



Interim Consolidated Financial Statements
Nine Months ended September 30, 2009

(Unaudited, 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, 2009 in accordance with Section 7050 of the CICA Handbook.

NEW GUINEA GOLD CORPORATION
Consolidated Balance Sheets
As at September 30, 2009 and December 31, 2008

	September 30, 2009	December 31, 2008 <i>(Audited)</i>
		\$
ASSETS		
Current assets		
Cash and equivalents	727,040	3,530,818
Amounts receivable (note 5)	862,356	341,720
Prepaid expenses	16,215	115,781
Inventories (note 6)	6,184,500	5,220,975
Marketable securities (note 7)	98,800	46,800
	7,888,911	9,256,094
Mining and other deposits receivable (note 8)	60,247	50,127
Deferred mining costs (note 9)	1,033,306	1,224,345
Long term receivable (notes 5 and 10)	2,387,242	1,879,325
Investments (note 11)	533,951	809,618
Equipment (note 12)	2,749,475	2,902,837
Mineral properties (schedule, note 18)	6,976,320	5,813,326
Mine development (schedule, note 18)	3,338,799	5,869,455
	24,968,251	27,805,127
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,497,679	1,576,750
Bank and short-term debt (note 13)	1,316,320	1,456,389
	2,813,999	3,033,139
Asset retirement obligations (note 14)	191,136	175,818
Convertible debentures (note 15)	2,744,577	1,889,183
Embedded derivatives (note 15)	76,393	50,862
	5,826,105	5,149,002
SHAREHOLDERS' EQUITY		
Share capital (note 17)	43,277,467	43,277,467
Contributed surplus (note 17)	5,491,785	4,263,780
Accumulated other comprehensive income (note 16)	52,000	-
Deficit	(29,679,106)	(24,885,122)
	19,142,146	22,656,125
	24,968,251	27,805,127

Approved by the Board of Directors:

“Robert D. McNeil”
Director

“Ces Iewago”
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 Three and Nine Months ended September 30,

	9 Months ended September 30, 2009	3 Months ended September 30, 2009	9 Months ended September 30, 2008	3 Months ended September 30, 2008
	\$	\$	\$	\$
Revenue				
Metal sales	5,468,152	1,426,246	2,517,760	975,414
Royalties	(182,298)	(41,923)	(18,320)	(525)
Net metal sales (note 1)	5,285,854	1,384,323	2,499,440	974,889
Expenses				
<u>Mine operating costs (note 1)</u>				
Changes in inventory (note 6)	(963,525)	115,105	(871,474)	(135,558)
Amortization of deferred mining costs	3,359,398	1,188,076	1,930,432	1,151,091
Depreciation of mine equipment	450,875	119,168	334,010	179,077
Consumables	744,311	205,349	882,008	524,416
Contractor payments	1,252,455	360,771	1,695,678	905,708
Employee salaries and benefits	1,211,843	314,511	736,758	396,172
Equipment hire	77,704	23,411	52,450	12,323
Repairs and maintenance	310,266	79,788	242,496	109,707
Travel and accommodation, including on-site	400,653	136,352	237,862	123,195
Other general mining costs	337,297	(107,264)	1,085,261	330,836
Total mine operating costs/(credits)	7,181,277	2,435,267	6,325,481	3,596,967
Net loss from mining operations	(1,895,423)	(1,050,944)	(3,826,041)	(2,622,078)
Depreciation not included in operating costs	194,361	63,515	163,475	37,233
Employee salaries and benefits	240,617	64,889	232,436	41,386
Financing costs (note 13)	747,180	249,869	389,374	58,898
Shareholder communications	178,350	61,759	123,244	32,311
Stock-based compensation (note 17)	1,156,277	-	345,975	-
Other general and administrative costs	495,247	244,218	350,180	86,833
Loss from operations	(4,907,455)	(1,735,194)	(5,430,725)	(2,878,739)
Other income (expense)				
Interest and other income	514,185	132,963	332,240	90,748
Option payments received (note 18)	50,000	50,000	-	-
Dilution gain on changes in equity interest value (note 11)	465,431	465,431	-	-
Bad debts (note 5)	(236,471)	(33,375)	-	-
Impairment loss on equity accounted investments (note 11)	(315,132)	(206,000)	-	-
Foreign exchange loss	(326,417)	(419,766)	(224,863)	(261,416)
Share equity accounted associate gains/(losses) (note 11)	(38,125)	569,543	(1,081,351)	(343,400)
Loss on sale of equipment	-	-	(31,330)	-
	113,471	558,796	(1,005,304)	(514,068)
Net loss for the period	(4,793,984)	(1,176,398)	(6,436,029)	(3,392,807)
Deficit, beginning of period	(24,885,122)	(28,502,708)	(17,477,972)	(20,521,194)
Deficit, end of period	(29,679,106)	(29,679,106)	(23,914,001)	(23,914,001)
Loss per share – basic and diluted	\$ (0.03)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average number of common shares outstanding	156,242,480	156,242,480	151,782,356	156,242,480

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

NEW GUINEA GOLD CORPORATION
Consolidated Statement of Comprehensive Profit or Loss
For the Three and Nine Months ended September 30,

	9 Months ended September 30, 2009	3 Months ended September 30, 2009	9 Months ended September 30, 2008	3 Months ended September 30, 2008
	\$	\$	\$	\$
Net loss for the period	(4,793,984)	(1,176,398)	(6,436,029)	(3,392,807)
Unrealized gain (losses) on available-for-sale securities (note 7)	52,000	13,000	(135,200)	(85,800)
Comprehensive loss for the period	(4,741,984)	(1,163,398)	(6,571,229)	(3,478,607)

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

NEW GUINEA GOLD CORPORATION
Consolidated Statements of Cash Flows

For the Three and Nine Months ended September 30,

	9 Months ended September 30, 2009 \$	3 Months ended September 30, 2009 \$	9 Months ended September 30, 2008 \$	3 Months ended September 30, 2008 \$
Cash provided by (used in):				
Operating Activities				
Net loss for the period	(4,793,984)	(1,176,398)	(6,436,029)	(3,392,807)
Adjustment for items not involving cash				
Depreciation and amortization	4,004,634	1,370,759	2,427,916	1,367,401
Loss attributable to equity accounting of associates	38,125	(569,543)	1,081,351	343,400
Shares issued as part of financing costs (note 13)	-	-	188,000	-
Stock-based compensation	1,156,277	-	345,975	-
Bad debts	236,471	33,375	-	-
Impairment loss on equity accounted investments	315,132	206,000	-	-
Asset retirement accretion expense	15,318	5,081	-	-
Loss on sale of equipment	-	-	31,330	-
Dilution gain	(465,431)	(465,431)	-	-
Unrealized foreign exchange on opening cash balance	125,757	72,141	(88,860)	(33,504)
Changes in non-cash working capital items:				
Amounts receivable	(492,432)	504,258	369,520	(123,360)
Inventories	(963,525)	115,105	(434,208)	6,315
Prepaid expenses	99,566	28,982	83,176	29,827
Accounts payable and accrued liabilities	(238,260)	(59,111)	434,190	982,159
	(962,352)	65,218	(1,997,639)	(820,569)
Investing Activities				
Purchase of equipment	(480,996)	45,818	(582,770)	(117,966)
Sale of equipment	-	-	2,084	-
Purchase of investments	-	-	(2,087,846)	-
Sale of investments	387,841	367,873	-	-
Deferred mining costs	(765,652)	(288,536)	-	-
Mineral property exploration expenditures	(1,166,594)	(305,197)	(1,356,127)	(609,485)
Mine development offsets from gold sales (note 1)	-	-	292,803	-
Mine development expenditures (note 1)	-	-	(2,072,856)	(147,592)
Mineral property and other deposits	(10,120)	(11,111)	(3,511)	(1,427)
	(2,035,521)	(191,153)	(5,808,223)	(876,470)
Financing Activities				
Common shares issued for cash	-	-	8,179,756	-
Share issue costs	-	-	(112,851)	-
Proceeds of borrowings	959,921	500,000	2,000,000	-
Repayment of borrowings (note 13)	(640,069)	(138,049)	(2,278,659)	(278,659)
	319,852	361,951	7,788,246	(278,659)
Increase/(decrease) in cash during the period	(2,678,021)	236,016	(17,616)	(1,975,698)
Foreign exchange affect on opening cash balance	(125,757)	(72,141)	88,860	33,504
Cash - beginning of period	3,530,818	563,165	1,680,345	3,693,783
Cash - end of period	727,040	727,040	1,751,589	1,751,589
Supplementary cash flow information:				
Interest paid - Bank and short-term debt (note 13)	142,274	33,977	198,497	185,918
Interest paid - Convertible debentures (note 15)	139,348	-	-	-

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

During the nine months ended September 30, 2009, the Company:

- Issued 337,200 Agent's Warrants with a fair value of \$53,851 in respect of debenture issue costs (note 15).

During the nine months ended September 30, 2008, the Company:

- Issued 400,000 common shares with a fair value of \$188,000 to Vangold Ltd as part of the costs relating to a short term funding arrangement (note 17).

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, 2007 <i>(Audited)</i>	Expenditures (Re- allocations)	Balance December 31, 2008 <i>(Audited)</i>	Expenditures (Re- allocations)	Balance September 30, 2009
	\$	\$	\$	\$	\$
Normanby					
Acquisition costs	55,140	13,649	68,789	-	68,789
Exploration costs:					
Drilling	696,089	585,122	1,281,211	117,731	1,398,942
Salaries, wages & fees	775,714	682,329	1,458,043	118,220	1,576,263
Travel & accommodation	162,388	67,632	230,020	9,919	239,939
Geological services & investigations	421,543	42,512	464,055	48,043	512,098
Field supplies & services	1,033,365	443,229	1,476,594	78,446	1,555,040
Community compensation	14,955	4,100	19,055	-	19,055
Field office	383,012	109,826	492,838	11,213	504,051
	<u>3,542,206</u>	<u>1,948,399</u>	<u>5,490,605</u>	<u>383,572</u>	<u>5,874,177</u>
Shulea					
Acquisition costs	35,959	97	36,056	7,833	43,889
Exploration costs:					
Drilling	83,066	-	83,066	71,091	154,157
Salaries, wages & fees	104,475	19,777	124,252	254,159	378,411
Travel & accommodation	34,674	193	34,867	23,340	58,207
Geological services & investigations	94,640	4,120	98,760	95,001	193,761
Field supplies & services	205,474	-	205,474	115,305	320,779
Community compensation	9,121	260	9,381	579	9,960
Field office	105,617	1,151	106,768	19,130	125,898
Write down of mineral right costs	(136,172)	-	(136,172)	-	(136,172)
	<u>536,854</u>	<u>25,598</u>	<u>562,452</u>	<u>586,438</u>	<u>1,148,890</u>
Mt. Penck					
Acquisition costs	8,174	-	8,174	3,129	11,303
Exploration costs:					
Drilling	123,335	378	123,713	32,483	156,196
Salaries, wages & fees	181,690	7,125	188,815	70,531	259,346
Travel & accommodation	41,431	159	41,590	7,306	48,896
Geological services & investigations	110,829	705	111,534	32,861	144,395
Field supplies & services	210,855	2,901	213,756	53,805	267,561
Community compensation	8,798	661	9,459	2,752	12,211
Field office	50,589	5,618	56,207	14,153	70,360
	<u>735,701</u>	<u>17,547</u>	<u>753,248</u>	<u>217,020</u>	<u>970,268</u>
Other					
Acquisition costs	8,530	3,691	12,221	6,872	19,093
Exploration costs:					
Drilling	179,114	61,653	240,767	50,341	291,108
Salaries, wages & fees	56,860	15,363	72,223	8,989	81,212
Travel & accommodation	4,465	1,591	6,056	1,857	7,913
Geological services & investigations	12,366	5,578	17,944	3,800	21,744
Field supplies & services	12,450	116,358	128,808	8,748	137,556
Community compensation	975	-	975	-	975
Field office	17,570	4,191	21,761	183	21,944
Joint venture recoveries	(34,530)	-	(34,530)	-	(34,530)
Write down of mineral right costs	(27,430)	(17,843)	(45,273)	-	(45,273)
	<u>230,370</u>	<u>190,582</u>	<u>420,952</u>	<u>80,790</u>	<u>501,742</u>
Reallocation of costs	(1,126,161)	(287,770)	(1,413,931)	(206,666)	(2,112,568)
Total deferred mineral property costs	<u><u>3,918,970</u></u>	<u><u>1,894,356</u></u>	<u><u>5,813,326</u></u>	<u><u>1,162,994</u></u>	<u><u>6,976,320</u></u>

NEW GUINEA GOLD CORPORATION
Consolidated Schedule of Mine Development Costs

	Balance, December 31, 2007 <i>(Audited)</i>	Expenditures (Re-allocations /income)	Balance, December 31, 2008 <i>(Audited)</i>	Expenditures (Re-allocations /income)	Balance, September 30, 2009
	\$	\$	\$	\$	\$
Mt. Sinivit mining lease					
Acquisition costs	308,470	-	308,470	-	308,470
Exploration costs:					
Drilling	71,736	-	71,736	-	71,736
Salaries, wages & fees	117,771	-	117,771	-	117,771
Travel & accommodation	28,951	-	28,951	-	28,951
Geological services & investigations	98,510	-	98,510	-	98,510
Field supplies & services	100,998	-	100,998	-	100,998
Community compensation	13,056	-	13,056	-	13,056
Field office	70,925	-	70,925	-	70,925
Net exploration costs	<u>810,417</u>	<u>-</u>	<u>810,417</u>	<u>-</u>	<u>810,417</u>
Mine development					
Development costs ⁽¹⁾	9,458,979	1,294,418	10,753,397	(127,949)	10,625,448
Development income from gold sales	(359,626)	(292,803)	(652,429)	-	(652,429)
Transferred to inventories (note 7)	-	(2,729,554)	(2,729,554)	-	(2,729,554)
Amortize Life-of-Mine costs	-	(1,981,163)	(1,981,163)	(2,402,707)	(4,383,870)
Additions to mine rehabilitation provision (note 15)	-	160,758	160,758	-	160,758
	<u>9,909,770</u>	<u>(3,548,344)</u>	<u>6,361,426</u>	<u>(2,530,656)</u>	<u>3,830,770</u>
Reallocation of costs	<u>(402,070)</u>	<u>(89,901)</u>	<u>(491,971)</u>	<u>-</u>	<u>(491,971)</u>
Total mine development costs	<u><u>9,507,700</u></u>	<u><u>(3,638,245)</u></u>	<u><u>5,869,455</u></u>	<u><u>(2,530,656)</u></u>	<u><u>3,338,799</u></u>

(1) Includes JV partner's 10% share of all project assets and liabilities including some assets and liabilities not shown here.

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.

The Company commenced production at its Mt Sinivit gold mine during 2008. 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, or sell or farm out interest in mineral properties, 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 become 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 since April 1, 2008. Up to March 31, 2008 these amounts were capitalized as Mine Development costs and offsets.

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 period. Significant areas requiring the use of management estimates include the determination of potential impairments of asset values, amortization of mine assets and equipment, and rates for amortization, 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 receivables and the 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 are translated 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 assets 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 September 30, 2009 were comprised of cash and equivalents, amounts receivable, marketable securities, investments, long term receivable, 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 addressed 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 include 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 and consumables 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 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 13.

(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 rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 fixed and variable 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. 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, and other deferred mining costs, have been included in the statement of operations and deficit.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 0.25% 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 profit or loss per share is calculated by dividing the net profit or loss applicable to common shares by the weighted-average number of common shares outstanding for the period. Diluted profit or 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.

At September 30, 2009, potentially dilutive common shares, relating to the options, warrants and convertible debentures outstanding at period end, totalled 31,985,000 (September 30, 2008: 16,063,204). These potentially dilutive common shares were not included in the computation of the loss per share because their effect was anti-dilutive.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Comparative Financial Statements

Certain figures included in the comparative financial statements and schedule of deferred mineral property costs as at September 30, 2008 and December 31, 2008, and for the periods then ended, have been reclassified to conform to the presentation used in the current period.

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) General Standards of Financial Presentation

The CICA accounting standards board amended section 1400 to include requirements, from January 1, 2008, 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.

iv) 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.

v) 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.

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 adoption of this section did not have any 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 is currently developing an implementation strategy to establish timelines and identify significant differences between Canadian GAAP and IFRS, but the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

ii) 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. Companies 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.

At the date of this report the Company did not have any investments in subsidiaries with non-controlling interests and so has assessed that there will be no impact from these new accounting standards on its current consolidated 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 favourable conditions 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 may also realize, sell or farm out interest in mineral properties to generate operational 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 only externally imposed capital requirement on the Company is to maintain sufficient cash and investment balances to meet exploration commitments imposed by property licences issued by the PNG government. The Company is in full compliance with this requirement.

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 \$3,976,638 (December 31, 2008: \$5,751,863) represents the maximum exposure to credit risk in relation to financial assets at balance date.

The Company's exposure to credit risk in relation to the non-payment of cash and equivalents amounted to \$727,040 at September 30, 2009 (December 31, 2008: \$3,530,818); \$137,911 was held in Canadian bank accounts and term deposits (December 31, 2008: \$2,464,298), \$425,700 in Australian bank accounts (December 31, 2008: \$96,268) and \$163,429 in PNG bank accounts (December 31, 2008: \$970,252). 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 September 30, 2009 includes a trade debtor amount due from the PNG refiner of \$624,585, (December 31, 2008: \$nil), amounts due from joint venture partners for exploration managed by the Company on the Company's joint-ventured properties, in the amount of \$nil (December 31, 2008: \$113,504) and reimbursable amounts due from related companies in the amount of \$1,036 (December 31, 2008: \$135,302). 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 September 30, 2009, also includes \$nil (December 31, 2008: \$46,244) due from the main mining contractor at the Mt Sinivit mine. This amount relates to supplies purchased on behalf of the contractor and is recoverable by offsetting the outstanding amounts against monthly contract payments. Also included in amounts receivable at September 30, 2009 is interest receivable from the Bank of Montreal, amounts held in mining and exploration site cash-boxes, and GST receivable due from the Canadian and PNG governments totalling \$236,734 (December 31, 2008: \$46,670).

Long term amounts receivable at September 30, 2009 of \$2,387,242 (December 31, 2008: \$1,879,325) 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. One gold sale was outstanding and in trade debtors at September 30, 2009 because delivery to the refiner was made on September 30, 2009 and payment received by October 2, 2009 which was within normal payment terms (December 31, 2008: no balance in trade debtors).

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 to service its bank debt and convertible debentures over the next 12 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 accessed again, or interest in the Company's mineral properties sold or farmed out, 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.

4. FINANCIAL INSTRUMENTS RISK (continued)

The following table illustrates the Company's contractual maturity for its financial assets and liabilities as at September 30, 2009 and December 31, 2008.

	1 – 6 months	7 – 12 months	1 – 2 years	Over 2 years
September 30, 2009	\$	\$	\$	\$
Financial assets				
Cash and equivalents	727,040	-	-	-
Amounts receivable	862,356	-	-	-
Financial liabilities				
Accounts payable and accrued liabilities	(1,497,679)	-	-	-
Bank and short-term debt	(1,316,320)	-	-	-
Convertible debentures	(150,000)	(2,594,577)	-	-
Embedded derivatives	-	(76,393)	-	-
	(1,374,603)	(2,670,970)	-	-
	1 – 6 months	7 – 12 months	1 – 2 years	Over 2 years
December 31, 2008 (Audited)	\$	\$	\$	\$
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, amounts 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 September 30, 2009 would have an effect on net income of approximately +/- \$42,600. A 10% change in the PNG kina exchange rate at September 30, 2009 would have an effect on net income of approximately +/- \$16,300.

(ii) *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 period end, had differed by 10%, there would have been a change in other comprehensive income of approximately +/- \$9,900.

4. FINANCIAL INSTRUMENTS RISK (continued)

(iii) Interest Rate Risk

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

Interest bearing 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 September 30, 2009 balance of interest bearing cash equivalent investments, over a nine month period, would result in a change to net income of approximately +/- \$1,200.

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 September 30, 2009 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 September 30, 2009 balance of bank debt, over a nine month period, would result in a change to net income of approximately +/- \$2,000.

(iv) 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. As previously stated in this report, the Company had \$624,585 of trade debtor subject to commodity price risk at balance date. If the weighted average US dollar gold price achieved during the period, including for the amount included in amounts receivable, had varied by 10% (and assuming all other variables remained constant) the effect on revenue would have been approximately +/- \$565,000.

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, New Guinea Gold Ltd (then known as Macmin PNG Ltd), which the Company acquired from Macmin in 2003.

At September 30, 2009, the Company owed Macmin \$75,102 for royalties, offset by shared services used by Macmin (December 31, 2008: Macmin owed the Company \$56,761 for shared services).

Coppermoly Ltd ("Coppermoly") was incorporated in 2007 and acquired 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 24% of the share capital of Coppermoly after selling down its share holding during 2009 and Coppermoly raising additional capital. As at September 30, 2009 the Company owed Coppermoly \$83,081 (December 31, 2008: Coppermoly owed the Company \$78,541) for exploration expenditures paid for by Coppermoly on the Company's behalf. In the nine months ended September 30, 2009 Copper Quest PNG Ltd, a wholly owned subsidiary of Coppermoly, also paid the Company \$nil for equipment hire which the Company included in interest and other income on the statement of operations and deficit (nine months ended September 30, 2008: \$48,972).

Pacific Kanon Gold Corporation ("PKGK"), a private company, acquired the Company's interest in Kanon Resources Ltd ("Kanon") for shares in 2007. At September 30, 2009, the total owed by PKGC to the Company was \$1,273,082 (December 31, 2008: \$1,036,610). The amount related to exploration expenditures, as well as professional and other fees relating to PKGC's planned IPO, paid by the Company on PKGC's behalf. Due to uncertain market conditions at September 30, 2009, the Company has provided for the non-collection of this receivable. In the nine months ended September 30, 2009 Kanon also paid the Company \$138,764 in operating fees (nine months ended September 30, 2008: \$nil) for managing the exploration programs and \$32,023 (nine months ended September 30, 2008: \$25,786) for equipment hire. Both of these amounts were 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 September 30, 2009 GMNH owed the Company \$2,387,242 (December 31, 2008: \$1,879,325). Refer to note 10 for further details.

Notes to Consolidated Financial Statements
For the Nine Months ended September 30, 2009 and 2008

All balances owing to the Company in relation to related party transactions at September 30, 2009 and December 31, 2008 were included in amounts receivable, long term receivables or accounts payable and accrued liabilities on the balance sheet.

6. INVENTORIES AND DEFERRED MINING COSTS

Inventories and deferred mining costs classifications

	September 30, 2009	December 31, 2008 (Audited)
	\$	\$
Work in progress	6,037,717	5,119,554
Consumables	146,783	101,421
Inventories	6,184,500	5,220,975

7. MARKETABLE SECURITIES

The Company's marketable securities at September 30, 2009 consist of 520,000 shares (December 31, 2008: 520,000) of TSX Venture Exchange listed company Vangold Resources Ltd. ("Vangold") with a fair market value of \$98,800 (December 31, 2008: \$46,800) 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. 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.

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 leases on business premises.

9. DEFERRED MINING COSTS

	September 30, 2009	December 31, 2008 (Audited)
	\$	\$
Deferred grade control	1,828,567	1,527,197
Less: accumulated deferred grade control amortization	(1,407,871)	(823,134)
Vat leach preparation costs	1,691,815	1,222,381
Less: accumulated vat leach preparation costs amortization:		
Expensed through statement of operations as amortization expense	(1,079,205)	(542,908)
Capitalised as mine development costs	-	(159,191)
Deferred mining costs	1,033,306	1,224,345

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.

10. LONG TERM RECEIVABLE

	September 30, 2009	December 31, 2008 (Audited)
	\$	\$
Goldmines of Niugini Holdings Limited	2,387,242	1,879,325

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 and ongoing costs to September 30, 2009 plus applicable interest charges. At September 30, 2009 interest was being charged at 12.95% (December 31, 2008: 10.95%), the same rate as the Company's cost of finance in PNG. The Company accrued \$245,902 of interest in the nine months ended September 30, 2009 (nine months ended September 30, 2008: \$133,498) to the receivable with a corresponding 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.

11. INVESTMENTS

	September 30, 2009	December 31, 2008 (Audited)
	\$	\$
Investments carried at Cost		
<i>Goldmines of Niugini Holdings Limited</i>		
Investment at cost	72,850	72,850
Investments valued using Equity Accounting		
<i>Pacific Kanon Gold Corporation</i>		
Carrying value at start of period	-	1,495,444
Additional shares acquired ⁽¹⁾	-	116,000
Share of net gain/(loss) for period	315,132	(513,854)
Impairment loss ⁽²⁾	(315,132)	(1,097,590)
	-	-
<i>Coppermoly Limited</i>		
Carrying value at start of period	736,768	808,249
Shares disposed on market ⁽³⁾	(387,841)	-
Additional shares acquired in IPO ⁽³⁾	-	1,996,730
Share options acquired as part of entitlements issue	-	91,116
Dilution gain ⁽³⁾	465,431	2,208,298
Share of net loss for period	(353,257)	(2,283,729)
Impairment loss ⁽⁴⁾	-	(2,083,896)
	461,101	736,768
Investments	533,951	809,618

(1) In fiscal 2008, in order to satisfy Toronto Stock Exchange listing requirements, the Company, along with PKGC's other significant shareholder, Vangold Resources Ltd, acquired the remaining outstanding share capital in PKGC. This transaction took 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.

(2) Due to market conditions at September 30, 2009 and December 31, 2008, the Company has conservatively assessed the value of this investment to be \$nil and recorded an impairment of \$315,132 (December 31, 2008: \$1,097,590). This is a conservative approach for the current period notwithstanding the positive indications of a successful completion to the sale process detailed in note 18.

(3) During the nine months ended September 30, 2009 the Company disposed of its additional shares acquired in Coppermoly's IPO on market. During the same period Coppermoly engaged in a rights issue in which the Company did not participate. After the rights issue, including the shares sold by the Company, the Company's interest in Coppermoly went from approximately 47% to approximately 24%; and as a result the Company recorded a dilution gain of \$465,431. 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 the Company's share of Coppermoly's net loss for the period 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. At September 30, 2009 the Company's investment in Coppermoly had a fair market value of \$2,524,400.

Summary financial information for Coppermoly Limited as of September 30, 2009 and 2008 is provided below:

	September 30, 2009	September 30, 2008
	\$	\$
Total assets	4,215,293	7,065,090
Total liabilities	249,431	751,779
Losses from operations for the nine months ended	1,396,809	1,611,935

12. EQUIPMENT

	September 30, 2009			December 31, 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Equipment	6,064,071	3,316,889	2,747,182	2,899,646
Furniture and fixtures	12,467	10,174	2,293	3,191
	<u>6,076,538</u>	<u>3,327,063</u>	<u>2,749,475</u>	<u>2,902,837</u>

13. BANK AND SHORT-TERM DEBT

	Due to Bank of South Pacific Limited			Totals
	Fully drawn advance (FDA)	Insurance premium funding	Vangold Short term funding	
	\$	\$	\$	\$
September 30, 2009				
Balance owing at start of year	1,379,988	76,401	-	1,456,389
Additional funds borrowed	-	-	500,000	500,000
Repayments	(563,668)	(76,401)	-	(640,069)
Balance owing at end of period	<u>816,320</u>	<u>-</u>	<u>500,000</u>	<u>1,316,320</u>
Cash interest and other charges paid during period	138,213	4,061	-	142,274
December 31, 2008 (Audited)				
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>
September 30, 2008				
Cash interest and other charges paid during period	185,815	3,416	9,266	198,497
Non-cash interest and other charges paid during period	-	-	188,000	188,000
Total interest and other charges paid during period	<u>185,815</u>	<u>3,416</u>	<u>197,266</u>	<u>386,497</u>

The FDA is an \$800,000 (2 million Kina) facility (December 31, 2008: \$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 September 30, 2009 was the Bank's prevailing indicator lending rate + 2% or approximately 12.95% p.a (December 31, 2008: 10.95% p.a). The facility terms have been renegotiated with repayment of approximately \$800,000 (2 million Kina) now due on February 28, 2010.

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 August 2009 the Company signed a letter of intent ("LOI") to sell its interests in Pacific Kanon Gold Corporation and the Feni property to Vangold Resources Ltd. ("Vangold") (note 18). The LOI included a condition for a cash payment of \$500,000 within 3 days of TSX approval. If TSX approval was not received within 3 days the payment would still be made but treated as a non-interest bearing loan until the earlier of such time as TSX approval is granted or 9 months from the date of the LOI.

In January 2008 the Company entered a \$2 million short-term loan agreement with its joint venture partner, 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.

Financing Costs

Total interest and other charges paid during the period 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 cash interest payments on convertible debentures of \$139,348 (nine months ended September 30, 2008: \$nil) (note 15) and non-cash amortized convertible debenture transaction costs of \$461,135 (nine months ended September 30, 2008: \$nil) (note 15) and bank charges of \$4,423 (nine months ended September 30, 2008: \$3,910).

14. ASSET RETIREMENT OBLIGATIONS

At September 30, 2009 the estimated total undiscounted cash flows required to settle asset retirement obligations were \$189,148 (December 31, 2008: \$189,148). It is anticipated that expenditures to settle asset retirement obligations will likely 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:

	September 30, 2009	December 31, 2008 (Audited)
	\$	\$
Beginning of period	175,818	-
Liabilities incurred	-	160,758
Accretion expense	15,318	15,060
End of period	191,136	175,818

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

15. 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 debenture holder 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 debenture holder 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. Up to September 30, 2009 the Company has not generated positive free cash flow (as defined in the Cash Collateral Security Agreement) in any month and so has not made any payments into the Debt Service Account.

In connection with the debenture financing the Company paid a cash commission equal to 9% of the gross proceeds of the offering; warrants ("agent's warrants") entitling the agent to purchase up to such number of common shares of the Company 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 Company at \$0.20 for a period of two years from the date of the closing of the offering. A work fee of \$7,500 plus GST was also payable upon closing of the offering.

The second tranche of the financing closed on January 23, 2009 (first tranche: closed December 22, 2008) and raised gross proceeds of \$562,000 (first tranche: \$2,438,000). The Company paid cash commission of \$50,580, legal and other closing costs of \$19,903 and issued 337,200 warrants (first tranche: 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 \$53,851 (first tranche: \$128,288) was calculated using the Black-Scholes option pricing model using the assumptions as described in note 17 below.

15. CONVERTIBLE DEBENTURES (continued)

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 second tranche debentures and associated embedded derivative to be respectively \$524,887 and \$14,157 (first tranche: \$2,227,931 and \$60,002 respectively) and allocated \$22,955 (first tranche: \$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.

Details of the outstanding amounts of the debentures, embedded derivatives and conversion feature at September 30, 2009 and December 31, 2008 are summarized as follows:

September 30, 2009	Debentures	Embedded Derivative	Equity Component (conversion feature)	Totals
	\$	\$	\$	\$
Fair values at issue	2,752,818	74,160	173,022	3,000,000
Proportional transaction costs	(502,370)	(13,534)	(31,095)	(546,999)
	2,250,448	60,626	141,927	2,453,001
Transaction costs amortized	633,477	15,767	-	649,244
Interest payments	(139,348)	-	-	(139,348)
Carrying values at September 30, 2009	2,744,577	76,393	141,927	2,962,897

December 31, 2008 (Audited)	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)
	1,841,684	49,600	124,050	2,015,334
Transaction costs amortized	47,499	1,262	-	48,761
Carrying values at December 31, 2008	1,889,183	50,862	124,050	2,064,095

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (OCI)

	September 30, 2009	December 31, 2008 (Audited)
	\$	\$
Accumulated OCI - beginning of period	-	29,934
Total unrealized gains/(losses) for period	52,000	(208,000)
Impairment loss on available for sale securities (note 7)	-	178,066
Accumulated OCI – end of period	52,000	-

17. 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, 2007 (<i>Audited</i>)	128,574,242	34,295,465	4,160,340
Issued for:			
Shares and warrants issued in lieu of borrowing costs	400,000	188,000 ⁽¹⁾	60,680 ⁽¹⁾
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)
Equity component of convertible debentures issued (note 15)	-	-	124,050
Stock-based compensation	-	-	517,519 ⁽³⁾
Fair value of agent's warrants issued on the convertible debentures (note 15)	-	-	128,288 ⁽⁴⁾
Adjustment related to prior year	-	-	21,930 ⁽⁵⁾
Balance, December 31, 2008 (<i>Audited</i>)	156,242,480	43,277,467	4,263,780
Equity component of convertible debentures issued (note 15)	-	-	17,877
Stock-based compensation	-	-	1,156,277 ⁽¹⁾
Fair value of agent's warrants issued on the convertible debentures (note 15)	-	-	53,851 ⁽²⁾
Balance, September 30, 2009	156,242,480	43,277,467	5,491,785

September 30, 2009 notes:

- (1) Comprised of the 3,830,000 employee options granted in February 2009.
- (2) Comprised of the 337,200 agent's warrants issued in January 2009 in relation to the convertible debenture financing.

December 31, 2008 notes:

- (1) 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 13). The shares and warrants were issued to Vangold on February 21, 2008. The shares were valued using the closing share price for that day and the warrants were fair valued using the Black-Scholes option pricing model using the assumptions described in part (d) of this note.
- (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.
- (3) Comprised of the 1,750,000 employee options granted in April 2008.
- (4) Comprised of the 1,462,800 agent's warrants issued in December 2008 in relation to the convertible debenture financing.
- (5) Value of agent's warrants issued as stock-based compensation relating to share placements in March and April 2007.

17. 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 3,830,000 stock options issued in the nine months ended September 30, 2009 1,970,000 were granted to employees, 1,530,000 to directors and 330,000 to consultants (year ended December 31, 2008: 1,550,000 granted to employees and 200,000 to consultants).

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 nine months ended September 30, 2009 and the year ended December 31, 2008:

	September 30, 2009		December 31, 2008 (Audited)	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		\$		\$
Balance – beginning of year	5,660,000	0.36	7,225,600	0.36
Granted	3,830,000	0.29	1,750,000	0.43
Exercised	-	-	(760,000)	0.30
Cancelled / expired	(2,130,000)	0.41	(2,555,600)	0.36
Balance – end of period	<u>7,360,000</u>	<u>0.32</u>	<u>5,660,000</u>	<u>0.36</u>
Exercisable – end of period	<u>7,360,000</u>	<u>0.31</u>	<u>4,010,000</u>	<u>0.33</u>

The stock options granted in February 2009 have a vesting period that ends on June 3, 2009. The stock options granted in 2008 had a vesting period that ended on April 14, 2009.

Details of the exercise prices and expiry dates of options outstanding at September 30, 2009 are as follows:

Expiry Date	Exercise Price	Outstanding Options		Exercisable Options	
		Number of Options	Weighted average remaining life	Number of Options	Weighted average remaining life
May 6, 2010	\$0.23	740,000	0.6 years	740,000	0.6 years
February 2, 2011	\$0.23	50,000	1.3 years	50,000	1.3 years
July 25, 2011	\$0.30	150,000	1.8 years	150,000	1.8 years
December 11, 2011	\$0.33	1,440,000	2.2 years	1,440,000	2.2 years
April 14, 2013	\$0.43	1,200,000	3.5 years	1,200,000	3.5 years
February 3, 2014	\$0.29	3,780,000	4.3 years	3,780,000	4.3 years
		<u>7,360,000</u>	<u>3.3 years</u>	<u>7,360,000</u>	<u>3.4 years</u>

The fair value of stock options granted during 2009 and 2008 were ascribed fair values of \$1,156,277 and \$517,519 respectively using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine months ended September 30, 2009	Year ended December 31, 2008 (Audited)
	Risk-free interest rate	2.1%
Estimated volatility	166%	152%
Expected lives	5 years	5 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.

17. SHARE CAPITAL AND RELATED INFORMATION (continued)

d) Warrants

Warrant activity for the nine months ended September 30, 2009 and the year ended December 31, 2008:

	September 30, 2009		December 31, 2008 (Audited)	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		\$		\$
Balance – beginning of year	10,580,404	0.52	35,225,842	0.37
Granted	337,200	0.20	1,862,800	0.29
Exercised	-	-	(26,508,238)	0.30
Cancelled / expired	(1,292,604)	0.55	-	-
Balance – end of period	<u>9,625,000</u>	<u>0.50</u>	<u>10,580,404</u>	<u>0.52</u>

Details of the exercise prices and expiry dates of the warrants outstanding at September 30, 2009 are as follows:

Expiry Date	Exercise Price	Number of warrants	Weighted average remaining life
October 11, 2009	\$0.65	1,425,000	0.0 years
February 21, 2010	\$0.60	400,000	0.4 years
March 23, 2010	\$0.55	5,056,250 *	0.5 years
April 19, 2010	\$0.55	943,750 *	0.6 years
December 22, 2010	\$0.20	1,462,800	1.2 years
January 23, 2011	\$0.20	337,200	1.3 years
		<u>9,625,000</u>	<u>0.6 years</u>

* 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. 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. 1,083,595 of those agent warrants expired on March 23, 2009 and 209,009 expired on April 19, 2009.

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

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

	Nine months ended September 30, 2009	Year ended December 31, 2008 (Audited)
Risk-free interest rate	1.24%	1.09% - 3.05%
Estimated volatility	110%	91% - 105%
Expected lives	2 years	2 years
Expected dividends	-	-

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.

18. 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:

18. MINERAL PROPERTIES (continued)

Sinivit

The Sinivit Property, on which the Company began commercial production of an open-cut vat leach processing mine in April 2008, is held under three titles in which New Guinea Gold Ltd has a direct 90% equity interest and a further 2.5% indirect equity interest. The Company has recorded all revenue and associated costs in the consolidated statement of operations since April 2008. The Sinivit property also includes an exploration licence that covers approximately 43 square kilometres. As at September 30, 2009 the Company is committed to perform exploration work to the value of \$8,000, within the next 2 years, to maintain current rights of tenure to this exploration property.

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. As at September 30, 2009 the Company has already met its expenditure to maintain current rights of tenure to this exploration property for the next 18 months.

The Company has optioned out the following projects:

Normanby

The Normanby Licence covers approximately 68 square kilometres on Normanby Island, Milne Bay Province. As at September 30, 2009 the Company has already met its expenditure to maintain current rights of tenure to this exploration property for the next 18 months.

In September 2009, NGG entered into an Option Agreement providing a Private Company the right to acquire a 50% interest in the Normanby's Imwauna property for a series of cash payments totalling \$1 million, plus the purchase by way of private placement of \$1 million worth of New Guinea Gold common shares. In addition, the Private Company must complete exploration expenditures totalling a minimum of \$5 million over two years.

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 licence covers 102.6 square kilometres in area and is 55 kilometres west of Kimbe in the West New Britain Province.

Feni

Vangold Resources Ltd. (Vangold), a TSX Venture company has earned a 50% interest by performing \$2,500,000 in exploration (\$1,686,000 performed to September 30, 2009), and by issuing to the Company 800,000 shares in stages prior to September 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. At September 30, 2009 the property was funded equally by Vangold and the Company.

In August 2009, NGG entered into a Letter of Intent with Vangold Resources Ltd to sell the Company's interest in Pacific Kanon Gold Corporation ("PKG") and NGG's Feni property, all located in Papua New Guinea. The purchase price agreed to in the LOI is for CDN\$3 Million plus a 5% and a 10% carried interest respectively. NGG will retain an effective 25% interest in the PKG properties and a 30% interest in the Feni property through the Company's newly combined shareholding in Vangold and the Company's carried interests in the PKG properties. At the time of preparing the accounts the transaction was still awaiting final TSX approval.

Crater Mountain

Optioned to Celtic Minerals Ltd ("Celtic"), a TSX Venture-listed company, which acquired an 86.25% interest by sole funding \$4,000,000 on exploration prior to August 1, 2007. Subsequently Celtic joint ventured the project to Triple Plate Junction ("TPJ") (an AIM listed Company), and TPJ further concluded a joint venture agreement with Anomaly Resources Ltd. On November 2, 2009, Anomaly Resources Ltd merged with Gold Aura Ltd (listed on the Australian Securities Exchange) and formed a company called Gold Anomaly Ltd.

The Company now has a 10% carried interest to bankable feasibility.

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% 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 half of this interest (4%) for US\$1,000,000.

19. 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:

	September 30, 2009			
	Papua New Guinea	Canada	Australia	Total
	\$	\$	\$	\$
Equipment	2,745,001	4,474	-	2,749,475
Mineral Properties	10,315,119	-	-	10,315,119
Other	10,776,011	240,845	886,801	11,903,657
Revenues, net	5,285,854	-	-	5,285,854

	December 31, 2008 (Audited)			
	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

20. CONTINGENCIES

At the end of June 2009, the Company's Sinivit mining equipment contractor, HBS Machinery ("HBS"), unilaterally terminated its Agreement without due notice removing equipment from the Sinivit mining site. The Company views this as a breach of the Company's Contract Agreement with HBS, specifically HBS's removal of certain equipment from the Sinivit site, which equipment, under the terms of the Contract Agreement, is now beneficially owned by NGG and, failure on the part of HBS to give the requisite 30 days notice to NGG before removing any such piece of equipment from the Sinivit site. NGG is pursuing claims against HBS in the Papua New Guinea Court for damages totalling 5,161,389 Kina or approximately \$2,100,000.

HBS have made a counter claim against the Company for alleged unpaid hire fees for 2,928,430 Kina or approximately \$1,200,000. NGG disputes the amount of the counter claim.

Due to the uncertainties of such proceedings no provision for potential liability has been made in the accounts.

21. SUBSEQUENT EVENTS

On October 28, 2009 the Company announced that it proposes to complete a non-brokered private placement where it will issue up to 41,666,666 common shares at a price of \$0.12 per share to raise gross proceeds of up to \$5,000,000. NGG has agreed to pay a finder's fee to qualified persons assisting in the offering in an amount equal to 7% of the gross proceeds raised by such finders. The net proceeds of the financing will be used for further exploration, development and other work on the Corporation's Sehulea and Sinivit properties and for general corporate purposes. At the time of preparing these accounts this placement was still being finalized.

On October 15, 2009, a Mr Steve Vanry, allegedly on behalf of a group of dissident shareholders requisitioned the directors of the Company to call a general meeting for purposes, including removing existing directors and electing alternative directors. Mr. Vanry, however, proposed no new directors or management nominees, nor did he put forward any plan to better realize the value of the Company's assets. On November 5, 2009, NGG on advice from Special Counsel, determined the requisition to be invalid as it did not meet the mandatory requirements of Section 107 of the Business Corporations Act (British Columbia). The dissident's representatives were notified that the NGG Board would not be calling a meeting in response to the requisition.