

**NEW GUINEA GOLD CORPORATION**  
**Consolidated Interim Financial Statements**  
Six Months Ended June 30, 2007

(Prepared by Management)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators the Company discloses that its external auditors have not reviewed the unaudited financial statements for the period ended June 30, 2007 in accordance with Section 7050 of the CICA Handbook.



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

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

	<b>6 Months Ended June 30, 2007</b>	<b>3 Months Ended June 30, 2007</b>	<b>6 Months Ended June 30, 2006</b>	<b>3 Months Ended June 30, 2006</b>
	\$	\$	\$	\$
<b>Expenses</b>				
Amortization	173,479	81,870	140,870	65,790
Bank charges and interest	89,217	55,944	3,213	1,691
Exploration expenditure written off	8,128	(604)		
Foreign exchange loss (gain)	80,351	144,069	(12,509)	(9,016)
Loss/(gain) on disposal of plant and equipment	23,431	23,431	(52,957)	(28,729)
Gain on disposal of investments	(27,923)	(9)		
Insurance	107,553	(5,049)	1,250	1,250
Interest income	(35,863)	(22,027)	(99,974)	(62,979)
Office	15,813	5,709	20,109	8,249
Professional fees	39,823	27,882	69,461	32,361
Repairs and maintenance	212,954	160,399	103,507	61,006
Rent	9,519	5,408	7,704	3,645
Shareholder communications	130,583	45,086	65,451	36,766
Stock-based compensation	338,499	-	122,200	-
Transfer agent and regulatory	13,550	8,691	14,723	6,008
Wages and benefits	236,647	73,562	130,398	67,420
<b>Net loss for the period</b>	(1,415,761)	(604,362)	(513,446)	(183,462)
<b>Deficit, beginning of period</b>	(15,488,484)	(16,299,883)	(14,192,314)	(14,522,298)
<b>Deficit, end of period</b>	(16,904,245)	(16,904,245)	(14,705,760)	(14,705,760)
<b>Loss per share</b>	(0.01)	(0.01)	(0.01)	(0.01)
<b>Weighted average number of common shares outstanding</b>	115,887,143	122,028,846	90,562,540	100,666,396

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

# NEW GUINEA GOLD CORPORATION

## Consolidated Statements of Cash Flows

For the Three and Six Months Ended June 30,

Cash provided by (used for):	6 Months Ended June 30, 2007	3 Months Ended June 30, 2007	6 Months Ended June 30, 2006	3 Months Ended June 30, 2006
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net loss for the period	(1,415,761)	604,361	(513,446)	(183,462)
Adjustment for items not involving cash				
Amortization	173,479	81,870	140,870	65,790
Stock-based compensation	338,499	-	122,200	-
Loss/(Gain) on sale of equipment	23,431	23,431	(52,957)	(28,729)
(Gain) on sale of investments	(27,923)	(9)	-	-
Exploration expenditure written off	8,128	(604)	-	-
	(900,147)	(499,675)	(303,333)	(146,401)
Changes in non-cash working capital items:				
Amounts receivable	503,304	370,488	(96,576)	65,234
Prepaid expenses	136,819	21,793	10,000	10,000
Accounts payable and accrued liabilities	496,152	135,158	68,981	149,142
Due to related parties	(305,388)	25,414	(331,662)	(103,054)
	(69,260)	53,178	(652,590)	(25,079)
<b>Investing Activities</b>				
Purchase of equipment	(67,249)	(57,574)	(295,777)	(286,729)
Sale of equipment	-	-	128,852	55,480
Sale of investments	107,257	9	-	-
Mineral property expenditures	(3,459,980)	(1,988,562)	(2,989,564)	(1,919,365)
Mining deposits	-	-	(1,240)	-
	(3,419,972)	(2,046,127)	(3,157,729)	(2,150,614)
<b>Financing Activities</b>				
Common shares issued for cash	5,819,436	1,542,876	7,034,500	34,500
Less share issue costs paid in cash	(448,491)	(136,350)	(529,057)	(10,000)
	5,370,945	1,406,525	6,505,443	24,500
<b>Increase/(decrease) in cash during the period</b>				
	1,881,713	(586,424)	2,695,124	(2,151,193)
<b>Cash - beginning of period</b>	1,455,512	3,923,649	1,700,535	6,546,852
<b>Cash - end of period</b>	3,337,225	3,337,225	4,395,659	4,395,659

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

During 2007, the Company issued 144,690 units consisting of one common share and one warrant, valued at \$60,770 and 1,011,250 agent's warrants valued at \$188,902 for financing fees.

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

**NEW GUINEA GOLD CORPORATION**  
**Consolidated Schedule of Deferred Mineral Property Costs**

	<b>Balance December 31, 2006</b>	<b>Expenditures (Write-offs/ Recoveries)</b>	<b>Balance June 30, 2007</b>
	\$	\$	\$
<b>Normanby</b>			
Acquisition costs	26,244	1,488	27,732
Exploration costs			
Drilling	588,693	135,197	703,890
Salaries, wages and fees	521,320	144,169	665,489
Travel & accommodation	108,598	37,098	145,696
Geological services & investigations	183,834	71,202	255,036
Field supplies and services	808,999	122,860	931,859
Community compensation	11,234	-	11,234
Field office	198,877	31,517	230,394
	<u>2,427,799</u>	<u>543,531</u>	<u>2,971,330</u>
<b>Sehulea</b>			
Acquisition costs	44,879	-	44,879
Exploration costs			
Drilling	44,938	59,182	104,120
Salaries, wages and fees	103,332	40,436	143,768
Travel & accommodation	20,839	1,425	22,264
Geological services & investigations	36,948	7,869	44,817
Field supplies and services	132,214	49,335	181,549
Community compensation	6,657	305	6,962
Field office	31,504	12,059	43,563
Write-down of mineral right costs	(8,264)	-	(8,264)
	<u>413,047</u>	<u>170,611</u>	<u>583,658</u>
<b>Feni</b>			
Exploration costs			
Salaries, wages and fees	19,744	-	19,744
Travel & accommodation	20,461	-	20,461
Geological services & investigations	409	-	409
Field supplies and services	47,462	-	47,462
Community compensation	460	-	460
Field office	20,822	-	20,822
Write-down of mineral right costs	(214,200)	-	(214,200)
	<u>(104,842)</u>	<u>-</u>	<u>(104,842)</u>
<b>Mt. Nakru</b>			
Acquisition costs	6,672	324	6,996
Exploration costs			
Salaries, wages and fees	3,562	587	4,149
Travel & accommodation	89,923	4,049	93,972
Geological services & investigations	32,338	9,865	42,203
Field supplies and services	53,990	21,568	75,558
Community compensation	232,818	12,351	245,169
Field office	8,426	235	8,661
Write-down of mineral right costs	33,050	2,409	35,459
	<u>(32,307)</u>	<u>-</u>	<u>(32,307)</u>
	<u>428,472</u>	<u>51,388</u>	<u>479,860</u>

**NEW GUINEA GOLD CORPORATION**  
**Consolidated Schedule of Deferred Mineral Property Costs**

	<b>Balance December 31, 2006</b>	<b>Expenditures (Write-offs/ Recoveries)</b>	<b>Balance June 30, 2007</b>
	\$	\$	\$
<b>Mt. Simuku</b>			
Acquisition costs	68,745	4	68,749
Exploration costs			
Drilling	1,962	-	1,962
Salaries, wages and fees	186,622	3,959	190,581
Travel & accommodation	73,499	3,128	76,627
Geological services & investigations	185,926	17,138	203,064
Field supplies and services	335,514	153	335,667
Community compensation	6,031	-	6,031
Field office	57,826	2,625	60,451
Write-down of mineral right costs	(34,288)	-	(34,288)
	<u>881,837</u>	<u>27,007</u>	<u>908,844</u>
<b>Mt. Penck</b>			
Acquisition costs	26,844	1,511	28,355
Exploration costs			
Drilling	211,667	11,148	222,815
Salaries, wages and fees	230,604	57,216	287,820
Travel & accommodation	51,398	14,932	66,330
Geological services & investigations	109,374	58,926	168,300
Field supplies and services	325,598	35,430	361,028
Community compensation	15,190	853	16,043
Field office	71,747	15,920	87,667
	<u>1,042,422</u>	<u>195,936</u>	<u>1,238,358</u>
<b>Mt. Allemata</b>			
Acquisition costs	18,947	1,110	20,057
Exploration costs			
Drilling	73,922	-	73,922
Salaries, wages and fees	55,739	1,800	57,539
Travel & accommodation	13,248	424	13,672
Geological services & investigations	39,285	5,161	44,446
Field supplies and services	64,076	1,486	65,562
Community compensation	2,356	-	2,356
Field office	8,766	549	9,315
	<u>276,339</u>	<u>10,530</u>	<u>286,869</u>
<b>Other</b>			
Acquisition costs	82,945	(493)	82,452
Exploration costs			
Drilling	421	-	421
Salaries, wages and fees	62,818	8,555	71,373
Travel & accommodation	37,202	1,839	39,041
Geological services & investigations	78,721	20,152	98,873
Field supplies and services	70,108	483	70,591
Community compensation	5,350	344	5,694
Field office	22,072	2,546	24,618
Joint venture recoveries	(35,339)	-	(35,339)
Write-down of mineral right costs	(26,485)	2,131	(24,354)
	<u>297,813</u>	<u>35,557</u>	<u>333,370</u>
<b>Equipment charge recoveries</b>	(988,910)	(203,561)	(1,192,471)
<b>Refund of administration charges</b>	-	(101,975)	(101,975)
<b>Total deferred mineral property costs</b>	<u>4,673,977</u>	<u>729,024</u>	<u>5,403,001</u>

**NEW GUINEA GOLD CORPORATION**  
**Consolidated Schedule of Mine Development Costs**

	<b>Balance December 31, 2006</b>	<b>Expenditures (Write-offs/ Recoveries)</b>	<b>Balance June 30, 2007</b>
	\$	\$	\$
<b>Mt. Sinivit</b>			
Acquisition costs	202,896	4,254	207,150
Exploration costs			
Drilling	88,377	70,687	159,064
Salaries, wages and fees	403,304	37,223	440,527
Travel & accommodation	129,831	2,164	131,995
Geological services & investigations	242,595	198	242,793
Field supplies and services	767,110	2,014	769,124
Community compensation	42,236	-	42,236
Field office	467,184	131,824	599,008
Mine development costs	<u>5,328,628</u>	<u>2,625,290</u>	<u>7,953,918</u>
	<u>7,672,161</u>	<u>2,873,654</u>	<u>10,545,815</u>
<b>Operating fees and other recoveries</b>	<u>(123,881)</u>	<u>(145,124)</u>	<u>(269,005)</u>
<b>Total mine development costs</b>	<u>7,548,280</u>	<u>2,728,530</u>	<u>10,276,810</u>

# NEW GUINEA GOLD CORPORATION

## Notes to Consolidated Financial Statements

Six Months Ended June 30, 2007

### 1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

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

The Company has taken steps to verify title to the mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of these properties. However, these procedures do not guarantee the Company's title. Title to these rights may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

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

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These interim financial statements should be read in conjunction with the Company's annual audited financial statements as at the year-end December 31, 2006. All material adjustments, which, in the opinion of management are necessary for a fair presentation of the results, have been reflected. The results for the six months ended June 30, 2007 are stated utilizing the same accounting policies and methods of application as the most recent annual financial statements, but are not necessarily indicative of the results to be expected for a full year.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Consolidation

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

#### b) Financial Instruments

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

**c) Use of Estimates**

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

**d) Deferred Mineral Property Costs**

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

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

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

**e) Translation of Foreign Currencies**

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

**f) Equipment**

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

**g) Share Capital**

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

**h) Income Taxes**

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

**i) Marketable securities**

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

**j) Stock-based Compensation**

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

**k) Loss Per Share**

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

**l) Asset Retirement Obligations**

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of its fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at June 30, 2007 the Company does not have any asset retirement obligations.

**m) Impairment of Long-Lived Assets**

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

**3. MARKETABLE SECURITIES**

The Company's marketable securities at June 30, 2007 consist of 340,000 shares of Vangold Resources Ltd. (trading symbol TSX-V: VAN) with a fair market value of \$153,000 and a book value of \$134,866.

**4. MINING DEPOSITS RECEIVABLE**

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

**5. EQUIPMENT**

	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Equipment	2,175,685	857,293	1,318,392	1,447,600
Furniture and fixtures	13,490	9,052	4,438	4,890
	<u>2,189,175</u>	<u>866,345</u>	<u>1,322,830</u>	<u>1,452,490</u>

## 6. SHARE CAPITAL AND RELATED INFORMATION

a) **Authorized:** Unlimited

b) **Issued and outstanding:**

	Number of Shares	Amount \$	Contributed Surplus \$
Balance, December 31, 2005	64,913,496	18,614,693	2,344,266
Issued for:			
Private placements	35,615,438	5,940,082	-
Exercise of warrants	7,924,500	2,331,297	-
Exercise of 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
Issued for:			
Private placements	12,144,690	*4,463,396	188,902
Exercise of warrants	1,757,200	527,160	-
Exercise of 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.

c) **Stock options**

Stock option activity for the six months ended June 30, 2007 and 2006:

	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.

**d) 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
<u>36,525,342</u>		

**7. MINERAL PROPERTIES**

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

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

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

**Sinivit**

The Sinivit Property, on which the Company is currently constructing a Vat Leach processing mine, is held under three titles in which New Guinea Gold has a direct 90% equity interest and a further 2.5% indirect equity interest.

**Normanby**

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

**Sehulea**

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

**Simuku**

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

**Mt. Penck**

The Company earned a 20% interest in the Mt. Penck property from Kanon Resources Ltd. by funding the first Cdn \$300,000 worth of exploration. The Company has completed its earn-in and has an effective 60% interest in the property. The Mt. Penck exploration license covers 102.6 square kilometers in area and is 55 kilometers west of Kimbe in the West New Britain Province.

## **The Company has optioned out the following projects:**

### **Crater Mountain**

- Optioned to Celtic Minerals Ltd., a TSX Venture-listed company, which acquired a 51% interest by expending \$2,000,000 on exploration prior to March 1, 2006, and can acquire a further 25% interest upon completion of a further \$2,000,000 exploration program prior to March 1, 2009.

### **Feni**

- Vangold Resources Ltd. (Vangold), a TSX Venture company has earned a 50% interest and been granted the right to earn an additional 25% interest by performing \$2,500,000 in exploration by 30 June 2008, and by issuing to the Company 800,000 shares in stages prior to June 30, 2008 (600,000 shares received at December, 31, 2006). The Company must pay a finder's fee of 10% on all share consideration received (60,000 Vangold shares paid).

### **Mt. Nakru**

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

## **NSR and production bonus in respect of certain Mineral Properties**

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

## **8. RELATED PARTY TRANSACTIONS**

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

## **9. SUBSEQUENT EVENTS**

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 ("PKGK"). 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.