NEW GUINEA GOLD CORPORATION

Management Discussion & Analysis
For the Quarter Ended June 30, 2008

INTRODUCTION

The following Management Discussion and Analysis of the Company's financial position is for the three month period ended 30th June, 2008 compared to 30th June, 2007. This discussion should be read in conjunction with the attached interim financial statements and related "Notes to the Consolidated Financial Statements" which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and with the audited financial statements and related "Notes to the Consolidated Financial Statements".

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

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

The information is current to August 25, 2008, unless otherwise indicated.

OVERALL PERFORMANCE / HIGHLIGHTS IN QUARTER

1. **Imwauna Gold Project/Normanby Property**

A resource statement for the Imwauna Project, Normanby Property was issued in mid June, as forecast in the March Quarter MD & A.

The Inferred Mineral Resource was 1.8 million tonnes at 12.2 g/t gold and 20 g/t silver for contained metal of 706,000 ozs gold and 1,160,000 ozs silver.

Some of the main points relating to the Resource and Project were:

- Resource is relatively high grade; open along strike and to depth; defined over a strike length of 1,500m to date and to depths below surface varying from 50 to 150 meters. In the event this resource is developed it would be largely open-pittable.

- Resource commences at surface; has been defined by numerous excavator trenches and 137 drill holes. Drilling is continuing with two diamond core rigs.

- As indicated and illustrated in our Press Release dated 23 April 2008, drill target areas have been defined at depth below the limit of present drill holes. These areas will be explored in the near future

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- Potential for bonanza zones is suggested by trench bulk samples such as 82kgs averaging 424g/t gold (12.37ozs/ton) and 63kgs averaging 70g/t gold (2.04 ozs/ton), supported by drill results such as 3m at 109g/t gold, (3.18 ozs/ton); 5.6m at 36g/t gold (1.05 ozs/ton) and 0.4m at 438g/t gold (12.78 ozs/ton).

- Deposit is within 3 to 4kms of the Coast of Normanby Island with relatively good access.

- A Technical Report in compliance with the requirements of NI 43-101 on the Imwauna Project has been prepared by Independent Geological Consulting firm, Project Geoscience Pty Ltd (PG) and is filed on SEDAR.

- The Imwauna Project is a part of an 8 to 10 sq km gold mineralised area as defined by gold in geochemistry and trenching (see map in Press Release dated 23 April 2008). Mineralisation varies from quartz hosted gold mineralisation, often of high grades at Imwauna itself to disseminated gold mineralisation associated with Recent/Pleistocene volcanics at the Knob Prospect (3 to 4 kilometers north of the Resource area, near the Coast – for map location see Press Release dated 23 April 2008). Only a small part of this large prospective area has been tested by drill holes and the PG notes that there is potential to locate additional resources at other nearby gold prospects in addition to at depth and along strike at Imwauna.

- The mineralisation at Imwauna is low sulphidation, epithermal mineralisation, and consists of multiple, steeply dipping quartz veins, from a few mms width to 10m width with the main Imwauna vein defined to date averaging of the order of 1m, with relatively high gold grades and often visible gold. Average width of all veining within the mineral resource estimate is approximately 2.1meters. The mineralisation has been defined by drilling over a strike length of 1,500m, is open both to the north and south and to depth. The drilled depth extent of the mineralisation varies from 50 to 150m below surface.

In a subsequent event, on 10th July 2008, the Company announced an ongoing development strategy for the Imwauna Project.

- Complete a Preliminary Assessment Study to determine broad economic parameters for the development of the Project; upgrade all or part of the Inferred Resource to higher categories; apply for a mining lease from the Papua New Guinea Government (expected to take nine months); complete financing and commence construction by 2010 and gold production by 2011.

- While the Preliminary assessment is proceeding, increase the rate of drilling/trenching with the objective of substantially increasing the present resource. It is anticipated that a substantial increase in resources at Imwauna would place NGG as an attractive acquisition target for a major gold producer.

2. **Sinivit Gold Mine**

The capital cost of the mine had increased and as at the end of June 2008, was approximately C$10.8 million. This increase was due to two main factors: the civil engineering component of the capital increased substantially due to enhanced "civils" required to construct Vats and delays caused by heavier than normal rainfall (approximately 100% more than long term average).

The "ramp up" of gold production was slower than forecast for the quarter and for the period to 14th August 2008. 1,730 ozs of gold was produced in the second quarter, 2008 (plus 242 ozs silver). No gold was poured in July due to a problem with the gold stripping plant, now rectified.

The main points which contributed to the slower "ramp up", and forecasts are noted below:

- The initial vats used for plant commissioning were relatively shallow – of the order of 3 to 4 meters deep. Relatively rapid recovery was achieved with 80% recovery estimated over about 2 months. Subsequently the first major production vat (Vat 2) was large, oval shaped and deep (up to 10m deep). Experience has now shown that these deep, and oval shaped (in the case of Vat 2) vats tend to compact the crushed gold mineralisation to the extent that permeability is reduced.

  This in turn substantially decreases the leaching rate to the extent that we now predict it may take 6 months or more to complete leaching of Vat 2. It should not, however, effect the ultimate gold recovery. This is one of the reasons that production of gold decreased in June/July rather than increased. The other reason was the breakdown of the crushing plant for most of July and a problem with the gold stripping plant (both now rectified).

  To resolve the leaching problem, future vats will be rectangular for ease of laying liners and restricted to 4/5 meters deep, maximum, to reduce compaction. This change requires more vats than originally planned which may result in a small increase in operating costs. The first of these additional vats, Vat A, (about 10,000 tonnes), is completed and presently being filled with crushed mineralisation. Vat 4 should be lined by mid August (about 8,000 tonnes), with filling commencing soon thereafter. The earthworks for Vat B (about 10,000 tonnes) are completed.

  Leaching more vats at the same time than anticipated has required additional carbon columns and an additional 8 have been ordered/fabricated locally in Kokopo at a cost of approximately K85,000 (approximately $A35,000).

- The crushing plant which is owned by NGG, but operated and maintained by HBS Machinery has not performed to expectations. The main problem relates to the cone crusher, which, because sizing is set at a relatively fine (-8 mm crush size), tends to clog up with re-circulating fines.

  A crushing expert has recommended we add an additional cone crusher to the circuit to ensure a monthly crushing throughput of 20,000. The present crushing throughput is 13,000t/month.

Outlook

- Increasing production is forecast for the fourth quarter. 30,000 tonnes of gold mineralisation were leaching in June, and 50,000 tonnes were leaching by the end of July. Total tonnes under leach are forecast to rise to 55,000 tonnes by end of August and 70,000 tonnes by end of September. These figures are less than those forecast earlier in the quarter. For example 58,000 tonnes had been forecast to be leaching by the end of June 2008.

- A total of 1,730ozs of gold and 242 ozs silver were produced in the quarter to end of June 2008. We now estimate that 1,900ozs will be produced in the September 30th quarter, increasing to 5,500zs in the December 31st 2008 quarter. Production is expected to further increase to 7,500ozs in the March 31st 2009 quarter, after, and subject to the completion of the crusher upgrade. The lower level of gold production in the September quarter (from forecast production) is a direct result of the fact no mineralisation was mined or crushed in July, and the slower leaching rate.

Exploration

- Over 400, mainly short (30m depth) drill holes, and several kilometers of bulldozer trenching were completed at Sinivit resulting in better grades than anticipated in the Southern Oxide Pit and an extension to the mineralised zone to the north of the Northern Oxide Zone, and definition of high grade gold/copper/silver/tellurium mineralisation at depth (see Press Release dated 14th August 2008).

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

The longer term strategy for development at Sinivit is as follows:

The Sinivit Mineral Resources are: Indicated, 713,000 tonnes at 5.7g/t gold for 132,000 ozs gold, and Inferred, 340,000 tonnes of 3.2g/t gold for 35,000 ozs gold (see NI 43-101 report dated January 2006 at www.newguineagold.ca). The Sinivit oxide gold mineralisation, presently being exploited, at depths of less than 50m below surface is underlain by gold, copper, tellurium (or sulphide) mineralisation.

It is expected that mining of oxide mineralisation will continue until 2011, although if present exploration is successful this time frame could be extended. In 2011 or second half of 2010, a mill and concentrating plant would be added to the processing circuit to recover the sulphide mineralisation (gold, copper, silver and tellurium). Mining the sulphide mineralisation is dependent on the results of ongoing exploration and a positive economic study to be completed by early 2010.

The Sinivit resources have been defined near surface within a one kilometer length of a ten kilometer long structural zone. This structural zone is known to contain sporadic, largely untested or unexplored gold mineralisation over its entire length. Excavator trenching is presently in progress to test this zone to the south of the mine.

3. **Coppermoly Ltd**

Coppermoly Ltd (approximately 49% owned by New Guinea Gold) successfully achieved their objective of commencing drilling during the quarter and as at 14th August had three diamond core drill rigs working on their properties, Simuku and Mt Nakru in New Britain, Papua New Guinea.

In a Press Release dated 1st August 2008 the following was announced: "*The initial drilling and trenching program at Simuku have given the best results to date, including all historical work.*

- *SMD19 using a 0.2% copper equivalent* cut-off (see below for explanation), intersected 93m from 8m depth of 0.59% copper, 68ppm molybdenum, 0.07g/t gold and 2.5g/t silver (0.69% copper equivalent* – see below for explanation). Awaiting results from 122 to 346.1m depth.*
- *An excavator trench, between former hole SMH12 and SMD19 intersected 117m at 0.61% copper, 86ppm molybdenum, 0.10g/t gold and 2.6g/t silver (0.74% copper equivalent*)".*

Note: For copper equivalent definitions see the above Press Release.

STRATEGY 2007 TO 2011

Introduction

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

The Company intends to focus its activities on further development of the Sinivit Gold Mine and development of a mine at Imwauna on Normanby Island. Alternatively NGG may develop as an acquisition target for a major gold producer.

In addition the Company has a significant prospect at Weioko within the Sehulea Property (EL 1069), also on Normanby Island and adjacent to the Normanby Property (EL 1091).

Of the three key projects, NGG owns 92% of Sinivit, and 100% of Normanby and Sehulea.

Mining and processing of gold mineralisation from **commissioning** of the Sinivit Mine commenced with approximately 442ozs of gold recovered in 2007, and a further 302ozs in January 2008. **Production** commenced in May 2008, with 1060ozs gold and 117ozs silver, and in June with 651 ozs gold and 143ozs silver. Production is expected to gradually increase and should reach a level of approximately 2,000 ozs/month in the last quarter 2008. Management considers the potential to expand resources and production in the future to be good.

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

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

In the second quarter of 2007 NGG had two drill rigs working at Sinivit and two at Imwauna (Normanby Property).

New Guinea Gold Project Summary

Project	Type	Ownership	Plan
Sinivit	Quartz telluride gold system	92% NGG	Mine – gold production and further exploration to increase resource in 2009
Imwauna	High grade vein swarm system	100% NGG	Continue exploration. Complete Preliminary Assessment by mid 2009
Weioko	Potential bulk mineable gold	100% NGG	Explore & produce NI 43-101 resource in 2009
Mt. Penck	Epithermal gold	Kanon 80% NGG 20%	Restructure as Pacific Kanon Gold
Allemata	Quartz gold veins	Kanon 100%	Restructure as Pacific Kanon Gold
Bismarck	Disseminated gold & high	Kanon 100%	Restructure as Pacific Kanon Gold

	grade veins		
Fergusson	Epithermal gold & silver	Kanon 100%	Restructure as Pacific Kanon Gold
Yup River	Alluvial Gold	Kanon 100%	Restructure as Pacific Kanon Gold
Mt. Nakru	Porphyry gold/copper	NGG +/- 50%	Coppermoly Ltd
Simuku	Porphyry copper/ gold/ molybdenum	NGG +/- 50%	
Crater Mountain	Porgera style gold mineralisation	13% NGG	NGG diluting to 10% free carried interest to bankable feasibility
Feni	Lihir style gold mineralisation	50% NGG 50% Vangold	Vangold earning 75%

Corporate Restructure

As part of the business and development strategy the Company is undertaking a corporate restructuring with the objective of obtaining better shareholder value for the above twelve properties. Management has concluded that the market assigns value only to NGG's principal two or three properties. The Company intends to focus on its core gold properties at Sinivit in East New Britain and on its Normanby and Sehulea properties on Normanby Island in Milne Bay Province. Other projects have been joint ventured, or are being restructured into separate entities.
The proposed corporate restructuring is to finance the five Kanon properties and the two copper-gold-molybdenum properties through the creation of two new publicly listed companies Pacific Kanon and Coppermoly. The Company would retain a major equity in each new public company after a prospectus financing or IPO. The first part of the restructure is complete with the successful listing of Coppermoly on the Australian Securities Exchange in January 2008.

The prospectus for Pacific Kanon is almost complete and it is anticipated that C$5 million will be raised in September/October 2008 for the further development of the Pacific Kanon properties.

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

Coppermoly Ltd

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

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

The capital structure of Coppermoly is as follows:

Shares Trading (COY)		-	34,015,289
	Shares Restricted (for 12 to 24 months)	-	47,999,999
	Options Issued to Management/Staff (exercisable at A$0.25 to A$0.30 cents before 30th April 2011 escrowed for 12 to 24 months	-	8,400,955
	Options (exercisable at 30 cents on or before 30th April 2011 (trading as COYO)	-	20,503,822
	NGG and Pacific Kanon hold shares and Options in COY as follows:		
NGG	- Shares	-	38,273,684 of which 29,473,683 are escrowed for 24 months
	- Options		9,569,421
Pacific Kanon	- Shares	-	13,026,316 all escrowed for 24 months. NGG presently holds 50% of Pacific Kanon but after financing expects this to reduce to approximately 30%
	- Options		3,256,579

The options are exercisable at AUD$0.30 on or before 30th April 2011. They trade on the ASX as COYO. As at 1st July 2008, Coppermoly was trading at 10.5 cents, down from the IPO price of 25 cents. The Coppermoly share price has been affected by the general world wide credit problems but should recover in the immediate future as drill results become available.

Pacific Kanon Gold Corporation

The proposal for Pacific Kanon is that Bolder Investment Partners Ltd ("Bolder") would act as agent for a Prospectus financing. The new public Company, to be known as Pacific Kanon Gold Corporation has applied to list on the TSX Venture Exchange. NGG would retain an approximately 30% equity in Pacific Kanon after initial financing of C$5 million. The properties to be included are 80% of Mt Penck, 100% of Allemata, Fergusson, Bismarck, and Yup River.

It is anticipated that approval for the prospectus will be received from the TSX Venture Exchange in August with the capital raising and listing of Pacific Kanon to be completed by October.

Pacific Kanon Projects are described in NI 43-101 report on Sedar and at www.newguineagold.ca.

MANAGEMENT

Several management changes occurred subsequent to the end of the quarter as described in a Press Release dated 9th July 2008.

Garry Edwards was appointed a non executive and independent director, Garry holds a Master of Business Administration (2005) and is a Fellow of the Australian Institute of Company Directors and National Institute of Accountants (Australia). For the last 13 years Garry has been involved with exploration and mining companies listed in Australia and Canada with operations in Australia and Papua New Guinea. Mr. Edwards holds or has held positions as CEO, Director, Company Secretary and CFO in those companies. Prior to 1995, Garry spent 15 years working in Papua New Guinea, the last 11 for KPMG and antecedent firms. From 1987 to 1995 he managed KPMG's Arawa and Rabaul offices.

Paul Schultz was appointed Chief Financial Officer. Paul holds a Bachelor of Business (Accounting) and is a Member of Certified Practicing Accountants - Australia. He joined NGG Corporation's parent company, Macmin Silver Ltd (ASX), in December 2005. Prior to joining Macmin, Paul spent 10 years working as a partner and manager in public accounting practices. Paul is also CFO for Macmin Silver Ltd.

Judith O'Quinn resigned as CFO but remains as a Director and Company Secretary.

Projects are described in detail in the MD & A to year ending 2007 and readers are referred to those descriptions.

RESULTS OF OPERATIONS

The Company's net loss for the six months ended June 30, 2008 was $3,043,222 or $0.02 per common share compared to a loss of $1,415,761 or $0.01 per common share in the same period ended 2007. The Company received $95,929 in interest payments on cash balances and deposits. Interest revenues from cash held fluctuate according to the amount of funds held on deposit and the interest rates attained during the period. The Company also charged $87,535 of interest to its joint venture partner in the Mt Sinivit gold mine, Gold Mines of Niugini Holdings Ltd, on its share of capital invested in the mine.

The increase in net loss for the six months ended June 30, 2008 compared to the same period in 2007 was $1,627,461 and is mainly attributed to the inclusion of the net operating result for the Mt Sinivit gold mine for the first time this quarter. A net share of profits/losses from equity accounted associates contributed $737,951 (2007: nil) to the Company's overall net loss. This was largely from the Company's equity accounted interest in Coppermoly Ltd, which wrote-off its exploration expenditure for the six months ended June 30, 2008. The policy to write-off exploration costs, adopted by Coppermoly, is conservative and the resultant equity accounting loss in NGG is a non-cash transaction and does not affect the financial condition of the Company. The increased loss can also be attributed to increased interest and borrowing costs of $241,259, compared to the same period last year. The Company also had a foreign exchange gain in the six months ended June 30, 2008 of $36,553 compared to a loss of $144,069 during the same period in 2007 because of fluctuations in foreign currency rates.

The Company had a stock-based compensation expense of $345,975, representing the value of stock options granted to employees, during the six months ended June 30, 2008, compared to $338,499 in the same period in 2007. This is non-cash expenditure.

During the six months ended June 30, 2008 the Company completed $843,628 in exploration expenditures, and $1,216,099 in development and commissioning expenditures on its mineral property interests. During this same period the Company had $292,803 of metal sales, which were offset against mine development costs as the mine was still in the development/commissioning phase to March 2008. From April 2008 the mine was in commercial production with $1,542,346 in metal sales and, $2,746,309 in operating and royalty costs.

Summary of selected quarterly results

The following table presents selected unaudited financial information for each of the last eight quarters ended June 30, 2008:

	2008		2007	
	Q2 June 30	Q1 March 31	Q4 December 31	Q3 September 30
	$	$	$	$
Revenue	1,719,719	46,324	460,183	38,944
Net loss	(2,296,050)	(747,172)	(275,728)	(297,999)
Basic/diluted loss per share	(0.02)	(0.01)	(0.00)	(0.00)
	2007		**2006**	
	Q2 June 30	Q1 March 31	Q4 December 31	Q3 September 30
	$	$	$	$
Revenue	22,027	13,836	81,269	57,764
Net loss	(604,362)	(811,399)	(80,186)	(702,538)
Basic/diluted loss per share	(0.01)	(0.01)	(0.00)	(0.01)

FINANCIAL CONDITION

At June 30, 2008 the Company had working capital of $2,190,329 (2007: $1,962,926). The Company has no long-term indebtedness or long-term obligations. Although there was little change in net working capital at June 30, 2008 compared to June 30, 2007 there was an increase in cash of approximately $357,000 and amounts receivable of approximately $982,000 at June 30, 2008 compared to the same time last year. These increases were offset by an increase in current liabilities of $1,214,000 for the same periods. The increase in amounts receivable was largely due to an increase in reimbursable amounts from related companies and the main mining contractor at the Mt Sinivit mine. The increase in current liabilities was primarily due to the fully drawn advance from the Bank Of South Pacific Ltd, a Papua New Guinea domiciled bank.

At August 25, 2008 the Company had approximately $2,375,000 in cash while it is committed to paying approximately $682,000 for expenses billed, $11,000 for short term insurance premium funding and $2,124,000 for a fully drawn advance. The fully drawn advance is now due for repayment by September 30, 2008 and the Company is currently in negotiations to extend this date further.

CAPITAL RESOURCES AND LIQUIDITY

The Company has adequate cash reserves and forecast metal sales to continue operations at current levels, and has been able to fund its operations in the past by the issue of shares as needed. The Company has warrants and stock options outstanding and, as of August 25, 2008, if those options that were "in-the-money" were exercised would generate an additional $947,500. There is no certainty that the Company will be able to continue to obtain funding by share issuances in the future.

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

CASH FLOWS

The Company has not yet generated positive cash flow from mining operations, but predicts that this should change, barring unintended delays, toward the end of the fourth quarter 2008. The Company has funded its operations by issuing its shares either through financings or the exercise of existing share purchase warrants and stock options.

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

	Number of Shares	Share Capital
		$
Balance, December 31, 2006	108,723,434	26,988,402
Private placements	14,688,708	5,506,922
Exercise of warrants	4,482,700	1,344,810
Exercise of stock options	679,400	221,506
Stock-based compensation on exercises	-	233,825
Total shares issued	19,850,808	7,307,063
Balance, December 31, 2007	128,574,242	34,295,465
Issued as part of short term funding agreement	400,000	188,000
Exercise of warrants	26,508,238	7,817,690
Exercise of stock options	760,000	227,285
Stock-based compensation on exercises	-	749,027
Total shares issued	27,668,238	8,982,002
Balance, August 25, 2008	156,242,480	43,277,467

Related Party Transactions

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

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

At the date of this report, the Company was owed $243,555 by Macmin due to advance payments for exploration and mine operating expenditure to be outlaid by Macmin (2007: owed $661,659 to Macmin).

Disclosure Controls

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

Internal Controls

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

Contractual Obligations

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

Off-Balance Sheet Arrangement

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

Financial and Other Instruments

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

Legal Proceedings

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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Comprehensive Income, CICA Handbook Section 1530

In 2007 the Company adopted section 1530 which introduces new standards for reporting and display of comprehensive income. Comprehensive income is the change in equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Financial Instruments, CICA Handbook Section 3855

In 2007 the Company adopted new handbook Section 3855 which prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based measures are used. It also specifies how financial instrument gains and losses are to be presented.

Pursuant to these new standards, the Company has included a new statement of comprehensive income with its financial statements and has applied fair value accounting to certain of its financial instruments. This has resulted in the recognition of unrealized gains and losses as other comprehensive income or loss which appear on the statement of comprehensive income or loss.

Capital Disclosures, CICA Handbook Section 1535

Effective 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.

Financial Instruments - Disclosure and Presentation, CICA Handbook Sections 3862 and 3863

Effective 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.

New Accounting Pronouncements

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

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, 2011 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 financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

OUTSTANDING SHARE DATA

The Company has one class of shares and there were 156,242,480 shares issued as at August 25, 2008 (128,574,242 shares issued as at December 31, 2007) and 172,435,684 on a fully diluted basis.

The Company has a stock option plan and at the date of this report there were 7,475,600 options outstanding exercisable into one common share between $0.23 and $0.49 (7,225,600 options outstanding as at December 31, 2007).

The Company has 8,717,604 warrants outstanding as at May 12, 2008 exercisable into one common share between $0.55 and $0.65 (35,225,842 warrants outstanding as at December 31, 2007).

SUBSEQUENT EVENTS

There were no material events subsequent June 30, 2008.