

NEW GUINEA GOLD CORPORATION

Management Discussion & Analysis For the Quarter Ended March 31, 2011

INTRODUCTION

This document has been amended to clarify the Company's position and performance and to better meet the standards under which it reports. More detail has been provided in relation the company's operations and forward-looking statements.

The following Management Discussion and Analysis of New Guinea Gold Corporation's ("NGG" or "the Company") financial position is for the three-month period ended March 31, 2011 compared to March 31, 2010. This discussion should be read in conjunction with the attached Condensed Consolidated Interim Financial Statements and related "Notes to the Condensed Consolidated Interim Financial Statements" which have been prepared in accordance with IAS 34 Interim Financial Reporting. These are the Company's first IFRS condensed consolidated interim financial statements for the period covered by the first IFRS annual financial statements and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. The condensed interim financial statements do not include all the information required for full annual financial statements. The original report was dated May 21st 2011.

The technical information in the Management Discussion and Analysis was prepared under the direction of Robert D. McNeil, Acting CEO, a Fellow of the Australasian Institute of Mining and Metallurgy and a "qualified person" as defined by National Instrument 43-101.

This discussion includes certain statements concerning exploration and precious metal recovery 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.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information, including, but not limited to: -

- Failure to establish further economic mineral resources;
- Delays or failure in obtaining extensions to required government approvals and permits;
- Changes in national or local governmental legislation or regulation;
- Changes in taxation or other government levies;
- Political or economic instability or other acts of civil unrest;
- Terrorism;
- Inflation;
- Changes in currency exchange;
- Fluctuation in commodity prices; and
- Delays in the development of projects.

In addition forward-looking statements are based on various assumptions including but not limited to: -

- The expectations and beliefs of management;
- The assumed long-term price of commodities;
- The continuity of approvals and permits issues by governments;
- Access to financial capital; and
- Access to appropriate equipment and labour.

Should any of the risks or uncertainties materialise or any of the underlying assumptions prove incorrect, actual results may vary from materially from those described herein. Readers are advised not to place undue reliance on forward-looking statements and except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information.

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 June 24 2011 unless otherwise indicated.

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DISCUSSION

Overall operational performance has improved significantly at the Sinivit Mine since the Management Discussion and Analysis for Q1 2010 as reported in the Q4 2010 and 2010 Management Discussion and Analysis. An independent consultant's report from Mining Associates Ltd of Brisbane to evaluate the status of the Sinivit Mine, its potential for future development and the exploration targets at depth and elsewhere on the property was commissioned in February. Their report was received April 18, 2011 and results disclosed in a news release dated May 3, 2011.

Agreements signed with NMC Mining Corporation (NMC) and its PNG subsidiary, Normanby Mining PNG Ltd in 2010 were finalized for Exploration Licences 1091 and 1069. NMC initiated an aggressive exploration program on Normanby Island in the first quarter 2011 with exploration services being supplied by the Company on a cost recovery basis plus an administration fee. Under the terms of the NMC Option Agreement it must spend \$8,000,000 in exploration expenses over 3 years including \$2,500,000 in the first year of the option, ending August 24, 2011.

In a subsequent event (see "Subsequent Events"), NMC merged with International Silver Ridge Resources Limited to become PNG Gold Corporation ("PGK"), a publicly traded company on the TSX-Venture Exchange. The Company holds 15,682,269 shares of PNG Gold, approximately 18.9% of the issued and outstanding shares.

Sinivit Gold Production

First Quarter 2011 gold production from the Sinivit Mine was 1,970.50 ozs (silver 322.53 ozs), a 28% increase over gold production in Q1 2010.

In 2010 NGG adopted a revised procedure of reporting gold production. Previously gold had been reported for the month in which it had been predominantly processed to doré bars. This has led, in the past, to inconsistencies between quarterly accounts and announced gold production. As from January 1, 2010, the Company started reporting gold in the month in which it is sold.

The gold and silver production by month was as follows:

	<u>Gold (ozs)</u>	<u>Silver (ozs)</u>
January	480.63	72.44
February	898.30	146.51
March	591.57	103.58

The weighted average gold purity of doré was 31.87%.

Kavursuki Exploration

The Kavursuki prospect lies 1.5 to 2.0 km north of the Sinivit Mine and represents the continuation of the Sinivit mineralization. A trenching and drilling program has been progressing on Kavursuki since 2010. On March 23, 2011 detailed exploration results were announced for Kavursuki. These results included trench channel samples as high as 14m at 10.21g/t gold and drill results such as 5.25m at 9.45g/t gold.

21 diamond core holes and in excess of 3,000m of excavator trenching confirmed a continuous, mineralised structural zone up to 50m in width, and one kilometer in length, variably silicified and mineralised with gold and silver. The Kavursuki Zone is probably continuous with the northern extension of the Sinivit Zone, but because of steep topography, this has not yet been confirmed by drilling.

All drill hole summary results are shown in the March 23, 2011 Press Release, and at www.newguineagold.ca. Best results included:

- 20.3m at 3.28g/t gold including 8m at 6.49g/t gold;
- 5.25m at 9.45g/t gold including 2.6m at 13.74g/t gold;
- 8.1m at 4.06g/t gold including 0.9m at 12.05 g/t gold;
- 4.1m at 2.65g/t gold; 13.4m at 1.92g/t gold; and
- 1.12m at 33.7g/t gold.

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28 trenches were excavated on or near the Kavursuki mineralised zone, of which, except for Trench H, all contained at least one 2.0m sample greater than 0.5g/t gold. Significant results include:

- 28m at 19.42 g/t gold, including 4m at 118.50 g/t gold (note – this trench partly follows the strike of the vein)
- 16m at 2.79g/t gold;
- 4m at 13.72g/t gold;
- 32m at 2.17g/t gold;
- 14m at 10.21g/t gold including 4m at 26.13g/t gold;
- 10m at 3.8g/t gold;
- 12m at 12.29g/t gold including 4m at 20.35 g/t gold;
- 20m at 8.08g/t gold including 4m at 20.35g/t gold;
- 38m at 5.2 g/t gold including 4m at 21.15 g/t gold; and
- 4m at 12.02g/t gold including 2m at 21.15g/t gold.

Mineralized zones contain 0.1g/t gold or more throughout the 1,000m long Kavursuki prospect. Higher grade lenses within this zone are less extensive, and vary from less than 1m to 10m in width. These higher grade zones vary rapidly along strike in terms of grade and width, but up to March 23, 2011 three high grade zones have been defined at surface. Two zones are towards the northern end, and one zone is in the central part of Kavursuki, near Hole 19 and the trench with 4m grading 118.5g/t gold. Drilling is wide-spaced over much of the one kilometer length and it is anticipated that closer spaced drill holes will locate further high grade zones.

In a subsequent event, on April 19, 2011, NGG announced further results from Kavursuki drilling. The news release reported assays from hole KVD025 which intersected 28.3 m at 5.79 g/t gold including 4.2m grading 31.74 g/t gold near the north end of the prospect.

Process Enhancement

The introduction of heap leaching in 2010 to supplement and replace vat leaching continued to provide lower operating costs compared to the first quarter 2010. The Company is also investigating the conversion of the gold recovery process to agitated vat leaching and CIL processing to improve recoveries as outlined in the Mining Associates Independent Technical Review. The Mining Associates Report suggested 90% of gold may be recoverable from this type of process plant and that a circuit to recover tellurium could be incorporated with a new gold process.

Tellurium Recovery

World Industrial Minerals of Denver, Colorado completed preliminary analysis of samples excavated from leached vats at Sinivit in January 2011. In a brief report to the Company they noted encouraging recoveries of tellurium from bench scale leach tests using sulphuric acid. The weighted average of 13 vat samples totaling 50.0 kg of material was 152.6 ppm tellurium. No further discussions have progressed since receipt of the report in the first quarter.

RESULTS OF OPERATIONS

The Company's net loss for the quarter ended March 31, 2011 was \$1,070,257 or \$0.00046 per common share compared to a net loss of \$154,666, or \$0.0008 per common share, for the same period last year. The Company received \$3,202 in interest payments and \$417,003 in finance revenue and other income, compared to \$891,976 for the quarter ended March 31, 2010. Interest revenues fluctuate according to the amount of funds held in deposit and the interest rates attained during the period. The net operating loss for the period was \$1,070,257, which included metal sales, net of refining, and royalty costs, and non-cash deferred mining costs amortization and equipment depreciation charges totalling \$205,057.

The difference between the net loss for the quarter ended March 31, 2011 and the net loss for the same period in 2010 was \$915,591 and was attributable to the reduced net loss from mining operations mentioned above that was offset in the comparison period by the Company's realisation of a profit on the disposal of its investment in Pacific Kanon Gold Corp of \$1,899,723. The improvement in the mining operations net result was mainly attributable to higher hold revenue from higher gold production compared to 2010.

The Company's general and administrative costs were broadly in line with the previous year.

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Reconciliation of Net Loss to EBITDA ¹	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	\$	\$
Net loss for the year	(1,070,257)	(154,666)
Financing costs	(17,664)	(273,051)
Interest income	3,202	95,708
Total impairments	-	-
Total amortization and depreciation expenses	216,318	1,937,889
EBITDA	(868,401)	(1,605,880)

Summary of Quarterly Results (Unaudited) for the quarters ended June 30, 2009 to March 31, 2011:

	2011 IFRS	2010 Canadian GAAP				2009 Canadian GAAP		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Gross revenue	2,647,833	2,634,825	1,998,495	1,526,149	1,449,078	1,638,374	1,426,246	2,450,745
Interest & other income	417,003	284,838	262,799	256,251	159,452	118,591	132,963	272,968
Net profit/(loss)	(1,070,257)	(2,351,007)	(3,972,865)	(478,533)	(154,666)	(4,008,201)	(1,176,398)	(3,643,591)
Basic/diluted profit/(loss) per share	(0.0045)	(0.01)	(0.02)	(0.0025)	(0.00)	(0.03)	(0.01)	(0.02)

Over the quarters shown above the gross revenue has been steadily increasing as gold production has increased due to more crushed ore being available to leach. Over this period the gold price has also increased. The costs of operations and administration have not increased on a commensurate basis because the scale of operations has not altered materially. Significant factors in the changes in Net profit / (loss) over the quarters include: -

- 2009 Q2 – a material reduction in the value of inventory held on site which resulted from a downwards revision of the likely recoveries from previous estimates;
- 2010 Q1 & Q2 – the profits realised on the disposal of investments;
- 2010 Q3 – the loss realised on the disposal of investments;
- 2010 Q4 – the impairment of a receivable relating to moneys owing by Goldmines of Niuguini Holdings Limited which were to be recovered from revenues from high production levels. It is now viewed that production levels will not reach a level high enough to trigger the repayments in the foreseeable future and so the receivable was written off
- 2011 Q1 – higher gold production, higher realised gold prices and reduced operating costs (see detailed discussion above).

¹ EBITDA is a non-GAAP financial measure that does not have any standardized meaning under IFRS. It represents an indication of the entity's capacity to generate income from operations before taking into account management's financing decisions and costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life. Accordingly, EBITDA comprises revenues less operating costs before interest expense, capital asset amortization and impairment charges, and income taxes. Management provides this measure as an approximation of cash earnings without accrual accounting, canceling tax-jurisdiction effects, and canceling the effects of different capital structures.

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FINANCIAL CONDITION

At March 31, 2011, the Company had working capital of \$8,635,683 (March 31, 2010: \$4,256,436). The change in working capital between the two periods is principally due to the repayment of debentures and embedded derivatives in 2010. Cash was also lower at the end of the current quarter at \$1,118,003 (March 31, 2010: \$1,350,839). Accounts payable and accrued liabilities increased by 3.8% to \$1,386,701 (March 31, 2010: \$1,335,440) and bank and short-term debt reduced by 34.5% to \$441,251 at March 31, 2011 (March 31, 2010: \$593,764). Receivable and prepayments for this quarter increased almost three-fold to \$1,288,110 compared to \$343,152 at March 31, 2010. This was attributed to reimbursable exploration expenditures from related parties.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources of the Company consist primarily of cash and liquid short-term deposits of \$1,118,003 at March 31, 2011 and \$1,638,017 at June 28, 2011. The Company has, over the last few days, received \$500,000 from PNG Gold Corp being cost recovery for exploration expenditure incurred on NMC projects. The balance of receivables and prepayments are reimbursement of costs incurred by the Company on behalf of NMC and Vangold Resources Ltd.

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 lease to purchase agreement with the Bank of the South Pacific for some of its mining equipment. 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 short term while various options are being investigated including the capital markets. There is, however, no certainty that the Company will be able to obtain funding from capital markets in the future.

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.

Cash generated by operating activities in the quarter ended March 31, 2011 was \$263,161 ((\$277,311) for the same period in 2010). This increase in operating cash used was mainly due to a reduction in inventories and work in progress over the quarter.

Cash used in investing activities decreased to \$47,369 in the quarter ended March 31, 2011 from \$1,390,393 in the quarter ended March 31, 2010.

Cash flows from financing activities decreased in the quarter ended March 31, 2011 to \$305,903 compared to \$587,110 in the quarter ended March 31, 2010. The difference is primarily due to debt repayment in the current quarter.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares without par value. Shares issued December 31, 2009 to March 31, 2011 and to the date of this report are as follows:

	Number of Shares	Share Capital \$
Balance, December 31, 2009	187,450,814	46,758,742
Private placements	14,252,083	1,710,250
Loan bonus shares	5,454,545	600,000
Private placement for repayment of loan and interest	26,855,994	2,954,159
Balance, December 31, 2010	234,013,436	51,912,901
Balance, March 31, 2011 and June 26, 2011	<u>234,013,436</u>	<u>51,912,901</u>

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The Company has one class of shares and there were 234,013,436 shares issued as at May 21, 2011 (226,496,647 shares issued as at March 31, 2010) and 275,859,430 on a fully diluted basis.

The Company has a stock option plan and at the date of this report there were 14,990,000 options outstanding exercisable into one common share between \$0.12 and \$0.43 (14,990,000 options outstanding as at March 31, 2011).

The Company has 26,855,994 warrants outstanding to NMC Mining Corp. at the date of this report exercisable into one common share at \$0.225 (26,885,994 warrants outstanding as at March 31, 2011).

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.

NMC, a privately-owned company in which the Company owns 15,682,289 shares, commenced significant funding of the Imwauna Project on Normanby Island in January, 2011 (see "Subsequent Events"). Staffing, exploration services and administration for the project are being provided by the Company at cost plus an administration fee. The exploration program is part of a three year, \$8,000,000 commitment under which NMC can earn the remaining 50% interest in the Normanby Island Project it does not already own. NMC also owns 26,855,994 shares and warrants of the Company and is the largest shareholder of NGG stock.

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 15% of the share capital of Coppermoly after selling down its share holding during 2009, 2010 and Coppermoly raising additional capital.

Goldmines of Niugini Holdings Limited ("GMNH") is the 10% joint venture partner in the Mt Sinivit Mine. At December 31, 2010 GMNH's debt was written off resulting in no carried debt obligation for the Company as of March 31, 2011 (March 31, 2010: \$3,037,599). Refer to note 10 for further details. Late in 2010 GMNH approached New Guinea Gold with a proposal to sell its 10% interest to the Company in return for shares and other considerations. The Company decided not to pursue discussions with GMNH until it could provide assurance that all participants in GMNH (including local landowners) were prepared to support an agreement within the scope of the preliminary proposal.

All balances owing to the Company in relation to related party transactions at March 31, 2011 and December 31, 2010 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, convertible debentures 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 2009, the Company's Sinivit mining equipment contractor, HBS Machinery ("HBS"), unilaterally terminated its Agreement without due notice removing equipment from the Sinivit mining site. The Company views this as a breach of the Company's Contract Agreement with HBS, specifically HBS's removal of certain equipment from the Sinivit site, which equipment, under the terms of the Contract Agreement, is now beneficially owned by NGG and, failure on the part of HBS to give the requisite 30 days notice to NGG before removing any such piece of equipment from the Sinivit site. NGG is pursuing claims against HBS in the Papua New Guinea Court for damages totalling 5,161,389 Kina or approximately \$2,000,000.

HBS have made a counter claim against the Company for alleged unpaid hire fees for 2,928,430 Kina or approximately \$1,100,000. NGG disputes the amount of the counter claim. The matter is still before the courts.

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RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS*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. The Company is filing for the first time under IFRS in the first quarter 2011. The following standards have been adopted:

IFRS 1 (Amendment)	First time adoption of IFRS
IFRS 7 (Amendment)	Financial instruments: Disclosure
IAS 1 (Amendment)	Presentation of financial statements
IAS 24 (Amendment)	Related party disclosures
IAS 34 (Amendment)	Interim financial reporting

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

IFRS issued but not yet effective:

IFRS 9	Financial instruments
IFRS 7 (Amendment)	Financial instruments: disclosure
IAS 12 (Amendment)	Income taxes
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 27 (Amendment)	Separate financial statements
IAS 28 (Amendment)	Investment in associates and joint ventures

INVESTOR RELATIONS

Mr. Forbes West of the Sherbourne Group, Toronto who provided investor and shareholder services to the Company retired February 28, 2011. Effective April 1, 2011 the Company retained the investor relations services of Mr. Scott Rose of Hyde Park Capital and Business Development Inc., Vancouver. The Company participated in the annual Investors Exchange at the Prospectors and Developers Association Convention, March 6 to 9, 2011. The Company also hosted a booth in a Trade Show display organized by the Chamber of Mines of Papua New Guinea to showcase the country as a destination for exploration and mining investment.

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 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.

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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

NMC Mining Corporation and International Silver Ridge Resources Limited resumed trading under the latter's name on April 14, 2011. The merger received final exchange approval and was completed on June 13, 2011. The merged companies resumed trading as PNG Gold Corporation ("PGK.H") on June 14. At this time PNG Gold Corporation issued a news release updating its exploration and development activities on the Imwauna Project, Normanby Island and announcing a private placement financing of \$35,000,000.

The Company holds 15,682,289 shares of PNG Gold Corporation, approximately 18.9% of the issued and outstanding shares. The shares are subject to a Tier 2 Surplus Security escrow agreement (Form 5D) as required by the TSX Venture Exchange. PNG Gold initially traded at \$1.25 per share on June 14, 2011.

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 March 31, 2011. 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 March 31, 2011.