# NEW GUINEA GOLD CORPORATION

**Management Discussion & Analysis**
**For the Year Ended 31st December 2007**

## INTRODUCTION

*The following Management Discussion and Analysis of the Company's financial position is for the twelve month period ended 31st December, 2007 compared to 31st December, 2006. This discussion should be read in conjunction with the attached interim financial statements and related "Notes to the Consolidated Financial Statements" which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and with the audited financial statements and related "Notes to the Consolidated Financial Statements".*

This discussion includes certain statements that may be deemed "forward-looking statements". Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions.

All amounts are stated in Canadian dollars unless indicated otherwise. Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.newguineagold.ca.

The information in this part of the report is current to 10th April 2008, unless otherwise indicated, whereas the information in the financial part of the report (starting on page 20) is current at 23rd April 2008.

The Business and Development Strategy and Corporate Structuring remain essentially the same as outlined in the Management Discussion and Analysis for the year ended 31st December 2006.

## OVERALL PERFORMANCE / HIGHLIGHTS IN 2007

- In 2007, NGG achieved gold production at the Sinivit Mine. Substantially increased production is forecast for May 2008. 22,000 tonnes of gold mineralization were leaching in April, 47,000 tonnes are forecast to be leaching in May, rising to 58,000 tonnes in June.

- Over 160, mainly short (30m depth) drill holes, and several kilometres of bulldozer trenching were completed at Sinivit resulting in better grades than anticipated in the Southern Oxide Pit and an extension to the mineralised zone to the north of the Northern Oxide Zone.

- Grade control drilling in the Southern Oxide Pit (see NI 43-101 Report, dated 30th January 2006, page 50, filed on Sedar and the Company's website), has increased the average expected gold grade within the new pit design from 3.82g/t gold to 5.83g/t gold.

- At the Imwauna Project, Normanby Property, Milne Bay Province, Papua New Guinea, the Company has now completed over 150 drill holes and has also completed an initial internal resource estimate over a 900m strike length of the deposit. This resource estimate will be extended to cover the recently announced 300m north and 300m south extensions of the deposit and should be completed by the end of the third quarter 2008. An NI 43-101 Report by an Independent QP is still on track to be released in the third quarter 2008.

- At Pacific Kanon Gold Corporation's (Pacific Kanon) property, Mt Penck, a high grade trench intersection (partly along strike) of 24m at 33.7g/t gold was noted. No drilling was completed in 2007 and the property, after March 2007, was essentially on care and maintenance until the Pacific Kanon IPO is completed.

- At Coppermoly's property Simuku, Hole SMD014 intersected 19m from surface of 0.32% molybdenum and 0.1% copper. From surface to 85m depth the intersection was 0.09% molybdenum and 0.2% copper.

**Subsequent Events**

- The Company's 50% owned subsidiary, Coppermoly Ltd, (Coppermoly) raised A$8 million, listed on the ASX and has commenced a 5,000m core drilling program on the Simuku porphyry copper/molybdenum project in West New Britain, Papua New Guinea. Coppermoly also expects to commence exploration at the Mt Nakru project in late April 2008, focusing on further defining previously announced significant gold results in bulldozer trench.

- 39,915,438 Share Purchase Warrants, which expired on 17th February 2008, were exercised for gross proceeds of approximately C$11.7 million.

- As at 31st March 2008, the Company was in a strong financial position with approximately C$5,889,000 in cash. The Company has a partly drawn down overdraft facility of C$1,930,000 with the Bank of South Pacific. The Company beneficially owned approximately 50% of Coppermoly Ltd.

## BUSINESS & DEVELOPMENT STRATEGY

The Company is involved in Mineral Exploration and Mine Development in Papua New Guinea ("PNG"). New Guinea Gold Corporation ("NGG" or the "Company") has direct interests in 5 gold properties and indirect interests in 5 gold properties through Pacific Kanon Gold Corporation (Pacific Kanon), and indirect interests in 2 porphyry copper-gold-molybdenum properties through Coppermoly Ltd. In excess of 75,000 metres of drilling has been completed on all properties and this drilling has located extensive gold or copper-gold-molybdenum mineralization at 11 of the 12 properties. An additional property contains widespread and extensive alluvial gold.

Mining and processing of gold mineralization from commissioning of the Sinivit Mine commenced with approximately 442ozs of gold recovered in 2007, and a further 302ozs in January 2008. Production is increasing and should reach a level of approximately 3,000 ozs/month in the second quarter. Management considers the potential to expand resources and production in the future to be good. Investors are cautioned that the development of Sinivit is proceeding in the absence of a full feasibility study – (see note below), however, the project is described in an Independent NI 43-101 Report dated 30th January 2006, and filed on Sedar and on the Company's web site (www.newguineagold.ca )

## CORPORATE RESTRUCTURE

As part of the business and development strategy the Company is undertaking a corporate restructuring with the objective of obtaining better shareholder value for the twelve properties. Management has concluded that the market assigns value only to NGG's principal two or three properties. The Company intends to focus on its core gold properties at Sinivit in East New Britain and on its Normanby and Sehulea properties on Normanby Island in Milne Bay Province. Other projects have been joint ventured, or are being restructured into separate entities.

The proposed corporate restructuring is to finance the five Kanon properties and the two copper-gold-molybdenum properties through the creation of two new publicly listed companies Pacific Kanon and Coppermoly. The Company would retain a major equity in each new public company after a prospectus financing or IPO. The first part of the restructure is complete with the successful listing of Coppermoly on the Australian Securities Exchange.
The prospectus for Pacific Kanon remains under discussion with the TSX Venture Exchange.

The reason that the Company favours this form of financing is that under the Company's present financial arrangements the properties in question cannot meet their full potential. Each property has substantial gold and/or copper-molybdenum defined in drill hole and trench and increased exploration expenditure may define a major resource or resources. An IPO allows the Company and/or its shareholders to substantially increase the rate of exploration, realize the potential of the properties, and increase shareholder value.

After the restructure, the Company will focus its activities on three properties and approximately eight prospects in East New Britain, and on Normanby Island. The Sinivit Gold Mine is in East New Britain and the Company intends to focus on delineating further resources at the mine and extending exploration to the prospective area away from the mine. Normanby Island hosts a number of gold/silver and gold/copper prospects including the Imwauna and Weioko systems. Resource definition drilling is in progress at Imwauna using two diamond core rigs with a third rig to be added mid year. Imwauna is a high grade gold system with the gold mineralized zone varying from veins 10cms wide up to 10m width. Mineralization commences at surface and could potentially be mined by open-pit methods. Metallurgical testing suggests the gold is relatively easily extracted by cyanide leach. Best results include 6m at 68g/t gold and 69g/t silver and 5.6m at 36.2g/t gold and 44.6g/t silver intersected in 2006. All results are listed at www.newguineagold.ca .

The Crater Mt and Feni properties (see project chart below) are presently joint ventured with expenditures currently funded by the JV partner. The Mt Penck property is owned 80% by Pacific Kanon, 20% by the Company.

**Coppermoly Ltd**

Coppermoly listed on the Australian Securities Exchange on 31st January 2008. The IPO raised A$8 million and is a successful outcome of the planned reorganization of NGG's copper/molybdenum/gold assets, specifically the Mt. Nakru and Simuku projects.

NGG holds a direct 47% interest in Coppermoly and expects to hold a further indirect interest of approximately 5% through it's shareholding in Pacific Kanon, (calculated after, and assuming, a successful IPO for Pacific Kanon). NGG acquired a 36% direct interest in Coppermoly in consideration for the transfer of the title of the two projects to Coppermoly. These shares are escrowed for two years. A further 11% was acquired by a direct investment by NGG in Coppermoly.

NGG considered it essential to make this investment in Coppermoly to achieve the successful listing. The listing means that NGG retains approximately a 50% interest in the projects after an additional A$6 million has been raised to take these projects forward. The projects will no longer require cash contributions from NGG.

The capital structure of Coppermoly is as follows:

| | | |
|---|---|---|
| Shares Trading | - | 34,015,289 |
| Shares Restricted (for 12 to 24 months) | - | 47,999,999 |
| Options Issued to Management/Staff (exercisable at A$0.25 to A$0.30 cents before 30th April 2011 escrowed for 12 to 24 months. | - | 8,400,955 |

NGG and Pacific Kanon hold shares as follows:

| | | |
|---|---|---|
| NGG | - | 38,273,684 of which 29,473,683 are escrowed for 24 months |
| Pacific Kanon | - | 10,526,316 all escrowed for 24 months. NGG presently holds 50% of Pacific Kanon but after financing expects this to reduce to approximately 30 to 40% |

As at 14th April 2008, Coppermoly was trading at 18 cents, down from the IPO price of 25 cents. The Coppermoly share price has been affected by the general world wide credit problems but should recover in the immediate future as drill results become available.

**Pacific Kanon Gold Corporation**

The proposal for Pacific Kanon is that Bolder Investment Partners Ltd ("Bolder") would act as agent for a Prospectus financing. The new public Company, to be known as Pacific Kanon Gold Corporation would apply to list on the TSX Venture Exchange. NGG would retain an approximately 30% to 40% equity in Pacific Kanon after initial financing. The initial raising and company structure is still under review. An initial proposal has been submitted to the TSX Venture Exchange and comments on the proposed structure and properties have been received from the Exchange and the BCSC. It is hoped to finalise Pacific Kanon in the near future. The properties to be included are 80% of Mt Penck, 100% of Allemata, Fergusson, Bismarck, and Yup River.

## NGG PROJECT SUMMARY

The Company and Pacific Kanon own and operate for exploration purposes, five diamond core drill rigs, one RC drill rig, three excavators and four D6/D7 bulldozers. The mining at Sinivit is conducted by a "dry hire" arrangement from HBS Machinery of Lae, Papua New Guinea. HBS provide all supervision, operators and machines for the mining operation.

During the year, drilling was carried out at the Sinivit, Normanby, and Sehulea properties. Vangold drilled on the Feni property.

In the first quarter of 2008 NGG will have two drill rigs working at Sinivit and two at Imwauna (Normanby Property).

**New Guinea Gold Project Summary**

| Project | Type | Ownership | Plan |
|---|---|---|---|
| Sinivit | Quartz telluride gold system | 92% NGG | Mine – gold production and further exploration to increase resource in 2008 |
| Imwauna | High grade vein swarm system | 100% NGG | Explore & produce 43-101 resource in Q 3, 2008 |
| Weioko | Potential bulk mineable gold | 100% NGG | Explore & produce NI 43-101 resource in late 2008 |
| Mt. Penck | Epithermal gold | Kanon 80%<br>NGG 20% | Restructure as Pacific Kanon Gold |
| Allemata | Quartz gold veins | Kanon 100% | Restructure as Pacific Kanon Gold |
| Bismarck | Disseminated gold & high grade veins | Kanon 100% | Restructure as Pacific Kanon Gold |
| Fergusson | Epithermal gold & silver | Kanon 100% | Restructure as Pacific Kanon Gold |
| Yup River | Alluvial Gold | Kanon 100% | Restructure as Pacific Kanon Gold |
| Mt. Nakru | Porphyry gold/copper | NGG +/- 50% | Restructured as Coppermoly |
| Simuku | Porphyry copper/ gold/ molybdenum | NGG +/- 50% | Restructured as Coppermoly |
| Crater Mountain | Porgera style gold mineralization | 13% NGG | Triple Plate Junction/Celtic Minerals funding, NGG diluting to 10% free carried interest to bankable feasibility |
| Feni | Lihir style gold mineralization | 50% NGG<br>50% Vangold | Vangold earning 75% |

## SINIVIT GOLD PROJECT (92% NGG)

The Sinivit Gold Project is located 50 kilometres south-southwest of Rabaul in the Baining Mountains of the Gazelle Peninsula, East New Britain Province, Papua New Guinea. It can be accessed by road from the town of Kokopo (one hour drive) and port of Rabaul. A jet airport at Kokopo has several daily flights to Port Moresby and Lae.

NGG is mining the oxide cap of a quartz, telluride, copper and gold system. Although the initial project has a relatively short life, New Guinea Gold has an active exploration/development program with the objective of defining additional gold mineralization. The known mineralization is open at depth and there are numerous other, as yet unexplored, targets within the Sinivit properties. The potential to increase mineralization at the project is described in the Independent Technical Reports. The Company cautions, however, that there is no certainty that further mineralization will be defined.

Sinivit can be summarized as follows:

- The Sinivit resources have been defined near surface over a one-kilometre length of a ten kilometre long structural zone. This structural zone is known to contain sporadic, largely untested or unexplored gold mineralization over its entire length.

- The primary mineralization is gold/copper/telluride and the initial mine will process the oxide cap of this mineralization. Mineralization is open both along strike and to depth.

- Head grade for the oxide mineralization is projected at 5g/t gold, with open pit mining and vat leach processing. Mining and processing are relatively simple.

- Average grade of the unoxidised gold/telluride mineralization, from drilling completed to date, is expected to average between 10 and 14g/t gold.

- Resources - Indicated, 713,000 tonnes at 5.7g/t gold for 132,000ozs gold and Inferred, 340,000 tonnes of 3.2g/t gold for 35,000ozs gold.

- Exploration is underway with two drill rigs on site, both owned and operated by the Company. A third rig will be added mid year.

One of the highlights of recent work at Sinivit was the receipt of excellent intersections in the initial grade control drilling. Results such as 18m at 22.6g/t gold, 12m at 25.66g/t and 19m at 19.02g/t gold were intersected. These results were announced on 5th April 2007.

Plant commissioning continued throughout the second half of 2007. Commercial production, initially expected to commence in January 2008 did not in fact commence until April 2008. The delay was primarily due to wet weather (wet season is December to April), exacerbated by the death of our Mine Manager and problems associated with vat construction. These problems are now solved and further delays are not expected.

Gold sales (and receipts in PNG Kina) from the commissioning process were as follows:

| | | |
|---|---|---|
| September 10th 2007 | - | 82.5ozs |
| October 26th 2007 | - | 49.8ozs |
| December 15th 2007 | - | 316.7ozs |
| January 30th 2008 | - | 302.0ozs |

Total revenue was K1, 702,344.07 or approximately C$714,000.00. The gold is sold at the London closing price less 2% for refining.

In 2007 (to 31st December 2007) material moved in vat or road construction and mining was as follows:

| | | |
|---|---|---|
| Ore | - | 16,236 bcm or 42,376 tonnes |
| Waste | - | 43,784 bcm or approximately 100,000 tonnes |
| Other (Vats/roads etc) | - | 397,938 bcm or approximately 900,000 tonnes |

As noted above vat construction (included in "other" above) was the main impediment other than weather, to delay commercial production. The design of vats had to be substantially modified due to the fact that cut and fill could not be used. Much of the near surface material is either recent unconsolidated volcanic ash or highly weathered rock, neither of which had sufficient strength, or could be consolidated, to form the base of the vats. This material had to be removed to a depth that a suitable basement occurred. Consequently the amount of material moved to form the initial vats was several times greater than in the initial plan. Successive vats will now be built above Vats 1, 2 and 3 until the original valley is filled. Vat Construction for Vats 4 onwards is relatively easy compared to the original vats.

**Outlook**

Current mining and exploration, going forward, was given in a Press Release dated 8th April 2008: The present and immediate future processing plan is as follows: "

| **Month**<br><br>**(tonnes mined)** | **Vat No** | **Mineralization Leaching in Vats (tonnes)** | **New Mineralization Placed in Vats (tonnes)** |
|---|---|---|---|
| April 2008<br>(18,000) | Vat 1C Lift<br>Vat 2 | 6,000<br>16,000 | Nil<br>16,000 |
| May 2008<br>(18,000) | Vat 2<br>Vat 3<br>Vat 1C Lift | 23,000<br>18,000<br>6,000 | 7,000<br>18,000<br>Nil |
| June 2008<br>(18,000) | Vat 2<br>Vat 3 | 23,000<br>18,000 | Nil<br>Nil |

| | | | |
|---|---|---|---|
| | Vat 1C Lift | 6,000 | Nil |
| | Vat 4 | 4,200 | 4,200 |
| | Vat 5 | 3,240 | 3,240 |
| | Vat 6 | 3,960 | 3,960 |
| July 2008 (18,000) | Vat 3 | 18,000 | Nil |
| | Vat 4 | 4,200 | Nil |
| | Vat 5 | 3,240 | Nil |
| | Vat 6 | 3,960 | Nil |
| | Vat 7 | 6,800 | 6,800 |
| | Vat 1D | 20,000 | 20,000 |

The average grade of mineralization placed in the above vats, based on the updated pit design, is estimated to exceed 5.5g/t gold. Based on feasibility and commissioning studies, it is estimated that 50% of the leachable gold will be leached in the first 21 days, with the remaining 50% over the following 50 days. Expected recovery at this stage is 80%. The production of gold in any given vat is thus dependent on time and will decrease over time. Monthly production will show significant variations, particularly depending on the amount of new mineralization placed in any vat.

Bob McNeil, Chairman and CEO commented: *"until we have the results of several months of mining and leaching we will not attempt to provide accurate monthly forecasts of gold dore production. Also, as we can store relatively large amounts of gold on carbon, in carbon columns, prior to smelting, we intend to take advantage of this fact to allow us to produce and sell dore gold when we perceive the market to be most advantageous. We will not produce dore gold and hold on site because of security risks".*

A revised southern oxide pit plan, based on grade control drilling to 30m depth has lifted the average grade of mineralization to be mined from 3.82g/t gold to 5.83g/t gold. This revised grade is based on approximately 130 reverse circulation drill holes, each to a maximum depth of 30m. The extent of mineralization below 30m, in the pit, is yet to be determined but many of the drill holes terminated in mineralization greater than 5g/t gold.

Exploration to the north of the proposed Northern Oxide pit has defined the Sinivit mineralization for a further 300m. At the northern end of the proposed northern oxide pit, drill hole DDH110 intersected 13.5m at 1.82g/t gold from surface to 13.5m (60 degree angle hole). Three excavator trenches across the mineralised zone at intervals of approximately 100m over the 300m north of hole DDH110, gave trench results of 10m at 2.6g/t gold, 20m at 1.5g/t gold and 10m at 1.0g/t gold. Drilling is now testing this zone at depth with diamond core holes DDH112 and DDH113 completed and assays awaited. Holes DDH114, DDH115, and DDH116 are in progress or will commence in the near future.

Bob McNeil, Chairman and CEO commented: *"although the drill and trench intersections are relatively low grade they confirm the northerly extension of the Sinivit mineralised zone. Much of the present known Sinivit oxide mineralization is also relatively low grade but average grades are markedly increased by a number of relatively high grade "shoots". There is a good chance such high grade shoots may ultimately be defined in this northern extension as well. Exploration is continuing to the north and is expected to ultimately reach the Kavursuki zone which is a further 500m north of the northernmost trench."*

**Description of the Operation**

The following description is included to ensure shareholders are fully informed of the process from mining to production of gold dore bars.

Gold mineralization is mined by open pit methods and crushed to less than 10mm. Prior to mining the mineralization to be mined is defined by R.C. or blast hole drill holes so that gold mineralization can be separated from waste.

- The crushed gold mineralization is placed in double (high density plastic) lined and covered vats and soaked in a high PH and weak cyanide solution. The cyanide dissolves the gold over a period of months with approximately 50% of the recoverable gold passing into solution in the first two weeks. In the longer term it is envisaged that two or more vats will be leaching at the same time. The leaching is working satisfactorily.
- The gold in leach solution (pregnant leachate) is pumped through steel columns loaded with activated carbon. The gold absorbs to the carbon.
- The gold is then re-dissolved or stripped from the carbon in an "elution circuit", electrowon on to a steel wool, which is then smelted to produce a gold dore bar. The stripping solution is a high temperature (100 degrees) caustic solution containing cyanide.
- After gold dore bar is produced (a mixture of gold, silver, slag and other metals), the dore is shipped to a gold refinery for sale or production of high purity gold and then sale.

**Imwauna Gold Project (NGG 100%)**

The Imwauna project is located within the Normanby Property, southeast Papua New Guinea. The Company owns 100% of this property. Imwauna is the second of the Company's key gold projects.

The Imwauna project contains defined gold mineralization scattered over approximately 10 square kilometres, and occurs in the same geological zone and is along structural trend from Placer Dome's former Misima Mine (5 million ounces of gold). It was selected by management for a major evaluation program in 2006 to extend the known mineralization and to build a substantial resource base.

Two drill rigs have been used on the project through much of 2007. Both rigs are owned and operated by the Company.

Approximately 150 holes have now been drilled at Imwauna (over 200 on the property), with most results available on NGG's web site (all except most recent drill holes yet to be announced).

**The Imwauna Project is, at present a 1.5km long structural zone, up to 100m wide, with numerous, semi continuous zones of gold mineralization. The Project lies within a 5 km by 2 km Zone with extensive surface gold anomalism in soils and rock chips, most of which remains to be explored in detail. Key features are:**

- Historical inferred resource, based on initial 15 drill holes, of 990,000 tonnes of 6.1g/t gold and 12g/t silver for 194,000oz gold and 382,000oz silver.
- Drilling to define resources and the potential of the property is in progress. Resource estimate is expected in mid 2008 with the new NI 43-101 report by August 2008.
- Best drill results such as 3.7m of 94.4g/t gold and 7.2m of 16.5g/t gold.
- Trial mining completed – had an average grade of 14.1g/t gold over a 2.2 m mining width.
- Bulk sampling of 38 excavator trenches over 1,240m strike length averaged 26.4g/t gold over an average of 1m width in central high grade part of the system with likely open pit mining width defined as 3 to 4 metres.

New Guinea Gold Corporation has disclosed historical resource estimates for the Imwauna (Normanby) project. However, these resource estimates have been based on historical estimates and have not been verified and supported by NI 43-101 compliant, independent technical reports. As such, the historical resource estimates cannot be relied upon until they have been verified and supported by NI 43-101 compliant technical reports.

Drilling at Imwauna defined some excellent, high to very high-grade gold intersections towards the southern end of the Imwauna structural zone, (shown in the next table – all results are available in Press Releases and at www.newguineagold.ca ).

| Hole Number | From (m) | To (m) | Interval (m) | Gold g/t | Silver g/t |
|---|---|---|---|---|---|
| IMH 067 | 120.2 | 126.2 | 6.00 | 68 | 68 |
| Including | 123.2 | 126.2 | 3.00 | 106 | 95 |
| IMH 068 | 39.80 | 42.2 | 2.40 | 13.7 | 65 |
| IMH 069 | 99.10 | 109.10 | 10.00 | 18.1 | 31 |
| Including | 105.40 | 107.60 | 2.20 | 32.5 | 49 |
| IMH 074 | 63.00 | 69.45 | 6.45 | 20.9 | 49 |
| IMH 082 | 80.8 | 86.4 | 5.6 | 36.16 | 44 |
| IMH 091 | 8.3 | 12.1 | 3.8 | 21.1 | 44 |

The mineralised zone at Imwauna, which has been drilled to date, represents only 10-15% of the potential mineralised area as defined by surface trenching, soil gold geochemistry and geophysical surveys.

During the past year drilling continued at Imwauna and extended to Ebessowa using the two Company drill rigs. Drilling has now extended both north and south of the previous drilled area at Imwauna with the last hole completed being IMH133.

Drilling is continuing with deeper holes planned beneath the high grade intersection of 5.6m at 36.2g/t gold and to "fill in" the northern and southern 300m extensions to the system.

As stated above approximately 150 drill holes have been completed on this system to allow initial resource estimation. An "in house" resource has been estimated for the central, 900m long section, mainly within 50 to 100m of ground surface. The system is open to depth and along strike. The estimate is presently being checked and reviewed and will then be extended to cover the recent 300m long northern and southern extensions to the system. The estimate should be completed by late May and will then be reviewed by an Independent QP who will prepare a new NI 43-101 report, expected to be released before end of Q3, 2008.

A Press Release dated 23rd April 2008 describes the drill hole intersections, gold distribution and targets for further drilling. Refer to this release for diagrams showing the drill hole distribution; the composite gold content of the system in long section (a section along the line of the drill holes where drill intersections are projected to a single, central, plane); and a table of all drill results above a 0.5g/t gold cut off. The long section shows the relative concentration of gold in gram metres, i.e. g/t gold multiplied by the intersection lengths in metres. The gram metres may represent composite intersections and may include (added together) between one and three separate intersections per hole over a hole length of up to 50 metres. This results in a visual depiction of where the highest overall gold concentrations occur and is important in understanding the gold distribution and for future exploration such as defining potential targets for further drill holes. It is not used for resource estimation. The north and south extensions are not yet completely assessed and require infill drill holes.

As can be seen from the long section the system is open at depth, particularly below the central zone and northern higher grade zones, and to both the north and south.

**Weioko Gold Project (NGG 100%)**

The Weioko gold project is a key Company gold project, is part of the Sehulea Property (NGG – 100%) which is situated on Normanby Island in Milne Bay Province and adjoins the Normanby Property which contains the Imwauna Project. For details of previous drill results, geology etc refer to the NI 43-101 report at www.newguineagold.ca . To date 29 Reverse Circulation holes and 23 Diamond Core holes have defined extensive gold mineralization to depths of up to 100m over an area of 400m by 200m. No current NI 43-101 resource has been estimated but such a resource may be available late in 2008.

The key points which make this property attractive are:

- Disseminated and vein style mineralization known from drill holes, trenching, geochemical and geophysical surveys over an area of 5 sq kms.
- Drill results such as 28m at 2.1g/t gold, 14m at 4.56g/t gold, 21m at 3.6g/t gold, 1.6m at 14.2g/t gold.
- Diamond saw cut sampled trench results such as 164m at 4.0g/t gold and 16m at 20.3g/t gold.
- Excellent access near coast, airstrip at Sehulea and near the key Company gold project at Imwauna.

Results of drilling at the Weioko Prospect were released in a Press Release dated October 29, 2007.

*"New Guinea Gold Corporation (the Company) reports that of seven drill holes completed to test possible extensions to the Weioko prospect, Sehulea Property, Papua New Guinea, six holes intersected gold intervals above 0.5g/t gold. The best results are shown below and all results above 0.5g/t gold are given in the accompanying table.*

| *Hole* | *Intersection* | | *Interval* | *Gold* | *Silver* |
|---|---|---|---|---|---|
| *No* | *From (m)* | *To (m)* | *(m)* | *g/t* | *g/t* |
| *WEH039* | *5.7* | *13.0* | *7.3* | *2.46* | *7* |
| *(including)* | | | *1.3* | *7.49* | |
| *WEH041* | *27.0* | *28.6* | *1.6* | *14.15* | *44* |
| | *34.6* | *35.6* | *1.0* | *5.96* | *10* |
| | *44.9* | *44.9* | *12.4* | *1.40* | *12* |
| *WEH042* | *91.9* | *93.6* | *1.7* | *3.34* | *2* |
| *WEHO43* | *17.1* | *20.4* | *3.3* | *3.35* | *2* |
| | *27.0* | *30.0* | *3.0* | *1.17* | *4* |

Bob McNeil, CEO and Chairman commented: *"these seven holes were drilled to extend our knowledge of the disseminated gold/silver Weioko system with holes drilled peripheral to previous drill holes and to test above a geophysical Induced Polarization (IP) anomaly approximately 500m north and 200m east of the previously drilled Weioko gold mineralization. The Weioko prospect is part of a five square km area with extensive and numerous soil gold and arsenic geochemical anomalies and several IP anomalies. The present results are certainly encouraging as they continue to expand our knowledge of this large disseminated and vein gold system, however comprehensive drill testing to define an NI 43-101 resource is unlikely to commence until later in 2008 as cash flow funds become available from the Sinivit Mine."*

**DRILL INTERSECTIONS ABOVE 0.5g/t GOLD**

| Hole No | Intersection From | Intersection To | Interval | Gold (g/t) | Silver (g/t) |
|---|---|---|---|---|---|
| WEH036 | No results above 0.5g/t gold | | | | |
| WEH037 | 9.2 | 9.4 | 0.2 | 0.82 | 13 |
| | 37.7 | 37.8 | 0.1 | 1.27 | 32 |
| WEH038 | 4.4 | 9.0 | 4.6 | 0.79 | 4 |
| | 17.1 | 20.4 | 3.3 | 3.35 | 6 |
| | 27.0 | 30.0 | 3.0 | 1.17 | 4 |
| WEH039 | 5.7 | 13.0 | 7.3 | 2.46 | 7 |
| | 20.5 | 22.0 | 1.5 | 0.50 | 5 |
| WEH040 | 38.5 | 43.0 | 4.5 | 0.62 | 4 |
| WEH041 | 27.0 | 28.6 | 1.6 | 14.15 | 44 |
| | 31.5 | 32.5 | 2.0 | 0.53 | 5 |
| | 34.6 | 35.6 | 1.0 | 5.96 | 10 |
| | 44.9 | 57.3 | 12.4 | 1.40 | 12 |
| | 63.3 | 66.5 | 3.2 | 0.67 | 5 |
| WEH042 | 11.16 | 12.2 | 0.6 | 0.95 | 4 |
| | 20.9 | 22.2 | 1.3 | 0.58 | 7 |
| | 28.8 | 30.8 | 2.0 | 0.6 | 5 |
| | 37.6 | 49.7 | 12.0 | 0.85 | 6 |
| | 91.9 | 93.6 | 1.7 | 3.34 | 2 |
| | 97.7 | 102.5 | 4.8 | 0.52 | 5 |

## KANON RESOURCES LTD / PACIFIC KANON GOLD CORPORATION PROJECTS

Kanon Resources Ltd is wholly owned by Pacific Kanon which in turn is presently owned 50% NGG and 50% Vangold Resources (subject to successful purchase of seed capital from seed investors presently underway by NGG and Vangold).

Kanon Resources Ltd (Kanon) holds title to five projects in Papua New Guinea; Mt Penck, Bismarck, Yup River, Allemata, and Fergusson. These projects are advanced in that four have substantial gold mineralization already defined on these properties by Kanon or earlier explorers. Highlights include drill intersections in the range of 3m at 20g/t gold to 33m at 2.41g/t gold (at a 0.5g/t cut off). Trench intersections have included results as high as 3m at 180g/t gold. All trench and drill intersections above a 0.5g/t gold cut off are listed under the relevant project at www.newguineagold.ca or in NI 43-101 Reports on NGG's website or on Sedar. The above results are examples only and may not be representative of all intersections.

NI 43-101 technical reports have recently been completed on the properties. Reports for the Mt Penck, Bismarck, Yup River, Allemata and Fergusson properties have been filed on SEDAR (www.sedar.com) and posted to the Companies' websites (www.newguineagold.ca, and www.vangold.ca).

The Technical Reports were jointly prepared by Ralph Stagg, BSc. MSc. FAusIMM, MIMMM, CE, and Peter Swiridiuk BSc. (Hons), Dip Ed. MAIG, Independent Qualified Persons for the purposes of NI 43-101. In each case, the Independent Qualified Persons recommend exploration programs for the projects and express the opinion that the properties are of sufficient merit to justify the proposed investment in exploration.

A prospectus for Pacific Kanon is currently being reviewed by the TSX-V and the BCSC.

### Mt Penck Project (Pacific Kanon – 80%, NGG – 20%)

Mt Penck is the principle Pacific Kanon property and will be subject to a concerted exploration effort to define resources when the Pacific Kanon IPO is finalized later in 2008.

More than 80 holes totalling 6,000m have been completed with intervals such as 72m at 1.79g/t gold, 2m at 36.7g/t gold and 43m at 2.35g/t gold. Bulldozer trenching has yielded results such as 40m at 8.89g/t gold, 97m at 3.39g/t gold and 5m at 60g/t gold. All results are available in the NI 43-101 report.

The Mt Penck property is in West New Britain Province, Papua New Guinea. Access to the property is usually by road from the provincial capital of Kimbe. The property is within a few kilometres of the coast.

Mt Penck is an eroded strata-volcano with gold mineralization associated with an intrusive complex. The company has identified a 4 square kilometre arsenic/gold geochemical anomaly within the 100 square kilometre license. Most of the license is yet to be explored.

For most of 2007, exploration was minimal but sufficient to keep the property in good standing. Some hand trenching and drilling was completed as described in a Press Release dated 21st February 2007 and quoted below:

*"Recent trenching at the Mt Penck Project in Papua New Guinea has confirmed two significant new gold mineralised zones at Upper Peni Creek and Kavola South. Upper Peni Creek is 300m west of Kavola East, where most of the 2006 drilling was concentrated, and Kavola South is 100m south of Kavola East. The trenches are hand dug trenches and were dug to gain some idea of the lateral extent of gold grades along strike. The trenches were dug approximately parallel to the strike of the high grade "core" of both zones.*

***Upper Peni Creek Zone***

*Separate trench intersections above 0.5g/t gold cut-off include:*

*24m at 33.7g/t gold, including 12m at 62.93g/t gold, including 3m at 180g/t gold*
*12m at 4.07g/t gold*
*33m at 1.73g/t gold*
*18m at 1.82g/t gold*
*12m at 0.88g/t gold*

*Check assays of some sample pulps have been carried out that confirm gold values. Additional checks of the sample preparation rejects are now in progress.*

*The above results indicate an average grade for all samples above 0.5g/t gold cut-off of 9.68g/t gold. The average grade for* ***all*** *samples is 8.66g/t gold.*

*Upper Peni Creek was initially discovered in 2005 by surface channel sampling of outcropping siliceous vein/breccia that returned historical assay results of 1m at 38.2g/t gold (see press release dated 18 November 2006). However, the result was not followed up at the time and the zone was not recognized as a new target until late 2006.*

*Two initial scout holes, MPD 036 and MPD 037, were drilled in late 2006, before the trench results were available. MPD036 intersected* ***4m at 5.71g/t gold from 22m to 26m downhole****, including* ***1m at 13.3g/t gold, 120g/t silver and 0.17% copper****. This hole was drilled below the historic chip sample of 1m at 38.2g/t gold. Hole MPD037 intersected four 1m to 2m intervals grading up to 2.85g/t gold and 24.3g/t silver to a depth of 68m downhole. All results above a 0.5g/t gold cut off are listed in the table below.*

***Kavola South Zone***

*Separate trench intersections above 0.5g/t gold cut-off include:*

*30m at 4.42g/t gold*
*48m at 4.01g/t gold*
*24m at 2.82g/t gold*
*12m at 1.49g/t gold*

*The nearest drill hole to the Kavola South Zone is MPD 038 located 160m to the east. This hole intersected 4m at 1.13g/t gold from 44m to 48m downhole.*

***Kavola East Zone***

*Final assay results from the 2007 drilling program have now been received for holes MPD 030, 034 and 035. Scattered intersections over 1m to 2m intervals are present in MPD 030 and 034 to depths of 132 metres downhole. The best intersection was 1m at 3.34g/t gold, 10.3g/t silver and 0.33% copper from 88m to 89m downhole in MPD 034. Hole MPD 035 was drilled to the west outside the main Kavola East Zone and confirms that the Kavola East mineralization is probably terminated by a fault along its western side.*

*It should be noted that only about 30% of the total geochemically anomalous area at Mt Penck has been tested by drilling.*

*All drill results above a 0.5g/t gold cut off are listed in the following table.*

| *Hole* | *From (m)* | *To (m)* | *Length (m)* | *Gold (g/t)* |
|---|---|---|---|---|
| ***Upper Peni Creek*** | | | | |
| ***MPD 036*** | ***22*** | ***26*** | ***4*** | ***5.71*** |
| | | | ***(incl. 1)*** | ***(13.3)*** |
| | ***30*** | ***32*** | ***2*** | ***0.76*** |
| | ***46*** | ***48*** | ***2*** | ***2.77*** |
| ***MPD 037*** | ***2*** | ***4*** | ***2*** | ***1.06*** |
| | ***27*** | ***29*** | ***2*** | ***1.64*** |
| | ***43*** | ***44*** | ***1*** | ***0.84*** |
| | ***66*** | ***68*** | ***2*** | ***2.85*** |
| ***Kavola East*** | | | | |
| ***MPD 030*** | ***19*** | ***21*** | ***2*** | ***0.99*** |
| | ***125*** | ***126*** | ***1*** | ***1.56*** |
| | ***130*** | ***132*** | ***2*** | ***1.01*** |
| | ***58*** | ***60*** | ***2*** | ***1.08*** |
| | ***88*** | ***89*** | ***1*** | ***3.34*** |
| ***MPD 034*** | | | | |
| | ***114*** | ***115*** | ***1*** | ***0.96*** |
| | ***116*** | ***117*** | ***1*** | ***1.49*** |
| | ***124*** | ***126*** | ***2*** | ***2.80*** |
| ***MPD 038*** | ***0*** | ***2*** | ***2*** | ***0.66*** |
| | ***44*** | ***48*** | ***4*** | ***1.13”*** |

**Allemata Property (182.4 sq km - Pacific Kanon 100%)**

The Allemata property was once known as the Milne Bay Goldfield. From 1899 to 1926, the Goldfield produced 14,320 ounces of gold, mainly from alluvial deposits. In 1931, mining commenced with high-grade hard rock mining. Platinum was discovered and mined from 1933 to 1941, producing a total of 6 kilograms of platinum. 1,000 ounces of gold was produced in 1938 and 1939 from the Louise/ Ulo Ulo, Jumbo/Juno and Rough Ridge Mines. This property has not been mined since World War II.

The company’s exploration program including trenching and drilling defined numerous gold zones that will require further drill testing to evaluate their economic potential.

The Allemata property is easily accessible. It is reached by a 20 kilometre all weather road from the port of Alotau and Gurney International Airport. Logging roads provide access throughout the property. Management believes that this project could be developed relatively easily.

Drilling and geochemistry on the Allemata property identified two gold zones on which the company is focusing exploration. Other geochemically anomalous zones remain to be explored.

Ulo Ulo Prospect hosts vein style gold mineralization in a 400m by 400m area. Much of the gold is in relatively narrow gold zones or wide, lower grade zones. The company believes the Ulo Ulo target may be a high-grade vein system similar to NGG’s Imwauna Property on Normanby Island.

Haluba Prospect hosts disseminated and stockwork gold mineralization greater than 0.5g/t over a 400 meter by 300 meter area. This deposit is believed to be similar to Kavola East deposit at Mt Penck, and based on drill hole results to date averages 3 to 4g/t gold.

In total, (including historic holes), 17 holes for 1120m have been drilled and more than 2 kilometres of trenching completed. Drill results included 1.0m at 17.65g/t gold; 1.55m at 5.87g/t gold; 7.1m at 3.44g/t gold and 20m at 2.2g/t gold. Trenching results include 84m at 1.7g/t gold and 4m at 100g/t gold.

In 2007 only sufficient exploration was completed to keep the property in good standing. No material results were received.

**Bismarck Property (208.6 sq km - Pacific Kanon 100%)**

The Bismarck property is situated north of Mt Hagen in the Papua New Guinea highlands. Access is by foot or helicopter at present.

The Bismarck property has several defined gold and copper targets within two large intrusive complexes.

At Tekem Prospect previously reported trenching by the company gave results such as 90m at 1.42g/t gold, 16m at 10.2g/t gold and 20m at 6.48g/t gold. Several drill holes by previous explorers intersected 29m at 2.1g/t gold and 52m at 1.8g/t gold with narrower, high grade, included intervals.

At Awale Prospect, soil sampling defined a 100m by 400m such zone of anomalous gold which has yet to be trenched or drilled.

Trenching at Semben Prospect yielded results as high as 3m at 156g/t gold but have not yet been followed up.

In 2007 only sufficient exploration was completed to keep the prospect in good standing. No new material results were received.

**Fergusson Property (254 sq km - Pacific Kanon 100%)**

Fergusson Property is on Fergusson Island an island adjacent to NGG's Imwauna property on Normanby Island. Access is by boat or fixed wing aircraft.

Previous explorers completed 86 drill holes for approximately 6,000 meters of drilling and defined several prospects with significant gold in drill hole. At the Igwageta Prospect a zone some 1,500 meters by 500 meters of anomalous gold was defined with drilling highlights such as 26m at 1.06g/t gold; 10m at 8.14g/t gold; 12m at 5.88g/t gold; 25m at 2.93g/t gold; and 20m at 3.04g/t gold.

Sampling of surface trenches by the company has confirmed comparable intervals of gold at surface.

No results were reported in 2007 and exploration will recommence in the near future with excavator trenching planned to test the above anomalous gold zone.

**Yup River Property (350.2 sq km – Pacific Kanon 100%)**

The Yup River property is located in Western Papua New Guinea and has significant alluvial gold in the creeks that has been mined by the local Papua New Guinean's. Production has been estimated as between 750 grams and 3 kilograms of gold per month. The company is seeking a bedrock source of gold, and the company recently discovered a bedrock gold zone.

Currently, the company is focused on the Dauri Prospect in the southern part of the Yup River property. Stream and soil sampling defined a 1.2 kilometre by 450 meter gold anomaly. Kanon has located one possible source area where rock chip and soil sampling within the Dauri Prospect identified a 5 meter wide zone of bedrock mineralization grading 2.37g/t gold. This is the first bedrock gold mineralization discovered on the property. The soil sampling identified at least four targets for trenching and drilling. Fieldwork will resume on the Yup River property after the proposed IPO is completed.

**COPPERMOLY LTD PROJECTS**

For a complete review of Coppermoly please refer to www.coppermoly.com.au . The main points are described below:

- Coppermoly has exploration title to three large copper/gold/molybdenum systems, **Simuku, Mt Nakru, and Plesumi**, on the island of New Britain – each system or prospect is known to have mineralization over approximately 10 sq kms.

- Two of the systems were effectively discovered and first explored by Esso when Chairman Bob McNeil was General Manager for Esso Papua New Guinea Inc in the early 1980's.

- Exploration completed on the projects includes some 54 drill holes, approximately 40 kms of bulldozer/excavator trenching, further kilometres of hand trenching, aeromagnetics and radiometrics, some geophysical surveys such as induced polarization, extensive auger soil and other geochemical surveys.

- **The two projects have separate gold and/or molybdenum potential** which may be amenable to early development. At Mt Nakru, trench results included 35m at 7.26g/t gold and 42m at 2.70g/t gold including 3.0m at 16.8g/t gold. At Simuku, trench results include 78m at 0.133% molybdenum and drill results 19m at 0.32% molybdenum and 0.10% copper."

The geological potential of the properties is illustrated by the drill and trench results listed below.

| **Simuku Project** | | **Mt Nakru Project** | |
|---|---|---|---|
| **Trench Results** | | **Trench Results** | |
| 78m | at 0.133% molybdenum (including 15m at 0.25% molybdenum) | 245m | at 0.80 g/t gold |
| 70m | at 0.40% copper | 45m | at 2.50 g/t gold |
| 14m | at 0.26 g/t gold and 1.03% copper | 25m | at 1.43% copper |
| | | 25m | at 1.06% copper |
| | | 4.0m | at 6.6% copper |
| **Drill Hole Results** | | 95m | at 2.88 g/t gold (including 35 m at 7.26 g/t gold) |
| | | 42m | at 2.70g/t gold (including 3.00 m at 16.80 g/t gold) |
| 63m | at 0.52% copper and 0.12g/t gold | | |
| 77m | at 0.49% copper and 0.11g/t gold | **Drill Hole Results** | |
| 58m | at 0.53% copper and 0.10g/t gold | | |
| 19m | at 0.32% molybdenum and 0.10% copper (including 7m at 0.60% molybdenum) | 94m | at 0.43% copper and 0.46g/t gold |
| | | 74m | at 0.78% copper, including 21m of 1.10% copper. |

- Coppermoly's objective will be to define, over the next 2 years, JORC (Australian Securities Exchange standard) compliant resources with grades greater than 0.5% copper equivalent and to take at least one project to pre-feasibility stage.

- Two systems, Simuku and Nakru, have excellent locations. They are well situated for development with road access to the tenements, access to a deep water port, at Kimbe (capital of East New Britain Province), and extensive existing infrastructure and relatively easy logistics (compared to other similar deposits in PNG) in the Kimbe area. Tailings disposal should not be difficult as terrain is moderate and areas exist for either nearby sub - sea disposal of tailings or stable tailings dams on land.

- These properties were not taken to development earlier because of the low prices for metals in the 1990's.

- Chairman and CEO of the Company, Bob McNeil, is non-executive chairman of Coppermoly Ltd.

Coppermoly recently announced that it had commenced drilling with two diamond core rigs at the Simuku Property. Exploration will commence at Mt Nakru at the end of April 2008.

## SENIOR STAFF APPOINTMENTS

**Wayne Johnston**, previously VP Development has been promoted to Chief Operating Officer with responsibility for PNG operations.

**Jack Dryzmulski**, an experienced geologist who is based in Alotau PNG, has been appointed VP Exploration. On administrative matters Jack reports to Wayne Johnson and on technical matters to the CEO.

**Eric Namaliu**, an experienced mining engineer, has been appointed as Mine Manager, and reports to the Chief Operating Officer.

**Salam Malagun**, an experienced geologist, has been appointed as Exploration Manager and reports to the VP Exploration.

**Fred Pratt**, was appointed consultant Mining Engineer and Consultant to the COO.

**Reuben Joel,** a metallurgist was appointed Process Supervisor and Deputy Mine Manager.

**Malcolm Steele**, was appointed Deputy Process Supervisor.

**Mark Morrison**, an experienced metallurgist, was appointed Group Manager of Metallurgy, (Group includes Macmin Silver Ltd).

## PRIVATE PLACEMENT

During the year the Company completed a placement to Sprott Asset Management on 15th October 2007. The placement consisted of 2,500,000 units at a price of $0.50 per unit to raise gross proceeds of $1,250,000. Each unit consisted of one share and one-half share purchase warrant. One whole warrant entitles the holder to acquire one additional common share at an exercise price of $0.65 for a period of two years from the closing. The warrants expire 11th October 2009. All securities issued in the Private Placement are subject to resale restrictions expiring on February 12, 2008.

The Company paid a finder's fee to Bolder Investment Partners, Ltd. consisting of 7% in cash ($87,500) and 7% in finders warrants (175,000 finders' warrants) with each warrant having the same terms as those in the Private Placement.

The proceeds of the placement will be used for advancement of the Sinivit Mine in Papua New Guinea and for working capital.

## WARRANTS EXERCISED

On 22nd February 2008 the Company announced that a total of 38,915,438, 30 cent paid, Share Purchase Warrants which expired on 17th February 2008 had been exercised for gross proceeds of C$11.7 million. Of the total of approximately 39 million warrants exercised, some 26.5 million were exercised after 1st January 2008.

**RESULTS OF OPERATIONS**

The Company's net loss for the year ended 31st December, 2007 was $1,989,488 or $0.02 per common share compared to $1,296,170 in the same period ended 2006 or $0.01 per common share. The Company received $231,152 in interest payments on cash balances and deposits. Interest revenues fluctuate according to the amount of funds held in deposit and the interest rates attained during the period.

The increase in net loss for the year ended 31st December, 2007 compared to the same period in 2006 was $693,318 and is mainly attributed to increased stock-based compensation, wages and benefits and interest costs; a loss on de-consolidation of a subsidiary; and share of losses from equity accounted associates. The Company had a foreign exchange gain in the year ended 31st December, 2007 of $230,595 compared to a gain of $60,738 during the 2006 period because of fluctuations in foreign currency rates. Other income included one off items for the year ended 31st December, 2007 of a gain on the sale of equipment to a mine contractor of $122,142, a gain of $74,187 on the transfer of exploration properties to Coppermoly Limited, the reversal of a provision for diminution in the Company's investment in Gold Mines of Niugini Holdings Limited of $76,304 and operator's fee income of $31,205.

The Company reported a higher stock-based compensation expense of $877,473 during the year ended 31st December, 2007 compared to $385,800 in the same period in 2006. This is non-cash expenditure and does not affect the financial condition of the Company.

During the year ended 31st December, 2007 the Company completed $8,169,069 in exploration and development and commissioning expenditures on its mineral property interests. During the year the Company had $359,626 of gold sales, which were offset against mine development costs as the mine was still in the development/commissioning phase.

**Summary of Selected Annual Information**

**The following is for each of the three fiscal years ended 31st December, 2007, 2006 and 2005:**

| | **31st December 2007** | **31st December 2006** | **31st December 2005** |
|---|---|---|---|
| | $ | $ | $ |
| Interest income | 231,152 | 239,007 | 90,309 |
| Net loss | (1,989,488) | (1,296,170) | (2,434,467) |
| Net loss per share – basic and diluted | 0.02 | 0.01 | 0.04 |
| Total assets | 24,082,140 | 16,150,638 | 7,445,855 |
| Long-term liabilities | - | - | - |
| Dividends | - | - | - |

**Summary of Quarterly Results 31st March, 2006 to 31st December, 2007:**

| | **Year ended 31st December,** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | | | | **2006** | | | |
| | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Revenue | 13,836 | 22,027 | 38,944 | 460,183 | 36,995 | 62,979 | 57,764 | 81,269 |
| Net loss | (811,399) | (604,362) | (297,999) | (275,728) | (329,984) | (183,462) | (702,538) | (80,186) |
| Basic/diluted loss per share | (0.01) | (0.01) | (0.00) | (0.00) | (0.00) | (0.00) | (0.01) | (0.00) |

**FINANCIAL CONDITION**

At 31st December, 2007, the Company had working capital of $447,866 (2006 - $991,436). The Company has no long-term indebtedness or long-term obligations. The change in working capital is due to an increase in available cash of $1,680,345 compared to the previous year (2006 – $1,455,512), while current liabilities increased to $3,074,373 as at 31st December, 2007 from $1,427,934 on 31st December, 2006. This was primarily owed to the Bank Of South Pacific Ltd, a Papua New Guinea domiciled bank, for a fully drawn advance and to Macmin Silver Ltd., a related party, for expenditures made on behalf of NGG.

The Company is committed to paying approximately $400,000 at 23rd April 2008 for expenses billed.

## CAPITAL RESOURCES AND LIQUIDITY

Capital resources of the Company consist primarily of cash and liquid short-term deposits of approximately $5,400,000 at 23rd April 2008.

The Company has adequate cash reserves to continue operations at current levels to August 2008, and has been able to fund its operations by the issue of shares as needed. The Company is also generating cash from gold production. The Company has warrants and stock options outstanding, some of which are "in-the-money" and could generate an additional $1,678,900 if exercised. There is no certainty that the Company will be able to continue to obtain funding by share issuances in the future.

The Company does not anticipate the payment of dividends in the foreseeable future.

## CASH FLOWS

The Company has not yet generated cash flow from mining operations. The Company has funded its operations by issuing its shares either through financings or the exercise of existing share purchase warrants and stock options.

Shares issued from 1st January, 2007 to 31st December, 2007 and to the date of this report are as follows:

| | Number of Shares | Share Capital |
|---|---|---|
| | | $ |
| Balance, December 31, 2006 | 108,723,434 | 26,988,402 |
| Private placements | 14,688,708 | 5,506,922 |
| Exercise of warrants | 4,482,700 | 1,344,810 |
| Exercise of stock options | 679,400 | 221,506 |
| Stock-based compensation on exercises | - | 233,825 |
| Total shares issued | 19,850,808 | 7,307,063 |
| Balance, December 31, 2007 | 128,574,242 | 34,295,465 |
| | | |
| Issued as part of short term funding agreement | 400,000 | 188,000 |
| Exercise of warrants | 26,508,238 | 7,952,471 |
| Exercise of stock options | 600,000 | 178,500 |
| Shares issued | 27,508,238 | 8,318,971 |
| Balance, April 23, 2008 | 156,082,480 | 42,614,436 |

### Related Party Transactions

Amounts paid to related parties were in the normal course of operations and were valued at fair market value as determined by management.

Prior to 2003, Macmin Silver Ltd. ("Macmin"), a company with two directors in common with the Company, was the Company's joint venture partner in certain properties through Macmin's wholly-owned subsidiary, Macmin PNG Ltd, which the Company acquired from Macmin in 2003. Macmin is currently a major shareholder in the Company.

At December 31, 2007, the Company owed Macmin $661,659 for exploration and mine development expenditures paid for by Macmin (2006 - $495,311).

### Disclosure Controls

The Company has adopted a policy of disclosure controls and procedures and will continue to review these, as appropriate, from time to time. The Chief Executive Officer and Chief Financial Officer have concluded that, during 2007, the process in place was effective enough to ensure that material information was accumulated and communicated to management in a sufficiently timely manner for management to make decisions regarding the Company's disclosure as required by securities legislation.

### Internal Controls

The Company has designed and put in place internal controls over financial reporting. The internal controls have an inherent weakness in the area of segregation of accounting duties, in that the accounting staff is small in number and it is not practical or cost effective to increase accounting personnel to enable the segregation of all accounting duties in the company of this size. The Chief Executive Officer and Chief Financial Officer have reviewed the process and have concluded that the controls in place give reasonable assurance that relevant and reliable financial information is available for reporting and for the preparation of interim and annual financial statements in accordance with Canadian GAAP.

## Contractual Obligations

The Company has no long-term debt and does not anticipate that it will require debt financing for current planned expenditures.

## Off-Balance Sheet Arrangement

The Company has no off-balance sheet arrangements or transactions and none are contemplated.

## Financial and Other Instruments

The Company's financial instruments consist of cash, amounts receivable, prepaid expenses, marketable securities, accounts payable and accrued liabilities and amounts due to related parties. The balances in these accounts are in Canadian dollars, Papua New Guinea kina and Australian dollars and are recorded at their fair value.

## Legal Proceedings

The Company and its subsidiaries are not parties to any legal proceedings and have no contingent liabilities.

## Changes in Accounting Policy

In 2007 the Company adopted the new provisions prescribed by the Accounting Standards Board, "3855 Financial Instruments – Recognition and Measurement" and "1530 Comprehensive Income". Under the new standards, all financial assets, except those classified as held to maturity, must be measured at fair value. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value. Available-for-sale financial assets will be measured at fair value with fair value changes recognized in other comprehensive income (OCI).

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. The amounts recognized in accumulated OCI will be reclassified to net income in the periods in which available-for-sale financial assets are removed from the balance sheet. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net income (loss) until realized.

The application of these new standards did not have a significant effect on the Company's financial position, earnings or cash flows.

## Outstanding Share Data

The Company has one class of shares and there were 156,082,480 shares issued as at 23rd April 2008 (128,574,242 shares issued as at 31st December, 2007) and 172,435,684 on a fully diluted basis.

The Company has a stock option plan and at the date of this report there were 7,635,600 options outstanding exercisable into one common share between $0.23 and $0.49.

The Company has 8,717,604 warrants outstanding as at 23rd April 2008 exercisable into one common share between $0.55 and $0.65.

## Subsequent Events

Subsequent to the year ended 31st December, 2007 the Company:

- received $8,130,971 and issued 27,108,238 shares pursuant to the exercise of 600,000 options and 26,508,238 warrants;
- acquired a further 17% direct investment in Coppermoly Ltd. This was achieved by way of a $2 million short-term loan from Vangold Resources Ltd ("Vangold"). The loan is subject to a 5% per annum simple interest rate. The Company also issued 400,000 shares of the Company to Vangold plus 400,000 bonus warrants, exercisable at $0.60 for a period of two years. The sale of these shares and any shares acquired as a result of the exercise of the bonus warrants are subject to a sale restriction of one year. The $2 million loan, together with $9,266 in interest and charges, was subsequently repaid on February 18, 2008; and
- granted 1,750,000 stock options to employees and consultants exercisable at $0.43 for a five year period, subject to a one year vesting period.