

**NEW GUINEA GOLD CORPORATION**  
**Consolidated Interim Financial Statements**  
Nine Months Ended September 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 September 30, 2006 in accordance with Section 7050 of the CICA Handbook.

**NEW GUINEA GOLD CORPORATION**  
**Consolidated Balance Sheets**  
As at September 30, 2006 and December 31, 2005

	September 30, 2006	December 31, 2005
	\$	(Audited) \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and short-term deposits	3,287,182	1,700,535
Amounts receivable	337,048	201,008
Prepaid expenses	1,450	11,450
Marketable securities	214,200	214,200
	3,839,880	2,127,193
<b>Mining deposits receivable</b>	56,515	55,272
<b>Equipment</b>	1,337,430	1,210,202
<b>Mineral properties</b>	4,297,424	4,053,188
<b>Mine development (Note 2e)</b>	5,609,841	-
	15,141,090	7,445,855
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	362,636	233,341
Due to related parties	530,379	445,869
	893,015	679,210
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b>	26,338,527	18,614,693
<b>Contributed surplus</b>	3,285,874	2,344,266
<b>Deficit</b>	(15,376,326)	(14,192,314)
	14,248,075	6,766,645
	15,141,090	7,445,855

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**  
For the Three and Nine Months Ended September 30

	<b>3 Months Ended Sept 30, 2006</b>	<b>9 Months Ended Sept 30, 2006</b>	<b>3 Months Ended Sept 30, 2005</b>	<b>9 Months Ended Sept 30, 2005</b>
	\$	\$	\$	\$
<b>Expenses</b>				
Amortization	84,885	225,755	2,253	111,049
Bank charges and interest	1,639	4,852	834	2,093
Loss (gain) on foreign exchange	103,942	91,433	11,138	(27,230)
Gain on disposal of equipment	-	(52,957)	-	-
Insurance	-	1,250	38	23,137
Interest income	(57,764)	(157,738)	(180)	(106,142)
Other income	(40,322)	(40,322)	(157,992)	(266,468)
Office	4,268	24,377	17,822	34,499
Professional fees	20,364	89,825	29,680	53,366
Repairs and maintenance	110,348	213,855	61,454	99,750
Rent	3,847	11,551	(1,387)	10,099
Shareholder communications	46,216	111,666	39,546	97,119
Stock-based compensation	267,502	389,702	129,229	309,867
Transfer agent and regulatory	4,655	19,378	2,423	14,367
Travel and accommodation	-	-	1,034	12,145
Wages and benefits	120,986	251,385	74,602	283,554
<b>Net loss for the period</b>	(670,566)	(1,184,012)	(210,494)	(651,205)
<b>Deficit, beginning of period</b>	(14,705,760)	(14,192,314)	(12,198,558)	(11,757,847)
<b>Deficit, end of period</b>	(15,376,326)	(15,376,326)	(12,409,052)	(12,409,052)
<b>Loss per share</b>	(0.01)	(0.01)	(0.01)	(0.01)
<b>Weighted average number of shares outstanding</b>	101,172,434	94,138,035	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 Nine Months Ended September 30

<b>Cash provided by (used for):</b>	<b>3 Months Ended Sept 30, 2006</b>	<b>9 Months Ended Sept 30, 2006</b>	<b>3 Months Ended Sept 30, 2005</b>	<b>9 Months Ended Sept 30, 2005</b>
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net loss for the period	(670,566)	(1,184,012)	(210,494)	(651,205)
Adjustment for items not involving cash				
Amortization	84,885	225,755	2,253	111,049
Stock-based compensation	263,600	385,800	129,229	309,867
Gain on sale of equipment	-	(52,957)	-	-
	<u>(322,081)</u>	<u>(625,414)</u>	<u>(79,012)</u>	<u>(230,289)</u>
Changes in non-cash working capital items:				
Amounts receivable	(39,464)	(136,040)	(124,422)	(266,436)
Prepaid expenses	-	10,000	-	-
Accounts payable and accrued liabilities	60,313	129,294	(107,740)	(35,861)
Due from related parties	-	-	44,112	(118,238)
Due to related parties	416,172	84,510	5,713	461,568
	<u>114,940</u>	<u>(537,650)</u>	<u>(261,349)</u>	<u>(189,256)</u>
<b>Investing Activities</b>				
Purchase of equipment	(134,158)	(429,935)	(262,538)	(388,473)
Sale of equipment	1,053	129,909	-	-
Deferred mineral property expenditures	(509,865)	(912,363)	(216,188)	(1,839,956)
Mine development (Note 2e)	(2,354,641)	(4,941,714)	-	-
Mining deposits	-	(1,243)	220	(22,433)
	<u>(2,997,617)</u>	<u>(6,155,346)</u>	<u>(478,506)</u>	<u>(2,250,862)</u>
<b>Financing Activities</b>				
Common shares issued for cash	1,809,000	8,843,500	-	-
Share issue costs paid in cash	(34,800)	(563,857)	3,633	3,633
	<u>1,774,200</u>	<u>8,279,643</u>	<u>3,633</u>	<u>3,633</u>
<b>Increase/(decrease) in cash during the period</b>	<u>(1,108,477)</u>	<u>1,586,647</u>	<u>(736,222)</u>	<u>(2,436,485)</u>
<b>Cash - beginning of period</b>	<u>4,395,659</u>	<u>1,700,535</u>	<u>3,280,030</u>	<u>4,980,293</u>
<b>Cash - end of period</b>	<u>3,287,182</u>	<u>3,287,182</u>	<u>2,543,808</u>	<u>2,543,808</u>

**Supplemental Disclosure of Non-Cash Investing and Financing Activities:**

During the nine-month period ended September 30, 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**  
For the Nine Month Period Ended September 30

	<b>Balance December 31, 2005 \$</b>	<b>Expenditures (Write-offs/ Recoveries) \$</b>	<b>Balance Sept 30, 2006 \$</b>
<b>Mt. Sinivit</b>			
Acquisition costs	202,336	(202,336)	
Exploration costs			<b>Transferred to mine development property costs (refer to schedule below)</b>
Salaries, wages and fees	194,641	(194,641)	
Travel & accommodation	89,241	(89,241)	
Geological services & investigations	143,761	(143,761)	
Field supplies and services	351,689	(351,689)	
Community compensation	37,031	(37,031)	
Field office	84,695	(84,695)	
	<u>1,103,394</u>	<u>(1,103,394)</u>	<u>-</u>
<b>Normanby</b>			
Acquisition costs	15,655	3,122	18,777
Exploration costs			
Drilling	388,039	91,321	479,360
Salaries, wages and fees	201,291	238,471	439,762
Travel & accommodation	53,261	53,764	107,025
Geological services & investigations	98,675	47,549	146,224
Field supplies and services	471,542	254,636	726,178
Community compensation	13,626	(2,380)	11,246
Field office	88,462	67,065	155,527
	<u>1,330,550</u>	<u>753,549</u>	<u>2,084,099</u>
<b>Shulea</b>			
Acquisition costs	40,375	4,482	44,857
Exploration costs			
Drilling	43,125	1,528	44,653
Salaries, wages and fees	78,497	20,234	98,731
Travel & accommodation	10,048	9,570	19,618
Geological services & investigations	20,894	12,821	33,715
Field supplies and services	86,708	39,724	126,432
Community compensation	6,464	(92)	6,372
Field office	21,331	8,414	29,745
Write-down of mineral right costs	(8,264)	-	(8,264)
	<u>299,178</u>	<u>96,681</u>	<u>395,859</u>
<b>Feni</b>			
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>

	Balance December 31, 2005 \$	Expenditures (Write-offs/ Recoveries) \$	Balance Sept 30, 2006 \$
<b>Mt. Nakru</b>			
Acquisition costs	4,823	3,349	8,172
Exploration costs			
Salaries, wages and fees	60,223	17,143	77,366
Travel & accommodation	23,881	562	24,443
Geological services & investigations	4,605	33,798	38,403
Field supplies and services	182,171	21,195	203,366
Community compensation	57	3,632	3,689
Field office	19,917	5,323	25,240
Write-down of mineral right costs	(32,307)	1,306	(31,001)
	<u>263,370</u>	<u>86,308</u>	<u>349,678</u>
<b>Mt. Simuku</b>			
Acquisition costs	62,541	933	63,474
Exploration costs			
Salaries, wages and fees	141,915	31,615	173,530
Travel & accommodation	65,176	6,799	71,975
Geological services & investigations	134,934	35,124	170,058
Field supplies and services	276,099	11,401	287,500
Community compensation	5,833	-	5,833
Field office	44,770	8,319	53,089
Write-down of mineral right costs	(34,288)	-	(34,288)
	<u>696,980</u>	<u>94,191</u>	<u>791,171</u>
<b>Mt. Penck</b>			
Acquisition costs	25,485	956	26,441
Exploration costs			
Drilling	135,480	40,721	176,201
Salaries, wages and fees	71,933	120,728	192,661
Travel & accommodation	23,001	26,059	49,060
Geological services & investigations	35,022	54,345	89,367
Field supplies and services	141,352	137,832	279,184
Community compensation	2,995	3,100	6,095
Field office	24,601	31,536	56,138
	<u>459,870</u>	<u>415,277</u>	<u>875,147</u>
<b>Mt. Allemata</b>			
Acquisition costs	18,947	-	18,947
Exploration costs			
Drilling	73,922	-	73,922
Salaries, wages and fees	53,706	1,698	55,404
Travel & accommodation	12,944	-	12,944
Geological services & investigations	32,155	3,455	35,610
Field supplies and services	63,230	764	63,994
Community compensation	2,356	-	2,356
Field office	2,321	823	3,144
Write-down of mineral right costs	4,967	-	4,967
	<u>264,548</u>	<u>6,740</u>	<u>271,288</u>

	<b>Balance December 31, 2005</b>	<b>Expenditures (Write-offs/ Recoveries)</b>	<b>Balance Sept 30, 2006</b>
	\$	\$	\$
<b>Other</b>			
Acquisition costs	76,343	5,748	82,091
Exploration costs			
Drilling	-	435	435
Salaries, wages and fees	41,905	21,898	63,803
Travel & accommodation	35,411	3,023	38,434
Geological services & investigations	56,836	9,227	66,063
Field supplies and services	64,137	4,622	68,759
Community compensation	7,863	(2,593)	5,270
Field office	18,203	2,920	21,123
Joint venture recoveries	(35,339)	-	(35,339)
Write-down of mineral right costs	(5,051)	-	(5,051)
	<u>260,308</u>	<u>45,280</u>	<u>305,588</u>
Operating fees and other recoveries	(520,168)	(216,841)	(737,009)
Transferred to mine development costs	-	66,445	66,445
<b>Total deferred mineral property costs</b>	<u>4,053,188</u>	<u>244,236</u>	<u>4,297,424</u>

#### Consolidated Schedule of Mine Development Property Cost

<b>Mt. Sinivit</b>			
Transferred from mineral property costs		1,103,394	1,103,394
Acquisition costs		290,868	493,204
Exploration costs			
Drilling	<b>Formerly included in Mineral Property Costs</b>	26,977	26,977
Salaries, wages and fees		197,764	392,404
Travel & accommodation		58,654	147,895
Geological services & investigations		90,661	234,422
Field supplies and services		1,751,209	2,102,898
Community compensation		5,180	42,211
Field office		301,764	386,459
Write-down of mineral right costs		(40,469)	(40,469)
Mine development		<u>1,933,707</u>	<u>1,933,707</u>
		<u>-</u>	<u>5,719,709</u>
Operating fees and other recoveries		(43,423)	(43,423)
Transferred from mineral property costs		(66,445)	(66,445)
<b>Total mine development property costs</b>		<u>-</u>	<u>5,609,841</u>

**NEW GUINEA GOLD CORPORATION**  
**Notes to Consolidated Financial Statements**  
For the Nine Month Period Ended September 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”). The carrying amounts of deferred mineral exploration costs represent 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 flows 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](http://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 nine months ended September 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) Mine Development – (Mt. Sinivit)**

The Mt Sinivit property costs, where mine development has commenced, have been separated from the other mineral properties effective from this quarter. The mine development amount includes plant and equipment on site which will be transferred to Equipment when the development is completed.

**f) 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.

**g) 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 September 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 September 30, 2006 consist of 540,000 shares of Vangold Resources Ltd. (trading symbol TSX-V: VAN) with a fair market value of \$243,000 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	1,909,688	575,761	1,333,927	1,206,332
Furniture and fixtures	11,957	8,454	3,503	3,870
	<u>1,921,645</u>	<u>584,215</u>	<u>1,337,430</u>	<u>1,210,202</u>

## 6. SHARE CAPITAL AND RELATED INFORMATION

a) **Authorized:** Unlimited

b) **Issued and outstanding:**

	30 Sept 2006		Year ended December 31, 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	35,614,438	*5,874,904	10,830,000	4,046,251
Acquisition of subsidiary	-	-	1,400,000	7,475
Exercise of warrants	5,938,000	*1,746,600	6,845,578	1,031,128
Exercise of options	270,000	62,100	1,188,409	237,761
Stock-based compensation	-	40,230	-	351,871
Balance, end of period	106,736,934	26,338,527	64,913,496	18,614,693

\*Net of issue costs of \$1,159,895, of which \$563,857 was paid in cash, \$63,088 was paid by the issuance of 315,440 Units at \$0.20 per Unit and the issuance of 3,300,000 Agent's Warrants with a fair value of \$532,950. Each Unit consisted of one common share and one share purchase warrant, exercisable into an additional common share for a period of two years at an exercise price of \$0.30. The Agent's Warrants have the same terms as the warrants included in the Units above.

c) **Stock options**

Stock option activity for the nine months ended September 30, 2006 and the year ended December 31, 2005:

	30 Sept 2006		Year ended December 31, 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	1,500,000	0.28	1,570,000	0.23
Exercised	(270,000)	0.23	-	-
Balance – end of period	6,415,000	0.37	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% - 4.26%	3.6%
Estimated volatility	109% - 112%	91%
Expected lives	2 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 September 30, 2006:

Number of warrants	Exercise Price	Expiry Date
	\$	
6,909,500	0.55	October 29, 2006
100,000	0.55	November 18, 2006
<u>32,976,438</u>	0.30	February 20, 2008
<u>39,985,938</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 kilometres.

**Mt. Penck**

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 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 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 by 30 June 2007, and by issuing to the Company 800,000 shares in stages prior to June 30, 2007 (600,000 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).

### **Mt. Nakru**

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

### **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 12 June 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**

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

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

On 16 November 2006 the Company announced a proposed re-organisation ("spin-off"). A copy of the Press Release can be viewed at [www.newguineagold.ca](http://www.newguineagold.ca) and an extract from it is included in the Management Discussion & Analysis for the period ended September 30, 2006.

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

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