

NEW GUINEA GOLD CORPORATION

Management Discussion & Analysis For the Quarter Ended June 30, 2009

INTRODUCTION

The following Management Discussion and Analysis of the Company's financial position is for the three month period ended June 30, 2009 compared to the same period ended June 30, 2008. This discussion should be read in conjunction with the attached annual consolidated financial statements and related "Notes to the Consolidated Financial Statements" which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

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

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

The information in this part of the report is current to August 20, 2009 unless otherwise indicated.

OVERALL PERFORMANCE / HIGHLIGHTS IN FIRST QUARTER 2009

- Performance/highlights have not changed significantly since lodgement of MD & A for the year ended December 31, 2008.
- The Company recorded a loss for the second quarter of 2009 of \$3,643,591
- Gold production from the Sinivit Mine for the quarter was 2,246 ozs, an increase of 40% on the first quarter 2009.
- Exploration/development drilling was carried out at the following projects: Sinivit, Imwauna (Normanby), Weioko (Sehulea), Allemata and Mt Penck.
- Highlights in exploration drill results included:
 - **Imwauna**

Hole IMH174	-	7.0m at 6.33g/t gold and 13.2g/t silver including 3.0m at 13.98g/t and 45g/t silver
Hole IMH172	-	2.1m at 34.26g/t gold and 53.9g/t silver
Hole IMH169	-	2.7m at 13.32g/t gold and 41.4g/t silver
Hole IMH163	-	0.4m at 108g/t gold and 220g/t silver
Hole IMH128	-	0.3m at 50.3g/t gold and 48.0g/t silver
 - **Weioko**

PWED41	-	34m at 2.76g/t gold and 7.71g/t silver
PWED42	-	48m at 1.95g/t gold and 6.12g/t silver
PWED43	-	42.3m at 1.74g/t gold and 7.76g/t silver
PWED47	-	64.6m at 2.24g/t gold and 8.88g/t silver
 - **Sinivit**

CGC0018	-	4m at 22.85 g/t gold
CGC0028	-	2m at 15.30 g/t gold
CGC0035	-	2m at 14.65 g/t gold
CGC0074	-	16m at 4.95 g/t gold
CGC0075	-	2m at 21.40 g/t gold
CGC0145	-	6m at 39.70 g/t gold
CGC108b	-	14m at 2.45 g/t gold
CGC0128	-	14m at 3.27 g/t gold

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- As a subsequent event, a letter of intent (LOI) was signed on August 19, 2009 relating to the second part of the previously announced corporate re-structuring, a sale of Pacific Kanon Gold Corporation and the Feni Property, to Vangold Resources Ltd for CAD\$3 million, plus retained interests.

RESOURCE STATEMENT

The resources are the same as stated in the MD & A for the year ended December 31, 2008.

1. Imwauna Project

An Inferred Resource of 1.8 million tonnes at 12.2g/t gold and 20g/t silver for 706,000ozs gold and 1,160,000ozs silver.

2. Sinivit Project

Indicated Resource of 713,000t at 5.7g/t gold for 132,000ozs gold.

Inferred Resource of 340,000t at 3.2g/t gold for 35,000ozs gold.

Management considers there are three very significant points in respect to the above resources: their relatively high-grade; they commence at surface; and are largely amenable to open cut extraction.

BUSINESS & DEVELOPMENT STRATEGY

This essentially remains the same as stated in the MD & A for the year ended December 31, 2008.

As part of the business and development strategy in 2008, the Company undertook a corporate restructuring with the objective of obtaining better shareholder value for the ten properties. Management concluded that the market assigns value only to NGG's principal gold properties.

The corporate restructuring was to finance the three Pacific Kanon Gold properties and the two copper-gold-molybdenum properties through the creation of two new publicly listed companies Pacific Kanon Gold (PKG) and Coppermoly Limited (Coppermoly). The Company would retain significant equity in each new public company after a prospectus financing or IPO. The first part of the restructure was completed with the successful listing of Coppermoly on the Australian Securities Exchange on January 31, 2008. A prospectus for PKG was completed but the IPO has not proceeded because of market conditions.

On August 19, 2009, in a subsequent event, NGG signed a LOI with Vangold Resources Ltd re the sale to Vangold of shares in PKG and its equity in Mt Penck and Feni properties. This effectively achieved the same result as an IPO.

The purchase price agreed to in the LOI is for CDN\$3 Million plus a 5% carried interest in the PKG properties, and a 10% carried interest in the Feni property.

The details of the sale to Vangold are as follows:

- 30,000,001 common shares of Pacific Kanon Gold Corp. ("PKG"), a private company incorporated in British Columbia;
- NGG's 20% interest in the Mount Penck Property in Papua New Guinea; and
- 50% interest in NGG's Feni Island Property in Papua New Guinea.

The purchase price for the acquisition is CDN\$3,000,000 to be satisfied by a cash payment of CDN\$500,000 and the issuance of a number of Vangold common shares (the "Payment Shares") equal to 19.9% of the issued and outstanding Vangold common shares following a proposed re-organization of Vangold (see Vangold News Release dated August 20, 2009). The cash payment will be made within two business days of approval of such payment by the TSXV. The Payment Shares will be issued upon completion of Vangold's proposed reorganization and the proposed consolidation; provided that the reorganization is abandoned or is not completed, the Payment Shares will be issued on or before May 19, 2010.

NGG has agreed to assist Vangold in running the properties to be acquired under the letter of intent during the transition period. NGG is not required to provide funding to any of these properties until a bankable feasibility study has been completed.

The letter of intent also provides that Vangold will provide NGG a carried interest of 10% in the Feni Island Property, 5% in the Mount Penck Property and 5% in the Allemata and Fergusson Properties held by PKG.

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Bob McNeil, Chairman and CEO commented: *“We are pleased that this transaction essentially completes the corporate restructuring of NGG’s Kanon interests. We regard this deal as favourable for both NGG and Vangold. For NGG it achieves a similar outcome to the formerly proposed IPO for PKG. It provides NGG with \$500,000 cash immediately, enabling us to acquire additional equipment at the Sinivit mine which will assist in increasing production; it relieves NGG of any additional exploration funding for the PKG and Feni properties and allows us to focus on our key Sinivit, Imwauna and Weioko projects; it provides NGG with significant upside in that 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.”*

For Vangold it consolidates ownership in four attractive properties which should allow Vangold to effectively, and more easily fund on-going exploration and development. NGG has had a very successful relationship with Vangold for the past six years and we are looking forward to a continued rewarding association.

RESULTS OF OPERATIONS

Quarter ended June 30, 2009

The Company’s net loss for the quarter ended June 30, 2009 was \$3,643,591 or \$0.02 per common share compared to a net loss of \$2,296,050, or \$0.01 per common share, for the same period last year. The Company received \$1,105 in interest payments on cash balances, deposits and long term receivables for the quarter. Interest revenues fluctuate according to the amount of funds held in deposit and the interest rates attained during the period. The net loss for the quarter ended June 30, 2009 includes results from mining operations which produced a net operating loss of \$2,774,690. This net mining operating loss included metal sales, net of refining and royalty costs, of \$2,362,063, non-cash deferred mining costs amortization and equipment depreciation charges totalling \$1,639,485, and a change in inventory of \$2,097,535.

The mine operating result for the June 2009 quarter was largely affected by additional inventories written off in the quarter. When the accounts were prepared for the previous quarter the Company valued work in progress on hand at the end of the period at approximately \$8.2 million. This was a relatively large increase on the carrying value of the work in progress at the end of the previous year and was largely due to improved confidence in the grade of the ore being loaded into the vats, as well as the net effect of additions to the ore contained in the vats and metal sales.

Since then recovery results have led to a re-assessment of some of the influential variables used to calculate work in progress. For the current quarter the Company has decided to be much more conservative in the valuation of work in progress, until such time as more consistent results can be maintained. This has resulted in a quarter on quarter reduction in work in progress of approximately \$2.1 million, including the effect of additions of ore to the vats and metal sales during the quarter.

The increase in the net loss for the quarter ended June 30, 2009 and for the same period in 2008 was \$1,347,541 and was mainly attributable to the difference in net loss from mining operations mentioned above. Other items that contributed to the increase in the net loss between the two periods included higher financing costs of \$254,164 compared to \$192,634 for the same period in 2008 and higher other general and administration costs with an increase of \$57,541. The higher financing costs are chiefly attributable to the amortization of costs associated with the convertible debentures issued in December 2008 and January 2009. Also contributing to the increase on the net loss this quarter were impairments, caused by general market conditions, to the Company’s investment in Pacific Kanon Gold Corporation and related receivables, as detailed below. The Company also had a lower foreign exchange gain in the quarter ended June 30, 2009 of \$28,374 compared to a gain of \$89,298 during the same period in 2008 because of fluctuations in foreign currency rates. Offsetting the increase in the net loss were higher interest and other income of \$272,969 compared to \$195,168 for the same period in 2008, lower employee stock based compensation being \$nil compared to \$345,975 for the June 2008 quarter and a lower amount from the Company’s share of income from equity accounted associates of \$565,383 compared to \$681,546 for the same quarter in 2008. The higher interest and other income was primarily due to increased operating fee income and equipment hire paid by the Company’s joint venture partners and associated companies for managing exploration and mining operations.

During the quarter ended June 30, 2009 the Company completed \$493,290 (quarter ended June 30, 2008: \$447,656) in exploration and evaluation on its mineral property interests, but no expenditure on mine development and commissioning (quarter ended June 30, 2008: \$nil). During the quarter the Company had \$2,450,745 of gold sales (quarter ended June 30, 2008: \$1,542,346).

Half year ended June 30, 2009

The net loss for the half year ended June 30, 2009 was \$3,617,586 or \$0.02 per common share compared to a net loss of \$3,043,222, or (\$0.02) per common share, for the same period last year. The Company received \$15,168 in interest payments on cash balances, deposits and long term receivables for the six months. Interest revenues fluctuate according to the amount of funds held in deposit and the interest rates attained during the period. The net loss for the half year ended June 30, 2009 includes results from mining operations which produced a net operating loss of \$844,479. This net mining operating loss included metal sales, net of refining and royalty costs, of \$3,901,531, non-cash deferred mining costs amortization and equipment depreciation charges totalling \$2,503,029, and a change in inventory of (\$1,078,630).

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The decrease in the net loss for the six months ended June 30, 2009 and for the same period in 2008 was \$359,484 and was largely due to the difference in net loss from mining operations mentioned above. Other items that contributed to the decrease in net loss between the two periods included higher interest and other income of \$381,222 compared to \$241,492 for the same period in 2008, and a lower amount from the Company's share of income from equity accounted associates of \$607,668 compared to \$737,951 for the same period in 2008. The higher interest and other income was primarily due to increased operating fee income and equipment hire paid by the Company's joint venture partners and associated companies for managing exploration and mining operations. The Company also had a larger foreign exchange gain in the six months ended June 30, 2009 of \$93,349 compared to a gain of \$36,553 during the same period in 2008 because of fluctuations in foreign currency rates. Offsetting the decrease in the net loss were higher financing costs of \$497,311 compared to \$330,476 for the same period in 2008 and higher employee stock based compensation being \$1,156,277 compared to \$345,975 for the June 2008 half year. The higher financing costs are chiefly attributable to the amortization of costs associated with the convertible debentures issued in December 2008 and January 2009. Also contributing to the increase on the net loss this half year were impairments, caused by general market conditions, to the Company's investment in Pacific Kanon Gold Corporation and related receivables, as detailed below.

In the six months ended June 30, 2009 the Company completed \$893,728 (six months ended June 30, 2008: \$843,628) in exploration and evaluation on its mineral property interests, but no expenditure on mine development and commissioning (six months ended June 30, 2008: \$1,216,099). During the six month period the Company had \$4,041,906 of gold sales (six month ended June 30, 2008: \$1,901,972; \$359,626 of which was offset against mine development costs when the mine was still in the development/commissioning phase).

Significant non-cash costs included in the Company's net loss (unaudited)	Half year ended June 30, 2009	Quarter ended June 30, 2009	Half year ended June 30, 2008	Quarter ended June 30, 2008
	\$	\$	\$	\$
Non-cash impairments and bad debt write offs	312,228	49,751	-	-
Total amortization and depreciation expenses	2,633,875	1,702,967	1,171,677	1,110,970
Share of losses from equity accounted associates	607,668	565,383	737,951	681,546
Non-cash financing costs	385,714	204,497	316,247	61,216
Stock-based compensation expense	1,156,277	-	345,975	345,975
Total significant non-cash costs	5,095,762	2,522,598	2,571,850	2,199,707
Interest and other income accrued and not received	385,714	204,497	316,247	61,216

Summary of Quarterly Results (Unaudited) for the quarters ended September 30, 2007 to June 30, 2009:

	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
Gross revenue	2,450,745	1,591,161	3,373,622	975,414	1,542,346	-	-	-
Interest & other income	272,968	108,254	207,104	90,748	195,168	46,324	460,183	38,944
Net profit/(loss)	(3,643,591)	26,005	(971,121)	(3,392,807)	(2,296,050)	(747,172)	(275,728)	(297,999)
Basic/diluted profit/(loss) per share	(0.02)	0.0002	(0.01)	(0.02)	(0.01)	(0.01)	(0.00)	(0.00)

FINANCIAL CONDITION

At June 30, 2009, the Company had working capital of \$5,807,565 (December 31, 2008: \$6,222,955). The change in working capital was due to a decrease in available cash to \$563,165 at period end (December 31, 2008: \$3,530,818). This decline was offset by an increase in mining inventories to \$6,299,605 (December 31, 2008: \$ 5,220,975) and an increase in amounts receivable at June 30, 2009 to \$1,184,804 (December 31, 2008: \$341,720). The June 30, 2009 amounts receivable figure included metal sale receivables of \$1,005,110 for which the cash was received by July 3, 2009. Current liabilities also decreased over the period to \$2,325,809 as at June 30, 2009 from \$3,033,139 at December 31, 2008. The change was primarily due to repayment of part of the bank loan to the Bank of South Pacific Ltd.

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The Company's long-term obligations at June 30, 2009 included \$2,535,021 (December 31, 2008: \$1,889,183) for the fair value of 3,000,000 (December 31, 2008: 2,438,000) outstanding convertible debentures which must be repaid in April 2010 unless converted to shares at the discretion of the debenture holder within 30 days of maturity. Other long-term obligations at June 30, 2009 included asset retirement obligations and the fair value of embedded derivatives (related to the convertible debentures) totalling \$257,235 (December 31, 2008: \$226,680) both realizable in 2010.

At August 20, 2009 the Company is committed to paying approximately \$908,000 for accounts payable and accrued liabilities and approximately \$900,000 in short-term bank debt.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources of the Company consist primarily of cash and liquid short-term deposits of approximately \$560,000 and \$6,300,000 in mining inventories at June 30, 2009. While at August 20, 2009 the Company had approximately \$224,000 in cash and liquid short-term deposits and \$6,000,000 in mining inventories.

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 anticipates gradual improvements from its mine operations leading to the ability of those operations to fund liquidity requirements within the next 12 months. If mine operations do not improve sufficiently capital markets may also need to be accessed again to fund the Company's operations. There is however no certainty that the Company will be able to obtain funding from capital markets in the future. The Company may also either sell or farm out interest in mineral properties to support ongoing exploration and operational funding requirements.

As stated previously in this report, on August 19, 2009 the Company signed a letter of intent to sell its interests in Pacific Kanon Gold Corporation and the Feni property for \$3,000,000, of which \$500,000 in cash will be received imminently.

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

CASH FLOWS

Including expenditure attributable to mining work in progress and inventory items, the Company has not yet generated positive cash-flow from mining operations. The Company is working towards producing cash flows from gold production to fund ongoing mining and exploration operations, as well as its administration and corporate activities. In the past the Company has also been able to fund its operations by issuing its shares or convertible debt securities either through financings or the exercise of existing share purchase warrants and stock options.

Quarter ended June 30, 2009

Cash used for operating activities in the quarter ended June 30, 2009 decreased to \$521,522 compared to \$863,379 for the corresponding quarter in 2008. This decrease in operating cash used was mainly due to the lower over all cash costs from mine operations but was offset by the increase in amounts receivable due to outstanding metals sales at June 30, 2009.

Cash used in investing activities decreased from \$1,249,520 in the quarter ended June 30, 2008 to \$974,755 in the quarter ended June 30, 2009. The difference is primarily due to lower equipment purchases in the June 2009 quarter and the purchase of Coppermoly share options in the June 2008 quarter.

Cash flows used in financing activities in the quarter ended June 30, 2009 was wholly attributable to the repayment of borrowings during the quarter. Cash flows from financing activities during the quarter ended June 30, 2008 came from the exercise of employee share options.

Half year ended June 30, 2009

Cash used for operating activities in the six months ended June 30, 2009 remained relatively consistent at \$1,027,570 compared to \$1,177,070 for the corresponding period in 2008. The actual decrease in operating cash used was mainly due to the lower over all cash costs from mine operations but was offset by the increase in amounts receivable due to outstanding metals sales at June 30, 2009.

Cash used in investing activities decreased from \$4,931,753 in the six months ended June 30, 2008 to \$1,844,368 in the six months ended June 30, 2009. The difference is primarily due to the purchase of Coppermoly shares and share options during the June 2008 half year and the development of the Mt Sinivit mine was finalized in the March 2008 quarter.

Cash flows used in financing activities in the six months ended June 30, 2009 was attributable to the net affect of the issue of the second tranche of convertible debentures in January 2009 and the repayment of borrowings during the half year. Cash flows from financing activities during the six months ended June 30, 2008 primarily came from the exercise of outstanding share warrants but also the exercise of employee share options.

NEW GUINEA GOLD CORPORATION PROJECT SUMMARY

During the quarter, gold production was achieved at the Sinivit Mine and exploration drilling was carried out at Sinivit, Weioko (Sehulea), Imwauna, Mt Penck and Allemata.

New Guinea Gold Project Summary

Project	Type	Beneficial Ownership at 30.6.09	Plan
Sinivit	Quartz telluride gold system	92% NGG	Mine – gold production and further exploration to increase Resource in 2009
Imwauna (Normanby property)	High-grade vein swarm system in metamorphics; disseminated gold in volcanics	100% NGG	Explore and complete Preliminary Assessment/Feasibility Study early 2010
Weioko (Sehulea property)	Potential bulk mineable gold	100% NGG	Explore and produce NI 43-101 resource estimate
Mt. Penck	Epithermal gold	Kanon 80% NGG 20%	Subject to LOI with Vangold
Allemata (PKG property)	Quartz gold veins	Kanon 100%	Subject to LOI with Vangold
Fergusson (PKG property)	Epithermal gold & silver	Kanon 100%	Subject to LOI with Vangold
Mt. Nakru (Coppermoly property)	Porphyry gold/copper	NGG 50%	Under exploration and development by Coppermoly
Simuku (Coppermoly property)	Porphyry copper/ gold/ molybdenum	NGG 50%	Under exploration and development by Coppermoly
Crater Mountain	Porgera style gold mineralization	10% NGG	See detail under Crater Mountain
Feni	Lihir style gold mineralization	50% NGG 50% Vangold	Subject to LOI with Vangold

As stated earlier in this report, as a subsequent event the Company signed a letter of intent (LOI) on August 19, 2009 relating to the second part of the previously announced corporate re-structuring, a sale of Pacific Kanon Gold Corporation and the Feni Property, to Vangold Resources Ltd for CAD\$3 million, plus retained interests. The LOI also provides that Vangold will provide NGG a carried interest of 10% in the Feni Island Property, 5% in the Mount Penck Property, the Allemata and Fergusson Properties held by PKG.

SINIVIT GOLD PROJECT (92% NGG BENEFICIAL OWNERSHIP)

The Sinivit Gold Project is located 50 kilometres south-southwest of Rabaul in the Baining Mountains of the Gazelle Peninsula, East New Britain Province, Papua New Guinea. It can be accessed by road from the town of Kokopo (one hour drive) and the port of Rabaul. A jet airport at Kokopo has several daily flights to Port Moresby and Lae.

NGG is mining the oxide cap of a quartz, tellurium, copper, silver and gold system. Although the initial project has a relatively short life, NGG has an exploration/development program with the objective of defining additional gold mineralization. The known mineralization is open at depth and there are numerous other, as yet unexplored, targets within the Sinivit properties. The potential to increase mineralization at the project is described in the Independent Technical Report dated January 2006 which can be found on the company's website www.newguineagold.ca. The Company cautions, however, that there is no certainty that further mineralization will be defined.

Sinivit can be summarized as follows:

- Resources - Indicated, 713,000 tonnes at 5.7g/t gold for 132,000ozs gold and Inferred, 340,000 tonnes of 3.2g/t gold for 35,000ozs gold.
- The Sinivit Resource has been defined near surface over a one-kilometre length of a ten kilometre long structural zone. This structural zone is known to contain sporadic, largely untested or unexplored gold mineralization over its entire length.

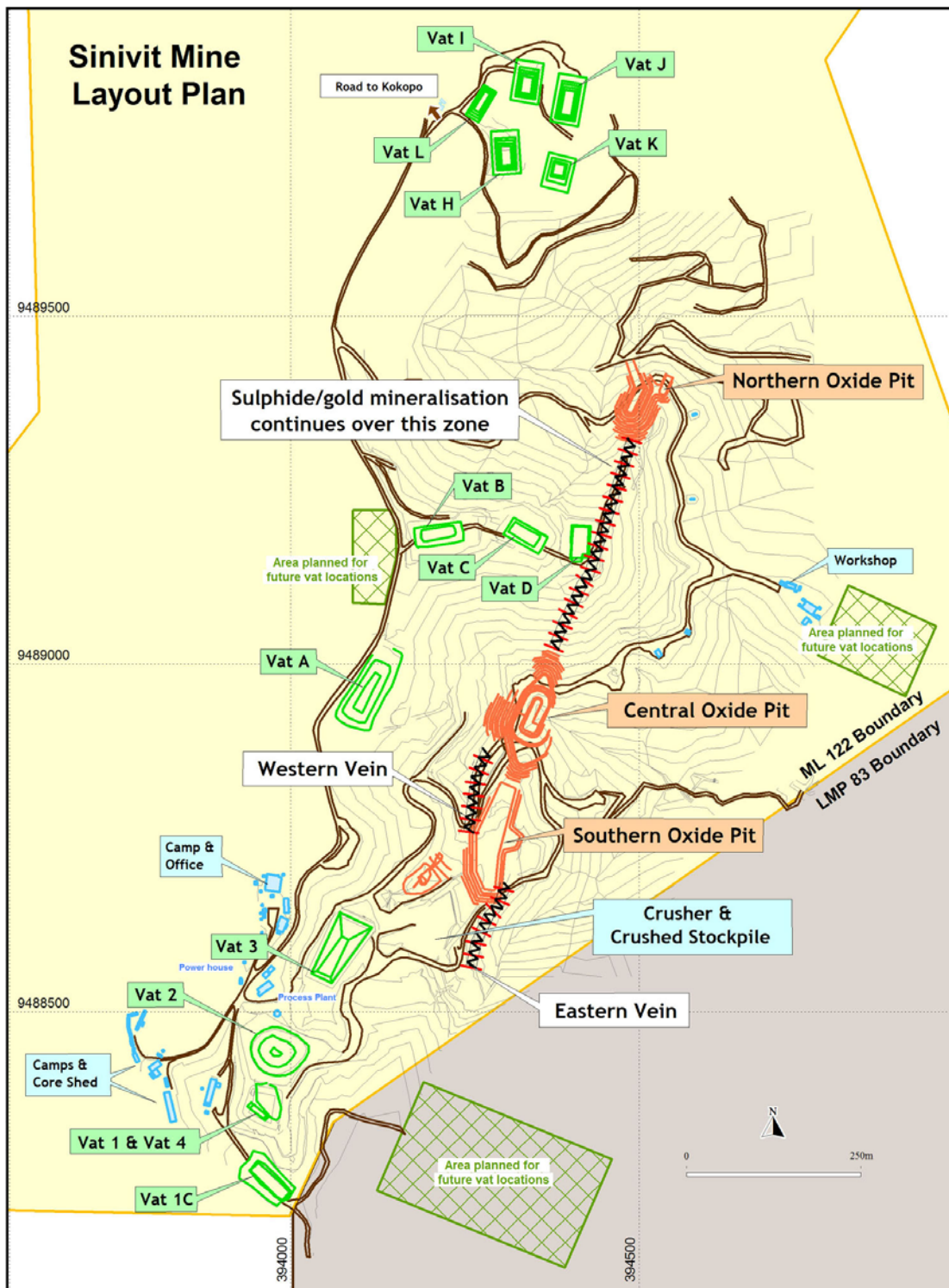
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- The primary mineralization is sulphide mineralization (gold/copper/tellurium/silver) but the initial mine will only process the oxide cap of this mineralization. Mineralization is open both along strike and to depth.
- Head grade for the oxide mineralization is projected at 5g/t gold, with open pit mining and vat leach processing.
- Average grade of the unoxidised sulphide mineralization, from drilling completed to date, is expected to average between 10 and 12g/t gold.
- Exploration is underway with two drill rigs on site, both owned and operated by the Company.
- Initial Exploration Target for sulphide mineralization at Sinivit is defined within a zone 750 to 1,250m long, averages 3m wide, extends to 300m depth and grades between 10 and 12g/t gold, 1% copper, 400ppm tellurium and 100g/t silver. The initial Exploration Target thus contains between 640,000ozs of gold, plus 20,000t copper, plus 1,200,000ozs gold and 30,000t copper (plus possible credits in tellurium and silver).

As required we include the following cautionary statement: *“The Exploration Target is based on extensive surface outcrops, mine open pits, and approximately 20 drill-holes which intersect the mineralization. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource”.*

In the quarter to June 30, 2009, the following are mine statistics:

• Gold Production	-	April 557 ozs
	-	May 708 ozs
	-	June 921 ozs
	-	<u>Total: 2,246 ozs Gold</u>
• Mineralization mined	-	23,224 tonnes
• Mineralization crushed ready for placing in vats	-	22,596 tonnes (at June 30, 2009)
• Mineralization loaded into vats	-	23,747 tonnes
• Waste mined	-	73,915 tonnes



A site plan of the Sinivit Mine is shown above.

Exploration throughout the quarter extended NGG's knowledge of the recently defined Eastern and Western Veins and the Central Oxide Zone of the main mineralised zone.

All results were reported in Press Releases dated May 25, 2009, May 27, 2009, and August 10, 2009.

On May 25, 2009, NGG noted as follows:

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“The Eastern Vein, which is adjacent to the northern end of the Southern Oxide Pit (see site plan), has been defined over an approximate 200m strike length, and is presently defined by the better results below. Further trenching is currently in progress.

RC Drilling:

SGC0133	2m at 8.03 g/t gold
SGC0206	2m at 18.60 g/t gold

Diamond Drilling:

09WDD129	from 2.5 to 12.3m 9.8m at 13.30 g/t gold incl. 3.0m at 24.10 g/t gold
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Trenching:

2m at 4.08 g/t gold & 2m at 3.81 g/t gold

The Western Vein dips shallowly west (at surface) and is adjacent to the northern end of the Southern Oxide pit and the present crushing pad (also see site plan). The dimensions of the Western Vein still remain to be defined, but would appear to have a strike length of at least 200m.

Summary of some of the better results:

RC Drilling:

CGC0018	4m at 22.85 g/t gold
CGC0028	2m at 15.30 g/t gold
CGC0035	2m at 14.65 g/t gold
CGC0074	16m at 4.95 g/t gold
CGC0075	2m at 21.40 g/t gold

Diamond Drilling:

87WDD028	7.4m at 2.96 g/t gold incl. 0.4m at 13.50 g/t gold
87WDD035	2.2m at 9.15 g/t gold

Trenching:

2m at 32.50 g/t gold & 2m at 27.60 g/t gold
(trench samples are over 100m apart along strike)

Grab Samples:

0.60, 1.42, 8.28, 2.47, 0.42, 2.80, 0.25, 1.65, 1.79, 20.67, 2.60, 0.36, 11.06, 0.54, 2.75, 1.65, 2.23, 24.90 (all g/t gold)”.

On May 27, 2009, NGG noted as follows:

“Mineralization definition drilling in the Central Oxide Zone at the Sinivit Mine has confirmed substantial gold mineralization with best results such as 14m at 2.45g/t gold, 14m at 3.27g/t gold, and 6m at 39.7g/t gold, **including 4m @ 57.30 g/t gold.**”

On August 10, 2009, NGG noted as follows:

“In the Central Gold Zone within the proposed Central Pit, one RC hole yielded 10m at 24.3g/t gold including a 2m interval at 114g/t gold. Diamond core testing of the Eastern Vein suggests this zone may be disrupted by faults. Hole 09WDD129 intersected a wide high grade zone of 9.8m at 13.3g/t gold including 3.0m at 24.1g/t gold and 1.5m at 22.9g/t gold.”

On August 11, 2009, NGG noted as follows:

“At the end of June Sinivit mining equipment contractor, HBS Machinery (“HBS”), unilaterally terminated its Agreement with NGG without due notice, removing equipment from the Sinivit mining site. New Guinea Gold 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 will vigorously pursue claims against HBS in the Papua New Guinea Court for damages totalling Kina 5,161,389 or approximately \$2,100,000 Canadian.

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The Company acted expeditiously with local contractors to replace key equipment within two weeks of HBS's removal of the contracted equipment. The Company is presently using less versatile road trucks to replace the articulated trucks removed from the Sinivit site. The Company expects to formalise a new contracting agreement for the hire of articulated trucks in the near future.

The two week hiatus in mining and other earth moving has meant that the new vat scheduled to be brought on line in July will not be completed until August; however, ore continues to be added to vats as required from existing accumulated ore stockpiles, and seven existing vats are continuing to leach.

NORMANBY PROPERTY

Imwauna Gold Project (NGG 100%)

An Inferred Resource of 1.8Mt at 12.2g/t gold and 20g/t silver was announced during 2008. This part of the Imwauna Project is a 1.5km long structural zone, up to 100m wide, with numerous, semi-continuous zones of gold mineralization. The Resource lies within a 5 km by 2 km zone with extensive surface gold anomalism in soils and rock chips, most of which remains to be explored in detail.

The Imwauna project is located within the Normanby Property, south-east Papua New Guinea. The Company owns 100% of this property. Imwauna is a gold project.

The Imwauna project contains defined gold mineralization scattered over approximately 10 square kilometres, and occurs in the same geological zone and is along structural trend from Placer Dome's former Misima Mine (5 million ounces of gold). It was selected by management for a major evaluation program in 2006 to extend the known mineralization and to build a substantial resource base.

To summarise:

- Drilling to increase Resource and upgrade Inferred Resource to Indicated and Measured status has commenced, but is presently on hold.
- Preliminary Assessment/Feasibility study has commenced to determine economic parameters of Project with an objective of production at 50,000 to 100,000ozs/year by 2011.
- Bonanza grades are common, mineralization commences at surface and a substantial part of the Resource could probably be mined by open cut.
- Best drill results such as 3.7m of 94.4g/t gold and 7.2m of 16.5g/t gold.
- Trial mining completed – had an average grade of 14.1g/t gold over a 2.2m mining width.
- Bulk sampling of 38 excavator trenches over 1,240m strike length averaged 26.4g/t gold over an average of 1m width in central high-grade part of the system with likely open pit mining width defined as 3 to 4 metres.
- The bonanza/high-grade nature of part of the mineralization is indicated by the following drill-holes:

Hole Number	From (m)	To (m)	Interval (m)	Gold g/t	Silver g/t
IMH 067	120.2	126.2	6.00	68	68
Including	123.2	126.2	3.00	106	95
IMH 068	39.80	42.2	2.40	13.7	65
IMH 069	99.10	109.10	10.00	18.1	31
Including	105.40	107.60	2.20	32.5	49
IMH 074	63.00	69.45	6.45	20.9	49
IMH 082	80.8	86.4	5.6	36.16	44
IMH 091	8.3	12.1	3.8	21.1	44

The mineralised zone at Imwauna, which has been drilled to date, represents approximately 10% of the potential mineralised area as defined by surface trenching, soil gold geochemistry and geophysical surveys.

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An initial Exploration Target has been estimated for the Imwauna Project. Although most of the mineralization drilled to date has been high-grade, relatively narrow veins in metamorphics, some parts of the project host disseminated lower-grade mineralization in volcanics. As drilling progresses, more lower-grade mineralization may be defined, lowering the overall grade. The uncertainty in the proportion of high and lower-grades that may ultimately be defined, means there is a large range in the Exploration Target.

The initial Exploration Target ranges from a minimum of 4 million tonnes at 12g/t gold for 1.5 million ozs gold to 30 million tonnes at 3g/t gold for 3 million ozs gold. These estimates are based on approximately 200 drill-holes including several historic holes at “The Knob”, soil gold anomalism and several kilometres of excavator trenching.

As required we include the following cautionary statement: “The potential quantity and grade of the exploration target is conceptual in nature and there has been insufficient exploration to define a further Mineral Resource and it is uncertain if further exploration will result in the determination of a further Mineral Resource”.

Exploration results were summarised in a Press Release dated July 9, 2009:

“Assay results from a further 52 drill holes completed as a part of the assessment of the Imwauna prospect are released together with drill hole location data.

Some of the better results were:

Hole IMH174 -	7.0m at 6.33g/t gold and 13.2g/t silver including 3.0m at 13.98g/t and 145g/t silver from 91.7 in downhole.
Hole IMH172 -	2.1m at 34.26g/t gold and 53.9g/t silver from 69.2m downhole.
Hole IMH169 -	2.7m at 13.32g/t gold and 41.4g/t silver from 64.2m downhole.
Hole IMH163 -	0.4m at 108g/t gold and 220g/t silver from 150m downhole.
Hole IMH128 -	0.3m at 50.3g/t gold and 48.0g/t silver from 169.8m downhole.

The mineralised zone tends to be highly fractured and core recovery in Hole IMH174 was estimated to be 55%.

Most of the holes shown in this program were drilled to test beyond the northern and southern limits of the defined Inferred Resource. Other holes were designed to test depth extension of the system.

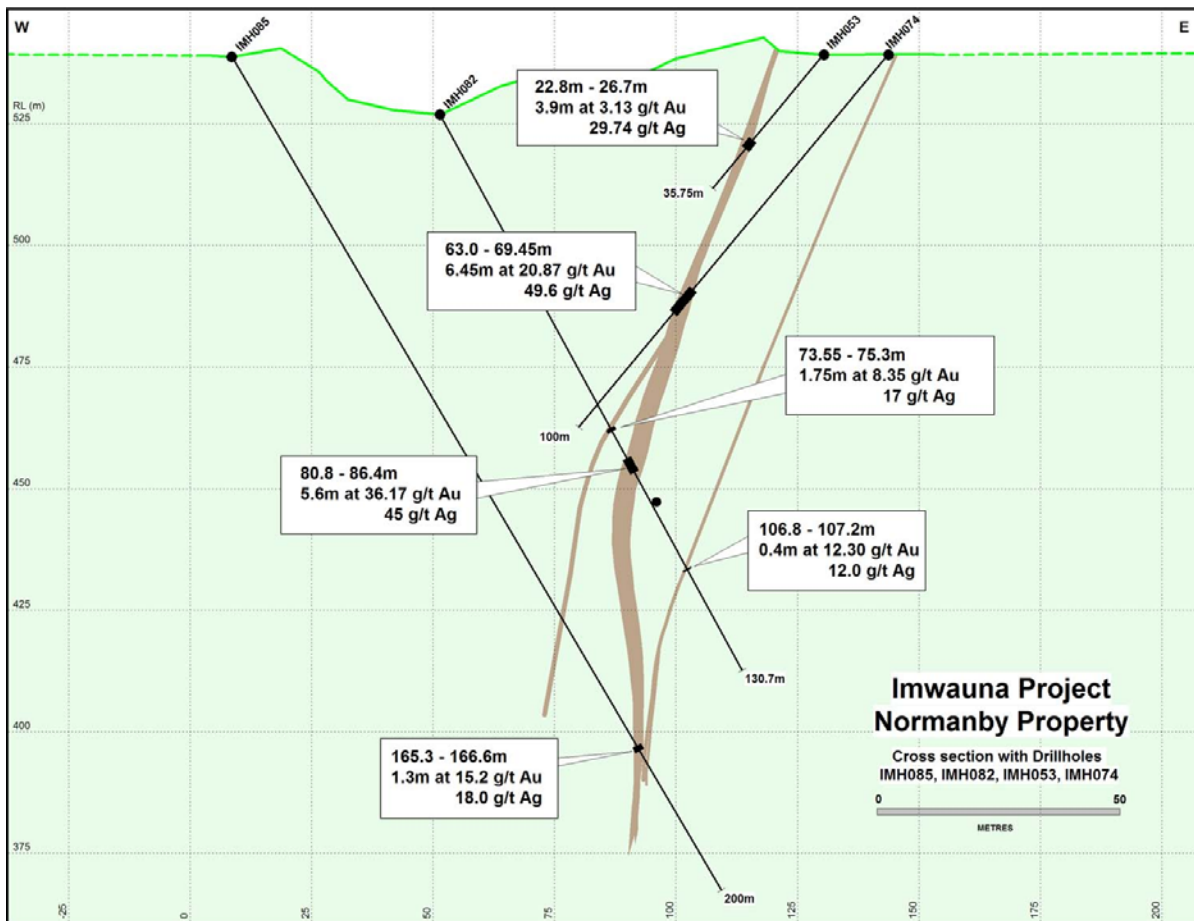
Bob McNeil CEO and Chairman commented: “the Imwauna Vein system, which is a multiple vein system, has now been defined to both the north and south of the defined Inferred Resource. To understand the Imwauna System, we have enclosed a cross section through holes IMH074 and IMH082. These holes define a high grade/wide gold zone. This high grade zone with intersections of 6.45m at 20.87g/t gold at 50m depth and 5.6m at 36.17g/t gold at 80m depth was not known from surface exposures and was found by drilling. Hole IMH053 which intersected the zone 30m below surface, and 20m above IMH082, intersected 3.9m at only 3.13g/t gold. **Two surface trenches, 25m apart, at the approximate location where this section intersects the surface gave results of 0.55m at 2.98g/t and 1.64m at 22.48g/t gold respectively.**

These surface results and the drill hole intersection above hole IMH074, because they overlay a very significant high grade zone in holes IMH074 and IMH082, indicate that all low grade and narrow high grade intersections within the Imwauna System must be followed up **as any one could perhaps indicate a nearby higher grade, wider zone.** They also illustrate how, over short distances, grades and widths of gold mineralization can change rapidly.

Although many of the intersections released are not of themselves likely to be economic, any one, or many, could indicate the presence of further significant higher grade and wider zones of mineralization. All will need to be followed up with deeper or lateral drill holes. Holes IMH128 and IMH163 are deeper holes in the central part of the Imwauna System. Those holes, although narrow, very high grade holes, indicate the system persists with depth, and given “the right” gold depositional environment could develop into major high grade zones.

Drilling is presently “on hold” at Imwauna while all results are assessed and “the best” targets to follow up in the next phase of drilling are defined”.

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SEHULEA PROPERTY

Weioko Gold Project (NGG 100%)

The Weioko Gold Project is a key NGG gold project and part of the Sehulea Property (100% NGG). The Project has been partly explored to date but the drilled mineralization represents less than 5% of the known gold in soil anomalous area (approximately 12 sq kms in area). For location map, tables of drill and trench results, maps of geochemical soil anomalies and IP anomalies see Press Release dated March 30, 2009.

The Project is situated on Normanby Island, Milne Bay Province of Papua New Guinea and is 10km NE of NGG’s premier project – the Imwauna Gold Project. Any future development of this project would probably occur in association with development of the Imwauna Project.

Previous surveys have included soil geochemistry, rock chip sampling, side looking radar and Induced Polarisation (IP) geophysical surveys. Geochemical soil anomalism covers an area of 6kms by 2kms (12 sq kms) – and only a very small part of this anomalous area has been tested by either drilling or trenching.

IP survey results show a well defined anomaly over the drilled mineralization and further similar IP anomalies along strike and to the north-west. 15 diamond core drill program during the quarter.

NGG completed a modest 15 diamond core hole program during the first half of 2009.

In a Press Release dated May 25, 2009, NGG noted as follows:

Results from the first seven holes of a 15 hole drill program at Weioko Project all intersected gold mineralization with best results of 28m at 2.56g/t gold (including a 1m sample of 29.20g/t gold); 34m at 2.76g/t gold (including 3m at 16.27g/t gold); and 16m at 1.19g/t gold. Silver results ranged up to 5m at 11.52g/t silver, including 1m at 35.90g/t. All results are shown in the table below.

Bob McNeil, CEO and Chairman, commented: “These results continue to enhance the value of the Weioko Project which is on Normanby Island, Papua New Guinea, approximately 10kms from NGG’s premier project at Imwauna. Any development of Weioko is likely to be co-ordinated with the development of Imwauna. Of interest is the significant silver credit.”

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In a Press Release dated June 18, 2009, NGG noted as follows:

Results from a further six diamond core holes at the Weioko Project all show significant gold with wide intervals above 1g/t gold such as:

PWED42	-	48m at 1.95g/t gold and 6.12g/t silver
PWED43	-	42.3m at 1.74g/t gold and 7.76g/t silver
PWED47	-	64.6m at 2.24g/t gold and 8.88g/t silver”

The results of this drilling program, when included with results from 29 RC holes and 23 diamond core holes already completed, should be sufficient to allow a resource estimation to be completed in accordance with the guidelines of NI 43-101.

To summarise:

- Gold mineralization has been defined in approximately 50 drill-holes at Weioko over an area of 300m by 120m to a depth of 70m. Mineralization commences at surface and is also defined in trenches.
- This mineralization will be further defined in the current program and the total drill-holes should be sufficient for a resource to be estimated in accordance with the guidelines of NI 43- 101 later in 2009.
- Only a small part of the potentially gold mineralised area has been drill tested and, after consideration of soil geochemistry, rock chip and IP results it can be concluded that there is a high probability that additional gold mineralization will be defined within the 12sq km gold anomalous area.
- Drill results include 28m at 2.1 g/t gold, 14m at 4.56g/t gold, 21m at 3.6g/t gold, 1.6m at 14.2g/t gold.
- Diamond saw cut sampled trench results include 164m at 4.0g/t gold and 16m at 20.3g/t gold.
- Excellent access near coast, airstrip at Sehulea and near the key Company gold project at Imwauna.

PACIFIC KANON GOLD PROPERTIES

The Pacific Kanon Gold properties are now subject of a LOI for sale to Vangold Resources Ltd for \$3 million plus carried interests. This agreement is described in more detail in the Business and Development Strategy.

COPPERMOLY LTD PROJECTS (NGG direct and indirect interest approximately 50%)

For a complete review of Coppermoly please refer to www.coppermoly.com.au . The main points are described below:

- Coppermoly has exploration title to three large copper/gold/molybdenum systems, **Simuku, Nakru, and Plesumi**, on the island of New Britain – each system or prospect is known to have mineralization over approximately 10sq kms.
- Two of the systems were effectively discovered and first explored by Esso when Chairman, Bob McNeil, was General Manager for Esso Papua New Guinea Inc. in the early 1980's.
- Exploration completed on the projects includes some 76 drill-holes, approximately 50 kms of bulldozer/excavator trenching, several further kilometres of hand-trenching, aeromagnetics and radiometrics, some surface geophysical surveys such as induced polarization, extensive auger soil and other geochemical surveys.
- **The Nakru and Simuku projects have separate gold and/or molybdenum potential** which may be amenable to early development. At Nakru, trench results included 35m at 7.26g/t gold and 42m at 2.70g/t gold including 3.0m at 16.8g/t gold. At Simuku, trench results include 78m at 0.133% molybdenum and drill results 19m at 0.32% molybdenum and 0.10% copper.

In 2008 Coppermoly completed 22 diamond core holes totalling 5,074 at Simuku and Nakru. In addition, a major IP survey at Nakru identified two large anomalies corresponding to copper in drill intersections and trenches. The IP surveys suggested that the mineralization so far defined in drill hole is much more extensive than previously known. At “Nakru One” the IP anomaly has dimensions of 700m by 200m-250m, and at “Nakru Two” 500m by 200m.

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At “Nakru One” prospect trenching encountered 90m at 1.08g/t gold and 204ppm molybdenum, and 20m at 1.52g/t gold and 239ppm molybdenum. Hole 14 at “Nakru One” intersected 11m from surface of 2.84g/t gold and hole 17 intersected 63.7m at 0.5% copper from 25.7m depth (including 28.4m at 1.1% copper).

At Nakru Two, two diamond drill cores intersected high-grade copper associated with the IP anomaly. Hole 1 intersected 51m at 1.21% copper, 0.26% zinc, 3.5g/t silver and 0.1g/t gold, including from 30m to 58m downhole, 28m at 1.9% copper, 0.5% zinc, 5.35g/t silver and 0.1g/t gold. Hole 2, from 36m to 109m downhole intersected 73m at 0.96% copper, 0.22% zinc, 3.86g/t silver, including 26m at 1.65% copper, 0.56% zinc, 6.73g/t silver and 0.13g/t gold. The potential to define a substantial body of mineralization at these grades is excellent.

At Simuku, the drilling and trenching have now provided sufficient data for a resource to be estimated over the northern- most one-third of the system. Of particular significance is that Hole 26 intersected substantial widths of primary mineralization at depth suggesting copper grades were increasing with depth. From 240m to 296m depth, Hole 26 intersected 56m at 0.77% copper, 123ppm molybdenum, 0.11g/t gold and 2.6g/t silver. A significant “chalcocite blanket” is also present at Simuku.

Coppermoly recently released a resource estimated in accordance with the guidelines of the JORC Code (Australian standard). This resource is available in Coppermoly press releases and at www.coppermoly.com.au.

CONVERTIBLE DEBENTURES ISSUED

In December 2008 and January 2009 a total of \$3 million in Debentures was raised (see Press Releases dated December 22, 2008 and January 23, 2009). These funds were for working capital, partial repayment of debt to Bank of South Pacific, and for capital to up-grade the Sinivit gold production.

SHARE CAPITAL

The Company’s authorized share capital consists of an unlimited number of common shares without par value. Shares issued January 1, 2008 to December 31, 2008 and to the date of this report are as follows:

	Number of Shares	Share Capital
		\$
Balance, December 31, 2007	128,574,242	34,295,465
Issued as part of short-term funding agreement	400,000	188,000
Exercise of warrants	26,508,238	7,817,690
Fair value of warrants exercised	-	532,950
Exercise of stock options	760,000	227,285
Fair value of options exercised	-	216,077
Total shares issued	<u>27,668,238</u>	<u>8,982,002</u>
Balance, December 31, 2008 and August 20, 2009	<u>156,242,480</u>	<u>43,277,467</u>

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 June 30, 2009, the Company owed Macmin \$62,441 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 46.3% of the share capital of Coppermoly. As at June 30, 2009 the Company owed Coppermoly \$51,566 (December 31, 2008: Coppermoly owed the Company \$78,541) for exploration expenditures paid for by Coppermoly on the Company’s behalf. In the six months ended June 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 (six months ended June 30, 2008: \$2,587).

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Pacific Kanon Gold Corporation (“PKGK”), a private company, acquired the Company’s interest in Kanon Resources Ltd (“Kanon”) for shares in 2007. At June 30, 2009, the total owed by PKGC to the Company was \$1,239,706 (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 June 30, 2009, the Company has provided for the non-collection of this receivable. In the six months ended June 30, 2009 Kanon also paid the Company \$94,117 in operating fees (six months ended June 30, 2008: \$nil) for managing the exploration programs and \$32,589 (six months ended June 30, 2008: \$25,046) 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 June 30, 2009 GMNH owed the Company \$2,343,779 (December 31, 2008: \$1,879,325).

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

Off-Balance Sheet Arrangement

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

Financial and Other Instruments

The Company’s financial instruments consist of cash and equivalents, amounts receivable, marketable securities, investments, long term receivables, accounts payable and accrued liabilities, bank debt, debentures issued and embedded derivatives. The cash and equivalents and bank debt balances in these accounts are in Canadian dollars, Papua New Guinea kina and Australian dollars and are recorded at their carrying value which approximates fair value due to the short-term nature of these items. The amounts receivable, long term receivable accounts payable and accrued liabilities and convertible debentures are stated at amortized cost. The investment is measured at cost while marketable securities and embedded derivatives are recorded at fair value.

Legal Proceedings

At the end of June Sinivit mining equipment contractor, HBS Machinery (“HBS”), unilaterally terminated its Agreement with NGG without due notice, removing equipment from the Sinivit mining site. New Guinea Gold 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 will vigorously pursue claims against HBS in the Papua New Guinea Court for damages totalling Kina 5,161,389 or approximately \$2,100,000 Canadian. See under the Sinivit gold project section for further details.

CHANGES IN ACCOUNTING POLICIES

i) Capital Disclosures

From 1 January 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 1 January 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 1 January 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 1 January 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.

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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 1 October 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.

NEW ACCOUNTING PRONOUNCEMENTS

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

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 1 January 2011. The transition date of 1 January 2010 will require restatement for comparative purposes of amounts reported by the Company for the year ended 31 December 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. Company's adopting section 1582 will also be required to adopt CICA Handbook sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*. These standards will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders' equity on the balance sheet. In addition, the income statement of the controlling parent will include 100% of the subsidiary's results and present the allocation between controlling and non-controlling interest. These standards will be effective 1 January 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.

OUTSTANDING SHARE DATA

The Company has one class of shares and there were 156,242,480 shares issued as at August 20, 2009 (156,242,480 shares issued as at June 30, 2009) and 188,427,480 on a fully diluted basis (June 30, 2009: 189,497,480).

The Company has a stock option plan and at the date of this report there were 7,560,000 options outstanding exercisable into one common share between \$0.23 and \$0.43 (8,630,000 options outstanding as at June 30, 2009).

The Company has 9,625,000 warrants outstanding at the date of this report exercisable into one common share between \$0.20 and \$0.65 (9,625,000 warrants outstanding as at June 30, 2009).

BUSINESS RISK ASSESSMENT

In addition to operational issues, there are several risks that could affect our business prospects. The feasibility of our mine operations and mineral exploration is significantly affected by changes in the market price of gold and, to a lesser degree, silver. Gold prices can fluctuate widely and are affected by numerous factors beyond our control. The level of interest rates, the rate of inflation, world supply of gold and stability of exchange rates can all cause significant fluctuations in gold prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

The exploration and development of our mineral exploration properties will require substantial additional financing. Failure to obtain sufficient financing will result in the delay or indefinite postponement of exploration, development or production on any or all of our properties or even a loss of property interests. Our ability to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as our business performance. There can be no assurance that we will be successful in our efforts to arrange additional financing on satisfactory terms. If additional financing is raised by the issuance of shares, control of the Company may change and shareholders may suffer dilution.

Our business risks also include operating hazards, environmental and other government regulations, competition in the marketplace, and the market for our securities. Our properties are located in PNG and are subject to the laws and regulations of that country. We carry on our exploration activity outside of Canada. Accordingly, we are subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and foreign currencies, in particular the Australian dollar and the PNG kina. Such fluctuations may materially affect our financial position and results.

In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although we maintain liability insurance in an amount that we consider consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, which could lead to significant costs that could have a materially adverse effect upon our financial condition.

SUBSEQUENT EVENTS

As stated earlier in this report, as a subsequent event the Company signed a letter of intent (LOI) on August 19, 2009 relating to the second part of the previously announced corporate re-structuring, a sale of Pacific Kanon Gold Corporation and the Feni Property, to Vangold Resources Ltd for CAD\$3 million, plus retained interests. The LOI also provides that Vangold will provide NGG a carried interest of 10% in the Feni Island Property, 5% in the Mount Penck Property, the Allemata and Fergusson Properties held by PKG.

DISCLOSURE CONTROLS

As the Company is classified as a Venture Issuer under applicable Canadian securities legislation, it is required to file basic Chief Executive Officer and Chief Financial Officer Certificates, which it has done for the quarter ended June 30, 2009. The Corporation makes no assessment relating to the establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at June 30, 2009.