

NEW GUINEA GOLD CORPORATION
Consolidated Interim Financial Statements
Nine Months Ended September 30, 2008

(Prepared by Management)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators the Company discloses that its external auditors have not reviewed the unaudited financial statements for the period ended September 30, 2008 in accordance with Section 7050 of the CICA Handbook.

NEW GUINEA GOLD CORPORATION
Consolidated Balance Sheets
As at September 30, 2008 and December 31, 2007

	September 30, 2008	December 31, 2007
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<u>\$</u>	<u>\$</u>
ASSETS		
Current assets		
Cash and equivalents	1,751,589	1,680,345
Amounts receivable	951,009	1,482,883
Prepaid expenses	21,035	104,211
Inventories and deferred mining costs (note 6)	3,595,301	-
Marketable securities (note 7)	119,600	254,800
	<u>6,438,534</u>	<u>3,522,239</u>
Mining and other deposits receivable (note 8)	53,845	50,334
Long term receivables (note 9)	1,593,667	1,345,197
Investments (note 10)	3,383,038	2,376,543
Equipment (note 11)	3,110,565	3,361,157
Mineral properties (schedule, note 14)	5,341,276	3,918,970
Mine development (schedule, notes 2d, 14)	6,357,578	9,507,700
	<u>26,278,503</u>	<u>24,082,140</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,758,062	2,412,714
Due to related parties (note 5)	66,523	661,659
	<u>2,824,585</u>	<u>3,074,373</u>
Non-current liabilities		
Bank debt	416,500	-
	<u>3,241,085</u>	<u>3,074,373</u>
SHAREHOLDERS' EQUITY		
Share capital (note 13b)	43,277,467	34,295,465
Contributed surplus (note 13b)	3,779,218	4,160,340
Accumulated other comprehensive income (notes 7 and 12)	(105,266)	29,934
Deficit	<u>(23,914,001)</u>	<u>(17,477,972)</u>
	<u>23,037,418</u>	<u>21,007,767</u>
	<u>26,278,503</u>	<u>24,082,140</u>

Approved by the Board of Directors:

"Robert D. McNeil"
Director

"Paul Schultz"
CFO

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

NEW GUINEA GOLD CORPORATION
Consolidated Statement of Operations and Deficit (Unaudited)
For the Three and Nine Months Ended September 30,

	9 Months ended September 30, 2008	3 Months ended September 30, 2008	9 Months ended September 30, 2007	3 Months ended September 30, 2007
	\$	\$	\$	\$
Revenue				
Metal sales	2,517,760	975,414	-	-
Royalties	(18,320)	(525)	-	-
Net sales ¹	2,499,440	974,889	-	-
Interest and other income	332,240	90,748	74,807	38,944
	<u>2,831,680</u>	<u>1,065,637</u>	<u>74,807</u>	<u>38,944</u>
Expenses				
Operating costs ¹				
Changes in WIP	(871,474)	(135,558)	-	-
Amortization of deferred mining costs	1,930,432	1,151,091	-	-
Depreciation of mine equipment	334,010	179,077	-	-
Consumables	882,008	524,416	-	-
Contractor payments	1,695,678	905,708	-	-
Employee benefits	736,758	396,172	-	-
All other	1,618,069	576,061	-	-
	<u>6,325,481</u>	<u>3,596,967</u>	<u>-</u>	<u>-</u>
Depreciation not included in operating costs	163,475	37,233	232,592	59,113
Employee benefits	232,436	41,386	750,527	175,381
Exploration expense written off/(back)	-	-	8,235	107
Financing costs	389,374	58,898	132,451	43,234
Shareholder communications	123,244	32,311	151,336	20,753
Stock-based compensation	345,975	-	338,499	-
Other general and administrative costs	350,180	86,833	150,311	89,598
	<u>7,930,165</u>	<u>3,853,628</u>	<u>1,763,951</u>	<u>388,186</u>
Loss before other income for the period	<u>(5,098,485)</u>	<u>(2,787,991)</u>	<u>(1,689,144)</u>	<u>(349,242)</u>
Other income (expense)				
Gain on sale of investments	-	-	27,923	-
Loss on sale of equipment	(31,330)	-	(23,431)	-
Foreign exchange gain/(loss)	(224,863)	(261,416)	176,021	256,372
Share of equity accounted associates	(1,081,351)	(343,400)	11,698	11,698
Loss on de-consolidation	-	-	(216,827)	(216,827)
	<u>(1,337,544)</u>	<u>(604,816)</u>	<u>(24,616)</u>	<u>51,243</u>
Net loss for the period	<u>(6,436,029)</u>	<u>(3,392,807)</u>	<u>(1,713,760)</u>	<u>(297,999)</u>
Deficit, beginning of period	<u>(17,477,972)</u>	<u>(20,521,194)</u>	<u>(15,488,484)</u>	<u>(16,904,245)</u>
Deficit, end of period	<u>(23,914,001)</u>	<u>(23,914,001)</u>	<u>(17,202,244)</u>	<u>(17,202,244)</u>
Loss per share	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>151,782,356</u>	<u>156,242,480</u>	<u>118,530,222</u>	<u>123,730,191</u>

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

¹ Net metal sales and Operating costs have only been included in the Statement of Operations and Deficit from April 1, 2008. Before that these amounts were capitalized as Mine Development costs.

NEW GUINEA GOLD CORPORATION
Consolidated Statement of Comprehensive Income (Unaudited)
For the Three and Nine Months Ended September 30,

	9 Months ended September 30, 2008	3 Months ended September 30, 2008	9 Months ended September 30, 2007	3 Months ended September 30, 2007
	\$	\$	\$	\$
Net loss for the period	(6,436,029)	(3,392,807)	(1,415,761)	(604,362)
Other comprehensive income (loss) in the period	(135,200)	(85,800)	-	-
Comprehensive loss for the period	<u>(6,571,229)</u>	<u>(3,478,607)</u>	<u>(1,415,761)</u>	<u>(604,362)</u>

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

NEW GUINEA GOLD CORPORATION
Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30,

	9 Months ended September 30, 2008	3 Months ended September 30, 2008	9 Months ended September 30, 2007	3 Months ended September 30, 2007
	\$	\$	\$	\$
Cash provided by (used for):				
Operating Activities				
Net loss for the period	(6,436,029)	(3,392,807)	(1,713,760)	(297,999)
Adjustment for items not involving cash				
Depreciation and amortization	2,427,916	1,367,401	232,592	59,113
Loss/(gain) attributable to equity accounting of associates	1,081,351	343,400	(11,698)	(11,698)
Shares issued as part of borrowing costs	188,000	-	-	-
Stock-based compensation	345,975	-	338,499	-
Loss/(gain) on sale of investments	-	-	(27,923)	-
Loss/(gain) on sale of equipment	31,330	-	23,431	-
Exploration expenditure written off	-	-	8,235	107
Interest charged to joint venture partner on share of mine capital expenditure	(133,498)	(45,963)	-	-
Interest capitalized to bank loan	221,446	221,446	-	-
Other foreign exchange effects	226,415	226,415	-	-
Foreign exchange adjustment for opening cash balance	(88,860)	(33,504)	-	-
Loss on de-consolidation	-	-	216,827	216,827
	(2,135,954)	(1,313,612)	(933,797)	(33,650)
Changes in non-cash working capital items:				
Amounts receivable	503,018	(77,397)	(169,211)	(672,516)
Inventories and deferred mining costs	(434,208)	6,315	-	-
Prepaid expenses	83,176	29,827	132,167	(4,652)
Accounts payable and accrued liabilities	581,465	224,220	906,627	410,475
Due to related parties	(595,136)	310,078	230,819	536,207
	(1,997,639)	(820,569)	166,605	235,864
Investing Activities				
Purchase of equipment	(582,770)	(117,966)	(89,287)	(22,038)
Sale of equipment	2,084	-	-	-
Purchase of investments	(2,087,846)	-	-	-
Sale of investments	-	-	107,257	-
Mineral property exploration expenditures	(1,356,127)	(609,485)	(1,136,331)	(404,881)
Mine development income from gold sales	292,803	-	-	-
Mine development expenditures	(2,072,856)	(147,592)	(4,047,536)	(1,319,006)
Mineral property and other deposits	(3,511)	(1,427)	-	-
	(5,808,223)	(876,470)	(5,165,897)	(1,745,925)
Financing Activities				
Common shares issued for cash	8,179,756	-	6,085,836	266,400
Share issue costs	(112,851)	-	(448,492)	-
Proceeds of borrowings	2,000,000	-	-	-
Repayment of borrowings	(2,278,659)	(278,659)	-	-
	7,788,246	(278,659)	5,637,344	266,400
Increase/(decrease) in cash during the period	(17,616)	(1,975,698)	638,052	(1,243,661)
Foreign exchange adjustment to opening cash balance	88,860	33,504	(15,176)	(15,176)
Cash - beginning of period	1,680,345	3,693,783	1,455,512	3,337,225
Cash - end of period	1,751,589	1,751,589	2,078,388	2,078,388

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

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

During the Nine months ended September 30, 2007, the Company:

- Issued 144,690 units comprising one common share and one share purchase warrant with a fair value of \$60,770 in respect of share issue costs.
- Issued 1,011,250 agent's warrants with a fair value of \$188,902 in respect of share issue costs.

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, September 30, 2008
Normanby					
Acquisition costs	26,244	28,896	55,140	1,880	57,020
Exploration costs:					
Drilling	568,693	127,396	696,089	260,530	956,619
Salaries, wages & fees	521,320	254,394	775,714	482,590	1,258,304
Travel & accommodation	108,598	53,790	162,388	52,447	214,835
Geological services & investigations	183,834	237,709	421,543	213,107	634,650
Field supplies & services	808,999	224,366	1,033,365	359,799	1,393,164
Community compensation	11,234	3,721	14,955	3,666	18,621
Field office	198,877	184,135	383,012	91,254	474,266
	<u>2,427,799</u>	<u>1,114,407</u>	<u>3,542,206</u>	<u>1,465,273</u>	<u>5,007,479</u>
Shulea					
Acquisition costs	44,879	(8,920)	35,959	92	36,051
Exploration costs:					
Drilling	44,938	38,128	83,066	-	83,066
Salaries, wages & fees	103,332	1,143	104,475	18,664	123,139
Travel & accommodation	20,839	13,835	34,674	182	34,856
Geological services & investigations	36,948	57,692	94,640	-	94,640
Field supplies & services	132,214	73,260	205,474	-	205,474
Community compensation	6,657	2,464	9,121	246	9,367
Field office	31,504	74,113	105,617	1,087	106,704
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>20,271</u>	<u>557,125</u>
Mt. Penck					
Acquisition costs	26,844	(18,670)	8,174	-	8,174
Exploration costs:					
Drilling	211,667	(88,332)	123,335	(772)	122,563
Salaries, wages & fees	230,604	(48,914)	181,690	7,021	188,711
Travel & accommodation	51,398	(9,967)	41,431	169	41,600
Geological services & investigations	109,374	1,455	110,829	637	111,466
Field supplies & services	325,598	(114,743)	210,855	3,079	213,934
Community compensation	15,190	(6,392)	8,798	702	9,500
Field office	71,747	(21,158)	50,589	3,721	54,310
	<u>1,042,422</u>	<u>(306,721)</u>	<u>735,701</u>	<u>14,557</u>	<u>750,258</u>

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, September 30, 2008
Other					
Acquisition costs	82,945	(74,415)	8,530	-	8,530
Exploration costs:					
Drilling	421	178,693	179,114	41,659	220,773
Salaries, wages & fees	62,818	(5,958)	56,860	13,743	70,603
Travel & accommodation	37,202	(32,737)	4,465	2,075	6,540
Geological services & investigations	78,721	(66,355)	12,366	3,088	15,454
Field supplies & services	70,108	(57,658)	12,450	82,138	94,588
Community compensation	5,350	(4,375)	975	-	975
Field office	22,072	(4,502)	17,570	3,560	21,130
Joint venture recoveries	(35,339)	809	(34,530)	-	(34,530)
Write down of mineral right costs	(26,485)	(945)	(27,430)	-	(27,430)
	<u>297,813</u>	<u>(67,443)</u>	<u>230,370</u>	<u>146,263</u>	<u>376,633</u>
Reallocation of costs	<u>(988,910)</u>	<u>(137,251)</u>	<u>(1,126,161)</u>	<u>(224,058)</u>	<u>(1,350,219)</u>
Total deferred mineral property costs	<u><u>3,192,171</u></u>	<u><u>726,799</u></u>	<u><u>3,918,970</u></u>	<u><u>1,422,306</u></u>	<u><u>5,341,276</u></u>

Consolidated Schedule of Mine Development Costs

	Balance, December 31, 2006	Expenditures (Re- allocations)	Balance, December 31, 2007	Expenditures (Re-allocations /income)	Balance, September 30, 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	3,770,725	9,442,700	372,092	9,814,792
Development income from gold sales	-	-	(343,347)	(292,803)	(636,150)
Transfer to Inventories and deferred mining costs	-	-	-	(3,161,093)	(3,161,093)
	<u>7,672,161</u>	<u>2,237,609</u>	<u>9,909,770</u>	<u>(3,081,804)</u>	<u>6,827,966</u>
Reallocation of costs	<u>(123,881)</u>	<u>(278,189)</u>	<u>(402,070)</u>	<u>(68,318)</u>	<u>(470,388)</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>(3,150,122)</u></u>	<u><u>6,357,578</u></u>

NEW GUINEA GOLD CORPORATION
Notes to Consolidated Financial Statements
For the Nine Months Ended September 30, 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. 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.

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. Although the Company has been successful in raising funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts disclosed on the balance sheet.

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These interim financial statements should be read in conjunction with the Company's last annual audited financial statements for the year ended December 31, 2007. All material adjustments, which, in the opinion of management are necessary for a fair presentation of the results, have been reflected. The results for the nine months ended September 30, 2008 are stated utilizing the same accounting policies and methods of application as the most recent annual financial statements, but are not necessarily indicative of the results to be expected for a full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, New Guinea Gold Ltd ("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 expenses incurred during the period. 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. Actual results could differ from those estimates.

c) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Mineral Property Costs

Costs incurred to acquire a mineral property and costs of exploration, development and direct field support are deferred until the property to which they relate 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.

c) Mine Development (Mt Sinivit)

The Mt Sinivit property costs, where mine development was in progress, has 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 inventory and work-in-progress values, and amortization of deferred life of mine costs have been included in the Statement of Operations and Deficit.

d) 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 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.

e) 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%.

f) 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. Costs incurred to issue shares are deducted from share capital.

g) Income Taxes

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

h) **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.

i) **Stock-based Compensation**

The Company records compensation associated with stock options granted using a fair value measurement basis and records the expense when the options vest with the recipients 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.

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

j) **Loss per Share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Loss per share is calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is not shown as it is anti-dilutive.

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. As at September 30, 2008 the Company does not have any asset retirement obligations.

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

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

m) **Joint Ventures**

The Company accounts for its interest in its mineral properties using the proportionate consolidation method.

n) **Change in accounting policy**

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Change in accounting policy (continued)

iii) *Financial Instruments - Disclosure and Presentation*

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 cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value. 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. The amounts recognized in accumulated OCI will be reclassified to net income in the periods in which available-for-sale financial assets are removed from the balance sheet. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net income until realized.

The application of these new standards did not have a significant effect on the Company's financial position, earnings or cash flows. The new standard does not apply to equity accounted investments and as such the Company's investment in Coppermoly Ltd. was excluded from the above adjustment. This investment has a historical cost of \$3,041,308 at September 30, 2008 and a fair market value of \$ 2,305,989.

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, 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.

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 considers its cash and short term investments to be its manageable capital. The Company's policy is to maintain sufficient cash and investment balances to cover operating and exploration costs over a reasonable future period, in light of the early production phase of mine operations. The Company accesses capital markets as necessary and may also acquire additional funds where advantageous circumstances arise.

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

The Company's primary exposure to credit risk is the risk of non-payment of cash equivalent and short-term investments amounting to \$1.8 million at September 30, 2008, in Canadian, Australian and PNG bank accounts and Canadian and Australian term deposits. 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.

Amounts receivable at September 30, 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 \$100,700 and reimbursable amounts due from related companies in the amount of \$748,900. 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. Amounts receivable at September 30, 2008, also includes \$64,800 due from the main mining contractor at the Mt Sinivit mine. This amount relates to the sale of mining equipment to the contractor being repaid over 21 months to August 31, 2008 and other supplies purchased on behalf of the contractor. It is recovered by offsetting the repayments, and other outstanding amounts, against monthly contract payments. Also included in amounts receivable at September 30, 2008 is interest receivable from the Bank of Montreal and GST receivable due from the Canadian and PNG governments totalling \$36,600.

Liquidity Risk

The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable requirements. The Company maintains sufficient cash balances to meet these needs.

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 loans, accounts payable arising from exploration expenditures incurred in PNG, and bank account balances held 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 during the period would have an impact of approximately \$59,100 on net income. A 10% change in the PNG kina exchange rate during the period would have an impact of approximately \$25,900 on net income.

Interest Rate Risk

The Company is exposed to interest rate risk on its cash equivalent investments. The majority of these investments are in term deposits with pre-determined fixed yields. Interest rate movements will affect the income earned 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 September 30, 2008 balance of cash investments, over a three month period, would result in a change to net income of approximately \$7,000.

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.

If market prices for the shares held by the Company, at period end, had differed by 10%, there would have been a change in other comprehensive income of plus or minus \$11,960.

5. RELATED PARTY TRANSACTIONS

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

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 significant shareholder in the Company with 6.9% of the issued capital at September 30, 2008.

At September 30, 2008, the Company owed Macmin \$ 66,523 for exploration and mine development expenditures paid for by Macmin (2007: \$661,659).

6. INVENTORIES AND DEFERRED MINING COSTS

	September 30, 2008	December 31, 2007 <i>(Audited)</i>
Inventories		
Work in progress	2,294,806	-
Consumables	282,677	-
	<u>2,577,483</u>	<u>-</u>
Deferred Mining Costs		
Deferred grade control	311,256	-
Vat leach preparation costs	1,112,556	-
Less: vat leach preparation costs amortisation	(405,994)	-
	<u>1,017,818</u>	<u>-</u>
Inventories and deferred mining costs	<u>3,595,301</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.

7. MARKETABLE SECURITIES

The Company's marketable securities at September 30, 2008 consist of 520,000 shares of TSX Venture Exchange listed company Vangold Resources Ltd. with a fair market value of \$119,600 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"). Unrealized gains from prior to 1 January 2007 are included in the opening balance at 1 January 2007 of accumulated OCI as a transitional adjustment.

8. 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.

9. LONG TERM RECEIVABLES

	September 30, 2008	December 31, 2007 <i>(Audited)</i>
Goldmines of Niugini Holdings Limited	<u>1,593,667</u>	<u>1,345,197</u>

Goldmines of Niugini Holdings Limited ("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 September 30, 2008 plus applicable interest charges. This amount is only recoverable from 50% of GMNH share of positive net cashflows from mine operations.

10. INVESTMENTS

	September 30, 2008	December 31, 2007 <i>(Audited)</i>
Investments carried at Cost		
<i>Goldmines of Niugini Holdings Limited</i>		
Investment at cost	72,850	72,850
less: Provision for diminution in value	-	-
	<u>72,850</u>	<u>72,850</u>
Investments valued using Equity Accounting		
<i>Pacific Kanon Gold Corporation</i>		
Carrying value at start of period	1,495,444	-
Mineral property interests:		
Mt. Penck, Mt. Allemata, Other		
Value of shares issued on transfer of interest in Kanon Resources Ltd	-	1,527,428
Share of net gain/(loss) for period	91,346	(31,984)
	<u>1,586,790</u>	<u>1,495,444</u>
<i>Coppermoly Limited</i>		
Carrying value at start of period	808,249	-
Additional shares acquired in IPO	1,996,730	-
Share options acquired as part of entitlements issue	91,116	-
Value of shares issued on transfer of interest in Mt Nakru and Simuku mineral properties	-	953,462
Share of net loss for period	(1,172,697)	(145,213)
	<u>1,723,398</u>	<u>808,249</u>
Investments	<u><u>3,383,038</u></u>	<u><u>2,376,543</u></u>

11. EQUIPMENT

	September 30, 2008		December 31, 2007 <i>(Audited)</i>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Equipment	5,579,154	2,471,972	3,107,181	3,357,224
Furniture and fixtures	13,412	10,028	3,383	3,933
	<u>5,592,566</u>	<u>2,482,001</u>	<u>3,110,565</u>	<u>3,361,157</u>

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (OCI)

	September 30, 2008	December 31, 2007 <i>(Audited)</i>
Accumulated OCI - January 1,	29,934	1,800
Total unrealized gains/(losses) for period	(135,200)	28,134
Accumulated OCI – end of period	<u>(105,266)</u>	<u>29,934</u>

13. 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 issued in lieu of borrowing costs	400,000	188,000	-
Exercise of warrants	26,508,238	7,817,690 ⁽²⁾	-
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)
Adjustment related to prior year	-	-	21,930 ⁽³⁾
Stock-based compensation	-	-	345,975
Balance, September 30, 2008	156,242,480	43,277,467	3,779,218

(1) Net of both cash and non-cash issue costs totalling \$862,336 (refer to audited accounts for the year ended December 31, 2007).

(2) 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 (refer note (3) below).

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

13. SHARE CAPITAL AND RELATED INFORMATION (continued)

c) Stock options

Stock option activity for the nine months ended September 30, 2008 and the year 2007:

	September 30, 2008		December 31, 2007 (<i>Audited</i>)	
	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	(870,000)	0.36	(280,000)	0.33
Balance – end of period	7,345,600	0.38	7,225,600	0.36

The stock options granted April 2008 have a vesting period that ends on April 14, 2009.

At September 30, 2008, the weighted average remaining life of outstanding options was 2 years and 4 months.

The weighted average fair value of options expensed for the nine months ended September 30, 2008 was \$0.20 (weighted average fair value of options expensed for the year ended December 31, 2007: \$0.33)

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

	September 30, 2008	December 31, 2007 (<i>Audited</i>)
Risk-free interest rate	3.00%	3.86% - 4.36%
Estimated volatility	72%	78% - 108%
Expected lives	5 years	2 - 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.

d) Warrants

Warrants outstanding at September 30, 2008:

Number of warrants	Exercise Price	Expiry Date
6,139,845	\$0.55	23 March 2009
1,152,759	\$0.55	19 April 2009
1,425,000	\$0.65	11 October 2009

14. 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 100% interest in two of the projects, a 90% interest in one, a 20% interest in one and a 13.75% interest in one.

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 income statement since then.

Normanby

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

14. MINERAL PROPERTIES (continued)

Sehulea

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

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:

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's 13.75% interest will reduce to a 10% carried interest.

Feni

Vangold Resources Ltd. (Vangold), a TSX Venture company has earned a 50% interest and been granted the right to earn an additional 25% interest by performing \$2,500,000 in exploration by June 30, 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).

NSR and production bonus in respect of certain Mineral Properties

Five of the six projects, Sinivit, Normanby, Sehulea, Feni, and Crater Mountain are each subject to a 1% Net Smelter Royalty (NSR) payable to Macmin Silver Ltd (Administrator Appointed) ("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.

15. SEGMENTED INFORMATION

Assets by geographic segment, at cost:

	September 30, 2008			
	Papua New Guinea	Canada	Australia	Total
	\$	\$	\$	\$
Current assets	4,572,405	1,216,004	650,125	6,438,534
Equipment	3,105,643	4,922	-	3,110,565
Mineral Properties	11,698,854	-	-	11,698,854
Other	1,720,362	1,586,790	1,723,398	5,030,550
	<u>21,097,264</u>	<u>2,807,716</u>	<u>2,373,523</u>	<u>26,278,503</u>

	December 31, 2007			
	Papua New Guinea	Canada	Australia	Total
	\$	\$	\$	\$
Current assets	1,974,194	1,290,465	257,580	3,522,239
Equipment	3,355,367	5,790	-	3,361,157
Mineral Properties	13,231,828	-	-	13,231,828
Other	1,468,381	2,303,693	-	3,772,074
	<u>20,029,770</u>	<u>3,599,948</u>	<u>257,580</u>	<u>23,887,298</u>

16. SUBSEQUENT EVENTS

The company has engaged Bolder Investment Partners, Ltd. to act as Agent for an Offering, of up to \$3,000,000 of Debentures, maturing April 30, 2010, bearing 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 shares.