NEW GUINEA GOLD CORPORATION
Consolidated Interim Financial Statements
Nine Months Ended September 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 September 30, 2007 in accordance with Section 7050 of the CICA Handbook.

NEW GUINEA GOLD CORPORATION
Consolidated Balance Sheets
As at September 30, 2007 and December 31, 2006
(September 30, 2007 – unaudited – Prepared by Management)

	September 30, 2007	December 31, 2006 *(Audited)*
	$	$
ASSETS		
Current assets		
Cash and short-term deposits	2,078,388	1,455,512
Amounts receivable	763,119	593,908
Prepaid expenses	23,583	155,750
Marketable securities	134,866	214,200
	2,999,956	2,419,370
Mining deposits receivable	50,682	56,521
Shares in associate	1,539,126	-
Equipment	1,152,060	1,452,490
Mineral properties	4,212,527	4,673,977
Mine development	11,595,816	7,548,280
	21,550,167	16,150,638
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,839,250	932,623
Due to related parties	726,130	495,311
	2,565,380	1,427,934
SHAREHOLDERS' EQUITY		
Share capital	(32,599,074)	26,998,402
Contributed surplus	3,587,957	3,222,786
Deficit	(17,202,244)	(15,488,484)
	18,984,787	14,722,704
	21,550,167	16,150,638

Approved by the Board of Directors:

"Robert D. McNeil"
Director

"Judith O'Quinn"
Director

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

NEW GUINEA GOLD CORPORATION

Consolidated Statements of Operations and Deficit

For the Three and Nine Months Ended September 30,

	9 Months Ended September 30, 2007	3 Months Ended September 30, 2007	9 Months Ended September 30, 2006	3 Months Ended September 30, 2006
	$	$	$	$
Expenses				
Amortization	232,592	59,113	225,755	84,885
Bank charges and interest	132,451	43,234	4,852	1,639
Exploration expenditure written off	8,235	107	-	-
Foreign exchange loss (gain)	(176,021)	(256,372)	91,433	103,942
Gain on disposal of investments	(27,923)	-	-	-
Insurance	108,950	1,397	1,250	-
Interest income	(74,807)	(38,944)	(157,738)	(57,764)
Other income	-	-	(40,322)	(40,322)
Loss/(gain) on disposal of plant and equipment	23,431	-	(52,957)	-
Loss on de-consolidation	216,827	216,827	-	-
Office	19,631	3,818	24,377	4,268
Professional fees	40,176	353	89,825	20,364
Repairs and maintenance	286,408	73,454	213,855	110,348
Rent	15,469	5,950	11,551	3,847
Share of equity accounted associate	(11,698)	(11,698)	-	-
Shareholder communications	151,336	20,753	111,666	46,216
Stock-based compensation	338,499	-	389,702	267,502
Transfer agent and regulatory	18,176	4,626	19,378	4,655
Wages and benefits	412,028	175,381	251,385	120,986
Net loss for the period	(1,713,760)	(297,999)	(1,184,012)	(670,566)
Deficit, beginning of period	(15,488,484)	(16,904,245)	(14,192,314)	(14,705,760)
Deficit, end of period	(17,202,244)	(17,202,244)	(15,376,326)	(15,376,326)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of common shares outstanding	118,530,222	123,730,191	94,138,035	101,172,434

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

NEW GUINEA GOLD CORPORATION

Consolidated Statements of Cash Flows

For the Three and Nine Months Ended September 30,

Cash provided by (used for):	**9 Months Ended September 30, 2007**	**3 Months Ended September 30, 2007**	**9 Months Ended September 30, 2006**	**3 Months Ended September 30, 2006**
	$	$	$	$
Operating Activities				
Net loss for the period	(1,713,760)	(297,999)	(1,184,012)	(670,566)
Adjustment for items not involving cash				
Amortization	232,592	59,113	225,755	84,885
Stock-based compensation	338,499	-	385,800	263,600
Loss/(Gain) on sale of equipment	23,431	-	-	-
(Gain) on sale of investments	(27,923)	-	(52,957)	-
Exploration expenditure written off	8,235	107	-	-
Share of equity accounted assoc.	(11,698)	(11,698)	-	-
Loss on de-consolidation	216,827	216,827	-	-
	(933,797)	(33,650)	(625,414)	(322,081)
Changes in non-cash working capital items:				
Amounts receivable	(169,211)	(672,516)	(136,040)	(39,464)
Prepaid expenses	132,167	(4,652)	10,000	-
Accounts payable and accrued liabilities	906,627	410,475	129,294	60,313
Due to related parties	230,819	536,207	84,510	416,172
	166,605	235,864	(537,650)	114,940
Investing Activities				
Purchase of equipment	(89,287)	(22,038)	(429,935)	(134,158)
Sale of equipment	-	-	129,909	1,053
Sale of investments	107,257	-		-
Mineral property expenditures	(5,183,867)	(1,723,887)	(5,854,077)	(2,864,506)
Mining deposits	-	-	(1,243)	-
	(5,165,897)	(1,745,925)	(6,155,346)	(2,997,617)
Financing Activities				
Common shares issued for cash	6,085,836	266,400	8,843,500	1,809,000
Less share issue costs paid in cash	(448,492)	-	(563,857)	(34,800)
	5,637,344	266,400	8,279,643	1,774,200
Increase/(decrease) in cash during the period	638,052	(1,243,661)	1,586,647	(1,108,477)
De-consolidation of former subsidiary	(15,176)	(15,176)	-	-
Cash - beginning of period	1,455,512	3,337,225	1,700,535	4,395,659
Cash - end of period	2,078,388	2,078,388	3,287,182	3,287,182

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

	Balance December 31, 2006	Expenditures (Write-offs/ Recoveries)	Balance September 30, 2007
	$	$	$
Normanby			
Acquisition costs	26,244	1,832	28,076
Exploration costs			
Drilling	588,693	238,407	807,100
Salaries, wages and fees	521,320	314,950	836,270
Travel & accommodation	108,598	65,680	174,278
Geological services & investigations	183,834	133,987	317,821
Field supplies and services	808,999	267,356	1,076,355
Community compensation	11,234	451	11,685
Field office	198,877	73,922	272,799
	2,427,799	1,096,585	3,524,384
Sehulea			
Acquisition costs	44,879	-	44,879
Exploration costs			
Drilling	44,938	57,098	102,036
Salaries, wages and fees	103,332	39,738	143,070
Travel & accommodation	20,839	3,288	24,127
Geological services & investigations	36,948	10,409	47,357
Field supplies and services	132,214	48,169	180,383
Community compensation	6,657	288	6,945
Field office	31,504	12,136	43,640
Write-down of mineral right costs	(8,264)	-	(8,264)
	413,047	171,124	584,171
Feni			
Exploration costs			
Salaries, wages and fees	19,744	-	19,744
Travel & accommodation	20,461	-	20,461
Geological services & investigations	409	-	409
Field supplies and services	47,462	-	47,462
Community compensation	460	-	460
Field office	20,822	-	20,822
Write-down of mineral right costs	(214,200)	-	(214,200)
	(104,842)	-	(104,842)
Mt. Nakru			
Acquisition costs	6,672	(3,944)	2,728
Exploration costs			
Salaries, wages and fees	3,562	(1,425)	2,137
Travel & accommodation	89,923	(48,835)	41,088
Geological services & investigations	32,338	(14,890)	17,448
Field supplies and services	53,990	(13,651)	40,339
Community compensation	232,818	(117,864)	114,954
Field office	8,426	(5,551)	2,875
Write-down of mineral right costs	33,050	(15,813)	17,237
	(32,307)	32,307	-
	428,472	(189,666)	238,806

NEW GUINEA GOLD CORPORATION
Consolidated Schedule of Deferred Mineral Property Costs

	Balance December 31, 2006	Expenditures (Write-offs/ Recoveries)	Balance September 30, 2007
	$	$	$
Mt. Simuku			
Acquisition costs	68,745	12,962	81,707
Exploration costs			
Drilling	1,962	2,187	4,149
Salaries, wages and fees	186,622	12,087	198,709
Travel & accommodation	73,499	19,434	92,933
Geological services & investigations	185,926	83,243	269,169
Field supplies and services	335,514	25,910	361,424
Community compensation	6,031	755	6,786
Field office	57,826	32,336	90,162
Write-down of mineral right costs	(34,288)	(218,369)	(252,657)
	881,837	(29,455)	852,382
Mt. Penck			
Acquisition costs	26,844	(22,105)	4,739
Exploration costs			
Drilling	211,667	(85,748)	125,919
Salaries, wages and fees	230,604	(57,554)	173,050
Travel & accommodation	51,398	(12,733)	38,665
Geological services & investigations	109,374	(2,780)	106,594
Field supplies and services	325,598	(117,916)	207,682
Community compensation	15,190	(6,232)	8,958
Field office	71,747	(22,699)	49,048
	1,042,422	(327,767)	714,655
Mt. Allemata			
Acquisition costs	18,947	(18,947)	-
Exploration costs			
Drilling	73,922	(73,922)	-
Salaries, wages and fees	55,739	(55,739)	-
Travel & accommodation	13,248	(13,248)	-
Geological services & investigations	39,285	(39,285)	-
Field supplies and services	64,076	(64,076)	-
Community compensation	2,356	(2,356)	-
Field office	8,766	(8,766)	-
	276,339	(276,339)	-

NEW GUINEA GOLD CORPORATION
Consolidated Schedule of Mine Development Costs

	Balance December 31, 2006	Expenditures (Write-offs/ Recoveries)	Balance September 30, 2007
	$	$	$
Other			
Acquisition costs	82,945	(69,191)	13,754
Exploration costs			
Drilling	421	4,056	4,477
Salaries, wages and fees	62,818	(60,003)	2,815
Travel & accommodation	37,202	(33,122)	4,080
Geological services & investigations	78,721	(67,840)	10,881
Field supplies and services	70,108	(59,599)	10,509
Community compensation	5,350	(4,576)	774
Field office	22,072	(14,359)	7,713
Joint venture recoveries	(35,339)	35,339	-
Write-down of mineral right costs	(26,485)	(7,088)	(33,573)
	297,813	(276,383)	21,430
Equipment charge recoveries	(988,910)	(519,490)	(1,508,400)
Refund of administration charges	-	(110,059)	(110,059)
Total deferred mineral property costs	4,673,977	(461,450)	4,212,527

Note: the reduction in Total deferred mineral property costs to September 30, 2007 is due to the de-consolidation of the company's former subsidiary, Kanon Resources (PNG) Ltd, during the current period.

	Balance December 31, 2006	Expenditures (Write-offs/ Recoveries)	Balance September 30, 2007
	$	$	$
Mt. Sinivit			
Acquisition costs	202,896	4,310	207,206
Exploration costs			
Drilling	88,377	84,502	172,879
Salaries, wages and fees	403,304	48,908	452,212
Travel & accommodation	129,831	2,984	132,815
Geological services & investigations	242,595	255	242,850
Field supplies and services	767,110	2,132	769,242
Community compensation	42,236	-	42,236
Field office	467,184	208,272	675,456
Mine development costs	5,328,628	3,930,525	9,259,153
	7,672,161	4,543,771	11,954,048
Operating fees and other recoveries	(123,881)	(234,351)	(358,232)
Total mine development costs	7,548,280	4,309,420	11,595,816

NEW GUINEA GOLD CORPORATION
Notes to Consolidated Financial Statements
Nine Months Ended September 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 Nine months ended September 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 September 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 September 30, 2007 consist of 340,000 shares of Vangold Resources Ltd. (trading symbol TSX-V: VAN) with a fair market value of $187,000 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. SHARES IN ASSOCIATE

The Company’s shares in associate at September 30, 2007 consist of 22,500,000 shares of Pacific Kanon Gold Corp. (“PKGC”) with a book value of $1,527,428. PKGC is the corporate vehicle for an IPO raising to re-finance Mt Penck and the other five Kanon properties in Papua New Guinea.

These shares were acquired during the September 30, 2007 quarter, under a Share Exchange agreement effective June 1, 2007, in exchange for the company’s 50% interest in its formerly held subsidiary, Kanon. The exchange is part of the Company’s re-organisation plan announced November 16, 2006. The 50% interest in its Kanon has been de-consolidated in this quarter resulting in a loss on de-consolidation of $216,827.

6. EQUIPMENT

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	$	$	$	$
Equipment	2,228,781	951,257	1,277,524	1,447,600
Furniture and fixtures	13,505	9,287	4,218	4,890
De-consolidation of former subsidiary's (refer Note 4)	(196,914)	(67,232)	(129,682)	-
	2,045,372	893,312	1,152,060	1,452,490

7. 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	2,545,200	763,560	-
Exercise of options	679,400	221,486	-
Contributed surplus adjusted on exercise of options	-	162,230	(162,230)
Stock-based compensation	-	-	338,499
Balance, September 30, 2007	124,092,724	32,599,074	3,587,957

*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 Nine months ended September 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	(679,400)	0.33	(270,000)	0.23
Cancelled / expired	-	-	(660,000)	0.36
Balance – end of period	7,505,600	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 September 30, 2007:

Number of warrants	Exercise Price	Expiry Date
	$	
28,444,738	0.30	February 20, 2008
6,139,845	0.55	March 23, 2009
1,152,759	0.55	April 19, 2009
35,737,342		

8. 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 associated company Pacific Kanon Gold Corporation. 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 totalling 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 kilometres in area and is 55 kilometres west of Kimbe in the West New Britain Province.

The Company has optioned out the following projects:

Crater Mountain
- Optioned 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 September 2008, and by issuing to the Company 800,000 shares in stages prior to September 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.

9. 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.

10. SUBSEQUENT EVENTS

The Company entered into an Implementation Agreement on 12 October 2007 which will give effect to the second stage of the Company's re-organisation plan announced November 16, 2006. Under the agreement the Company's interests in the Simuku and Mt Nakru properties, are to be transferred into a Papua New Guinea company, Copper Quest Limited which is wholly owned by an Australian company Coppermoly Ltd. Pacific Kanon Gold Corporation will also relinquish its joint venture interest in Mt Nakru and receive shares in Coppermoly Ltd. Coppermoly Ltd is currently undertaking an IPO in Australia to raise between AUD$8m and $20m to finance those properties.

The Company will retain 29,473,683 shares and Pacific Kanon Gold Corporation (PKG) 10,526,316 shares in Coppermoly Ltd giving the Company an effective approximately 27% interest in Coppermoly if this IPO is fully subscribed.

Subsequent to the quarter ended September 30, 2007 the Company issued 2,500,000 Units for net proceeds of $1,162,500 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 $0.65 for two years. The Company paid commissions in cash and Units totaling $87,500 and issued 175,000 agents warrants with the same terms as the Unit Warrants in connection with the private placement

Since October 1, the Company has issued 1,912,500 common shares. The shares were issued pursuant to the exercise of 1,912,500 warrants at $0.30.