



**Audited Consolidated Financial Statements
Years Ended December 31, 2008 and 2007**



BDO Dunwoody LLP
Chartered Accountants

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Auditors' Report

To the Shareholders of New Guinea Gold Corporation

We have audited the consolidated balance sheet of New Guinea Gold Corporation as at December 31, 2008 and the consolidated statements operations and deficit, comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by other auditors who issued their opinion without reservation on April 29, 2008.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, British Columbia
April 22, 2009

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

NEW GUINEA GOLD CORPORATION

Consolidated Balance Sheets

As at December 31,

	2008	2007
	\$	\$
ASSETS		
Current assets		
Cash and equivalents	3,530,818	1,680,345
Amounts receivable (note 5)	341,720	1,482,883
Prepaid expenses	115,781	104,211
Inventories (note 7)	5,220,975	-
Marketable securities (note 9)	46,800	254,800
	9,256,094	3,522,239
Mining and other deposits receivable (note 10)	50,127	50,334
Deferred mining costs (note 8)	1,224,345	-
Long term receivable (notes 5 and 11)	1,879,325	1,345,197
Investments (note 12)	809,618	2,376,543
Equipment (note 13)	2,902,837	3,361,157
Mineral properties (schedule, note 19)	5,813,326	3,918,970
Mine development (schedule, note 19)	5,869,455	9,507,700
	27,805,127	24,082,140
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,576,750	541,900
Bank and short-term debt (note 14)	1,456,389	1,870,814
Due to related parties (note 5)	-	661,659
	3,033,139	3,074,373
Asset retirement obligations (note 15)	175,818	-
Convertible debentures (note 16)	1,889,183	-
Embedded derivatives (note 16)	50,862	-
	5,149,002	3,074,373
SHAREHOLDERS' EQUITY		
Share capital (note 18)	43,277,467	34,295,465
Contributed surplus (note 18)	4,263,780	4,160,340
Accumulated other comprehensive income (note 17)	-	29,934
Deficit	(24,885,122)	(17,477,972)
	22,656,125	21,007,767
	27,805,127	24,082,140

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 Statement of Operations and Deficit
For the Years Ended December 31,

	2008	2007
	\$	\$
Revenue		
Metal sales	5,891,382	-
Royalties	(205,496)	-
Net metal sales (note 1)	5,685,886	-
Expenses		
Mine operating costs (note 1)		
Changes in inventory (note 7)	(4,114,662)	-
Amortization of deferred mining costs	2,524,071	-
Depreciation of mine equipment	557,328	-
Consumables	2,020,503	-
Contractor payments	2,947,459	-
Employee salaries and benefits	1,201,018	-
Equipment hire	104,651	-
Repairs and maintenance	483,195	-
Travel and accommodation, including on-site accommodation	391,555	-
Other mining general and administrative costs	482,697	-
	6,597,815	-
Net loss from mining operations	(911,929)	-
Depreciation not included in operating costs	266,461	322,772
Employee salaries and benefits	335,327	448,419
Exploration expense written off	17,843	10,191
Financing costs	572,781	209,841
Shareholder communications	140,793	175,312
Stock-based compensation (note 18)	517,519	877,473
Other general and administrative costs	520,353	516,375
Loss from operations	(3,283,006)	(2,560,383)
Other income (expense)		
Interest and other income	539,344	534,990
Bad debts (note 5)	(1,036,610)	-
Impairment loss on available for sale securities (note 9)	(178,066)	-
Impairment loss on equity accounted investments (note 12)	(3,181,486)	-
Gain on sale of investments	-	27,923
Loss on sale of equipment	(31,330)	(23,431)
Foreign exchange gain	353,289	230,595
Share of equity accounted associate losses (note 12)	(2,797,583)	(177,197)
Dilution gain (note 12)	2,208,298	-
Loss on deconsolidation (note 6)	-	(216,827)
Option payments received	-	194,842
	(4,124,144)	570,895
Net loss for the year	(7,407,150)	(1,989,488)
Deficit, beginning of year	(17,477,972)	(15,488,484)
Deficit, end of year	(24,885,122)	(17,477,972)
Loss per share – basic and diluted	\$ (0.05)	\$ (0.02)
Weighted average number of common shares outstanding	152,903,480	120,887,224

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

NEW GUINEA GOLD CORPORATION
Consolidated Statement of Comprehensive Loss
For the Years Ended December 31,

	<u>2008</u>	<u>2007</u>
	\$	\$
Net loss for the year	(7,407,150)	(1,989,488)
Unrealized gain (losses) on available-for-sale securities (note 9)	(208,000)	28,134
Impairment loss on available-for-sale securities (note 9)	178,066	-
Comprehensive loss for the year	<u>(7,437,084)</u>	<u>(1,961,354)</u>

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

NEW GUINEA GOLD CORPORATION
Consolidated Statements of Cash Flows
For the Years Ended December 31,

	2008	2007
	\$	\$
Cash provided by (used in):		
Operating Activities		
Net loss for the year	(7,407,150)	(1,989,488)
Adjustment for items not involving cash		
Depreciation and amortization	3,347,860	322,772
Loss attributable to equity accounting of associates	2,797,583	177,197
Shares and warrants issued as part of financing costs (note 14)	248,680	-
Stock-based compensation	517,519	877,473
Gain on sale of investments	-	(27,923)
Loss on sale of equipment	31,330	23,431
Exploration expenditure written off	17,843	10,191
Bad debts	1,036,610	-
Impairment loss on available for sale securities	178,066	-
Impairment losses on equity accounted investments	3,181,486	-
Dilution gain	(2,208,298)	-
Other foreign exchange effects	-	3,291
Loss on deconsolidation of former subsidiary	-	216,827
Decrease in diminution provision	-	(76,304)
Gain on transfer of exploration properties on company restructure	-	(74,188)
Unrealized foreign exchange on cash balance	(190,236)	85,487
Changes in non-cash working capital items:		
Amounts receivable	(66,011)	(833,608)
Inventories	(2,491,421)	-
Prepaid expenses	(11,570)	51,539
Accounts payable and accrued liabilities	1,360,528	(584,510)
Due to related parties	(661,659)	-
	(318,840)	(1,817,813)
Investing Activities		
Purchase of equipment	(558,542)	(723,345)
Sale of equipment	9,394	-
Purchase of investments	(2,087,846)	-
Sale of investments	-	107,257
Deferred mining costs	(1,224,345)	-
Mineral property exploration expenditures	(1,636,383)	(1,771,134)
Mine development income from gold sales	292,803	359,626
Mine development expenditures	(2,643,533)	(3,960,080)
Mining and other deposits refunded	207	-
	(7,848,245)	(5,987,676)
Financing Activities		
Common shares issued for cash	8,179,756	7,856,316
Share issue costs	(112,851)	(489,172)
Proceeds of borrowings	4,260,473	770,794
Repayment of borrowings (note 14)	(2,500,056)	(9,757)
	9,827,322	8,128,181
Increase in cash during the year	1,660,237	322,692
Foreign exchange effect on cash	190,236	(85,487)
Adjustment to opening cash balance for share of deconsolidated subsidiary's prior year cash balance	-	(12,372)
Cash - beginning of year	1,680,345	1,455,512
Cash - end of year	3,530,818	1,680,345
Supplementary cash flow information		
Interest paid	271,430	30,722

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

NEW GUINEA GOLD CORPORATION
Consolidated Statements of Cash Flows (continued)
For the Years Ended December 31, 2008 and 2007

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

During 2008, the Company:

- Issued 400,000 common shares with a fair value of \$188,000 and 400,000 share purchase warrants with a fair value of \$60,680 to Vangold Resources Ltd as part of the costs relating to a short-term funding arrangement (note 18).
- Issued 1,462,800 Agent's Warrants with a fair value of \$128,288 in respect of debenture issue costs (note 16).

During 2007, the Company:

- Issued 188,708 units comprising of one common share and one share purchase warrant valued at \$79,258 in respect of share issue costs.
- Issued 1,373,250 Agent's Warrants with a fair value of \$293,906 in respect of share issue costs.
- Exchanged 22,500,000 shares, with a fair value of \$1,527,428, in Pacific Kanon Gold Corporation for its interest in Kanon Resources Limited (note 6).
- Exchanged 29,473,683 shares, with a fair value of \$953,462, in Coppermoly Limited for its interest in the Mt Nakru and Simuku mineral properties (see note 6).
- Received 200,000 shares valued at \$100,000 in Vangold Limited as part of the agreement for Vangold to increase its interest in the Feni mineral property by a further 25%, 20,000 of these shares (\$10,000) were assigned to a third party as a finder's fee.

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 (Re- allocations) \$	Balance December 31, 2007 \$	Expenditures (Re- allocations) \$	Balance, December 31, 2008 \$
Normanby					
Acquisition costs	26,244	28,896	55,140	13,649	68,789
Exploration costs:					
Drilling	568,693	127,396	696,089	585,122	1,281,211
Salaries, wages & fees	521,320	254,394	775,714	682,329	1,458,043
Travel & accommodation	108,598	53,790	162,388	67,632	230,020
Geological services & investigations	183,834	237,709	421,543	42,512	464,055
Field supplies & services	808,999	224,366	1,033,365	443,229	1,476,594
Community compensation	11,234	3,721	14,955	4,100	19,055
Field office	198,877	184,135	383,012	109,826	492,838
	<u>2,427,799</u>	<u>1,114,407</u>	<u>3,542,206</u>	<u>1,948,399</u>	<u>5,490,605</u>
Shulea					
Acquisition costs	44,879	(8,920)	35,959	97	36,056
Exploration costs:					
Drilling	44,938	38,128	83,066	-	83,066
Salaries, wages & fees	103,332	1,143	104,475	19,777	124,252
Travel & accommodation	20,839	13,835	34,674	193	34,867
Geological services & investigations	36,948	57,692	94,640	4,120	98,760
Field supplies & services	132,214	73,260	205,474	-	205,474
Community compensation	6,657	2,464	9,121	260	9,381
Field office	31,504	74,113	105,617	1,151	106,768
Write down of mineral right costs	(8,264)	(127,908)	(136,172)	-	(136,172)
	<u>413,047</u>	<u>123,807</u>	<u>536,854</u>	<u>25,598</u>	<u>562,452</u>
Mt. Penck					
Acquisition costs	26,844	(18,670)	8,174	-	8,174
Exploration costs:					
Drilling	211,667	(88,332)	123,335	378	123,713
Salaries, wages & fees	230,604	(48,914)	181,690	7,125	188,815
Travel & accommodation	51,398	(9,967)	41,431	159	41,590
Geological services & investigations	109,374	1,455	110,829	705	111,534
Field supplies & services	325,598	(114,743)	210,855	2,901	213,756
Community compensation	15,190	(6,392)	8,798	661	9,459
Field office	71,747	(21,158)	50,589	5,618	56,207
	<u>1,042,422</u>	<u>(306,721)</u>	<u>735,701</u>	<u>17,547</u>	<u>753,248</u>

NEW GUINEA GOLD CORPORATION
Consolidated Schedule of Deferred Mineral Property Costs (continued)

	Balance, December 31, 2006 \$	Expenditures (Re- allocations) \$	Balance, December 31, 2007 \$	Expenditures (Re- allocations) \$	Balance, December 31, 2008 \$
Other					
Acquisition costs	82,945	(74,415)	8,530	3,691	12,221
Exploration costs:					
Drilling	421	178,693	179,114	61,653	240,767
Salaries, wages & fees	62,818	(5,958)	56,860	15,363	72,223
Travel & accommodation	37,202	(32,737)	4,465	1,591	6,056
Geological services & investigations	78,721	(66,355)	12,366	5,578	17,944
Field supplies & services	70,108	(57,658)	12,450	116,358	128,808
Community compensation	5,350	(4,375)	975	-	975
Field office	22,072	(4,502)	17,570	4,191	21,761
Joint venture recoveries	(35,339)	809	(34,530)	-	(34,530)
Write down of mineral right costs	(26,485)	(945)	(27,430)	(17,843)	(45,273)
	<u>297,813</u>	<u>(67,443)</u>	<u>230,370</u>	<u>190,582</u>	<u>420,952</u>
Reallocation of costs	(988,910)	(137,251)	(1,126,161)	(287,770)	(1,413,931)
Net balances of properties transferred to Pacific Kanon Gold Corporation and Coppermoly Limited as part of 2007 corporate restructure (note 6)	<u>1,481,806</u>	<u>(1,481,806)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred mineral property costs	<u><u>4,673,977</u></u>	<u><u>(755,007)</u></u>	<u><u>3,918,970</u></u>	<u><u>1,894,356</u></u>	<u><u>5,813,326</u></u>

NEW GUINEA GOLD CORPORATION
Consolidated Schedule of Mine Development Costs

	Balance, December 31, 2006 \$	Expenditures (Re- allocations) \$	Balance, December 31, 2007 \$	Expenditures (Re-allocations/ income) \$	Balance, December 31, 2008 \$
Mt. Sinivit					
Acquisition costs	202,896	105,574	308,470	-	308,470
Exploration costs:					
Drilling	88,377	(16,641)	71,736	-	71,736
Salaries, wages & fees	403,304	(285,533)	117,771	-	117,771
Travel & accommodation	129,831	(100,880)	28,951	-	28,951
Geological services & investigations	242,595	(144,085)	98,510	-	98,510
Field supplies & services	767,110	(666,112)	100,998	-	100,998
Community compensation	42,236	(29,180)	13,056	-	13,056
Field office	467,184	(396,259)	70,925	-	70,925
Mine development					
Development costs	5,328,628	4,130,351	9,458,979	1,294,418	10,753,397
Development income from gold sales	-	(359,626)	(359,626)	(292,803)	(652,429)
Transfer to inventories (note 7)	-	-	-	(2,729,554)	(2,729,554)
Amortize Life-of-Mine costs	-	-	-	(1,981,163)	(1,981,163)
Additions to mine rehabilitation provision (note 15)	-	-	-	160,758	160,758
	<u>7,672,161</u>	<u>2,237,609</u>	<u>9,909,770</u>	<u>(3,548,344)</u>	<u>6,361,426</u>
Reallocation of costs	<u>(123,881)</u>	<u>(278,189)</u>	<u>(402,070)</u>	<u>(89,901)</u>	<u>(491,971)</u>
Total mine development costs	<u><u>7,548,280</u></u>	<u><u>1,959,420</u></u>	<u><u>9,507,700</u></u>	<u><u>(3,638,245)</u></u>	<u><u>5,869,455</u></u>

NEW GUINEA GOLD CORPORATION
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2008 and 2007

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

The Company is incorporated in British Columbia, Canada, and is involved in the acquisition, exploration, development and operation of mineral properties in Papua New Guinea (“PNG”). The carrying amount of deferred mineral exploration and development costs on all its 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.

During 2008 the Company commenced production at its Mt Sinivit gold mine. The Company does not yet generate a positive cash flow from operations. In order to pay for future work performed on its mineral properties and administrative costs, the Company may need to raise additional funds through future issuances of securities if the mining operations do not generate sufficient cashflows. 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.

Net metal sales and mine operating costs have only been included in the Statement of Operations and Deficit for the period April 1, 2008 to December 31, 2008. Up to March 31, 2008 these amounts were capitalized as Mine Development offsets/costs.

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 (“NGGL”). References to the Company included herein are inclusive of the Canadian parent company and NGGL. All inter-company balances have been eliminated on consolidation.

b) 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 revenues and expenses incurred during the year. Significant areas requiring the use of management estimates include the determination of potential impairments of asset values, amortisation of its mine assets, and rates for amortization of equipment, as well as the assumptions used in determining the fair-value of non-cash stock-based compensation, valuation of investments, future income taxes, asset retirement obligations, recoverability of amounts receivable, inventory and long-term receivable and ability to continue as a going concern. Actual results could differ from those estimates.

c) 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 rates in effect during the period in which they are incurred and revenue and expenses are translated at average 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial Instruments

The Company recognizes financial assets and liabilities on the balance sheet when it becomes a party to the contractual provisions of the instrument. Financial instruments are measured at fair value on initial recognition of the instrument, into one of the following five categories: held-for trading, loans and receivables, held-to-maturity investments, available-for-sale financial assets or other financial liabilities.

Subsequent measurement of financial instruments is based on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. The remaining categories of financial instruments are recognized at amortized cost using the effective interest rate method.

The Company expenses transaction costs related to the acquisition or issuance of held-for-trading financial instruments in the period in which the costs are incurred. For all other categories of financial instruments the Company adds the transaction costs related to the acquisition or issuance of financial instruments to the instrument itself and amortizes the transaction costs to the statement of operations over the life of the financial instrument on an effective yield basis.

The Company's financial instruments at December 31, 2008 were comprised of cash and equivalents, amounts receivable, marketable securities, investments, long term receivables, accounts payable and accrued liabilities, bank debt, debentures issued and embedded derivatives. Information related to risk management positions and discussions of risks associated with financial assets and financial liabilities are discussed in note 4 below.

(i) Cash and equivalents

Cash and equivalents consist of cash and highly liquid investments, which are readily convertible into cash with maturities of three months or less when acquired.

(ii) Amounts receivable and long term receivable

Amounts receivable includes amounts due from joint venture partners for exploration managed by the Company on the Company's joint-ventured properties, reimbursable amounts due from related companies, an amount due from the main mining contractor at the Mt Sinivit mine due to the sale of some equipment to the contractor and interest receivable. Other than the amounts due from related companies items are stated at amortized cost, which approximate fair values due to the short terms to maturity. The reimbursable amounts due from related companies are recorded at the exchange amount which is the amount of consideration paid or received as agreed to by the parties.

(iii) Marketable securities

Marketable securities held by the Company are considered to be "available for sale securities" and are reported at fair value with any unrealized holding gains and losses included in current other comprehensive income, a component of shareholders' equity. At each balance sheet date, we assess for any impairment in value that is considered to be other than temporary, and record such impairments in net earnings for the period.

(iv) Investments

Investments over which the Company does not exercise control or significant influence are classified as available for sale. The Company's investment in Goldmines of Niugini Holdings Limited, which does not have a quoted market price in an active market, is measured at cost.

(v) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are non-interest bearing and are stated at amortized cost, which approximate fair values due to the short terms to maturity.

(vi) Bank debt

Bank debt is comprised of two short-term loans with the Bank of South Pacific Limited. Both loans are repayable in PNG Kina within the next twelve months pursuant to the terms and conditions more fully described in note 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vii) Convertible debentures

Convertible debentures are initially recognized at fair value net of transaction costs incurred and are subsequently measured at amortized cost, and are amortized to the repayment amount over the expected term to repayment using the effective interest method.

(viii) Embedded derivatives

Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value with subsequent changes in fair value recognized in income. Fair values for derivative instruments held for trading are determined using valuation techniques. These valuations use assumptions based on market conditions existing at the balance sheet date. Derivatives embedded in non-derivative contracts are recognized separately from the host instrument when their economic characteristics and risks are not closely related to those of the host instrument.

e) **Inventories**

Inventories, which include work-in-progress and consumables, are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to perform the sale. Work-in-progress consists of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to work-in-progress and consumables on a weighted average basis, less allowance for redundant items.

f) **Investments**

Investments over which the Company exercises significant influence are accounted for using the equity method of accounting. Equity investments are written down whenever there is a decline in value that is other than temporary.

g) **Equipment**

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

h) **Mineral Properties**

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 is placed into production, sold or abandoned. These deferred costs will be amortized over the estimated total production of a 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.

i) **Mine Development (Mt Sinivit)**

The Mt Sinivit property costs, where mine development was in progress, have been separated from other mineral properties and the deferred costs related to the mine have been reallocated to the mine development account. The mine development amount from previous years included equipment on site, which was transferred to equipment during the year ended December 31, 2007. Amortization on these assets, along with all mine revenue and expenditure (including inventory and work-in-progress values), had been capitalized to mine development to March 31, 2008 awaiting commencement of commercial production. From April 1, 2008 revenue and operating expenses, including changes in inventory and work-in-progress values, and amortization of deferred life of mine costs have been included in the statement of operations and deficit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment of Long Lived Assets

Long-lived assets with fixed and determinable lives are assessed for impairment whenever events and circumstances indicate that the recoverable value may be less than the carrying amount. The carrying value of a long-lived asset is impaired when management has determined that the carrying amount exceeds the estimated undiscounted net cash flow from use of the asset. In that event, the amount by which the carrying value of an asset exceeds its fair value is charged to earnings in the period the impairment determination is made.

k) 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.

l) Share Capital

Common shares issued for non-monetary consideration are recorded at the 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, or in the case of stock options the trading price of the shares on the TSX Venture Exchange on the date the options are granted. Costs incurred to issue shares are deducted from share capital.

m) Stock-based Compensation

The Company grants stock options to executive officers, directors and employees and consultants. 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 using the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, volatility of the expected market price of the Company's shares and an expected life of the options. Where awards are subject to vesting provisions, the fair value of the awards will be recognized over the vesting period.

The fair value of direct awards of stock is determined by the relevant market price of the Company's stock.

n) Revenue Recognition

Sales are recognized when title transfers, the rights and obligations of ownership pass to the customer and the price is reasonably determinable. Revenue from metal sales represents gross proceeds receivable from the customer less associated refining costs. Revenue from metal sales is primarily from gold sales but also includes some silver product. Interest revenue is recognized as it accrues.

The Company has a memorandum of agreement with the PNG government and local landowner groups under which the Company is obligated to pay a royalty of 2%. The company also pays a 1% Net Smelter Royalty ("NSR") to Macmin Silver Ltd (Subject to Deed of Company Arrangement) ("Macmin") and ¼% mineral production levy to the PNG Mineral Resources Authority. All royalties and the production levy are calculated on metal sales revenue less associated refining costs. The royalties and production levy are accrued at the same time the metal sales revenue is recognized.

o) Loss Per Share

Basic loss per share is calculated by dividing the net loss applicable to common shares by the weighted-average number of common shares outstanding for the year. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

For the year ended December 31, 2008, potentially dilutive common shares, relating to the options, warrants and convertible debentures outstanding at year end, totalling 28,430,404 (2007: 42,451,442) are not included in the computation of loss per share because their effect was anti-dilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Income Taxes

Income taxes are calculated using the asset and liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets and liabilities are measured using tax rates and laws that are expected to apply when the temporary differences are expected to reverse.

Future income tax assets also result from unused loss carry-forwards and other deductions. Future income tax assets are recognized only to the extent that management determines that it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment. The income tax expense or benefit is the income tax payable or refundable for the period plus or minus the change in future income tax assets and liabilities during the period. The valuation of future income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

q) Comparative Financial Statements

Certain figures included in the comparative financial statements as at December 31, 2007 and for the year then ended have been reclassified to conform to the presentation used in the current year.

r) Change in accounting policies

i) Capital Disclosures

From January 1, 2008, the Company adopted new CICA Handbook section 1535 which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance (see note 3).

ii) Financial Instruments - Disclosure and Presentation

From January 1, 2008, the Company adopted new CICA Handbook sections 3862 and 3863 which replace CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation. These standards increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel (see note 4).

iii) Financial Instruments - Recognition and Measurement

In 2007 the Company adopted the new CICA Handbook sections 1530, Comprehensive Income and 3855, Financial Instruments – Recognition and Measurement. Under the new standards, all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at amortized cost. Available-for-sale financial assets, including marketable securities, will be measured at fair value with changes in fair value recognized in other comprehensive income (OCI).

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net income until realized or impaired.

The application of these new standards did not have a significant effect on the Company's financial position, earnings or cash flows. The new standards do not apply to equity accounted investments and as such the Company's investments in Coppermoly Ltd and Pacific Kanon Gold Corporation were excluded from the above adjustment.

iv) General Standards of Financial Presentation

The CICA accounting standards board amended section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of this amendment did not have an impact on these consolidated financial statements other than disclosures.

v) Inventories

From January 1, 2008, the Company adopted new CICA Handbook section 3031 which provides additional guidance in the measurement and disclosure of inventories. The revised standard requires inventories to be presented at the lower of cost and net realizable value. In addition, the revised standard requires inventories to include fixed production overhead based on their normal capacity. The adoption of this section did not have a material impact on the Company's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies Not Yet Adopted

The following pronouncements recently issued by the Canadian Institute of Chartered Accountants ("CICA") will likely impact the Company's future accounting policies:

i) International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the Company has not yet developed an implementation strategy to establish timelines and identify significant differences between Canadian GAAP and IFRS, thus the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

ii) Goodwill and intangible assets

In February 2008, the CICA issued section 3064, *Goodwill and intangible assets*, ("Section 3064") replacing Section 3062, *Goodwill and other intangible assets* ("Section 3062") and Section 3450, *Research and development costs*. Various changes have been made to other standards to be consistent with the new Section 3064. Section 3064 will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009

Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently assessing the impact of this new accounting standard on its financial statements.

iii) Business combinations

In December 2008 the CICA issued section 1582, *Business Combinations*, replacing section 1581, *Business Combinations*. This standard was amended to require additional use of fair value measurements, recognition of additional assets and liabilities and increased disclosure. Company's adopting section 1582 will also be required to adopt CICA Handbook sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*. These standards will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders' equity on the balance sheet. In addition, the income statement of the controlling parent will include 100% of the subsidiary's results and present the allocation between controlling and non-controlling interest. These standards will be effective January 1, 2011 however early adoption is permitted. The changes resulting from adopting section 1582 will be applied prospectively and the changes for adopting sections 1601 and 1602 will be applied retrospectively. The Company has not yet begun to assess the impact of these new accounting standards on its financial statements.

3. CAPITAL MANAGEMENT

The Company's objectives for the management of capital are to safeguard the Company's ability to continue as a going concern including the preservation of capital and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company's capital consists of cash and short term investments, share capital, convertible debentures and bank debt. The Company's policy is to fund ongoing mining and exploration operations, as well as its administration and corporate activities, from gold production. The Company also accesses capital or debt markets as necessary to finance its operations. The Company may acquire additional funds from capital or debt markets where advantageous circumstances arise. The Company assesses capital and debt markets on a case by case basis to minimize the cost of capital in the prevailing markets and maintain optimal capital structure. The Company does not have any current plans to raise capital or borrow funds.

Excess cash investments are restricted to bank term deposits of major Canadian and Australian banks or instruments of equivalent or better quality. Only operational level cash balances are held in PNG bank accounts. No investments in asset backed commercial paper are used.

The Company currently has no externally imposed capital requirements except to maintain sufficient cash and investment balances to meet exploration commitments imposed by property licences issued by the PNG government.

4. FINANCIAL INSTRUMENTS RISK

The Company's financial instruments are exposed to the following risks:

Credit Risk

Credit risk is the risk that other parties to a financial instrument will fail to discharge their obligations resulting in the Company incurring financial loss. This usually occurs when a debtor or counterparty to a derivative contract fails to settle their obligations owing to the Company. The carrying amounts of cash and cash equivalents, and short and long term amounts receivables totalling \$5,751,863 (2007: \$4,508,425) represents the maximum exposure to credit risk in relation to financial assets.

The Company's exposure to credit risk in relation to the non-payment of cash and equivalents amounted to \$3,530,818 at December 31, 2008 (2007: \$1,680,345); \$2,464,298 was held in Canadian bank accounts and term deposits (2007: \$803,299), \$96,268 in Australian bank accounts (2007: \$257,580) and \$970,252 in PNG bank accounts (2007: \$619,466). As the Company's policy is to limit investments to term deposits with major Canadian and Australian banks, or instruments of equivalent or better quality, the credit risk is considered by management to be negligible.

Short term amounts receivable at December 31, 2008 includes amounts due from joint venture partners for exploration managed by the Company on the Company's joint-ventured properties, in the amount of \$113,504 (2007: \$317,558) and reimbursable amounts due from related companies in the amount of \$135,302 (2007: \$934,801). The Company has the right to request cash advances for all such work but where the partners are considered credit worthy cash calls have not been requested. The risk is also mitigated by the degree of access to information and influence the Company has with the debtors. Amounts receivable at December 31, 2008, also includes \$46,244 (2007: \$199,217) due from the main mining contractor at the Mt Sinivit mine. This amount relates to supplies (and in 2007 equipment) purchased on behalf of the contractor and is recovered by offsetting the outstanding amounts against monthly contract payments. Also included in amounts receivable at December 31, 2008 is interest receivable from the Bank of Montreal and GST receivable due from the Canadian and PNG governments totalling \$46,670 (2007: \$28,580).

Long term amounts receivable at December 31, 2008 of \$1,879,325 (2007: \$1,345,197) were owed by Goldmines of Niugini Holdings Limited ("GMNH"), the 10% joint venture partner in the Mt Sinivit mine. The amount relates to GMNH's share of mine development costs and, as it is recoverable from positive cashflows from the operation of the mine, management considers any credit risk to be primarily related to the success of the mine operations.

There were no significant credit risk issues relating to metal sales for the Company at the balance date with all customers on short credit terms and no balance in trade debtors at December 31, 2008.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages financial risk by ensuring it maintains sufficient resources to meet its financial liabilities as they become due.

The Company's cash requirements include funding its ongoing mining and exploration operations, as well as its administration and corporate activities. The Company also needs to be able service its bank debt and convertible debentures over the next 12-24 months. The Company routinely prepares cashflow and expenditure budgets to monitor cash requirements on an ongoing basis. The Company has budgeted for mine operations to fund liquidity requirements for at least the next 12 months. Capital markets may need to be access again to fund the Company's operations. There is however no certainty that the Company will be able to obtain funding by share issuances in the future.

The following table illustrates the Company's contractual maturity for its financial assets and liabilities as at December 31, 2008. The amounts presented are the undiscounted contractual cash flows.

	1 – 6 months	7 – 12 months	1 – 2 years	Over 2 years
	\$	\$	\$	\$
Financial assets				
Cash and equivalents	3,530,818	-	-	-
Amounts receivable	341,720	-	-	-
Financial liabilities				
Accounts payable and accrued liabilities	(1,576,750)	-	-	-
Bank and short-term debt	(732,615)	(723,774)	-	-
Convertible debentures	(121,900)	(121,900)	(1,645,383)	-
Embedded derivatives	-	-	(50,862)	-
	1,441,273	(845,674)	(1,696,245)	-

Market Risk

The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk, commodity price risk and equity price risk, which are discussed further below. In addition the Company is exposed to price increases in cost of labour, energy and equipment which might influence the ultimate capital investment in the development of the Company's projects and operational cost.

(i) Foreign Exchange Risk

The Company's foreign exchange risks from financial instruments include its exposure to Australian dollar exchange rate changes on bank account balances held in Australia and PNG kina exchange rate changes on bank account balances held in PNG, amount receivable, bank loans, and accounts payable arising from exploration expenditures incurred in PNG. Due to the short term nature of these liabilities, the risk is not considered material by management and no hedging is considered necessary. A 10% change in the Australian dollar exchange rate at December 31, 2008 would have a change to net income of approximately +/- \$9,600. A 10% change in the PNG kina exchange rate at December 31, 2008 would have a change to net income of approximately +/- \$97,000.

(ii) Interest Rate Risk

The Company is exposed to interest rate risk on its cash equivalent investments and its bank debt.

The cash equivalent investments are in term deposits with pre-determined fixed yields. Interest rate movements will affect the income earned on these instruments so the Company manages maturity dates of these instruments to match cash flow needs. A difference in interest rates of 50 basis points, on the December 31, 2008 balance of cash equivalent investments, over a twelve month period, would result in a change to net income of approximately +/- \$12,800.

The interest on the bank debt is at a variable rate of interest. Interest rates are monitored in line with the Company's overall cost of finance. At December 31, 2008 bank debt interest rates were broadly in line with other sources of finance available to the Company. A difference in interest rates of 50 basis points, on the December 31, 2008 balance of bank debt, over a twelve month period, would result in a change to net income of approximately +/- \$7,300.

(iii) Commodity Price Risk

Commodity price risk is the risk that the fair value of instruments or future cash flows will fluctuate as a result of changes in commodity prices.

The value of the Company's mineral properties, other than Mt. Sinivit, is related to the price of gold and the outlook for this mineral. Since these projects are primarily in the development stage and do not yet have proven reserves commodity based risks in respect of these properties is considered negligible.

Since the Company has begun commercial production on the Mt. Sinivit property the Company is subject to commodity price risk related to the market price of gold. The Company did not have any financial instruments subject to commodity price risk at balance date but if the weighted average US dollar gold price achieved during the year had varied by 10% (and assuming all other variables remained constant) the effect on revenue would have been approximately +/- \$C 569,000.

(iv) Equity Price Risk

The Company is exposed to price risk on its marketable securities investment in Vangold Resources Ltd. Although the volatility of this class of shares can be significant it is not considered material by management as the investment represents less than 1% of the Company's net assets. Unrealized gains and losses are reported in other comprehensive income or, if impairment is considered more than temporary, the fall in value is expensed.

If market prices for the shares held by the Company, at year end, had differed by 10%, there would have been a change in net income of approximately +/- \$4,700.

5. RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of operations and were valued at exchange amount being the value established and agreed to between the parties. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand.

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

At December 31, 2008, Macmin owed the Company \$56,761 for shared services used by Macmin (2007: \$661,659 owed to Macmin for exploration and mine development expenditures paid for by Macmin).

Coppermoly Ltd ("Coppermoly") was incorporated in 2007 and purchased the Simuku and Mt Nakru properties from the Company in exchange for shares. The Company also purchased shares in the Initial Public Offering of Coppermoly and took up its entitlement to share purchase options during 2008. The Company currently owns 46.7% of the share capital of Coppermoly. As at December 31, 2008 Coppermoly owed the Company \$78,541 (2007: \$420,331) for exploration expenditures paid for by the Company on Coppermoly's behalf. In 2008 Copper Quest Ltd, a wholly owned subsidiary of Coppermoly, also paid the Company \$85,232 for equipment hire which the Company included in interest and other income on the statement of operations and deficit (2007: \$Nil).

Pacific Kanon Gold Corporation ("PKGK"), a company currently working towards a public listing, acquired the Company's interest in Kanon Resources Ltd ("Kanon") for shares in 2007. At December 31, 2008, the total owed by PKGC to the Company was \$1,036,610 (2007: \$514,470). The amount related to exploration expenditures as well as professional and other fees relating to PKGC's IPO paid by the Company on PKGC's behalf. Due to market conditions and the uncertainty surrounding the successful listing of PKGC at December 31, 2008, the Company has provided for the non-collection of this receivable. In 2008 PKGC also paid the Company \$94,779 in operating fees (2007: \$35,780) for managing the exploration programs on PKGC's exploration properties and \$27,323 for equipment hire (2007: \$Nil), which the Company included in interest and other income on the statement of operations and deficit.

Goldmines of Niugini Holdings Limited ("GMNH") is the 10% joint venture partner in the Mt Sinivit mine. At December 31, 2008 GMNH owed the Company \$1,879,325 (2007: \$1,345,197). Refer to note 11 for further details.

All balances owing to the Company in relation to related party transactions at December 31, 2008 were included in amounts receivable and long term receivables on the balance sheet.

6. CORPORATE RESTRUCTURE

On June 1, 2007, the Company transferred its 50% interest in its former subsidiary, Kanon Resources Ltd ("Kanon"), to Pacific Kanon Gold Corporation ("Pacific Kanon"), a Canadian in exchange for 22,500,000 of Pacific Kanon shares with a fair value of \$1,527,428.

Prior to this transaction, the Company considered its interest in Kanon to be joint venture and accordingly consolidated the accounts of Kanon, on a line by line basis, with those of its own. Subsequent to June 1, 2007 the Company accounts for its 45% interest in Pacific Kanon on the equity basis and as a result recognized a dilution loss of \$216,827, representing the difference between its 50% interest in Kanon's net assets immediately prior to the transaction and the fair value of its equity investment in Pacific Kanon immediately thereafter.

On October 12, 2007, the Company transferred its interest in mineral properties Simuku (EL 1077) and Mt Nakru (EL 1043) to Copper Quest Limited, a fully owned PNG subsidiary of an Australian public company Coppermoly Limited, in exchange for 29,473,683 shares with a fair value of \$953,462.

7. INVENTORIES AND DEFERRED MINING COSTS

Inventories and deferred mining costs classifications

	<u>2008</u>	<u>2007</u>
Inventories	\$	\$
Work in progress	5,119,554	-
Consumables	101,421	-
Inventories	<u>5,220,975</u>	<u>-</u>

8. DEFERRED MINING COSTS

	<u>2008</u>	<u>2007</u>
	\$	\$
Deferred grade control	704,063	-
Vat leach preparation costs	1,222,381	-
Less: vat leach preparation costs amortisation		
Expensed through statement of operations as amortization expense	(542,908)	-
Capitalised as mine development costs	<u>(159,191)</u>	<u>-</u>
Deferred mining costs	<u>1,224,345</u>	<u>-</u>

Deferred mining costs are associated with grade control and vat leach preparation activities and they are in relation to areas that will be mined or utilized within the next 12 months. Prior to April 2008 these costs were included as part of Mine Development costs on the balance sheet.

9. MARKETABLE SECURITIES

The Company's marketable securities at December 31, 2008 consist of 520,000 shares (2007: 520,000) of TSX Venture Exchange listed company Vangold Resources Ltd. ("Vangold") with a fair market value of \$46,800 (2007: \$254,800) and a historical cost of \$224,866.

Marketable securities are shown at fair value on the balance sheet with unrealized gains/(losses) included in accumulated Other Comprehensive Income ("OCI") unless impaired on more than a temporary basis, in which case an impairment loss is expensed in the relevant period. Unrealized gains from prior to January 1, 2007 are included in the opening balance at January 1, 2007 of accumulated OCI (note 17) as a transitional adjustment. During the year ended December 31, 2008, the Company determined the decline in value of Vangold to be other than temporary and recognized an impairment write-down of \$178,066 (2007: \$nil).

10. MINING AND OTHER DEPOSITS RECEIVABLE

This amount is mostly comprised of refundable deposits pledged with the Papua New Guinea Mining Department for reclamation of the Company's mineral tenements but also includes deposit amounts paid as security for business premises.

11. LONG TERM RECEIVABLE

	<u>2008</u>	<u>2007</u>
	\$	\$
Goldmines of Niugini Holdings Limited	1,879,325	1,345,197

GMNH is the joint venture partner in the Mt Sinivit mine and holds a 10% interest. The long term receivable is GMNH's share of mine development costs to December 31, 2008 plus applicable interest charges. Interest was charged at 10.95%, the same rate as the Company's cost of finance in PNG. The Company accrued \$224,386 of interest in 2008 (2007: \$146,744) to the receivable with an offsetting credit to interest and other income on the statement of operations and deficit. This long term receivable is recoverable from GMNH's share of positive net cashflows from mine operations.

12. INVESTMENTS

	<u>2008</u>	<u>2007</u>
	\$	\$
Investments carried at Cost		
<i>Goldmines of Niugini Holdings Limited</i>		
Investment at cost	<u>72,850</u>	<u>72,850</u>
Investments valued using Equity Accounting		
<i>Pacific Kanon Gold Corporation</i>		
Carrying value at start of year	1,495,444	-
Additional shares acquired ⁽¹⁾	116,000	-
Mineral property interests:		
Mt. Penck, Mt. Allemata, other		
Value of shares issued on transfer of interest in Kanon Resources Ltd (note 6)	-	1,527,428
Share of net loss for year	(513,854)	(31,984)
Impairment loss ⁽²⁾	<u>(1,097,590)</u>	<u>-</u>
	-	1,495,444
<i>Coppermoly Limited</i>		
Carrying value at start of year	808,249	-
Additional shares acquired in IPO ⁽³⁾	1,996,730	-
Share options acquired as part of entitlements issue	91,116	-
Dilution gain ⁽³⁾	2,208,298	-
Value of shares issued on transfer of interest in Mt Nakru and Simuku mineral properties (note 6)	-	953,462
Share of net loss for year	(2,283,729)	(145,213)
Impairment loss ⁽⁴⁾	<u>(2,083,896)</u>	<u>-</u>
	736,768	808,249
Investments	<u>809,618</u>	<u>2,376,543</u>

(1) In order to satisfy Toronto Stock Exchange listing requirements the Company and PKGC's other significant shareholder, Vangold Resources Ltd, acquired the remaining outstanding share capital in PKGC. This transaction has taken the Company's shareholding in PKGC to 50% at year end (2007: 45%). The Company continues to account for its investment in PKGC using the equity accounting method as it maintains significant influence over PKGC, but it does not control PKGC. Furthermore the Company expects its ownership interest in PKGC to be diluted upon successful completion of PKGC's IPO.

(2) Due to market conditions and the uncertainty surrounding the successful listing of PKGC at December 31, 2008, the Company has assessed the value of this investment to be \$nil and recorded an impairment of \$1,097,590 (2007: \$nil).

(3) During fiscal 2008 the Company participated in the initial public offering of Coppermoly on the Australian Stock Exchange. After the listing, including the additional shares acquired by the Company, the Company's interest in Coppermoly went from approximately 59% to approximately 47%; as a result the Company recorded a dilution gain of \$2,208,298.

(4) At December 31, 2008, after picking up our share of Coppermoly's net loss for the year the Company's investment in Coppermoly had a carrying value of \$2,820,664 and a fair market value of \$736,768. As a result the Company recorded an impairment of \$2,083,896 (2007: \$nil) to the investment.

Summary financial information for Coppermoly Limited as of December 31, 2008 and 2007 is provided below:

	<u>2008</u>	<u>2007</u>
	\$	\$
Current assets	1,106,467	5,147,414
Long-term assets	<u>2,302,754</u>	<u>1,397,573</u>
Total assets	<u>3,409,221</u>	<u>6,544,987</u>
Current liabilities	205,597	4,872,104
Long-term liabilities	3,617	-
Stockholders' equity	<u>3,200,007</u>	<u>1,672,883</u>
Total liabilities and stockholders' equity	<u>3,409,221</u>	<u>6,544,987</u>
Net loss for the year	<u>4,893,355</u>	<u>246,344</u>

13. EQUIPMENT

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Equipment	5,612,875	2,713,229	2,899,646	3,357,224
Furniture and fixtures	13,405	10,214	3,191	3,933
	<u>5,626,280</u>	<u>2,723,443</u>	<u>2,902,837</u>	<u>3,361,157</u>

14. BANK AND SHORT-TERM DEBT

	Due to Bank of South Pacific Limited		Vangold Short term funding	Totals
	Fully drawn advance (FDA)	Insurance premium funding		
	\$	\$	\$	\$
2008				
Balance owing at start of year	1,792,759	78,055	-	1,870,814
Additional funds borrowed	-	85,631	2,000,000	2,085,631
Repayments	(412,771)	(87,285)	(2,000,000)	(2,500,056)
Balance owing at end of year	<u>1,379,988</u>	<u>76,401</u>	<u>-</u>	<u>1,456,389</u>
Cash interest and other charges paid during year	258,313	3,850	9,266	271,430
Non-cash interest and other charges paid during year (note 18)	-	-	248,680	248,680
Total interest and other charges paid during year	<u>258,313</u>	<u>3,850</u>	<u>257,946</u>	<u>520,110</u>
2007				
Balance owing at start of year	1,109,777	-	-	1,109,777
Additional funds borrowed	682,982	87,812	-	770,794
Repayments	-	(9,757)	-	(9,757)
Balance owing at end of year	<u>1,792,759</u>	<u>78,055</u>	<u>-</u>	<u>1,870,814</u>
Cash interest and other charges paid during year	30,358	364	-	30,722
Non-cash interest and other charges paid during year	174,273	-	-	174,273
Total interest and other charges paid during year	<u>204,631</u>	<u>364</u>	<u>-</u>	<u>204,995</u>

The FDA is a \$1.4 million (4 million Kina) facility and is secured by a fixed and floating charge over the assets of the Company. The variable interest rate at December 31, 2008 was the Bank's prevailing indicator lending rate + 2% or approximately 10.95% p.a. The facility will reduce by approximately \$350,000 (1 million Kina) a calendar quarter starting from January 1, 2009, with the loan due to be repaid by December 31, 2009.

The Insurance premium funding loan is unsecured with a term of 9 months and a fixed interest rate of 9.95% p.a.

Both loans due to the Bank of South Pacific Limited are repayable in PNG Kina.

In January 2008 the Company entered a \$2 million short-term loan agreement with its joint venture partner, Vangold Resources Ltd. ("Vangold"). The loan was subject to a 5% per annum simple interest rate. The Company also issued 400,000 common shares to Vangold plus 400,000 bonus warrants, exercisable at \$0.60 for a period of two years which has been accounted for as additional financing costs.

Total interest and other charges paid during the year are included in financing costs on the statement of operations and deficit. Also included in financing costs on the statement of operations and deficit are non-cash amortized convertible debenture transaction costs of \$48,761 (2007: \$nil) (note 16) and bank charges of \$3,910 (2007: \$4,846).

15. ASSET RETIREMENT OBLIGATIONS

At December 31, 2008 the estimated total undiscounted cash flows required to settle asset retirement obligations were \$189,148 (December 31, 2007: \$nil). Expenditures to settle asset retirement obligations will be incurred between July 1, 2010 and December 31, 2010. Estimated cash flows have been discounted using an annual credit-adjusted risk-free rate of 12 percent per annum and have been inflated using an inflation rate of 5 percent per annum. Changes to asset retirement obligations were as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Beginning of year	-	-
Liabilities incurred	160,758	-
Accretion expense	15,060	-
End of year	<u>175,818</u>	<u>-</u>

The accretion expense incurred during the year is included in other general and administrative costs on the statement of operations and deficit.

16. CONVERTIBLE DEBENTURES

On November 28, 2008 the Company entered into a non-brokered financing of unsecured convertible debentures for up to \$3,000,000 maturing April 30, 2010. The debentures bear interest at base rate of 10% per annum payable semi-annually and subject to certain other terms including possible bonus interest at maturity and default remedies. At maturity Debentures will be repaid in cash, unless between 30 and five days before maturity Debenture holders have made a written election to have the principal amount of their Debentures converted into shares at a price of C\$0.20 per share.

In addition, to the stated interest rate, in the event that the average price of gold, based on the London Gold Fix during the term of the Debenture exceeds US\$800/oz, the Company shall on the maturity date, pay to each holder of Debentures a bonus payment equal to 3% of the principal amount of the Debenture. In the event that the average price of gold based on the London Gold Fix during the term of the Debenture exceeds US\$1000/oz, the Company shall, on the maturity date, pay to each holder of Debentures a bonus payment equal to 5% of the principal amount of the Debenture. The Company has determined that this represents an embedded derivative that will need to be accounted for separately from the host instrument (the debenture contract) because the economic characteristics and risks are not closely related. The embedded derivative is classified as held-for-trading and is measured at fair value.

Commencing January 2009 the Company is required to pay into a "Debt Service Account" an amount equal to 50% of positive free cash flow each month, up to a maximum of \$500,000 per month, provided that the total amount in the Debt Service Account shall not at any time exceed the aggregate principal amount of all Debentures outstanding at such time.

In connection with the debenture financing the Company paid a cash commission equal to 9% of the gross proceeds of the Offering; warrants (the "Agent's Warrants") entitling the Agent to purchase up to such number of common shares of the Issuer equal to 12% of the gross proceeds of the Offering divided by \$0.20. Each Agent's Warrant will be exercisable into one (1) common share of the Issuer at \$0.20 for a period of two years from the date of the closing of the Offering and a work fee of \$7,500 plus GST, which is payable upon closing of the offering.

The first tranche of the financing closed on December 22, 2008 and raised gross proceeds of \$2,438,000. The Company paid cash commission of \$219,420, the work fee of \$7,500, legal and other closing costs of \$67,458 and issued 1,462,800 warrants. The fair value of the warrants, estimated to be \$128,288 was calculated using the Black-Scholes option pricing model using the assumptions as described in note 18 below.

The debentures were initially designated as other liabilities. The proceeds raised from the financing were allocated between the debentures (liability), the conversion feature (equity) and the embedded derivative (liability) in accordance with S3863, *Financial instruments – Presentation* and Emerging Issues Committee ("EIC") No 164, *Convertible and other debt instruments with embedded derivatives*. The Company first determined the fair value of the liability, being the present value of the repayment obligation using a discount factor of 15% and allocated the residual of the proceeds to the equity component. The Company then took the liability and split it between the debenture and the embedded derivative by fair valuing the embedded derivative and allocating the residual to the host contract. As a result the Company determined the fair value of the debentures and embedded derivative to be \$2,227,931 and \$60,002 respectively and allocated \$150,067 to the conversion feature (as a credit to contributed surplus). The Company allocated the total transaction costs on a pro-rata basis to each component.

The amounts allocated to the conversion feature and the transactions costs represent a discount on the debentures which will be accreted to income over the term of the debentures using the effective interest rate method.

16. CONVERTIBLE DEBENTURES (continued)

Details of the debentures, embedded derivatives and conversion feature are summarized as follows:

	Debentures	Embedded Derivative	Equity Component (conversion feature)	Totals
	\$	\$	\$	\$
Fair values at issue	2,227,931	60,002	150,067	2,438,000
Proportional transaction costs	(386,247)	(10,402)	(26,017)	(422,666)
	<u>1,841,684</u>	<u>49,600</u>	<u>124,050</u>	<u>2,015,334</u>
Transaction costs amortized	47,499	1,262	-	48,761
Carrying values at December 31, 2008	<u>1,889,183</u>	<u>50,862</u>	<u>124,050</u>	<u>2,064,095</u>

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (OCI)

	<u>2008</u>	<u>2007</u>
	\$	\$
Accumulated OCI - beginning of year	29,934	1,800
Total unrealized gains/(losses) for year	(208,000)	28,134
Impairment loss on available for sale securities (note 9)	178,066	-
Accumulated OCI – end of year	<u>-</u>	<u>29,934</u>

18. SHARE CAPITAL AND RELATED INFORMATION

a) **Authorized:** Unlimited common shares without par value

b) **Issued and outstanding:**

	Number of Shares	Amount \$	Contributed Surplus \$
Balance, December 31, 2006	108,723,434	26,988,402	3,222,786
Issued for:			
Private placements	14,688,708	5,506,922 ⁽¹⁾	-
Exercise of warrants	4,482,700	1,344,810 ⁽¹⁾	-
Exercise of options	679,400	221,506	-
Fair value of options exercised	-	233,825	(233,825)
Stock-based compensation	-	-	1,171,379
Balance, December 31, 2007	128,574,242	34,295,465	4,160,340
Issued for:			
Shares and warrants issued in lieu of borrowing costs	400,000	188,000 ⁽²⁾	60,680 ⁽²⁾
Exercise of warrants	26,508,238	7,817,690 ⁽³⁾	-
Exercise of options	760,000	227,285	-
Fair value of warrants exercised	-	532,950	(532,950)
Fair value of options exercised	-	216,077	(216,077)
Equity component of convertible debentures issued (note 16)	-	-	124,050
Stock-based compensation	-	-	517,519 ⁽⁴⁾
Fair value of agent's warrants issued on the convertible debentures (note 16)	-	-	128,288 ⁽⁵⁾
Adjustment related to prior year	-	-	21,930 ⁽⁶⁾
Balance, December 31, 2008	156,242,480	43,277,467	4,263,780

(1) Net of issue costs of \$862,336, of which \$489,172 was paid in cash; \$79,258 was paid by the issuance of 188,708 Units at \$0.42 per Unit and the issuance of 1,198,250 Agent's Warrants with a fair value of \$260,411. Each Unit consisted of one common share and one half-share purchase warrant. Each whole warrant is exercisable into an additional common share for a period of two years at an exercise price of \$0.55. Those Agent's Warrants have the same terms as the warrants included in the Units above. An additional 175,000 Agent's Warrants were also issued with a fair value of \$33,495. Each of these additional Agent's Warrants are exercisable into an additional common share for a period of two years at an exercise price of \$0.65.

(2) Issued 400,000 common shares with a fair value of \$188,000 and 400,000 warrants with a fair value of \$60,680 issued to Vangold Resources Ltd as part of the costs relating to a short-term funding arrangement (note 14). The shares and warrants were issued to Vangold on February 21, 2008. The shares were valued using the closing share price for that day the warrants were fair valued using the Black-Scholes option pricing model using the assumptions described in part (d) of this note.

(3) Net of \$134,781 in issue costs, \$112,851 paid in cash and by the issuance of 94,354 Agent's Warrants with a fair value of \$21,930.

(4) Comprised of the 1,750,000 employee options granted in April 2008.

(5) Comprised of the 1,462,800 agent warrants issued in December 2008 in relation to the convertible debenture financing (note 16).

(6) Value of Agent's Warrants issued as stock-based compensation relating to share placements in March and April 2007.

18. SHARE CAPITAL AND RELATED INFORMATION (continued)

c) Stock options

The Company's stock option plan (the "Plan") provides for the grant of options to common shares to eligible directors, senior officers, employees and consultants. The Plan is a rolling plan where up to 10% of the issued shares of the Company may be granted. The options have a maximum expiry date of no more than five years from the date of issue. No individual optionee can be granted options for more than 5% of the Company's issued shares. The Stock Option Plan must be approved by a majority of "disinterested" shareholders each and every year at the Annual General Meeting and approved by the TSX Venture Exchange. Of the 1,750,000 stock options issued in 2008 1,550,000 were granted to employees and 200,000 to consultants (2007: 2,010,000 granted to employees and 420,000 granted to directors).

Compensatory stock-based transactions with directors, officers, employees and consultants are recorded at fair value using the Black-Scholes option pricing model to estimate fair value at each grant date. The fair value of options, which vest immediately, is recorded at the date of grant; the fair value of options which vest in the future is recognized over the vesting period using the straight-line method. Stock options granted to consultants that vest over time are valued at the grant date and subsequently re-valued on each vesting date. Stock-based compensation is recognized as an expense with a corresponding increase in contributed surplus.

Stock option activity for the years ended December 31, 2008 and 2007:

	2008		2007	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		\$		\$
Balance – beginning of year	7,225,600	0.36	5,755,000	0.36
Granted	1,750,000	0.43	2,430,000	0.33
Exercised	(760,000)	0.30	(679,400)	0.33
Cancelled / expired	(2,555,600)	0.36	(280,000)	0.33
Balance – end of year	5,660,000	0.36	7,225,600	0.36
Exercisable – end of year	4,010,000	0.33	7,225,600	0.36

The stock options granted in April 2008 have a vesting period that ends on April 14, 2009. The stock options granted in 2007 had a vesting period that concluded on December 11, 2007.

Details of the exercise prices and expiry dates of options outstanding at December 31, 2008 are as follows:

Exercise Price	Outstanding Options		Exercisable Options	
	Number of Options	Weighted average remaining life	Number of Options	Weighted average remaining life
\$0.23	890,000	1.4 years	890,000	1.4 years
\$0.30	350,000	2.6 years	350,000	2.6 years
\$0.33	1,630,000	2.9 years	1,630,000	2.9 years
\$0.41	1,140,000	1.5 years	1,140,000	1.5 years
\$0.43	1,650,000	4.7 years	-	-
	5,660,000	2.7 years	4,010,000	2.1 years

The fair value of stock options granted during 2008 and 2007 were ascribed fair values of \$517,519 and \$877,473 respectively using the Black-Scholes option pricing model with the following weighted average assumptions:

	2008	2007
Risk-free interest rate	3.0%	3.86%
Estimated volatility	152%	108%
Expected lives	5 years	4 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 values of grants of the Company's stock options.

18. SHARE CAPITAL AND RELATED INFORMATION (continued)

d) Warrants

Warrant activity for the years ended at December 31, 2008 and 2007:

	2008		2007	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Balance – beginning of year	35,225,842	\$ 0.37	30,990,938	\$ 0.30
Granted	1,862,800	0.29	8,717,604	0.57
Exercised	(26,508,238)	0.30	(4,482,700)	0.30
Balance – end of year	10,580,404	0.52	35,225,842	0.37

Details of the exercise prices and expiry dates of the warrants outstanding at December 31, 2008 are as follows:

Number of warrants	Exercise Price	Expiry Date
6,139,845 (*)	\$0.55	March 23, 2009
1,152,759 (*)	\$0.55	April 19, 2009
1,425,000	\$0.65	October 11, 2009
400,000	\$0.60	February 21, 2010
1,462,800	\$0.20	December 22, 2010
10,580,404		

(*) See note 22

Each outstanding warrant can be exercised into one common share of the Company.

The fair value of warrants granted during 2007 and 2008 were calculated using the Black-Scholes option pricing model with the following assumptions:

	2008	2007
Risk-free interest rate	1.09% - 3.05%	3.97% - 4.36%
Estimated volatility	91% - 105%	78% - 91%
Expected lives	2 years	2 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 values of grants of the Company's warrants.

19. MINERAL PROPERTIES

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

The Company has various interests in six exploration projects in Papua New Guinea through its wholly-owned subsidiary New Guinea Gold Ltd and its associated company Pacific Kanon Gold Corporation. The Company has a 90% interest in one, a 100% interest in two of the projects, and a 20% interest, a 50% interest and a 10% interest in the other three properties.

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

Sinivit

The Sinivit Property, on which the Company has begun commercial production of an open-cut 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. The Company began commercial production in April, 2008 and accordingly has recorded all revenue and associated costs in the consolidated statement of operations since then. The Sinivit property also includes an exploration licence that covers approximately 43 square kilometres. As at December 31, 2008 the Company is committed to perform exploration work to the value of \$38,000, within the next 2 years, to maintain current rights of tenure to this exploration property.

Normanby

The Normanby Licence covers approximately 68 square kilometres on Normanby Island, Milne Bay Province. As at December 31, 2008 the Company is committed to perform exploration work to the value of \$190,000, within the next 2 years, to maintain current rights of tenure to this exploration property.

19. MINERAL PROPERTIES (continued)

Shulea

The Shulea Project covers approximately 30 square kilometres in the eastern part of Normanby Island, in Milne Bay Province, adjacent to the Normanby Project. As at December 31, 2008 the Company is committed to perform exploration work to the value of \$95,000, within the next 12 months, to maintain current rights of tenure to this exploration property.

Mt. Penck (owned 80% by Kanon Resources Ltd)

The Company earned a 20% interest in the Mt. Penck property from Kanon Resources Ltd. by funding the first \$300,000 worth of exploration. 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:

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 (\$1,686,000 performed to December 31, 2008), and by issuing to the Company 800,000 shares in stages prior to June 30, 2008 (800,000 shares received at December 31, 2007). The Company must pay a finder's fee of 10% on all share consideration received (80,000 Vangold shares paid to December 31, 2007). The Company disposed of 280,000 of these Vangold shares in 2007.

Crater Mountain

Optioned to Celtic Minerals Ltd., a TSX Venture-listed company, which acquired an 86.25% interest by sole funding \$4,000,000 on exploration prior to August 1, 2007. The Company now has a 10% free carried interest.

NSR and production bonus in respect of certain Mineral Properties

Five of the six projects, Sinivit, Normanby, Shulea, Feni, and Crater Mountain are each subject to a 1% NSR payable to Macmin. 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 is to be made.

Mt Penck is subject to an 8% free carry interest with Company director, Mr Peter McNeil. PKGC can repurchase 4% of this interest for US\$1,000,000.

20. SEGMENTED INFORMATION

The Company is in the business of acquisition, exploration, development and operation of mineral properties in Papua New Guinea. As such, management has concluded that it has one reportable operating segment. The Papua New Guinea operation is responsible for that country's acquisition, exploration, development and production activities while the Canadian and Australian offices manage administration and corporate head office activities.

Information concerning the Company's assets and revenues by geographic region:

	2008			
	Papua New Guinea	Canada	Australia	Total
	\$	\$	\$	\$
Equipment	2,897,573	5,264	-	2,902,837
Mineral Properties	11,682,781	-	-	11,682,781
Other	2,002,302	-	736,768	2,739,070
Revenues, net	5,685,886	-	-	5,685,886
2007				
	Papua New Guinea	Canada	Australia	Total
	\$	\$	\$	\$
Equipment	3,355,367	5,790	-	3,361,157
Mineral Properties	13,426,670	-	-	13,426,670
Other	1,468,381	2,303,693	-	3,772,074

21. INCOME TAXES

The reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is as follows:

	2008	2007
	\$	\$
Net loss	7,407,150	1,989,488
Effective statutory rate	31.00%	34.12%
Expected tax recovery	2,296,000	679,000
Foreign income tax at other than Canadian statutory rates	16,000	28,000
Stock based compensation	(160,000)	(299,000)
Foreign exchange gain (loss) on revaluation of future tax assets	431,000	(186,000)
Effect of a reduction in statutory rate	(311,000)	-
Impairment loss on equity investments	(982,000)	-
Other non-deductible amounts	(1,050,000)	125,000
Valuation allowance	(240,000)	(347,000)
Current income tax expense	-	-

Future income tax assets reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future tax assets as at December 31, 2008 and 2007 are as follows:

	December 31, 2008	December 31, 2007
	\$	\$
Potential future income tax assets:		
Canadian non capital loss carry-forwards	1,336,000	1,639,000
Canadian resource pools	1,742,000	1,909,000
Papua New Guinea future tax assets	2,261,000	1,158,000
Total	5,339,000	4,706,000
Valuation allowance	(5,339,000)	(4,706,000)
Carrying value	-	-

The tax benefit of net operating losses carried forward and the associated valuation allowance was reduced by \$62,000 (2007: \$67,000) representing the tax effect of losses which expired during the year.

The Company's future tax assets also include approximately \$920,000 (2007: \$1,349,000) related to deductions for share issuance costs for tax purposes in excess of amounts deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize the benefit as an adjustment to share capital as opposed to income tax expense in the Statement of Operations and Deficit. The valuation allowance as at December 31, 2008 was increased by \$455,000 (2007: \$466,000) representing the effect of unamortized share issuance costs incurred in the year.

The Company has determined that for financial reporting purposes a 100% valuation allowance is appropriate as the criteria for recognition of the future income tax assets have not been met. The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance is reflected in current income.

The Company has incurred estimated losses of \$ 4,783,000 in Canada and Papua New Guinea for tax purposes which are available to reduce future taxable income and which expire in various amounts from 2009 to 2028. Such benefits will be recorded as an adjustment to the tax provision in the year realized.

22. SUBSEQUENT EVENTS

On January 23, 2009 the Company issued the final tranche of \$562,000 convertible debentures (note 16) maturing on April 30, 2010, bearing interest at base rate of 10% per annum.

On February 3, 2009 the Company granted 3,830,000 stock options to directors and employees exercisable at \$0.29 for a five year period, the options are subject to a four month vesting period.

On February 11, 2009 the Company was granted approval to amend the terms of 6,000,000 outstanding \$0.55 warrants originally due to expire on March 23, 2009 and April 19, 2009 respectively (note 18). These warrants now have a new expiry date of March 23, 2010 and April 19, 2010 respectively. A total of 1,292,604 \$0.55 agents warrants with the same original expiry dates were not eligible to have their expiry dates extended.