an integral part of these consolidated financial statements.

NEW GUINEA GOLD CORPORATION

Consolidated Statements of Cash Flows

(Unaudited - Prepared by Management)

For the Period Ended September 30

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash provided by (used for):				
Operating Activities				
Net loss for the period	(545,904)	(135,132)	(841,696)	(225,061)
Adjustment for items not involving cash				
Amortization	30,408	825	53,829	1,825
Amortization of loan bonus	-	-	17,500	-
Stock-based compensation	464,094	-	464,094	-
Write-down mineral property costs	-	-	15,551	-
	(51,402)	(134,307)	(290,722)	(223,236)
Changes in non-cash working capital items				
Share subscription receivable	-	(1,149,010)	-	(1,149,010)
Amounts receivable	3,753	41,477	(57,247)	392
Deferred expense	-	3,750	-	(21,250)
Prepaid expenses	(23,396)	(48,337)	(21,173)	(48,337)
Accounts payable and accrued liabilities	(49,690)	9,871	(64,517)	23,340
Due from related parties	(15,272)	-	(63,265)	-
Due to related parties	13,511	90,430	(441,745)	209,616
	(122,496)	(1,186,126)	(938,669)	(1,208,485)
Investing Activities				
Purchase of equipment	(112,102)	-	(383,485)	(4,724)
Advances to joint venture	(6,312)	-	(207,737)	-
Deferred property costs	(183,131)	33,477	(573,007)	(262,037)
Mining deposits	-	-	(4,971)	-
	(301,545)	33,477	(1,169,200)	(266,761)
Financing Activities				
Common shares issued for cash	491,011	1,179,010	1,032,466	1,434,008
Share issue costs	-	(30,000)	(6,837)	(30,000)
Loan from related party	-	1,701	-	153,994
	491,011	1,150,711	1,025,629	1,558,002
Increase in cash during the period	66,970	(1,938)	(1,082,240)	82,756
Cash, beginning of period	1,689,020	146,585	2,838,230	61,891
Cash, end of period	1,755,990	144,647	1,755,990	144,647

Supplemental Disclosure of Non-Cash Investing and Financing Activities – see note 8

The accompanying notes are an integral part of these consolidated financial statements

NEW GUINEA GOLD CORPORATION

Notes to Consolidated Financial Statements

For the Three Months Ended September 30, 2004

1. NATURE OF OPERATIONS

The Company is incorporated in the Yukon Territory, Canada, and is involved in the acquisition, exploration and development of mineral properties located in Papua New Guinea. The Company has not yet determined whether any of its mineral properties contain economically recoverable mineral reserves. Accordingly, the carrying amount of deferred mineral exploration costs represents expenditures made to date, less write-downs and do not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete 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. ACCOUNTING PRINCIPLES AND USE OF ESTIMATES

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These interim financial statements should be read in conjunction with the Company's annual audited financial statements as at the year-end December 31, 2003. The results for the three months ended September 30, 2004 are stated utilizing the same accounting policies and methods of application as the most recent annual financial statements, but are not necessarily indicative of the results to be expected for a full year.

The consolidated interim financial statements include the accounts of the Company, its wholly owned subsidiary, Macmin (PNG) Ltd. ("Macmin") and its 50% owned Kanon Resources Ltd. ("Kanon").

3. MARKETABLE SECURITIES

The Company's marketable securities at September 30, 2004 consist of 360,000 shares of Vangold Resources Ltd. with a fair market value of \$104,000 and a book value of \$147,600.

4. EQUIPMENT

	2004			2003
	Cost	Accumulated Amortization	Net value	Net value
	\$	\$	\$	\$
Equipment	302,091	29,295	272,796	2,292
Furniture and fixtures	9,833	7,057	2,776	63,630
Trucks	69,582	15,496	54,086	33,678
	<u>381,506</u>	<u>51,848</u>	<u>329,658</u>	<u>99,600</u>

5. DEFERRED MINERAL PROPERTY COSTS

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.

	Sinivit \$	Normanby \$	Sehulea \$	Mt Penck \$	Other \$	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	254,785	60,716	39,811	-	58,811	414,123
Additions						
- acquisition	2,517	9,994	7,076	1,903	7,333	28,823
- exploration	157,697	176,740	24,028	247,006	77,471	682,942
Write-downs	-	-	-	-	(15,551)	(15,551)
Option payments received	-	-	-	-	(93,600)	(93,600)
	160,214	186,734	31,104	248,909	(24,347)	602,614
Balance September 30, 2004	414,999	247,450	70,915	248,809	34,464	1,016,737

Sinivit

The Sinivit property in Papua New Guinea is held under three titles in which Macmin PNG, acquired by NGG, has a direct 90% equity and a further 2.5% indirect equity through equity in GMN, a 10% equity holder.

The project is presently the subject of three tenements. Mining Lease 122, covers a 355 ha (3.55km²) area including all the known oxide deposits, the proposed sites for project infrastructure, and areas of prime exploration potential for the location of structurally-controlled vein mineralization and gold-rich porphyry copper mineralization. Mining Easement 70, is 41 ha in size, and covers a 7.2km interval of the all weather project access road. The holder of a mining easement is entitled to exclusive occupancy of the land over which the mining easement is granted. Exploration License 1140 covers the extensions of the auriferous Nengmutka vein System to the north and south of Mining Lease 122.

A feasibility study was completed for the development and mining of a modest oxide gold resource using a 100,000 tonne per annum CIP plant (such a plant was then owned by Macmin). The project was shelved due to declining gold prices and New Guinea Gold now intends to develop the project using vat leach extraction for the gold.

Subject to any agreement made under Section 17 of the PNG Mines Act, the State reserves the right to elect at any time, prior to the commencement of mining, to make a single purchase up to 30% equitable interest in any mining discovery arising from this license, at a price pro rata to the accumulated exploration expenditures and then to contribute to further exploration and development in relation to the lease on a pro rata basis, unless otherwise agreed.

Normanby

Normanby Licence covers about 68 square kilometres on Normanby Island, Milne Bay Province, Papua New Guinea. (75% Macmin) has several areas with economic gold in drill hole intersections. Limited exploration at the Imwauna Vein Swarm has so far defined a 200,000 oz gold resource (grade 6.1g/t Au) with a higher grade, near surface (above 50m depth) zone of 200,000 t at 10.1g/t Au. This higher-grade zone could be economically mined now and processed by vat leaching or toll milled if the initial capital can be raised.

Sehulea

The Sehulea Project covers about 30 square kilometres in the eastern part of Normanby Island, in Milne Bay Province, Papua New Guinea (70% Macmin), adjacent to the Normanby Project. Drilling has defined an open-ended 5-10 million tonne zone averaging approximately 1 to 1.5g/t Au with some higher-grade zones. Geophysics also suggest mineralization is open ended along strike and to depth. The higher grades could be mined and vat leached/toll milled in conjunction with Normanby mineralization. The property is located within a few hundred metres of the coast.

Simuku

The West New Britain Porphyry Copper/Gold Project covers four exploration licenses totalling 3,093 square kilometers and includes many copper and/or gold prospects. Simuku has more than one billion contained tonnes of copper mineralization at 0.35% Cu. This project is an excellent opportunity to locate and develop porphyry copper/gold systems in a relatively accessible and lower cost region of Papua New Guinea.

Joint Venture

New Guinea Gold and Vangold Resources Ltd., NGG's joint venture partner in the Feni project, have completed and signed a Share Purchase Agreement for the acquisition of 95% of the shares of Kanon Resources Ltd. ("Kanon") a private company registered in Papua New Guinea. NGG currently holds the remaining 5% of the remaining Kanon shares. Upon closing of the acquisition, Vangold and NGG will each hold a 50% interest in Kanon (including the 5% already held by NGG).

Kanon holds 100% of five prospecting licenses and 50% of one, all of which are located in Papua New Guinea. The properties total approximately 1,446 sq kms in area and, based on previous exploration results, they are regarded as advanced stage projects with significant gold known in trench and drill hole with further drill ready targets.

Under the terms of the Share Purchase Agreement, Vangold issued 1.6 million shares and NGG issued 1.4 million shares to the vendors of Kanon. Furthermore, the vendors were granted an 8% free carried interest to commercial production in each of the mining licences (other than Mt. Nakru).

Mt Penck - NGG has elected to earn a direct 20% interest in the Mt. Penck property by solely funding the first CDN\$300,000 worth of exploration. NGG will then have a 60% interest and will be the manager and operator of that property.

The Mt. Penck exploration licence covers 102.6 square kilometres in area and is 55 kilometres west of Kimbe in the West New Britain Province, Papua New Guinea.

The Company 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 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 – Vangold Resources Ltd., a TSX Venture company has been granted the right to earn up to 75% interest by performing \$2,50,000 in exploration over three years, of which \$500,000 must be spent by September 26, 2004 (completed) 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. Vangold issued 200,000 of these shares to the Company. The Company must pay a finders fee of 10% of all share consideration received (40,000 Vangold shares paid).

Mt. Nakru - optioned to Kanon Resources Ltd. 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.

These projects are subject to a 1% Net Smelter Royalty (NSR) 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. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at fair value as determined by management. The year-end balances referred to above are non-interest bearing, unsecured, receivable or payable on demand and have arisen from the provision of services, expense reimbursement or advances described.

Macmin Silver Limited is the Company's controlling shareholder, has directors in common and is the operator of the Company's Papua New Guinea projects. For its property management services, Macmin Silver charges a 10% operator fee on incurred exploration expenditures. During the period ended September 30, 2004 Macmin Silver charged the Company \$59,900 for operator fees.

7. SHARE CAPITAL AND RELATED INFORMATION

Authorized: 100,000,000 common shares without par value

Issued and outstanding:

	Number of Shares	Weighted Average Price	Amount
		\$	\$
Balance, December 31, 2002	<u>23,167,014</u>		<u>10,281,628</u>
Private placement	3,715,000	0.27	1,003,003
Short-form offering	11,740,000	0.07	905,407
Mineral property	250,000	0.12	30,000
Loan bonus	300,000	0.10	30,000
Acquisition of subsidiary	2,250,000	0.10	214,200
Exercise of options	655,000	0.15	98,250
Exercise of warrants	<u>2,572,495</u>	0.15	<u>377,719</u>
Balance, December 31, 2003	<u>44,649,509</u>		<u>12,940,207</u>
Joint venture interest	1,400,000	0.05	7,475
Exercise of options	1,188,409	0.20	237,761
Exercise of warrants	6,335,390	0.12	729,542
Less: share issue costs			<u>(6,837)</u>
Balance, September 30, 2004	<u><u>53,573,308</u></u>		<u><u>13,908,148</u></u>

Warrants

As at September 30, 2004 the Company had 1,857,756 outstanding warrants which may be exercised to purchase common shares. The remaining warrants may be exercised at \$0.45 per common share.

Details of warrants outstanding are as follows:

	<u>2004</u>	<u>2003</u>
Balance, year ended December 31	8,193,146	862,745
Issued	-	6,820,000
Exercised	<u>6,335,390</u>	-
Balance, period ended September 30	<u>1,857,756</u>	<u>7,682,745</u>

The following table summarizes information about warrants outstanding and exercisable as at September 30, 2004:

Exercise Price	Warrants Outstanding	Expiry Date
<u>1,857,756</u>	<u>\$0.45</u>	December 29, 2004

Stock options

Stock options outstanding at September 30, 2004 and 2003 and changes during those periods are as follows:

	<u>2004</u>		<u>2003</u>	
	Options Outstanding	Weighted average Exercise Price	Options Outstanding	Weighted average Exercise Price
		\$		\$
Balance, beginning of year	3,228,409	0.36	1,923,409	0.15
Granted	1,770,000	0.41	-	-
Expired	(255,000)	0.15	-	-
Exercised	(1,188,409)	0.20	-	-
Balance, end of period	<u>3,555,000</u>	<u>0.45</u>	<u>1,923,409</u>	<u>0.15</u>

Stock options outstanding and exercisable at September 30, 2004 are as follows:

Exercise Price	Number Outstanding	Expiry Date
\$		
0.49	1,785,000	November 10, 2008
0.41	<u>1,770,000</u>	July 5, 2009
	<u>3,555,000</u>	

During the period ended September 30, 2004 the Company recorded stock-based compensation expense of \$464,094 using the fair-value method for stock options granted to directors, employees and consultants.

The fair value has been determined using the Black-Scholes Option Pricing Model with the following assumptions: a risk free interest rate of 3.56%; an expected stock price volatility of 203%; an expected option life of 3 years; and no expectation for the payment of dividends.

Option pricing models require the input of highly subjective assumptions, including the expected volatility of the stock price and the expected life of the option. Changes in these subjective assumptions can materially affect the fair value estimate, and therefore in management's opinion the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Amounts expensed as stock-based compensation are credited to contributed surplus.

8. SUPPLEMENTAL DISCLOSURE OF CASH FLOW ACTIVITIES

During 2003, the Company:

- a. Issued 250,000 common shares valued at \$30,000 for a mineral property
- b. Issued 300,000 common shares valued at \$30,000 as a loan bonus
- c. Issued 985,000 common shares valued at \$167,400 for financing fees
- d. Issued 2,250,000 common shares valued at \$214,200 for acquisition of Macmin (PNG) Ltd.
- e. Received 200,000 common shares of a company valued at \$60,000 as an option payment for a mineral property, of which 20,000 shares (valued at \$6,000) were paid to a third party as a finders fee.

During 2004, the Company:

- f. Issued 1,400,000 common shares valued at \$7,475 for acquisition of 50% interest in a company to be operated as a joint venture
- g. Received shares valued at \$93,600 as an option payment for a mineral property

9. SUBSEQUENT EVENTS

Private Placements

On October 29, 2004 the Company closed a brokered private placement with Canaccord Capital Corporation for 10,480,000 units at \$0.45 per unit including 480,000 over subscribed units for gross proceeds of \$4,716,000. Each unit consisted of one common share and half of one non-transferable share purchase warrant. One whole warrant entitles the holder to purchase an additional common share at a price of \$0.55 for two years until October 29, 2006. The agent received a 7.5% commission paid in cash, 1,572,000 non-transferable Agent's Warrants equal to 15% of the offering exercisable at \$0.55 per common share purchased and a fee of 150,000 common shares and 75,000 non-transferable warrants.

On November 16, 2004 the Company announced a non-brokered private placement for 200,000 units at \$0.45 per unit for gross proceeds of \$90,000. Each unit consisted of one common share and half of one non-transferable share purchase warrant. One whole warrant entitles the holder to purchase an additional common share at a price of \$0.55 for two years.

The company has contracted to purchase its own man portable core drill rig with a depth capability of approximately 300m. The Company also now owns three bulldozers, which are being used exclusively on its exploration projects. The Company intends to purchase an additional bulldozer and excavator for exploration in 2005. These equipment purchases give the Company much more control over its exploration programs, eliminating the need to rely on others for equipment and contractor services in a very active exploration market in both Australia and Papua New Guinea.

NEW GUINEA GOLD CORPORATION

Management Discussion & Analysis

The following discussion and analysis is for the three-month period ended September 30, 2004, compared with the three-month period ended September, 2003. This information is current to November 27, 2004 and has not been reviewed by the Company's auditors.

Description of Business

New Guinea Gold Corporation ("the Company") is a Canadian junior resource company involved in mineral exploration and development activities on twelve gold and gold/copper projects in Papua New Guinea ("PNG"). The Company's primary objective is to develop mineral properties to a stage where they can be exploited profitably.

The Company's Development Strategy

The Company has interests in twelve properties in Papua New Guinea. Four projects are considered core gold projects at this stage, on which the Company's funds are focused. Three of the core properties (Sinivit, Normanby and Sehulea) are partly drilled, have modest resources and/or reserves, and are considered to have untested potential which could yield major gold ore bodies (plus 1 million ozs contained gold). The fourth core project is Mt Penck.

The Company's strategy, based on present resources, is to develop three mines over the next three years. These mines should yield 40,000 ozs gold per annum and a net cash flow of \$10 million per annum for four to five years. At the same time, exploration will proceed on these projects, the other core projects and remaining projects to define additional and new resources. The initial mine at Sinivit is planned to be in production by mid 2005.

It is most important to note that none of the proposed mine projects have been fully explored. Exploration was terminated in 1998/1999 due to market conditions and reduced funds available to the Company and its parent company Macmin Silver Ltd. All three mine projects could yield much larger and longer life mines than are presently proposed. The resources defined to date, and considered for mining, come from relatively small parts of large mineralized systems. In particular, Normanby and Sehulea could have multi-million ounce gold potential.

The Sinivit mine revised Feasibility Study (see Press Release dated 25 May 2004) is intended as the first of three such studies. The remaining two studies

will relate to the proposed Imwauna Mine (Normanby Property), the Weioko Mine (Sehulea Property), and should be completed in 2005 and 2006 respectively. An original Feasibility Study was completed for Sinivit in 1995 by external consultants Ausenco Limited. This feasibility envisaged gold extraction over a three year period by a 100,000 tonne per annum CIP Plant. Development did not proceed on the basis of this feasibility because of lower gold prices in the late 1990's.

A review of the project, which minimized and reduces the mining/processing period and changes the processing from CIP to non reusable vats has significantly improved the economics of the project. The Proposal for Development of the Sinivit Gold Project as submitted to the Papua New Guinea Department of Mines is on the Company's web site at www.newguineagold.ca .

The remaining eight properties in which the Company has an interest are all significant projects with major orebody potential as determined from extensive exploration completed to date. Two properties, which have geological similarities to Lihir and Porgera, Feni and Crater Mt respectively, have been joint ventured to third parties who are sole funding exploration. The Company considered joint venturing appropriate for the projects even though they have significant gold in drill holes and potential in excess of five million contained ozs of gold, because both projects require multi-million dollar expenditures to proceed them to the next phase of evaluation.

Four of the above eight properties are held by Kanon Resources (the Company and Vangold Resources 50/50), and expenditures are presently shared 50/50. The fifth Kanon property, Mt Penck, in which the Company has an effective 60% interest is funded 60% by the Company and 40% by Vangold. Exploration is presently proceeding on three Kanon properties, and subject to results, any of these projects could be upgraded to a core project in the future.

Two projects with significant copper potential, Simuku (the Company 90% interest) and Mt Nakru (the Company effective 75% interest) are being assessed with exploration proceeding at both properties at present.

The Company operates in Papua New Guinea through its wholly owned subsidiary Macmin (PNG) Limited (a PNG private company which holds title to the properties).

Overall Performance

The Company's cost of administration are relatively unchanged from the 2003 period, however they are considerably reduced from the first quarter during which time the Kanon acquisition and joint ventures were negotiated. The Company earned [] during the three month period ended September 30th 2004 from the exercise of warrants and stock options. Subsequently in [___ October 2004] the Company raised by way of a brokered private placement (Canaccord Capital) to allow development to commence at the Sinivit gold property and for further drilling at the Normanby property.

The company had a very active exploration/development program during the quarter.

- An initial drilling program was completed at Mt Penck
- An initial bulldozer trenching program was completed at Simuku
- A bulldozer trenching program was commenced at Mt Nakru.
- A trenching and geochemical sampling program was completed at Bismarck
- A trenching and geochemical sampling program commenced at Allemata.
- Two diamond core holes were completed at Weioko, Sehulea property.
- Drilling is in progress at the Imwauna prospect, Normanby property.
- The Company was advised the Celtic/Triple Plate Junction had commenced exploration at the Company's Crater Mt project.

Operating Results

1. Sinivit Gold Project (92% NGG)

The Sinivit Project is awaiting final approvals to proceed with development, from the PNG government.

2. Mt Penck Gold Property (60% NGG)

An initial seven hole, 1,000 metre drill program at the Kavola East Prospect, Mt Penck property, Papua New Guinea encountered significant gold intersections in all holes (see Press Release dated 12th October 2004). **Results included 72m @ 1.79g/t gold and 12.9g/t silver (including 43m @ 2.35g/t gold), 2m @ 36.7g/t gold, 14m @ 2.82g/t gold, 2m at 15.35g/t gold, 10m of 1.99g/t gold, 6m at 3.67g/t gold, 13m @ 3.06g/t gold, and 3m of 4.7g/t gold.**

The Mt Penck property is beneficially owned 60% by New Guinea Gold Corporation and 40% by Vangold Resources Ltd.

The above intersections at Kavola East Prospect are within wide intervals of low grade gold such as 49m of 0.23g/t gold and 34m of 0.79g/t gold and almost the entire 1,000m of core contained anomalous gold in the range of 50 to 200ppb gold.

The holes were drilled over a length of 250m of the mineralised system along the presumed Kavola East structure. Five holes were drilled in a south easterly direction and two holes in a south westerly direction. Mineralisation occurred at varying depths in the holes from surface to 160m downhole.

The Kavola East Prospect is obviously a large gold and silver mineralised system and the current drill program tested only a part of the system as defined by surface sampling. Further exploration and drilling will be carried out in 2005.

3. Normanby Gold Property (100% NGG)

The results of the 26 bulk samples collected in the previous quarter became available and are described in a Press Release dated 7 September 2004.

Bulk sampling of 24 excavator trenches over a strike length of 1240m (4090 feet) of a single vein system at the Imwauna Project, Normanby property gave results as high as 34.17g/t gold with eight trenches returning grades exceeding 20g/t gold. A total of 1254kg (2760 lbs) of mineralised rock in 26 samples was collected. The arithmetic average of all trenches was 12.9g/t gold which represents a 39% increase on the original channel sample average grade of 9.3g/t gold. The overall grade at surface of the vein is probably higher than 12.9g/t as 11 trenches from **a high grade part of the vein** which were bulk sampled in late 2002 (a further 611.5 kgs of samples) were excluded from the present program.

If these samples are added to those of the present program the arithmetic average of all trenches/exposures sampled, over the strike length of 1,240m, is 26.4g/t gold or almost 1oz gold/tonne.

Column leach metallurgical testing of one 60kg sample, which had a grade of 34.1g/t gold and 64g/t silver, gave favourable gold and silver recoveries of 72% and 53% respectively. The sample was crushed to -6 mm size. Further leach tests are scheduled to refine proposed processing and improve recoveries. Scoping economic studies assumed a gold recovery of 70% and these results are regarded as very encouraging for the future economic development of the Imwauna Mine.

Feasibility studies are underway at Imwauna which are expected to lead to the grant of a mining lease and gold production in 2006.

A 2,500 diamond core drill program commenced at Imwauna on 23 October 2004. As at 12th November 10 holes totaling 441.7m had been completed. Assays are pending.

4. Sehulea Gold Property (100% NGG)

A two hole diamond core drill program was completed at the Weioko Gold Prospect on 16th October 2004. Assays are pending.

5. Allemata Property (50% NGG)

An excavator trenching/geochemical program commenced at Allemata in October.

Earlier field work at the Allemata Property resulted in the definition of high grade gold in trench such as (a 4m width of 100g/t gold) and wide zones of anomalous

gold in soils (200m wide zone of 1.24g/t gold including a 50m wide zone of 4.54g/t gold).

The results were described in detail in a recent press release dated 10th June 2004.

The partners (NGG & Vangold) regard the results from the Allemata Property as very exciting and the property is a high priority for drill testing. The surface field work to date has covered only parts of the Uloulo and Mt Haluba prospects. The present program will complete the soil sampling programs and will test gold anomalous areas with excavator trenching. Drilling will be planned on receipt of these results (expected in December/January), and subject to drill availability, will commence in February 2005.

6. Bismarck Gold Property (50% NGG)

The following description of the project has been provided by the project geologist but has not yet been verified by the Company.

Eight hand dug trenches totaling 1,800 metres were completed. 540 samples (trench and rock chip) were collected and are being shipped to ALS Laboratories in Townsville, Australia. Results shall be available mid/late December.

Many of the trenches contained argillically altered shale and siltstone, with associated brecciation and limonite veining. One trench contained stockwork quartz-sulphide veining. The zone of stockwork and brecciation is of 'considerable' width, can be traced in a NW and SE direction and is open-ended in both directions.

Pannable gold was traced to a large (50mx50m) oxidised breccia outcrop. This was mapped and sampled in detail. Fine alluvial gold is present in virtually all creeks draining the area covered by trenches.

7. Feni Property

An initial drilling program was completed at this property in August 2004. This program was described in a Press Release dated August 16th 2004.

The initial exploration program at the Feni Property, including approximately 1513 metres of core drilling in 6 holes, yielded encouraging results which require follow up exploration but did not define significant volumes of potentially economic gold mineralisation.

The Feni Property is managed by Vangold Resources Ltd who are earning a 75% interest in the property from the Company.

The surface geochemical stream sampling undertaken earlier this year showed that a large part of the Central Caldera feature has anomalous to high value gold in streams from pan concentrate samples. This gold appears to be derived from throughout the caldera suggesting that most of the bedrock in the 6 sq kms area

of the caldera contains gold mineralisation. The drill holes completed by Vangold, however, intersected only wide zones of lower tenor gold and gold/copper mineralisation. Best results from the program were 48m of 1.54g/t gold including 4m of 2.30g/t gold, and 18m of 0.68% copper with 0.72g/t gold.

The drilling and geochemical sampling program confirmed that the Feni property remains prospective for gold and gold/copper deposits, and is essentially unexplored in terms of drill testing. Gold in pan concentrates range up to 120g/t in the southern caldera region and 86g/t in the northern caldera region.

The limited diamond core drilling carried out by Vangold and previous explorers, **mainly in the southern part of the Caldera** has shown that gold is also widespread in the bedrock in concentrations of up to 2g/t, often with associated copper in the range of 0.1% to 1.0% copper. Significant intervals in drill core of 2 to 3g/t gold and narrower intervals up to 5g/t gold have been noted. Significant intervals of copper mineralisation with significant gold assayed up to 1% to 2% copper.

The exploration problem confronting mineral exploration at Feni is that the bedrock is covered by a variable but sometimes thick volcanic ash cover which obscures the bedrock. The stream geochemistry indicates that gold is present throughout the caldera beneath the volcanic ash but it is not a reliable guide to any areas of higher grade gold mineralisation in the bedrock. The exploration problem is how to identify drill targets or structural feeder zones containing higher grade gold mineralisation similar to those at the Lihir gold mine. It is difficult to “see through” the volcanic ash with conventional exploration methods and to site drill holes on a grid or pattern basis, although probably effective, would be extremely expensive.

All data collected over the past year, geochemical, drilling, geophysical, and structural information from terrain radar, will now be re-evaluated to attempt to define higher grade gold and gold/copper targets before a further drilling program is proposed..

The Matangkaka gossan, reported in a press release dated June 8th 2004, was tested by a bulldozer trench and one 180m long drill hole. No gold values greater than 0.5g/t gold were encountered. The Matangkaka gossan has proved to be a “false gossan” or an accumulation of secondary iron, manganese and minor gold which resembles true gossan, and which has developed or been formed at some unknown distance from its sulphide source. Normal gossans “sit” immediately above the sulphide source.

8. **Simuku Copper/Molybdenum Property (NGG – 90%)**

Results from the initial trenching program at Simuku were delayed due to shipping problems in Papua New Guinea and quarantine problems in Australia. These have now been resolved and complete trench results should be available in early December,

Bulldozer trenching has defined substantial widths of copper/molybdenum mineralisation. The significance of this molybdenum, is as yet uncertain, but it

could either provide a valuable bi-product in possible future copper mining or may even be of greater value than the copper mineralisation.

Trench one at Simuku, of total length 1670m, traversed the central/southern part of the porphyry copper system (see Press Release dated 29th October 2003 for additional detail of Simuku). The mineralogy of the copper and molybdenum mineralisation (substantial jarosite and hematite alteration) over much of the trench suggests significant leaching of copper minerals from the surface environment which could lead to the formation of a subsurface enriched copper zone.

Significant copper and molybdenum occurs over most of the trenched area with results such as 165m of 0.184% copper and 25ppm molybdenum, 30m of 0.223% copper, 72m of 0.073% copper and 241ppm molybdenum, 24m of 0.34% copper and 37ppm molybdenum. The 72m length of 241ppm molybdenum is regarded as particularly significant and re-assaying of part of this zone by the XRF method suggests that the molybdenum results above are understated by between 5 and 25%. Further check assaying by XRF is in progress.

A second trench (2), of comparable length and some 500m to the south of trench one, has now been completed. Channel samples are at the laboratory in Brisbane Australia and results should be available within three weeks.

Further trenching is scheduled to commence in the new year so that a surface appraisal of the entire 4 to 5 km long copper/molybdenum system can be undertaken prior to drill testing.

9. **MT NAKRU (Effective 75% NGG)**

A 3000 metre bulldozer trenching program is in progress with expected completion about mid December.

Compiled by: R.D.McNeil
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