SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

(Check One)

¨ **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

or

x **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended 12/31/06

Commission File Number 1-31722

NEW GOLD INC.

(Exact Name of Registrant as Specified in its Charter)
(formerly DRC Resources Corporation)

British Columbia, Canada
(Province or Other Jurisdiction of Incorporation or Organization)

Suite 601, 595 Howe Street
Vancouver, British Columbia, Canada V6C 2T5
(604) 687-1629
(Address and Telephone Number of Registrant's Principal Executive Offices)

Susan K. Shapiro, Esq.
Burns & Levinson LLP
125 Summer Street, Boston, MA 02110
(617) 345-3000
(Name, Address and Telephone Number of Agent for Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares without Par Value	**American Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

N/A
(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

x Annual information form x Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

24,144,717 Common Shares without Par Value

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

YES ¨ NO x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES x NO ¨

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained in this Annual Report on Form 40-F of New Gold Inc. (the "Company") may contain "forward-looking statements" within the meaning of Section 21E of the U.S. Securities Exchange Act of 1934. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation: risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources and reserves; the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; metal recoveries; accidents, equipment breakdowns, title matters and surface access, labour disputes or other unanticipated difficulties with or interruptions in production; the potential for delays in exploration or development activities or the completion of feasibility studies; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis and other risks and uncertainties, including those described under "Narrative Description of the Business — Risk Factors" in the Annual Information Form and in the Management's Discussion and Analysis, included herewith as Exhibits 1 and 3, respectively. Forward-looking statements are in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of copper and gold, that the Company will receive required permits and access to surface rights, that the Company can access financing, appropriate equipment and sufficient labor and that the political environment within British Columbia and Canada will continue to support the development of environmentally safe mining projects so that the Company will be able to commence the development of the New Afton Project within the timetable established in the Feasibility Study (as defined in the Annual Information Form). Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

RESERVE AND RESOURCE ESTIMATES

All estimates of mineral reserves and resources incorporated by reference in this Annual Report have been prepared in accordance with Canadian National Instrument 43-101 ("NI 43-101") and the Canadian Institute of Mining and Metallurgy Classification System. These standards differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"). Accordingly, information concerning descriptions of mineralization, reserves and resources contained in this Annual Report may not be comparable to information from U.S. companies subject to the SEC's reporting and disclosure requirements. In particular,

the term “resource” does not equate to the term “reserves”. The definitions of “proven” and “probable” reserves used in NI 43-101 differ from the definitions in SEC Industry Guide 7. Under U.S. standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC’s disclosure standards normally do not permit the inclusion of information concerning “measured”, “indicated”, or “inferred” mineral resources in documents filed with the SEC, unless such information is required to be disclosed by the laws of the Company’s principal jurisdiction or of a jurisdiction in which its securities are traded. U.S. investors should also understand that “inferred mineral resources” have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an “inferred mineral resource” will ever be upgraded to a higher category. Under Canadian rules, estimated “inferred mineral resources” may not form the basis of feasibility or pre-feasibility studies except in rare cases. Readers are cautioned not to assume that all or any part of an “inferred mineral resource” exists or is economically or legally mineable. Disclosure of “contained ounces” is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report “resources” as in-place tonnage and grade.

CURRENCY

Unless otherwise indicated, all dollar amounts in the Annual Report on Form 40-F are Canadian dollars. On December 29, 2006, the noon buying rate in the City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York was Canadian $1.00 = U.S. $0.8582, and on December 30, 2005, the rate was Canadian $1.00 = U.S. $0.8579.

ANNUAL INFORMATION FORM

The Annual Information Form of the Company for the year ended December 31, 2006 is included herein as Exhibit 1.

AUDITED ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS

Audited Annual Financial Statements

The Company’s audited financial statements for the years ended December 31, 2006 and 2005 (restated), including the auditors’ reports thereon dated March 28, 2007 (as to the 2006 financial statements) and March 15, 2006 except as to Note 18, which is as at November 14, 2006 (as to the restated 2005 financial statements), are included herein as Exhibit 2. Please refer

to Note 18 to the audited financial statements for a reconciliation of the differences between Canadian and United States Generally Accepted Accounting Principles.

During 2006, the Company restated its audited financial statements for the years ended December 31, 2005, 2004 and 2003 (the "Original 2005 Financial Statements") for the reasons discussed in the following paragraph. Please see also Note 16 to the audited annual financial statements included herein as Exhibit 2. The Company also accordingly restated its Management's Discussion and Analysis for the year ended December 31, 2005.

As to the reasons for the restatement, during 2006 the Company undertook a review of its previously-issued financial statements for: the accounting treatment for the recognition of future income taxes related to flow-through share offerings; the valuation method used for assigning value for share payments, stock-based compensation costs related to project personnel and the reporting of non-cash working capital changes reported in the Statements of Cash Flows. Based on its review, management determined that amendments should be reflected in the Company's restated financial statements, all as detailed in Note 16 to the audited annual financial statements included herein as Exhibit 2.

Management's Discussion and Analysis

The Company's Management's Discussion and Analysis for the year ended December 31, 2006 is included herein as Exhibit 3.

CONTROLS AND PROCEDURES

A. Evaluation of Disclosure Controls and Procedures

During 2006, an evaluation was carried out by the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended). That evaluation was updated in connection with the preparation of Amendment No. 2 to the Company's Annual Report on Form 40-F for the year ended December 31, 2005 as filed with the Commission on November 22, 2006. Based on the updated evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, contrary to the Company's previous conclusion, the disclosure controls and procedures were not wholly effective as of December 31, 2005 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

In view of the restatement of the Company's Original 2005 Financial Statements described above, the Chief Executive Officer and the Chief Financial Officer concluded that a

material weakness existed in the Company's disclosure controls and procedures as of December 31, 2005. As a result, the Company now requires all senior financial personnel to attend professional development training on current and new developments in regulatory and accounting issues in Canada and the United States in order to improve the monitoring of financial regulations. Subsequent to the 2005 year end the Company hired a Controller and a Senior Accountant to provide further support in financial reporting matters and a General Counsel to advise management in respect of the legal aspects of disclosure controls and procedures.

As of December 31, 2006, an evaluation was carried out by the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined above). Based on that evaluation, which follows implementation by the Company of the enhancements described in the preceding paragraph, the Company's Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) accumulated and communicated to senior management in sufficient time for senior management to make decisions regarding the Company's disclosure record as required by securities legislation and (ii) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

B. Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detections of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we have concluded that, as of December 31, 2006, the Company's internal control over financial reporting is effective based on those criteria.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

C. Changes in Internal Control over Financial Reporting

During the fiscal year ended December 31, 2006, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

None.

AUDIT COMMITTEE

Identification of Audit Committee; Independence

The Company has an Audit Committee established by the Board of Directors for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company, in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are R. Gregory Laing, Michael Muzylowski and Paul Sweeney. Each of Mr. Sweeney, Mr. Laing and Mr. Muzylowski is "independent" as that term is defined under the rules of the American Stock Exchange.

Audit Committee Financial Expert

The Board has designated Paul Sweeney as the "Audit Committee Financial Expert" as that term is defined under Section 407 of the Sarbanes-Oxley Act of 2002.

CODE OF ETHICS

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including its Chief Executive Officer, Chief Financial Officer and principal accounting officer. The Company's Code of Business Conduct and Ethics is posted on its website, at *www.newgoldinc.com*.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Effective September 25, 2006, the Company appointed PricewaterhouseCoopers LLP ("PwC") as its auditors, replacing former auditors DeVisser Gray, Chartered Accountants ("DeVisser Gray"). The aggregate amounts billed by DeVisser Gray to the Company for the fiscal year ended December 31, 2005, and the aggregate amounts billed by DeVisser Gray and by PwC to the Company for the fiscal year ended December 31, 2006, for audit fees, audit-related fees, tax fees and all other fees are set forth below:

	Year Ended December 31, 2006	Year Ended December 31, 2005
Audit Fees (1)	$ 31,000	$ 21,000
Audit-Related Fees (2)	135,831	6,000
Tax Fees, Other Fees (3)	14,875	0
Totals	$ 181,706	$ 27,000

(1) The amount shown for audit fees billed for 2006 includes payments to the former auditor for the audit of the 2005 financial year and interim billings paid to the current auditor relating to the audit of the 2006 financial year. The amount paid to the current auditor is $30,000 and the amount paid to the former auditor $1,000.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees". The amount shown for 2006 includes $98,912 paid to the current auditor and $36,919 to the former auditor related to the restatement of the 2005 audited financial statements and the unaudited interim financial statements for the six months ended June 30, 2006.

(3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning and for all other fees not otherwise disclosed. The amount shown for 2006 includes $6,375 paid to the current auditor and $8,500 paid to the former auditor.

For information regarding the Audit Committee's pre-approval procedures and policies, see "Audit Committee — Pre-Approval Policies and Procedures" in the Registrant's Annual Information Form included herein as Exhibit 1.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements required to be disclosed in this Annual Report on Form 40-F.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The required disclosure is included under the heading "Contractual Obligations" in Management's Discussion and Analysis for the year ended December 31, 2006, included herein as Exhibit 3.

AMEX CORPORATE GOVERNANCE

The Company's common shares are listed on the American Stock Exchange ("AMEX"). Section 110 of the AMEX company guide permits AMEX to consider the laws, customs and practices of foreign issuers in relaxing certain AMEX listing criteria, and to grant exemptions from AMEX listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic

companies pursuant to AMEX standards is contained on the Company's website at *www.newgoldinc.com*.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the Commission a written irrevocable consent and power of attorney on Form F-X in connection with the filing of its Annual Report on Form 40-F for the year ended December 31, 2005.

EXHIBITS

The following exhibits are filed as part of this report:

1. Annual Information Form for the year ended December 31, 2006
2. Audited Financial Statements for the years ended December 31, 2006 and 2005 (restated), together with the auditors' reports thereon dated March 28, 2007 (as to the 2006 financial statements) and March 15, 2006 except as to Note 18, which is as at November 14, 2006 (as to the restated 2005 financial statements) (Note 18 to the audited financial statements relates to differences between Canadian and United States Generally Accepted Accounting Principles)
3. Management's Discussion and Analysis for the year ended December 31, 2006

4.1 Consent of PricewaterhouseCoopers LLP

4.2 Consent of DeVisser Gray

5.1 Consent of Behre Dolbear & Company, Ltd.

5.2 Consent of Engineer (Gary Giroux, P. Eng.)

5.3 Consent of Hatch Inc.

5.4 Consent of Engineer (John Shillabeer, P. Eng.)

5.5 Consent of Engineer (Kenneth Major, P. Eng.)

5.6 Consent of Scott Wilson Roscoe Postle Associates Inc.

5.7 Consent of Engineer (David W. Rennie, P. Eng.)

5.8 Consent of Vector Engineering Inc.

5.9 Consent of Engineer (Monte Christie)

5.10 Consent of AMC Consultants Pty. Ltd.

5.11 Consent of Engineer (Mike Thomas)

5.12 Consent of Rescan Environmental Services Ltd.

5.13 Consent of Piteau Associates Inc.

5.14 Consent of MEG Consulting Inc.

5.15 Consent of H.M. Hamilton & Associates Inc.

5.16 Consent of C. Stewart Wallis, P.Geo.

6.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

6.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

7.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

7.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW GOLD INC.
Registrant

By: /s/ Chris J. Bradbrook
Name: Chris J. Bradbrook
Title: President and Chief Executive Officer

Date: April 2, 2007

Exhibit 1



ANNUAL INFORMATION FORM

of

NEW GOLD INC.

FOR THE YEAR ENDED DECEMBER 31, 2006

DATED AS OF APRIL 2, 2007

Suite 601
595 Howe Street
Vancouver, British Columbia
V6C 2T5

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PRELIMINARY NOTES

Documents Incorporated by Reference

Incorporated by reference into this Annual Information Form are the Audited Financial Statements of New Gold Inc. (the "Company" or "New Gold") for the year ended December 31, 2006 and Management's Discussion and Analysis for the year ended December 31, 2006, all such documents being filed on the SEDAR website located at www.sedar.com.

All financial information in this Annual Information Form is prepared in accordance with generally accepted accounting principles in Canada.

Date of Information

All information in this Annual Information Form is as of December 31, 2006 unless otherwise indicated.

Forward Looking Statements and Cautionary Notices

This Annual Information Form, including the Company's Audited Financial Statements for the year ended December 31, 2006 and the accompanying Management's Discussion and Analysis for the year ended December 31, 2006 incorporated by reference and the Feasibility Study referenced in this Annual Information Form, include certain "forward- looking information" within the meaning of the Ontario Securities Act or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation: risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources and reserves; the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; metal recoveries; accidents, equipment breakdowns, title matters and surface access, labour disputes or other unanticipated difficulties with or interruptions in production; the potential for delays in exploration or development activities or the completion of feasibility studies; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis and other risks and uncertainties, including those described under the heading "Risk Factors" in this Annual Information Form. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of copper and gold, that the Company will receive required permits and access to surface rights, that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within British Columbia and Canada will continue to support the development of environmentally safe mining projects so that the Company will be able to commence the development of the New Afton Project within the timetable established in the Feasibility Study. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may

vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

The financial information in this Annual Information Form is taken from the Company's Audited Financial Statements for the year ended December 31, 2006. Readers are cautioned to refer to such financial statements for complete information, as the information in this Annual Information Form has been selectively drawn from the financial statements and is not complete.

The standards employed in estimating the mineral resources referenced in this Annual Information Form differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC") and the resource information reported may not be comparable to similar information reported by United States companies. The term "resources" does not equate to "reserves" and normally may not be included in documents filed with the SEC. "Resources" are sometimes referred to as "mineralization" or "mineral deposits." While the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are recognized and required by Canadian regulations, they are not defined terms under standards in the United States and normally are not permitted to be used in reports and registration statements filed with the SEC. As such, information contained in this Annual Information Form concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by U.S. companies in SEC filings.

Currency and Exchange Rates

All dollar amounts in this Annual Information Form are expressed in Canadian dollars unless otherwise indicated. New Gold's accounts are maintained in Canadian dollars. All references to "U.S. dollars" or to "US$" are to United States dollars.

Metric Equivalents

For ease of reference, the following factors for converting Imperial measurements into metric equivalents are provided:

To convert from Imperial	To metric	Multiply by
Acres	Hectares	0.404686
Feet	Metres	0.30480
Miles	Kilometres	1.609344
Tons	Tonnes	0.907185
Ounces (troy)/ton	Grams/Tonne	31.103

Glossary and Defined Terms

Terms used and not defined in this Annual Information Form that are defined in National Instrument 51-102 Continuous Disclosure Obligations shall bear that definition. Other definitions are set out in National Instrument 14-101 Definitions, as amended.

In this Annual Information Form, unless there is something in the subject matter or context inconsistent therewith, the following terms have the meanings set forth herein:

"Ag"	Silver.
"AMEX"	The American Stock Exchange.
"Annual Information Form" or "AIF"	This annual information form together with the documents incorporated by reference.
"anomalous"	A value higher than the expected outlining a zone of potential exploration interest but not necessarily of commercial significance.
"Au"	Gold.
"batholith"	A large, generally discordant plutonic mass that has more than 40 sq mi (104 km ^{2}) of surface exposure and no known floor.
"bornite"	A copper sulphide (Cu_5FeS_4).
"chalcocite"	A copper sulphide (Cu_2S).
"chalcopyrite"	A copper sulphide ($CuFeS_2$).
"copper equivalent"	The percentage of marketable metals or minerals contained in mineralized material, determined by converting all other metals other than copper to equivalent copper on the basis of market prices for such metals at a given time.
"Cu"	Copper.
"cuprite"	Copper oxide (Cu_20).
"decline"	A downward sloping tunnel providing access from the surface to underground operations.
"development"	The work of preparing a mineral deposit for commercial production including installation of plant and machinery and the construction of all related facilities.
"diamond drill"	A type of rotary drill, the bit of which is set with diamonds that cut by abrasion rather than percussion. The drill core is recovered in long cylindrical sections, an inch or more in diameter.
"diorite"	An intrusive igneous rock comprised principally of plagioclase feldspar, hornblende and/or pyroxene.
"dyke"	A tabular igneous intrusion that cuts across the bedding or foliation of the country rock.
"fault"	A crack or joint between two blocks of earth that are moving or have moved relative to each other.
"grade"	The amount of metal per tonne of rock.

“g/t”	Grams per tonne.
“hypogene”	Mineral deposit formed by ascending hydrothermal solutions of magmatic origin.
“indicated resource”	That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
“inferred resource”	That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
“intrusive”	A body of igneous rock that has crystallized from molten magma below the surface of the earth.
“km”	Kilometre.
“kriging”	In the estimation of ore reserves by geostatistical methods, the use of a weighted, moving-average approach both to account for the estimated values of spatially distributed variables and to assess the probable error associated with the estimates.
“latite”	An igneous, volcanic (extrusive) rock with aphanitic to porphyritic texture.
“m”	Metre.
“masl”	Metres above sea level.
“mt”	Metric tonne.
« mtpa »	Million tonnes per annum.
“magnetite”	A ferromagnetic mineral form of iron oxide, Fe_3O_4.

"measured resource"	That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
"mesogene"	A mineral deposit or enrichment of mingled hypogene and supergene solutions.
"mineral reserve"	The economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.
"mineral resource"	A concentration or occurrence of diamonds, natural, solid, inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
"mineral zone"	A mineral-bearing belt or area.
"National Instrument 43-101"	National Instrument 43-101 – Standards of Disclosure for Mineral Projects issued by the Canadian Securities Administrators.
"ore"	A natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit.
"oz"	Troy ounces.
"Pd"	Palladium.
"picrite"	Olivine-rich basalt, as formed by the settling of olivine in thick flows and sills.
"pluton"	A body of medium- to coarse-grained igneous rock that formed beneath the surface by crystallization of a magma.

"porphyry"	An igneous rock containing conspicuous crystals or phenocrysts in a fine-grained groundmass; it refers to a type of mineral deposit in which ore minerals are widely disseminated, generally of low grade but large tonnage.
"probable reserve"	The economically mineable part of an indicated and, in some circumstances, a measured resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
"proven reserve"	The economically mineable part of a measured resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
"pyrite"	An isometric mineral, FeS_2.
"serpentinite"	A rock consisting almost wholly of serpentine-group minerals.
"shares"	The common shares without par value in the capital of New Gold as the same is constituted on the date hereof.
"supergene"	A mineral deposit or enrichment formed near the surface, commonly by descending solutions.
"syenitic"	Alkalic feldspar and/or sodium plagioclase, felsic intrusive rock.
"tonne"	Metric tonne or 2,204.6 pounds.
"tpd"	Tonnes per day.
"TSX"	The Toronto Stock Exchange.

CORPORATE STRUCTURE

Name, Address and Incorporation

New Gold Inc. (the "Company" or "New Gold") was incorporated on January 31, 1980 under the *Company Act* (British Columbia) and was transitioned on May 10, 2005 under the *Business Corporations Act* (British Columbia). On May 4, 2005, the shareholders of the Company passed a special resolution to remove the pre-existing company provisions and to adopt new articles. On June 1, 2005, the Company changed its name to New Gold Inc.

The head and registered office and principal address of the Company is 595 Howe Street, Suite 601, Vancouver, British Columbia V6C 2T5, Canada. The Company also maintains a corporate office at 70 University Avenue, Suite 1460, Toronto, Ontario M5J 2M4, Canada.

Intercorporate Relationships

New Gold has no subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

Business of New Gold - Three Year History

The Company is a natural resource exploration and development company and has been engaged in the acquisition, exploration and development of natural resource properties since 1980.

Over the past three years, the Company's principal focus has been the exploration and development of a copper-gold project located approximately 10 kms (6 miles) west of Kamloops, British Columbia near the Trans-Canada Highway and described herein as the "New Afton Project" or the "Project". The New Afton Project includes within its boundaries the historic Afton open pit in respect of which government reports indicate that the previous occupier of the property, Afton Mines Ltd., operated the Afton Mine (the "Afton Mine") and mined and milled 22 million tonnes of ore and produced in excess of 450,000 ounces of Au and 450 million pounds of Cu from 1977 to 1988. The New Afton Project is the Company's only material property and is described in detail below under the heading "Narrative Description of the Business – New Afton Project".

In early 2004, Behre Dolbear Company Limited of Vancouver, British Columbia ("Behre Dolbear") finalized the advanced Scoping Study which included an economic evaluation of the New Afton Project in compliance with National Instrument 43-101 (the "Scoping Study"). The Scoping Study addressed the mineral resource, a number of possible mining methods, mineral processing, and permitting for the New Afton Project.

The surface of the land comprising the Project (the "Afton Lands") consists of Crown Land, some of which is subject to grazing leases, and land held in fee simple. On May 1, 2004, the Company entered into an Access Agreement (the "Access Agreement") with Afton Operating Corporation ("AOC"), the fee-simple owner of some of the Afton Lands. Under the

Access Agreement, the Company has the right to enter upon the portion of the Afton Lands held in fee simple by AOC and to conduct exploration until June 30, 2007. The Access Agreement requires the Company to compensate AOC for any disruption or damage to any surface facilities, to reclaim areas disturbed by the Company's operations, to post a bond against any failure to reclaim, to be responsible for any hazardous substances introduced to the lands and to insure and indemnify AOC against liabilities arising from any activities of the Company in and about the lands. The Company has entered into a Letter of Intent with Teck Cominco Ltd. ("Teck") to purchase the necessary surface rights, which are described in more detail below under the heading "Narrative Description of the Business – The New Afton Project – Project Description and Location".

In late 2004 the Company commenced an underground development program. This development provided underground working access to conduct in-fill drilling, and bulk sampling of the resource by cross-cutting into the mineralized zone. The underground definition diamond drilling was designed to confirm the Scoping Study resource by increasing the drilling density and, in conjunction with the completion of a feasibility study, to determine whether the resource could be upgraded to the reserve category.

Effective November 18, 2004, the Company's shares were listed and posted for trading on AMEX. The shares continue to be listed on the TSX.

In December, 2005 the Company retained Hatch Ltd. ("Hatch") to coordinate a feasibility study (the "Feasibility Study") of the New Afton Project and a Technical Report prepared in accordance with NI43-101 (the "Technical Report"). Further details are below under "Feasibility Study Background".

When this AIF was completed the Technical Report was being finalized. Accordingly, **the technical disclosure in this AIF relating to the New Afton Project has not been supported by a technical report prepared in accordance with National Instrument 43-101. The technical report is being prepared by a qualified person as defined under National Instrument 43-101 and it will be available on SEDAR (www.sedar.com) on or before April 30, 2007. Readers are advised to refer to that technical report when it is filed.**

The Company has obtained an order from the appropriate Securities Commissions granting it relief from the requirement in NI43-101 that it file a technical report not later than filing the AIF provided that:

1. the Company files a news release containing information regarding the Feasibility Study results not later than filing the AIF on or before April 2, 2007. The Company filed such a news release on March 30, 2007;
2. the AIF contains the language set out above in bold, cautioning readers that this AIF is not supported by a technical report; and
3. the Technical Report is filed as soon as practicable but in any event not later than April 30, 2007.

Between 2003 and 2006, the Company expended approximately $39.1 million on exploration and property evaluation on the New Afton Project. Included in this amount is $7.9 million for the Feasibility Study and $10.7 million for exploration and underground maintenance which was incurred in 2006.

In addition to the New Afton Project, the Company owns a group of claims designated the North Afton claims which lie to the north of the Project and which comprise 15 cell tenures covering an area of 4,462 hectares and the Ajax block of claims, which lie to the east of the Project claims and comprise 15 two post legacy mineral claims and 16 cell tenures covering an area of 5,702 hectares.

In 2006 the Company completed two arm's length agreements with the owners (collectively, the "optionors") of two mineral claim groups whereby for an aggregate payment to them of $28,965 in cash, the Company acquired the exclusive right to explore the properties for one year. One of the properties comprises one cell tenure covering 574 hectares and is located in the area of the Ajax claims and the other comprises 9 cell tenures covering 654 hectares and is in the area of the North Afton claims. The exclusive exploration rights may, at the Company's option, be extended for two further one-year periods.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

New Gold is an exploration and development stage company currently focused on the exploration and development of the New Afton Project near Kamloops, British Columbia. The New Afton Project is the Company's only material property. As of December 31, 2006, New Gold had 28 employees and one full-time contract worker.

Stage of Development

New Gold does not currently produce, develop or sell mineral products, but it is completing a feasibility study and has retained Barclays Capital as lead arranger for the debt portion of any required project financing. In addition, the Company has made application for a permit under the *Mines Act* (British Columbia) approving the mine plan and reclamation program.

Specialized Skill and Knowledge

All aspects of New Gold's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, mine planning, engineering, construction and accounting. New Gold has found that it can locate and retain employees and contractors with such skill and knowledge.

Competitive Conditions

Competition in the mineral exploration industry is intense. New Gold competes with other mining companies, many of which have greater financial resources and technical facilities'

for the acquisition and development of, and production from, mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants.

The New Afton Project

Project Description and Location

The New Afton Project is located 350 km Northeast of Vancouver and 10 km West of Kamloops in the South-Central Interior of British Columbia, on the site of the historic Afton Mine, a previous operation of Teck.

On November 29, 2006 the Ministry of Energy, Mines and Petroleum Resources of the Province of British Columbia (the "Ministry") issued to the Company a mining lease bearing Tenure No. 546063 (the "Mining Lease") over four post legacy claims (Afton 1, 2, 3, and 4). The Mining Lease, which is issued in accordance with the *Mineral Tenure Act* of British Columbia, demises to the Company all Crown minerals within and under an aggregate of 903 hectares (the "Leased Land"). The Mining Lease is for a term of 30 years from November 29, 2006 and annual rental is $9,750. The surrounding block of Afton claims comprises ten 2-post legacy mineral claims and 15 cell tenures covering an area of 2,498 hectares (the "Afton Claims"). Each of the principal Afton Claims, in which the New Afton Project deposit is located, is in good standing under the *Mineral Tenure Act* R.S.B.C. 1996, c. 292 to 2017.

The surface of the land on which the Afton Claims are situated including the Leased Land (the "Afton Lands") consists of Crown Land, some of which is subject to grazing leases, and land held in fee simple. The fee simple portion of the Afton Lands is owned by AOC and the lessees of the grazing leases are also subsidiaries of Teck. In November 2005, Abacus Mining and Exploration Corp. ("Abacus") entered into an agreement with Teck to purchase the milling and processing facilities, tailings storage area and other infrastructure at the Afton Mine from Teck.

The Company has entered into a Letter of Intent with Teck and with AOC dated January 8, 2007 (the "Teck LOI") to purchase the fee simple portion of the Afton Lands and additional land contiguous to the Afton Land as well as the pipeline to Kamloops Lake (collectively, the "LOI Land"). Teck has agreed to release part of the grazing leases which will enable the Company to use the same. The purchase price for the LOI Land is the aggregate of: (a) $10 Million cash, payable on closing; (b) a promissory note in the initial principal amount of $6 Million bearing interest at prime plus 2% and due on the second anniversary of closing; and (c) the grant by the Company to Teck of a non-transferable royalty equal to 2% of Net Smelter Returns (the "NSR"). Under the Teck LOI the Company has the right to repay the promissory note at any time without penalty or bonus as well as the right to purchase the NSR for $12 Million. The Teck LOI contemplates that the parties will negotiate and execute a definitive agreement (the "Definitive Agreement") containing the terms contained in the Teck LOI as well as such other terms and conditions normally found in similar purchase agreements. The Definitive Agreement will be conditional upon: (a) the Company conducting such due diligence of the environmental condition of the LOI Land on or before March 31, 2007 as it deems appropriate; (b) the Company agreeing to honour third party rights regarding access over parts of the Afton Lands, and to water from Kamloops Lake via the water pipeline; and (c) such other

conditions as may be agreed upon. In respect of condition (a) of the Definitive Agreement the Company retained Rescan to conduct an assessment of the outstanding reclamation liability of the LOI land. The assessment conducted by Rescan Environmental Services Ltd. identified lands which require minor additional surface reclamation work to meet the existing reclamation conditions.

The New Afton Project lies within the asserted traditional territories of two first nations, the Kamloops Indian Band and the Skeetchestn Indian Band (collectively, the "Bands"). Discussions with the Bands commenced in February, 2006 with the Company meeting with Band members to introduce the Company and the Project. After a number of meetings, information exchanges and discussions, the Bands and the Company signed Letters of Intent in September 2006 which provide for an exchange of information, educational and economic development initiatives and cultural projects, long term funding by the Company to support the Bands' contribution to the Project development and the creation of a committee to ensure continued dialogue and monitoring of the Letters of Intent. The committee, named the "New Afton First Nations Committee", is composed of three members from each of the Bands and the Company.

On January 12, 2007 the Company submitted an application (the "MPA") for a permit (the "Mine Permit") to the Ministry pursuant to the *Mines Act* seeking approval for the Mine Plan and Reclamation Program at the New Afton Project. The MPA review and approval process is administered through the South Central Mine Development Review Committee (the "Committee") which is a regional, multi-agency committee. During the mandated 30-day period for review and consultation, the Company held a public meeting and met with the Bands. Discussions with the Bands continue. After the end of the 30-day review period, the Committee has 30 days to prepare a Recommendation Report to the Chief Inspector of Mines for British Columbia for a permit decision. The Company has been advised by the Committee that it is in the process of preparing the Recommendation Report. As a part of the permitting process the Government of British Columbia (the "Government") has a duty to consult with the Bands regarding the permit application. The Company has been advised by the Government that these consultations have commenced.

In addition to the Mine Permit, a number of permits, consents and authorizations are required to develop the Project. The tables below set out the permits which have been obtained, permits required by the Province of British Columbia and permits required by the Government of Canada.

List of Government Authorizations,
Licences and Permits which have been obtained

Act (Authority)	Permit	Owner / Purpose
Mines Act	Mines Act Permit MX 3-217	Issued to the Company
(MEMPR)		Authorizes mineral exploration subject to provisions of Mine Health, Safety and Reclamation Code for Mines S(10).
Mineral Tenure Act	Mineral Claims	Issued to the Company
(MEMPR)		Conveys title to subsurface mineral rights. Annual fee as work commitment or cash in lieu to maintain in good standing.
	Mining Lease – Tenure Number 546063	Issued to the Company.

List of Authorizations, Licenses and Permits
Required by the Province of British Columbia

Act (Authority)	Permit	Purpose / Issuance
Mines Act	Permit Approving Work System & Reclamation (Minesite – Initial Development)	Authorizes mining plan and approves cultural heritage and environmental protection and reclamation plans.
(MEMPR)	Amendment to Permit Approving Work System & Reclamation Program (Pre-Production)	Submitted by the Company on January 12, 2007. 30-day public review period completed February 21, 2007. South Central Mine Development Review Committee (SCMDRC) submitted report to Chief Inspector of Mines in March, 2007.
	Amendment to Permit Approving Work System & Reclamation Program (Bonding)	
Mines Act	Amendment to Permit Approving Work System & Reclamation Program (Mine Plan – Production) Approvals to construct and operate tailings storage facility	Recommendation Report to Chief Inspector of Mines who may authorize specific activities in a staged manner.
(MEMPR)		Subsequent authorizations for amendments applied for as required
Transportation Act	Permit / Licence	1. Authorization to construct a High Voltage (“HV”) line crossing of the Trans-Canada Highway. Will be applied for by B.C. Hydro prior to construction of HV line;
(MOTH)		2. Legal access agreements required over certain lands – Pending;
		3. Industrial access permit for the access easement to Afton Mine Road. – Pending; and
		4. Access permit for the existing service road (water pipeline access)

		to Trans-Canada Highway.
Environmental Management Act (MoE)	Waste Management Permit (Effluent)	Application by Company pending. Authorizes introduction of waste into the environment (tailings, waste rock), subject to conditions, regulations or Codes of practice. Need to characterize effluent, receiving environment, and management plan.
	Waste Management Permit (Sewage)	Application by Company pending. Authorizes discharge of sewage into the environment, subject to conditions.
	Waste Management Permit (Refuse)	Application by Company pending. Authorizes solid waste storage and disposal subject to conditions.
	Waste Management Permit (Air Emissions)	Application by Company pending. Authorizes emissions to the air, subject to conditions.
	Waste Management Permit (Special Waste)	Application by Company pending. Authorizes special waste storage and disposal (waste oil, hydrocarbons, etc) subject to conditions
Water Act (MoE)	Licence (Notice of Intention) (Diversion) (Use)	Application by Company pending. Authorizes licensing, storage, diversion and use of water. Required to secure water withdrawal, eg Kamloops Lake, develop diversion or impoundment structures on lease. Issued by Comptroller of Water Rights. S16. refers to transfer of licences
Wildlife Act (MOE)	Permit (to relocate any wildlife)	Applicability subject to seasonal requirements. Authorizes removal of wildlife to another approved site by qualified individual. Requirement to be assessed for listed amphibians in Pothook Pit , Waste Dump Pond and NW Emergency Pond prior to works. No permit is required at present. Requirement to be reviewed prior to construction commencing.
Forest Act (MOF)	Licence to Cut	Application by Company pending. Authorizes cutting of Crown timber not exceeding 2000 m3 Chief Forester or delegated authority, tied in with 60 days SRMDRC review and recommendation owing to public comment.

		Application to be made for minor volume of timber to be removed in vicinity of portal construction and ventilation raise areas.
Pipeline Act (OGC)	Permit – Pipeline Regulation	Application by Pembina Pipelines to OGC on behalf of Company – not immediately required. Authorization of work to relocate a section of oil pipeline north of the Afton Pit outside of subsidence zone. Status – pending.
Health Act (MOH – Interior Health Inspector) Or Environmental Management Act (MOE)	Industrial Camps Health Regulation Permit or Camp Construction and Operating Permit Sewage Disposal Permit issuing authority determination to be made.	Application by Company pending. Establishes health and sanitary conditions as per scale of camp and nature of facilities on site. Tied in with SRMDRC 60 - day review and inspection during construction phase. Approval for source and waterworks and issuance of operating permit
Fire Services Act	Authorization	Fuel storage approval; routine, may be subject to inspection.
Agricultural Land Commission Act	Application	Application made to Agricultural Land Commission for non-conforming use status within the Agricultural Land Reserve
Terasen Gas	Permit	Application by B.C. Hydro on behalf of Company pending. Permit to authorize crossing of natural gas pipeline with overhead HV electrical power line (138 kV).
Integrated Pest Management Act (MOE)	Permit pursuant to S(6)	Application by Company pending. Provides authorization to apply chemical treatments for control of noxious weeds.

List of Authorizations, Licences and Permits Required by Government of Canada

Act (Authority)	Permit	Purpose / Issuance
Explosives Act R.S. C-E15	Licence	To authorize an explosives storage magazine.
	Licence (Explosives Factory)	To authorize the manufacture of explosives on site.
	Permit	To authorize vehicles used for transportation of explosives.
Radio Communication Act	Radio Licences	To establish and operate radio frequencies and related infrastructure.
Atomic Energy Control Act	Radio-Isotope Licence	To authorize nuclear devices, such as slurry density flowmeters.
Species at Risk Act	Wildlife or Vegetation Handling Authorization	Any requirements met by Wildlife Act – MoE.
		Authorization may be required to remove, relocate or re-introduce listed species at risk .
Migratory Bird Convention Act	Authorization for works in and about migratory bird habitat	Any requirements met by Wildlife Act – MoE.
		To protect or compensate for wetland habitat supporting migratory birds.
Fisheries Act	Section 35 – authorization of works in and about fish habitat.	Permit requirement being assessed for water pipeline intake maintenance.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The New Afton Project is situated southwest of the junction of the Trans-Canada Highway No. 1 and the Coquihalla Highway No. 5. Access to the property is located off the Trans-Canada Highway. Rolling topography with elevations ranging from 790 masl to approximately 340 masl at the Thompson River characterize the area. The most significant features are the Afton and Pothook open pits. The Thompson River (which widens into Kamloops Lake) is located to the north of the property.

The area has warm summers where temperatures can reach 38°C and cool winters where temperatures hover around the freezing mark. During the winter, short periods of cold weather can occur where temperatures can drop to as low as -29°C. The Kamloops area is in the rain shadow of the Coast Mountains and the climate is classified as semi-arid. Precipitation is minor, averaging about 257 mm annually (of which 175 mm is rainfall) with light winter snow and infrequent rain in the Spring and Fall. Vegetation is typical of the semi-arid climate, consisting of grasslands, sagebrush and sparse groves of widely spaced pine trees.

Kamloops is a major transportation hub for highway, air and railroad and forestry, ranching, mining, and tourism are the most important economic activities in the area. The city

has an airport with daily air service from Vancouver and Calgary and is serviced by both Canadian National and Canadian Pacific Railways. The proximity of Kamloops is of considerable importance to the Project being a natural resource-based city of 80,000 people.

Major utilities and mine infrastructure are readily accessible. Electric power from the main grid feeding Kamloops crosses the property, and a 4 km pipeline from Kamloops Lake will be used to pump water to the New Afton Project. A natural gas pipeline crosses the mine site. New Gold has signed a letter of intent to purchase the surface rights in the New Afton Project area. See “Project Description and Location” above for more detail.

History

Exploration in the Afton area began in the mid-1800’s, as prospectors pushed into the interior of British Columbia following the Fraser and Cariboo gold rushes. The Iron Mask property, staked in 1896, was the first in the Kamloops district. A 100 ft shaft was sunk on the Pothook deposit in 1898. Mining was carried out from the turn of the century through until 1927 at several gold, copper, and silver mines including the Pothook, Iron King, Copper King, and Iron Mask. The Afton property claims were staked over the Pothook workings in 1949 by Axel Bergland. This was followed by sporadic, and largely unsuccessful, exploration work by a number of parties through the 1950’s, and 60’s.

Chester Millar acquired the property in the mid-1960’s and formed a private company called Afton Mines Ltd. to carry out exploration work. In 1970, Afton Mines Ltd. obtained a drill intersection of 170 ft of 0.4% Cu from what ultimately became the Afton deposit. For the next three years over 150,000 ft of drilling was carried out by a number of operators. Duvall Corporation and Quintana Minerals took options on the property in 1970 but dropped them in 1971. They were followed in 1972 by Canex Placer. Also in 1972, Teck and Iso Mines Ltd. purchased an equity interest in Afton Mines. Teck and Iso bought Canex Placer’s interest, for $4 Million in 1973 and initiated engineering and metallurgical studies. A production decision was taken in October 1975 with production commencing at the Afton open pit mine in late 1977. At the start of production the reserves were 34 million tons grading 1% Cu, 0.016 oz/T Au, and 0.12 oz/T Ag (30.8 M tonnes grading 1% Cu, 0.58 g/t Au, 4.2 g/t Ag). Mining took place on the property at the Afton, Crescent, Pothook and Ajax pits. The mill closed in 1991, reopened again in 1994, closing finally in 1997.

Seven deep diamond drill holes, drilled in 1978 and 1980 below and to the southwest of the Afton pit, intersected what is now referred to as the New Afton deposit. Teck carried out a study to determine the feasibility of mining this zone from underground but shelved the project.

In 1999, the Afton mining leases expired and the ground was staked by Westridge Enterprises Ltd., and Indo-Gold Development Ltd. The Company acquired an option on the property and surrounded it with additional staking. The following year, New Gold began exploration work with 9,320 m of surface diamond drilling in 21 NQ holes in the New Afton deposit.

In February 2001, the Company tabled a scoping study based on drilling results to date which indicated that the New Afton deposit could be profitably exploited, thereby leading to

further definition drilling to confirm the continuity of the mineralization. The successful conclusion of this phase of exploration led to the commissioning of a Pre-Feasibility Study in 2003 (completed February 2004). The study contemplated an underground mine, using a block caving method, feeding a conventional flotation mill operating at a rate of 9,000 tpd.

In 2003, the Company retained Behre Dolbear to provide an independent mineral resource estimate and technical report for the New Afton Project. In September, 2006 Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA") completed a mineral resource estimate based on all drilling up to April 2006

As noted above under "Business of New Gold – Three Year History", the Technical Report was being finalized when this AIF was completed. Hatch and the consultants identified below under "Feasibility Study Background" as participating in the preparation of the Technical Report have reviewed the relevant sections of this AIF and have confirmed that those sections are fair and accurate. As noted above, the Company will file the Technical Report on SEDAR as soon as it is completed.

Geological Setting

The Project overlies the north-western extremity of the Iron Mask Batholith, immediately south of a deep graben structure that developed in post-Tertiary time as part of the Coast Mountains orogeny, and which was the focus of vigorous sedimentation and volcanism in Tertiary times.

The Iron Mask Batholith is a lenticular, composite sub-alkaline to alkaline intrusion, approximately 18 km in length, striking in a north-westerly direction. The New Afton Project mineralization occupies the north-western tip of a zone of abundant magnetite veining developed along the longitudinal axis of the Iron Mask Batholith. Cu mineralization at the New Afton Project is contained in the early Jurassic-aged Cherry Creek Unit, a sub-unit of the Iron Mask Batholith.

The New Afton Project lies within a heavily altered syenitic micro-diorite. The upper 200 m of the deposit (that was mined in the open-pit) is a supergene zone containing native Cu, chalcocite and cuprite. Contact with the hypogene zone occurs at the extreme western end of supergene zone at about 400 masl elevation where bornite and chalcopyrite, with or without minor chalcocite and native Cu, occur in a southwest-trending structurally controlled zone. Sub-vertical 1-5 m thick dykes of picrite occur parallel to the southeast contact of the mineral zone. The picrite body increases to 70 m in width to the southwest, and appears to dip -80º southeasterly.

Mineralization

Surface diamond drilling by New Gold from 2000 through 2003 and underground drilling in 2005 and 2006 has outlined three main areas of mineralization . The Main Zone (the "Main Zone") hosts the bulk of the mineralization. To the southeast of the east end of the Main Zone are a number of smaller zones of mineralization (the "Hanging Wall Zones"). Finally, the C Zone (the "C Zone), outlined in 2006, is vertically beneath the Main Zone.

The Main Zone is a steeply southeasterly dipping, southwest plunging, tabular shaped deposit, extending southwest from beneath the Afton Mine open pit. Based on the drilling conducted to date, the main mineralized zone appears to be about 900 m in length and approximately 100 m in width and 350 m in height to a depth of 800 m below surface.

Minor magnetite, partly altered to hematite in oxidized areas near surface, is present outside the main mineral zone, however neither pyrite nor magnetite occur in quantity within the main mineral zone except for weakly disseminated sections in the southwest chalcopyrite zone.

The C Zone is located vertically below the Main Zone and is contained within two separate blocks (east and west) which cover a combined total strike length of 700m and each of which have maximum vertical extent of more than 300m. The western block, which is partially contiguous with the Main Zone, is more significant with greater widths and higher grades than the eastern block, which is separate from the Main Zone.

Exploration

During the period from 2000 to 2003 the Afton open pit was mapped and sampled and 90 surface diamond core holes drilled. The results of this drilling are summarized and interpreted under the heading “Drilling” below.

In November 2004, an adit was collared in the Afton open pit at 512 masl. The adit provided access for infill drilling and underground sampling. Total drifting was 2,200 m and included a cross-cut into the Main Zone mineralization. During 2005 and 2006 102 holes were drilled from underground into the Main Zone and C Zone which included a number of geotechnical holes.

Of the 14 holes which were drilled to explore the area below the Main zone, 11 intersected the C Zone. The remaining holes encountered technical difficulties and were abandoned prior to intersecting the C Zone.

In the fourth quarter of 2005 a 1,323 line-km DIGHEM resistivity, magnetic and radiometric survey was flown over the Afton and Ajax claims.

The exploration program in 2007 will initially be focused on the Hanging Wall Zone and follow up work on the claims in the local area.

Underground geological mapping (lithology, alteration, mineralization, structure, etc .), and sampling of the cross-cut has been carried-out. The cross-cut development intersects the upper part of the main ore zone at an elevation of 440 masl, exposing both hypogene and mesogene type mineralization.

Drilling

2000-2003 Drill Programs

From 2000 to April 2003, a total of 90 surface diamond drill holes were completed for a total of 42,450m. At the end of 2003 the Main Zone was estimated to be 800 m long, averaging 90 m wide and 300 m in vertical height.

In 2004 five surface exploration holes totalling 2,996 m were drilled in the Pothook pit area, where no significant mineralization was intersected.

2005 Drill Program

The 2005 underground drilling program was carried out by Boisvenu Drilling of Burnaby, British Columbia using NQ2 equipment. Underground drilling totalled 27,129 m in 68 holes during 2005. Underground infill drilling of the Main Zone was completed on sections 40 m apart and consisted of fans of several drill holes from each station. At the end of 2005, the main mineralized body appeared to be about 900 m in length, approximately 100m wide and 350 m in height with a moderate plunge to the west.

2006 Drill Program

The underground drilling program was continued in 2006 by Boisvenu Drilling. Underground drilling totalled 16,800 m in 34 holes during the year. The program consisted of infill drilling on the Main Zone, exploration drilling on the C Zone and geotechnical drilling. Piezometers were successfully placed in two of the geotechnical holes.

The 2007 exploration program will be two-fold. Early in 2007 a drill program commenced to investigate the potential to increase the resources around the known mineralization at the New Afton Project. This will include drilling around the Hanging Wall Zones and beneath the C Zone to test depths greater than the intersections from the 2006 program. Later this year, surface exploration will take place on the surrounding claims.

Sampling, Analysis and Security

The drill core is brought from the drilling site on a daily basis. The core is logged both geologically and geotechnically. The boxes are photographed prior to being sampled. Core recovery is greater than 95% and is considered excellent.

2000 – 2003 Program

All significantly mineralized drill core from the 2001 to 2003 programs (except for specimen sections), was logged, photographed, diamond sawed and sampled in either two-meter or three-meter lengths. Half the core was retained in the core box at the Company's core shack and the other half taken directly to Eco-Tech Laboratories Ltd. of Kamloops, B.C. ("Eco-Tech") for analysis for Cu, Au, Ag and Pd. Eco-Tech is a Certified Assayer participating in the National Canmet Proficiency Testing and maintaining their own in-house quality assurance and quality control ("QA/QC") program.

Check samples were randomly selected and sent to Acme Analytical Laboratories Ltd. and International Plasma Laboratory Ltd. of Vancouver, all of which correlated well with the originals. Selected core samples were examined microscopically in the field and by petrographer J.F. Harris, Ph.D., in thin-section.

2005 & 2006 Program

In 2005 underground chip samples were taken from the drift to correspond with each round of approximately 4.8 m in length. Muck samples were also taken.

Each drill hole was sampled in two metre lengths or less as marked by the geologist. Sampling was based on visible mineralization. The samples were sawn in half, bagged, and put into plastic pails or fibre bags for shipping. A blank sample and a standard was included in each batch of 20 samples. In addition, one sample in every 20 is 1/4 split to provide a duplicate.

The assay results are loaded directly from the laboratory into the Access database. The drill logs are entered into excel spreadsheets from the hand written logs.

Scott Wilson RPA visited the Eco-Tech Laboratory in 2005 to review the assaying methodology. Internal checks consist of a minimum two repeats, one blank, two resplits, and two or three reference standards, one for Cu, one for Ag or combined Cu/Ag, and one for Au/Pd. If native Cu is reported on the sample sheets, a metallic screen analysis is run in addition to the regular assay. Cu and Ag assays are determined using standard acid digestion followed by Atomic Absorption analysis. Au, Pd, and platinum are determined using standard fire assay methods followed by an Atomic Absorption analysis or ICP in the case of platinum. SWRPA were of the opinion that the sampling was being carried out to industry standards.

New Gold has a QA/QC program in place consisting of the addition of standards, duplicates, and blanks into the sample stream as described above. In addition a number of pulps were selected for reassay at an independent laboratory.

Scott Wilson RPA was of the opinion that the QA/QC program met or exceeded Industry Standards.

Feasibility Study Background

The Feasibility Study was carried out by a team which included, and was coordinated by, Hatch Ltd. (“Hatch”) which completed the processing and surface infrastructure engineering components of the study. Mine planning and reserves were completed by AMC Consultants Pty Ltd. (“AMC”), and Scott Wilson RPA completed the geology and resource sections. Environmental services and permitting were completed by Rescan Environmental Services Ltd. (“Rescan”). The tailings disposal analysis was completed by Vector Engineering Inc. (“Vector”). The groundwater modeling was carried out by Piteau Associates Engineering Ltd. (“Piteau”). The purpose of the Feasibility Study was to determine the potential for, and the technical and economic parameters of, developing the New Afton Project into a new bulk underground mining operation.

Mineral Resource Estimate

Mineral resources that are not mineral reserves do not have demonstrated economic viability.

All mineral resources were estimated by Qualified Person (under National Instrument 43-101) David Rennie of Scott Wilson RPA. The measured and indicated resource which was used as the basis for estimating the reserve was released on September 21, 2006. This estimate was made by ordinary kriging, and used the information from drilling completed at the project since 2000. This included 90 surface holes, totalling 42,450 m, drilled during the period 2000 to 2003, and 65 underground holes, totalling 25,805 m, completed from the exploration decline in 2005. In estimating the resource, the following metal prices were used—Copper (Cu) US$1.20/lb; Gold (Au) US$450/oz; and Silver (Ag) US$5.25/oz.

Mineralization, in the measured and indicated categories, occurs over a length of approximately 1000m, to a depth of approximately 800 m below surface, with the bulk of it contained within the Main Zone trending southwest, and which averages approximately 100m in width and 350m in height. In places, the width and height of mineralization can reach in excess of, respectively, 150m and 500m. Smaller amounts of mineralization are present in parallel lenses ("Hanging Wall Lense**s**") to the south of the Hanging Wall Fault.

This resource estimate has been constrained within mineralogical, and geological boundaries. Mineralization occurs within a structural corridor outlined by the well-defined Hanging Wall Fault (to the south), and the less well-defined Footwall Fault (to the north). In places the Hanging Wall Fault truncates the mineralization. The boundaries of the mineralization are generally clearly defined between the higher grades of the resource and distinctly lower grades of the surrounding rocks. This lower grade enveloping mineralization was not included within the resource estimate, as it was considered unlikely that it would become economic at any currently reasonable metal price assumptions. Three zones of mineralization were noted: (a) hypogene (primary mineralization), with chalcopyrite and lesser bornite being the dominant Cu-bearing minerals; (b) mesogene, where chalcocite is the dominant Cu-bearing mineral with lesser chalcopyrite; and (c) supergene, where native Cu, and minor chalcocite, is present. Hypogene comprises approximately 52% of the total resource tonnage, mesogene 39%, and supergene 9%.

Measured And Indicated Resource – Main Zone and Hanging Wall Lenses
Cu - $1.20/lb; Au - $450/oz; Ag - $5.25/oz (US $)

Cut-Off (CDN$/T)	Tonnage	Grades Cu (%)	Grades Au (g/t)	Grades Ag (g/t)	Contained Metal Cu (m.lbs)	Contained Metal Au (m. oz)	Dollar Value Per Tonne (CDN$)*
Measured Resource							
$10	43,250,000	1.12	0.83	2.68	1,065	1.154	37.26
Indicated Resource							
$10	22,410,000	0.84	0.66	2.42	415	0.476	28.34
Measured and Indicated Resource							
$10	65,660,000	1.02	0.77	2.59	1,480	1.630	34.22

* Recovered value, assuming metallurgical recoveries of 90% for Cu and Au, and 75% for Ag, and a CDN$:US$ Exchange Rate of 0.88

On March 20, 2007 the Company released an inferred resource for mineralization outlined vertically below the Main Zone resource described previously. This mineralization is called the C Zone. This inferred resource was estimated from the results of 11 underground diamond drill holes and 1 surface hole. The mineralization is all hypogene, or primary, with chalcopyrite being the dominant Cu-bearing mineral. The drill density was sufficient only to place the resource in the inferred category. Additional infill drilling will be required to increase the confidence level in the resource and upgrade it to the indicated and/or measured categories.

C Zone Inferred Resource
At US$1.20 Cu, US$450 Au, and US$5.25 Ag

Cut-Off (CDN$/T)	Tonnage	Grades C (%)	Grades Au (g/t)	Grades Ag (g/t)	Contained Metal Cu (m.lbs)	Contained Metal Au (m. oz)	Dollar Value Per Tonne (CDN$)*
$10	7,940,000	0.96	0.88	1.55	168	0.225	34.89

* Recovered value, assuming metallurgical recoveries of 90% for Cu and Au, and 75% for Ag, and a CDN$:US$ Exchange Rate of 0.88

The C Zone mineralization is contained within 2 separate blocks (east and west) which cover a combined total strike length of approximately 700 m, and each of which has a maximum vertical extent of more than 300 m. The lower limit of the mineralization is constrained by available information, and it remains open at depth. Additional drilling below the resource is required to determine the true extent of the C Zone. The Company is currently assessing potential options to conduct this work. Relative to the Main Zone, the C Zone has higher gold grades, but lower copper grades.

Of the 2 blocks, the western one is the more significant with greater widths and higher grades. The eastern block is separated from the Main Zone, while the western block is, in places, contiguous with the Main Zone.

Mineral Reserve Estimate

Reserves were estimated by Qualified Person (under National Instrument 43-101) Mike Thomas, MAusIMM (CP) of AMC, and utilized the measured and indicated resource model described above. The starting point for estimating the reserve was an analysis of the distribution of mineralization within the resource model (excluding the C Zone), which AMC broke down into the following components – East Block, West Block, and Pit Protection Pillar in the Main Zone, and the Hanging Wall Lenses. To this breakdown, AMC applied knowledge gained from geotechnical data, in addition to geological interpretations of faults and other structures. In estimating the reserves, the following metal prices were used—Copper (Cu) US$1.45/lb; Gold (Au) US$475/oz.

As the Hanging Wall Lenses are lower grade, isolated from the Main Zone and would require separate underground infrastructure, they were not considered in the Feasibility Study. The Main Zone was split into the east and west blocks by an area of lower grade mineralization that was not included in the reserve. A decision was made to leave a pillar under the west area of the pit (Pit Protection Pillar), as the mineralization was slightly lower grade than the bulk of the main zone and, because of its higher elevation, could not easily be recovered within the same block cave panel as the East Block – this pillar was not included in the reserve.

AMC determined that the Main Zone mineralization could be mined as three cave areas, Block 1 (B1) and Block 2 (B2), separated by a low-grade pillar would have the same cave base, whilst Block 3 (B3) would have its base at a lower elevation.

To enable a single cut-off parameter to be used when selecting the economic parts of the resource to be mined, AMC estimated the theoretical value (Value) received for concentrate produced from each tonne of resource, assuming that the concentrate is sold at the mine gate. All costs and losses incurred in the off-site transportation and processing of concentrate being the responsibility of the buyer.

The block caving method requires the orebody to be undercut enabling the ore to collapse and fragment (cave) into underlying drawpoints where it is extracted. The shape and size of the area to be undercut (the footprint) was determined by comparing a nominated cost of establishing each drawpoint (CDN$300,000) with the total recoverable value of the overlying column of ore, after deducting mining, processing and all other site costs. The footprint was designed to encompass those drawpoints with a positive net value and, where necessary, a number of sub-economic drawpoints to ensure that the undercut area was large enough to cave, (determined by geotechnical investigations as being an area with a minimum span in any direction of approximately 95m).

As a result of establishing the most suitable block cave footprints, some areas of remnant mineralization remain beneath the cave outlines, and were, therefore, not included in the reserve.

To determine the heights of the caved ore columns, AMC used two separate simulation programs (Cave-Sim, and PC-BC). These programs model the progressive mixing of various mineralized and unmineralized materials within the cave as the orebody is mined. Once the value of the ore being extracted from the drawpoint reached less than CDN$15 per tonne the

programs determined the cave column had been drawn to its maximum economic height (at the metal prices used in the reserve calculation) and the drawpoint was closed.

The mineral reserve estimate is summarized below and results from mixing of measured and indicated resources with dilution from low-grade and barren material from within the cave outline and from the overlying material entering from above. The reserve also takes account of mineralized material that would be uneconomic to recover at the metal prices used for the reserve estimation and would remain in the cave. The net effect is a dilution of approximately 15% of the original mineral resource within the cave outlines.

Mineral Reserve Estimate[1]
At US$1.45/lb Cu, US$475/oz Au

	Grade					Contained Metal		
	Tonnes (millions)	Cu (%)	Au (g/t)	Ag (g/t)	Value (CND$/t)	Cu (m.lbs)	Au (m. oz)	Ag (m. oz)
Probable Ore Reserve	44.4	0.98	0.72	2.27	31.13	960	1.03	3.24

1 Estimated using a cut-off Value of CDN$15/t of ore.

Metal prices, metallurgical recoveries, transportation and treatment charges used in the estimation are shown in the tables below.

Metallurgical Recoveries and Concentrate Grade Used to Estimate the Mineral Reserve

	Units	Hypogene	Mesogene	Supergene
Metallurgical Recovery Cu	%	92.7%	88.1%	79.5%
Metallurgical Recovery Au	%	89.0%	83.1%	68.8%
Concentrate Grade	Cu%	27.0%	27.6%	58.1%

Metal Prices and Other Parameters Used to Estimate the Mineral Reserve

Parameter	Units	Value
Moisture Content	%	8.0%
Exchange Rate	CDN$: US$	$ 0.88
Copper Price	US$/lb	$ 1.45
Gold Price	US$/oz	$ 475.00
Concentrate Transport	CAN$/t (wet)	$ 54.00
Concentrate Shipping	US$/t (wet)	$ 40.00
Concentrate Treatment	US$/t (wet)	$ 80.00
Cu Refining	US$/lb	$ 0.08
Payable Copper	%	96.6%
Payable Gold	%	97.1%
Copper Price Participation*	US cents/lb	2.5
Arsenic**	US$/dmt	$ 2.50
Mercury***	US$/dmt	$ 2.00

Notes:The contribution to ore value from silver is small and has been excluded from the estimation process.
* Copper price participation = 10% above a threshold price of US1.20 per lb.
** Arsenic penalty= US $2.50 per dmt of concentrate for each 0.1% over 0.2%
*** Mercury penalty = US $2.00 per dmt of concentrate for each 10 ppm over 10 ppm.

The measured and indicated resources lying within the vertical projection of the footprint that are expected to cave are shown below. No inferred resources are included in the outline.

Mineral Resources Contained Within the Vertical Projection of the Cave Footprint

Mineral Resource Category	Tonnes (millions)	Cu (%)	Gold (g/t)	Silver (g/t)
Measured	31.4	1.22	0.89	2.75
Indicated	8.9	0.83	0.73	2.50
Inferred	—	—	—	—
Total	40.2*	1.13	0.86	2.69

* Totals do not equal the sum of the components because of rounding adjustments

Although a large volume of the material encompassed by the projected footprint has a measured resource classification, a probable reserve classification has been applied to the reserve because of the uncertainty associated with estimating material movement within the cave and the absence of any historical actual versus forecast reconciliation at Afton to provide guidance. Also, a large quantity of indicated resource and unclassified material mixes with the measured resource within the cave. As it is not possible to mine the measured resource separately from this material, the effect is to lower the classification of the total reserve.

Metallurgy

The processing facilities have been designed to treat 4.0 mtpa and recover copper, gold and silver values. A conventional crushing, grinding, gravity concentration and flotation circuit has been designed utilizing standard unit processes and equipment. The process design criteria

have been based on a combination of testwork results, experience from similar operations and industry practice.

A concentrate containing Cu, Au, and Ag will be produced on site at the New Afton Project. The metallurgical characteristics of the various ore types (supergene, mesogene and hypogene) are summarized in the table below.

Metallurgical Characteristics of Ore Types

		Ore Type		
	Average	Hypogene	Mesogene	Supergene
Recoveries				
Cu recovery (%)	87.4%	90.2%	86.6%	67.3%
Au recovery (%)	85.9%	88.9%	83.2%	68.7%
Ag recovery (%)	75.8%	76.5%	77.0%	63.8%
Concentrate Grade				
Cu (%)	27.6%	27.4%	26.5%	58.1%
Au (g/t)	20			
Ag (g/t)	56			
Moisture Content (%)	8.0%	8.0%	8.0%	8.0%

Penalty elements (arsenic and mercury) are associated with the mesogene and supergene mineralization which are located within the eastern block (#1). The hypogene ore of the central and western blocks (#'s 2 and 3) do not contain any meaningful quantities of these penalty elements. The mine plan is designed to have Block 1 mined simultaneously with Block 3 such that the blend of the various ore types reduces the concentration of penalty elements.

Project Analysis

Economic Summary
(All dollar amounts in US$)

Assumptions		
Copper Price (US$/lb) [1]	$	2.01
Gold Price (US$/oz) [1]	$	487
Silver Price (US$/oz) [1]	$	8.54
CDN$:US$ Exchange Rate[1]		0.82
Financial Results		
Internal Rate of Return (pre-tax)		13.6%
Internal Rate of Return (after tax)		10.4%
NPV 0% discount (pre-tax)		$614 million
NPV 5% discount (pre-tax)		$266 million
Cash Flow		
Average Annual (pre-tax) cash flow[2]		$108 million

1 3 year trailing average price
2 Weighted Average of complete years at full production rate (4 mtpa)

Production Summary (All dollar amounts in US$)

	Units	Amount	
Mine Description			
Mine Life	Years		12
Pre-Production Capital Cost	$millions		$268
Expansion and LOM Capital Cost	$millions		$215
Mine Production			
Total Ore Tonnage Milled	Millions of Tonnes		44.4
Annual Mill Throughput[1]	Millions of Tonnes per Year		4.0
Daily Mill Throughput[1]	Tonnes per Day		11,000
Average Metal Production[1]		**LOM[2]**	**Full Production[1]**
Cu	Thousands of Pounds/year	70,000	78,000
Au	Ounces/year	74,000	82,000
Ag	Ounces/year	204,000	240,000
Maximum Metal Production			
Cu	Thousands of Pounds/year		87,000
Au	Ounces/year		102,000
Ag	Ounces/year		324,000
Unit Operating Costs		**LOM[2]**	**Full Production[1]**
Mining	$/t	$ 4.21	$ 3.72
Processing	$/t	$ 3.55	$ 3.20
G&A	$/t	$ 0.89	$ 0.79
Utilities	$/t	$ 1.82	$ 1.72
Total	**$/t**	**$ 10.47**	**$ 9.43**
Cash Operating Costs[1]		**LOM[2]**	**Full Production[1]**
Cu[3]	$/pound	$ 0.64	$ 0.58
Au[4]	$/oz	($ 790)	($ 852)

1 Weighted Average of complete years at full production rate (4 mtpa)
2 LOM = Life of Mine and Includes First 2 years at 1.6 mtpa
3 Net of precious metal credits.
4 Net of copper and silver credits

Capital Costs

The capital costs for the development of the Project can be broken down into three distinct phases: Pre-Production (approximately 24 months); Expansion to 4.0 mtpa production (approximately 24 months); and Sustaining (the remainder of the mine life).

Capital Cost Components US$ millions

	Pre-Production	Expansion	Sustaining	Total
Site development, and surface facilities	18	3	—	21
Mill	49	18	—	67
Electrical power	5	—	—	5
Tailings facility	5	8	—	13
Mining development	89	64	61	214
Mining equipment	29	4	8	41
Indirect costs EPCM, owners costs etc.	44	25	—	69
Closure	—	—	9	9
Contingency	30	15		45
Total	**268**	**137**	**78**	**484** [1,2,3]

1 Total does not always equal sum of sub-totals due to rounding
2 Capital costs do not include $13 million (plus any applicable interest) to be paid to Teck to purchase surface rights, over and to north of potential mine site
3 Assumes constant dollars as of January 1, 2007 without escalation and using a $Cdn:$US exchange rate of 0.82.

The information contained under the heading “Project Analysis”, including the Economic Summary, Production Summary and Capital Cost Components are subject to important qualifications and assumptions all of which are set out in the Technical Report. To fully understand this information, the Technical Report, once filed on SEDAR, should be read in its entirety.

Proposed Mining Operations

Mining—Mining Method

The New Afton Project will be an underground mine using primarily block caving. The deposit will be mined using three block cave panels, designated B1, B2 and B3. B1, the largest panel, is located under the western slope of the existing open pit; B2 is west of B1, at the same level, but slightly smaller; and B3, to the west of B2, is smaller than B2 and deeper. The general direction of undercutting will be from the South West corner of B2 to the North East corner of B1. The undercut face angle will be maintained at approximately 45 degrees to the strike of the deposit in a NW-SE direction and will move progressively from B2 into B1. The caving method will result in subsidence in the western wall of the Afton pit, which is not anticipated to impact any of the existing or proposed surface structures

Mining-Throughput

Over the projected 12 year operating life of the mine, based on present assumptions, approximately 44 mt of ore would be recovered from the deposit using block caving with the potential to mine some small remnant areas using the SLC method later in the mine life. A staged production build up is proposed, initially to an annualized rate of 1.6 mtpa for a nominal two-year period (“Phase 1”) increasing to a maxim of 4.0 mtpa (“Phase 2”). The staged build up is designed to provide time to develop the best operating strategies and practices for the mine .

Mining-Initial Scheduling

Construction of an access road from the top of the Afton Pit to its bottom has commenced. When the Mine Permit is issued and all other necessary permits granted, construction of the mine will commence, The mine will be developed using conventional drill and blast development techniques from the existing exploration decline and from a surface portal for a conveyor decline. The conveyor decline, when completed in an estimated two years, will have a gradient of 16% and will be 4.6 kilometers long. The underground crusher and conveying system will be commissioned in Phase 2. A 3.5km secondary access decline will be developed from the western end of the exploration decline at a 16% gradient. This access decline will provide initial access to the undercut, extraction and haulage levels for B2 from where production will commence.

Process Plant

The New Afton processing facility has been designed to process 4.0 mtpa and recover the contained copper, gold and silver. The process will utilize conventional grinding and flotation circuits to produce a gold rich copper concentrate. The mill has been designed to process 11,000 tpd of ore and will operate 24 hours per day, 365 days per year with scheduled downtime for equipment maintenance. During the first two years of development and production, the mill will process at a lower daily rate of 1.6 million tonnes per year or 4,400 tpd with the full production rate to be achieved with the completion of the underground to surface conveyor facilities. The mill process will be as follows:

- Primary crushing (underground)
- Conveying (underground to surface)
- Surge pile-ore storage and reclaim and an optional waste surge pile
- Two-stage primary grinding, classification and gravity concentration
- Rougher flotation
- Rougher concentrate regrinding, classification and gravity concentration
- Cleaner flotation in three closed stages with the one open stage of cleaner-scavenger
- Concentrate thickening and pressure filtration
- Concentrate storage, loading and weighing (on-site)
- Tailings handling, sand recovery, fines and slurry storage
- Water recovery

Tailings Disposal

The tailings disposal facility will involve the construction of a centerline raised dam with cycloned sand from the tailings to impound the cyclone overflow containing fines and water. The water from the impoundment area will be reclaimed and reused by the plant. The body of the tailings dam will consist of a starter dam constructed of glacial till and keyed into the foundation. The centerline raises above the starter dam will consist of a low permeability core constructed out of compacted glacial till on the upstream side and the cycloned sand shell with blanket drainage drain are provided for seepage and erosion control. Approximately one-third of the total length of the main tailings dam lies over waste rock and the rest over glacial till. The impoundment will include a geomembrane liner system covering the waste rock to minimize seepage.

During Phase 1 whole tailings will be disposed of in the Pothook Pit, so deferring the time when the main tailings disposal facility must be constructed. Water currently contained in the Afton Pit will be pumped to the Pothook Pit and will be used for process water thereby minimizing consumption of “new” fresh water.

Concentrate Transportation and Markets

It is envisaged that the concentrate will be delivered by truck to Ashcroft, B.C. and thence by rail to North Vancouver, B.C. where it will be stored pending shipment to receiving ports in Asia

The Company's strategy will be to develop, for a portion of the concentrate produced, long term contracts.

Taxes

Income earned from the mine will be subject to federal and provincial income tax.

Project Financing

On August 16, 2006, New Gold announced that Barclays Capital had been appointed as lead arranger for the debt portion of any project financing to develop the New Afton Project into a mine.

Risk Factors

In addition to the other information presented in this Annual Information Form, the following risk factors should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business. Any of the following risks could have a material adverse effect upon the Company, its business and future prospects. In addition, other risks and uncertainties not presently known by management of the Company could impair the Company and its business in the future.

Surface Rights

The Afton Lands on which the Afton Claims are situated, consist of Crown land, some of which is subject to grazing leases, and land held in fee simple, principally by Afton Mining Corporation. The Company holds certain surface rights with respect to the Crown land but will be required to obtain all necessary surface rights for the construction and operation of a new mining operation on the Afton Property. As noted above under "Project Description and Location", the Company has entered into a letter of intent with Teck Cominco Ltd. to purchase the surface rights. However, a definitive agreement for the purchase of the surface rights has not been executed and delivered and until it has there is a risk that the Company may not acquire such surface rights.

Under Section 14(1) of the *Mineral Tenure Act*, R.S.B.C. 1996, c. 292 ("*MTA*") a mineral title holder may, subject to the requirements in the *MTA,* including permitting, notice and compensation requirements, use, enter and occupy the surface of its mineral claim for the purpose of exploration, development and production and to carry out other activities related to the business of mining. This right may be exercised despite the fact that the land may be Crown land or fee simple land which is privately owned. A mineral title holder's right to use the surface of their claims is, however, also subject to, among other things, the Minister's power under section 17 of the *MTA* to restrict the use of surface where he/she considers that the surface area should be used for purposes other than mining. Also, under Section 16 of the *MTA*, if an application to acquire surveyed land is received under the *Land Act* R.S.B.C. 1996, C.245 (the "*Land Act*") before a mineral claim is registered on that land, or if an application to acquire unsurveyed land is received under the *Land Act* and such land is staked under the *Land Act* before a mineral claim is registered on that land, the rights with respect to the acquisition of

the surface of the land under the *Land Act* have priority over the rights with respect to a mineral claim subsequently registered on that land.

If there is a dispute between the parties regarding use of the surface or compensation, the Chief Gold Commissioner will use his or her best efforts to resolve the issues between the parties. If this fails then the matter may be resolved through a process of mediation and arbitration by the Mediation and Arbitration Board (the "PNGA Board") under the *Petroleum and Natural Gas Act*, R.S.B.C. 1996, c.361. The PNGA Board may set conditions for the use of the surface as well as specify the compensation payable to the owner. In a conflict between rights acquired under the *MTA* and rights to Crown land acquired under the *Land Act* the PNGA Board will give consideration to who applied for the rights first and, unless an injustice would result, must give the holder of those rights due priority in its consideration of the dispute between the parties.

Section 15 of the *MTA* sets out situations where the government may dispose of surface rights on Crown land to the holder of a mining lease. To acquire these rights the recorded holder must first obtain certification from the Minister that the land is or will be required for the purpose of mining. Such land must also be unreserved land, it must not be lawfully occupied for a purpose other than mining and it must not be protected heritage property. If these conditions are met the surface rights may be transferred subject to conditions determined by the Ministers responsible for the *MTA* and *Land Act* and payment based on the unimproved value of the land.

As a result, the Company may be required to enter into direct negotiations with the owners of fee simple property to obtain surface rights to those portions of the Afton Lands that are held in fee simple. There can be no certainty that such negotiations will be successful and as a result mediation and arbitration under the *MTA* may become necessary. With respect to Crown lands, the Company may be required to enter negotiations or apply to obtain surface rights from the Government of British Columbia. There can be no certainty of how long such negotiations, potential mediation and arbitration or applications may take or whether they will ultimately be successful, and therefore may have a material impact on the overall development and timeline of the Afton Project. The extent of compensation to surface owners that may be required also cannot be assessed at this time.

Access to the Afton Claims

Under the Access Agreement (see "Business of the Company – Three Year History"), the Company has the right to enter upon the portion of the Afton Lands held by Afton Operating Corporation to conduct exploration until June 30, 2007. The Access Agreement requires the Company to compensate Afton Operating Corporation for any disruption or damage to any surface facilities, to reclaim areas disturbed by the Company's operations, to post bond against any failure to reclaim, to be responsible for any hazardous substances introduced to the lands and to insure and indemnify the owner against liabilities arising from any activities of the Company in and about the lands.

Access to mineral claims is governed by the *Mining Right of Way Act*, R.S.B.C. 1996, c. 294 (the *"MRWA"*). Under the *MRWA*, a mineral tenure holder may, subject to certain limitations, take a right of way across private or Crown land to enable it to access its mineral claims for the

purpose of the exploration and development. Where private land is taken without the consent of the owner the *Expropriation Act*, R.S.B.C. 1996, c. 125 (the "*Expropriation Act*") applies. Compensation under the *Expropriation Act* is based on the principle that the owner should be put in the same economic position post-expropriation as pre-expropriation.

There is no certainty that should the Company need to extend the Access Agreement that it will be successful in doing so. If the Access Agreement is not extended, the Company would have to attempt to obtain access rights under the provisions of the *MRWA* noted above, which could result in delay and/or increased cost to compensate the surface owner for use of the area or the Company could be forced to use more costly, less convenient access over Crown lands.

Financing Risks

The Company has limited financial resources, no source of operating cash flow and no assurance that additional funding, equity or debt based, will be available for further exploration and development of its projects. The Company will require additional financing from external sources to meet its operating and capital requirements. There can be no assurance that it will obtain adequate financing in the future or that the terms of such financing will be favourable. In addition, the price of shares of developing mining companies can be volatile due in part to changes in metals prices, actual development results differing from expected development results, changes in metal companies' valuations or the departure of key employees. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of our projects or the possible loss of such properties.

The mineral exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted.

The standards employed in estimating the resources differ significantly from the requirements of the SEC and the resource information reported may not be comparable to similar information reported by United States companies. The term "resources" does not equate to "reserves" and normally may not be included in documents filed with the SEC. "Resources" are sometimes referred to as "mineralization" or "mineral deposits."

Operating Hazards and Risks

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risk normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Although the Company has obtained liability insurance in an amount which it

considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Development projects have no operating history upon which to base estimates of future cash operating costs. Particularly for development projects, estimates of mineral resources and mineral reserves and cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies which derive estimates of capital costs and cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of copper and gold, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual capital costs, cash operating costs and economic returns will differ significantly from those estimated for a project prior to production. It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays often can occur in the commencement of production.

Fluctuating Metal Prices

The Company's revenues, if any, are expected to be derived from the extraction and sale of Cu and Au contained in concentrates. The price of these metals has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted. The Company does not presently have a metals hedging policy nor has it conducted any metals hedging in the past.

Title To Some Of the Company's Mineral Properties May Be Challenged Or Defective

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to it's properties, there is no guarantee that title to any of such properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interest, including prior unregistered liens, agreements, transfers or claims, including aboriginal land claims, and title may be affected by, among other things, undetected defects. As a result, we may be constrained in our ability to operate our properties or unable to enforce our rights with respect to our properties. An impairment to or defect in our title to our properties could have a material adverse effect on our business, financial condition or results of operations.

Exploration, Development and Resource and Reserve Estimates

The exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties.

Although the mineral resource and reserve figures set out herein have been carefully prepared and reviewed or verified by independent mining experts, these amounts are estimates only and no assurance can be given that an identified mineral resource will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in reserves or resources, grades, dilution estimates or recovery rates may affect the economic viability of the Project. The estimated reserves and resources described in this Annual Information Form should not be interpreted as assurances of mine life or of the profitability of future operations. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish resources through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

Environmental and other Regulatory Requirements

The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The current activities of the Company, including any development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance that all permits which the Company may require for exploration, construction of mining facilities and conduct of mining operations will be

obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any mining project that the Company may undertake. In particular, a Mine Permit may not be issued. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Retention of Key Personnel

The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management and the loss of one or more could have a materially adverse effect on the Company.

Limited Experience with Development-Stage Mining Operations

The Company has limited experience in placing resource properties into production, and their ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it places its resource properties into production.

Competition

The Company will compete with many international companies that have substantially greater financial and technical resources than it for the recruitment and retention of qualified employees.

DIVIDENDS

To date, New Gold has not paid dividends on its shares. New Gold has no present intention of paying dividends on its shares as it anticipates that all available funds will be invested to finance the growth of its business.

DESCRIPTION OF CAPITAL STRUCTURE

Shares

The Company is authorized to issue an unlimited number of shares without par value of which 24,164,717 shares were issued at April 2, 2007. The holders of shares are entitled to receive notice of and attend all meetings of shareholders with each share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of shares are entitled to dividends if, as and when declared by the board of directors of the Company. The shares are entitled upon liquidation, dissolution or winding up of the Company to receive the remaining assets of the Company available for distribution to shareholders.

Warrants

The Company issued 4,167,000 Warrants on February 28, 2006. Each Warrant is exercisable to acquire one share at a price of $12 per share until February 28, 2008. The Warrants were issued under a warrant indenture (the "Warrant Indenture") dated as of February 28, 2006 between the Company and Computershare Trust Company of Canada (the "Trustee"). The Company appointed the principal transfer offices of the Trustee in Vancouver and Toronto as locations at which the Warrants may be surrendered for exercise, transfer or exchange. The Warrant Indenture, among other things, includes provisions for the appropriate adjustment in the class, number and price of the shares to be issued upon exercise of the Warrants ("Warrant Shares") upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Company's shares, the payment of stock dividends and the amalgamation of the Company.

Holders of Warrants do not have any voting or pre-emptive rights or any other rights which a holder of a Warrant Shares would have. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution or (2) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66 2/3% of the aggregate number of all the then outstanding Warrants.

MARKET FOR SECURITIES

The Company's shares are listed and posted for trading on the TSX and AMEX in each case under the symbol "NGD". The Warrants are listed and posted for trading on the TSX under the symbol "NGD.WT".

Trading Price and Volume

The following table provides information as to the high, low and closing prices of the Company's shares during the 12 months of the most recently completed financial year as well as the volume of shares traded for each month:

Trading Price and Volume of shares on the TSX:

2006	High ($)	Low ($)	Volume
January	9.50	8.01	1,761,220
February	9.85	8.80	2,976,041
March	11.00	8.60	2,766,483
April	12.75	10.61	2,204,107
May	12.95	10.15	1,034,220
June	11.25	8.30	859,909
July	10.25	9.14	904,375
August	10.50	9.30	432,816
September	10.05	7.52	3,750,966
October	9.24	7.36	1,541,149
November	10.40	9.00	1,675,517
December	9.50	8.40	303,759

Trading Price and Volume of shares on AMEX:

2006	High ($)	Low ($)	Volume
January	8.60	6.88	288,100
February	8.65	7.62	342,100
March	9.55	7.55	557,200
April	11.30	9.05	231,900
May	11.94	9.05	277,000
June	10.15	7.55	161,900
July	9.30	8.01	97,600
August	9.46	8.20	156,500
September	9.03	6.70	130,900
October	8.14	6.55	274,500
November	9.21	7.94	259,000
December	8.34	7.20	119,400

Prior Sales

The following table provides disclosure as to the securities of the Company issued but not listed on the TSX or AMEX during the fiscal year ended December 31, 2006.

Date Issued	Type of Security	Number Issued	Exercise/ Conversion Price	Expiry Date
March 8, 2006	Stock option	60,000	$ 8.90	April 3, 2011
May 29, 2006	Stock option	575,000	$ 11.00	May 29, 2011
Sept. 5, 2006	Stock option	90,000	$ 9.52	Sept. 5, 2011

DIRECTORS AND OFFICERS

The names, positions or offices held with the Company, province/state and country of residence, and principal occupation of the directors and executive officers of the Company as at April 2, 2007 are as follows:

Name, Position and Municipality of Residence[1]	Principal Occupation During the Five Preceding Years[1]	Director/Officer since
Chris J. Bradbrook – Director, President and Chief Executive Officer Oakville, Ontario[6]	Mr. Bradbrook was appointed President and Chief Executive Officer of the Company on October 12, 2004. Previously he was Vice President of Corporate Development for Goldcorp Inc. an exploration and mining company from January 2001 to May 2004.	October 2004
Clifford J. Davis – Director, Chairman of the Board Kemble, Ontario [4][5][6]	Mr. Davis has held numerous senior mining executive positions with resource based companies. Most recently he was President and Chief Executive Officer of Gabriel Resources Ltd., a mineral exploration company from April 2001 to June 2002 Prior to this, he worked at TVX Gold Inc. a mineral exploration and mining company, from June, 1996 to March 2001 where he was the President and Chief Operating Officer when he departed. Mr. Davis presently sits on a number of Boards of Directors for resource based companies.	March 2005
C. Robert Edington – Director Victoria, BC)[6]	Mr. Edington is an engineer who is currently retired. He previously worked as the Director of Trades and Production at Deas Pacific Marine Inc, a ship maintenance and repair company, from August 2004 to September 2005. Prior to this, he was Senior Ship Manager at SNC Lavalin from March 1997 to January 2004.	July 1992

Name, Position and Municipality of Residence[1]	Principal Occupation During the Five Preceding Years[1]	Director/Officer since
R. Gregory Laing – Director Oakville, Ontario [3][4][5]	Mr. Laing is currently General Counsel, Senior Vice President, Legal and Corporate Secretary of Agnico-Eagle Mines Limited, an exploration and mining company, a position he has held since September, 2005. Prior to that he was Vice President, Legal of Goldcorp Inc., an exploration and mining company, from October 2003 to June 2005. Before joining Goldcorp in 2003, he served as General Counsel of TVX Gold Inc., an exploration and mining company from October 1995 to January 2003. He is also a director of Andina Minerals Inc., an exploration company.	March 2005
Paul Martin – Vice President Finance and Chief Financial Officer Toronto, Ontario	Mr. Martin has been the Vice President Finance and Chief Financial Officer of the Company since May 18, 2005 before which he was Chief Financial Officer of Gabriel Resources Ltd. a mineral exploration and development company from February 2000 to May 2005.	May 2005
John Mondin – Controller Kamloops, B.C.	Mr. Mondin became Controller of the Company in April, 2006 before which he was Senior Taxation Advisor – Fording Canadian Coal Trust and Elk Valley Coal Corporation.	April, 2006
Mike Muzylowski – Director Vancouver, BC[3][4]	Mr. Muzylowski is currently the President of Callinan Mines Ltd., a mineral exploration and development company, a position he has held since June 1995. He also sits on a number of Boards of Directors of resource based companies.	September 2000
John Pitcher – Corporate Counsel and Secretary	Mr. Pitcher assumed his present position in June, 2006, prior to which he was a corporate lawyer with Gabriel Resources Ltd, since 2002. Before that he was a corporate lawyer with the Dinnerex group of limited partnerships.	June, 2006

Name, Position and Municipality of Residence[1]	Principal Occupation During the Five Preceding Years[1]	Director/Officer since
Kevin Ross – Chief Operating Officer Vancouver, BC	Mr. Ross has been the Chief Operating Officer of the Company since January 8, 2006. Previously he worked for Ivernia Inc., a mining company, as their Chief Operating Officer from September 2004 to November 2005 and prior to that he was Chief Executive Officer of ARCON International Resources PLC, a mining company, from February 2001 to August 2004.	January 2006
Paul B. Sweeney – Director Surrey, BC[3][5]	Mr Sweeney assumed the position of Executive Vice President, Corporate Development of Plutonic Power Corporation on January 1, 2007, prior to which he was a self-employed businessman. Previously he was the Vice President and Chief Financial Officer of Canico Resource Corp., a mineral resources exploration and development company, from 2002 to November 2005. Prior to this, he was Chief Financial Officer and Corporate Secretary for Manhattan Minerals Corp., a mineral resource exploration company, from 1999 to 2001.	January, 2006

Notes:
(1) The information as to place of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors individually.
(2) The term of the directors of the Company expires at the annual general meeting of shareholders where they can be nominated for re-election. The officer's hold their office at the discretion of the board but typically on an annual basis, after the annual general meeting, the directors pass resolutions to appoint their officers and committees.
(3) Member of the Audit Committee.
(4) Member of the Compensation Committee.
(5) Member of the Corporate Governance Committee.
(6) Member of the Nominating Committee.

At this time, New Gold does not have an Executive Committee.

As of April 2, 2007, directors and officers of the Company own or control approximately 278,800 shares of the Company representing approximately 1.2% of its issued and outstanding shares.

Corporate Cease Trade Orders or Bankruptcies

No director or executive officer of the Company, or a shareholder holding a sufficient number of shares of the Company to affect materially the control of the Company, is or within the 10 years before the date of this Annual Information Form has been, a director or officer of any other corporation that, while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied such corporation access to any exemptions

under Canadian securities legislation, for a period of more than 30 consecutive days, or was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer in the corporation being the subject of a cease trade order or similar order that denied such corporation access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such corporation. The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any control shareholder of the Company individually.

Penalties or Sanctions

No director or officer of the Company has been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or, except as hereafter set out, has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

During the ten years preceding the date of this Annual Information Form, no director, officer or a shareholder holding a sufficient number of shares of the Company to affect materially the control of the Company, or a personal holding company of any such persons, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets. The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any control shareholder of the Company individually.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of

the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the laws of British Columbia and shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. The directors and officers of the Company are not aware of any such conflicts of interests.

AUDIT COMMITTEE

Under Multilateral Instrument 52-110 – Audit Committees ("MI 52-110"), companies are required to provide disclosure with respect to their audit committee including the text of the audit committee's charter, composition of the audit committee and the fees paid to the external auditor. Accordingly the Company provides the following disclosure with respect to its audit committee:

The Audit Committee's Charter

The Audit Committee's Charter is set out in full on Schedule "A".

Composition of the Audit Committee

The following directors are members of the Audit Committee as at April 2, 2007:

Gregory Laing	Independent[1]	Financially literate[2]
Mike Muzylowski	Independent[1]	Financially literate[2]
Paul Sweeney—Chair	Independent[1]	Financially literate[2]

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as a member of the Audit Committee are as follows:

Mr. Laing, the former Chairman of the Audit Committee, is currently General Counsel, Senior Vice President, Legal and Corporate Secretary of Agnico-Eagle Mines Limited and was previously Vice President, Legal at Goldcorp Inc. During his tenure in the mining industry, he has dealt with a variety of complex financial transactions including acquisitions and divestitures, equity and project financing and involvement of all aspects of a Board of Directors including corporate secretary for all Board and Committee meetings. He is currently a member of the Audit Committee of Andina Minerals Ltd.

Mr. Muzylowski holds a degree in geology and has served on the board of numerous natural resource companies over the past 40 years. Mr. Muzylowski has been the President/CEO and director of several mining companies in the production and development stage.

Mr. Sweeney, the Chairman of the Audit Committee, is a member of the Certified General Accountants Association of British Columbia. Mr. Sweeney has extensive experience in metals marketing, hedging, insurance, and taxation relating to Canadian and foreign mining companies. He has arranged construction financings for mines in Canada, the United States, Australia, Papua New Guinea and Chile.

Pre-Approval Policies and Procedures

The Committee is responsible for the pre-approval of all audit, audit-related and non-audit services provided by the independent auditor. The Chairman of the Committee is responsible for proper implementation of and compliance with this policy. The Committee has delegated to the Chairman the authority to pre-approve all services, not previously approved, up to $10,000 and to report these to the Committee as a whole at the next Committee meeting.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year Ending	Audit Fees (1)	Audit Related Fees (2)	Tax Fees (3)	All Other Fees (4)
2006	$ 31,000	$ 135,831	$ 6,375	$ 8,500
2005	$ 21,000	$ 6,000	Nil	Nil

(1) The audit fees billed. The amount shown for 2006 includes payments to the former auditor for the audit of the 2005 financial year and interim billings paid to the current auditor relating to the audit of the 2006 financial year.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees". The amount shown for 2006 includes $118,662 paid to the current and former auditor related to the restatement of the 2005 audited financial statements and the unaudited interim financial statements for the six months ended June 30, 2006.

(3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

(4) The aggregate fees billed for product and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There have been no other transactions or loans since the beginning of the last three financial years between the Company and any enterprise that is under common control with the Company, any associate, individual having significant influence over the Company, key management personnel of the Company, directors of the Company or any enterprise controlled by, or in which an individual having significant influence over the Company or any key management person of the Company has a substantial interest and over which such person can exercise significant influence and has materially affected or will materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent and registrar is Computershare Trust Company of Canada. Transfers may be effected and registration facilities are maintained at each of the following offices: (i) 510 Burrard Street, Vancouver, BC V6C 2T5; and (ii) 100 University Avenue, Toronto, Ontario M5J 2Y1.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Company has not entered into any material contracts during the most recent completed financial year, or since January 1, 2002, and which are still in force and effect and which may reasonably be regarded as presently material other than as set out below:

1. The Warrant Indenture dated as of February 28, 2006 between the Company and Computershare Trust Company of Canada as described under the heading "Description of Share Capital".

INTERESTS OF EXPERTS

The following persons, firms and companies are named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under *National Instrument 51-102 Continuous Disclosure Obligations* by New Gold during, or relating to, New Gold's most recently completed financial year and whose profession or business gives authority to the statement, report or valuation made by the person, firm or company.

Name (1)	Description	Interest in New Gold (2)
DeVisser Gray, Chartered Accountants	Provided an auditor's report dated March 15, 2006 in respect of the Company's balance sheet for the year ended December 31, 2005 and the statements of income and deficit and cash flows for the year ended	Nil

Name (1)	Description	Interest in New Gold (2)
	December 31, 2005.	
Behre Dolbear & Company Ltd.	An “independent qualified person” for the purpose of National Instrument 43-101, prepared the technical report titled “Advanced Scoping Study for the Afton Project Kamloops B.C.” and dated February, 2004 and the technical report titled “Mineral Resource Estimate for the Afton Copper/Gold Project, Kamloops, B.C.” and dated January, 2004.	Nil
Gary Giroux, P. Eng. Of Giroux and Associates	An “independent qualified person” for the purpose of National Instrument 43-101, prepared sections of the technical report titled “Technical Report on the New Afton Project, Kamloops, British Columbia” dated January 20, 2006.	Nil
Hatch Ltd.	Prepared sections of the Technical Report .	Nil
John Shillabeer, P. Eng. of Hatch Ltd.	An “independent qualified person” for the purpose of National Instrument 43-101, Prepared sections of the Technical Report.	Nil
Scott Wilson Roscoe Postle Associates Inc.	Prepared sections of the Technical Report.	Nil
C. Stewart Wallis, P. Geo.	An “independent qualified person” for the purpose of National Instrument 43-101, prepared the technical report titled “Technical Report on the New Afton Project, Kamloops, British Columbia” dated January 20, 2006.	Nil
David Rennie, P. Eng. of Scott Wilson Roscoe Postle Associates Inc.	An “independent qualified person” for the purpose of National Instrument 43-101, Prepared sections of the Technical Report .	Nil
Vector Engineering Inc.	Prepared sections of the Technical Report.	Nil
Monte Christie of Vector Engineering Inc.	An “independent qualified person” for the purpose of National Instrument 43-101, Prepared sections of the Technical Report.	Nil
AMC Consultants Pty.	Prepared sections of the Technical Report.	Nil

Name (1)	Description	Interest in New Gold (2)
Ltd.		
Mike Thomas, MAusIMM(CP) of AMC Consultants Pty. Ltd.	An “independent qualified person” for the purpose of National Instrument 43-101, Prepared sections of the Technical Report.	Nil
Mike Struthers, MAusIMM(CP) of AMC Consultants Pty. Ltd.	An “independent qualified person” for the purpose of National Instrument 43-101, Prepared sections of the Technical Report.	Nil
Piteau Associates Engineering Ltd.	Prepared sections of the Technical Report.	Nil
Rescan Environmental Services Ltd.	Prepared sections of the Technical Report.	Nil
MEG Consulting Ltd.	Prepared sections of the Technical Report.	Nil
H.M. Hamilton and Associates Inc.	Prepared sections of the Technical Report.	Nil

(1) None of the experts identified above is or is expected to be elected or appointed or employed as a director, officer or employee of the Company.
(2) Refers to all registered and beneficial interests, direct or indirect, in any securities or other property held by an expert either (a) while preparing the report/valuation/certified statement, (b) after preparing the report/ valuation/certified statement or to be received by an expert.

PricewaterhouseCoopers, LLP, which provided an auditor’s report dated March 28, 2007 in respect of the Company’s balance sheet for the year ended December 31, 2006 and the statements of operation and deficit and cash flows for the year ended December 31, 2006 have reported that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company’s Information Circular in respect of its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is available in the Company’s comparative audited consolidated financial statements together with the auditor’s report thereon for its most recently completed fiscal year.

A copy of this Annual Information Form, the Company’s Information Circular for its most recent annual meeting and the financial statements (including any interim statements

from the past fiscal year) may be found on the SEDAR website at www.sedar.com or be obtained upon request from the Secretary of the Company. A reasonable fee for copying may be charged if the request is made by a person who is not a registered security holder of the Company.

SCHEDULE A

AUDIT COMMITTEE CHARTER

1. Mandate

The Audit Committee ("Committee") is a committee of the Board of Directors ("the Board"). Its primary function shall be to assist the Board in fulfilling its oversight responsibilities with respect to accounting and financial reporting processes, the financial integrity of the financial statements of the Company, compliance with legal and regulatory requirements, the overall adequacy and maintenance of the systems of internal controls that management have established and the overall responsibility for the Company's external and internal audit processes including the external auditors qualifications, independence and performance.

The Committee shall have the authority and funding to retain independent legal, accounting and other consultants to advise the Committee. The Company shall provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board of Directors, for payment of compensation to any advisers employed by the Committee and to the independent auditor employed by the Company for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Committee shall maintain an open communication between the Company's outside auditor and the Board.

The responsibilities of a member of the Committee shall be in addition to such member's duties as a member of the Board.

The Committee has the duty to determine whether the Company's financial disclosures are complete, accurate, are in accordance with generally accepted accounting principles and fairly present the financial position and risks of the organization. The Committee should, where it deems appropriate, resolve disagreements, if any, between management and the outside auditor, and review compliance with laws and regulations and the Company's own policies.

The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Company as it deems advisable.

2. Membership and Composition

The Committee shall consist of at least three independent Directors who shall serve on behalf of the Board. The members shall be appointed annually by the Board and shall meet the independence, financial literacy and experience requirements of the Toronto Stock Exchange, including Multilateral Statement 52-110, the American Stock Exchange ("AMEX") and the U.S. Sarbanes-Oxley Act of 2002 and other regulatory agencies as required.

Financial literacy requires that all members of the Committee shall have a working familiarity with basic finance and accounting practices and shall be able to read and understand financial statements. At least one member of the Committee shall be able to analyse and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles and at least one member of the Committee shall qualify and be designated as the

Audit Committee Financial Expert as determined in the judgment of the Board with reference to applicable law and AMEX rules.

A majority of Members will constitute a quorum for a meeting of the Committee.

The Board will appoint one Member to act as the Chairman of the Committee. In his absence, the Committee may appoint another person provided a quorum is present. The Chairman will appoint a Secretary of the meeting, who need not be a member of the committee and who will maintain the minutes of the meeting.

3. Meetings

At the request of the external auditor, the Chief Executive Officer or the Chief Financial Officer of the Company or any member of the Committee, the Chairman will convene a meeting of the Committee. In advance of every meeting of the Committee, the Chairman, with the assistance of the Chief Financial Officer, will ensure that the agenda and meeting materials are distributed in a timely manner.

The Committee shall meet no less than four times per year or more frequently if circumstances or the obligations require.

4. Duties and Responsibilities

The duties and responsibilities of the Committee shall be as follows:

A. Financial Reporting and Disclosure

i. Review and discuss with management and the outside auditor at the completion of the annual examination:

a. the Company's audited financial statements and related notes;

b. the outside auditor's audit of the financial statements and their report thereon;

c. any significant changes required in the outside auditor's audit plan;

d. any serious difficulties or disputes with management encountered during the course of the audit; and

e. other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.

ii. Review and discuss with management and the outside auditor at the completion of any review engagement or other examination, the Company's quarterly financial statements.

iii. Review, discuss with management the annual reports, the quarterly reports, the Management Discussion and Analysis ("MD&A"), Annual Information Form, 40-F, prospectus and other disclosures and, if thought advisable, recommend the acceptance of such documents to the Board for approval.

iv. Review and discuss with management any guidance being provided to shareholders on the expected future results and financial performance of the Company and provide their recommendations on such documents to the Board.

v. Inquire of the auditors the quality and acceptability of the Company's accounting principles, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.

vi. Review the Company's compliance with any policies and reports received from regulators. Discuss with management and the independent auditor the effect on the Company's financial statements of significant regulatory initiatives.

vi. Meet with the outside auditor and management in separate executive sessions, as necessary or appropriate, to discuss any matters that the Committee or any of these groups believe should be discussed privately with the Audit Committee.

vii. Ensure that management has the proper review system in place so that the Company's financial statements, financial reports and other financial information satisfy all legal and regulatory requirements.

viii. Review with the Company's counsel, management and the independent auditors any legal or regulatory matter, including reports or correspondence, which could have a material impact on the Company's financial statements or compliance policies.

Based on discussions with the independent auditor concerning the audit, the financial statement review and such other matters as the Committee deems appropriate, recommend to the Board the filing of the audited annual and unaudited quarterly financial statements and MD&A on the SEDAR database and the inclusion of the audited financial statements in the Annual Report on Form 40-F.

B. External Auditor

i. Be responsible for the recommendation to shareholders for the appointment of the Company's independent auditor and for the compensation, retention and oversight of the work of the independent auditor employed by the Company. The independent auditor shall report directly to the Committee. If the appointment of the independent auditors is submitted for any ratification by shareholders, the Committee shall be responsible for making the recommendation of the independent auditors.

ii. Consider, in consultation with the outside auditor, the audit scope and plan of the outside auditor.

iii. Recommend to the Board of Directors the outside auditor to be nominated, the cost of their services and review the performance of the auditor, including the lead partner of the external auditor.

iv. Confirm with the outside auditor and receive written confirmation at least once per year as to the outside auditor's internal processes and quality control and disclosure of any investigations or government enquiries, reviews or investigations of the outside auditor.

v. Take reasonable steps to confirm at least annually the independence of the outside auditor, which shall include:

a. ensuring receipt from the outside auditor a formal written statement delineating all relationships between the outside auditor and the Company, consistent with generally accepting auditing practices, and determine that they satisfy the requirements of all applicable securities legislation including the U.S. Securities and Exchange Commission Independence Standards Board Standard No. 1,

b. considering and discussing with the outside auditor any disclosed relationships or services, including non audit services, that may impact the objectivity and independence of the outside auditor, and

c. approve in advance any audit or permissible non-audit related services provided by the auditor to the Company with a view to ensuring independence of the auditor, and in accordance with any applicable regulatory requirements, including the requirements of all applicable securities regulations with respect to approval of non audit related serviced performed by the auditor.

vi. Confirm that the lead audit partner for the Company's independent auditors has not performed audit services for the Company for more than five previous fiscal years, and otherwise ensure the rotation of the lead partner and other partners in accordance with all applicable securities laws.

vii. Review and approve the Company's hiring policies regarding partners, employees and former employees of the present and former independent auditors of the Company.

C. Internal Controls and Audit

i. Review and assess the adequacy and effectiveness of the Corporation's systems of internal and management information systems through discussion with management and the external auditor to ensure that the Company maintains appropriate systems, is able to assess the pertinent risks of the Company and that the risk of a material misstatement in the financial disclosures can be detected.

ii. Assess the requirement for the appointment of an internal auditor for the Company.

iii. Inquire of management and the outside auditor about the systems of internal controls that management and the Board of Directors have established and the effectiveness of those systems. In addition, inquire of management and the outside auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.

iv. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process required under applicable Canadian and United States security regulations. Review any significant deficiencies in the design and operation of disclosure controls and procedures and any fraud involving management or other employees who have a significant role in the Company's internal controls.

D. General

i. Conduct an ongoing review of any transaction now in effect, and review and approve in advance any proposed transaction, that could be within the scope of "related party transactions" as such term is defined in the applicable securities regulations, and establish appropriate procedures to receive material information about and prior notice of any such transaction.

ii. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

iii. The Committee shall have the power to conduct or authorize investigations into any matter within the scope of this Charter. It may request any officer or employee of the Company, its outside legal counsel or outside auditor to attend a meeting of the Committee or to meet with any member(s) of the Committee.

iv. Review the qualifications of the accounting and financial personnel.

v. Perform any other activities consistent with this Charter, the Company's Articles and governing law, as the Committee or the Board deems necessary or appropriate.

E. Oversight Function

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate or are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.

F. Committee and Charter Review

The Committee will annually review and evaluate, at least annually, the performance of the Committee and review and reassess the adequacy of this policy and submit any recommended changes to the Board for approval.



NEW GOLD INC.

(A Development Stage Company)

FINANCIAL STATEMENTS

December 31, 2006

PricewaterhouseCoopers LLP
Chartered Accountants
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

AUDITORS' REPORT

To the Shareholders of New Gold Inc.

We have audited the balance sheet of New Gold Inc. as at December 31, 2006 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

The restated financial statements as at December 31, 2005, and for the year then ended, were audited by the other auditors who expressed an opinion without reservation on those restated financial statements in their report dated March 15, 2006 except as to note 18, which is as at November 14, 2006.

"(signed) PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, British Columbia
March 28, 2007

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.



COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING DIFFERENCES

In the United States, reporting standards for auditors require the addition to an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's financial statements, such as the restatement of prior periods described in note 16 to the financial statements. Our report to the shareholders dated March 28, 2007 is expressed in accordance with Canadian reporting standards which do not require a reference to such a restatement in the auditors' report when the change is properly accounted for and adequately disclosed in the financial statements.

"(signed) PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, British Columbia
March 28, 2007

DE VISSER GRAY
CHARTERED ACCOUNTANTS

401 - 905 West Pender Street
Vancouver, BC Canada
V6C 1L6

Tel: (604) 687-5447
Fax: (604) 687-6737

AUDITORS' REPORT

To the Shareholders of New Gold Inc.

We have audited the balance sheets of New Gold Inc. as at December 31, 2005 and 2004 and the statements of operations and deficit and cash flows for each of the years in the two-year period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards ("GAAS") in Canada and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and cash flows for each of the years in the two-year period ended December 31, 2005 in conformity with Canadian generally accepted accounting principles.

Our previous report in respect to these financial statements, dated March 15, 2006, was withdrawn on November 6, 2006; the financial statements have now been restated to reflect the changes described in note 18 to these financial statements.

The financial statements as at and for the year ended December 31, 2003 were audited by other auditors who expressed an opinion without reservation on those financial statements in their report to the shareholders dated February 20, 2004.

"De Visser Gray"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
March 15, 2006, except as to Note 18 which is as at November 14, 2006

New Gold Inc.
(A Development Stage Company)

BALANCE SHEETS
As at December 31, 2006 and 2005

(In thousands of Canadian dollars)

	2006	Restated *(Note 16)* 2005
ASSETS		
Current assets		
Cash and cash equivalents	**$ 68,054**	$18,179
Amounts receivable	**1,123**	326
Prepaid expenses	**80**	107
	69,257	18,612
Mineral Properties – Schedule *(Note 3)*	**61,440**	42,441
Property and Equipment *(Note 4)*	**1,959**	578
	$132,656	$61,631
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 3,786**	$ 3,767
Capital lease payable	**—**	30
	3,786	3,797
Future income taxes *(Note 6)*	**10,004**	7,347
	13,790	11,144
SHAREHOLDERS' EQUITY		
Share Capital *(Note 7)*	**117,858**	54,752
Share purchase warrants *(Note 8)*	**5,959**	—
Stock options *(Notes 9 and 11)*	**4,546**	1,728
Deficit	**(9,497)**	(5,993)
	118,866	50,487
	$132,656	$61,631

Commitments and Contingent Liabilities *(Notes 3 and 15)* *See accompanying notes.*
Subsequent Events *(Note 17)*

APPROVED BY THE BOARD

"Chris Bradbrook"
Chris Bradbrook
Director

"Paul Sweeney"
Paul Sweeney
Director

New Gold Inc.

(A Development Stage Company)

STATEMENTS OF OPERATIONS AND DEFICIT
For the years ended December 31, 2006, 2005 and 2004

(In thousands of Canadian dollars, except for per share amounts)

	2006	*Restated (Note 16) 2005*	*Restated (Note 16) 2004*
Income			
Interest income	**$ 2,746**	$ 488	$ 561
Other	**—**	—	41
	2,746	488	602
Expenses			
Amortization	**139**	95	41
Foreign exchange	**1**	3	37
Loss on disposal of property and equipment	**8**	—	—
Administrative, office and miscellaneous	**645**	425	484
Professional and regulatory fees	**944**	297	210
Travel, conferences and promotion	**651**	605	165
Wages, benefits and stock-based compensation (Note 5)	**4,449**	2,478	868
	6,837	3,903	1,805
Loss before income taxes	**(4,091)**	(3,415)	(1,203)
Income taxes *(Note 6)*	**587**	556	—
Loss for the year	**(3,504)**	(2,859)	(1,203)
Deficit, beginning of the year	**(5,993)**	(3,134)	(1,931)
Deficit, end of the year	**$ (9,497)**	$ (5,993)	$ (3,134)
Weighted average number of shares outstanding (thousands)	**22,689**	14,436	13,391
Loss per share (basic and diluted)	**$ (0.15)**	$ (0.20)	$ (0.09)

See accompanying notes.

New Gold Inc.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2006, 2005 and 2004

(In thousands of Canadian dollars)

	2006	*Restated (Note 16) 2005*	*Restated (Note 16) 2004*
Cash provided by (used for)			
OPERATING ACTIVITIES			
Loss for the year	**$ (3,504)**	$ (2,859)	$ (1,203)
Items not involving cash:			
Amortization	**139**	95	41
Stock-based compensation	**2,487**	811	868
Loss on disposal of property and equipment	**8**	—	—
Other	**—**	—	(41)
Future income taxes *(Note 6)*	**(645)**	(561)	—
Net change in non-cash working capital items	**16**	839	778
	(1,499)	(1,675)	443
INVESTING ACTIVITIES			
Payments for mineral properties and exploration costs	**(20,211)**	(14,911)	(2,387)
Acquisition of property and equipment	**(449)**	(166)	(452)
Proceeds on sale of marketable security and investment property	**—**	—	154
	(20,660)	(15,077)	(2,685)
FINANCING ACTIVITIES			
Payments on capital lease	**—**	(23)	(15)
Cash proceeds from shares and share purchase warrants issued, net of issue costs	**72,034**	9,924	2,550
	72,034	9,901	2,535
Increase (Decrease) in cash and cash equivalents	**49,875**	(6,851)	293
Cash and cash equivalents, beginning of the year	**18,179**	25,030	24,737
Cash and cash equivalents, end of the year	**$ 68,054**	$ 18,179	$25,030

See accompanying notes.

For supplemental disclosure of non-cash investing and financing activities, refer to Note 12.

1. NATURE OF OPERATIONS

New Gold Inc. (the "Company"), is in the business of exploring and developing mineral prospects in British Columbia, Canada. Its principal project, the New Afton copper-gold project (the "Project"), has previously been subject to exploration, an advanced scoping study and is currently the subject of a feasibility study to determine whether the Project has economically viable copper/gold reserves.

The underlying value of the Company's mineral claims is dependent upon the existence and economic recovery of mineral reserves, and the ability of the Company to raise financing to complete the development of and operation of the Project. In addition, the Company's projects may be subject to a number of risks, including changes in government relations related to mining activities, economic instability and access rights disruption.

The Company believes it has adequate funds available to meet its corporate and administrative obligations plus its funding requirement to complete the feasibility study for the Project, while having surplus funds available for exploration and to commence the initial stages of development of the Project should a positive decision to develop be made. Management will have to obtain additional financing if a decision to proceed is made based upon the completion of a positive feasibility study to finance the remainder of the Project construction. There can be no assurance it will be able to raise sufficient funds as and when these funds are required.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. As described in note 18, accounting principles generally accepted in Canada differ in certain material respects from accounting principles generally accepted in the United States.

a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing securities with maturities of three months or less at purchase dates.

b) Mineral Properties and Related Deferred Costs

The Company records its interests in mineral properties at cost. Exploration expenditures relating to properties that have resources or significant mineralization requiring additional exploration are deferred and will be amortized against future production following commencement of commercial production, or written off if the properties are impaired, sold, allowed to lapse, or abandoned.

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. Where estimates of future net cash flows are available and the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value which is normally the discounted value of future cash flows. Where estimates of future net cash flows are not available, management assesses whether the carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired it is written down to its estimated fair value.

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the determination of the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of the cash flows to be generated from its properties.

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

c) Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method at a rate of 5% per annum for building, 20% per annum for transportation vehicles and 20% per annum for equipment, office and computer equipment. Amortization is recorded when the asset is put into use.

d) Grant Recoveries

Grant recoveries represent British Columbia Mining Exploration Tax Credit claim refunds of 20% of eligible exploration expenditures. These grants are for qualifying exploration expenditures at a grassroots level for mineral properties in the Province of British Columbia.

e) Loss Per Share

Basic loss per common share is computed by dividing the loss by the weighted average number of common shares outstanding during the period. The treasury stock method is used to determine the dilutive effect of stock options, share purchase warrants and other

dilutive instruments. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The effect of potential issuances of shares under options and share purchase warrants would be anti-dilutive for the periods presented and accordingly basic and diluted loss per share are the same.

f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Significant areas where estimates are used relate to the impairment of mineral properties and related deferred exploration costs, determinations as to whether costs are expensed or deferred, stock-based compensation and share purchase warrant valuation assumptions, future site restoration costs, and the future income tax asset valuation allowance. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty, and the impact on the financial statements of future changes in such estimates could be material.

g) Income and Resource Taxes

The Company recognizes and measures, as assets and liabilities, income and resource taxes currently payable or recoverable as well as future taxes which would arise from the realization of assets or the settlement of liabilities at their carrying amounts to the extent that these differ from their tax bases. Future income tax ("FITs") assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply to taxable income in the years in which such temporary differences are expected to be recovered or settled. A valuation allowance is recognized to the extent the recoverability of FIT assets is not likely.

To date the Company has not recorded any future tax assets to offset its FIT liabilities. If it were to do so, the Company would report an FIT recovery in its Statement of Operations and Deficit to the extent of the asset recognized.

h) Flow-Through Shares

The Company applies the consensus of Abstract #146 of the Emerging Issues Committee of the CICA in respect to its accounting for all flow-through share renunciations. Under the Canadian *Income Tax Act* an enterprise may issue securities referred to as flow-through shares whereby the investor may claim the tax deductions associated with the related resource expenditures. The Company records future income tax liabilities on the date that the Company files the renouncement documents with the tax authorities to renounce the tax credits associated with the expenditures, provided there is reasonable

assurance that the expenditures will be made. At the time of recognition of the future income tax liability a corresponding reduction to share capital is made.

i) Asset Retirement Obligations

The Company recognizes a liability for an asset retirement obligation when it is determinable and calculates the liability based upon discounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-lived asset, and this amount is subsequently amortized to expense over its expected life. As at December 31, 2006, the Company does not have any material asset retirement obligations.

j) Stock-Based Compensation, Share Purchase Warrants and Compensation Options

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. The fair value of stock options, share purchase warrants and compensation options is determined by the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility and an expected life of the options. Forfeitures are recorded based on actual occurrences. The Company charges the costs related to stock-based compensation to the Statement of Operations or in the case of project-related personnel, the Company capitalizes the related amounts to mineral properties over their vesting periods which ranges between zero and 12 months.

3. MINERAL PROPERTIES

a) Kamloops, B.C. "Afton" Mineral Property

Under the terms of two option agreements (“Option”) dated September 22, 1999 to acquire the Afton Mineral Claims, the Company issued 2 million common shares and completed an aggregate work commitment totaling $6.5 million over a period not to exceed nine years to earn the 100% rights to the mineral claims. The Company completed the work commitment and made the final share payment in 2005 and has a 100% interest in the mineral claims.

Under the terms of the Option agreement to acquire the mineral claims for the Afton Mineral Claims, the optionors retained a 10% net profit royalty (*See Note 15 (a)*).

b) Kamloops, B.C., "Ajax" Mineral Property

The Company owns a 100% interest in the Ajax - Python Claim Group, subject to a 2% net smelter royalty (“NSR”). The Company can purchase the NSR for $100,000, payable in cash or common shares of the Company.

4. PROPERTY AND EQUIPMENT

	(in thousands)		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 57	$ —	$ 57
Building	105	16	89
Transportation vehicles	101	80	21
Equipment	1,662	124	1,538
Office and computer equipment	345	91	254
Balance December 31, 2006	$2,270	$ 311	$ 1,959

	(in thousands)		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 57	$ —	$ 57
Building	105	11	94
Transportation vehicles	130	58	72
Equipment	304	44	260
Office and computer equipment	146	51	95
Balance December 31, 2005	$742	$ 164	$ 578

5. WAGES, BENEFITS AND STOCK-BASED COMPENSATION

The following table details the amounts included:

	(in thousands)		
	2006	2005	2004
Salaries, wages and benefits	**$1,962**	$1,667	$—
Stock-based compensation	**2,487**	811	868
Total	**$4,449**	$2,478	$868

6. INCOME TAXES AND GRANT RECOVERIES

The difference between the income tax expense and the provision obtained by applying the statutory rate is as follows:

	(in thousands) As at December 31		
	2006	Restated *(Note 16)* 2005	Restated *(Note 16)* 2004
Combined federal and provincial income tax rate	**34.1%**	35.1%	36.5%
Expected income tax expense at Canadian statutory tax rates	**$ 1,396**	$ 1,199	$ 439
Increase (decrease) in taxes resulting from:			
Reduction in tax rates	**645**	561	—
Non-capital loss carryforward not tax effected	**(1,014)**	(1,035)	(167)
Stock-based compensation	**(848)**	(285)	(317)
Other temporary and non-temporary differences	**467**	121	45
Ontario Capital Tax	**(46)**	(5)	—
Other	**(12)**	—	—
Income tax expense	**$ 587**	$ 556	$ —

The temporary differences comprising the future income tax assets and liabilities are as follows:

	(in thousands) As at December 31	
	2006	Restated *(Note 16)* 2005
Future income tax assets:		
Non-capital loss carry forward	**$ 2,474**	$ 1,851
Share issue costs	**1,344**	429
Valuation allowance	**(3,818)**	(2,280)
Future income tax assets	**$ —**	$ —
Future income tax liabilities:		
Mineral property option agreement	**$ (5,639)**	$(6,003)
Deferred exploration expenditures flow-through	**(4,365)**	(1,344)
Future income tax liabilities	**(10,004)**	(7,347)
Net long term future income tax liability	**$(10,004)**	$(7,347)

As at December 31, 2006 the Company has income tax loss carryforwards of $8.0 million which are available to reduce future years taxable income and expire as follows:

	(in thousands) Non-capital losses
2007	63
2008	38
2009	499
2010	918
2014	861
2015	2,629
2026	2,972

In addition, the Company has incurred resource expenditures, net of flow-through renouncements, of $28.3 million (2005 - $10.1 million) which may be carried forward indefinitely and used to reduce taxable income in future years.

During 2006, the Company realized a tax recovery of $645,448 (2005 - $561,148; 2004 - nil) as a result of a reduction in the federal income tax rates from 31% to 29% (2005 – provincial 13.5% to 12%). In addition, in 2006 the Company renounced $10.0 million in expenditures related to flow-through equity raisings completed in 2005 which resulted in an increase in future income tax liabilities of $3.3 million and a corresponding reduction to share capital.

Included as a reduction in mineral properties is an amount totaling $593,316 (2004 – nil) related to an amount receivable for the British Columbia Mineral Exploration Tax Credit program. This amount is subject to audit by the tax authorities and should there be any subsequent adjustments as a result of the audit, the adjustment will be made to mineral properties.

7. SHARE CAPITAL

Authorized

Effective June 1, 2005, the Company increased the authorized share capital to an unlimited number of common shares without par value from 40,000,000 common shares without par value.

Issued and Outstanding

	(in thousands)	
	Number of Shares	**Restated (Note 16) Amount**
Balance, December 31, 2003	12,902	$ 39,944
For cash - exercise of stock options	840	2,550
Issued for mineral properties *(a)*	200	1,260
Balance, December 31, 2004	13,942	$ 43,754
For cash – pursuant to private placements, net *(b)*	1,330	9,254
Issued for finders' fee *(b)*	104	670
Issued for mineral properties *(a)*	200	1,074
Balance, December 31, 2005	15,576	$ 54,752
For cash - pursuant to a prospectus offering, net (c)	8,334	64,608
For cash - exercise of stock options	235	1,467
Tax effect for flow-through shares *(See note 7)*	—	(3,303)
Transfer from stock options *(See note 11)*	—	334
Balance, December 31, 2006	**24,145**	**$117,858**

a) During 2005 and 2004 the Company issued 200,000 common shares at the fair market value of 2005- $5.37 and 2004- $6.30 per share in accordance with the Afton mineral claim agreement.

b) On April 22, 2005, the Company completed a non-brokered private placement by issuing 400,000 flow-through common shares at a price of $7.50 per share for gross proceeds of $3 million (net proceeds $3.0 million). The Company issued 29,000 common shares, at a market value of $6.20 per share, as a finders' fee for the placement of common shares.
On October 6, 2005, the Company completed a non-brokered private placement by issuing 430,000 flow-through common shares at a price of $7.00 per share for gross proceeds of $3.01 million (net proceeds $3.0 million). The Company issued 36,331 common shares, at a market value of $5.78 per share, as a finders' fee for placement of the common shares.

On December 22, 2005, the Company completed a non-brokered private placement by issuing 500,000 flow-through common shares at a price of $8.00 per share for gross proceeds of $4.0 million (net proceeds $3.97 million). The Company issued 38,620 common shares, at a market value of $7.25 per share, as a finders' fee for placement of the common shares.

c) On February 28, 2006, the Company completed a short form prospectus filing in Canada to issue, through a syndicate of underwriters, 8,334,000 units at $9.00 per unit for gross cash proceeds of $75.0 million (net proceeds $70.6 million, prior to allocation of the fair value to the share purchase warrants *(Note 8)*). A commission of 5.25% was paid to the underwriters. Each unit consisted of one common share and one-half of a share purchase warrant. The gross proceeds have been allocated $8.285 to each common share and $0.715 to each one-half of a share purchase warrant. The share purchase warrants were valued using a Black-Scholes pricing model using the following assumptions: weighted average risk free interest rate of 3.9%; volatility factor of the expected market price of the Company's common stock of 40%; and a weighted average expected life of the warrants of 2 years.

8. SHARE PURCHASE WARRANTS

As at December 31, 2006, the following share purchase warrants were issued and outstanding:

	Number of Warrants *(in thousands)*	Restated *(Note 16)* Amount *(in thousands)*
Balance, December 31, 2004, and 2005	—	—
Issued for cash		
Pursuant to a prospectus offering (Note 7 (c))	4,167	$ 5,959
Balance, December 31, 2006	**4,167**	**$ 5,959**

Each whole warrant is exercisable to purchase one common share at a price of $12.00 per share until February 28, 2008. The warrants have been listed for trading on the Toronto Stock Exchange.

The exercise of the outstanding share purchase warrants in the loss calculation would be anti-dilutive.

9. STOCK-BASED COMPENSATION

a) On May 4, 2005, at the Company's Annual General Meeting, the disinterested shareholders approved a change to the Company's Stock Option Plan ("Plan"). The approved change increased the number of options issuable from a fixed amount of 1,000,000 options to 10% of the outstanding capital of the Company on a reloading basis.

The reloading basis allows the number of options eligible to be issued to increase to the current 10% level of the then present outstanding capital of the Company. In addition, exercised options are also automatically reloaded into the Plan. The Plan also requires disinterested shareholders to renew their approval every three years.

In addition, the Company has issued under the 2% inducement rules available under the TSX regulations, a total of 500,000 stock options to two senior officers which are in addition to the 10% allowable issuable amount.

The options are priced at the closing price of the Company's share on the day prior to the grant date. The maximum term of all options is 10 years, however, all current outstanding stock option agreements have been issued with five year expiry terms.

As at December 31, 2006, the stock options held by directors, consultants and employees are as follows:

	Options Outstanding *(in thousands)*	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balance, December 31, 2004	700	$ 4.87	4.3
Granted	1,042	6.82	4.5
Terminated	(15)	(6.40)	—
Balance, December 31, 2005	1,727	$ 6.04	4.5
Granted	715	10.64	4.0
Exercised	(185)	(6.69)	—
Terminated	(4)	(11.00)	—
Balance, December 31, 2006	**2,253**	**$ 7.43**	**3.6**

Option Strike Price	Exercisable Options *(in thousands)*	Exercisable Weighted Average Remaining Life (Years)	Outstanding Options *(in thousands)*	Outstanding Weighted Average Remaining Life (Years)
$4.60	600	2.8	600	2.8
$4.61 to $5.99	12	3.7	12	3.7
$6.00 to $6.99	665	3.6	665	3.6
$7.00 to $7.99	265	3.4	265	3.4
$8.00 to $11.00	310	3.8	711	4.4
	1,852	**3.3**	**2,253**	**3.6**

The compensation cost recorded for the period ended December 31, 2006 in respect of options granted in 2006 and prior periods that was expensed to the Statement of Operations was $2,486,635 (2005 - $811,481) and capitalized to mineral properties was $665,927 (2005 - $47,913).

The current period valuation was calculated with the following assumptions: weighted average risk free interest rate of 3.86% to 4.42% (2005 - 3.44%); volatility factor of the expected market price of the Company's common stock of 40% (2005 - 44%); and a weighted average expected life of the options of 2.5 years (2005 - 2.5 years).

The resulting weighted average cost per option granted was $3.07 (2005 - $2.00). The estimated fair value of the options is expensed over the vesting period which ranges from zero to 12 months.

The fair value of options issued has been estimated at the date of grant using a Black-Scholes option pricing model. The Black-Scholes pricing model requires the input of highly subjective assumptions that can materially affect the fair value estimate.

The exercise of the outstanding options in the loss per share calculation would be anti- dilutive.

b) Compensation Options

As at December 31, 2006, the following compensation options were issued and outstanding:

	Options Outstanding *(in thousands)*	Weighted Average Exercise Price
Balance, December 31, 2004	50	$ 4.60
Balance, December 31, 2005	50	4.60
Exercised	(50)	4.60
Balance, December 31, 2006	**—**	**—**

The compensation options were valued initially in 2004 using a Black-Scholes pricing model and the resultant amount expensed during that period.

10. RELATED PARTY TRANSACTIONS

		(in thousands) 2006	Restated *(Note 16)* 2005
a)	For wages and consulting services charged by a related person of a Director. Effective January, 2006, these services ceased to be provided by the related party.	$—	$ 96
b)	For 100,000 shares issued in payment pursuant to the Afton mineral claim option agreement to a Director of the Company.	$—	$ 537

These related party transactions occurred at the exchange amount which is the amount of the consideration agreed to by both parties.

11. STOCK OPTIONS

The following table identifies the changes in the stock options category within shareholders equity for the years presented:

	(in thousands)
Balance, December 31, 2003	$ -
Stock-based compensation	868
Balance, December 31, 2004	$ 868
Stock-based compensation	860
Balance, December 31, 2005	$ 1,728
Stock-based compensation	3,152
Transfer of exercised options to share capital	(334)
Balance, December 31, 2006	**$ 4,546**

12. SUPPLEMENTARY CASH FLOW INFORMATION

The Company conducted non-cash investing and financing activities as follows:

	(in thousands) 2006	Restated *(Note 16)* 2005
Investing Activities		
Mineral property expenditures included in accounts receivable and payable	**$ 1,878**	$(1,656)
Property and equipment expenditures included in accounts payable	**(1,109)**	—
Financing Activities		
Shares issued for mineral properties	—	1,074
Shares issued for finders' fee	—	670

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the relatively short period to maturity of these instruments.

14. SEGMENTED INFORMATION

The Company operates in one industry segment, namely metals development in one geographic region, Canada.

15. COMMITMENTS AND CONTINGENT LIABILITIES

a) Under the terms of the Option agreements to acquire the mineral properties for the Afton Mineral Claims, the optionors retained a 10% net profit royalty which can be purchased on or before December 1, 2010 for $2,000,000 in cash or common shares of the Company.

b) Under the terms of the Ajax - Python Claim option agreement the property is subject to a 2% net smelter royalty ("NSR"). The Company can purchase the NSR for $100,000, payable in cash or common shares of the Company.

c) In 2006 the Company completed two arm's length agreements with the owners (collectively, the "optionors") of two mineral claim groups, whereby for an aggregate payment to them of $28,965 in cash, the Company acquired the exclusive right to explore the properties for one year. The exclusive exploration rights may, at the Company's option, be extended for two further one-year periods by making payments of $65,000 to one optionor and $71,700 to the other. Any further payments to the optionors are payable in cash or equivalent value in shares of the Company at the optionor's discretion in one case and at the discretion of the Company in the other.

The Company may at any time during the option period purchase the properties by paying the first optionor $100,000 and reserving a 1.5% net smelter return royalty on the production from the property and paying the second optionor $93,400 and reserving a 1% net smelter return royalty on the production from the property. The Company received transfer of title to both properties, which will be retransferred if the Company does not exercise the purchase option.

d) During the fourth quarter of 2006 the Company entered into a number of contractual commitments to advance the development of the Project. These commitments are either short term Letters of Intent ("LOI"), put in place as an interim measure until long-term arrangements can be completed, or equipment orders to purchase long lead items or critical equipment pieces of mining equipment necessary to commence development of the Project. These commitments include the following outstanding commitments as at December 31, 2006:

	LOI *(in thousands)*	Long lead items and equipment orders *(in thousands)*
Surface and underground development activities	$ 16,051	$ —
Processing plant	—	1,553
Other	—	984

All LOI commitments permit the Company to terminate them for convenience upon payment to the other party of amounts owing up to the date and termination and, in some cases, demobilization charges.

e) The Company is committed to an operating lease for office premise rentals in the aggregate of $109,804. The future minimum lease payments as at December 31, 2006 are as follows:

	(in thousands)
2007	$ 63
2008	41
2009	6
	$ 110

16. RESTATEMENT OF PRIOR YEARS

During 2006 the Company undertook a review of its previously-issued financial statements for: the accounting treatment for the recognition of future income taxes related to flow-through share offerings, the valuation method used for assigning value for share payments, stock-based compensation costs related to project personnel and the reporting of non-cash working capital changes reported in the Statement of Cash Flows. Management thereafter determined that amendments should be reflected in the previously issued financial statements which were adjusted and re-issued. The comparative amounts included in these financial statements reflect the impact of these adjustments.

The effect of the restatement on the restated financial statements incorporated in these financial statements is summarized as:

	(in thousands)		
Balance sheet 2005	**As previously reported**	**Adjustment**	**As restated**
Mineral properties	$ 22,561	$ 19,880	$42,441
Future income tax liability	4,385	2,962	7,347
Share capital	39,462	15,290	54,752
Deficit	(7,620)	1,627	(5,993)

Statements of Operations and deficit	As previously reported	Adjustment	As restated
Loss for the year 2005	$ (3,399)	$ 540	$ (2,859)
Loss for the year 2004	(1,250)	47	(1,203)
Deficit ending of 2003	(2,971)	1,040	(1,931)

Statement of Cash Flows 2005	As previously reported	Adjustment	As restated
Net change in non-cash working capital items	$ 2,495	$ (1,656)	$ 839
Payments for mineral properties and exploration costs	(16,567)	1,656	(14,911)

17. SUBSEQUENT EVENTS

a) On January 9, 2007, the Company announced that it had signed a Letter of Intent ("LOI") with Teck Cominco Limited ("Teck"), to acquire the surface rights to more than 4000 acres of land, encompassing its Project. The LOI contemplates the Company paying Teck $10 million upon closing, with an additional $6 million to be paid (with applicable interest) any time within 2 years of closing. Teck will also be granted a 2% Net Smelter Return over the Project, which the Company has the option to repurchase for $12 million.

As part of the LOI, the Company has agreed to honour all pre-existing agreements made between Teck and any third parties regarding access and rights of way over this land, and access to water.

Completion of the final agreement described in the LOI is subject to definitive documentation, receipt of any necessary regulatory approvals and customary conditions of closing. The Company and Teck have agreed to work towards the completion of a definitive agreement as expeditiously as possible.

b) Subsequent to December 31, 2006 and in addition to those commitments included in note 15(d), the Company entered into a number of contractual commitments to advance the development of the Project. These commitments are comprised of engineering services for long lead items or critical equipment pieces of mining equipment necessary to commence development of the Project. The equipment may be financed under operating or capital leases or purchases outright at the Company's option. These commitments include the following:

	(in thousands) Long lead items and equipment orders
Surface and underground development activities	$ 793

18. DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Material variations in the accounting principles, practices and methods are used in preparing financial statements under generally accepted practices in the United States ("U.S. GAAP"). The effects of the principal differences on the Company's financial statements under U.S. GAAP are quantified below and described in the accompanying notes:

	Year ended December 31 *(in thousands)*		
Statements of Operations	**2006**	**Restated *(Note 16)* 2005**	**Restated *(Note 16)* 2004**
Loss for the year under Canadian GAAP	**$ (3,504)**	$ (2,859)	$ (1,203)
Add/(deduct):			
Issue of flow-through shares under US GAAP (b)	**1,518**		
Property costs expenditures expensed under US GAAP (a)	**(19,000)**	(17,689)	(3,646)
Future income taxes (b)	**(645)**	(561)	—
Loss and comprehensive income for the year under US GAAP	**$(21,631)**	$(21,109)	$ (4,849)
Weighted average number of share outstanding - in thousands	**22,689**	14,436	13,391
Basic and diluted loss per share under US GAAP	**$ (0.95)**	$ (1.46)	$ (0.36)

	Year ended December 31 *(in thousands)*		
Statements of Cash Flows	**2006**	**Restated *(Note 16)* 2005**	**Restated *(Note 16)* 2004**
Cash flows from operating activities under Canadian GAAP	**$ (1,499)**	$ (1,675)	$ 443
Add/(deduct):			
Mineral property interests and deferred exploration costs (a)	**(20,212)**	(14,911)	(2,387)
Cash flows from operating activities under US GAAP	**$(21,711)**	$(16,586)	$(1,944)
Cash flows from investing activities under Canadian GAAP			
Add/(deduct):	**$(20,660)**	$(15,077)	$(2,685)
Mineral property interests and deferred exploration costs (a)	**20,212**	14,911	2,387
Cash flows from investing activities under US GAAP	**$ (449)**	$ (166)	$ (298)

Balance Sheets	As at December 31 *(in thousands)*	
	2006	Restated *(Note 16)* 2005
Shareholders' equity reported under Canadian GAAP	**$118,866**	$ 50,487
Add/(Deduct):		
Mineral property interests and deferred exploration costs (a)	**(61,440)**	(42,441)
Flow-through shares (b)	**—**	(975)
Future income taxes (b)	**10,004**	7,347
Shareholders' equity reported under US GAAP	**$ 67,430**	$ 14,418
Total assets reported under Canadian GAAP	**$132,656**	$ 61,631
Add/(Deduct):		
Mineral property interests and deferred exploration costs (a)	**(61,440)**	(42,441)
Total assets reported under US GAAP	**$ 71,216**	$ 19,190
Total liabilities reported under Canadian GAAP	**$ 13,790**	$ 11,144
Add/(Deduct):		
Flow-through shares (b)	—	975
Future income taxes (b)	**(10,004)**	(7,347)
Total liabilities reported under US GAAP	**$ 3,786**	$ 4,772

a) Mineral property interests and deferred exploration costs

Under Canadian GAAP, costs to acquire property rights, including future income taxes related to shares issued to acquire mineral properties (2006 – $ nil, 2005 - $534,093, 2004 - $663,933), including any related future income tax liabilities capitalized, and related exploration costs incurred on those properties, may be deferred and subsequently carried at cost prior to a company having obtained the necessary data to complete a positive feasibility study, including the preparation of a cash flow projection in respect of the recoverability of those costs. Accordingly, while the Project remains at a feasibility stage of development, management has elected under Canadian GAAP to defer all costs incurred on it until the property is abandoned, sold, or upon management determining there to be an impairment in value. Under U.S. GAAP, prior to the point in time that a positive feasibility report has been completed in respect to a property, such costs are expensed as incurred.

b) Flow-through shares

Under Canadian income tax legislation, the Company is permitted to issue shares whereby the Company agrees to incur qualifying expenditures (as defined

under the Canadian *Income Tax Act*) and renounce the related income tax deductions to the investors. Under Canadian GAAP, flow-through shares are accounted for as part of the issuance of capital stock at the price paid for the shares, net of any future income tax liability. Under U.S. GAAP, SFAS 109, "Accounting for Income Taxes" (SFAS109), the proceeds should be allocated between the offering of the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized initially for the premium paid by the investors.

Upon renouncing the income tax deductions, the Company records a future income tax liability with a corresponding reduction in share capital under Canadian GAAP. For U.S. GAAP purposed, the difference between the future income tax liability on renunciation and the premium is recorded as a future income tax expense. For US GAAP purposes as a result of expensing costs related to mineral properties, the Company reports an income tax expense.

During December 31, 2005, the Company issued an aggregate of 1,330,000 flow-through shares at an average premium of approximately $1.14 per share relative to the closing market prices of the Company's shares on the dates that the directors set the flow-through share issue prices. In 2006 the Company renounced the expenditures related to these financings.

The reconciling items disclosed herein are in respect to both the recognition of the tax benefit sale under U.S. GAAP and to the reversal of the required Canadian GAAP treatment of flow-through share issuances and renunciations.

c) Stock-based Compensation

In 2004, the Company adopted FAS 123R which is consistent with the treatment under Canadian GAAP. The Company has determined the amount of stock options forfeited is not material, therefore there are no differences on accounting for stock-based compensation under Canadian and US GAAP.

d) Recent accounting pronouncements

Handbook Section 3855 of the CICA Handbook (the "Handbook") entitled "Financial Instruments – Recognition and Measurement," applies to interim financial periods beginning on or after October 1, 2006 and establishes standards for recognizing and measuring financial assets, financial liabilities and non-

financial derivatives. All financial assets, with the exception of those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; if not, they are measured at cost. As at December 31, 2006 the adoption of this Section will not have a material impact on the financial statements.

Handbook Section 1530 of the Handbook entitled “Comprehensive Income,” and Section 3251 entitled “Equity,” apply to interim financial periods beginning on or after October 1, 2006. Comprehensive income is the change in the net assets of an enterprise during a period and resulting from transactions and other events and circumstances from non-owner sources. It includes items that would normally not be included in net earnings, such as the effective portion of changes in fair values of cash flow hedging instruments. Section 3251, “Equity,” replaces Section 3250, “Surplus,” and describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530, “Comprehensive Income.” Upon adoption of this Section, the financial statements will include a statement of comprehensive income.

Section 3865 of the Handbook entitled “Hedges,” applies to interim financial periods beginning on or after October 1, 2006 and describes when hedge accounting is appropriate. Hedge accounting ensures that all gains, losses, revenue and expenses from the derivative the item it hedges, are recorded in the statement of earnings in the same period.

The adoption of these Sections of the Handbook is not expected to have a material impact on the financial statements.

In early July 2006, the Financial Accounting Standards Board in the United States issued Interpretation (FIN) No. 48, “Accounting for Uncertainty in Income Taxes.” FIN 48 was issued to address financial statement recognition and measurement by an enterprise of a tax position taken or expected to be taken in a tax return. The new standard will require several new disclosures in annual financial statements, including: (a) the income statement classification of income tax-related interest and penalties and (b) a reconciliation of the total amount of unrecognized tax benefits. As at December 31, 2006, the Company has not yet determined the impact that this interpretation will have on the financial statements.

	2006	Restated *(Note 16)* 2005
ACQUISITION COSTS		
Kamloops Afton	**$18,841**	$18,841
Kamloops Ajax	**49**	49
	$18,890	$18,890

	Afton	Ajax and Optioned Properties		
DEFERRED EXPLORATION COSTS				
Balance, beginning	$23,323	$ 228	**$23,551**	$ 6,936
Aboveground Exploration Costs				
Option payment	—	29	**29**	—
Assaying and testing	105	48	**153**	13
Drilling	1,974	253	**2,227**	218
Overhead and general	152	59	**211**	322
Wages and benefits	310	72	**382**	121
	2,541	461	**3,002**	674
Underground Exploration Costs				
Assaying and testing	325	—	**325**	307
Drilling	5,264	—	**5,264**	1,943
Overhead and general	790	—	**790**	1,280
Tunneling and decline costs	—	—	**—**	11,982
Wages, benefits and stock-based compensation	1,749	—	**1,749**	429
	8,128	—	**8,128**	15,941
Feasibility Study	7,859	—	**7,859**	—
Infrastructure	10	—	**10**	—
Balance, end	$41,861	$ 689	**$42,550**	$23,551
Mineral Properties			**$61,440**	$42,441

Exhibit 3

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION AT DECEMBER 31, 2006

This Management Discussion and Analysis ("MD&A") is intended to supplement the Company's audited financial statements and notes thereto for the year ended December 31, 2006 (the "Statements") and compares the financial results with those of the comparative two preceding years. The reader is encouraged to review the Statements in conjunction with this document. This report is dated March 26, 2007 and the Company's public filings, including its most recent Annual Information Form, can be viewed on the SEDAR website (www.sedar.com).

The Company prepares and files its financial statements and MD&A in Canadian ("CDN") dollars and in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Note 18 to the annual audited financial statements for the year ended December 31, 2006 describes the difference between GAAP and United States Generally Accepted Accounting Principles ("USGAAP") and reconciles certain items contained in the Statements. All amounts presented in this MD&A are in Canadian dollars and tabular dollar amounts are in thousands unless otherwise indicated.

Please refer to section "AMENDMENTS AND RESTATEMENTS TO THE COMPARATIVE PERIODS" for an explanation of the restated items referred to in this MD&A.

BUSINESS OVERVIEW

Afton Copper-Gold Project

New Gold Inc. ("New Gold" or the "Company") is a Canadian based resource company engaged in the exploration and development of base and precious metals properties. The current principle area of focus is the New Afton copper/gold project ("Project") located approximately 10 kilometres west of Kamloops, British Columbia.

During 2006, the Company continued to progress its efforts towards completion of the feasibility study ("FS") on the Project while also continuing with its exploration efforts. In the comparative year in 2005, the primary focus was directed towards the underground exploration decline development as well as completing an in-fill drilling program on the Project resource. The Project feasibility study results are expected to be released during the first quarter of 2007. The scope of the study includes an updated resource estimation (which will incorporate the 2005 underground in-fill drilling results), mining method selection, reserves and mine production scheduling, process plant design, tailings deposition, all infrastructure requirements and the preparation of the project economic analysis. Once complete, the FS will establish the technical and economical potential for potentially developing a new underground mine at the Project.

The Company announced on September 21, 2006 that it had completed the new resource update compliant with National Instrument 43-101. The resource was independently estimated by qualified person David W. Rennie, P.Eng., of Scott Wilson Roscoe Postle Associates Inc., and is available on the Company's website for review.

The Company also announced during the third quarter that it had retained Barclays Capital ("Barclays") as lead arranger for a possible debt facility. Barclays' efforts will initially focus on determining the level of debt which may be supported by the Project as well as completing an independent technical review and assessing the extent of metal price protection which might be required to secure a possible financing. Barclays has not made a commitment to finance the Project and will not be able to determine whether to do so until it has received the results of its independent technical study.

Afton and Ajax Exploration Properties

During 2006 the Company completed a total of 31,121 metres of exploration drilling. The main focus of the program was in and around the current Afton resource which comprised 18,007 metres of underground and 9,829 metres of surface drilling. The main target of this program was the newly identified "C-zone" located at depth. This area was first identified from underground and then further investigated from surface.

The Company also drilled 3,285 metres of surface drilling on the Ajax and optioned Magnum properties.

Annual Summary

The annual tabular results of operations are summarized in the following tables which have been prepared in accordance with GAAP:

	Year ended December 31, 2006	Restated Year ended December 31, 2005	Restated Year ended December 31, 2004
Loss	$ 3,504	$ 2,859	$ 1,203
Loss per share – basic and diluted	0.15	0.20	0.09
Total assets	132,656	61,631	50,079
Investments in exploration and development including working capital changes	20,211	14,911	2,387
Cash flows from financing activities	72,304	9,901	2,535

RESULTS OF OPERATIONS

Afton

The Company's operating activities for the preceding three fiscal years ended December 31, 2006, has shifted from an exploration based focus in 2004 and 2005 towards a development focus in 2006. The level of activity has correspondingly increased from 2004 through to 2006 as a result of commencing, in late 2004, the development of an underground decline which was completed in late 2005, and in-fill drilling the resource from this decline access and then progressing on to the feasibility study which commenced in December 2005 and continued throughout 2006.

As a result of these activities, the Company expended $16.5 million on the Project in 2006, as compared to $14.2 million in 2005 and $2.2 million in 2004. In 2006, the Company spent $6.3 million on the feasibility study, $6.1 million on underground exploration, including support services for the underground exploration and $2.3 million for tunneling costs, expended in 2005 but paid in 2006. In 2005, tunneling and related costs, including support services, totaled $10.6 million and drilling and assaying totaling $2.0 million. In 2004 the Company did not conduct any exploration drilling as it was preparing for the underground exploration program by spending approximately $1.3 million on the commencement of the underground tunneling.

Corporate

The Company incurred a loss of $3.5 million or $0.15 per share in 2006, a loss of $2.9 million or $0.20 per share in 2005 and a loss of $1.2 million or $0.09 per share in 2004. The expenditure levels in 2006 and 2005 have increased significantly from those in 2004 primarily as a result of the shift in emphasis from exploration to development and the attendant growth in organization including a larger management group and increased corporate activity. Wages, benefits and stock-based compensation costs related to corporate staffing has increased to $4.4 million in 2006 as compared to $2.5 million and $0.9 million in the respective 2005 and 2004 years. Stock based compensation, included in these amounts, totaled $2.5 million in 2006 as compared to $0.8 million in 2005 and $0.9 million in 2004. An additional $0.7 million has been capitalized to mineral properties in 2006, the first year that any material amounts have been capitalized. The increase in stock-based compensation costs in 2006 was the result of having issued more options which vested in 2006 plus incurring higher per option costs due to the increasing value of the Company's underlying shares.

Travel and promotional costs have shown a similar increase to $0.7 million in 2006 as compared to $0.6 million in 2005 and $0.2 million in 2004 commensurate with increases in staffing.

Professional and regulatory fees have increased in 2006 to $0.9 million as compared to $0.3 million and $0.2 million in the respective periods in 2005 and 2004 in part due to higher audit and audit related costs, including fees related to the Company's restatement of its 2005 annual audited financial statements and its 2006 unaudited second quarter financial statements in 2006,

as well as the initial incurring of consulting fees related to assistance in improvements in the Company's internal controls. The Company also for the first time in 2006 incurred costs for an independent technical report, required by Barclays.

In 2006 and 2005, the Company has recorded tax recoveries of $0.6 million (2004: $nil) in both years due to a reduction in tax rates.

SELECTED QUARTERLY INFORMATION

The results of operations summarized in the following tables have been prepared in accordance with GAAP:

$Cdn (Unaudited)	2006 4th Quarter	2006 3rd Quarter	Restated 2006 2nd Quarter	Restated 2006 1st Quarter
Statements of Operation and Deficit				
Loss	$ 1,375	$ 750	$ 61	$ 1,318
Loss per share	0.06	0.03	0.00	0.07
Balance Sheets				
Working Capital (1)	65,471	71,442	76,460	80,308
Total Assets	132,656	131,040	130,531	130,223
Statements of Cash Flows				
Payments for mineral properties exploration costs	5,449	4,544	5,442	4,776
Cash flow from (used for) financing activities	26,655	537	(25,721)	70,563

$Cdn (Unaudited)	Restated 2005 4th Quarter	Restated 2005 3rd Quarter	Restated 2005 2nd Quarter	Restated 2005 1st Quarter
Statements of Operation and Deficit				
Loss	$ 1,232	$ 140	$ 662	$ 825
Loss per share	0.08	0.01	0.05	0.06
Balance Sheets				
Working Capital (1)	14,815	13,099	17,785	20,567
Total Assets	61,631	53,128	53,271	49,923

$Cdn (Unaudited)	Restated 2005 4th Quarter	Restated 2005 3rd Quarter	Restated 2005 2nd Quarter	Restated 2005 1st Quarter
Statements of Cash Flows				
Payments for mineral claim interest and exploration costs	$ 3,154	$ 4,423	$ 4,253	$ 3,081
Cash flow from (used for) financing activities	6,945	(6)	2,968	(6)

(1) see Non-GAAP measure of working capital

Comparative Periods

During the fourth quarter of 2006, the Company invested approximately $5.5 million on its mineral properties as compared to $3.2 million in the comparative quarter in 2005. During the current quarter the Company spent $1.0 million on underground exploration and support, $2.3 million on the feasibility study and $1.7 million on the surface exploration programs primarily related to the Afton deep target program. This compares to spending $1.6 million on tunneling and decline development in the same quarter of 2005 and $0.7 million on in-fill drilling and related assaying costs at the Afton Project. The remainder of the comparative quarter costs was spent on surface exploration and project overheads.

For the quarter, the Company incurred a loss of $1.4 million or $0.06 per share as compared to a loss of $1.2 million or $0.08 per share in the prior comparative three month period.

Previous Eight Quarters

Over the eight preceding quarters, the following significant events have occurred which has impacted the trends over that period:

- In February 2006 the Company raised $75 million from the issuance of units comprised of one share with a half warrant (see Liquidity and Capital Resources).
- The Company commenced development of an underground decline in the fourth quarter of 2004 which started the process for underground in-fill drilling during 2005 and into early 2006 on the existing resource at Afton. The higher confidence gained on the resource enabled the Company to commence a feasibility study which started in December 2005 and is expected to be completed in the first quarter of 2007.
- As a result of the increased activities in the Company since the beginning of 2005, the Company has expanded the management and operational teams to correlate with the Company's increased activities.

- The Company's management and project team continues to expand as the Company moves towards its goal of a development decision on the Project. As a result of the increase in personnel, which commenced in the fourth quarter of 2004, the number of option grants over the eight quarter period has been increasing with corresponding increases in the stock-based compensation charges.
- During the second quarter of 2006 the Company invested its surplus in cash in greater than three month investments resulting in a use of cash in the amount $26.2 million. These investments matured in the fourth quarter of 2006 and the proceeds were subsequently invested in less than three month investments.

LIQUIDITY & CAPITAL RESOURCES

As at December 31, 2006, the Company had working capital of $65.5 million versus $14.8 million as at December 31, 2005. During the first quarter of 2006 the Company completed, by way of a short form prospectus (the "2006 Prospectus"), an offering of 8,334,000 units priced at $9.00 per unit for gross cash proceeds of $75 million (net proceeds of $70.6 million). Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant will be exercisable to purchase one common share at a price of $12.00 per share until February 28, 2008.

In the 2006 Prospectus, the Company estimated that the use of proceeds therefrom would be predominantly used to finance the Afton feasibility study and the future development of the Project comprising $62 million of the net proceeds. The table below compares the amounts identifies in the Use of Proceed in the 2006 Prospectus to the actual expenditures:

	Use of Proceeds	Actual[(1)]
Afton underground exploration	$ 4,612	$10,214
Afton surface exploration	1,521	3,057
Ajax surface exploration	867	667
Feasibility study	5,100	6,263
Afton project development	56,900	10

(1) to December 31, 2006

The Company expended $6.3 million on the feasibility study compared with $5.1 million estimated in the 2006 Prospectus primarily as a result of an expanded scope of work. The greater expenses in surface and underground exploration activities were due in part to the discovery of an additional mineralized zone found at depth at the Project. These increased expenditures were funded from the Company's pre-financing working capital.

In addition the Company realized $1.5 million in proceeds from the exercise of 235,000 stock and compensation options.

The Company's current working capital level is sufficient to meet its 2007 general corporate and administrative costs, fund its planned 2007 exploration activities and to finalize the feasibility study. The Company also has sufficient surplus cash resources to commence development, in early 2007, of a potential new mine. However, the Company will be required to raise significant additional funds by either issuing common shares, flow-through common shares, by the arrangement of bank or public debt or a combination of both to fulfill the funding requirement difference between the Company's current cash resources and the ultimate amount required to fund a potential mine development and to cover administrative and exploration activities. There are no guarantees that the Company will be able to raise the required funds as and when required.

RELATED PARTY TRANSACTIONS

During the period ended December 31, 2006, the following related party transactions occurred:

	2006	Restated 2005
For wages and consulting services charged by a related person of a Director	$—	$ 96
For 100,000 shares issued in payment for the Afton mineral claim interest option agreement to a Director of the Company	—	537

Subsequent to December 31, 2005, the service provider ceased to be a related party.

NEW ACCOUNTING POLICIES

During 2006 the Company adopted the following policy for short-term investments:

> Short-term investments are highly liquid investments including Canadian and U.S. dollar investments in treasury bills, Banker's Acceptances, bank bearer deposit notes, bank term investments and asset backed securities with maturities at the date of purchase of more than three months and less than a year. Short-term investments are stated at the lower of cost and net realizable value.

CRITICAL ACCOUNTING ESTIMATES

Mineral Properties

The Company records its interests in mineral properties at cost. Exploration expenditures relating to properties that have resources or significant mineralization

requiring additional exploration are deferred and will be amortized against future production following commencement of commercial production, or written off if the properties are impaired, sold, allowed to lapse, or abandoned.

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. Where estimates of future net cash flows are available and the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value which is normally the discounted value of future cash flows. Where estimates of future net cash flows are not available, management assesses whether the carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired it is written down to its estimated fair value.

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the determination of the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of the cash flows to be generated from its properties.

Income and Resource Taxes

The Company recognizes and measures, as assets and liabilities, income and resource taxes currently payable or recoverable as well as future taxes which would arise from the realization of assets or the settlement of liabilities at their carrying amounts to the extent that these differ from their tax bases. Future income tax ("FITs") assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply to taxable income in the years in which such temporary differences are expected to be recovered or settled. A valuation allowance is recognized to the extent the recoverability of FIT assets is not likely.

To date the Company has not recorded any future tax assets to offset its FIT liabilities. If it were to do so, the Company would report an FIT recovery in its Statement of Operations and Deficit to the extent of the asset recognized.

Stock–based Compensation and Share Purchase Warrants

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. The fair value of stock options, share purchase warrants and compensation options is determined by the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility and an expected life of the options. Forfeitures are recorded based on actual occurrences.

The Black-Scholes pricing model requires the input of highly subjective assumptions that can materially affect the fair value estimate.

COMMITMENTS AND CONTINGENT LIABILITIES

a) Under the terms of certain Option agreements to acquire the mineral properties for the Afton Mineral Claims, the optionors retained a 10% net profit royalty which can be purchased on or before December 1, 2010 for $2 million in cash or common shares of the Company.

b) Under the terms of the Ajax - Python Claim option agreement the property is subject to a 2% net smelter royalty ("NSR"). The Company can purchase the NSR for $100,000, payable in cash or common shares of the Company.

c) In 2006 the Company completed two arm's length agreements with the owners (collectively, the "optionors") of two mineral claim groups, whereby for an aggregate payment to them of $28,965 in cash, the Company acquired the exclusive right to explore the properties for one year. The exclusive exploration rights may, at the Company's option, be extended for two further one-year periods by making payments of $65,000 to one optionor and $71,700 to the other. Any further payments to the optionors are payable in cash or equivalent value in shares of the Company at the optionor's discretion in one case and at the discretion of the Company in the other.

The Company may at any time during the option period purchase the properties by paying the first optionor $100,000 and reserving a 1.5% net smelter return royalty on the production from the property and paying the second optionor $93,400 and reserving a 1% net smelter return royalty on the production from the property. The Company received transfer of title to both properties, which will be retransferred if the Company does not exercise the purchase option.

d) During the fourth quarter of 2006 the Company entered into a number of contractual commitments to advance the development of the Project. These commitments are either short term Letters of Intent ("LOI"), put in place as an

interim measure until long-term arrangements can be completed, or equipment orders to purchase long lead items or critical equipment pieces of mining equipment necessary to commence development of the Project. These commitments include the following outstanding amounts as at December 31, 2006:

	Letters of Intent	Long lead items and equipment orders
Surface and underground development activities	$16,051	$ —
Processing plant	—	1,553
Other		984

All LOI commitments permit the Company to terminate them for convenience upon payment to the other party of amounts owing up to the date and termination and, in some cases, demobilization charges.

e) The Company is committed to an operating lease for office premise rentals in the aggregate of $0.1 million.

CONTRACTUAL OBLIGATIONS

The following is a summary of the material contractual obligations of the Company including payments due for each of the next five years and thereafter.

Contractual Obligation	Total	Less than 1 year	1- 3 years	3 –5 years	Thereafter
Professional Service Agreements [1]	$16,051	$ 16,051	$ —	$ —	$ —
Equipment orders	2,537	1,104	1,393	—	—
Total Contractual Obligations[2]	18,588	17,195	1,393	—	—

(1) All Professional Services commitments permit the Company to terminate them for convenience upon payment to the other party of amounts owing up to the date and termination and, in some cases, demobilization charges.

(2) Subsequent to December 31, 2006, the Company entered into the following commitments:

a) a Letter of Intent to acquire the surface rights for the Project for $16 million, plus interest, payable $10 million on closing and an additional $6 million plus applicable interest, within 2 years of the closing. The Company expects to sign the definitive agreement in the second quarter of 2007; and

b) an equipment order totaling $0.8 million.

NON-GAAP MEASURE OF WORKING CAPITAL

The working capital item is furnished to provide additional information and is not a GAAP measure. This measurement should not be considered in isolation as a substitute for measures of performance prepared in accordance with GAAP.

This information is intended to provide investors with information about the Company's liquidity; the Company issues this information for the same purpose.

2006	4th quarter	3rd quarter	2nd quarter	1st quarter
Current assets	69,257	73,415	78,163	82,838
Current liabilities	(3,786)	(1,972)	(1,703)	(2,530)
Working capital	65,471	71,442	76,460	80,308

2005	4th quarter	3rd quarter	2nd quarter	1st quarter
Current assets	18,612	15,274	20,338	21,856
Current liabilities	(3,797)	(2,175)	(2,553)	(1,289)
Working capital	14,815	13,099	17,785	20,567

RISK FACTORS

In addition to the other information presented in this MD&A, the following risk factors should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business. Any of the following risks could have a material adverse effect upon the Company, its business and future prospects. In addition, other risks and uncertainties not presently known by management of the Company could impair the Company and its business in the future.

Surface Rights

The Afton Lands on which the Afton Claims are situated, consists of Crown land, some of which is subject to grazing leases, and land held in fee simple, principally by Afton Mining Corporation. The Company holds certain surface rights with respect to the Crown land but will be required to obtain all necessary surface rights for the construction and operation of a new mining operation on the Afton Property. As noted above under "Contractual Commitments", the Company has entered into a letter of intent with Teck Cominco Ltd. to purchase the surface rights. However, a definitive agreement for the purchase of the surface rights has not been executed and delivered and until it has there is a risk that the Company may not acquire such surface rights.

Under Section 14(1) of the *Mineral Tenure Act*, R.S.B.C. 1996, c. 292 ("*MTA*") a mineral title holder may, subject to the requirements in the *MTA,* including permitting, notice and compensation requirements, use, enter and occupy the surface of its mineral claim for the purpose of exploration, development and production and to carry out other activities related to the business of mining. This right may be exercised despite the fact that the land may be Crown land or fee simple land which is privately owned. A mineral title holder's right to use the surface of their claims is, however, also subject to, among other things, the Minister's power under section 17 of the *MTA* to restrict the use of surface where he/she considers that the surface area should be used for purposes other than mining. Also, under Section 16 of the *MTA*, if an application to acquire surveyed land is received under the *Land Act* R.S.B.C. 1996, C.245 (the "*Land Act*") before a mineral claim is registered on that land, or if an application to

acquire unsurveyed land is received under the *Land Act* and such land is staked under the *Land Act* before a mineral claim is registered on that land, the rights with respect to the acquisition of the surface of the land under the *Land Act* have priority over the rights with respect to a mineral claim subsequently registered on that land.

If there is a dispute between the parties regarding use of the surface or compensation, the Chief Gold Commissioner will use his or her best efforts to resolve the issues between the parties. If this fails then the matter may be resolved through a process of mediation and arbitration by the Mediation and Arbitration Board (the "PNGA Board") under the *Petroleum and Natural Gas Act*, R.S.B.C. 1996, c.361. The PNGA Board may set conditions for the use of the surface as well as specify the compensation payable to the owner. In a conflict between rights acquired under the *MTA* and rights to Crown land acquired under the *Land Act* the PNGA Board will give consideration to who applied for the rights first and, unless an injustice would result, must give the holder of those rights due priority in its consideration of the dispute between the parties.

Section 15 of the *MTA* sets out situations where the government may dispose of surface rights on Crown land to the holder of a mining lease. To acquire these rights the recorded holder must first obtain certification from the Minister that the land is or will be required for the purpose of mining. Such land must also be unreserved land, it must not be lawfully occupied for a purpose other than mining and it must not be protected heritage property. If these conditions are met the surface rights may be transferred subject to conditions determined by the Ministers responsible for the *MTA* and *Land Act* and payment based on the unimproved value of the land.

As a result, the Company may be required to enter into direct negotiations with the owners of fee simple property to obtain surface rights to those portions of the Afton Lands that are held in fee simple. There can be no certainty that such negotiations will be successful and as a result mediation and arbitration under the *MTA* may become necessary. With respect to Crown lands, the Company may be required to enter negotiations or apply to obtain surface rights from the Government of British Columbia. There can be no certainty of how long such negotiations, potential mediation and arbitration or applications may take or whether they will ultimately be successful, and therefore may have a material impact on the overall development and timeline of the Afton Project. The extent of compensation to surface owners that may be required also cannot be assessed at this time.

Access to the Afton Claims

On May 1, 2004, the Company entered into the Access Agreement with Afton Operating Corporation, the fee-simple owner of some of the Afton Lands and the former operator of the Afton Mine. Under the Access Agreement, the Company has the right to enter upon the portion of the Afton Lands held by Afton Operating Corporation to conduct exploration until June 30, 2007. The Access Agreement requires the Company to compensate Afton Operating Corporation for any disruption or damage to any surface facilities, to reclaim areas disturbed by the Company's operations, to post bond against any failure to reclaim, to be responsible for any

hazardous substances introduced to the lands and to insure and indemnify the owner against liabilities arising from any activities of the Company in and about the lands.

Access to mineral claims is governed by the *Mining Right of Way Act*, R.S.B.C. 1996, c. 294 (the *"MRWA"*). Under the *MRWA*, a mineral tenure holder may, subject to certain limitations, take a right of way across private or Crown land to enable it to access its mineral claims for the purpose of the exploration and development. Where private land is taken without the consent of the owner the *Expropriation Act*, R.S.B.C. 1996, c. 125 (the "*Expropriation Act*") applies. Compensation under the *Expropriation Act* is based on the principle that the owner should be put in the same economic position post-expropriation as pre-expropriation.

There is no certainty that should the Company need to extend the Access Agreement that it will be successful in doing so. If the Access Agreement is not extended, the Company would have to attempt to obtain access rights under the provisions of the *MRWA* noted above, which could result in delay and/or increased cost to compensate the surface owner for use of the area or the Company could be forced to use more costly, less convenient access over Crown lands.

Financing Risks

The Company has limited financial resources, no source of operating cash flow and no assurance that additional funding, equity or debt based, will be available for further exploration and development of its projects. The Company will require additional financing from external sources to meet its operating and capital requirements. There can be no assurance that it will obtain adequate financing in the future or that the terms of such financing will be favourable. In addition, the price of shares of developing mining companies can be volatile due in part to changes in metals prices, actual development results differing from expected development results, changes in metal companies' valuations or the departure of key employees. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of our projects or the possible loss of such properties.

The mineral exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted.

Operating Hazards and Risks

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risk normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damage to persons or property and possible environmental damage.

Although the Company has obtained liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Development projects have no operating history upon which to base estimates of future cash operating costs. Particularly for development projects, estimates of mineral resources and probable reserves and cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies which derive estimates of capital costs and cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of copper and gold, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual capital costs, cash operating costs and economic returns will differ significantly from those estimated for a project prior to production. It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays often can occur in the commencement of production.

Fluctuating Metal Prices

The Company's revenues, if any, are expected to be derived from the extraction and sale of Cu and Au contained in concentrates. The price of these metals has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted. The Company does not presently have a metals hedging policy nor has conducted any metals hedging in the past.

Title To Some Of Our Mineral Properties May Be Challenged Or Defective

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed. Although we believe we have taken reasonable measures to ensure proper title to our properties, there is no guarantee that title to any of our properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interest, including prior unregistered liens, agreements, transfers or claims, including aboriginal land claims, and title may be affected by, among other things, undetected defects. As a result, we may be constrained in our ability to operate our properties or unable to enforce our rights with respect to our properties. An impairment to or defect in our title to our properties could have a material adverse effect on our business, financial condition or results of operations.

Exploration, Development and Resource Estimates

The exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. Although the mineral resource figures set out herein have been carefully prepared and reviewed or verified by an independent mining expert, these amounts are estimates only and no assurance can be given that an identified mineral resource will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in reserves or resources, grades, dilution estimates or recovery rates may affect the economic viability of projects. The estimated resources should not be interpreted as assurances of mine life or of the profitability of future operations. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish resources through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

Environmental and other Regulatory Requirements

The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

The current exploration activities of the Company, including any development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance that all permits which the Company may require for exploration, construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any mining project that the Company may undertake. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Retention of Key Personnel

The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management and the loss of one or more could have a materially adverse effect on the Company.

Limited Experience with Development-Stage Mining Operations

The Company has limited experience in placing resource properties into production, and their ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it places its resource properties into production.

Competition

The Company will compete with many international companies that have substantially greater financial and technical resources than it for the acquisition of mineral concessions as well as for the recruitment and retention of qualified employees.

OTHER

During the quarter the Company changed its auditors to PricewaterhouseCoopers LLP from De Visser Gray Chartered Accountants.

AMENDMENTS AND RESTATEMENTS TO THE COMPARATIVE PERIODS

During 2006 the Company undertook a review of its previously-issued financial statements for: the accounting treatment for the recognition of future income taxes related to flow-through share offerings, the valuation method used for assigning value for share payments, stock-based compensation costs related to project personnel and the calculation of the weighted average number of shares. Management thereafter determined that the following amendments should be reflected in these Restated Financial Statements:

a) The Company has adopted the recommendations of EIC146 of the Emerging Issues Committee of the CICA with respect to its accounting for all flow-through share renunciations. Previously the Company had recognized the future income tax liability and corresponding reduction in share capital at the earlier of the renunciation date or the balance sheet date following the flow through share offering provided management had reasonable expectation of completing the expenditures. This practice has now been changed whereby the future income tax liability is recognized at the balance sheet date following the filing of the renunciations, provided management has a reasonable expectation of completing the expenditures. The Company has taken the same approach to account for flow-through shares in prior periods.

   As a result, the future income liability for 2005 has been decreased and share capital increased by $3.5 million from amounts previously recorded in 2005. These amounts have now been recognized in 2006.

b) The Company previously valued the two million shares issued between July 2000 and August 2005 to purchase the Afton mineral claims at the price of the shares on the day the agreement was signed. This practice has been changed to value these payments at the fair market value of the shares at each issuance based upon the previous 5 day weighted average price.

   As a result, mineral properties and share capital have been increased by $11.8 million as at December 31, 2005. Future income tax liabilities have been adjusted to reflect the increase in temporary differences created as a result of the difference between the tax and book value of

the option payment and the resultant amounts have been capitalized to mineral properties. As a result, mineral properties and future income tax liabilities have increased by $6.5 million at December 31, 2005.

The Company's policy is to recognize income tax rate changes in the Statement of Operations in the period they are substantively enacted.

c) The Company previously expensed all of its stock-based compensation to the Statement of Operations. In accordance with the revised accounting treatment a reduction in the stock-based compensation expense of $139,188 in the first quarter and $164,129 for the second quarter of 2006 has been made related to employees who work directly on the Company's mineral properties has been increased by corresponding amounts.

d) During prior periods the Company incorrectly calculated the weighted average number of shares. The only reporting period where the loss per share calculation differed is the first quarter of 2006 where the previously reported loss was $0.06 per share when it should have been $0.07. As a result the reported amount for loss per share for that period has been restated as have the reported weighted average per share amounts for all interim periods.

Annual disclosures

Previous and restated disclosure	Year ended Dec 31, 2005	Year ended Dec 31, 2004
Loss – previous	$ 3,399	$ 1,250
Loss – restated	2,859	1,203
Loss per share – previous	0.24	0.09
Loss per share – restated	0.20	0.09
Total assets – previous	41,752	31,796
Total assets – restated	61,631	50,079

Quarterly disclosures - (Unaudited)

	2005			
Previous and restated disclosure	4th quarter	3rd quarter	2nd quarter	1st quarter
Loss – previous	$ 1,280	$ 491	$ 803	$ 826
Loss – restated	1,232	140	662	825
Loss per share – previous	0.08	0.04	0.06	0.06
Loss per share – restated	0.08	0.01	0.05	0.06
Total assets – previous	41,752	34,180	34,987	31,640
Total assets – restated	61,631	53,128	53,271	49,923

	2004			
Previous and restated disclosure	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**
Loss/(Income) – previous	$ 1,145	$ 147	$ 20	$ (62)
Loss/(Income) – restated	1,115	141	18	(71)
Loss/(Income) per share – previous	0.09	0.01	0.01	(0.01)
Loss/(Income) per share – restated	0.08	0.01	0.00	(0.01)
Total assets – previous	31,796	30,730	29,456	29,314
Total assets – restated	50,079	47,149	45,876	45,733

This MD&A reflects all amounts as restated to address the items discussed above.

Disclosure Controls and Procedures

During 2006, an evaluation was carried out by the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the effectiveness of the Company's disclosure controls and procedures. That evaluation was updated in connection with the preparation of the Restated Financial Statements referred to above. Based on the updated evaluation, the Company's CEO and CFO concluded that the disclosure controls and procedures were not wholly effective as of December 31, 2005 to ensure that information required to be disclosed by the Company in reports that it files or submits under securities legislation. In view of the restatement of the Financial Statements described above, the CEO and the CFO have concluded that a material weakness existed in the Company's disclosure controls and procedures as of December 31, 2005. As a result, the Company now requires all senior financial personnel to attend professional development training on current and new developments in regulatory and accounting issues in Canada and the United States in order to improve the monitoring of financial regulations. In addition, the Company has retained new auditors with a view to engaging a chartered accounting firm with the extensive depth and experience in financial reporting matters in Canada and the United States which management believes is necessary to reflect the Company's growth and development. In 2006, the Company hired a Controller and a Senior Accountant to provide further support in financial reporting matters and a General Counsel to advise management in respect of the legal aspects of disclosure controls and procedures. The CEO and CFO have concluded that with these enhancements the Company's disclosure controls and procedures are sufficiently effective to ensure material information will be accumulated and communicated to senior management in sufficient time for senior management to make decisions regarding the Company's disclosure record as required by securities legislation.

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2006. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2006 to provide reasonable assurance that material information relating to the Company would be made known.

Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent year, except as noted in "Disclosure Controls and Procedures", ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

The Company continues to follow its stated priorities for 2007 by focusing on the Project, including completion of a feasibility study, completing permitting requirements, assessing early development opportunities and the availability of financing. In addition, the Company plans to continue its overall exploration effort.

Advancement of the Afton Project is the key to the Company's success and depending on the results of the FS and potential financing activities, significant development activities could occur in 2007 should the combined results of these activities result in a formal development decision. Managements' efforts in 2007 would therefore shift further towards development and be directed at the key areas related to the ultimate development of the Project including:

Financing – financing activities would then accelerate with the completion of the FS which will form the basis for formal discussions with commercial banks, equity and debt brokers and smelters so that the Company can best assess the structuring of a potential financing.

Permitting – the Company submitted its application for a mining permit in January 2007 and is now awaiting formal comments from the regulators, including those comments received as a result of the public hearings. The Company anticipates a formal response from the authorities no sooner than the second quarter of 2007.

Surface Rights – the Company anticipates finalization into a formal agreement the terms agreed to in the Letter of Intent signed subsequent to December 31, 2006, to acquire the surface rights at the Project. Completion of this agreement will ensure that full access to the site is attained which would ensure that any near term development activities could proceed.

Early Development Opportunities– with the results of the feasibility study management will be focusing on opportunities to accelerate the development timeline pending any results of an optimization review which is typical following completion of a FS. The Company will consider ordering certain additional long lead-time capital assets and commencement of underground development. These items would be financed from the Company's existing cash position.

In addition the Company continues to assess its exploration opportunities on the Afton, Ajax and at its optioned properties. At Afton, the major focus centres on the deep mineralization identified near the current Afton resource. At the Ajax property, the Company continues to

evaluate the data compiled to date on the area to assess what strategy is best suited for following in the future.

As at March 26, 2007, the Company's outstanding capital was:

Common shares	24,164,717
Warrants	4,167,000
Common stock options	2,231,500

FORWARD-LOOKING STATEMENT

Certain of the statements made and information contained herein is "forward- looking information" within the meaning of the Ontario Securities Act or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources and reserves, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development or mining results will not be consistent with the Company's expectations, metal recoveries, accidents, equipment breakdowns, title matters and surface access, labour disputes or other unanticipated difficulties with or interruptions in production, the potential for delays in exploration or development activities or the completion of feasibility studies, the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, failure to obtain adequate financing on a timely basis and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form and in each management discussion and analysis. Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of copper and gold, that the feasibility study will confirm that a technically viable and economic operation exists, that the Company will receive required permits and access to surface rights, that the Company can access financing, appropriate equipment and sufficient labour and that the political environment within British Columbia and Canada will continue to support the development of environmentally safe mining projects so that the Company will be able to commence the development of the Afton project within the timetable to be established by the feasibility study. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. The Company does not intend to and assumes no obligations to up-date forward-looking statements and information.

US INVESTORS SHOULD NOTE

The U.S. Securities and Exchange Commission ("SEC") permits mining companies, in their filings with the SEC to disclose only those mineral deposits that a company can economically and legally extract or produce. The Company may use certain terms in its publications such as "resources" that are prescribed by Canadian regulatory policy and guidelines but are not provided for in the SEC guidelines on publications and filings. Investors are cautioned not to assume that any part or all of the mineral deposits in a "resource" category will ever be converted into reserves.

Exhibit 4.1

Consent of Independent Auditors

We hereby consent to the inclusion in this Annual Report on Form 40-F of New Gold Inc. ("the Company"), of our auditors' report dated March 28, 2007, on the balance sheet of the Company as at December 31, 2006 and the statements of operations and deficit and cash flows for the year then ended, which appears in an exhibit to this Annual Report on Form 40-F.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, British Columbia, Canada
March 28, 2007

Exhibit 4.2

DE VISSER GRAY LLP
CHARTERED ACCOUNTANTS

401—905 West Pender Street
Vancouver, BC Canada
V6C 1L6
Tel: (604) 687-5447
Fax: (604) 687-6737

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated March 15, 2006, except as to Note 18 which is as at November 14, 2006, with respect to the consolidated audited financial statements of New Gold Inc. included in this Annual Report on Form 40-F for the year ended December 31, 2006, filed with the U.S. Securities and Exchange Commission.

“De Visser Gray LLP”

DeVisser Gray, LLP
Chartered Accountants
Vancouver, British Columbia, Canada
March 29, 2007

Exhibit 5.1

CONSENT OF BEHRE DOLBEAR COMPANY LIMITED

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

We hereby consent to the references to our name under the heading "General Development of the Business – Business of New Gold – Three Year History" in the Company's Annual Information Form and to all other references to our name included or incorporated by reference in the Annual Report.

BEHRE DOLBEAR COMPANY LIMITED

By: /s/ Derek C. Rance
Name: Derek C. Rance
Title: Chairman and Senior Associate

March 28, 2007

Exhibit 5.2

CONSENT OF GARY GIROUX, P. Eng.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

I hereby consent to the reference to my name under the heading "Interest of Experts" in the Company's Annual Information Form and to all other references to my name included or incorporated by reference in the Annual Report.

/s/ Gary Giroux
Gary Giroux
Title: Professional Engineer

March 29, 2007

Exhibit 5.3

CONSENT OF HATCH LTD.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

We hereby consent to the references to our name under the heading "General Development of the Business – Business of New Gold – Three Year History" in the Company's Annual Information Form and to all other references to our name included or incorporated by reference in the Annual Report.

HATCH LTD.

By: /s/ Ken Thomas
Name: Ken Thomas
Title: Global Managing Director

April 2, 2007

Exhibit 5.4

CONSENT OF JOHN SHILLABEER, P. Eng.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

I hereby consent to the references to my name under the heading "Interest of Experts" in the Company's Annual Information Form and to all other references to my name included or incorporated by reference in the Annual Report.

/s/ John Shillabeer
John Shillabeer
Title: Professional Engineer

April 2, 2007

Exhibit 5.5

CONSENT OF KENNETH MAJOR, P. Eng.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

I hereby consent to the reference to my name under the heading "Interest of Experts" in the Company's Annual Information Form and to all other references to my name included or incorporated by reference in the Annual Report.

/s/ Kenneth Major
Kenneth Major
Title: Professional Engineer

April 2, 2007

Exhibit 5.6

CONSENT OF SCOTT WILSON ROSCOE POSTLE ASSOCIATES INC.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

We hereby consent to the references to our name under the heading "General Development of the Business – Business of New Gold – Three Year History" in the Company's Annual Information Form and to all other references to our name included or incorporated by reference in the Annual Report.

SCOTT WILSON ROSCOE POSTLE ASSOCIATES INC.

By: /s/ David W. Rennie
Name: David W. Rennie, P. Eng.
Title: Consulting Geological Engineer

March 26, 2007

Exhibit 5.7

CONSENT OF DAVID W. RENNIE, P. Eng.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

I hereby consent to the reference to my name under the heading "Interest of Experts" in the Company's Annual Information Form and to all other references to my name included or incorporated by reference in the Annual Report.

/s/ David W. Rennie
David W. Rennie, P. Eng.
Title: Consulting Geological Engineer

March 26, 2007

Exhibit 5.8

CONSENT OF VECTOR ENGINEERING, INC.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

We hereby consent to the references to our name under the heading "Interests of Experts" in the Company's Annual Information Form and to all other references to our name included or incorporated by reference in the Annual Report.

VECTOR ENGINEERING, INC.

By: /s/ Monte Christie
Name: Monte Christie, P.E.
Title: Geotechnical Engineering Department Manager

March 27, 2007

Exhibit 5.9

CONSENT OF MONTE CHRISTIE, P.E.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

I hereby consent to the reference to my name under the heading "Interest of Experts" in the Company's Annual Information Form and to all other references to my name included or incorporated by reference in the Annual Report.

/s/ Monte Christie
Monte Christie, P.E.
Title: Professional Engineer

March 27, 2007

Exhibit 5.10

CONSENT OF AMC CONSULTANTS PTY. LTD.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

We hereby consent to the references to our name under the heading "General Development of the Business – Business of New Gold – Three Year History" in the Company's Annual Information Form and to all other references to our name included or incorporated by reference in the Annual Report.

AMC CONSULTANTS PTY. LTD.

By: /s/ Mike Thomas
Name: Mike Thomas
Title: MAusIMM(CP)

March 29, 2007

Exhibit 5.11

CONSENT OF MIKE THOMAS

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

I hereby consent to the reference to my name under the heading "Interest of Experts" in the Company's Annual Information Form and to all other references to my name included or incorporated by reference in the Annual Report.

/s/ Mike Thomas
Mike Thomas
Title: MAusIMM(CP)

March 29, 2007

Exhibit 5.12

CONSENT OF RESCAN ENVIRONMENTAL SERVICES LTD.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

We hereby consent to the references to our name under the heading "General Development of the Business – Business of New Gold – Three Year History" in the Company's Annual Information Form and to all other references to our name included or incorporated by reference in the Annual Report.

RESCAN ENVIRONMENTAL SERVICES LTD.

By: /s/ Clement A. Pelletier
Name: Clement A. Pelletier
Title: President & CEO

March 22, 2007

Exhibit 5.13

CONSENT OF PITEAU ASSOCIATES ENGINEERING LTD.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

We hereby consent to the references to our name under the heading "Interests of Experts" in the Company's Annual Information Form and to all other references to our name included or incorporated by reference in the Annual Report.

PITEAU ASSOCIATES ENGINEERING LTD.

By: /s/ Andrew Holmes
Name: Andrew Holmes, P. Eng.
Title: Vice President

March 28, 2007

Exhibit 5.14

CONSENT OF MEG CONSULTING LTD.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

We hereby consent to the references to our name under the heading "Interests of Experts" in the Company's Annual Information Form and to all other references to our name included or incorporated by reference in the Annual Report.

MEG CONSULTING LTD.

By: /s/ John P. Sully
Name: John P. Sully
Title: Principal

March 28, 2007

Exhibit 5.15

CONSENT OF H.M. HAMILTON & ASSOCIATES INC.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

We hereby consent to the references to our name under the heading "Interests of Experts" in the Company's Annual Information Form and to all other references to our name included or incorporated by reference in the Annual Report.

H.M. HAMILTON & ASSOCIATES INC.

By: /s/ Hugh M. Hamilton
Name: Hugh M. Hamilton
Title: President

March 23, 2007

Exhibit 5.16

CONSENT OF C. STEWART WALLIS, P. Geo.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2006 (the "Annual Report") of New Gold Inc. (the "Company"), filed with the U.S. Securities and Exchange Commission.

I hereby consent to the reference to my name under the heading "Interest of Experts" in the Company's Annual Information Form and to all other references to my name included or incorporated by reference in the Annual Report.

/s/ C. Stewart Wallis
C. Stewart Wallis, P.Geo.
Title: Professional Geologist

March 30, 2007

Exhibit 6.1

CERTIFICATION

I, Chris J. Bradbrook, certify that:

1. I have reviewed this annual report on Form 40-F of New Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 2, 2007

/s/ Chris J. Bradbrook
Chris J. Bradbrook, President and Chief Executive Officer

Exhibit 6.2

CERTIFICATION

I, Paul Martin, certify that:

1. I have reviewed this annual report on Form 40-F of New Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 2, 2007

/s/ Paul Martin
Paul Martin, Vice President Finance and Chief Financial Officer

Exhibit 7.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 40-F of New Gold Inc. for the year ended December 31, 2006, as filed with the Securities and Exchange Commission, I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: April 2, 2007

/s/ Chris J. Bradbrook
Chris J. Bradbrook, President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 7.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 40-F of New Gold Inc. for the year ended December 31, 2006, as filed with the Securities and Exchange Commission, I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: April 2, 2007

/s/ Paul Martin
Paul Martin
Vice President Finance and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.