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Trading Symbols: TSX-V: **NGG**
Frankfurt: **NG8**
Web Site: www.newguineagold.ca

Date: November 29, 2010

To: Sedar Filing

Subject: Revised Consolidated Financial Statements for the period ended June 30, 2010

In preparing the September 30, 2010 Interim Consolidated Financial Statements, a review of New Guinea Gold Corporation's (the Company) accounting reporting systems and financial reports was conducted including a review of the June 2010 quarter financial statements.

The review highlighted a number of changes. Full details of the changes are outlined in Note 3 "Restatement". The most significant result from the accounting treatment of the Company's investments in Coppermoly Limited, Vangold Resources Ltd and other minor shareholdings. The selling down of the Company's shareholding in Coppermoly Ltd required a change in accounting treatment from equity accounted investments to marketable securities.

The treatment of the disposal of the Company's interest in Pacific Kanon Gold Corp. and some foreign exchange variations also required corrections.

The main overall effects of these adjustments were:

- (i) a \$2,470,361 increase in Net Assets; and
- (ii) a \$2,937,335 reduction in Net Loss (for the six months ended June 30, 2010).

In cashflow terms these adjustments equate to 'reclassification' of cashflows for the six months to June 30, 2010 as follows:

- (i) cash outflow for Operating Activities was \$1,468,594 (not \$4,509,733 as previously reported);
- (ii) cash outflow for Investing Activities was \$530,664 (not an inflow of \$1,762,796 as previously reported); and
- (iii) cash outflow for Financing Activities was \$1,125,909 (not \$378,230 as previously reported).

Maurice Gannon
President/Acting Chief Executive Officer



Interim Consolidated Financial Statements

Six Months ended June 30, 2010

(Unaudited, prepared by Management)

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company discloses that its independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an auditor..

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

NEW GUINEA GOLD CORPORATION
Consolidated Balance Sheets
As at June 30, 2010 and December 31, 2009

	June 30, 2010	December 31, 2009
	<i>(unaudited)</i>	<i>(Audited)</i>
		\$
ASSETS		
Current assets		
Cash and equivalents (note 5)	462,785	3,627,136
Amounts receivable (note 5)	574,402	235,270
Prepaid expenses	43,989	10,000
Inventories and deferred mining costs (note 7)	7,603,004	5,718,988
Marketable securities (note 8)	3,072,310	98,800
Assets held for sale	-	758,063
	11,756,490	10,448,257
Mining and other deposits receivable (note 9)	60,417	60,417
Deferred mining costs (note 10)	141,749	942,081
Long term receivable (notes 5 and 10)	3,287,247	2,670,146
Investments (notes 5 and 11)	-	416,364
Equipment (note 13)	3,989,259	3,689,368
Mineral properties	6,211,779	6,126,368
Mine development (note 19)	69,746	1,633,982
TOTAL ASSETS	25,516,687	25,986,983
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	1,286,735	1,199,616
Bank and short-term debt (notes 5 & 14)	3,688,338	1,039,545
Convertible debentures (notes 5 and 16)	-	2,805,308
Embedded derivatives (notes 5 and 16)	-	296,445
	4,975,073	5,340,914
Asset retirement obligations (note 15)	207,870	196,206
Long-term bank debt (notes 5 and 14)	157,171	613,715
TOTAL LIABILITIES	5,340,114	6,150,835
SHAREHOLDERS' EQUITY		
Share capital (note 17)	48,358,742	46,758,742
Shares to be issued (note 17)	-	1,575,000
Contributed surplus (note 17)	5,137,712	5,137,712
Accumulated other comprehensive income (note 8)	1,000,624	52,000
Deficit	(34,320,505)	(33,687,306)
TOTAL EQUITY	20,176,573	19,836,148
TOTAL LIABILITIES AND EQUITY	25,516,687	25,986,983

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.

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

NEW GUINEA GOLD CORPORATION
Consolidated Statement of Operations and Deficit
For the Three and Six Months ended June 30,

	6 Months ended June 30, 2010	3 Months ended June 30, 2010	6 Months ended June 30, 2009	3 Months ended June 30, 2009
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	\$	\$	\$	\$
Revenue				
Metal sales	2,975,227	1,526,149	4,041,906	2,450,745
Royalties	(79,596)	(45,241)	(140,375)	(88,682)
Net metal sales	2,895,631	1,480,908	3,901,531	2,362,063
Expenses				
Mine operating costs				
Changes in inventory (note 7)	(1,884,016)	(1,102,493)	(1,078,630)	2,097,535
Amortization of deferred mining costs	2,709,100	1,012,878	2,171,322	1,472,007
Depreciation of mine equipment	425,759	227,767	331,707	167,478
Consumables	910,696	426,953	538,962	(134,558)
Contractor payments	134,450	82,532	891,684	372,269
Employee salaries and benefits	959,337	533,587	897,332	551,759
Equipment hire	782,241	384,138	54,293	14,167
Repairs and maintenance	350,061	173,302	230,478	76,460
Travel and accommodation, including on-site	290,787	137,194	264,301	131,980
Other general mining costs	188,073	84,213	444,561	387,656
Total mine operating costs/(credits)	4,866,488	1,960,070	4,746,010	5,136,753
Net profit/(loss) from mining operations	(1,970,857)	(479,163)	(844,479)	(2,774,690)
Depreciation not included in operating costs	81,938	38,263	130,846	63,482
Employee salaries and benefits	336,807	107,293	175,728	28,336
Financing costs (note 14)	349,010	75,959	497,311	254,164
Professional fees	205,323	126,871	-	-
Rent	58,092	(44,704)	-	-
Shareholder communications	239,294	190,085	116,591	72,592
Stock-based compensation (note 18)	-	-	1,156,277	-
Other general and administrative costs	130,025	79,181	251,029	136,535
Profit/(loss) from operations	(3,371,346)	(1,052,111)	(3,172,261)	(3,329,799)
Other income (expense)				
Interest and other income	415,703	256,251	381,222	272,968
Gain/(loss) on disposal of fixed assets	65,987	65,987	-	-
Gain/(loss) on disposal of investments	1,734,511	(165,221)	-	-
Bad debts	332,597	295,587	(203,096)	33,443
Gain/(loss) on equity accounted investments (note 12)	-	-	(109,132)	(83,194)
Foreign exchange gain/(loss)	349,222	222,189	93,349	28,374
Share of equity accounted associate losses (note 12)	(159,873)	(101,215)	(607,668)	(565,383)
	2,738,147	573,578	(445,325)	(313,792)
Net profit/(loss) for the period	(633,199)	(478,533)	(3,617,586)	(3,643,591)
Deficit, beginning of period	(33,687,306)	(33,841,972)	(24,885,122)	(24,859,117)
Deficit, end of period	(34,320,505)	(34,320,505)	(28,502,708)	(28,502,708)
Profit/(loss) per share – basic and diluted	(0.0029)	(0.0025)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	201,702,897	200,128,081	156,242,480	156,242,480

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

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

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

	6 Months ended June 30, 2010	3 Months ended June 30, 2010	6 Months ended June 30, 2009	3 Months ended June 30, 2009
	\$	\$	\$	\$
Net profit/(loss) for the period	(633,199)	(478,533)	(3,617,586)	(3,643,591)
Unrealized gain (losses) on marketable securities (note 8)	948,624	1,829,272	39,000	5,200
Comprehensive profit/(loss) for the period	<u>315,425</u>	<u>1,350,739</u>	<u>(3,578,586)</u>	<u>(3,638,391)</u>

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

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

NEW GUINEA GOLD CORPORATION
Consolidated Statements of Cash Flows
For the Three and Six Months ended June 30,

	6 Months ended June 30, 2010	3 Months ended June 30, 2010	6 Months ended June 30, 2009	3 Months ended June 30, 2009
	\$	\$	\$	\$
Cash provided by (used in):				
Operating Activities				
Net profit/(loss) for the period	(633,199)	(478,533)	(3,617,586)	(3,643,591)
Adjustment for items not involving cash				
Depreciation and amortization	3,216,797	1,278,908	2,663,875	1,702,967
Loss/(gain) on sale of fixed assets	(65,987)	(65,987)		
Loss/(gain) on sale of investment	(1,734,511)	(376,431)	-	-
Loss attributable to equity accounting of associates	159,873	101,215	607,668	565,383
Non-cash finance costs	241,405	-	-	-
Stock-based compensation	-	-	1,156,277	-
Bad debts	(332,597)	(295,587)	203,096	(33,443)
Impairment loss on equity accounted investments	-	-	109,132	83,194
Asset retirement accretion expense	11,664	6,610	10,237	5,161
Foreign exchange translation variances	(329,010)	(329,010)		
Unrealized foreign exchange on cash balance	39,184	17,701	53,616	5,502
Changes in non-cash working capital items:				
Long-term receivables	(211,328)	(93,804)	(996,690)	(1,008,331)
Inventories	(1,884,016)	(1,102,493)	(1,078,630)	2,097,535
Prepaid expenses	(33,989)	(33,989)	70,584	30,029
Accounts payable and accrued liabilities	87,120	180,117	(179,149)	(325,928)
	<u>(1,468,594)</u>	<u>(1,191,283)</u>	<u>(1,027,570)</u>	<u>(521,522)</u>
Investing Activities				
Purchase of equipment	(933,317)	(100,026)	(526,814)	(257,582)
Sale of equipment	191,713	191,713	-	-
Sale of investments	822,537	822,537	19,968	19,968
Deferred mining costs	(388,167)	(180,609)	(477,116)	(217,964)
Mineral property exploration expenditures	(223,430)	126,114	(861,397)	(520,168)
Mineral property and other deposits	-	-	991	991
	<u>(530,664)</u>	<u>859,729</u>	<u>(1,844,368)</u>	<u>(974,755)</u>
Financing Activities				
Common shares issued for cash	25,000	-	-	-
Share issue costs	-	-	-	-
Proceeds of borrowings	3,091,979	2,996,440	459,921	-
Repayment of borrowings	(4,242,888)	(3,535,239)	(502,020)	(11,390)
	<u>(1,125,909)</u>	<u>(538,799)</u>	<u>(42,099)</u>	<u>(11,390)</u>
Increase/(decrease) in cash during the period	(3,125,167)	(870,353)	(2,914,037)	(1,507,667)
Foreign exchange affect on cash	(39,184)	(17,701)	(53,616)	(5,502)
Cash - beginning of period	3,627,136	1,350,839	3,530,818	2,076,334
Cash - end of period	462,785	462,785	563,165	563,165
Supplementary cash flow information:				
Interest paid	447,015	447,015	108,297	49,511

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

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. As at June 30, 2010 the Company has an accumulated deficit of \$34,320,505, after a comprehensive profit for the six months then ended of \$315,125 and for the three months then ended of \$1,350,739. The Company’s cash flows from operating activities may not be sufficient to satisfy its obligations as they come due and meet the requirements of any possible capital investment programs and covenants on its long-term debt. 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 assets or interest in mineral properties, if the mining operations do not generate sufficient cash flows. 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.

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 in Canada, 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 June 30, 2010 were comprised of cash and equivalents, amounts receivable, marketable securities, investments, long term receivable, accounts payable and accrued liabilities and bank debt. 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 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. Amounts receivable and long-term receivables are recognized at amortized cost.

(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. Transaction costs are expensed as incurred.

(iv) Investments

Investments over which the Company does not exercise control or significant influence are classified as available-for-sale.

(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 a short-term loan with the Bank of South Pacific Limited. The loan is repayable in PNG Kina within the next two years pursuant to the terms and conditions more fully described in note 13. Bank debt is recognized at amortized cost, with transaction costs included using an effective interest rate calculation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in companies subject to significant influence are accounted for using the equity method. The equity method is a basis of accounting whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the Company's pro-rata share of post-acquisition income or loss. The amount of the adjustment is included in the determination of net income (loss) by the Company and the investment account of the Company is also increased or decreased to reflect the Company's share of capital transactions and changes in accounting policies and corrections of errors. Profit distributions received or receivable from the investments will reduce the carrying value of the investment. Investments accounted for on the equity basis are written down to their fair value when they have a loss in value that is other than a temporary decline.

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 of:

Equipment	25 – 37.5%
Furniture & Equipment	11 – 37.5%

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred mining costs are associated with grade control and vat leach preparation activities in relation to areas that will be mined or utilized within the next 12 months. Grade control and vat leach costs are deferred and amortized as the mine and utilization occurs, and are included in amortization of deferred mining costs in the statement of operations and deficit.

j) Impairment of Long Lived Assets

Long-lived assets are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When events or circumstances indicate that the carrying amount of long-lived assets, other than indefinite life intangibles, are not recoverable, the long-lived assets are tested for impairment by comparing the estimate of future expected cash flows to the carrying amount of the assets or groups of assets. If the carrying value is not recoverable from future expected cash flows, any loss is measured as the amount by which the asset's carrying value exceeds fair value and recorded in the period. Recoverability is assessed relative to undiscounted cash flows from the direct use and disposition of the asset or group of assets.

Indefinite life intangible assets are subjected to impairment tests on an annual basis or when events or circumstances indicate a potential impairment. If the carrying value of such assets exceeds the fair values, the assets are written down to fair value.

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 New Guinea Gold Ltd ("NGGL") / Goldmines of Niugini Holdings Limited joint venture is required to pay a royalty of 2%. The Company also pays a 1% Net Smelter Royalty ("NSR") to Macmin Silver Ltd ("Macmin") based on its 90% of production. The above joint venture also pays a 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, including assaying and transport to refining.

The royalties and production levy are accrued at the same time the metal sales revenue is recognized. Accrued but unpaid royalties are included in Accounts payable and accrued liabilities. Macmin is in the process (subject to agreement by NGGL) of transferring any rights to this royalty to a creditors trust set up pursuant to a deed of company arrangement for Macmin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Potentially dilutive common shares, relating to the options and warrants outstanding at June 30, 2010 totalled 7,810,000 (June 30, 2009: 33,255,000). 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.

q) Recently adopted Accounting Pronouncements

i) Financial Instruments – Disclosures – Revised section 3862

The amendments to CICA HB 3862 expand the disclosures required in respect of fair value measurements and liquidity risk. The Company has not provided comparative information for these expanded disclosures in the current year in accordance with the transitional relief offered in these amendments. The result of the expanded disclosures required the Company to identify the degree to which the fair value is observable. The Company's analysis is included in Note 4.

ii) Mining Exploration Costs

In March 2009, the Emerging Issues Committee (EIC) issued EIC-174 "Mining Exploration Costs", which provides guidance to mining enterprises related to the measurement of exploration costs and conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of mineral exploration assets.

iii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" was issued, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance. The accounting treatments in EIC-173 did not impact the Company's financial results for the period ended June 30, 2010.

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 January 2009 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.

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. RESTATEMENT

In September 2010 the Company conducted a review of its accounting reporting systems and financial reports lodged. The process included a review of the Company’s financial statements for the June 2010 quarter in conjunction with the preparation of the financial statements for the September 2010 quarter.

This review has resulted in a number of changes to the Group’s June 2010 Consolidated Balance Sheet, Statement of Operations and Deficit, Statement of Cash Flows and supporting notes. These changes are set out as follows:

CHANGES TO CONSOLIDATED BALANCE SHEET

	Previously reported	Change	Restatement
Amounts receivable	601,719	(27,317)	574,402
Marketable securities	4,584,380	(1,512,070)	3,072,310-
Investments	(3,807,831)	3,807,831	-
Mineral properties	6,311,733	(99,954)	6,211,779
Mine development costs	(232,125)	301,871	69,746
Accum. Other comprehensive income	(1,455,659)	2,456,283	1,000,624
Deficit	(34,334,583)	14,078	(34,320,505)

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

3. RESTATEMENT (continued)

CHANGES TO CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

	Previously reported	Change	Restatement
General and Admin.	199,295	(69,270)	130,025
Loss/(gain) on sale of mineral properties & investments	315,611	1,418,900	1,734,511
Loss on disposal of equipment	175,219	(109,232)	65,987
Gain/(loss) on equity accounted investment	-	(159,873)	(159,873)
Foreign exchange loss/(gain)	(71,218)	420,441	349,223
Bad debts	(965,232)	1,297,829	332,597
NET PROFIT/(LOSS)	(3,570,534)	2,937,335	(633,199)

CHANGES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE PROFIT OR LOSS

NET PROFIT/(LOSS)	(3,570,534)	2,937,335	(633,199)
Unrealized gain (losses) on available-for-sale securities (note 7)	(1,507,659)	2,456,283	948,624
Comprehensive profit/(loss) for the period	(34,334,583)	14,078	(34,320,505)

CHANGES TO CONSOLIDATED STATEMENT OF CASH FLOWS

	Previously reported	Change	Restatement
Net profit/(loss) for the period	(3,570,534)	2,937,335	(633,199)
Depreciation and amortization	1,696,197	1,520,600	3,216,797
Loss/(gain) on sale of investment and mineral properties	-	(1,734,511)	(1,734,511)
Loss/(gain) on sale of equipment	-	(65,987)	(65,987)
Loss attributable to equity accounting of associates	-	159,873	159,873
Non-cash finance costs	40,269	201,136	241,405
Bad debts write back	-	(332,597)	(332,597)
Asset retirement accretion expense	12,634	(970)	11,664
Foreign exchange translation (gains)/losses		(329,010)	(329,010)
Amounts receivable (incl. Long term receivables)	(887,717)	676,389	(211,328)
Accounts payable and accrued liabilities	78,239	8,881	87,120
Purchase of equipment	(820,185)	(113,132)	(933,317)
Sale of equipment	183,283	8,430	191,713
Purchase of in securities	2,999,246	(2,999,246)	-

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

3. RESTATEMENT (continued)

CHANGES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Previously reported	Change	Restatement
Sale of investments	361,930	460,607	822,537
Deferred mining costs	(388,168)	1	(388,167)
Mineral property exploration expenditures	(573,310)	349,880	(223,430)
Common shares issued for cash	(25,861)	50,861	25,000
Share issue costs	(861)	861	-
Repayment of borrowings	(3,443,487)	(799,401)	(4,242,888)

The above changes have primarily arisen due to:

Accounting treatment of the Group's investments in Coppermoly Limited, Vangold Resources and other minor shareholdings. In particular, the selling down of the Group's shareholding in Coppermoly and the resultant loss of influence and control has changed the accounting treatment for these shareholdings from equity accounted investments to marketable securities.

Accounting errors, particularly with respect to the treatment of the disposal of the Pacific Kanon interest and other non-current assets, foreign exchange variations and the valuation and classification of non-current assets.

These changes have been effected in June prior to the completion of the financial statements for the September 2010 quarter.

The Group's next audited financial statements will be for the twelve months ending December 31, 2010.

4. 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 and other assets 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.

There have been no changes to the Company's capital management objectives during 2010.

5. 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 \$4,324,434 (December 31, 2009: \$6,532,552) 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 \$462,785 at June 30, 2010 (December 31, 2009: \$3,627,136); \$34,306 was held in Canadian bank accounts (December 31, 2009: \$1,450,661), \$176,356 in Australian bank accounts (December 31, 2009: \$1,680,638) and \$252,123 in PNG bank accounts (December 31, 2009: \$495,837). 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.

Included in short term amounts receivable at June 30, 2010 are reimbursable amounts due from related companies for exploration managed by the Company on the related companies' properties in the amount of \$522,577 (December 31, 2009: \$16,930). The Company has the right to request cash advances for all such work but where the companies 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. Also included in amounts receivable at June 30, 2010 are amounts held in mining and exploration site cash-boxes and GST receivable due from the Canadian, Australian and PNG governments, totalling \$21,881 (December 31, 2009: \$218,003).

Long term amounts receivable at June 30, 2010 of \$3,287,247 (December 31, 2009: \$2,670,146) 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 cash flows from the operation of the mine, management considers any credit risk to be primarily related to the success of the mine operations.

There were no significant credit risk issues relating to metal sales for the Company at the balance date with all customers on short credit terms and no balance in trade debtors at either June 30, 2010 or December 31, 2009.

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 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.

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

5. FINANCIAL INSTRUMENTS RISK (continued)

The following table illustrates the Company's contractual maturity for its financial assets and liabilities as at June 30, 2010 and December 31, 2009.

June 30, 2010	Carrying Value	1 – 6 months	7 – 12 months	1 – 2 years	Over 2 years
	\$	\$	\$	\$	\$
Financial assets					
Cash and equivalents	462,785	462,785	-	-	-
Amounts receivable	574,402	574,402	-	-	-
Financial liabilities					
Accounts payable and accrued liabilities	(1,286,735)	(1,286,735)	-	-	-
Bank debt	(3,845,509)	(3,431,855)	(256,483)	(157,171)	-
Convertible debentures					
Embedded derivatives					
	(4,095,057)	(3,681,403)	(256,483)	(157,171)	-
<hr/>					
December 31, 2009 (Audited)	Carrying Value	1 – 6 months	7 – 12 months	1 – 2 years	Over 2 years
	\$	\$	\$	\$	\$
Financial assets					
Cash and equivalents	3,627,136	3,627,136	-	-	-
Amounts receivable	235,270	235,270	-	-	-
Financial liabilities					
Accounts payable and accrued liabilities	(2,774,617)	(2,774,617)	-	-	-
Bank and short-term debt	(1,653,260)	(761,088)	(278,457)	(613,715)	-
Convertible debentures	(2,805,308)	(2,805,308)	-	-	-
Embedded derivatives	(296,445)	(296,445)	-	-	-
	(3,667,224)	(2,775,052)	(278,457)	(613,715)	-

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 Canadian dollar to PNG kina exchange rate at June 30, 2010 would have an effect on net income of approximately +/- \$186,888.

Items exposed to foreign exchange risk:

	Australian Dollar	PNG Kina
Cash and cash equivalents	196,504	675,337
Bank debt	-	1,847,491

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

5. FINANCIAL INSTRUMENTS RISK (continued)

(ii) Equity Price Risk

The Company is exposed to price risk on its marketable securities investment in Vangold Resources Ltd, Vanoil Energy Ltd, IBC Advanced Alloys Corp. and Coppermoly Ltd. The volatility of this class of shares can be significant and the investment represents approximately 10% 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, on June 30, 2010, had differed by 20%, there would have been a change in other comprehensive income of approximately +/- \$614,400.

(iii) Interest Rate Risk

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

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 June 30, 2010 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 June 30, 2010 balance of bank debt, over the six months, would result in a change to net income of approximately +/- \$439.

(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 exploration and evaluation stage and do not yet have proven reserves commodity based risks in respect of these properties is considered negligible.

Since the Company has begun commercial production on the Mt. Sinivit property the Company is subject to commodity price risk related to the market price of gold. The Company did not have any financial instruments subject to commodity price risk at balance date.

(v) Fair value

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, amounts receivable, marketable securities approximate fair values due to their short-term maturities.

The fair values of other financial instruments are as follows:

	Carrying Value	Fair Value
Bank debt ⁽¹⁾	845,509	845,509

(1) Bank and short-term debt are recognized at floating market interest rates. Fair value is approximate to carrying value.

6. 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.

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 18.5% (December 31, 2009: 21.5%) of the share capital of Coppermoly after selling down its share holding during 2009 and 2010 and Coppermoly raising additional capital. As at June 30, 2010 the Company owed Coppermoly \$3,556 (December 31, 2009: \$716) for exploration expenditures paid for by Coppermoly on the Company’s behalf.

Pacific Kanon Gold Corporation (“PKG”), a private company, acquired the Company’s interest in Kanon Resources Ltd (“Kanon”) for shares in 2007. During the 6 months ended June 30, 2010, the Company completed the sale of its interest in PKG to Vangold Resources Ltd in exchange for 6,046,122 Vangold common shares with a fair value of \$2,116,143 and \$500,000 cash. As part of the sale process all amounts owed by PKG to the Company at the time the sale was first negotiated were written off. At December 31, 2009, the total owed by PKG to the Company was \$1,297,829. The amount related to exploration expenditures, as well as professional and other fees relating to PKG’s planned IPO, paid by the Company on PKG’s behalf. Due to uncertain market conditions at December 31, 2009, the Company had provided for the non-collection of this receivable. PKG ceased to be a related party during the first six months of 2010.

Frontier Resources Ltd (“Frontier”) is an ASX listed company. At January 1, 2010 Frontier had two common directors with the Company. Due to the resignation of Mr Peter McNeil from the Company’s board and the resignation of Mr Robert McNeil from Frontier’s board in January 2010 this is no longer the case and so Frontier ceased to be a related party during the first six months. As at June 30, 2010 Frontier owed the Company \$6,880.02 (December 31, 2009: \$16,214) for exploration expenditures paid for by the Company on Frontier’s behalf.

NMC Mining Corporation (“NMC”), a private company, entered into two agreements with the Company during the period ended June 30, 2010. Details of these agreements are set out below:

On September 16, 2009, and subsequently on February 4, 2010, NGG announced that it had agreed to an amended Option Agreement with NMC whereby NMC could acquire a 50% interest in EL’s 1091 and 1069 by paying to NGG \$1 million cash and providing \$8 million in exploration/development expenditure for the project. This agreement was conditional on renewal of the above licences by the PNG **Government. These licences have now been renewed.**

On April 16, 2010, NGG signed a further agreement with NMC as follows:

- NGG would be granted a 45% interest in Normanby Mining.
- NMC would provide a \$3 million loan to NGG, repayable within 12 months either in cash or, at NGG’s option, in shares at the share price current at the time of repayment. If NGG elects to repay in shares a 24 month warrant, exercisable at 50% above the issue price of the shares will be included.
- Interest rate of 8%
- This loan has since been repaid, subsequent to the end of the quarter (see below).

The intent of these agreements was three-fold:

- They bring new participants to the project who have the ability to raise the necessary funds to develop the Imwauna and Weioko Projects.
- The new shareholders should assist in providing better and wider promotion for NGG and increased financial credibility with the PNG Government.
- The CAD\$3 million will be used to repay the Convertible Note debt (since repaid).

NMC has acquired ownership and control of a total of 26,855,994 units of New Guinea Gold Corporation with each acquired unit consisting of one common share of NGG and one share purchase warrant of NGG, representing approximately 13 per cent of the issued and outstanding common shares of NGG (or approximately 23 per cent on a partially diluted basis, assuming exercise of the acquired warrants only).

At June 30, 2010 NMC and the Company had two common directors. As at June 30, 2010 NMC owed to the Company \$454,030.31 (December 31, 2009: \$Nil) for exploration expenditures paid for by the Company on NMC’s behalf. In addition, as a condition of the above agreements, NMC is also required to pay the Company \$950,000 on or before August 21, 2010.

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

6. RELATED PARTY TRANSACTIONS (continued)

Goldmines of Niugini Holdings Limited (“GMNH”) is the 10% joint venture partner in the Mt Sinivit mine. At June 30, 2010 GMNH owed the Company \$3,287,247 (December 31, 2009: \$2,670,146). Refer to note 10 for further details.

All balances owing to the Company in relation to related party transactions at June 30, 2010 and December 31, 2009 were included in amounts receivable, long term receivables or accounts payable and accrued liabilities on the balance sheet.

7. INVENTORIES AND DEFERRED MINING COSTS

Inventories and deferred mining costs classifications

	<u>June 30, 2010</u>	<u>December 31, 2009 (Audited)</u>
	\$	\$
Work in progress	7,379,458	5,594,372
Consumables	223,456	124,616
Inventories	<u>7,603,004</u>	<u>5,718,988</u>

8. MARKETABLE SECURITIES

June 30, 2010	Number of Marketable Securities	Initial fair value \$	Adjust fair value \$	Disposals \$	Equity accounted losses \$	Fair Market Value \$
Vangold Resources Ltd ⁽¹⁾⁽²⁾	6,219,455	2,214,943	(1,344,219)	-		870,724
Vanoil Energy Ltd ⁽¹⁾	61,110	-	43,999		-	43,999
IBC Advanced Alloys Corp ⁽¹⁾	146,068	-	19,719		-	19,719
Coppermoly Ltd ⁽³⁾	25,473,684	416,364	2,057,378	(347,748)	(159,873)	1,966,121
Coppermoly Ltd options	9,568,422	-	171,747		-	171,747
Marketable securities		<u>2,631,307</u>	<u>948,624</u>	<u>(347,748)</u>	<u>(159,873)</u>	<u>3,072,310</u>

December 31, 2009 (Audited)	Number of Marketable Securities	Cost Base \$	Impairment \$	Accumulated Other Comprehensive Income \$	Fair Market Value \$
Vangold Resources Ltd ⁽¹⁾	520,000	224,866	(178,066)	52,000	98,800
Marketable securities		<u>224,866</u>	<u>(178,066)</u>	<u>52,000</u>	<u>98,800</u>

(1) The Company’s original stockholding in TSX Venture Exchange listed company Vangold Resources Ltd. (“Vangold”) was split after Vangold completed a Plan of Arrangement on January 4, 2010. As part of the arrangement:

- the Company received 0.1175 shares in new TSX Venture Exchange listed company Vanoil Energy Ltd for every Vangold common share held (520,0000 x 0.1175);
- the Company received 0.2809 of a share in TSX Venture Exchange listed company IBC Advanced Alloys Corp for every Vangold common share held (520,0000 x 0.2809); and
- Vangold common shares were consolidated on a 1 for 3 basis (520,000 ÷ 3).

(2) On January 29, 2010 the Company completed the sale of its interest in Pacific Kanon Gold Corporation. As part of the sale proceeds the Company received 6,046,122 common shares in Vangold. The shares were valued using the closing market price for January 29, 2010. These Vangold shares were subject to a hold period expiring May 30, 2010.

(3) As at January 31, 2010, 29,473,683 Coppermoly shares were released from escrow and were then fully marketable. During the period to June 2010, 4 million Coppermoly shares were sold to yield \$364,750 (less costs) to the Company and the Company’s interest declined from 21% to 18.5%. As a subsequent event, a further 4.5 million shares were sold to yield \$555,000 and the Company’s interest declined from 18.5% to 15%.

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 an other than temporary basis, in which case an impairment loss is expensed in the relevant period.

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

9. MINING AND OTHER DEPOSITS RECEIVABLE

This amount is primarily 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, and utilities for, business premises.

10. DEFERRED MINING COSTS

	June 30, 2010	December 31, 2009 (Audited)
	\$	\$
Deferred grade control	2,804,670	1,905,560
Less: accumulated deferred grade control amortization	(2,804,670)	(1,537,558)
Vat leach preparation costs	2,763,625	1,845,557
Less: accumulated vat leach preparation costs amortization:		
Expensed through statement of operations as amortization expense	(2,621,876)	(1,112,287)
Capitalised as mine development costs	-	(159,191)
Deferred mining costs	141,749	942,081

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.

11. LONG TERM RECEIVABLE

	June 30, 2010	December 31, 2009 (Audited)
	\$	\$
Goldmines of Niugini Holdings Limited ("GMNH")		
Balance at start of year	2,670,146	1,879,325
Interest charge	178,765	335,167
Additional advances	411,196	455,654
Foreign currency exchange difference	27,140	-
Balance at end of period	3,287,247	2,670,146

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 June 30, 2010 plus applicable interest charges. At June 30, 2010 interest was being charged at 12.95% (December 31, 2009: 12.95%), the same rate as the Company's cost of finance in PNG. The Company accrued \$479,304.00 of interest in the six months ended June 30, 2010 (six months ended June 30, 2009: \$162,196) 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 cash flows from mine operations.

12. INVESTMENTS

	June 30, 2010	December 31, 2009 (Audited)
Investments carried at Cost	\$	\$
<i>Goldmines of Niugini Holdings Limited</i>		
Investment at cost	72,850	72,850
Impairment loss ⁽²⁾	(72,850)	(72,850)
	-	-

(1) NMC Mining Corporation

On June 8, 2010, NGG were issued with 15,682,269 special warrants in NMC Mining Corporation pursuant to the Asset Purchase Agreement (see note 18 and page 12 of the MD&A for further information). The warrants are escrowed and convertible to shares on completion of the Asset Purchase Agreement (as a subsequent event on August 4, 2010).

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

12. INVESTMENTS (Continued)

(2) Due to market conditions at December 31, 2009 and uncertainty at that date, the Company, assessed the value of this investment in Goldmines of Niugini Holdings Limited to be \$nil, and recognized an impairment loss of \$72,850.

(3) In 2009 the Company disposed of its additional shares acquired in Coppermoly's IPO. 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 declined from approximately 47% to approximately 21%; and as a result the Company recorded a dilution gain of \$542,654, and received proceeds from the sale of shares of \$387,841. During 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 declined from approximately 59% to approximately 47%; as a result the Company recorded a dilution gain of \$2,208,298.

In the six months ended June 30, 2010 the Company disposed of 4 million shares, as a result the Company received proceeds from the sale of shares of \$364,750 (less costs) and the Company's interest in Coppermoly declined from 21% to 18.5%. The resultant loss of control or influence means the Company's shareholding in Coppermoly is accounted for as a marketable security and taking up a share of of equity accounted profits or losses it is no longer applicable.

13. EQUIPMENT

		June 30, 2010		
		Cost	Accumulated Amortization	Net Book Value
		\$	\$	\$
Equipment		8,045,407	4,056,146	3,989,261
Furniture and fixtures		-	-	-
		8,045,407	4,056,146	3,989,261
		December 31, 2009 (Audited)		
		Cost	Accumulated Amortization	Net Book Value
		\$	\$	\$
Equipment		7,326,699	3,639,490	3,687,209
Furniture and fixtures		12,467	10,308	2,159
		7,339,166	3,649,798	3,689,368

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

14. BANK AND SHORT-TERM DEBT

	Due to Bank of South Pacific Limited					Totals
	Business Asset Loan	Insurance premium funding	Fully drawn advance (FDA)	NMC Mining Corp. Short term funding	Vangold Short term funding	
June 30, 2010	\$	\$	\$	\$	\$	\$
Balance owing at start of period	980,481	60,669	-	-	-	1,041,150
Additional funds borrowed	-	-	-	3,000,000	-	3,000,000
Repayments/reclassifications	(315,883)	(36,929)	-	-	-	(352,812)
Balance owing at end of period	<u>664,598</u>	<u>23,740</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>3,688,338</u>
Classified as:						
Current	507,427	23,740	-	3,000,000	-	3,531,167
Long-term	157,171	-	-	-	-	157,171
December 31, 2009 (Audited)	\$	\$	\$	\$	\$	\$
Balance owing at start of year	-	76,401	1,379,988	-	-	1,456,389
Additional funds borrowed	1,153,260	-	-	-	500,000	1,633,260
Repayments	-	(76,401)	(1,379,988)	-	-	(1,456,389)
Balance owing at end of year	<u>1,153,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>1,653,260</u>
Classified as:						
Current	539,545	-	-	-	500,000	1,039,545
Long-term	613,715	-	-	-	-	613,715
<u>Interest and other charges</u>	\$	\$	Debentures	\$	\$	\$
June 30, 2010						
Cash interest and other charges paid during period	65,244	4,328	275,104	-	-	344,676
June 30, 2009						
Cash interest and other charges paid during period	-	3,078	105,219	-	-	108,297

Contractual maturities are disclosed in note 4.

The Business Asset Loan is a \$1,161,000 (3 million Kina) facility secured by a fixed and floating charge over the assets of the Company. As at June 30, 2010 the Company had drawn down \$1,111,121 (2,851,076 Kina). The variable interest rate charged is the Bank's prevailing indicator lending rate + 2%, for the 6 months ended June 30, 2010 this was calculated to be 12.95% per annum. The facility was taken up in December 2009 and is repayable in equal monthly instalments of \$52,798 (135,478 Kina) over 2 years.

The Insurance premium funding loan is unsecured with a term of 9 months and a fixed interest rate of 12.95% per annum.

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

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 bank charges of \$3,623 (six months ended June 30, 2009: \$3,300).

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

15. ASSET RETIREMENT OBLIGATIONS

At June 30, 2010 the estimated total undiscounted cash flows required to settle asset retirement obligations were \$207,870 a (December 31, 2009: \$203,256). At this stage it is anticipated that expenditures to settle asset retirement obligations will likely be incurred some time after December 31, 2010. Estimated cash flows have been discounted using an annual credit-adjusted risk-free rate of 12% per annum and have been inflated using an inflation rate of 5% per annum. Changes to asset retirement obligations were as follows:

	June 30, 2010	December 31, 2009 (Audited)
	\$	\$
Beginning of period	196,206	175,818
Liabilities incurred		-
Accretion expense	12,634	20,388
End of period	207,870	196,206

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

16. CONVERTIBLE DEBENTURES

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

In addition, to the stated interest rate, in the event that the average price of gold, based on the London Gold Fix during the term of the debenture exceeds US\$800/oz, the Company shall on the maturity date, pay to each 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\$1,000/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 was 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 June 30, 2010 the Company has made one payment of \$500,000 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 first tranche of the financing closed on December 22, 2008 and raised gross proceeds of \$2,438,000. The Company paid cash commissions of \$219,420, the work fee of \$7,500, legal and other costs of \$67,458 and issued 1,462,800 warrants. The fair value of the warrants, estimated to be \$128,288 was calculated using the Black-Scholes option pricing model using the assumptions described in note 17.

The second tranche of the financing closed on January 23, 2009 and raised gross proceeds of \$562,000. The Company paid cash commissions of \$50,580, being 9% of the gross proceeds of the offering, legal and other closing costs of \$19,903 and issued 337,200 warrants. The fair value of the warrants, estimated to be \$53,851 was calculated using the Black-Scholes option pricing model using the assumptions as described in note 17.

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

16. 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. On issue of the first tranche the fair value of the components of the convertible debentures, associated embedded derivative, and conversion feature were \$2,227,931, \$60,002, and \$150,067 respectively. The initial fair value was based on the 100% probability that gold prices would be greater than US\$800, but less than US\$1,000. Following the observed gold prices in 2009, the Company determined that that the probability of gold prices exceeding US\$1,000 was now 100% and that both the 3% and 5% bonuses would be paid. This resulted in an increase in the first tranche’s embedded derivative fair value increasing by \$206,373, which is included in financing costs within the consolidated statement of operations.

As a result the Company has determined the fair value of the second tranche debentures and associated embedded derivative to be respectively \$493,655 and \$37,753 respectively, and allocated \$30,592 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 of \$109,213, \$8,352, and \$6,767 respectively. The net proceeds for the debenture, embedded derivative, and equity component on initial recognition are \$384,442, \$29,401, and \$23,824 respectively. The Company has determined that at the date of issue of the first tranche there was a 100% probability that both the 3% and 5% bonus payments would be paid.

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.

The debentures are convertible into 15,000,000 common shares of the Company.

The first part of the Agreement signed with NMC Mining Corporation (NMC) and its PNG subsidiary Normanby Mining PNG Ltd on April 16, 2010, i.e. a loan of \$3 million, closed on June 8, 2010. NMC paid out the \$3 million "Bolder Investment Partners" convertible note on June 9, 2010. The Company paid out the interest component including the 10% regular interest and 8% bonus interest, total \$385,178.62. In a subsequent event in August 2010, the \$3 million loan from NMC was repaid (see Note 22 – subsequent events).

For completeness, details of the outstanding amounts of the debentures, embedded derivatives and conversion feature at March 31, 2010 and December 31, 2009 are summarized as follows:

June 30, 2010	Debentures	Embedded Derivative	Equity Component (conversion feature)	Totals
	\$	\$	\$	\$
Carrying values at June 30, 2010	-	-	-	-
December 31, 2009 (Audited)	\$	\$	\$	\$
Fair values at issue	2,721,586	97,755	180,659	3,000,000
Proportional transaction costs	(495,460)	(18,754)	(32,784)	(546,998)
	2,226,126	79,001	147,875	2,453,002
Financing costs	868,530	-	-	868,531
Fair value adjustment	-	217,444	-	217,444
Interest payments	(289,348)	-	-	(289,348)
Carrying values at December 31, 2009	2,805,308	296,445	147,875	3,249,629

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (OCI)

	June 30, 2010	December 31, 2009 (Audited)
Accumulated OCI - beginning of period	\$ 52,000	\$ -
Total unrealized gains/(losses) for period	948,624	52,000
Accumulated OCI – end of period	1,000,624	52,000

18. SHARE CAPITAL AND RELATED INFORMATION

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

b) **Issued and outstanding:**

	Number of Shares	Amount \$	Contributed Surplus \$
Balance, December 31, 2008	156,242,480	43,277,467	4,263,780
Issued for:			
Private placements	31,208,334	3,481,275 ⁽¹⁾	-
Equity component of convertible debentures issued (note 15)	-	-	23,824
Stock-based compensation	-	-	796,257 ⁽²⁾
Fair value of agent’s warrants issued on the convertible debentures (note 15)	-	-	53,851 ⁽³⁾
Balance, December 31, 2009	187,450,814	46,758,742	5,137,712
Private placements	14,252,083	1,600,000 ⁽¹⁾	-
Loan bonus shares	5,454,545 ⁽²⁾	600,000	-
Balance, June 30, 2010	207,157,442	48,358,742	5,137,712

June 30, 2010 notes:

- (1) Includes the issue of 918,750 common shares with a fair value of \$110,250 as commission payable at 7% of gross proceeds of the private placements. The shares were issued on January 20, 2010. The shares were valued using the closing share price for that day.
- (2) On June 8, 2010 NGG issued NMC Mining Corp 5,454,545 common shares with a fair value of 11 cents, being 20% of the \$3 million loan amount from NMC Mining Corp, as consideration for advancing the loan. See Note 6 – related parties and Note 22 – subsequent events for further details.

December 31, 2009 notes:

- (1) Includes the issue of 2,041,667 common shares with a fair value of \$285,833 as commission payable at 7% of gross proceeds of the private placements. The shares were issued on November 24, 2009. The shares were valued using the closing share price for that day.
- (2) Comprised of the 3,830,000 employee options granted in February 2009 (note 17(c)).
- (3) Comprised of the 337,200 agent’s warrants issued in January 2009 in relation to the convertible debenture financing (note 15).
- (4) The Company completed a private placement of 13,333,333 common shares units at a price of \$0.12 per unit for gross proceeds of \$1,600,000. Of this amount, \$1,575,000 was received prior to December 31, 2009 and has been included in the balance sheet as “Shares to be issued” (note 23).

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

18. SHARE CAPITAL AND RELATED INFORMATION (continued)

As a subsequent event, on August 4, 2010, 26,855,994 shares were issued to NMC as repayment for the \$3 million loan plus accumulated interest of \$27,651.

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. No stock options were granted during the six months ended June 30, 2010. Of the 3,830,000 stock options issued during the year ended December 31, 2009 1,970,000 were granted to employees, 1,530,000 to directors and 330,000 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 six months ended June 30, 2010 and the year ended December 31, 2009:

	June 30, 2010		December 31, 2009 (Audited)	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance – beginning of period	7,050,000	0.31	5,660,000	0.36
Granted	-	-	3,830,000	0.29
Exercised	-	-	-	-
Cancelled / expired	(1,040,000)	0.31	(2,440,000)	0.39
Balance – end of period	<u>6,010,000</u>	<u>0.31</u>	<u>7,050,000</u>	<u>0.31</u>
Exercisable – end of period	<u>6,010,000</u>	<u>0.31</u>	<u>7,050,000</u>	<u>0.31</u>

Details of the exercise prices and expiry dates of options outstanding at June 30, 2010 are as follows:

Expiry Date	Outstanding Options			Exercisable Options	
	Exercise Price	Number of Options	Weighted average remaining life	Number of Options	Weighted average remaining life
February 2, 2011	\$0.23	50,000	0.6 years	50,000	0.6 years
July 25, 2011	\$0.30	150,000	1.1 years	150,000	1.1 years
December 11, 2011	\$0.33	1,180,000	1.5 years	1,180,000	1.5 years
April 14, 2013	\$0.43	950,000	2.8 years	950,000	2.8 years
February 3, 2014	\$0.29	3,680,000	3.5 years	3,680,000	3.5 years
		<u>6,010,000</u>	<u>1.9 years</u>	<u>6,010,000</u>	<u>1.9 years</u>

There have been no stock options granted so far in 2010. The stock options granted during 2009 were ascribed a fair value of \$796,257 using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2009 (Audited)
Risk-free interest rate	2.1%
Estimated volatility	78%
Expected lives	5 years
Expected dividends	\$nil

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

18. SHARE CAPITAL AND RELATED INFORMATION (continued)

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair values of grants of the Company's stock options.

d) Warrants

Warrant activity for the six months ended June 30, 2010 and the year ended December 31, 2009:

	June 30, 2010		December 31, 2009 (Audited)	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		\$		\$
Balance – beginning of period	8,200,000	0.48	10,580,404	0.52
Granted	-	-	337,200	0.20
Exercised	-	-	-	-
Cancelled / expired	(6,400,000)	0.55	(2,717,604)	0.60
Balance – end of period	<u>1,800,000</u>	<u>0.32</u>	<u>8,200,000</u>	<u>0.48</u>

Details of the exercise prices and expiry dates of the warrants outstanding at June 30, 2010 are as follows:

Expiry Date	Exercise Price	Number of warrants	Weighted average remaining life
December 22, 2010	\$0.20	1,462,800	0.5 years
January 23, 2011	\$0.20	337,200	0.6 years
		<u>1,800,000</u>	<u>0.55 years</u>

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

There have been no warrants granted so far in 2010. The fair value of warrants granted during 2009 were calculated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2009 (Audited)
Risk-free interest rate	1.24%
Estimated volatility	110%
Expected lives	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.

As a subsequent event 26,855,994 warrants were issued to NMC on August 4, 2010 as part repayment of the \$3 million loan plus interest. These warrants are exercisable at \$0.225 before August 4, 2012.

Notes to Consolidated Financial Statements
For the Six Months ended June 30, 2010 and 2009

19. MINERAL PROPERTIES

	Balance, December 31, 2008 (Audited) \$	Expenditures (Re-allocations /income) \$	Balance, December 31, 2009 (Audited) \$	Expenditures (Re-allocations /income) \$	Balance, June 30 2010 \$
Mt. Sinivit					
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⁾	10,753,397	-	10,753,397	-	10,753,397
Development income from gold sales	(652,429)	-	(652,429)	-	(652,429)
Transferred to inventories (note 6)	(2,729,554)	-	(2,729,554)	-	(2,729,554)
Additions to mine rehabilitation provision (note 15)	160,758	-	160,758	-	160,758
Amortize Life-of-Mine costs	(1,981,163)	(4,235,473)	(6,216,636)	(1,218,729)	(7,435,365)
	<u>6,361,426</u>	<u>(4,235,473)</u>	<u>2,125,953</u>	<u>(1,218,729)</u>	<u>907,224</u>
Reallocation of costs	<u>(491,971)</u>	<u>-</u>	<u>(491,971)</u>	<u>(345,507)</u>	<u>(837,478)</u>
Total mine development costs	<u><u>5,869,455</u></u>	<u><u>(4,235,473)</u></u>	<u><u>1,633,982</u></u>	<u><u>(1,564,236)</u></u>	<u><u>69,746</u></u>

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

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

At June 30, 2010 the Company had various direct interests in seven exploration projects in Papua New Guinea through its wholly-owned subsidiary New Guinea Gold Ltd and joint venture arrangements with Vangold Resources Ltd and Gold Anomaly Ltd. The Company had a 90% interest in one, a 100% interest in two of the projects (subject to agreements with NMC – see page 12 of MD&A), a 10% interest in another two properties and 5% interests in three projects. Further details are provided below and in note 23 Subsequent Events.

In addition, the Company has indirect interests in a further three tenements by way of its shareholding in Coppermoly Ltd.

The Company is conducting operations on the Sinivit property, and has had exploration activity on Normanby and Sehulea projects during the quarter:

Note: Exploration/Development at the Normanby, Sehulea, Mt Penck and other categories of exploration expenditure shown in earlier Financial Statements are now funded by NMC Mining Corp and Vangold Resources Ltd.

19. 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, a mining easement and a lease for mining purposes. As at December 31, 2009 the Company is committed to perform exploration work to the value of \$27,000, within the next 2 years, to maintain current rights of tenure to this exploration property.

The Company is in the process of optioning out and/or selling the following projects:

Normanby and Sehulea

The Normanby Licence covers approximately 68 square kilometres on Normanby Island, Milne Bay Province. The Company submitted a feasibility study to the PNG government in April 2010 for the further development of the Normanby properties.. 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 June 30, 2010 the Company has already met its expenditure to maintain current rights of tenure to this exploration property for the next 12 months.

In February and April 2010 the Company entered into agreements in respect to the Normanby and Sehulea projects. For details see page 12 of the MD&A.

Properties subject to free carried interests

Mt Penck, Fergusson and Allemata

On February 1, 2010 the Company announced the closing of the sale of its interest in Pacific Kanon Gold Ltd, and the associated interests in certain mineral properties to Vangold Resources Ltd for \$500,000 cash and 6,046,122 common shares. The Company will retain a 5% carried interest to bankable feasibility in the Mt Penck, Allemata and Fergusson Properties.

Crater Mountain

Originally optioned by agreement dated 6 January 2004 to Celtic Minerals Ltd., a company listed on the TSX Venture Exchange, which acquired an 86.25% interest by expending \$4,000,000 on exploration prior to 1 August 2007. New Guinea Gold Limited's 13.75% stake has reduced to a 10% carried interest to bankable feasibility.

Gold Anomaly, a company listed on the Australian Stock Exchange (ASX), has acquired the rights to, and is the current operator of, the Crater Mountain joint venture. The Company continues to holds a 10% free carried interest in the project to bankable feasibility.

NSR and production bonus in respect of certain Mineral Properties

Sinivit (NGG's 90% interest), Normanby, Sehulea and Crater Mountain are each subject to a 1% NSR payable to Macmin.

Notes to Consolidated Financial Statements
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20. SEGMENTED INFORMATION

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

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

	June 30, 2010			
	Papua New Guinea	Canada	Australia	Total
	\$	\$	\$	\$
Equipment	3,989,261	-	-	3,989,261
Mineral Properties	6,211,779	-	-	6,211,779
Long term receivables	-	3,287,247	-	3,287,247
Marketable securities	-	934,442	2,137,868	3,072,310
Other	7,975,742	446,304	534,046	8,956,092
Total Assets	18,176,782	4,667,993	2,671,914	25,516,689
Revenues, net	2,929,970	-	-	2,929,970

	December 31, 2009 (Audited)			
	Papua New Guinea	Canada	Australia	Total
	\$	\$	\$	\$
Equipment	3,685,157	4,211	-	3,689,368
Mineral Properties	7,760,350	-	-	7,760,350
Other	10,115,918	2,325,061	2,096,286	14,537,265
Total Assets	21,561,425	2,329,272	2,096,286	25,986,983
Revenues, net	6,872,535	-	-	6,872,535

21. 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 courts 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. If any amounts are subsequently determined to be payable they will be recognized in the period in which the dispute is resolved.

22. SUBSEQUENT EVENTS

Normanby EL1091 renewed by Mineral Resources Authority, PNG, June 21, 2010 for a period of two years to April 25, 2012.

On August 4, 2010 NGG issued to NMC 26,610,723 common shares and 26,610,723 warrants as repayment of a \$3 million loan (Note 18). NGG also issued an additional 245,271 common shares and 245,271 warrants in respect of interest owed on the loan. The warrants are for 24 months with a strike price of \$0.225.

During the period July 20-22, 2010 NGG sold 4,500,000 Coppermoly shares reducing their shareholding to 15.28%.

On August 25, 2010 NMC paid to NGG \$1,394,030.30 being cash payment as part of the first joint venture agreement plus reimbursement of exploration expenditures made by NGG on NMC's behalf. An amount of \$10,000 was deducted from the amounts owing to NGG for legal fees owed to NMC by NGG.