

NEW GUINEA GOLD CORPORATION
Consolidated Interim Financial Statements
Six Months Ended June 30, 2006

(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, 2006 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, 2006	3 Months Ended June 30, 2006	6 Months Ended June 30, 2005	3 Months Ended June 30, 2005
	\$	\$	\$	\$
Expenses				
Amortization	140,870	65,790	108,796	92,562
Bank charges and interest	3,213	1,691	1,259	563
Gain on foreign exchange	(12,509)	(9,016)	(38,368)	(72,922)
Gain on sale of equipment	(52,957)	(28,729)	-	-
Insurance	1,250	1,250	23,099	16,672
Interest income	(99,974)	(62,979)	(105,962)	(22,893)
Other income	-	-	(108,476)	(108,476)
Office	20,109	8,249	16,677	6,246
Professional fees	69,461	32,361	23,686	15,160
Repairs and maintenance	103,507	61,006	38,296	23,956
Rent	7,704	3,645	11,486	6,582
Shareholder communications	65,451	36,766	57,573	43,353
Stock-based compensation	122,200	-	180,638	103,289
Transfer agent and regulatory	14,723	6,008	11,944	5,058
Travel and accommodation	-	-	11,111	1,587
Wages and benefits	130,398	67,420	208,952	144,733
Net loss for the period	(513,446)	(183,462)	(440,711)	(255,470)
Deficit, beginning of period	(14,192,314)	(14,522,298)	(11,757,847)	(11,943,088)
Deficit, end of period	(14,705,760)	(14,705,760)	(12,198,558)	(12,198,558)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding	90,562,540	100,666,396	64,913,496	64,913,496

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, 2006	3 Months Ended June 30, 2006	6 Months Ended June 30, 2005	3 Months Ended June 30, 2005
	\$	\$	\$	\$
Operating Activities				
Net loss for the period	(513,446)	(183,462)	(440,711)	(255,470)
Adjustment for items not involving cash				
Amortization	140,870	65,790	108,796	92,562
Stock-based compensation	122,200	-	180,638	103,289
Gain on sale of equipment	(52,957)	(28,729)	-	-
	(303,333)	(146,401)	(151,277)	(59,619)
Changes in non-cash working capital items:				
Amounts receivable	(96,576)	65,234	(142,104)	(183,248)
Prepaid expenses	10,000	10,000	-	-
Accounts payable and accrued liabilities	68,981	149,142	71,879	(140,605)
Due from related parties	-	-	(162,350)	(20,647)
Due to related parties	(331,662)	(103,054)	455,855	469,085
	(652,590)	(25,079)	72,003	64,966
Investing Activities				
Purchase of equipment	(295,777)	(286,729)	(125,845)	(6,596)
Sale of equipment	128,852	55,480	-	-
Deferred mineral property expenditures	(2,989,564)	(1,919,365)	(1,623,768)	(947,689)
Mining deposits	(1,240)	-	(22,653)	(22,279)
	(3,157,729)	(2,150,614)	(1,772,266)	(976,689)
Financing Activities				
Common shares issued for cash	7,034,500	34,500	-	-
Less share issue costs paid in cash	(529,057)	(10,000)	-	-
	6,505,443	24,500	-	-
Increase/(decrease) in cash during the period	2,695,124	(2,151,193)	(1,700,263)	(911,598)
Cash - beginning of period	1,700,535	6,546,852	4,980,293	4,191,628
Cash - end of period	4,395,659	4,395,659	3,280,030	3,280,030

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

During 2006, the Company issued 315,438 units consisting of one common share and one warrant, valued at \$63,088 and 3,300,000 agent's warrants valued at \$532,950 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, 2005 \$	Expenditures (Write-offs/ Recoveries) \$	Balance June 30, 2006 \$
Mt. Sinivit			
Acquisition costs	202,336	291,516	493,852
Exploration costs			
Drilling	-	8,802	8,802
Salaries, wages and fees	194,641	166,947	361,588
Travel & accommodation	89,241	49,159	138,400
Geological services & investigations	143,761	63,384	207,145
Field supplies and services	351,689	1,560,850	1,912,539
Community compensation	37,031	5,191	42,222
Field office	84,695	161,417	246,112
Write-down of mineral right costs	-	(40,559)	(40,559)
	<u>1,103,394</u>	<u>2,266,707</u>	<u>3,370,101</u>
Normanby			
Acquisition costs	15,655	3,124	18,779
Exploration costs			
Drilling	388,039	86,176	474,215
Salaries, wages and fees	201,291	157,370	358,661
Travel & accommodation	53,261	27,395	80,656
Geological services & investigations	98,675	23,682	122,357
Field supplies and services	471,542	163,838	635,380
Community compensation	13,626	(2,385)	11,241
Field office	88,462	34,572	123,033
	<u>1,330,550</u>	<u>493,772</u>	<u>1,824,322</u>
Shulea			
Acquisition costs	40,375	1,147	41,522
Exploration costs			
Drilling	43,125	1,531	44,656
Salaries, wages and fees	78,497	18,790	97,287
Travel & accommodation	10,048	8,977	19,025
Geological services & investigations	20,894	7,721	28,615
Field supplies and services	86,708	34,656	121,364
Community compensation	6,464	(528)	5,936
Field office	21,331	5,039	26,370
Write-down of mineral right costs	(8,264)	-	(8,264)
	<u>299,178</u>	<u>77,334</u>	<u>376,512</u>

	Balance December 31, 2005	Expenditures (Write-offs/ Recoveries)	Balance June 30, 2006
	\$	\$	\$
Feni			
Exploration costs			
Salaries, wages and fees	19,744	-	19,744
Travel & accommodation	20,461	-	20,461
Geological services & investigations	409	-	409
Field supplies and services	47,462	-	47,462
Community compensation	460	-	460
Field office	20,822	-	20,822
Option payments received	(214,200)	-	(214,200)
	<u>(104,842)</u>	<u>-</u>	<u>(104,842)</u>
Mt. Nakru			
Acquisition costs	4,823	3,170	7,993
Exploration costs			
Salaries, wages and fees	60,223	13,930	74,153
Travel & accommodation	23,881	14	23,895
Geological services & investigations	4,605	23,916	28,521
Field supplies and services	182,171	17,024	199,195
Community compensation	57	-	57
Field office	19,917	4,092	24,009
Write-down of mineral right costs	(32,307)	1,250	(31,057)
	<u>263,370</u>	<u>63,396</u>	<u>326,766</u>
Mt. Simuku			
Acquisition costs	62,541	935	63,476
Exploration costs			
Salaries, wages and fees	141,915	24,135	166,050
Travel & accommodation	65,176	4,250	69,426
Geological services & investigations	134,934	29,829	164,763
Field supplies and services	276,099	7,280	283,379
Community compensation	5,833	-	5,833
Field office	44,770	4,630	49,400
Write-down of mineral right costs	(34,288)	-	(34,288)
	<u>696,980</u>	<u>71,060</u>	<u>768,040</u>

	Balance December 31, 2005	Expenditures (Write-offs/ Recoveries)	Balance June 30, 2006
	\$	\$	\$
Mt. Penck			
Acquisition costs	25,485	593	26,078
Exploration costs			
Drilling	135,480	36,029	171,509
Salaries, wages and fees	71,933	79,120	151,053
Travel & accommodation	23,001	18,854	41,855
Geological services & investigations	35,022	13,771	48,793
Field supplies and services	141,352	88,306	229,658
Community compensation	2,995	2,902	5,897
Field office	24,601	17,333	41,934
	<u>459,870</u>	<u>256,908</u>	<u>716,778</u>
Mt. Allemata			
Acquisition costs	18,947	-	18,947
Exploration costs			
Drilling	73,922	-	73,922
Salaries, wages and fees	53,706	1,625	55,331
Travel & accommodation	12,944	-	12,944
Geological services & investigations	32,155	1,508	33,663
Field supplies and services	63,230	677	63,907
Community compensation	2,356	-	2,356
Field office	2,321	685	3,006
Write-down of mineral right costs	4,967	-	4,967
	<u>264,548</u>	<u>4,495</u>	<u>269,043</u>
Other			
Acquisition costs	76,343	3,404	79,747
Exploration costs			
Drilling	-	422	422
Salaries, wages and fees	41,905	12,531	54,436
Travel & accommodation	35,411	2,611	38,022
Geological services & investigations	56,836	5,671	62,507
Field supplies and services	64,137	1,912	66,049
Community compensation	7,863	(2,507)	5,356
Field office	18,203	1,404	19,607
Joint venture recoveries	(35,339)	-	(35,339)
Write-down of mineral right costs	(5,051)	-	(5,051)
	<u>260,308</u>	<u>25,448</u>	<u>285,756</u>
Operating fees and other recoveries	<u>(520,168)</u>	<u>(269,556)</u>	<u>(789,724)</u>
Total deferred mineral property costs	<u><u>4,053,188</u></u>	<u><u>2,989,562</u></u>	<u><u>7,042,752</u></u>

NEW GUINEA GOLD CORPORATION
Notes to Consolidated Financial Statements
Six Months Ended June 30, 2006

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

The Company is incorporated in the Province of British Columbia, Canada, and is involved in the acquisition, exploration and development of mineral properties in Papua New Guinea (“PNG”). 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 has taken steps to verify title to the mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of these properties. However, these procedures do not guarantee the Company’s title. Title to these rights may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

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 (GAAP). These interim financial statements should be read in conjunction with the Company’s annual audited financial statements as at the year-end December 31, 2005, which are available at www.sedar.com. 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 months and six months ended June 30, 2006 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, New Guinea Gold Ltd (“NGG PNG”), 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, NGG PNG 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) Deferred 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 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 exchange rates in effect during the period in which they are incurred and expenses are translated at average exchange 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

The Company records compensation associated with stock options granted using a fair value measurement basis and records the expense when the options vest with the recipients. The adoption of this accounting policy for stock-based compensation has been applied prospectively to all stock options granted subsequent to January 1, 2003.

k) Loss Per Share

Basic earnings per share are computed by dividing the net loss during the period by the weighted average number of common shares outstanding during the period. 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, 2006 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. MARKETABLE SECURITIES

The Company's marketable securities at June 30, 2006 consist of 540,000 shares of Vangold Resources Ltd. (trading symbol TSX-V: VAN) with a fair market value of \$226,800 and a book value of \$214,200.

4. MINING DEPOSITS RECEIVABLE

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

5. EQUIPMENT

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	\$ 1,770,660	\$ 484,959	\$ 1,285,701	\$ 1,206,332
Furniture and fixtures	11,959	8,446	3,513	3,870
	<u>1,782,619</u>	<u>493,405</u>	<u>1,289,214</u>	<u>1,210,202</u>

6. SHARE CAPITAL AND RELATED INFORMATION

a) **Authorized:** Unlimited

b) **Issued and outstanding:**

	2006		2005	
	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:				
Private placements	35,615,438	5,874,904	10,830,000	4,046,251
Acquisition of subsidiary	-	-	1,400,000	7,475
Exercise of warrants	-	-	6,845,578	1,031,128
Exercise of options	150,000	34,500	1,188,409	237,761
Stock-based compensation	-	22,350	-	351,871
Balance, end of period	100,678,934	24,546,447	64,913,496	18,614,693

*Net of issue costs of \$678,345, of which \$82,334 was paid in cash, and \$63,088 was paid by the issue of 315,438 Units at \$0.20 per Unit, each Unit consisting of one common share and one share purchase warrant, exercisable into an additional share for a period of two years from February 20, 2006 at an exercise price of \$0.30 and \$532,950 represents the fair value of 3,300,000 Agent's Warrants which have the same terms as the warrants included in the Units above.

c) **Stock options**

Stock option activity for the three months ended June 30, 2006 and 2005:

	2006		2005	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance – beginning of period	5,185,000	0.39	3,615,000	0.45
Granted	500,000	0.23	1,570,000	0.23
Exercised	(150,000)	0.23	-	-
Balance – end of period	5,535,000	0.38	5,185,000	0.39

The fair value of stock options and warrants granted during 2006 and 2005 are estimated on the date of their grant using the Black-Scholes option pricing model using the following assumptions:

	2006	2005
Risk-free interest rate	3.83% - 3.87%	3.6%
Estimated volatility	111% - 112%	91%
Expected lives	2 to 3 years	3 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, 2006:

Number of warrants	Exercise Price	Expiry Date
	\$	
6,909,500	0.55	October 29, 2006
100,000	0.55	November 18, 2006
35,614,438	0.30	February 20, 2008
3,300,000	0.30	February 20, 2008
<u>45,923,938</u>		

7. MINERAL PROPERTIES

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

The Company has various interests in twelve exploration projects in Papua New Guinea through its wholly-owned subsidiary New Guinea Gold Ltd (formerly Macmin PNG) and its 50% owned subsidiary Kanon Resources Ltd. The Company has a 100% interest in five of the projects, a 90% interest in two, a 60% interest in one, and 50% interest in 4 of the projects.

The Company is conducting operations on the Sinivit, Normanby, Sehulea, Simuku, and Mt. Penck Projects.

Sinivit

The Sinivit Property is held under three titles in which New Guinea Gold 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 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 elected to earn a direct 20% interest in the Mt. Penck property from Kanon Resources Ltd 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 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 acquired a 51% interest by expending \$2,000,000 on exploration prior to March 1, 2006, and can acquire a further 25% interest upon completion of a further \$2,000,000 exploration program prior to March 1, 2009.

Feni

- Vangold Resources Ltd. (Vangold), a TSX Venture company has earned a 50% interest and been granted the right to earn an additional 25% 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 received at December, 31, 2005). The Company must pay a finder's fee of 10% on all share consideration received (60,000 Vangold shares paid).

Refer to Note 9, "Subsequent Events" regarding the extension of time for Vangold to complete.

Mt. Nakru

- Optioned to Kanon, whereby Kanon acquired a 50% interest by spending \$250,000 on exploration and issued 5% of its issued share capital to the Company. The Company and Kanon now contribute funding for exploration equally.

NSR and production bonus in respect of certain Mineral Properties

Seven of the twelve projects, Sinivit, Normanby, Sehulea, Simuku, Mt Nakru, Feni, and Crater Mountain are each subject to a 1% Net Smelter Royalty (NSR) payable to Macmin Silver Ltd in accordance with the agreement for acquisition of New Guinea Gold Ltd (formerly Macmin (PNG) Limited) dated June 12, 2002. In addition, under that agreement, if any mine is developed on these properties and production is achieved in excess of 50,000 ounces of gold or equivalent in any year then a once-only issue of 9% of the Company's issued share capital to Macmin Silver Ltd is to be made.

8. 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.

9. SUBSEQUENT EVENTS

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.

On 15 August 2006 the Company executed an amendment to the joint venture agreement with Vangold on the Feni project EL 1021 (refer to Note 7 "Mineral Properties"). The amendment extends the completion date to June 30, 2007 for Vangold to expend the balance of \$1,260,000 on exploration and issue a further 200,000 shares to the Company.