NEW GUINEA GOLD CORPORATION

Management Discussion & Analysis
For the Three Month Period Ended June 30, 2007

INTRODUCTION

The following Management Discussion and Analysis of the Company's financial position is for the three month period ended June 30, 2007 compared to June 30, 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 is current to August 17th, 2007 and the Company's auditor has not reviewed the financial statements.

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

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 interests in 10 gold properties and 2 porphyry copper-gold-molybdenum properties. In excess of 70,000 metres of drilling has been completed on all properties and this drilling has located extensive gold or copper-gold-molybdenum mineralisation at 11 of the 12 properties. An additional property contains widespread and extensive alluvial gold.

Mining and processing of gold mineralisation from the Sinivit Mine commenced in the quarter with the first gold dore pour in July. Production is expected to gradually increase over the next three to six months to a monthly gold production of approximately 3,000ozs. 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.

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 the 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 will be restructured into separate entities.

The proposed corporate restructuring is to finance the six Kanon properties and the two copper-gold-molybdenum properties through the creation of two new publicly listed companies to be known as Pacific Kanon Gold Corporation and Coppermoly Ltd. The Company would retain a major equity in each new public company after a prospectus financing or IPO.

The reason that the Company favors 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 and thus a chance of major discovery.

The proposal for Kanon is that Bolder Investment Partners Ltd ("Bolder") would act as agent for a Prospectus financing, including a concurrent placement, and the new public Company to be known as Pacific Kanon Gold Corporation which would list on the TSX Venture Exchange. The Company would retain an approximately 30% equity in Pacific Kanon Gold Corporation after financing. The properties included are 80% of Mt Penck, 100% of Allemata, Fergusson, Bismarck, Yup River and 50% of Mt Nakru.

The proposal for the copper/gold/molybdenum properties (Simuku and Mt Nakru) is still being discussed with our financial advisors. At this stage it is expected that Kanon will vend its 50% of Mt Nakru into Coppermoly Ltd. The Simuku copper-molybdenum property is held 90% by the Company and the Mt Nakru copper-gold property is held 50% by the Company and 50% by Kanon. The Simuku property is of particular interest as it contains significant molybdenum with a recent drill result of 19m at 0.32% molybdenum from surface.

After the restructure, the Company would 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. Imwauna is a high grade gold system with results such as 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.

The remaining two properties (see project chart below), are presently joint ventured with expenditures currently funded by the JV partner. Mt Penck property is owned 80% by Kanon, 20% by the Company, and Mt Nakru is owned 50% by Kanon and 50% by the Company.

New Guinea Gold Project Summary

Project	Type	Ownership	Plan
Sinivit	Quartz telluride gold system	92% NGG	Mine – further exploration to increase resource in 2007
Normanby (Imwauna)	High grade vein swarm system	100% NGG	Explore & produce 43-101 resource
Sheulea/Weioko	Potential bulk mineable gold	100% NGG	Explore & produce NI 43-101 resource in 2008
Mt. Penck	Epithermal gold	Kanon 80% 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% Kanon 50%	Restructure as Coppermoly
Simuku	Porphyry copper/gold/molybdenum	90% NGG	Restructure as Coppermoly
Crater Mountain	Porgera style gold mineralisation	100% NGG	Triple Plate Junction/Celtic Minerals funding, NGG diluting to 10% free carried interest to bankable feasibility
Feni	Lihir style gold mineralisation	50% NGG 50% Vangold	Vangold earning 75%

PROJECTS

The Company owns and operates four diamond core drill rigs, (one drill rig in conjunction with Vangold Resources Ltd), one RC drill rig, three excavators and four D6/D7 bulldozers (one bulldozer owned in conjunction with Vangold Resources Ltd).

During the quarter, drilling was carried out and/or results received from the last quarter for the Sinivit, Normanby, and Sehulea properties. Vangold commenced drilling on the Feni property.

In the third quarter of 2007, NGG will have two drill rigs working at Sinivit, two at Imwauna (Normanby Property), and one at Feni (managed by Vangold Resources). Trenching, soil and rock sampling results were received from the Fergusson and Allemata properties during the quarter.

SINIVIT GOLD PROJECT (92% NGG)

Please refer to the Management Discussion and Analysis for the year ended December 31st 2006 for a description of the Sinivit Gold Project.

DURING THE QUARTER ENDED JUNE 30, 2007

Most aspects of the Sinivit Mine were successfully commissioned during the quarter, or, in the case of the elution circuit, early in July 2007. The first dore gold pour occurred in early July 2007.

A review of the operation by an independent expert, concluded that with some additional equipment, there was no impediment to moving to full production of approximately 3,000 ozs gold/month this fall.

Description of the Operation

The process from mining to production of gold bars is as follows:

- Gold mineralisation is mined by open pit methods and crushed to less than 10mm. Prior to mining the mineralisation to be mined is defined by R.C. or blast hole drill holes so that gold mineralisation can be separated from waste. Mining, grade control and crushing have all been successfully commissioned.

- The crushed gold mineralisation 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 absorps to the carbon. This has been successfully achieved.

- The gold is then re-dissolved or stripped from the carbon in an “elution circuit”, electrowon onto 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 some problems and modifications the elution circuit has now been commissioned subsequent to the end of the quarter.

- After a gold dore bar is produced (a mixture of gold, silver and other metals), the dore is shipped to a gold refinery for final production of high purity gold.

Mining/Earthmoving

Approximately 350,000 tonnes had been moved to the end of the quarter, including approximately 30,000 tonnes of ore. The majority of this material was from vat construction, road construction and to a lesser extent, removal of waste from the southern oxide pit.

All required permits for the mining operation are in place and drill and blast operations are being carried out on a regular basis. Mining of ore will gradually increase over the next three months.

The crushing circuit was successfully commissioned and is capable of coping with scheduled full production. Both capacity and crush size appear to be optimum for the operation. About 20,000t of crushed ore is presently stockpiled to be used in Vat 1.

Grade control is proceeding satisfactorily although slowed by difficulties in obtaining competent drillers. In Press Releases dated 10th April 2007, and 14th May 2007, the initial grade control results were released. Further results were released on August 13th, 2007. These results are significant and suggest that this part of the orebody may contain more gold than indicated in the existing resource estimates, however management cautions that no new 43-101 estimate has been completed.

Vat Leaching

Vats 1A and 1C are presently being leached with Vat 1 expected to be ready for processing in the near future. Vat 1B was a small vat near Vat 1A, but because of space limitations will probably not now be built. Vat 1A contains approximately 1,600 tonnes of ore and Vat 1C approximately 3,500 tonnes or ore. The vat configuration shown on the web site is diagrammatic and Vats 1A, 1C and 1 are all within the confines of Vat 1 upper as shown on the web site. Vat 1 lower and part of Vat 2 will become Vat 2 in the near future.

Leaching is currently proceeding to expectations and gold is being absorbed on to carbon in the carbon columns. Actual recovery rates from the vats won't be known for some months, but would appear to be as predicted. We have not identified any significant problems in the leaching circuit.

Elution Circuit

The elution circuit was finally commissioned in early July. In late May a problem arose in the stripping section (stripping gold from carbon) requiring replacement of pump seals and the first dore pour occurred in early July. A part of the furnace heating circuit failed after the pour: this has been rectified and the furnace is now operating satisfactorily. For security reasons, gold pours are irregular with no advance warning or notification of any kind.

Administration

To improve communications with site, we intend to go to a satellite based system in the near future, provided licensing and installation problems are resolved.

Some additional labourer's accommodation has been added as the existing accommodation was insufficient to cope with both mining and construction personnel. There are about 90 persons resident on site – about 30% above the longer term objective when all construction is completed.

Two new 40t trucks and one 30t excavator have recently been added by the contractor to the earthmoving fleet to ensure sufficient earthmoving capacity is available to meet the objective of 3,000oz gold production per month.

Cautionary note:

Investors are cautioned that the development of Sinivit is proceeding in the absence of a full feasibility study. These evaluations are preliminary in nature and are based entirely on indicated mineral resources, which have not been categorized as mineral reserves. There is no assurance that the operating and financial projections in the preliminary assessment will be realized. Mineral resources that are not reserves do not have demonstrated economic viability. Measured and indicated mineral resources are that part of a mineral resource of which quantity and grade can be estimated with a level of confidence sufficient to allow the application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit.

Drill Results Received During The Quarter

Drill results were released on 14th May 2007:

Hole SGC0053, drilled on line 9846N, is particularly significant, with an intersection of 8m at 28.42g/t gold. In the resource estimate the original holes used to estimate the resource on section 9845N (one meter north) were 4m at 9.41g/t gold, 2m at 1.03g/t gold, 4m at 1.8g/t gold and 5m at 2.65g/t gold. This new intersection is much higher than the intersections used in the resource estimate.

The new intersections compliment previously announced intersections (26th March) on line 9840N (6 meters south) of 12m at 25.66g/t gold and 10m at 9.88g/t gold and further confirms that the grade control drilling has intersected a high grade gold zone which was not defined in the original resource drilling (see www.newguineagold.ca for resource sections).

Mr. Bob McNeil, CEO and Chairman commented: *"Also of particular significance is the fact that Holes SCG 49 and 53 both terminated in high grade gold at the bottom of each hole, with the last samples between 28 and 30 meters downhole assaying 42.5g/t gold and 28.2g/t gold respectively (see Appendix)"*

The drilling program, in total (includes Press Release of April 10th 2007), covered a strike length of approximately 100m and included 68 reverse circulation (RC) holes each drilled to 30m depth and sampled at 2m intervals.

The RC drill has been stood down for the past month due to mechanical problems. These have been rectified and a second program to the north of this present program will commence in the near future. Diamond core drilling has commenced to test the deeper limits of the proposed central oxide pit. The first hole has been completed, sampled and dispatched to the assay laboratory.

Summary results from drill holes in this program not mentioned are listed below.

Section Line	Hole Number	From (m)	To (m)	Interval (m)	Gold (g/t)
9858N	SGC0047	2	4	2	0.55
9852N	SGC0048	0	8	8	2.08
	SCG0049	0	2	2	1.46
	SGC0049	18	30	12	8.43
	including	**28**	**30**	**2**	**42.5**
	SCG0050	0	10	10	1.67
	SGC0050	16	18	2	2.65
	SGC0051	0	10	10	1.28
9846N	SGC0052	No significant assay			
	SGC0053	2	2	2	1.07
	SGC0053	22	30	8	28.42
	including	**26**	**28**	**2**	**66.0**

Further drill results were released on August 13th 2007.

Drilling within and adjacent to the resource at Sinivit continues to define both good gold grades and continuity to the mineralisation. Eighty one holes have now been completed.

In addition to gold, several holes intersected significant copper, such as 2m at 1.68% copper in hole 56; 4m at 1.8% copper in hole 60; 2m at 2.62% copper in hole 66; 6m at 2.68% in hole 72. These copper intersections contain 0.6 to 13g/t gold but the higher gold grades generally contain only low copper (less than 100ppm). The significance of the copper for the longer term future of the Sinivit mine will not be confirmed until further and deeper drilling is completed.

The highlights of the gold intersections are shown below with all results and hole data shown in the Press Release of August 13th, 2007.

Hole No	From (m)	To (m)	Length (m)	Gold (g/t)
SCG0056 including	16	20	4 2	7.89 13.15
SCG0057 including	8	12	4 2	19.59 35.10
SCG0059	14	25	11	2.75
SCG0060	14 20	20 24	6 4	9.33 0.71
SCG0061	24	28	4	5.66
SCG0070	0	15	15	3.41
SCG0072	2 16	14 30	12 14	8.77 5.12
SCG0073 including	4	8	6 2	32.07 89.8
SCG0075	4	22	18	8.78
SCG0079 including	0	8	8 4	21.44 38.15
SCG0080	4	10	6	5.91
SCG0081	2	8	6	4.87

Mr Bob McNeil CEO of NGG commented: *"These results are as expected and continue to confirm both the grade and continuity to the gold mineralisation at Sinivit. Some of the holes were drilled to define the boundary of the gold mineralisation and were not expected to contain significant gold. The significant copper may prove a substantial bonus in the future if or when mining proceeds to mine and process the gold sulphide mineralisation at depth. In the short term high grade copper mineralisation of up to 6m at 2.68%copper and 3.03g/t gold will be stockpiled. Further drill results are expected in the near future. The Sinivit mine continues as planned with good gold leaching from Vat 1C. The next, larger, vat will commence processing in the near future. "*

Investors are cautioned that the development of Sinivit is proceeding in the absence of a full feasibility study. These evaluations are preliminary in nature and are based entirely on indicated mineral resources, which have not been categorized as mineral reserves. There is no assurance that the operating and financial projections in the preliminary assessment will be realized. Mineral resources that are not reserves do not have demonstrated economic viability. Measured and indicated mineral resources are that part of a mineral resource of which quantity and grade can be estimated with a level of confidence sufficient to allow the application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit.

NORMANBY PROPERTY

The Normanby Property and Imwauna Project is described in the Management Discussion and Analysis for the year ended December 31st 2006.

DURING THE QUARTER ENDED JUNE 30, 2007

Drilling continued on this property throughout the quarter. A second drill was added to the program, which is now oriented towards deeper, wider spaced holes to build an Inferred Resource. Early drilling was focusing on close spaced, near surface drilling to define Indicated and Measured Resources.

Drilling continues to define gold mineralisation at Imwauna, much of it relatively high grade.

Drill results were released on 15th May 2007 for Holes IMD095 to IMD097 inclusive

Of particular significance are the multiple intersections in hole IMD095 collared in the south of the project including 1.0m at 8.40g/t gold and 27g/t silver between 32.6 and 33.6m; 1.10m at 9.05g/t gold and 20g/t silver between 108.3m and 109.4m and 4.6m at 6.44g/t gold between 111.3m and 115.9m including 1.0m at 21.3g/t gold and 15.5g/t silver.

Generally, narrow, high grade zones were intersected in drill holes IMD096 and IMD097 collared in the centre of the prospect area. Results include 0.20m at 15.65g/t gold and 61g/t silver from 68.70m to 68.90m and 0.20m at 10.95g/t gold and 10g/t silver from 90.60m to 90.80m in IMD096. Drilling has shown that even such narrow intervals of high grade are significant as these zones can rapidly increase in width, along strike, or to depth.

Diamond drilling with the second core rig has been completed at the adjacent Weioko prospect on the Sehulea Property, Normanby Island, and is being mobilised to the Normanby Property to increase the drilling capability at that project. Drilling with this second rig will focus on exploratory holes to test prospects such as Ebessowa to the north of Imwauna (see map at www.newguineagold.ca), the Imwauna system at depth and further along strike to the south. These exploration holes will allow an Inferred Resource for the system to be estimated in addition to Indicated and Measured Resources based on the detailed drilling completed to date.

Summary assay results for drill holes IMD095 to IMD097 inclusive are given in the following table:

Summary of Intersections above 0.5g/t gold

Hole	Intersection		Interval	Gold	Silver
No	From	To (m)	(m)	(g/t)	(g/t)
IMD095	26.5	27.5	1.00	1.09	-
	32.6	33.6	1.00	8.40	27
	59.3	59.9	.60	5.07	14
	108.3	109.4	1.10	9.05	20
	111.3	115.9	4.60	6.44	3
including	111.3	112.3	1.00	21.30	15
IMD096	41.80	42.50	0.70	2.20	10
	72.4	73.9	1.50	10.43	11
IMD097	63.2	63.540	0.30	0.66	12
	68.70	68.90	0.20	15.65	61
	69.80	70.10	0.30	1.11	35
	90.60	90.80	0.20	10.95	10

Note: true widths of intersections are estimated to be between 70 - 90% the interval above.

Further Drill Results Were Released on 15th August 2007.

KANON RESOURCES LTD

Kanon Resources Ltd (KRL) presently has interests in six projects in Papua New Guinea; Mt Penck, Bismarck, Yup River, Allemata, Fergusson and Mt Nakru. These projects are advanced in that five have substantial gold mineralisation 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 an 0.5g/t gold cut off are listed under the relevant project at www.newguineagold.ca. The above results are examples only and may not be representative of all intersections.

NGG and Vangold Resources Ltd. (VAN:TSX) ("Vangold") (collectively the "Companies") have previously announced a corporate restructuring whereby, a separate company, Pacific Kanon Gold Corp. ("Kanon"), will acquire all the shares of Kanon Resources Limited ("KRL"), currently owned 50% by NGG and 50% by Vangold. Further details of the restructuring including details of retained equity in and of the financing for, Kanon, are expected to be announced in the near future. The restructuring is effectively an alternate method of financing five of the properties owned by Kanon (the "Properties") rather than issuing further shares in the parent companies. It will allow exploration on the Kanon properties to be substantially enhanced, with commensurate increased chance if a major discovery and without further dilution of NGG share capital.

As a part of the restructuring, NI 43-101 technical reports have 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.

DURING THE QUARTER ENDED JUNE 30, 2007

Exploration on all the KRP properties during the past quarter has been restricted to geological mapping and trench sampling at Mt Penck, soil and rock sampling at Fergusson and Allemata and data review at Bismarck and Yup River.

COPPER QUEST PNG LTD

DURING THE QUARTER ENDED JUNE 30, 2007

A new subsidiary of NGG, Copper Quest PNG Ltd, was formed during the quarter to acquire New Guinea Gold Ltd's (PNG subsidiary of NGG) interest in the Simuku and Mt Nakru porphyry copper/gold/molybdenum properties. As a part of the corporate restructuring described in the previous section on Kanon Resources Ltd, a new public company, Coppermoly Ltd, has also been formed to acquire the shares in Copper Quest PNG Ltd from NGG. Coppermoly Ltd is expected to raise finance to further the development of the above two properties by way of an IPO prospectus financing and to list on a stock exchange. Details of this IPO are presently being finalized and are expected to be announced in the near future.

No field work was completed on the properties during the quarter.

SELECTED FINANCIAL INFORMATION

The following table presents selected unaudited consolidated financial information for the six months ended June 30, 2007 and 2006 and audited consolidated financial information for the years ended December 31, 2006, 2005 and 2004.

	Six months ended June 30, 2007	Six months ended June 30, 2006	Year ended December 31, 2006	Year ended December 31, 2005	Year ended December 31, 2004
	$	$	$	$	$
Interest Income	35,863	99,974	239,007	90,309	67,311
Net loss	(1,415,761)	(513,446)	(1,296,170)	(2,434,467)	(855,840)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.04)	(0.02)
Total assets	20,635,086	13,297,370	16,150,638	7,445,855	8,315,892

The Company’s net loss for the year ended December 31, 2006 was $1,296,170 or $0.01 per common share compared to $2,434,467 in the same period ended 2005 or $0.04 per common share. The Company received $239,007 in interest payments on cash balances and deposits. Interest revenues fluctuate according to the amounts of funds held in deposit and the interest rates attained during the period.

The decrease in net loss for the year ended December 31, 2006 compared to the same period in 2005 was $1,138,297 and is mainly attributed to reduced stock-based compensation, wages and benefits. Amortization, and repairs and maintenance costs increased due to additional equipment purchases during the 2006 and in the previous fiscal year. The Company had a foreign exchange gain in the year ended December 31, 2006 of $60,738compared to a loss of $151,582 during the 2005 period because of fluctuations in foreign currency rates. Wages in the year ended December 31, 2006 were $301,386, a decrease of $140,821 compared to the same period ended 2005.

The Company reported a lower stock-based compensation expense of $385,800 during the year ended December 31, 2006 compared to $1,147,248 in the same period in 2005. This is a non-cash expenditure and does not affect the financial condition of the Company.

During the year ended December 31, 2006 the Company completed $8,169,069 in exploration and development expenditures on its mineral property interests.

RESULTS OF OPERATIONS

Three-months ended June 30, 2007

The Company's net loss for the three months ended June 30, 2007 was $604,362 or $0.01 per common share compared to $183,462 in the same period ended 2006 or $0.01 per common share. The Company received $22,027 in interest payments on cash balances and deposits compared to $62,979 received during the three-months ended June 30, 2006, a decrease of $40,952. Interest revenues fluctuate according to the amounts of funds held in deposit and the interest rates attained during the period.

The increase in net loss for the three months ended June 30, 2007 compared to the same period in 2006 was $420,900. This was mainly attributable to an increase in loss on foreign exchange of $153,085, from a gain of $9,016 in 2006 to a loss of $144,069 during the current period due to fluctuations in foreign currency rates. Repairs and maintenance cost increased by $99,393 due to increased productivity and amortization increased by $16,080 due to additional equipment purchased during fiscal 2006. Bank charges and interest increased significantly by $54,253, up from $1,691 in the comparable three-month period ended June 30, 2006 to $55,944 during the current period.

During the three months ended June 30, 2007 the Company incurred $1,989,166 on its mineral properties including $1,600,204 developing the Mt. Sinivit Mine and $388,962 in exploration costs

Six-months ended June 30, 2007

The Company incurred a net loss of $1,415,761 or $0.01 per common share for the six months ended June 30, 2007, as compared to a net loss of $507,414 or $0.01 per common share for the comparable period in 2006. The Company received $35,863 in interest payments on cash balances and deposits compared to $99,974 received during the six-months ended June 30, 2006, a decrease of $64,111. Interest revenues fluctuate according to the amounts of funds held in deposit and the interest rates attained during the period.

The increase in net loss of $908,347 was mainly due to a non-cash compensation charge of $216,299. The company recorded non-cash compensation expense of $338,499 (2006: $122,200) which represents the estimated fair value of stock options granted during the period. Other significant increases were, repairs and maintenance cost by $109,447 due to increased productivity and amortization by $32,609 due to additional plant and equipment purchased during fiscal 2006, insurance increased by $106,303 due to a condition of a loan agreement in raising finance, wages and benefits increased by $106,249 due to additional production labour, bank charges and interest increased by $86,004 and foreign exchange losses increased by $92,860 due to fluctuations in foreign currency rates relative to the Canadian dollar, loss on disposal of plant and equipment increased by $ 76,388 and shareholder communication expenses increased by $65,132 with corresponding decreases in professional fees of $29,638 and a gain in disposal of investments of $27,923.

During the six months ended June 30, 2007 the Company incurred $3,451,852 on its mineral properties including $2,728,530 developing the Mt. Sinivit Mine and $723,322 in exploration costs.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the last eight quarters ended June 30, 2007.

	Year ended December 31,							
	2007		2006				2005	
	Q1	Q2	Q1	Q2	Q3	Q4	Q3	Q4
	$	$	$	$	$	$	$	$
Revenue	13,836	22,027	36,995	62,979	57,764	81,269	180	(15,833)
Net loss	(811,399)	(604,362)	(329,984)	(183,462)	(702,538)	(80,186)	(210,494)	(1,783,262)
Basic/diluted loss per share	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.02)

NEW GUINEA GOLD CORPORATION
Management Discussion and Analysis of Financial Condition and Results of Operations
JUNE 30, 2007

FINANCIAL CONDITION

At June 30, 2007, the Company had working capital of $1,962,926 (December 31, 2006 - $991,436). The change in working capital is the result of increased available cash of $3,337,225 (December 31, 2006 $1,455,512) due to a private placement financing, which raised net $3,753,558 during the three months ended March 31, 2007.

Current liabilities increased to $1,618,700 as at June 30, 2007 from $1,427,934 on December 31, 2006. This was primarily owed to Bank of South Pacific ($1,067,840) due December 2007 and to Macmin Silver Ltd., a related party, for expenditures made on behalf of NGG. The Company has no long-term indebtedness or long-term obligations.

The Company is committed to paying approximately $320,000 of trade other current creditors as at August 17, 2007.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources of the Company consist primarily of cash and liquid short-term deposits of approximately $2,245,535 at August 17, 2007.

The Company has adequate cash reserves to continue operations at current levels to early 2008, and has been able to fund its operations by the issue of shares as needed. The Company has warrants and stock options outstanding, which are "in-the-money" and could generate an additional $11,286,059 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.

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

CASH FLOWS

The Company has not generated cash flow from mining operations. The Company has financed its operations to date primarily through the issuance of common shares and the exercise of warrants and stock options. The Company continues to seek capital through various means including the issuance of equity and/or debt.

Shares issued from December 31, 2005 to December 31, 2006 and to the date of this report are as follows:

	Number of Shares	Share Capital $	Contributed Surplus $
Balance, December 31, 2005	64,913,496	18,614,693	2,344,266
Private placements	35,615,438	5,940,082	-
Exercise of warrants	7,924,500	2,331,297	-
Exercise of stock options	270,000	62,100	-
Contributed surplus adjusted on exercise of options	-	40,230	(40,230)
Stock-based compensation			918,750
Balance, December 31, 2006	108,723,434	26,988,402	3,222.786
Private placements	12,144,690	*4,463,396	188,902
Exercise of warrants	1,757,200	527,160	-
Exercise of stock options	579,400	191,486	-
Contributed surplus adjusted on exercise of options	-	135,870	(135,870)
Stock-based compensation	-	-	338,499
Balance, June 30, 2007	123,204,724	32,306,314	3,614,317

*Net of issue costs of $637,394.88, of which $387,722.88 was paid in cash, and $60,770 was paid by the issue of Units at $0.42 per Unit, each Unit consisting of one common share and one half of a share purchase warrant, exercisable into an additional share for a period of two years from 19 April 2007 at an exercise price of $0.55, and $188,902 represents the fair value of 1,011,250 Agent's Warrants which have the same terms as the warrants included in the Units above.

Private Placement

During the period under review the Company issued 1,887,500 Units for net proceeds of $752,183 pursuant to a private placement. Each Unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable to purchase one common share at a price of $0.55 for two years. The company paid commissions in cash and Units totaling $58,905 and issued 187,000 agents warrants with the same terms as the Unit Warrants in connection with the private placement.

Options exercised

The Company received $191,506 and issued 579,400 shares upon the exercise of 579,400 options.

Warrants exercised

The Company received $505,200 and issued 1,684,000 shares upon the exercise of 1,684,000 warrants.

Stock options

The Company has granted share purchase options to directors and employees of the Company to purchase common shares of the Company. These options are granted with an exercise price equal to the market price of the Company's stock at the date of the grant. A summary of the status of the stock option plan as of June 30, 2007, and June 30, 2006 and the changes during the period then ended is as follows:

	2007		2006	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		$		$
Balance – beginning of year	5,755,000	0.36	5,185,000	0.39
Granted	2,430,000	0.33	1,500,000	0.28
Exercised	579,400	0.33	(270,000)	0.23
Cancelled / expired	-	-	(660,000)	0.36
Balance – end of year	7,605,600	0.36	5,755,000	0.36

The fair value of stock options and warrants granted during 2007 and 2006 are estimated on the date of their grant using the Black-Scholes option pricing model using the following assumptions:

	2007	2006
Risk-free interest rate	3.88 – 3.97%	3.83% - 3.87%
Estimated volatility	90 – 97%	111% - 112%
Expected lives	2 years	2 to 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.

Warrants

Warrants outstanding at June 30, 2007:

Number of warrants	Exercise Price	Expiry Date
	$	
29,232,738	0.30	February 20, 2008
6,139,845	0.55	March 23, 2009
1,152,759	0.55	April 19, 2009
36,525,342		

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.

RISKS AND UNCERTAINTIES

The Company competes with other junior mineral exploration companies, some of which have greater financial resources and technical facilities. The business of mineral exploration and extraction involves a high degree of risks and few properties that are explored are ultimately developed into production. In addition to specific risks disclosed throughout this discussion, other risks facing the Company include competition, reliance on third parties, environmental and insurance risks, statutory and regulatory requirements, metal prices and foreign currency fluctuations, share price volatility and title risks.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the interim filings, that the Company's disclosure controls and procedures as of the end of such period are effective to provide reasonable assurance that material information related to the Company, is made known to them by others within those entities. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure and controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with Canadian generally accepted accounting principles. We have designed and implemented a system of internal controls over financial reporting which we believe is effective for a company of our size. During the review of the design of the Company's control system over financial reporting it was noted that due to the limited number of staff, there is an inherent weakness in the system of internal controls due to our inability to achieve appropriate segregation of duties. The limited number of staff may also result in identifying weaknesses with respect to accounting for complex and non-routine transactions due to a lack of technical resources, and a lack of controls governing our computer systems and applications within the Company. While management of the Company has put in place certain procedures to mitigate the risk of a material misstatement in the Company's financial reporting, it is not possible to provide absolute assurance that this risk can be eliminated.

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 a bank and 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

There were no significant changes in accounting policy.

OUTSTANDING SHARE DATA

The Company has one class of shares and there were 123,939,724 shares issued as at August 17, 2007 (108,723,434 shares issued as at December 31, 2006) and 163,184,766 on a fully diluted basis.

The Company has a stock option plan and at the date of this report there were 7,505,600 options outstanding exercisable into one common share between $0.23 and $0.49.

The Company has 35,890,342 warrants outstanding as at August 17, 2007 exercisable into one common share between $0.30 and $0.55.

SUBSEQUENT EVENTS

The Company has entered into a Share Exchange Agreement effective June 1, 2007 to exchange its 50% ownership in Kanon Resources Ltd ("KRL") for 22,500,000 shares in Pacific Kanon Gold Corp ("PKGC"). PKGC is the corporate vehicle for an IPO raising to re-finance Mt Penck and the other five KRL properties in Papua New Guinea. This agreement is part of the Company's re-organisation plan announced November 16, 2006.

Since July 1, the Company has issued 735,000 common shares. The shares were issued pursuant to the exercise of 635,000 warrants at $0.30 and 100,000 options at $0.30.