

NEW GUINEA GOLD CORPORATION
Consolidated Interim Financial Statements
Six Months Ended June 30, 2005

(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 June 30, 2005 in accordance with Section 7050 of the CICA Handbook.

NEW GUINEA GOLD CORPORATION
Consolidated Statements of Operations and Deficit
For the Three and Six Months Ended June 30,

	6 Months Ended June 30, 2005	3 Months Ended June 30, 2005	6 Months Ended June 30, 2004	3 Months Ended June 30, 2004
	\$	\$	\$	\$
Expenses				
Amortization	108,796	92,562	23,429	23,144
Bank charges and interest	1,259	563	22,172	14,903
Foreign exchange loss/(gain)	(38,368)	(72,922)	65,530	88,703
General exploration	-	-	212	212
Insurance	23,099	16,672	-	-
Office	16,677	6,246	17,889	1,538
Professional fees	23,686	15,160	21,269	20,723
Repairs and maintenance	38,296	23,956	-	-
Rent	11,486	6,582	6,705	3,383
Shareholder communications	57,573	43,353	47,567	47,372
Stock-based compensation	180,638	103,289	-	-
Transfer agent and regulatory	11,944	5,058	28,934	15,850
Travel and accommodation	11,111	1,587	-	-
Wages and benefits	208,952	144,733	55,810	34,522
Write-down of mineral properties	-	-	15,551	15,551
Loss before other items	(655,149)	(386,839)	(305,068)	(265,901)
Other items:				
Interest income	105,962	22,893	9,276	6,272
Other income	108,476	108,476	-	-
Net loss for the period	(440,711)	(255,470)	(295,792)	(259,629)
Deficit, beginning of period	(11,757,847)	(11,943,088)	(10,902,007)	(10,938,170)
Deficit, end of period	(12,198,558)	(12,198,558)	(11,197,799)	(11,197,799)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding	64,913,496	64,913,496	47,544,778	49,040,890

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

NEW GUINEA GOLD CORPORATION

Consolidated Statements of Cash Flows

For the Three and Six Months Ended June 30,

Cash provided by (used for):	6 Months Ended June 30, 2005	3 Months Ended June 30, 2005	6 Months Ended June 30, 2004	3 Months Ended June 30, 2004
	\$	\$	\$	\$
Operating Activities				
Net loss for the period	(440,711)	(255,470)	(295,792)	(259,629)
Adjustment for items not involving cash				
Amortization	108,796	92,562	23,421	23,136
Amortization on loan bonus	-	-	17,500	13,750
Stock-based compensation	180,638	103,289	15,551	15,551
Write-down mineral properties	-	-	-	-
	(151,277)	(59,619)	(239,320)	(207,192)
Changes in non-cash working capital items:				
Amounts receivable	(142,104)	(183,248)	(61,000)	(166,500)
Prepaid expenses	-	-	2,223	(1,450)
Accounts payable and accrued liabilities	71,879	(140,605)	(14,827)	4,121
Due from related parties	(162,350)	(20,647)	(47,993)	(47,993)
Due to related parties	455,855	469,085	(455,256)	(395,685)
	72,003	64,966	(816,173)	(481,699)
Investing Activities				
Purchase of equipment	(125,845)	(6,596)	(271,383)	(111,620)
Joint venture advances	-	-	(201,425)	(201,425)
Mineral property expenditures	(1,623,768)	(947,689)	(394,078)	(183,552)
Mining deposits	(22,653)	(22,279)	-	-
	(1,772,266)	(976,689)	(866,886)	(496,597)
Financing Activities				
Common shares issued	-	-	533,638	242,606
	-	-	533,638	242,606
Increase in cash during the period	(1,700,263)	(911,598)	(1,149,210)	(742,296)
Cash - beginning of period	4,980,293	4,191,628	2,838,230	2,431,316
Cash - end of period	3,280,030	3,280,030	1,689,020	1,689,020

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

There were no such activities during the six-month period ended June 30, 2005.

During 2004, the Company:

- Issued 1,400,000 common shares valued at \$560,000 for the acquisition of 50% of Kanon Resources (refer to note 8).
- Received 200,000 common shares of Vangold valued at \$104,000 as an option payment for mineral property, of which 20,000 shares (\$10,400) were assigned to a third party as a finder's fee.
- Issued 150,000 common shares valued at \$67,500 for financing fees.

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

NEW GUINEA GOLD CORPORATION
Consolidated Schedule of Deferred Mineral Property Costs

	Balance December 31, 2004	Expenditures (Write-offs or Recoveries)	Balance June 30, 2005
	\$	\$	\$
Mt. Sinivit			
Acquisition costs	194,026	3,851	197,877
Exploration costs			
Salaries, Wages and Fees	98,393	26,863	125,256
Travel & Accommodation	32,636	13,625	46,261
Geological Services & Investigations	55,841	25,359	81,200
Field Supplies and Services	73,707	8,212	81,919
Community compensation	17,483	3,724	21,207
Field office	30,687	8,369	39,056
	<u>502,773</u>	<u>90,003</u>	<u>592,776</u>
Normanby			
Acquisition costs	11,577	-	11,577
Exploration costs			
Drilling	175,423	365,925	541,348
Salaries, Wages and Fees	85,191	77,970	163,161
Travel & Accommodation	25,821	36,149	61,970
Geological Services & Investigations	62,522	-	62,522
Field Supplies and Services	265,760	41,400	307,160
Community compensation	6,276	876	7,152
Field office	36,683	16,306	52,989
	<u>669,253</u>	<u>538,626</u>	<u>1,207,879</u>
Shulea			
Acquisition costs	38,376	-	38,376
Exploration costs			
Drilling	28,672	-	28,672
Salaries, Wages and Fees	30,375	8,061	38,436
Travel & Accommodation	3,966	1,947	5,913
Geological Services & Investigations	14,355	10,879	25,234
Field Supplies and Services	30,701	-	30,701
Community compensation	4,163	-	4,163
Field office	5,807	1,970	7,777
Write down of mineral right costs	(8,264)	-	(8,264)
	<u>148,151</u>	<u>22,857</u>	<u>171,008</u>
Feni			
Exploration costs			
Salaries, Wages and Fees	19,745	-	19,745
Travel & Accommodation	20,461	-	20,461
Geological Services & Investigations	409	-	409
Field Supplies and Services	47,461	-	47,461
Community compensation	460	-	460
Field office	20,822	-	20,822
Option payments received	(147,600)	-	(147,600)
	<u>(38,242)</u>	<u>-</u>	<u>(38,242)</u>
Mt. Nakru			
Acquisition costs	2,630	1,113	3,743
Exploration costs			
Salaries, Wages and Fees	26,929	11,603	38,532
Travel & Accommodation	10,997	10,542	21,539
Geological Services & Investigations	1,324	7,497	8,821
Field Supplies and Services	49,567	12,419	61,986

Community compensation	25	12	37
Field office	5,982	2,533	8,515
Write down of mineral right costs	(32,307)	-	(32,307)
	<u>65,147</u>	<u>45,719</u>	<u>110,866</u>
Mt. Simuku			
Acquisition costs	60,370	-	60,370
Exploration costs			
Salaries, Wages and Fees	60,224	42,692	102,916
Travel & Accommodation	20,106	67,878	87,984
Geological Services & Investigations	39,091	54,912	94,003
Field Supplies and Services	77,654	43,846	121,500
Community compensation	2,575	-	2,575
Field office	13,178	9,707	22,885
Write down of mineral right costs	(34,288)	-	(34,288)
	<u>238,910</u>	<u>219,035</u>	<u>457,945</u>
Mt. Penck			
Acquisition costs	15,692	3,532	19,224
Exploration costs			
Drilling	130,008	-	130,008
Salaries, Wages and Fees	38,370	9,198	47,568
Travel & Accommodation	12,552	2,635	15,187
Geological Services & Investigations	26,332	16,600	42,932
Field Supplies and Services	91,790	7,480	99,270
Community compensation	2,883	-	2,883
Field office	31,270	616	31,886
	<u>348,897</u>	<u>40,061</u>	<u>388,958</u>
Mt. Allemata			
Acquisition costs	15,761	3,729	19,490
Exploration costs			
Salaries, Wages and Fees	21,029	68,868	89,897
Travel & Accommodation	3,933	35,441	39,374
Geological Services & Investigations	17,097	124,515	141,612
Field Supplies and Services	25,458	76,405	101,863
Community compensation	435	3,129	3,564
Field office	7,288	24,372	31,660
	<u>91,001</u>	<u>336,459</u>	<u>427,460</u>
Other			
Acquisition costs	61,313	4,350	65,663
Exploration costs			
Salaries, Wages and Fees	41,406	40,903	82,309
Travel & Accommodation	23,403	29,635	53,038
Geological Services & Investigations	32,918	28,278	61,196
Field Supplies and Services	28,811	18,713	47,524
Community compensation	5,004	-	5,004
Field office	14,724	7,896	22,620
Write down of mineral right costs	(5,051)	-	(5,051)
	<u>202,528</u>	<u>129,775</u>	<u>332,303</u>
Operating fees and other recoveries	<u>(146,985)</u>	<u>201,224</u>	<u>54,249</u>
Total mineral properties	<u>2,081,433</u>	<u>1,623,769</u>	<u>3,705,202</u>

NEW GUINEA GOLD CORPORATION

Notes to Consolidated Financial Statements

Six Months Ended June 30, 2005

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

The Company is incorporated in the Yukon Territory, Canada, and is involved in the acquisition, exploration and development of mineral properties in Papua New Guinea. At the date of these consolidated interim financial statements 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 and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to complete exploration and development work and to resolve any environmental, regulatory, or other constraints, which may hinder the successful exploitation of its mineral properties or dispose of its interests on an advantageous basis.

The Company does not generate cash flow from operations. In order to pay for future work performed on its mineral properties and administrative costs, the Company will need to raise additional funds through future issuances of securities. Although the Company has been successful in raising funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts disclosed on the balance sheet.

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, 2004. All material adjustments, which, in the opinion of management are necessary for a fair presentation of the results, have been reflected. The results for the three and six months ended June 30, 2005 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Macmin (PNG) Ltd. ("Macmin"), and its proportionate 50% interest in the accounts of Kanon Resources Ltd. ("Kanon"). References to the Company included herein are inclusive of the Canadian parent company, Macmin and Kanon.

b) Financial Instruments

The Company's financial instruments consist of current assets and current liabilities whose fair values approximate their carrying values due to their short-term nature. Financial risk is the risk arising from fluctuations in foreign currency exchange rates. The Company does not use any derivative or hedging instruments to reduce its exposure to fluctuations in currency exchange rates.

c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements as well as the reported amounts of expenses incurred during the period. Significant areas requiring the use of management estimates include the determination of potential impairments of asset values, and rates for amortization of equipment, as well as the assumptions used in determining the fair-value of non-cash stock-based compensation. Actual results could differ from those estimates.

d) Mineral Property Costs

Costs incurred to acquire a mineral property and costs of exploration, development and direct field support are deferred until the property to which they relate are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful life of the property following commencement of production, or written-off if properties are sold, allowed to lapse or abandoned. Administration costs and other exploration costs that do not relate to a specific property are expensed as incurred.

Cost includes the cash consideration and the fair value of shares issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from options granted by the Company are to be netted against the accumulated deferred cost of the related mineral property with any excess being included in earnings.

Management reviews the carrying amounts of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results and upon management's assessment of the probability of profitable exploitation of each property or realizable value from disposal of each property. Management's assessment of each property's estimated fair value is also based upon a review of other mineral property transactions that have occurred in the same geographic area as that of the properties under review.

e) Translation of Foreign Currencies

The Company translates the results of from foreign operations as follows: monetary items are translated at the rate of exchange in effect at the balance sheet date, non-monetary items at average rates in effect during the period in which they are incurred and expenses are translated at average rates in effect during the period, except for amortization, which is translated using historical rates. Gains and losses resulting from the fluctuations in foreign exchange rates are included in the determination of income.

f) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is provided over the estimated useful life of each type of equipment using the declining balance method at annual rates varying from 20% to 30%.

g) Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the shares on the TSX Venture Exchange on the date of the agreement to issue the shares. Costs incurred to issue shares are deducted from share capital.

h) Income Taxes

Income tax liabilities and assets are recognized for their tax consequences attributable to differences between the amounts reported on the financial statements and their respective tax bases, using enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period in which the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

i) Marketable securities

Marketable securities are carried at the lower of cost and market value.

j) Stock-based Compensation

Effective July 1, 2003, the Company adopted the fair value method of accounting for stock options granted to employees and directors, as recommended by Section 3870 (*Stock-Based Compensation and Other Stock Based Payments*) of the Canadian Institute of Chartered Accountants' Handbook ("CICA 3870"). CICA 3870 provides alternative methods of transition for the adoption of the fair value method and, as permitted, the Company has elected prospective application, which allows the fair value method to be applied to stock options granted, modified or settled on or after July 1, 2003 to employees and directors.

The fair value of stock options is determined using the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and for the expected life of the options.

For stock options granted to other than employees and directors, the Company applies the fair value method.

k) Loss Per Share

Basic earnings per share are computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of outstanding options and warrants is reflected in earnings per share by application of the treasury stock method. Basic and fully diluted losses per share are the same in the current financial statements.

l) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of its fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at June 30, 2005 the Company does not have any asset retirement obligations.

m) Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

3. COMPARATIVE FIGURES

Certain of the balances from 2004 have been reclassified in conformity with the financial statement presentation adopted in the current year.

4. MARKETABLE SECURITIES

The Company's marketable securities at June 30, 2005 consist of 360,000 shares of Vangold Resources Ltd. with a fair market value of \$104,000 and a book value of \$147,600

5. MINING DEPOSITS RECEIVABLE

These amounts are comprised of refundable deposits pledged with the Papua New Guinea Mining Department for the Company's mineral tenements.

6. EQUIPMENT

	2005		2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Equipment	1,017,854	209,783	808,071	347,071
Furniture and fixtures	11,965	7,809	4,156	2,785
	<u>1,029,819</u>	<u>217,592</u>	<u>812,227</u>	<u>349,855</u>

7. SHARE CAPITAL AND RELATED INFORMATION

a) **Authorized:** 100,000,000 common shares without par value

b) **Issued and outstanding:**

	2005		2004	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance, beginning of year	64,913,496	18,614,693	44,649,509	12,940,207
Issued for:				
Short-form offering	-	-	1,400,000	7,475
Exercise of warrants	-	-	2,398,487	302,714
Exercise of options	-	-	1,188,259	237,731
Financing costs	-	-	-	(6,837)
Balance, end of period	<u>64,913,496</u>	<u>18,614,693</u>	<u>49,636,405</u>	<u>13,481,320</u>

c) **Stock options**

Stock option activity for the six months ended June 30, 2005 and 2004:

	2005		2004	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance – beginning of period	3,615,000	0.45	3,228,409	0.36
Granted	1,570,000	0.23	-	-
Exercised	-	-	(1,188,259)	0.20
Expired	-	-	(255,000)	0.15
Balance – end of period	<u>5,185,000</u>	<u>0.38</u>	<u>1,785,000</u>	<u>0.49</u>

The fair value of stock options and warrants granted during 2005 and 2004 are estimated on the date of their grant using the Black-Scholes option pricing model using the following assumptions:

	2005	2004
Risk-free interest rate	3.4%	3.4%
Estimated volatility	95%	95%
Expected lives	2 to 5 years	1 to 5 years

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the grant of the Company's stock options.

Amounts expensed as stock-based compensation are credited to contributed surplus. On exercise, the amounts originally credited to contributed surplus are credited to share capital.

d) **Warrants**

Warrants outstanding at June 30, 2005:

Number of warrants	Exercise Price \$	Expiry Date
1,709,672	0.45	December 29, 2005*
6,909,500	\$0.55	October 29, 2006
100,000	\$0.55	November 18, 2006
<u>8,719,172</u>		

*Extended from December 29, 2004

8. ACQUISITION OF 50% INTEREST IN KANON REOURCES LTD.

On February 25, 2004, the Company acquired a 50% interest in Kanon Resources Ltd. (Kanon), a private Papua New Guinea company which owns five exploration projects in New Guinea, by the issue of 1,400,000 shares valued at \$7,475, cash payments of 70,000, and the granting of an 8% carried interest in any mine developed in the future by Kanon, subject to the Company retaining the option to acquire 50% of the carried interest (4%) for \$1,000,000.

Kanon was controlled by parties related to management of the Company.

9. ACQUISITION OF MACMIN (PNG) LTD.

On March 31, 2003, the Company acquired 100% of Macmin (PNG) Limited, a wholly-owned exploration stage subsidiary of Macmin Silver Ltd, the Company's controlling shareholder, by the issue to Macmin Silver Ltd. of 2,250,000 of its common shares. Macmin (PNG) Limited was the Company's joint venture partner on some of its Papua New Guinea properties and owned a 75% interest in them. The operations of Macmin (PNG) Ltd. have been included in these financial statements since the date of its acquisition by the Company.

10. MINERAL PROPERTIES

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

The Company has a 100% interest in five, a 90% interest in two, a 60% interest in one, and a 50% interest in 4 exploration projects in Papua New Guinea through its wholly-owned subsidiary Macmin PNG and its 50% owned subsidiary Kanon Resources Ltd. (refer to notes 8 and 9). The Company is conducting operations on the Sinivit, Normanby, Sehulea, Simuku, and Mt. Penck Projects.

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 PNG 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.

Sinivit

The Sinivit property is held under three titles in which Macmin PNG, acquired by the Company, has a direct 90% equity interest and a further 2.5% indirect equity interest.

Normanby

The Normanby Licence covers approximately 68 square kilometres on Normanby Island, Milne Bay Province.

Sehulea

The Sehulea Project covers approximately 30 square kilometres in the eastern part of Normanby Island, in Milne Bay Province, adjacent to the Normanby Project.

Simuku

The West New Britain Porphyry Copper/Gold Project covers four exploration licenses totaling 3,093 square kilometers.

Mt Penck

The Company has elected to earn a direct 20% interest in the Mt. Penck property by funding the first CDN\$300,000 worth of exploration. The Company has completed its earn in and has an effective 60% interest in the 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.

The Company has optioned out the following projects:

Crater Mountain

- Optioned by agreement dated January 6, 2004 to Celtic Minerals Ltd., a TSX Venture-listed company, which can 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 \$2,500,000 in exploration over three years, of which \$500,000 must be spent by September 26, 2004, (completed) and by issuing 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 (400,000 shares have been received to date). The Company must pay a finder's fee of 10% on all share consideration received (60,000 Vangold shares paid).

Mt. Nakru

- Optioned to 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.

11. RELATED PARTY TRANSACTIONS

The amounts paid to related parties were in the normal course of operations and were valued at fair value as determined by management. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand.

12. SUBSEQUENT EVENTS

Subsequent to the end of the quarter, as a result of a review by the BCSC the company issued a press release clarifying previous disclosure. This clarification is available on our web site, www.newguineagold.ca, in a Press Release dated July 6th 2005.