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 12/31/07

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:

36,949,717 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 (the "Annual Report") of New Gold Inc. (the "Company"), including statements made or incorporated by reference in the Annual Information Form for the year ended December 31, 2007 (the "Annual Information Form"), Audited Financial Statements for the year ended December 31, 2007 and in the Management's Discussion and Analysis for the year ended December 31, 2007 (the "Management's Discussion and Analysis"), included herewith as Exhibits 1, 2 and 3, respectively, may contain "forward-looking information" within the meaning of the Ontario *Securities Act* and Alberta *Securities Act* or "forward-looking statements" within the meaning of Section 21E of the U.S. Securities Exchange Act of 1934. Such forward-looking statements include but are not limited to statements concerning the Company's plans at its New Afton Project (as defined in the Annual Information Form included herein) and other mineral properties, which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and forward-looking statements. Generally forward-looking information and forward-looking statements can often, but not always, be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "envisaged", "scheduled", "estimates", "forecasts", "proposes", "intends", "anticipates " or "does not anticipate", or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking information and 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 mineral 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, the saleability of the New Afton Project's copper/gold concentrate, accidents, equipment breakdowns, title matters, labor disputes or other unanticipated difficulties with or interruptions in production, the potential for delays in exploration or development activities, 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, failure to obtain all necessary permits to satisfy the Note holders (as defined in the Annual Information Form) and the mining regulations, 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 herein as Exhibits 1 and 3, respectively.

Forward-looking information and forward-looking statements for time periods subsequent to 2007 involve longer term assumptions and estimates than forward-looking information and forward-looking statements for 2007 and are consequently subject to greater uncertainty. 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 information or forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking information and forward-looking statements. Forward-looking information and forward-looking statements include information and statements regarding the expectations and beliefs of management, the assumed long-term price of gold and exchange rates, the estimation of mineral reserves and resources, the realization of mineral reserve estimates in future expected production, anticipated future capital and operating costs, and the potential of the Company's properties and expectations of growth. Forward-looking information and forward-looking statements made in the Annual Information Form and other documents incorporated by reference therein are made as at the date of the original document, and have not been updated by the Company except as stated in the Annual Information Form. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information and forward-looking statements, whether as a result of new information, future events or otherwise.

As the Feasibility Study (as defined in the Annual Information Form) relies on probable mineral reserves and not proven mineral reserves, there is a higher risk associated with its conclusions than one incorporating proven mineral reserves.

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". "Resources" are sometimes referred to as "mineralization" or "mineral deposits." 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 31, 2007, 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. $1.0120, and on December 29, 2006, the rate was Canadian $1.00 = U.S. $0.8582.

ANNUAL INFORMATION FORM

The Annual Information Form of the Company for the year ended December 31, 2007 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, 2007 and 2006, including the auditors' report thereon dated March 31, 2008, are included herein as Exhibit 2. Please refer to Note 19 to the audited financial statements for a reconciliation of the differences between Canadian and United States Generally Accepted Accounting Principles.

Management's Discussion and Analysis

The Company's Management's Discussion and Analysis for the year ended December 31, 2007 is included herein as Exhibit 3.

CONTROLS AND PROCEDURES

A. Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated 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 (the "Exchange Act")) as of December 31, 2007. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures in place are effective to ensure that information required to be disclosed by the Company in reports that the Company files or submits

under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable time periods specified by the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

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

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, 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 Exchange Act 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, 2007. 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, management has concluded that, as of December 31, 2007, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2007 has been audited by PricewaterhouseCoopers LLP as stated in their report which appears herein as Exhibit 2.

C. Changes in Internal Control over Financial Reporting

During the fiscal year ended December 31, 2007, the Company effected material changes in internal control over financial reporting. These changes were in part necessitated by the expanding operational activity, especially in the latter two quarters of the year, at the Company's development Project, the New Afton Project. The Company contracted a third party firm to assist the Company in enhancing its internal controls and to test the enhanced controls as part of management's assessment of internal control over financial reporting as required by Rules 13a-15(c) and 15d-15(c) promulgated under the Exchange Act. The Company has a) in general, enhanced its internal control processes across the material financial cycles; b) more specifically, improved its financial controls over period end closing, and procurement processes; and c) implemented compensating procedures around the segregation of duties in the information technology area due to limited staffing.

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 (Chairman). 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 PwC to the Company for the fiscal year ended December 31, 2007, and the aggregate amounts billed by PwC and by DeVisser Gray 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, 2007	Year Ended December 31, 2006
Audit Fees (1)	$ 186,633	$ 31,000
Audit-Related Fees (2)	40,701	135,831
Tax Fees (3)	15,652	6,375
Other Fees (4)	139,434	8,500
Totals	$ 382,420	$ 181,706

(1) The audit fees billed which, for 2007 include billings related to the integrated Sarbanes-Oxley audit of internal controls. 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. 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. All of the amounts shown in this category for 2006 were paid to the current auditor.

(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". The 2007 fee is for fees related to an equity and debt offering.

(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”. All of the amounts shown in this category for 2006 were 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, 2007, 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, 2007
2. Audited Financial Statements for the years ended December 31, 2007 and 2006, together with the auditors' report thereon dated March 27, 2008 (Note 19 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, 2007

4 Consent of PricewaterhouseCoopers LLP

5.1 Consent of AMC Consultants Pty. Ltd.

5.2 Consent of Scott Wilson Roscoe Postle Associates Inc.

5.3 Consent of Engineer (David W. Rennie)

5.4 Consent of Engineer (Mike Thomas)

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/ Clifford Davis
Name: Clifford Davis
Title: President and Chief Executive Officer

Date: March 31, 2008

Exhibit 1



ANNUAL INFORMATION FORM

of

NEW GOLD INC.

FOR THE YEAR ENDED DECEMBER 31, 2007

DATED AS OF MARCH 31, 2008

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, 2007 and Management's Discussion and Analysis for the year ended December 31, 2007, 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, 2007 unless otherwise indicated.

Forward-Looking Statements and Cautionary Notices

Certain of the statements made and information contained in this Annual Information Form and in the Company's Audited Financial Statements for the year ended December 31, 2007 and the accompanying Management's Discussion and Analysis for the year ended December 31, 2007, each incorporated by reference herein, and the Technical Report referenced herein may contain "**forward-looking information**" within the meaning of the Ontario *Securities Act* and Alberta *Securities Act* or "**forward-looking statements**" within the meaning of Section 21E of the *Securities Exchange Act of 1934* of the United States, including statements concerning the Company's plans at its New Afton Project (as defined herein) and other mineral properties, which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and forward-looking statements. Generally forward-looking information and forward-looking statements can often, but not always, be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "envisaged", "scheduled", "estimates", "forecasts", "proposes", "intends", "anticipates " or "does not anticipate", or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information and 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 mineral 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, the saleability of the Project's (as defined herein) copper/gold concentrate, accidents, equipment breakdowns, title matters, labour disputes or other unanticipated difficulties with or interruptions in production, the potential for delays in exploration or development activities, 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, failure to obtain all necessary permits to satisfy the Note holders (as defined herein) and the mining regulations, and other risks and uncertainties, including those described under Risk Factors in this Annual Information Form and in the Management's Discussion and Analysis for the year ended December 31, 2007, which is expressly incorporated by reference herein. Forward-looking information and forward-looking statements for time periods subsequent to 2007 involve longer term assumptions and estimates than forward-looking information and forward-looking statements for 2007 and are consequently subject to greater uncertainty. 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 information or forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking information and forward-looking statements. Forward-looking information and forward-looking statements include information and statements regarding the expectations and beliefs of management, the assumed long-term price of gold and exchange rates, the estimation of mineral reserves and resources, the realization of mineral reserve estimates in future expected production, anticipated future capital and operating costs, and the potential of the Company's properties and expectations of growth. Forward-looking information and forward-looking statements made in this Annual Information Form and a document incorporated by reference are made as at the date of the original document, and have not been updated by the Company except as stated in this Annual Information Form. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information and forward-looking statements, whether as a result of new information, future events or otherwise.

As the Feasibility Study (as hereinafter defined) relies on probable mineral reserves and not proven mineral reserves, there is a higher risk associated with its conclusions than one incorporating proven mineral reserves.

The financial information in this Annual Information Form is taken from the Company's Audited Financial Statements for the year ended December 31, 2007. 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.

The following table sets forth the rate of exchange for the Canadian dollar, expressed in United States dollars in effect at various times.

	Year Ended December 31		
Canadian Dollars to U.S. Dollars	**2007**	**2006**	**2005**
Rate at end of period	US$1.0120	US$0.8581	US$0.8577
Average rate for period	US$0.9275	US$0.8820	US$0.8253
High for period	US$1.0767	US$0.9099	US$0.8690
Low for period	US$0.8419	US$0.8528	US$0.7872

The noon rate of exchange on December 31, 2007, as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was Canadian $1.00 equals US$1.01.

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"	This annual information form together with the documents incorporated by reference.

"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 ($CuFeS_2$).
"chalcocite"	A copper sulphide (Cu_2S).
"chalcopyrite"	A copper sulphide (Cu_5FeS_4).
"Cu"	Copper.
"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.
"dmt"	Dry metric tonne.
"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.
"feasibility study"	A comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.
"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 mineral 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 mineral 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.
"lbs"	Pounds
"m"	Metre.
"masl"	Metres above sea level.
"measured mineral 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.
"mineralization"	A natural aggregate of one or more metallic minerals.
"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 resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories. An inferred mineral resource has a lower level of confidence than that applied to an indicated mineral resource. An indicated mineral resource has a higher level of confidence than an inferred mineral resource but has a lower level of confidence than a measured mineral resource.
"mineral zone"	A mineral-bearing belt or area.
"mm"	Millimetre.
"Mt"	Million of tonnes.
" mtpa "	Million tonnes per annum.
"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.
"oz/t"	Ounce per tonne.

"Pd"	Palladium.
"picrite"	Olivine-rich basalt, as formed by the settling of olivine in thick flows and sills.
"ppm"	Parts per million.
"probable mineral reserve"	The economically mineable part of an indicated and, in some circumstances, a measured 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.
"proven mineral reserve"	The economically mineable part of a measured 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 is justified.
"pyrite"	An isometric mineral, FeS_2.
"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.
"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 of the Company is Suite 601, 595 Howe Street, Vancouver, British Columbia V6C 2T5, Canada. As of March 31, 2008, the registered office will be moved to Suite 2300, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1J1. The principal administrative office of the Company is 402 – 1450 Pearson Place, Kamloops, British Columbia, V1S 1J9, 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.

Principal Property

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 – Mineral Projects-The New Afton Project".

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. Underground drilling in 2005 and 2006 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. A 2007 drill program was conducted in order to investigate the potential to increase the mineral resources around the known mineralization at the New Afton Project. See "Narrative Description of the Business – Mineral Projects – The New Afton Project".

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 National Instrument 43-101. The technical report titled "New Afton Project, NI 43-101 Independent Technical Report" dated April, 2007 was delivered to the Company and filed on SEDAR on April 30, 2007 and subsequently revised and filed on SEDAR on June 28, 2007 (the "**Technical Report**"). Further details regarding the Feasibility Study and Technical Report are described below under "Narrative Description of the Business – Mineral Projects – The New Afton Project - Feasibility Study".

In November, 2006, the Ministry of Energy, Mines and Petroleum Resources of the Province of British Columbia (the " **Ministry**") issued to the Company a mining lease pursuant to the Mineral Tenure Act of British Columbia (the "**Mining Lease**") over four post legacy claims comprising approximately 903 hectares (the "**Leased Land**"). Further details on the Mining Lease are described below under "Narrative Description of the Business – Mineral Projects – The New Afton Project – Project Description and Location".

During 2007, the Company commenced development activities on the Project.

On June 28, 2007 and July 30, 2007, the Company completed an offering (the " **Offering**") for gross proceeds of $342.3 million (the funds of which will be used for the development of the Project in accordance with the recommendation contained in the Feasibility Study as set forth in the Technical Report, for debt serving costs in connection with the Offering and to incur Canadian exploration expenses on the New Afton Project. (See "Narrative Description of Business – Mineral Projects – The New Afton Project – Project Financing".)

In July 2007, the Company announced the selection of AMEC Americas Limited (" **AMEC**") to carry out the detailed engineering design and procurement work for the Project (the "**EP Contract**"). The EP Contract will cover the engineering design and procurement work for the permanent underground infrastructure, along with the process plant surface buildings and infrastructure. The Company has also now finalized an agreement with the contractor who will complete the surface works construction. (See "Narrative Description of the Business – Mineral Projects – The New Afton Project – Update on Project".)

In October, 2007, the Company acquired from Teck Cominco Ltd., (" **Teck**") surface rights comprising approximately 4,300 acres of land surrounding the Project (the "**Afton Surface Rights**"). Further details on the Afton Surface Rights are described below under "Narrative Description of the Business – Mineral Projects – The New Afton Project – Project Description and Location".

On October 31, 2007, the Ministry issued a permit approving the construction, operation and reclamation of the New Afton Project (the "**Mine Permit**") pursuant to Section 10 of the *Mines Act* of British Columbia. Further details on the Mine Permit are described below under "Narrative Description of the Business – Mineral Projects – The New Afton Project – Project Description and Location".

On March 19, 2008, the Company entered into two definitive agreements, one with Abacus Mining and Exploration Corp (" **Abacus**") and the other with Abacus and Teck addressing the co-operative development of their respective assets in the Afton-Ajax district (see "Narrative Description of the Business – Mineral Projects – The New Afton Project - Description and Location").

In March 2008, a comprehensive review overseen by AMEC and including input from Cementation Canada Inc. (" **Cementation**"), Ledcor Projects Inc. ("**Ledcor**") and AMC Consultants (Pty.) Ltd. (" **AMC Consultants**"), the Company's mining consultant, was undertaken on the cost estimate for the Project. Based on such review, AMEC estimated construction costs for the Project have increased by approximately 19.6% from those originally estimated in the Feasibility Study. The Project cost increase is primarily related to labour cost increases which are now based on actual contractor labour rates for the surface and underground contractors, particularly in the underground development area, and increases in material costs. (See "Narrative Description of the Business – Mineral Projects – The New Afton Project – Capital Costs).

The Company entered into a Letter of Intent dated March 31, 2008 (the "Merger LOI") with Peak Gold Ltd. ("Peak") and Metallica Resources Inc. ("Metallica") with respect to a proposed business combination among the three companies. The Merger LOI contemplates that the holders of common shares of Peak will receive shares of the Company on the basis of 0.1 of a common share of the Company for each common share of Peak and the holders of common shares of Metallica will receive shares of the Company on the basis of 0.9 of a common share of the Company for each common share of Metallica. The effect of these exchange ratios is that existing shareholders of the Company, Peak and New Gold will have the following ownership percentage based on the outstanding common shares and in-the-money stock options and warrants of each company:

New Gold: 16.5%

Metallica: 45.8%

Peak: 37.7%

The transaction contemplated by the Merger LOI has been unanimously approved by the boards of directors of the Company, Peak and Metallica. Each board is recommending that its shareholders approve the transaction at shareholder meetings of the three companies expected to be held in June. Approval of the combination requires a favourable vote of two-thirds of the shareholders at special meetings of each of Metallica and Peak and a majority of votes at a special meeting of the Company to approve the issuance of shares necessary to complete the transaction.

The parties will enter into a definitive agreement which will provide the full terms of the combination. The concurrent transactions are subject to customary regulatory and stock exchange approvals, the approvals of shareholders and to the satisfaction of other conditions customary in transactions of this nature including satisfactory due diligence.

Between 2004 and 2007, the Company expended approximately $74.9 million on exploration and property evaluation on the New Afton Project. Included in this amount is $1.5 million for the Feasibility Study, $31 million for mine development and $5.1 million for exploration and underground maintenance which was incurred in 2007.

Other Projects

In addition to the New Afton Project, the Company owns a group of claims designated the North Afton claims which lie to the north west of the Project and which comprise 15 cell tenures covering an area of 4,662 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 5,237 hectares.

In 2006 the Company completed two arm's length agreements with the owners of two mineral claim groups pursuant to which the Company acquired the exclusive right to explore the properties for one year in consideration for an aggregate cash payment of $28,965. 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 nine 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. Both options have been extended for a further one-year period.

NARRATIVE DESCRIPTION OF THE BUSINESS

Summary

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, 2007, New Gold had 35 employees and 7 full-time contract workers.

Stage of Development

New Gold does not currently produce, develop or sell mineral products. As described in more detail below, the Company has obtained the Mine Permit, acquired the necessary surface rights, been issued the Mining Lease and obtained financing to enable the development and construction of the New Afton Project to continue.

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.

Environmental Protection

The Company maintains currency with required environmental protection measures as part of its standard operating procedures in its exploration and development programs. See "Description of the Business – Mineral Projects – The New Afton Project – Environmental Matters".

Mineral Projects - 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 issued to the Company the Mining Lease bearing Tenure No. 546063 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 the Leased Land (an aggregate of 903 hectares). The Mining Lease is for a term of 30 years from November 29, 2006 and annual rental is $9,750. The block of claims surrounding the Mining Lease comprise 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* of British Columbia to 2017.

On September 6, 2007, the Company entered into an agreement of purchase and sale (the " **Teck Purchase Agreement**") with Afton Operating Corporation and Sugarloaf Ranches Limited, subsidiaries of Teck, (collectively, the "**Vendors**"), to purchase approximately 4,300 acres of land surrounding the New Afton Project for an aggregate purchase price of $16 million (which was paid in cash at closing) plus a non-transferable two percent (2%) net smelter return royalty over the New Afton Project, being the Afton Surface Rights, which New Gold has the option, at any time, to repurchase for $12 million payable in cash. The Teck Purchase Agreement was completed on October 25, 2007 at which time the Company acquired: (a) title to fee simple land; (b) a covenant from the Vendors to obtain a release of the grazing leases s; and (c) all improvements thereon, including the existing fresh water pipeline which runs from Kamloops Lake, south to the old Afton open pit mine site.

The Teck Purchase Agreement obligated the Company to honour certain pre-existing commitments which the Vendors had made to Abacus regarding access and rights of way over this land under an agreement which Abacus had entered into with Teck in November, 2005 when Abacus purchased the milling and processing facilities, tailings storage area and other infrastructure at the Afton Mine from the Vendors. The rights and obligations of Abacus, the Vendors and the Company were incorporated into a letter of intent dated October 19, 2007 which was replaced and superseded with a definitive agreement dated March 19, 2008 (the "**Three Party Agreement**"), which provides Abacus with shared use of New Gold's water pipeline, in the event that it develops a new milling operation, and provides New Gold with access from the Trans-Canada Highway to the New Afton Project over a small portion of the land which Abacus is purchasing from Teck around the old Afton mill building. New Gold and Abacus executed another letter of intent dated October 19, 2007 which was replaced and superseded with a definitive option and joint venture agreement dated March 19, 2008 (the "**Two Party Agreement**"), which is intended to ensure that any economic mineralization within and surrounding the past producing Ajax pits, is explored, delineated and developed in the most cost efficient manner. As a result, the Two Party Agreement is intended to grant Abacus an option to explore for, and potentially develop, mineralization in the area surrounding Abacus' Ajax mineral claims, which are over the past-producing Ajax pits. Under the Two Party Agreement, Abacus must spend $2.5 million within 2 years over a portion of New Gold's mineral claims surrounding the Ajax pits, and complete a preliminary economic study within 6 months following the 2 year period. If economic mineralization is established, it will be developed as a joint venture between the 2 companies. In the event of an open pit operation, the interest will be 60:40 in favour of Abacus who will be the operator. In the event of an underground operation the interest will be 60:40 in favour of New Gold who will be the operator.

On October 31, 2007 the Ministry issued Mine Permit M229 approving the work system and reclamation program in respect of the New Afton Project. The Mine Permit obligates the Company to post reclamation security in the aggregate amount of $9.5 million. The initial instalment of $3.5 million was posted by the Company pursuant to a Safekeeping Agreement dated November 6, 2007 between it, Bank of Montreal and the Ministry.

Two first nations, the Kamloops Indian Band and the Skeetchestn Indian Band (collectively, the " **Bands**") have asserted aboriginal rights and interests in an area comprising the New Afton Project. Discussions with these Bands commenced in February, 2006 with the Company meeting with Band representatives 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 provided among other things for an exchange of information and continued dialogue between the parties. During 2007 and 2008 further discussions with the Bands culminated in the execution and delivery of a formal agreement between the Bands and the Company dated March 20, 2008 (the "**Participation Agreement**"). One of the principal objectives of the Participation Agreement is to establish a cooperative and mutually beneficial working relationship between the Bands and the Company with respect to the development and operation of the New Afton Project. The Participation Agreement provides that the Bands consent to the New Afton Project and agree not to challenge before a court of law any New Gold interests or permits related to the Project. New Gold undertakes to provide the Bands with certain economic and social benefits including preferential hiring, education, training and business opportunities. As contemplated by the Binding Letter of Intent, the Company paid the Bands $100,000 when the Binding Letter of Intent was signed. Upon signature of the Participation Agreement payment of a further $150,000 was due.

The Participation Agreement also contemplates that the Company will pay to a socio-economic trust to be created for the benefit of Band members an amount of $250,000 in 2009. Thereafter in each year in which commercial production occurs at the mine an amount of 0.5% of the Net Smelter Returns ("**NSR**") from the mine for the year shall be paid to the trust with a minimum payment of $250,000 a year, which minimum will be increased to $500,000 for a given year if copper prices in that year exceed $2.50 a pound.

After the costs of developing, permitting, constructing and equipping the mine have been repaid to the Company, the payment to the trust will increase to the greater of $1,000,000 a year or 1% of NSR in that year. Should copper prices exceed $2.50 a pound in a given year, this payment will increase to 1.5% of NSR for that year. Should copper prices exceed $3.00 a pound in a given year, this payment will increase to 2% of NSR for that year.

The Participation Agreement also grants to the Bands a right of first refusal to purchase that portion of the Afton Surface Rights lying to the north of the Trans Canada Highway and south of Kamloops Lake in the event the Company decides to sell these lands in the future separately and distinctly from the New Afton Project.

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
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. This may no longer be required with a potential modification to the alignment of the connecting HV line to the minesite substation.
(MOTH)		2. Legal access agreements required over certain lands – Pending;
		3. Industrial access permit for the access easement to Afton Mine Road. – Pending.
		4. Access permit for the existing service road (water pipeline access) to Trans-Canada Highway.
Environmental Management Act	Waste Management Permit (Effluent)	Application by Company pending.
(Ministry of the Environment)		Authorizes introduction of waste into the environment (tailings, waste rock), subject to conditions, regulations or Codes of practice.
	Waste Management Permit (Sewage)	Application by Company pending (will be included in Effluent Application).
		Authorizes discharge of sewage into the environment, subject to conditions.
		Authorizes solid waste storage and disposal subject to conditions.
	Waste Management Permit (Air Emissions)	Pre-Application meeting February 14, 2008. Application by Company pending.

Act (Authority)	Permit	Purpose / Issuance
		Authorizes emissions to the air, subject to conditions.
Water Act	Licence	
(MoE)		Application by Company pending.
	(Notice of Intention)	Authorizes licensing, storage, diversion and use of water.
	(Diversion)	Required to secure water withdrawal, e.g. Kamloops Lake, develop diversion or impoundment structures on lease.
	(Use)	Issued by Comptroller of Water Rights.
Wildlife Act	Permit (to relocate any wildlife)	
(MoE)		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	Licence to Cut	
(Ministry of Forests)		Free Use Permit issued October, 2007.
		Authorizes cutting of Crown timber not exceeding 50 cubic metres
Pipeline Act	Permit – Pipeline Regulation	Application by Pembina Pipelines to OGC on behalf of Company – not immediately required.
(OGC)		Authorization of work to relocate a section of oil pipeline north of the Afton Pit outside of subsidence zone. Status – pending.
Health Act	Industrial Camps Health Regulation Permit or Camp Construction and Operating Permit – Applicable permit will be for water treatment plant.	Application by Company pending.
(MOH – Interior Health Inspector) Or *Environmental Management Act* (MOE)		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(domestic water treatment facility) and issuance of operating permit
Fire Services Act	Authorization	Fuel storage approval; routine, may be subject to inspection.
Agricultural Land Commission Act	Application	Agricultural Land Commission approved non-farm use of Agricultural Land Reserve lands in October, 2007.
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).

Act (Authority)	Permit	Purpose / Issuance
Integrated Pest Management Act	Permit pursuant to S(6)	Application by Company pending.
(MOE)		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.
Fisheries Act	Section 35 – authorization of works in and about fish habitat.	Permit requirement assessed for water pipeline intake maintenance. Department of Fisheries and Oceans approved conceptual design of works and will issue applicable authorizations when works are to commence.

Technical Report

In December, 2005 the Company retained Hatch to coordinate the Feasibility Study and supporting Technical Report. The Technical Report is available under the Company's profile on SEDAR at www.sedar.com. Except as otherwise stated herein and except in relation to the 2007 drill program (see "Drilling – 2007 Drill Program"), the following disclosure relating to the New Afton Project is based on information derived from the Technical Report. The Technical Report was carried out by a team of consultants with Hatch being responsible for the coordination of the Technical Report as well as the processing, metallurgical, project economics, capital costs and surface infrastructure components of the Technical Report. In addition, David Rennie, P.Eng. of Scott Wilson RPA ("**Scott Wilson RPA**") completed the geology, mineralization, exploration, drilling, sampling method, preparation, analysis and security, data verification and mineral resource estimate and Mike Thomas, MAusIMM (CP) of AMC Consultants (Pty.) Ltd. ("**AMC**") completed the mineral reserve estimate and mine planning sections of the Technical Report summarized herein.

Readers are directed to the Technical Report which can be reviewed in its entirety at www.sedar.com and which qualifies the following disclosure. The following summary is not exhaustive. The Technical Report is intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Report contains the expression of the professional opinions of qualified persons (each a "Qualified Person" as defined under National Instrument 43-101) based upon information available at the time of preparation of the Technical Report. The following disclosure, which is derived from the Technical Report, is subject to the assumptions and qualifications contained in the Technical Report.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The New Afton Project is located on the south side of the Thompson River Valley, approximately 10 km west of Kamloops, British Columbia. The Trans-Canada Highway No. 1 passes through the middle of the Project, just west of its junction, with the Coquihalla Highway No. 5. Access to the property is by mine-site roads located off the Trans-Canada Highway.

Rolling topography with elevations ranging from 347 m above sea level to a maximum of 790 m on the Leased Lands characterize the area. The most significant features are the Afton and Pothook open pits and the reclaimed waste rock dumps from the former Afton mine operations. The Thompson River (which widens into Kamloops Lake) is located to the north of the property. Vegetation is typical of the semi-arid climate.

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, British Columbia and Calgary, Alberta 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. New Gold purchased the pipeline and pump house facilities from Teck as part of the Teck Purchase Agreement (see “Narrative Description of the Business – Mineral Projects – The New Afton Project – Project Description and Location”). The Company will be applying for a new water permit to withdraw sufficient water in mining operations. A natural gas pipeline traverses the northern part of the Leased Lands and may provide a source of fuel for heating purposes.

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. 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 Afton 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. ("**Iso**") purchased an equity interest in the Afton Mine.

Teck and Iso purchased Canex Placer's interest in consideration 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 mineral reserves were 34 million tons grading 1% Cu, 0.016 oz/t Au, and 0.12 oz/t Ag (30.8 million 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 sized drill 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. An advance scoping study was completed in 2004.

In late 2004, a portal was collard on the south wall of the Afton pit, and 2,200 m of decline and drift were driven to provide access for definition drilling and metallurgical sampling deposit. The drifting was completed by September of 2005. Diamond drilling, both from surface and underground was completed in December 2006. Total exploration expenditures on the New Afton Project by New Gold to the end of 2007, were $39.1 million.

Geological Setting

The New Afton deposit is hosted within the Cherry Creek member of the Iron Mask batholith complex, a multi-phase plutonic body exposed in a southeast-trending belt measuring 34 km long by 5 km wide. The Cherry Creek member is a partially fault-bounded body trending east northeast through the deposit area, curving to the east side of the property to a more southeasterly trend. At the New Afton Project, the Cherry Creek intrusive is a variably and multiply brecciated assemblage of porphyritic and equigranular monzonite-monzodiorite. The principal host phase of the Cherry Creek is a magnetic fine-to medium-grained porphyric pyroxene-hornblende monzodiorite which forms a wedge of intrusive breccia between the Nicola Group volcanic rocks to the west and southeast and Pothook diorite to the east and southeast.

Strong potassic alteration occurs along the contact between the Pothook and Cherry Creek phases. Pothook rocks are weakly porphyritic to equigranular and, where not altered, moderately to strongly magnetic. Poikiolitic biotite is diagnostic of the Pothook diorite.

Nicola Group rocks consist of augite porphyry, polylithic volcanic breccias, and picrite flows and breccias.

A steeply-dipping body of serpentinized and sheared picrite has been entrained within the Hanging Wall fault, a major structural control to the New Afton deposit. This unit separates strongly mineralized, pyrite-poor, potassically-altered monzodiorite to the northwest from pyritic, sericite-carbonate-clay-chlorite-altered monzodiorite to the southeast. Ground conditions within the picrite are poor, which has hampered efforts to drill through it. As a result, drill information on the hanging wall (south) side of the picrite is limited.

The property is traversed by dykes which are late phase of the intrusive and, at times, are difficult to discriminate form Cherry Creek rocks. Some dykes have pyrite chalcopyrite mineralization along their margins.

Mezonic units (i.e., Nicola and Cherry Creek), are unconformably overlain by Eocene Kamloops group rocks. In the project area, the Kamloops group comprises coarse-to-fine grained clastic sedimentary rocks, along with a mafic flow. Coal beds in the Kamloops strata are visible in the north wall of the New Afton Pit.

Structure is a dominant feature of the geology of the deposit and has influenced all aspects of the host rock lithology, mineralizing events, and post-ore processes. Zones of intersection between deep seated NW-SE-trending faults and east-northeast fractures were primary controls to localization of the Triassic intrusive bodies (i.e., the Iron Mask Batholith) and Nicola volcanic centres. The NW SE structures are major regional fault zones believed to date back to Triassic times with repeated stages of reactivation through to the Tertiary.

East-northeast-striking steeply-dipping fault zones were the primary control to the New Afton mineralization. Two faults, termed the Hanging Wall (east) and Foot Wall (west) constrain the New Afton deposit to a relatively narrow steeply-dipping corridor. They, along with moderately- to steeply-dipping east-west, southwest-northeast, and north-south fault zones, have been mapped in the New Afton pit, and were subsequently picked up in diamond drill holes and underground mapping. These structures are thought to have controlled the flow of mineralizing hydrothermal fluids responsible for the alteration and deposition of sulphides. The pattern of intersection of the fault planes has imparted a southwest plunge to much of the deposit, especially in the hypogene zone.

Subsequent fault movements re-shuffled portions of the deposit, in places truncating it, and transposing slices of waste and ore in others. The faults and subsidiary fracturing then provided conduits for weathering solutions, which resulted in supergene alteration down to relatively deep elevations (ca. 400 m below surface in places).

Lastly, during the Tertiary, tensional stress developed in a NW-SE direction resulted in NE-SW-trending graben structures and the development of depositional basins for Kamloops group sediments.

The complex structural nature of the New Afton deposit is exemplified by the high degree of jointing and fracture filling seen in the underground and pit exposures. These joint sets and fracture fills are ubiquitous throughout the deposit area.

Mineralization

Economic mineralization within the hypogene zone comprises fine-grained disseminated chalcopyrite and relatively minor bornite. Mesogene zone mineralization consists of chalcopyrite and bornite that have been variably altered to chalcocite. The supergene zone contains secondary native Cu concentrated along fractures, along with remnant chalcocite. Sulphide minerals within the supergene zone have been largely weathered out.

Native Au is rarely observed. Au and Ag reportedly occur as electrum grains within the chalcopyrite and bornite.

Environmental Matters

The New Afton Project lies within the Interior Plateau and represents a heavily glaciated landscape overlying a region of complex geology in a semi-arid climate. The baseline environmental studies considered the brownfield nature of the site and the remnant, less-altered natural features. Two primary landscape types are:

(a) areas extensively disturbed (reconfigured and/or reclaimed) as a result of past mining activities and infrastructure development, and

(b) undisturbed landforms similar to those that existed prior to the development of the Afton Mine, and consist of Ponderosa Pine-bunchgrass vegetation interspersed by discontinuous alkaline waterbodies and ephemeral drainage altered by grazing land use.

Environmental studies conforming to provincial standards included: climate studies, air quality, meteorology, noise, emissions, surficial geology, soils, terrain, surface water quality and quantity, groundwater quality and quantity, hydrological modeling, pit lake bathymetry, aquatic biology, wetlands, terrestrial ecosystems, vegetation, invasive plants, wildlife including species at risk, land status and use, and land capability for agriculture, archaeology, metal leaching and acid rock drainage, impact assessments and development of environmental management plans.

Water conservation is paramount in the dry interior grasslands of the Thompson Plateau. It is intended that the Project design will ensure that there is no surface water discharge from the site, and that all groundwater within the mining footprint will flow towards and collect in Afton pit. The waste rock from the underground operations will be minimal and will be deposited in the bottom of the existing Afton pit prior to flooding at closure. Nearly all waste rock has been determined as non-acid generating, therefore the final deposition of waste

rock in the Afton pit, and subsequent flooding will ensure that the potential for any acid generation is highly unlikely. Tailings have also been determined to be non-acid generating and will be deposited in the southeast of the mining lease where all surface and groundwater will be directed to Afton pit, and the surface of the tailings facility will be revegetated at closure to support grazing and wildlife use.

Exploration

Prior to New Gold's involvement, the only work that had been done on or near the deep resource at Afton deposit was the seven holes drilled by Afton Mines Ltd. in 1978 (2 holes) and 1980 (5 holes). New Gold mapped and sampled the pit (as well as any available outcrop surrounding the pit) and drilled 90 surface diamond core holes for a total of 42,450 m (139,272 ft.) during the period 2000 to 2003.

Diamond drilling commenced from the adit in February 2005 and, to the cut-off date for the Main Zone mineral resources estimate (April 2006), the most recent drilling totalled 30,778 m in 78 holes. This brought the total amount of drilling on the project to 77,836 m in 171 holes. Drilling continued to the end of 2006. During 2005 and 2006 104 holes were drilled from underground into the Main Zone and C Zone which included a number of geotechnical holes.

Five exploration holes totalling 2,996 m were drilled in 2005 in the Pothook Pit area. These holes are not associated with the main mineralized zones and do not impact the mineral resource estimate.

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 focused on the Hanging Wall Zone with follow up work conducted on the claims in the local area.

See "Drilling" below.

Drilling

2000-2003 Drill Programs

From 2000 to April 2003, a total of 90 surface diamond drill holes were completed by Atlas Drilling Company of Kamloops, British Columbia for a total of 42,450 m. The data from 82 drill holes has been used for mineral resource estimation and geological mapping. All surface drill collars were surveyed by transit and Brunton compass. Drill hole orientations in 2000 beyond hole 2K-12 were measured using a Pajari Bore Hole Survey Instrument and in 2001 and 2002 a Reflex "Easy-Shot" Survey Instrument, which records dip and azimuth, was used. 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.

2005-2006 Drill Programs

The 2005 underground drilling program was carried out by Boisvenu Drilling of Burnaby, British Columbia using NQ2 equipment producing 5 cm diameter core.

Underground drilling totalled 24,864 m in 66 holes during 2005. Drilling continued into 2006, and totalled 16,800 m in 34 underground holes during the year. Additional drilling has continued to delineate the mineralization, to collect geotechnical data, and for condemnation purposes.

Underground infill drilling of the Main Zone was completed on sections and consisted of several drill hole fans from each station. The bulk of the deposit occupies the Main Zone which consists of a tabular mass measuring 900 m long by approximately 100 m wide and spanning a vertical distance of about 350 m. The zone dips vertically to steeply south – southwest and plunges at moderate angles to the southwest.

All drill holes were surveyed using a photo-bore single-shot instrument for dip and azimuth changes downhole with collar surveys done by transit.

2007 Drill Program

The 2007 drill program was conducted in order to investigate the potential to increase the mineral resources around the known mineralization at the New Afton Project. This included drilling around the Hanging Wall Zones and beneath the C Zone to test depths greater than the intersections from the 2006 program. Additional surface and underground diamond drilling was carried out for geotechnical purposes.

The C Zone exploration drilling program was carried out by FORACO Drilling Ltd. of Kamloops, British Columbia. Various core sizes were used ranging from PQ (83 mm diameter), HQ (63 mm diameter), NQ2 (51 mm diameter) and BQTK (41 mm diameter). Four drill holes were completed totalling 3,225 m and 1,945 samples.

The Hanging Wall Zones exploration drilling program was carried out by Atlas Drilling Ltd., FORACO Drilling Ltd. and Western Exploration Diamond Drilling Ltd. of Kamloops, British Columbia. HQ and NQ2 core sizes were used for this drilling program. The Hanging Wall drilling program totalled 13,149 m and 5,295 samples in 23 surface holes.

The geotechnical drilling program was carried out by Atlas Drilling Ltd. and Western Exploration Diamond Drilling Ltd. of Kamloops, British Columbia. NQ2 core size was used for the program. The geotechnical program totalled 2,844 m in 5 underground holes and 4 surface holes.

Drill hole orientations in 2007 were measured using one or both of the following two instruments: a Reflex single –shot “Easy-Shot” Survey Instrument, which records dip and azimuth and/or a Maxibor Downhole Survey Instrument which records a downhole survey measurement of dip and azimuth every 3 m.

Between June, 2007 and January, 2008 surface exploration was conducted on the Magnum Option and parts of the Ajax Claim Group (Makaoo-Python and Galaxy properties) which are located approximately 10 kms southeast of the New Afton mine site. Work included 44.73 kms of line-cutting, a radiometric survey, the collection of 2,040 geochemical soil samples, geological mapping and prospecting, and 6,824 m of diamond drilling in 15 holes.

Sampling Method, Preparation, Analysis and Security

The drill core is brought to the core shack 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 considered good.

2000 – 2003 Drill Programs

A total of 6,800 core samples were analyzed during the 2000 – 2003 drill programs, including 258 ICP results.

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-metre or three-metre 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.

Sample lengths were predominantly 2.0 or 3.05 m (10 ft). However, there are a significant number of longer intervals. The maximum sample length recorded in the database is 15.2 m, and 930 samples measure greater than 3.05 m. Approximately 4.7% of the samples contained within the deposit were greater than 3.05 m in length.

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.

Sample preparation and analysis were as follows:

- All samples were sorted, documented, dried (if necessary), roll crushed to -10 mesh, split into 250 g subsamples, and pulverized to 95% -140 mesh.
- Samples for Cu metallics assay (when requested) were split and pulverized into additional 250 gram subsamples of -10 mesh material. The entire pulp was screened to -140 mesh.
- Au was sub-sampled to 30 gram aliquots and analyzed with conventional fire assay using atomic absorption (AA) and/or Inductively Coupled Plasma (ICP) finish. Minimum reported detection for Au was 0.005 g/t.

- Cu was determined by AA using aqua regia digestion. “Metallic” Cu (when required) included 2 Cu assays per sample.
- Ag geochemical analysis was by aqua regia digestion and AA.
- All equipment was flushed with barren material and blasted with compressed air between each sampling procedure.

The property is fenced and gated and reasonably secure. After the core was logged and sawn, tied sample bags were locked in New Gold’s field office until picked up by Eco-Tech for transport to their facilities. Drill core is stored in core racks at the locked, secure core shack. Rejects are securely stored at Eco-Tech’s office, and pulps are securely stored at New Gold’s field office.

2005 Underground Sampling

The underground samples comprised continuous chip samples taken on both sides of the drift and correspond with each round of approximately 4.8 m length. Muck samples were also taken for each round. These samples were not used in the mineral resource estimation.

2005 & 2006 Drill Programs

41,600 core samples were analyzed during the 2005 and 2006 drill programs and 490 underground chip/muck samples were processed between February, 2005 and March, 2006.

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. These samples were not used for the mineral resources estimation.

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 pails were kept in a locked trailer until shipped. The laboratory picked up the samples several times a week. Sample tags were stapled onto the core boxes at the start of each sample. After the core was sampled, the remaining 1/2 was stored in the original boxes on pallets outside. Each pallet was covered with plastic wrap and securely fastened.

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.

Data Verification

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 Industry Standards, and had no concerns regarding security or integrity of the samples. Scott Wilson RPA is of the opinion that all assay data is suitable for use in mineral resource estimation.

New Gold has continued to maintain a QA/QC program consisting of the addition of standards, duplicates and blanks into the sample stream. The protocols are somewhat modified from the ones used prior to 2005. A blank, standard, or duplicate was entered into the sample stream at a frequency of one every eight. A total of 18,508 unprepared samples were submitted to Eco Tech Laboratory during the 2005-2006 program. This included 801 blanks, 793 standards, and 721 duplicates which, in sum, equates to approximately 12% of all samples run. Sample QA/QC data from the underground drilling program was analysed by Ron Konst, P. Geo., an independent consultant retained by New Gold. Mr. Konst noted that there were 53 blanks assays, and 18 standards assays with results outside of an acceptable error limit. These samples comprised 7% and 2% of the total blanks and standards assays, respectively, although it was reported that several of these “outliers” were the result of improper labelling (i.e., standards sent as blanks, and vice versa). The Konst report recommended that the batches with out-of-spec QA/QC data be investigated and re-assayed, if appropriate. This work was carried out and no material changes to the assay database resulted. Several of the out-of-spec blanks were found to be misidentified in the database and did not represent improper assay results. The duplicate data were analysed using scatter diagrams and Thompson-Howarth plots to determine if any biases were present and to define the assay precision. The precision for Cu at a 0.6% grade was ±9%, and for Au at a 0.5 g/t grade, ±20%. No biases were detected.

Scott Wilson RPA reviewed the Konst report and the QA/QC data, and conducted independent analyses of the QA/QC results. The duplicate analyses were subject to Thompson-Howarth plots to confirm the results of the Konst report. As well, each of the blanks assays were plotted against the sample that immediately preceded it in the sample stream to check for evidence of contamination in sample preparation. No evidence of sample contamination was indicated by this analysis.

Scott Wilson RPA reviewed the plots of the standards assays and confirmed that there was no indication of systematic bias. Review of the blanks and standards plotted in chronological order did not show any trend or particular time period where assays tended to be out-of spec. Scott Wilson RPA concurs with the principal conclusion of the Konst report. In Scott Wilson RPA’s opinion, the assay data is suitable for use in mineral resource estimation.

Feasibility Study

The Feasibility Study was carried out by a team which included, and was coordinated by, Hatch which completed the processing and surface infrastructure engineering components of the study. 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.

The following is a summary of some of the main conclusions reached in the Feasibility Study as expressed in the Technical Report.

While the Company anticipates that the New Afton Project will be developed in accordance with the guidelines and will achieve the results set out in the Feasibility Study as expressed in the Technical Report, circumstances beyond the Company's control may require the Company to alter the development plan and methodologies envisaged by the Feasibility Study as set out in the Technical Report and there can be no assurance that the anticipated results described in the Feasibility Study as set out in the Technical Report and summarized herein will be achieved. The Company is presently completing its review of the financial and operational consequences of reducing the ramp up period to less than 12 months. In addition, the Company reserves the right to accelerate certain capital expenditures ahead of the schedule set out in the Feasibility Study as expressed in the Technical Report or otherwise depart from the proposed sequence of events in order to optimize development and the economics of the New Afton Project. See "Risk Factors" and "Forward-Looking Statements and Cautionary Notices".

Mineral Resource Estimate

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

All mineral resources were estimated by Qualified Person David Rennie of Scott Wilson RPA. The measured and indicated mineral resource which was used as the basis for estimating the mineral 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. 90 surface holes, totalling 42,450 m, and 78 underground holes totalling 30,778 m were used in the mineral resource estimate from which 22,926 sampled intervals were included in the database. In estimating the mineral resource, the following metal prices were used – Cu US$1.20; Au US$450 per ounce; and Ag US$5.25 per ounce.

Mineralization, in the measured and indicated mineral resource categories, occurs over a length of approximately 1,000m, to a depth of approximately 800 m below surface, with the bulk of it contained within the Main Zone trending southwest, approximately 100 m in width and 350 m in height. In places, the width and height of mineralization can reach respectively, 150 m and 500 m. Smaller amounts of mineralization are present in parallel lenses ("**Hanging Wall Lenses**") to the south of the hanging wall fault.

This mineral 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 mineral resource and distinctly lower grades of the surrounding rocks. This lower grade enveloping mineralization was not included within the mineral 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: (i) hypogene (primary mineralization), with chalcopyrite and lesser bornite being the dominant Cu-bearing minerals; (ii) mesogene, where chalcocite is the dominant Cu-bearing mineral with lesser chalcopyrite; and (iii) supergene, where native Cu, and minor chalcocite, is present. Hypogene comprises approximately 52% of the total mineral resource tonnage, mesogene 39%, and supergene 9%.

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

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

(1) Recovered value, assuming metallurgical recoveries of 90% for Cu and Au, and 75% for Ag, and a Cdn$: US$ Exchange Rate of 0.88. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The total measured and indicated resources are 65.66 Mt at the $10/t cut-off, with a total metal content of 1,480 million pounds of Cu, 1.6 million ounces of Au and 5.5 million ounces of Ag.

In addition to the above estimate of measured and indicated mineral resources, a mineral resource estimate was carried out for C Zone which is categorized as an inferred mineral resource. This inferred mineral 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 mineral resource category.

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

		Grades			Contained Metal		Dollar Value Per Tonne ($)[1]
Cut-Off ($/t)	Tonnage	Cu (%)	Au (g/t)	Ag (g/t)	Cu (m. lbs)	Au (m. oz)	
$10	7,940,000	0.96	0.88	1.55	168	0.225	34.89

(1) 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 total inferred mineral resources at the $10/t cut-off, are 7.94 Mt grading 0.96% Cu, 0.88 g/t Ag, with a total metal content of 168 m lbs Cu and 0.224 m oz Au.

The C Zone mineralization is contained within two separate blocks (east and west) which cover a combined total strike length of approximately 700 m, and each of which has a 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 mineral 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 two blocks, the western block 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

Mineral reserves were estimated by Qualified Person Mike Thomas, MAusIMM (CP) of AMC and utilized the Main Zone measured and indicated mineral resource model described above. The starting point for estimating the mineral reserve was an analysis of the distribution of mineralization within the mineral resource model, which AMC broke down into – 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 mineral reserves, the following metal prices were used – Cu US$1.45/lb; 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 mineral reserve estimate. A decision was made to leave a pillar under the west area of the Afton 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 mineral 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 mineral 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 ($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 95 m).

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 mineral reserve estimate.

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 $15 per tonne the programs determined the cave column had been drawn to its maximum economic height (at the metal prices used in the mineral reserve calculation) and the drawpoint was closed.

The mineral reserve estimate is summarized below and results from mixing of measured and indicated mineral resources with dilution from low-grade and barren material from within the cave outline and from the overlying material entering from above. The mineral reserve estimate also takes account of mineralized material that would be uneconomic to recover at the metal prices used for the mineral 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

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

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

Metal prices, metallurgical recoveries, transportation and treatment charges used in the mineral reserve 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	$: US$	$ 0.88
Copper Price	US$/lb	US$ 1.45
Gold Price	US$/oz	US$475.00
Concentrate Transport	$/t (wet)	US$ 54.00
Concentrate Shipping	US$/t (wet)	US$ 40.00
Concentrate Treatment	US$/t (wet)	US$ 80.00
Cu Refining	US$/lb	US$ 0.08
Payable Copper	%	96.6%
Payable Gold	%	97.1%
Copper Price Participation[(1)]	US cents/lb	2.5
Arsenic[(2)]	US$/dmt	US$ 2.50
Mercury[(3)]	US$/dmt	US$ 2.00

Note: The contribution to ore value from silver is small and has been excluded from the estimation process.
(1) Copper price participation = 10% above a threshold price of US$1.20 per lb.
(2) Arsenic penalty= US$2.50 per dmt of concentrate for each 0.1% over 0.2%.
(3) Mercury penalty = US$2.00 per dmt of concentrate for each 10 ppm over 10 ppm.

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

Mineral Resources Contained Within the Vertical Projection of the Cave Footprint

Mineral Resource Category	Tonnes (millions)	Cu (%)	Au (g/t)	Ag (g/t)
Measured Mineral Resource	31.4	1.22	0.89	2.75
Indicated Mineral Resource	8.9	0.83	0.73	2.50
Total	40.2(1)	1.13	0.86	2.69

(1) 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 mineral reserve classification has been applied to the mineral reserve estimate because of the uncertainty associated with estimating material movement within the cave and the absence of any historical actual versus forecast reconciliation at the New Afton Project 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 mineral reserve.

Metallurgy and Processing

The processing facilities have been designed to treat 4.0 million tonnes per annum (“ **mtpa**”) and recover Cu, Au and Ag 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.

Project Analysis

A summary of the results of the economic evaluation utilized in the Feasibility Study is set forth in the Technical Report.

Production Summary from the Feasibility Study [5]

	Units	Amount
Mine Description		
Mine Life	Years	12
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
Unit Operating Costs		**LOM[2][6]**
Mining	US$/t	US$ 4.21
Processing	US$/t	US$ 3.55
G&A	US$/t	US$ 0.89
Utilities	US$/t	US$ 1.82
Total	US$/t	US$ 10.47
Cash Operating Costs[1]		**LOM[2][6]**
Cu[3]	US$/lb	US$ 0.64
Au[4]	US$/oz	US($ 790)

(1) Weighted Average of complete years (2012 – 2020) at full production rate (4 mtpa) (i.e. excludes partial years at full production rate).
(2) LOM = Life of Mine and includes first 2 years at 1.6 mtpa.
(3) Net of precious metal credits, and transportation charges and refining costs (" **TC/RC's**").
(4) Net of copper and silver credits and TC/RC's.
(5) Any discrepancy with costs in the Technical Report, results where the Technical Report quotes only on-site costs, without bi-product metal credits and TC/RC's).
(6) Using a United States and Canadian exchange rate of US$0.82 to $1.00.

Capital Costs

The Feasibility Study breaks down the capital costs for the development of the New Afton Project 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).

The capital costs for the Project were originally estimated in the Feasibility Study at $494,548,000 (initial phase: $327,944,000 and expansion phase: $166,604,000) and included a contingency of $54,261,000.

A comprehensive review overseen by AMEC, as engineering and procurement contractor to the Company in respect of the Project, and including input from AMC Consultants, the Company's mining consultant, Cementation, the Company's general contractor, and Ledcor, was undertaken on the Project cost estimate. Based on such review AMEC delivered to the Company a cost estimate compilation titled "New Afton Project Cost Estimate Compilation" dated March 14, 2008, which indicates that the construction costs for the Project are now estimated to total $592 million, which includes a contingency of $48.6 million, 19.6% over the projected capital and costs contained in the Feasibility Study. The estimate incorporates the direct fixed cost of executing the Project and the indirect costs associated with its engineering, production and construction service. A summary of the updated estimate is as follows:

Major Area	($M)[1]	% of Total Costs
Mining	$197.5	33
Site Development	$ 16.3	3
Process	$ 90.5	15
Utilities	$ 12.5	2
Ancillary Buildings	$ 12.3	2
Water/Waste Management	$ 14.4	2
Total Direct Costs	**$343.5**	**58**
EP Cost	$ 22.1	4
Construction Management	$ 12.3	2
Construction Indirects	$ 77.1	13
Other Indirect costs	$ 11.3	2
Total Indirect Costs	**$122.8**	**21**
Owner's costs	$ 74.0	12
Contingency	$ 48.6	8
Escalation	$ 0	0
Defined Owners Costs (incl. in		
Owner's Costs)	$ 0	0
Capitalized Operating Costs	$ 3.3	1
Total Other Costs	**$125.9**	**21**
Total Costs	**$592.2**	**100**

(1) Assuming a United States to Canadian exchange rate of US$1.00 to $1.00.

Hatch, the coordinator of the Feasibility Study, has not reviewed any of the information prepared by AMEC, including the table above and has advised the Company that it has no comment on the completeness or accuracy of such information.

The Project cost increase is primarily related to labour cost increases which are now based on actual contractor labour rates for the surface and underground contractors, particularly in the underground development area, plus escalation on material cost. The Project scope has not been amended from that contained in the Feasibility Study.

These capital costs will see the mine reach the 4 million tonne per year throughput rate and a portion of these costs can be funded by operations during the initial 1.6 million tonne per year ramp up period. As noted above, the Company is presently completing its review of the financial and operational consequences of reducing the ramp up period to less than 12 months.

To December 31, 2007, the Company has expended approximately $39.1 million of the Project capital costs.

See “Narrative Description of the Business – Mineral Projects – The New Afton Project – Project Financing”.

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 million tonnes 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 maximum 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 been completed. An initial permit has been issued which permits the commencement of the underground development from within the Afton Pit. The mine development has commenced using conventional drill and blast techniques from the existing exploration decline. The conveyor decline, when completed in an estimated two years, will have a gradient of 17% and will be 4.6 km long. The underground crusher and conveying system will be commissioned in Phase 2. A 3.5 km 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 is to commence.

Process Plant

The New Afton Project 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 tonnes per day ("**tpd**") of ore will operate 24 hours per day, 365 days per year with scheduled downtime for equipment maintenance. Mill throughput will commence at 1.6 mtpa and ramp linearly to 4.0 mtpa over the first 16 months of production as underground ore supply meets plan. The process facilities will comprise:

- 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
- Gravity concentration and flash flotation
- 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

Construction of the process plant has commenced with the removal and storage of topsoil on the site. The temporary shotcrete plant has been erected and a number of trailers to house management, technical and administrative functions have been installed at site. Further site construction buildings have been ordered. Work has commenced on the permanent shotcrete/concrete batching facility.

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 is to 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, British Columbia and thence by rail to North Vancouver, British Columbia where it will be stored pending shipment to receiving ports in Asia.

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

Taxes

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

Project Financing

On June 28, 2007 and July 30, 2007, the Company completed the Offering which generated gross cash proceeds of $392.3 million and net proceeds of $374.5 million (see "Description of Capital Structure" below).

The Company intends to use the net proceeds from the Offering for the development of the New Afton Project for debt servicing costs in connection with the Offering and to incur Canadian exploration expenses on the New Afton Project (see "Narrative Description of the Business – Mineral Projects – The New Afton Project - Capital Costs").

Additional funding beyond the net proceeds required to complete the expansion phase of the Project could be provided by a number of sources, including potential exercise of existing options and warrants, additional equity (including flow through shares) and/or debt financing. See "Narrative Description of Business – Risk Factors – The Company may not be able to Refinance the Notes or Debentures if Required or if it so Desires" and "Asset Backed Commercial Paper").

Update on Project

During 2007 the Company commenced development and construction activities on the Project, with the initial focus being on the underground mine development which remains the critical path component of the Project, including the engagement of the underground contractor, Cementation. Cementation initially commenced the expansion of the existing two kilometre exploration decline, enlarging it to accommodate the equipment necessary to facilitate the mine development. Following this, development has now expanded four development faces including commencement of the surface portal which began shortly after December 31, 2007. Previous to this, long lead time mill components were ordered as well as the mine development fleet necessary to conduct the underground development. Initial deliveries of the mobile fleet occurred during the third quarter and fourth quarters of 2007 and the majority of all the deliveries have been received by February 2008.

In support of the mining activities there are presently 3 mining crews working 7 days a week, 20 hours a day. The Cementation crew totalled 71 contractors and their efforts are being supported by 4 mining jumbos, 4 rock bolters and a fleet of equipment to deliver and apply shorcrete.

In addition, the Company has ordered the long lead mill components, SAG and ball mill and are scheduled to be received in 2009 and ordered and received the initial mine development fleet. Additional major components that have been awarded since December 31, 2007 for the surface facilities include the electrical transformers, power line upgrading and, the mill building and site office facilities.

At the end of February 2008, the mine site employee and contractor levels totalled 146. The development crews will increase from three to 6 crews once the underground development reaches the bottom of the ore body and the ore access development commences in the second half of 2008.

In addition to Cementation the Company has retained AMEC as its EPCM Contractor and Ledcor is being engaged to construct the surface facilities including the plant and tailings facilities. Ledcor is scheduled to commence excavation of the surface facilities in March/April of 2008 and building erection is planned to commence in September/October of 2008.

As a result of a comprehensive review overseen by AMEC and including input from Cementation, Ledcor and AMC Consultants, the Company's mining consultant, the construction costs for the Project are now projected to total $592 million, which includes a contingency of $48.6 million as compared to the Feasibility Study estimated costs of $495 million for an increase of 19.6%. (See "Narrative Description of the Business – Mineral Projects – The New Afton Project – Capital Costs".)

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.

The Company may not be able to Refinance the Notes or Debentures if Required or if it so Desires

As at December 31, 2007, the Company has negative working capital of $29.6 million primarily due to the requirement that the Notes (as defined under "Description of Capital Structure") be classified as a current liability because of a provision in the Note Indenture (as defined under "Description of Capital Structure") which requires the Company to obtain all material permits related to the Project on or before June 27, 2008. Should these permits not be obtained or the Company is unable to negotiate a waiver of such requirement from the holders of the Notes, the Company is obligated to offer to redeem the Notes at their par value, $237 million. As noted above, the Company received its principal permit under the *Mines Act* of B.C. in October 2007 but requires the remaining permits to satisfy the test. The Company is actively pursuing the remaining permits required to satisfy the debt requirements.

The Company's continuing operations will be dependent on obtaining the remaining permits for the Project (or obtaining a waiver from such requirement under the Note Indenture) or the raising of additional financing to finance the remainder of the Project construction. The amount and timing of these raisings may be materially impacted by the resolution of the Company's investments in non-bank sponsored asset backed commercial paper referred to below under "Asset Backed Commercial Paper". There can be no assurance it will be able to raise sufficient funds as and when such funds are required.

The Company may need or desire to refinance all or a portion of the Notes, the Debentures or any other future indebtedness that it incurs on or before the maturity of the Notes or the Debentures. There can be no assurance that the Company will be able to refinance any of its indebtedness or incur further indebtedness necessary for its pre-construction, construction or operative phases on commercially reasonable terms, if at all. See "Description of Capital Structure".

Asset Backed Commercial Paper

As at December 31, 2007 the Company had $170 million invested in collateralized short term debt obligations (rated R1 high by Dominion Bond Rating Service), issued by limited purpose trusts sponsored and managed by non-bank entities. These obligations, commonly known as "Asset Backed Commercial Paper" ("**ABCP**"), typically had terms of less than 365 days and repayment of a maturing ABCP was dependent on the cash generated by the trusts' underlying assets and the ability of the trusts to issue new ABCP. In mid August 2007 a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets. As a result, the non-bank ABCP market remains the subject of an agreement signed on August 16, 2007 amongst a number of affected parties called the "Montreal Accord" which contemplates a restructuring of ABCP on or before March 31, 2008 under the direction of the Pan-Canadian Investors Committee (the "**Committee**") with the expressed intention of re-introducing the majority of the investments into a pool of long term

floating rate notes which will have credit ratings attached to them. The Company understands that a market for trading the restructured investments is expected to develop. While the Company is not a signatory to the Montreal Accord, it is directly and through counsel monitoring the activities of the Committee. However, the final terms of reference for the restructuring, while well advanced as detailed in a press release from the Committee dated December 23, 2007 have not been made the subject of a definitive proposal and there is no certainty of a positive outcome. As a result, there is presently no active market for the Company's ABCP and the funds cannot be accessed until such time as the restructuring contemplated by the Montreal Accord has been completed. The Company is unable to definitively determine when or if an appropriate resolution may occur.

The Company has re-classified its holdings in ABCP from short-term investments to long term assets and has recorded an impairment charge in the amount of $50.1 million in the current year. There can be no assurance that this estimate will be realized or that it will be adequate. Subsequent adjustments, which could be material, may be required in future reporting periods. In addition, the Company has not accrued any interest due from these investments pending further information from the Committee.

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 reserves 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, such as the New Afton Project, 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 mineral 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. 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 36,949,717 shares were issued at March 28, 2008. 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.

Other Securities

Series D Units

On June 28, 2007, the Company issued 220,000 Series D units (" **Units**") and on July 27, 2007 a further 17,000 Units pursuant to the exercise of an over allotment option for an aggregate principal amount of $237 million. Each Unit consists of a $1,000 principal amount unsecured note (the "**Note**") and 100 common share purchase warrants (the " **Warrants**"). Each Warrant is exercisable to purchase one common share of the Company at a price of $15 per share until June 28, 2017. The Notes and Warrants are listed for trading on the TSX.

The Notes and the Warrants were issued under a note indenture (the " **Note Indenture**") and a warrant indenture (the "**Warrant Indenture**"), respectively, dated as of June 28, 2007 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 Notes and Warrants may be surrendered for exercise, transfer or exchange. The Company and the Trustee have agreed to amend the Note Indenture to insert certain covenants to benefit the holders of the Notes. These covenants include restrictions on how the Company may apply proceeds on the sale of assets made by the Company out of the ordinary course of business, restrictions on dealings with affiliates and a limitation that the Company may only carry on business as a mining company.

Each Warrant is exercisable to purchase one share of the Company at a price of $15 per share until June 28, 2017.

The Notes mature and become due and payable on June 28, 2017 and bear interest at the rate of 10% per annum. Interest is payable in arrears in equal semi-annual instalments on January 1 and July 1 in each year, starting January 1, 2008. The Company has the right to redeem the Notes in whole or in part at any time and from time to time from June 28, 2007 to June 27, 2017 at a price ranging from 120% to 100% (decreasing based on the length of time the Notes are outstanding) of the principal amount of the Notes to be redeemed.

The Note Indenture provides that in the event of a change of control of the Company or in the ownership of the Project, as defined therein, the Company may or must offer, depending on the circumstances, to redeem the Notes at prices ranging from 120% to 100% (decreasing based on the length of time the Notes are outstanding and the circumstances surrounding the change of control) of the principal amount of the Notes to be redeemed. In addition, if the Company has not obtained the necessary permits for construction, development and conducting mining operations before June 28, 2008 it must offer to redeem the Notes then outstanding at 100% of the principal amount plus accrued and unpaid interest.

The Notes are direct, unsecured subordinated debt obligations of the Company ranking: (i) senior to the Debentures described below; (ii) pari passu to Permitted Indebtedness (as defined in the Note Indenture) and equally with each other, except to the extent prescribed by law, with all other present and future subordinated and unsecured indebtedness of the Company. If the Company secures any subsequent indebtedness, the Notes are required to be secured in the same manner. The Note Indenture subjects the Company to comply with certain reporting and other covenants that include limits on indebtedness and distributions subject to certain conditions.

Subordinated Convertible Debentures

Pursuant to the Offering, the Company issued 55,000 5% subordinated convertible debentures (the " **Debentures**") for an aggregate principal amount of $55 million. The Debentures, which were issued pursuant to a debenture indenture dated June 28, 2007 between the Company and the Trustee (the "**Debenture Indenture**"). The Debentures are listed for trading on the TSX.

Each Debenture has a principal amount of $1,000, bears interest at a rate of 5% per annum and is convertible by the holders into shares of the Company at any time up to June 28, 2014 at a conversion price of $9.35 per share. Interest is payable in arrears in equal semi-annual instalments on January 1 and July 1 in each year, starting January 1, 2008. The Debentures mature and become due and payable on June 28, 2014.

The Debentures do not allow forced conversion by the Company prior to January 1, 2012 but after that date the Company may redeem the Debentures if the market price of the Company's shares is at least 125% of the conversion price. The Note Indenture provides that the Company will not prepay the debentures in cash. The Debentures are classified as compound financial instruments for accounting purposes because of the holder conversion option.

The Debenture Indenture provides that in the event of a change of control of the Company, as defined therein, where 10% or more of the aggregate purchase consideration is cash, the Company must offer to either (i) redeem the outstanding Debentures at a redemption

price equal to 100% of the principal amount, plus accrued and unpaid interest up to but excluding the date of redemption, or (ii) convert the outstanding Debentures into shares at a conversion price ranging from $7.48 to $9.35, based on a time formula specified in the Debenture Indenture

The Debentures are direct debt obligations of the Company, are not secured by any mortgage, pledge or charge and will be subordinate to any secured indebtedness of the Company and the Notes. The Debenture Indenture does not restrict the Company from incurring further indebtedness or from mortgaging, pledging or charging its property or assets to secure any indebtedness of the Company.

The Debenture Indenture requires the Company to comply with certain reporting and other covenants.

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.A". The Notes and Debentures are listed on the TSX under the symbols "NGD.NT" and "GD.DB" respectively

Trading Price and Volume

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

Trading Price and Volume of shares on the TSX:

2007	High ($)	Low ($)	Volume
January	9.35	7.69	2,655,478
February	9.13	8.25	1,108,437
March	9.64	7.94	2,871,607
April	9.35	8.00	4,217,733
May	8.59	7.45	2,610,574
June	7.60	6.65	5,313,346
July	7.28	6.54	9,844,588
August	7.29	4.01	10,902,961
September	6.68	5.73	4,291,843
October	6.50	5.75	6,418,918
November	7.25	5.64	4,884,568
December	5.84	4.46	5,135,504

Trading Price and Volume of Warrants listed as NGD. WT.A.

Trading Price and Volume of Warrants on the TSX:

2007	High ($)	Low ($)	Volume
June 28 & 29	1.75	1.40	2,018,500
July	1.85	1.40	4,138,100
August	1.80	1.70	210,635
September	1.65	1.30	1,114,999
October	1.90	1.40	173,300
November	1.95	1.30	1,282,600
December	1.40	1.00	58,900

Trading Price and Volume of Notes on the TSX:

2007	High ($)	Low ($)	Volume
June 28 & 29	90.00	83.85	5,675,000
July	88.00	82.00	19,726,000
August	86.00	75.00	7,971,000
September	85.00	78.00	2,658,100
October	86.00	81.00	11,994,000
November	89.99	84.60	4,988,000
December	85.00	80.00	9,142,700

Trading Price and Volume of Debentures on the TSX:

2007	High ($)	Low ($)	Volume
June 28	95.75	95.00	2,135,000
July	100.00	96.50	13,465,000
August	100.00	88.35	3,861,000
September	95.66	92.25	545,000
October	94.00	92.50	259,000
November	100.00	93.00	4,517,000
December	93.00	86.00	6,779,000

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, 2007.

Date Issued	Type of Security	Number Issued	Exercise/ Conversion Price	Expiry Date
June 29, 2007	Stock options	386,000	$ 6.84	June 29, 2012
August 21, 2007	Stock options	65,000	$ 5.00	August 21, 2012
November 29, 2007	Stock options	250,000	$ 5.70	November 29, 2012

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 March 28, 2008 are as follows:

Name, Position and Municipality of Residence[1]	Principal Occupation During the Five Preceding Years[1]	Director/ Officer since
Ronald R. Allum, General Manager, Kamloops, B.C.	Before joining New Gold in November, 2007, Mr. Allum had been a self-employed consultant since December, 2006. Before then he had been the Mine Manager with Asarco Inc. since October, 2004 prior to which he was the Vice-President, Mining Operations of BHP Copper since February, 1992.	November 26, 2007
Clifford J. Davis – Director, Chairman of the Board, President and Chief Executive Officer Kemble, Ontario	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	Chairman of the Board since March, 2005 and President and Chief Executive Officer since January 29, 2008
C. Robert Edington – Director Victoria, BC [4] [5] [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
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. Mr. Martin is a director of Continental Minerals Inc., a nickel exploration company.	May 2005

Name, Position and Municipality of Residence[1]	Principal Occupation During the Five Preceding Years[1]	Director/ Officer since
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][6]	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 – General 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
Paul B. Sweeney – Lead Director Surrey, BC[3][5][6]	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.	Director since January 2006 and Lead Director since January 29, 2008

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 officers 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 March 28, 2008, directors and officers of the Company own or control approximately 255,000 shares of the Company representing approximately 0.7% of its issued and outstanding shares.

Corporate Cease Trade Orders or Bankruptcies

No director or executive officer of the Company, is as at the date hereof or has been within the 10 years before the date hereof, a director, executive officer or chief financial officer of any company that:

(i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation in each case for a period of more than 30 consecutive days; or

(ii) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation in each case for a period of 30 consecutive days, that was issued after the person ceased to be a director, chief executive officer or chief financial officer in the company and which resulted from an event that occurred while that person was acting in the capacity as director, executive officer or chief financial officer.

To the Company's knowledge, no director or executive officer of the Company or shareholder holding a sufficient number of securities to materially affect the control of the Company:

(i) is as at the date hereof or has been within the 10 years before the date hereof, a director or executive officer of any company, that while that person was acting in that capacity, 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 manager or trustee appointed to hold its assets; or

(ii) has, within the 10 years before the date hereof, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver manager as trustee appointed to hold the assets of that individual.

Penalties or Sanctions

To the Company's knowledge no director, executive officer or shareholder holding a sufficient number of securities to materially affect the control of the Company has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would likely 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 March 28, 2008:

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]
2007	$186,633	$ 40,701	$15,652	$139,434
2006	$ 31,000	$135,831	$ 6,375	$ 8,500

(1) The audit fees billed which, for 2007 include billings related to the integrated Sarbanes-Oxley audit of internal controls. 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 $98,912 paid to the current auditor and $36,919 paid 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.

(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". The 2007 fee is for fees related to an equity and debt offering.

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 AGENT AND REGISTRAR

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 Note Indenture, Warrant Indenture and Debenture Indenture between the Company and Computershare Trust Company of Canada described under the heading "Description of Share Capital".
2. The Participation Agreement described under the heading "Narrative Description of the Business – Mineral Projects – The Net Afton Project".

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]
Hatch Ltd.	Prepared sections of the Technical Report.	Nil
John Shilabeer, P. Eng. of Hatch Ltd.	An "independent qualified person" for the purpose of National Instrument 43-101, Prepared sections of the Technical Report.	Nil
Ken Major, P. Eng. previously of Hatch Ltd.	An "independent qualified person" for the purpose of National Instrument 43-101, Prepared sections of the Technical Report.	
Scott Wilson Roscoe Postle Associates Inc.	Prepared sections of the Technical Report.	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

Name[1]	Description	Interest in New Gold [2]
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. Ltd.	Prepared sections of the Technical Report.	Nil
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
Andrew Holmes, P. Eng. of Piteau Associates Engineering Ltd.	An “independent qualified person” for the purpose of National Instrument 43-101, 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
Rolf Schmidt, P. Geo. of Rescan Environmental Services Ltd.	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 31, 2008 in respect of the Company’s balance sheet for the year ended December 31, 2007 and 2006 and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended 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 relating to the Company may be found on SEDAR at www.sedar.com.

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 and management discussion and analysis each 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.

vii. 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.

viii. 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.

ix. 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, 2007 and 2006

Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying audited financial statements for the fiscal year ended December 31, 2007 (the "Financial Statements") and Management's Discussion and Analysis ("MD&A") are the responsibility of management under the overall supervision of the Chief Financial Officer. The Financial Statements and MD&A have been reviewed and approved by the Board of Directors of the Company.

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management, under the supervision of and the participation of the Chief Executive Officer and the Chief Financial Officer, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian and U.S. securities regulations. We, as Chief Executive Officer and Chief Financial Officer, will certify our annual filings with Canadian securities commissions and the U.S. Securities and Exchange Commission as required in Canada by Multilateral Instrument 52-109 and in the United States as required by regulations promulgated under the Securities Exchange Act of 1934 as amended.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board of Directors annually and assumes the responsibilities set out in its mandate, including the following: (a) review of interim and annual financial statements and management discussion and analysis; (b) consideration of the report of the independent auditors; (c) assessment of the adequacy of the Company's internal controls, including management's assessment described below; (d) examination and approval of the fees and expenses for audit services provided by the independent auditors; (e) recommendation of the independent auditors to the Board for the appointment by the shareholders; and (f) oversight of the work of the independent auditors, as well as the other responsibilities required pursuant to applicable securities regulations and the rules of the American Stock Exchange and Toronto Stock Exchange. The independent auditors have full and free access to the Audit Committee and meet with it from time to time to discuss their audit work, the Company's internal control over financial reporting, and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders and management's assessment of the internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Management has assessed the effectiveness of our internal control over financial reporting as at December 31, 2007 using criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as at December 31, 2007.

The effectiveness of our internal control over financial reporting as at December 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent auditors, as stated in their report which appears herein.

/s/ Cliff Davis	/s/ Paul Martin
Cliff Davis	Paul Martin
Chief Executive Officer	Chief Financial Officer
March 31, 2008	

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Independent Auditors' Report

To the Shareholders of New Gold Inc.

We have completed an integrated audit of New Gold Inc.'s 2007 financial statements and of its internal control over financial reporting as at December 31, 2007 and an audit of its 2006 financial statements. Our opinions, based on our audits, are presented below.

Financial statements

We have audited the accompanying balance sheets of New Gold Inc. as at December 31, 2007 and December 31, 2006, and the related statements of operations, comprehensive loss and deficit, and cash flows for each of the years 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 audits.

We conducted our audit of the Company's financial statements as at December 31, 2007 and for the year then ended in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). We conducted our audit of the Company's financial statements as at December 31, 2006 and for the year then ended in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Internal control over financial reporting

We have also audited New Gold Inc.'s internal control over financial reporting as at December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2007 based on criteria established in *Internal Control—Integrated Framework* issued by the COSO.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
March 31, 2008

Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) where there are events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in note 1 to the financial statements. Our report to the shareholders dated March 31, 2008 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when they are properly accounted for and adequately disclosed in the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
March 31, 2008

New Gold Inc.
(A Development Stage Company)

BALANCE SHEETS
As at December 31, 2007 and December 31, 2006

(In thousands of Canadian dollars)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	**$190,176**	$ 68,054
Accrued interest receivables on cash equivalents	**663**	133
Amounts receivable	**2,850**	990
Prepaid expenses	**485**	80
	194,174	69,257
Investments *(Note 3)*	**120,065**	—
Reclamation deposits *(Note 17(d))*	**3,500**	—
Mineral properties – schedule *(Note 4 and 7)*	**116,924**	61,440
Property and equipment *(Note 5)*	**34,173**	1,959
	$468,836	$132,656
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 11,013**	$ 3,786
Current portion of long-term debt *(Note 7)*	**212,761**	—
	223,774	3,786
Long-term debt – Debentures *(Note 7)*	**35,189**	—
Future income taxes *(Note 8)*	**2,368**	10,004
	37,557	10,004
SHAREHOLDERS' EQUITY		
Share capital *(Note 9)*	**213,278**	117,858
Convertible debenture *(Notes 7 and 10)*	**18,403**	—
Share purchase warrants *(Note 11)*	**41,122**	5,959
Stock options *(Notes 12 and 13)*	**5,647**	4,546
Deficit	**(70,945)**	(9,497)
	207,505	118,866
	$468,836	$132,656

Nature of Operations and Going Concern *(Note 1)*
Measurement Uncertainty *(Note 3)*
Commitments and Contingent Liabilities *(Note 17)*
Subsequent events *(Note 18)*

APPROVED BY THE BOARD

/s/ Cliff Davis
Cliff Davis
Director

/s/ Paul Sweeney
Paul Sweeney
Director

New Gold Inc.

(A Development Stage Company)

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
For the years ended December 31, 2007 and 2006

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

	2007	2006
Income		
Interest income	**$ 6,579**	$ 2,746
	6,579	2,746
Expenses		
Amortization	**32**	139
Foreign exchange (gain) loss	**(58)**	1
Loss on disposal of property and equipment	**—**	8
Administrative, office and miscellaneous	**791**	645
Professional and regulatory fees	**2,946**	944
Travel, conferences and promotion	**638**	651
Wages, benefits and stock-based compensation *(Note 6)*	**2,716**	4,449
Impairment of investments (*Note 3*)	**50,120**	—
Interest and accretion *(Note 7)*	**22,125**	—
	79,310	6,837
Loss before taxes	**(72,731)**	(4,091)
Future income tax recovery *(Note 8)*	**11,283**	587
Loss and comprehensive loss for the year	**(61,448)**	(3,504)
Deficit, beginning of year	**(9,497)**	(5,993)
Deficit, end of year	**$(70,945)**	$ (9,497)
Weighted average number of shares outstanding (thousands)	**30,721**	22,689
Loss per share (basic and diluted)	**$ (2.00)**	$ (0.15)

See accompanying notes.

New Gold Inc.
(A Development Stage Company)

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

(In thousands of Canadian dollars)

	2007	2006
Cash provided by (used for)		
OPERATING ACTIVITIES		
Loss for the year	**$ (61,448)**	$ (3,504)
Items not involving cash:		
Amortization	**32**	139
Stock-based compensation	**850**	2,487
Loss on disposal of property and equipment	**—**	8
Future income taxes *(Note 8)*	**(11,388)**	(645)
Impairment of investments *(Note 3)*	**50,120**	—
Accretion *(Note 7)*	**13,731**	—
Net change in non-cash working capital items	**(1,678)**	16
	(9,781)	(1,499)
INVESTING ACTIVITIES		
Reclamation deposits	**(3,500)**	—
Payments for mineral properties and exploration costs	**(39,276)**	(20,211)
Acquisition of property and equipment	**(29,987)**	(449)
Investments *(Note 3)*	**(170,185)**	—
	(242,948)	(20,660)
FINANCING ACTIVITIES		
Cash proceeds from the issuance of debt, net of issue costs	**244,369**	—
Cash proceeds from shares and share purchase warrants issued, net of issue costs	**130,482**	72,034
	374,851	72,034
Increase in cash and cash equivalents	**122,122**	49,875
Cash and cash equivalents, beginning of the year	**68,054**	18,179
Cash and cash equivalents, end of the year	**$ 190,176**	$ 68,054
Cash and cash equivalents comprises		
Cash	**1,510**	20,637
Government of Canada Treasury Bills	**188,666**	—
Short-term investments	**—**	47,417
Cash and cash equivalents, end of the year	**$ 190,176**	$ 68,054

See accompanying notes.

For supplemental disclosure of non-cash investing and financing activities, refer to Note 14.

1. NATURE OF OPERATIONS AND GOING CONCERN

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 been subject to exploration, an advanced scoping study and a feasibility study. These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they fall due.

As at December 31, 2007, the Company has negative working capital of $29.6 million. The negative working capital position is primarily due to the classification of the Company's Notes as a current liability because of a provision in the Note Indenture which requires the Company to obtain all material permits related to its New Afton project on or before June 27, 2008 (See Note 7). Should these permits not be obtained or the Company is unable to negotiate a waiver, the Company is obligated to offer to redeem the Notes at par value ($237 million). The negative working capital position is also due to the classification of the Company's investments in non-bank sponsored asset backed commercial paper ("ABCP") as non-current assets. The Company has $120 million ($170 million net of $50 impairment) in investments subject to the ABCP restructuring in Canada (See Note 3). The financial impact of these two situations creates substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon obtaining the remaining permits for its New Afton project, resolving the liquidity situation surrounding its ABCP investments or obtaining the necessary financing to fund its debt obligations over the next year.

In recognition of these circumstances, and following the receipt of the major principal mine permit in October 2007, the Company is actively pursuing the remaining permits required to satisfy the debt requirements. The Company's ability to continue as a going concern is also dependent on the successful resolution of the ABCP restructuring which the Company anticipates will result in a limited market for the pooled assets to be created as a result of the new pooled assets credit rating, increased transparency about the underlying assets and the structure as well as the support of a margin facility which is expected to enable the Company to realize on its ABCP investments, as well as its ability to renegotiate its obligations in terms of the Note Indenture should they fall due. The Company's continuing operations are also dependent on the raising of additional financing to finance the remainder of the Project construction. The amount and timing of these raisings may be materially impacted by the resolution of the Company's investments in ABCP (See Note 3). There can be no assurance it will be able to raise sufficient funds as and when such funds are required. There can furthermore be no assurance that the Company will obtain the necessary permits or resolve its ABCP issues or obtain the necessary funding to continue with its Project construction.

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. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. As described in note 19, 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 are recorded at fair value and 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 mining equipment, transportation vehicles, office and computer equipment. Amortization is recorded when the asset is put into use.

d) Tax Credits

Tax credits represent British Columbia Mining Exploration Tax Credit claim refunds of 20% of eligible exploration expenditures. These credits 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 year. The treasury stock method is used to determine the dilutive effect of stock options, share purchase warrants and other dilutive instruments. For convertible debentures, the number of additional shares for inclusion in diluted earnings per share calculations is determined using the if converted method. 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. In periods when a loss is incurred, the effect of potential issuances of shares under options and share purchase warrants would be anti-dilutive, 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 investments, 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, applicable interest rate of a non-convertible compound feature debt to determine the debt and equity component of a compound financial instrument, 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 more likely than not.

h) Flow-Through Shares

The Company applies the consensus of Abstract #146 of the Emerging Issues Committee of the Canadian Institute of Chartered Accountants ("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 liabilities a corresponding reduction to share capital is made.

i) Asset Retirement Obligations

The Company recognizes a liability for any asset retirement obligations 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.

j) Stock-Based Compensation

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 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.

Accounting Policies Adopted in 2007

k) Financial Instruments

CICA Section 3855 requires that all financial assets, except 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; otherwise, they are measured at cost or amortized cost. Adoption of this policy had no material impact on the Company's previously reported or current year results.

l) Comprehensive Income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in the Statement of Operations such as unrealized gains or losses on available-for-sale investments.

m) Interest Capitalization

Interest expense allocable to the qualifying cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use. Interest will be allocated between expensing it to the Statement of Operations and capitalizing it to mineral properties by applying the weighted average effective interest rate of the Company's debt to the average deferred New Afton mine costs applicable for the year.

n) Transaction Costs

The Company records financial assets and liabilities net of transaction costs. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are netted against the financial asset or financial liability on initial recognition and amortized using the effective interest method over the life of the related instrument.

3. INVESTMENTS, IMPAIRMENT AND MEASUREMENT UNCERTAINTY

As at December 31, 2007 the Company had $170 million invested in collateralized short term debt obligations (rated R1 high by Dominion Bond Rating Service), issued by limited purpose trusts sponsored and managed by non-bank entities. These obligations, commonly known as "Asset Backed Commercial Paper" ("ABCP"), typically had terms of less than 365 days and repayment of a maturing ABCP was dependent on the cash generated by the trusts' underlying assets and the ability of the trusts to issue new ABCP. In mid August 2007 a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets.

As a result, the non-bank ABCP market remains the subject of an agreement signed on August 16, 2007 amongst a number of affected parties. This agreement, referred to as the "Montreal Accord", contemplates a restructuring of ABCP on or before March 31, 2008 with the expressed intention of re-introducing the majority of the investments into a pool of long term floating rate senior and subordinate notes with the senior notes having a credit rating attached to them. The traditional asset pools and ineligible assets will have tracking notes associated with them. It is still uncertain how much of a market will be created as a result of the restructuring. While the

Company is not a signatory to the Montreal Accord, it is directly and through counsel monitoring the activities of a committee formed to implement the restructuring and is expected to be required to sign once the restructuring is implemented. However, the final terms of reference for the restructuring, while well advanced as detailed in a press release dated December 23, 2007 (the "December Press Release"), have not been made the subject of a definitive proposal and there is no certainty of a positive outcome.

As a result, there is presently no active market for the ABCP held by the Company and the funds cannot be accessed until such time as the restructuring contemplated by the Montreal Accord has been completed. The Company is unable to definitively determine when or if an appropriate resolution may occur, however, it believes that it is reasonable to anticipate that it will occur by the second quarter of 2008.

The Company has re-classified its holdings in ABCP from short-term investments to long-term assets and categorized such holdings as follows:

Restructuring groupings	Total	Traditional assets	Synthetic assets	Ineligible assets
		$ millions		
Trusts held – Series A				
Aria	11.3	—	10.1	1.2
Aurora	22.8	—	22.8	—
Rocket	55.6	—	48.3	7.3
Gemini	9.5	9.5	—	—
SAT	6.9	—	6.9	—
SIT III	64.1	—	64.1	—
Total investment	**170.2**	**9.5**	**152.2**	**8.5**
Estimated fair value */**	**120.1**	**8.3**	**106.2**	**5.6**

* - see the valuation methodology and valuation ranges below.

** - the range of fair values estimated by the Company varied between $105.4 million and $134.7 million

Based upon the December Press Release, the Company expects to receive floating rate notes ("FRNs") for the ABCP supported by synthetic assets and tracking notes for the ABCP supported by traditional and ineligible assets.

Management has estimated the fair value impairment on ABCP held as prescribed by CICA Section 3855 by using a probability weighted cash flow approach. Management has used the following methodology and made the following assumptions in its determination of the likely terms and characteristics of the FRNs:

a) Modeled the FRNs and tracking notes (collectively, "the Restructured Notes") based upon the December Press Release as this remains the most objective and supportable assumption to use.

b) Assumed that:

(i) the Company will receive the average of the group for senior and junior notes from the pool of synthetic assets;

(ii) the maturity date of the FRNs and the ineligible asset tracking notes will have an average life of 7 years from April 14, 2008 and the margin facility providers (applicable only to the synthetic pooled assets) will charge 160 basis points ("bps") to provide the facility. The traditional asset tracking notes are estimated to have a 5 year life ; and

(iii) the underlying assets will generate returns above the collateral invested between 0.5% and 0.8% and that prospective purchasers will require yields between 6% and 15%, depending on the type of trust held, to purchase the FRNs.

As a result of these assumptions, the Company estimated that the Restructured Notes will generate returns in a range of between 3.74% and 4.90% and using the prospective buyers estimated yield to determine a range of recoverable values, present valued the FRNs and tracking notes.

No estimate of the restructuring costs, which have been stated as being immaterial by the Committee, nor interest income since August 13, 2007 has been included in the fair value assessment due to a lack of information.

Based upon a sensitivity analysis the assumptions which have the most significant impact on the valuation estimate includes: the expected yield required by a potential investor, the maturity of the FRNs (currently assumed at 7 years), the cost of the margin facility (currently assumed at 160 bps over the life of the trusts) and whether the restructuring is successful or not.

The resulting cash flows have then been discounted to December 31, 2007 based on the expected maturity of the FRNs. This analysis presumes a successful restructuring essentially on the terms described in the December Press Release and has been calculated without the benefit of full disclosure, review and analysis of the underlying assets of each of the trusts held by the Company as this information has not been provided by each trust. While management believes that it has utilized an appropriate methodology to estimate fair value, given the number of uncertainties there can be no assurance that this estimate of fair value is accurate.

Based on this fair value estimation the Company has recorded an impairment charge in the amount of $50.1 million in the current year which is the mid-point between the best and worst case results of the analysis described above which management believes is the most appropriate indication of the fair value. There can be no assurance that this estimate will be realized or that it will be adequate. Subsequent adjustments, which could be material, may be required in future reporting periods. In addition, the Company has not accrued any interest due from these investments pending further information from the restructuring committee.

The Company has designated the investments as available-for-sale instruments.

4. 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 17 (b)*).

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 (*See Note 17 (e)*).

5. PROPERTY AND EQUIPMENT

	(in thousands)		
	Cost	Accumulated Amortization	Net Book Value
Land	$16,338	$ —	$16,338
Building	105	21	84
Transportation vehicles	663	134	529
Equipment	17,982	1,064	16,918
Office and computer equipment	465	161	304
Balance December 31, 2007	$35,553	$ 1,380	$34,173

	(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

6. WAGES, BENEFITS AND STOCK-BASED COMPENSATION

The following table details the amounts included:

	(in thousands)	
	2007	**2006**
Salaries, wages and benefits	**$1,866**	$1,962
Stock-based compensation	**850**	2,487
Total	**$2,716**	$4,449

7. LONG-TERM DEBT

Long-term debt consists of the following:

	(in thousands)	
	2007	**2006**
Series D units – debt portion	**$ 212,761**	$—
Subordinated convertible debentures – debt portion	**35,189**	—
	247,950	—
Less: Portion due within one year	**(212,761)**	—
Total	**$ 35,189**	**$—**

On June 28, 2007, the Company completed an offering (the "Offering") and a subsequent agents over allotment option on July 27, 2007 on the Series D Units, through a syndicate of underwriters, pursuant to which the following securities were issued:

Series D units

The Company has issued in total 237,000 Series D units ("Units") for an aggregate principal amount of $237 million which includes the issuance of 17,000 additional Units issued as part of the over-allotment option granted to the agents and exercised on July 27, 2007. The Units, which were issued pursuant to a Note Indenture dated June 28, 2007 (the "Note Indenture"), consist of an unsecured note bearing interest at 10% per annum in the principal amount of $1,000 (the "Note") and 100 common share purchase warrants (the "Warrants"). Each Warrant is exercisable to purchase one common share of the Company at a price of $15 per share until June 28, 2017. The Notes and Warrants detached upon their listing and are traded separately on the Toronto Stock Exchange.

The Company has allocated the net proceeds, after deducting $10.1 million in transaction costs, of the Series D units as follows: $191.7 million to the Notes based on the fair value of a similar debt instrument without associated common share purchase warrants; and $35.2 million to the Warrants using the residual value method. The value of the Notes is being accreted to its face value over the expected term of the debt using the effective interest method. During the year ending December 31, 2007 accretion costs of $21.0 million were added to the Series D units debt amount balance.

The Notes mature and become due and payable on June 28, 2017 and bear interest at the rate of 10% per annum. Interest is payable in arrears in equal semi-annual installments on January 1 and July 1 in each year, starting January 1, 2008. The Company has the right to redeem the Notes in whole or in part at any time and from time to time from June 28, 2007 to June 27, 2017 at a price ranging from 120% to 100% (decreasing based on the length of time the Notes are outstanding) of the principal amount of the Notes to be redeemed.

The Note Indenture provides that in the event of a change of control of the Company or in the ownership of the Project, as defined therein, the Company may or must offer, depending on the circumstances, to redeem the Notes.

In addition, in terms of the Note Indenture, if the Company has not obtained all the necessary permits for construction, development and conducting mining operations before June 28, 2008 it must offer to redeem the Notes then outstanding at 100% of the principal amount of $237 million plus accrued and unpaid interest. While the principal permit was received on October 31, 2007, the Company continues to classify the Notes as a current liability in recognition of the provisions of the Note Indenture as discussed above.

The Notes rank senior to the Debentures described below. If the Company secures any subsequent indebtedness, the Notes are required to be secured in the same manner. The Note Indenture subjects the Company to comply with certain reporting and other covenants that include limits on indebtedness and distributions subject to certain conditions.

Subordinated Convertible Debentures

The Company issued 55,000 Convertible Subordinated Debentures (“Debentures”) for an aggregate principal amount of $55 million. The Debentures, which were issued pursuant to a Debenture Indenture dated June 28, 2007 (the “Debenture Indenture”), each have a principal amount of $1,000, bear interest at a rate of 5% per annum and are convertible by the holders into common shares of the Company at any time up to June 28, 2014 at a conversion price of $9.35 per share. The Debentures do not allow forced conversion by the Company prior to January 1, 2012 but after that date the Company may redeem the Debentures if the market price of the Company’s shares is at least 125% of the conversion price. The Debentures are classified as compound financial instruments for accounting purposes because of the holder conversion option.

Interest is payable in arrears in equal semi-annual installments on January 1 and July 1 in each year, starting January 1, 2008.

The Debenture Indenture provides that in the event of a change of control of the Company, as defined therein, where 10% or more of the aggregate purchase consideration is cash, the Company must offer to either (i) redeem the outstanding Debentures at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest up to but excluding the date of redemption, or (ii) convert the outstanding Debentures into common shares at a conversion price ranging from $7.48 to $9.35, based on a time formula specified in the Debenture Indenture.

The Debentures are subordinate to the Notes and any secured indebtedness incurred subsequent to the issue of the Debentures.

The Company has allocated the $52.6 million net proceeds, after deducting $2.4 million in transaction costs, to the Debentures of $34.2 million as a liability based on the fair value of a similar debt instrument without an associated conversion option. The fair value of the conversion option of the Debentures on June 28, 2007 was estimated using the residual value method at approximately $18.4 million.

The debt component of the Debentures is being accreted over the expected term to maturity using the effective interest method. During the year accretion costs of $0.9 million were added to the convertible debt balance.

The Debenture Indenture requires the Company to comply with certain reporting and other covenants.

The Company has allocated the costs associated with the financing against the component parts of the instruments issued, being the Notes, Warrants, Debentures and the fair value of the conversion option of the Debentures.

As a result of the Notes and Debentures debt financings the Company has incurred interest charges of $13.4 million and recognized $22.0 million in accretion costs for the year. These amounts were charged between the Statement of Operations and mineral properties in accordance with the Company's accounting policy as follows:

	(in millions)		
	Accretion	**Interest**	**Total**
Statement of Operations	13.7	8.4	22.1
Mineral Properties	8.3	5.0	13.3
	22.0	**13.4**	**35.4**

8. 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	
	2007	**2006**
Combined federal and provincial income tax rate	**34.1%**	34.1%
Expected income tax recovery at Canadian statutory tax rates	**$24,816**	$ 1,396
Increase (decrease) in tax recovery resulting from:		
Reduction in tax rates	**(2,401)**	645
Non-capital loss carry forward - prior periods	**—**	(1,014)
Change in valuation allowance	**(3,341)**	—
Stock-based compensation	**(290)**	(848)
Other non-temporary differences	**(23)**	467
Accretion	**(4,685)**	—
Fair value impairment	**(8,550)**	—
Share issue costs	**5,862**	—
Other	**(105)**	(59)
Income tax recovery	**$11,283**	$ 587

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

	(in thousands) As at December 31	
Future income tax assets:		
Non-capital loss carry forward	**$ 5,641**	$ 2,474
Capital loss carry forward	**6,766**	
Share issue costs	**4,639**	1,344
Valuation allowance	**(7,159)**	(3,818)
Future income tax assets	**$ 9,887**	**$ —**
Future income tax liabilities:		
Mineral properties	**$ (5,334)**	$ (5,639)
Deferred exploration expenditures flow-through	**(3,802)**	(4,365)
Capitalized accretion	**(3,119)**	—
Future income tax liabilities	**(12,255)**	(10,004)
Net long term future income tax liability	**$ (2,368)**	$(10,004)

As at December 31, 2007 the Company has income tax loss carryforwards of $20.9 million which are available to reduce future years taxable income and expire as follows:

	(in thousands)
	Non-capital losses
2008	38
2009	499
2010	918
2014	861
2015	2,629
2026	2,908
2027	13,040

In addition, the Company has incurred resource expenditures, net of flow-through renouncements, of $42.8 million (cumulative 2006 - $28.3 million) which may be carried forward indefinitely and used to reduce taxable income in future years.

During the year, the Company has recognized future income tax assets. The Company has recognized future tax assets and recorded a future tax recovery of $9.9 million relating to available loss carry forward amounts and share and debt issue costs.

In addition, the Company has recorded future income tax liabilities charges totaling $3.5 million to mineral properties related to capitalized stock-based compensation and accretion charges.

9. 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)	
	Shares	**Amount**
Balance, December 31, 2005	15,576	$ 54,752
For cash - pursuant to a prospectus offering, net *(a)*	8,334	64,608
For cash - exercise of stock options	235	1,467
Tax effect for flow-through shares *(See note 8)*	—	(3,303)
Transfer from stock options *(See note 12)*	—	334
Balance, December 31, 2006	24,145	$117,858
For cash - pursuant to a prospectus offering, net *(b)*	12,755	94,985
For cash - exercise of stock options	50	335
Transfer from stock options *(Note 12)*	—	100
Balance, December 31, 2007	**36,950**	**$213,278**

a) 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 11)*). 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 shares 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.

b) On June 28, 2007, the Company completed a short form prospectus filing in Canada to issue, through a syndicate of underwriters, 10,700,000 Common Shares at $7.50 per share and 2,055,000 Flow-Through Shares *(Note 17(c))* at $9.75 per share for gross proceeds of $100.3 million (net proceeds after allocating transaction costs of $95.0 million).

10. CONVERTIBLE DEBENTURE

	2007	2006
Subordinated convertible debentures – conversion option *(Note 7)*	**$18,403**	$—

11. SHARE PURCHASE WARRANTS

As at December 31, 2007, the following share purchase warrants were issued and outstanding:

	Number of Warrants *(in thousands)*	Amount *(in thousands)*
Balance, at December 31, 2006 *(a)*	4,167	$ 5,959
Issued pursuant to a prospectus, net *(b) (Note 7)*	23,700	35,163
Balance, December 31, 2007	**27,867**	**$ 41,122**

a) 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 (*See Note 9 (c) for the fair value assumptions and Note 18(c*)).

b) Each whole warrant is exercisable to purchase one common share at a price of $15.00 per share until June 28, 2017. The warrants have been listed for trading on the Toronto Stock Exchange (*See Note 7 for the fair value assumptions*).

12. STOCK-BASED COMPENSATION

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 450,000 stock options to two senior officers which are incremental 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, 2007, 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, 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
Granted	676	6.28	4.6
Exercised	(50)	6.69	—
Expired/Terminated	(467)	7.79	—
Balance, December 31, 2007	**2,412**	**$ 7.06**	**3.1**

	Exercisable		Outstanding	
Option Strike Price	Options *(in thousands)*	Weighted Average Remaining Life (Years)	Options *(in thousands)*	Weighted Average Remaining Life (Years)
$4.60	600	1.8	600	1.8
$4.61 to $5.99	12	2.7	302	4.8
$6.00 to $6.99	528	3.0	701	3.4
$7.00 to $7.99	225	2.6	225	2.6
$8.00 to $11.00	584	3.4	584	3.4
	1,949	**2.7**	**2,412**	**3.1**

The compensation cost recorded for the period ended December 31, 2007 in respect of options granted in 2007 that were expensed to the Statement of Operations was $850,236 (2006 - $2,486,635) and capitalized to mineral properties was $350,096 (2006 - $665,927).

The fair value was calculated with the following assumptions: weighted average risk free interest rate of 4.45% (2006 - 3.86% to 4.42%); volatility factor of the expected market price of the Company's common stock of 41.6% (2006 - 40%); and a weighted average expected life of the options of 3.5 years (2006 - 2.5 years).

The resulting weighted average cost per option granted was $2.23 (2006 - $3.07). The estimated fair value of the options is expensed over the vesting period of 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.

13. 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, 2005	$ 1,728
Additions:	
Charged to the Operations Statement	2,486
Capitalized to Mineral Properties	666
Transfer of exercised options to share capital	(334)
Balance, December 31, 2006	$ 4,546
Additions:	
Charged to the Operations Statement	850
Capitalized to mineral properties	351
Transfer to share capital	(100)
Balance, December 31, 2007	**$ 5,647**

14. SUPPLEMENTARY CASH FLOW INFORMATION

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

	(in thousands)	
	2007	**2006**
Investing Activities		
Mineral property expenditures included in amounts receivable and accounts payable	**$(2,814)**	$ 1,878
Non-cash accretion costs included in mineral property expenditures	**(8,253)**	—
Property and equipment expenditures included in amounts receivable and accounts payable	**(3,298)**	(1,109)

b) Net change in non-cash working capital:

	2007	**2006**
Net non-cash working capital changes		
Amounts receivable and interest receivable	**$ (925)**	$(204)
Prepaid expenses	**(405)**	27
Accounts payable and accrued liabilities	**(348)**	193
	(1,678)	16

c) During 2007 the Company paid interest related to its Units and Debentures totaling $13.4 million.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments (See Note 3), amounts receivable, accounts payable and accrued liabilities and debt. Cash and cash equivalents are recognized at their fair value and the carrying values of all other financial instruments approximate their fair values due to the relatively short period to maturity of these instruments. The debt is a financial instrument and the fair market value of the Note debt is approximately $191.9 million while the Debenture fair market value is approximately $47.8 million which includes the value of the conversion option. The debt fair market values were derived from their publicly traded prices. 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.

16. SEGMENTED INFORMATION

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

17. COMMITMENTS AND CONTINGENT LIABILITIES (NOT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE SPECIFIED)

Afton Project Commitments

a) The Company has entered into a number of contractual commitments related to equipment orders to purchase long lead items or critical pieces of mining equipment necessary to commence development of the Project. These commitments totaled $19.6 million. These commitments are expected to come due over the next 12 months.

b) 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 million in cash or common shares of the Company.

c) As per the terms of the June 28, 2007 equity financing the Company is obligated to renounce qualifying flow-through expenditures totaling $20 million (see Note 18(a)). These qualifying expenditures can be derived from mine development expenditures and exploration incurred in 2007 plus qualifying exploration grass-roots expenditures incurred in 2008 but renounced in 2008.

d) On October 31, 2007 the Company received the main mining permit for the New Afton project under the Mines Act (B.C.) which provides the approval to construct, operate and reclaim the New Afton Mine. The permit obligates the Company to provide a total security deposit in the amount of $9.5 million over a five year period. The first deposit of $3.5 million was paid within 30 days of the receipt of the permit and the Company is obliged to fund an amount of $1.5 million per year over the next four years.

Other Royalties and Property Commitments

e) 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.

f) On October 25, 2007 the Company completed the acquisition of the Teck surface rights including the payment of $16 million plus applicable transfer taxes. As part of the transaction, Teck has been granted a 2% Net Smelter Return over the Project, which the Company has the option to repurchase at any time for $12 million.

g) 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 $50,000 to one optionor and $43,020 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.

Operating Leases

h) The Company is committed to operating leases in the aggregate of $376,825. The future minimum lease payments as at December 31, 2007 are as follows:

	(in thousands)
2008	$ 208
2009	118
2010	51
	$ 377

18. SUBSEQUENT EVENTS

a) Subsequent to December 31, 2007 the tax benefits associated with the $20 million in flow-through share issuances were renounced to the purchasers of the shares based on approximately $19 million of expenditures incurred in 2007 and $1 million to be applied to look-back eligible expenditures in 2008.

b) On January 22, 2008 the Company signed a binding letter of intent (the "Letter of Intent") which will form the basis of a formal agreement between the Kamloops Division of the Secwepemc Nation ("the Bands") and the Company (the "Participation Agreement") which provides the Bands with certain economic and social benefits and confirms the Bands' support for the New Afton Project. As contemplated by the Letter of Intent, the Company paid the Bands $100,000 when the Letter of Intent was signed and a further $50,000 on account of estimated legal fees to be incurred by the Bands in respect of the negotiation of the Participation Agreement and an additional $150,000 when the Participation Agreement was signed. The Participation Agreement contemplates that the Company will pay to a socio-economic trust to be created for the benefit of Band members annual payments as follows:

1) ***2***009 - $250,000;

2) years after 2009 in which commercial production has commenced but the capital cost of developing and constructing the New Afton Project has not been repaid, an amount equal to the greater of a 0.5% Net Smelter Return ("NSR") or: (i) $250,000 in respect of realized copper prices less than $2.50 (US) a pound; or (ii) $500,000 in respect of realized copper prices greater than $2.50 (US) a pound;

3) years after 2009 in which commercial production has commenced and the capital cost of developing and constructing the New Afton Project has been repaid, an amount equal to the greater of $1,000,000 or (i) a 1.0% NSR in respect of realized copper prices less than $2.50 (US) a pound; or (ii) a 1.5% NSR in respect of realized copper prices greater than $2.50 (US) a pound; or (iii) a 2.0% NSR in respect of realized copper prices greater than $3.00 (US) a pound.

The Participation Agreement also grants to the Bands a right of first refusal to purchase that portion of the Afton Surface Rights lying to the north of the Trans Canada Highway and south of Kamloops Lake in the event the Company decides to sell these lands in the future.

The definitive Participation Agreement was signed between the parties on March 20, 2008.

c) On February 28, 2008 the 4,167,000 share purchase warrants with an exercise price of $12 expired unexercised.

d) On March 17, 2008 the Pan-Canadian Investors Committee for Third-Party Structured ABCP announced it has filed an application in the Ontario Supreme Court of Justice under the Companies' Creditors Arrangement Act asking the Court to call a meeting of ABCP note holders to vote on the Committee's Plan to restructure the 20 trust covered by the Montreal Accord. The Plan was accepted by the court and a note holders meeting will be held on April 25, 2008 to vote on the Plan.

e) The Company signed a letter of intent dated March 31, 2008 with Metallica Resources Inc. and Peak Gold Ltd. to complete a business combination whereby New Gold would be the surviving company. The business combination is subject to the completion of confirmatory due diligence, definitive documentation and obtaining the required regulatory approvals.

19. 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	**2007**	**2006**
Loss for the year under Canadian GAAP	**$ (61,448)**	$ (3,504)
Add/(deduct):		
Issue of flow-through shares under US GAAP (b)	**—**	1,518
Property costs expenditures expensed under US GAAP (a)	**(38,457)**	(19,000)
Future income taxes (b and f)	**(11,388)**	(645)
Interest and accretion (a)	**(11,658)**	—
Loss and comprehensive loss for the year under US GAAP	**$(122,951)**	$(21,631)
Weighted average number of shares outstanding - in thousands	**30,721**	22,689
Basic and diluted loss per share under US GAAP	**$ (4.00)**	$ (0.95)

	Year ended December 31 *(in thousands)*	
Statements of Cash Flows	**2007**	**2006**
Cash flows from operating activities under Canadian GAAP	**$ (9,781)**	$ (1,499)
Add/(deduct):		
Mineral property interests and deferred exploration costs (a)	**(38,972)**	(20,212)
Cash flows from operating activities under US GAAP	**$ (48,753)**	$(21,711)
Cash flows from investing activities under Canadian GAAP	**$(242,948)**	$(20,660)
Add/(deduct):		
Mineral property interests and deferred exploration costs (a)	**38,972**	20,212
Cash flows from investing activities under US GAAP	**$(203,976)**	$ (449)

Balance Sheets	*As at December 31 (in thousands)* 2007	2006
Shareholders' equity reported under Canadian GAAP	**$ 207,505**	$118,866
Add/(Deduct):		
Mineral property interests and deferred exploration costs (a)	**(103,649)**	(61,440)
Capitalized interest and accretion (a)	**(11,657)**	—
Convertible debenture (d)	**(18,403)**	—
Flow-through shares (b)	**(4,569)**	—
Future income taxes (b)	**2,368**	10,004
Shareholders' equity reported under US GAAP	**71,595**	$ 67,430
Total assets reported under Canadian GAAP	**$ 468,836**	$132,656
Add/(Deduct):		
Mineral property interests and deferred exploration costs (a)	**(103,649)**	(61,440)
Interest and accretion (a)	**(12,457)**	
Transaction costs (e)	**6,779**	—
Total assets reported under US GAAP	**$ 359,509**	$ 71,216
Total liabilities reported under Canadian GAAP	**$ 261,331**	$ 13,790
Add/(Deduct):		
Flow-through shares (b)	**4,569**	—
Future income taxes (b and f)	**(2,368)**	(10,004)
Transaction costs (e)	**4,571**	—
Convertible debenture (d)	**19,811**	—
Total liabilities reported under US GAAP	**$ 287,914**	$ 3,786

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, including any related future income tax liabilities and interest and accretion costs 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 has commenced initial development, under Canadian GAAP all costs incurred on it until the property is abandoned, sold, or upon management determining there to be an impairment in value are deferred. Under US GAAP, prior to the point in time that the Company can demonstrate economic viability of a property by completing a feasibility report and that the Company has the legal right to construct, operate and close a property these

costs are expensed as incurred although acquisition costs can be capitalized under US GAAP. Management's assessment is that the legal and economic tests as at December 31, 2007 had not been fully met and all costs should be expensed for US GAAP purposes. For US GAAP purposes, as the capitalized amounts of development expenditures are lower than those under Canadian GAAP, consequently the Company capitalizes a significantly lower amount of interest and accretion to the balance sheet.

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 any 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 US GAAP purposes, 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, 2007, the Company issued an aggregate of 2,055,000 flow-through shares at an average premium of approximately $2.22 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. Subsequent to December 31, 2007 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 CDN 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) Convertible debenture

In June 2007, the Company issued convertible debentures in the aggregate principal amount of $55 million. Under CDN GAAP, the convertible debentures were bifurcated into a principal and an option component for accounting purposes in accordance with CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation* ("Section 3861"). The principal component was recorded as debt with a portion, representing the estimated fair value of the conversion option feature at the date of issue, being allocated to equity. In addition, under Canadian GAAP a non-cash interest expense representing the effective yield of the debt component is recorded with a corresponding credit to the convertible debenture liability balance to accrete the balance to the principal due on maturity. Under U.S. GAAP, the convertible debentures, in their entirety, are classified as debt. The non-cash interest expense recorded under Canadian GAAP would not be recorded under U.S. GAAP.

e) Deferred financing costs

Under CDN GAAP the Company records the value of the debt component of the Notes and Debentures net of transaction costs. Under US GAAP, in accordance with APB 21 and EITF 95-13, the transactions costs are to be shown separately as an asset on the balance sheet.

f) Recognition of loss carry-forwards

Under Canadian GAAP and as a result of the Company receiving its primary mining permit to operate and reclaim the Afton mine on October 31, 2007, the Company has recognized future income tax assets and recorded a future tax recovery of $9.9 million relating to available loss carry forward amounts and share and debt issue costs. As there is no Future Income Tax liability for US GAAP as all mineral properties costs and related costs as described in item a) have been expensed, there would be no future income tax recovery under US GAAP.

g) New accounting pronouncements

Canadian GAAP

Capital disclosures and financial instruments – disclosures and presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures", Handbook Section 3862, "Financial Instruments – Disclosures", and Handbook Section 3863, "Financial Instruments – Presentation". These standards are effective for interim and annual financial statements for the Company's reporting period beginning on December 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

Inventories

In March 2007, the CICA issued the new Handbook Section 3031, "Inventories", which will replace Section 3030, "Inventories". This new Section mentions that inventories shall be measured at the lower of cost and the net realizable value. It provides guidelines on determining cost, prohibiting on a prospective basis the use of the last in, first out method (LIFO), and requires the reversal of a previous write-down when the value of inventories increases. The new standard will apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company is currently evaluating the impact of this new standard on the Company's results, financial position and cash flows.

General standards on financial statement presentation

CICA Handbook Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The Company disclosed in these financial statements in Note 1 its assessment as to whether the Company is a going concern or not.

Goodwill and Intangible Assets

The CICA issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and startup costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management is currently assessing the impact of these new accounting standards on its financial statements. Adoption of this standard will result in the withdrawal of EIC 27.

US GAAP

In June 2006, the FASB issued FIN No. 48, "Accounting for Uncertainty in Tax Positions, an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 addresses the recognition and measurement of all tax positions. The recognition process involves determining whether it is more likely than not that a tax position would be sustained on audit based solely on its technical merits. The amount of benefit recognized in the financial statements is the maximum amount which is more likely than not to be realized based on a cumulative probability approach. FIN 48 was effective from January 1, 2007. The adoption of this standard did not have a material impact on the financial statements.

In September 2006, the FASB issued FAS Statement No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 provides guidance on how to use fair values to measure assets and liabilities and applies whenever other standards require or permit assets or liabilities to be measured at fair value. Expanded disclosures about the use of fair value to measure assets and liabilities are also required. FAS 157 is effective for the Company on January 1, 2008 and is applied on a prospective basis. The Company is currently assessing the impact of FAS 157 on its financial statements.

In September 2006, the FASB issued FSP No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities". The FSP permits companies to account for planned major maintenance activities using either the direct expensing method, the built-in overhaul method or the deferral method. The FSP will be effective for the Company January 1, 2008 and is to be adopted on a retrospective basis. The Company is currently assessing the alternative accounting treatments available under the FSP.

In February 2007, the FASB issued FAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities” including an amendment of FASB Statement No. 115. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement applies to all entities, including not-for-profit organizations. Most of the provisions of this Statement apply only to entities that elect the fair value option. FAS No. 159 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, and is applicable beginning in the Company’s first quarter ended March 31, 2008. The Company is currently evaluating the impact that FAS 159 will have on its financial statements.

New Gold Inc.

(A Development Stage Company)

SCHEDULES OF MINERAL PROPERTIES
For the years ended December 31, 2007 and 2006

(In thousands of Canadian dollars)

	2007	2006
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	$41,861	$ 689	**$ 42,550**	$23,551
Afton mine development costs				
Consultants and subcontractors	17,307	—	**17,307**	—
Other	13,742	—	**13,742**	10
	31,049	—	**31,049**	10
Feasibility study	1,456	—	**1,456**	7,859
Capitalized interest, accretion and future income taxes	16,575	—	**16,575**	—
Surface Exploration Costs				
Option payment	—	40	**40**	29
Drilling and assaying	4,044	1,033	**5,077**	2,817
Overhead and general	410	179	**589**	(226)
Wages and benefits	643	55	**698**	382
	5,097	1,307	**6,404**	3,002
Underground exploration costs				
Drilling and assaying	—	—	**—**	5,746
Overhead and general	—	—	**—**	634
Wages and benefits	—	—	**—**	1,748
	—	—	**—**	8,128
Balance, end	$96,038	$ 1,996	**$ 98,034**	$42,550
Mineral Properties			**$116,924**	$61,440

New Gold Inc.
(A Development Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATION AT DECEMBER 31, 2007

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, 2007 (the "Statements") and compares the financial results with those of the comparative year. The reader is encouraged to review the Statements in conjunction with this document. This report is dated March 31, 2008 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 19 to the annual audited financial statements for the year ended December 31, 2007 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.

BUSINESS OVERVIEW

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 (the "Project") located approximately 10 kilometres west of Kamloops, British Columbia.

Corporate

On June 28, 2007, the Company completed an offering (the "Offering") and subsequent agent's over allotment option on July 27, 2007, pursuant to which the following securities were issued:

- 237,000 Series D units at a price of $1,000 per unit;
- 55,000 5% subordinated convertible debentures at a price of $1,000 per debenture;
- 2,055,000 flow-through shares at $9.75 per share; and
- 10,700,000 at $7.50 per common shares

The total financing generated gross cash proceeds of $392.3 million (net proceeds $374.5 million).

Asset-backed Commercial Paper ("ABCP") and measurement uncertainty

As at December 31, 2007 the Company had $170 million invested in collateralized short term debt obligations (rated R1 high by Dominion Bond Rating Service), issued by limited purpose trusts sponsored and managed by non-bank entities. These obligations, commonly known as "Asset Backed Commercial Paper" ("ABCP"), typically had terms of less than 365 days and

repayment of a maturing ABCP was dependent on the cash generated by the trusts' underlying assets and the ability of the trusts to issue new ABCP. In mid August 2007 a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets.

As a result, the non-bank ABCP market remains the subject of an agreement signed on August 16, 2007 amongst a number of affected parties. This agreement, referred to as the "Montreal Accord", contemplates a restructuring of ABCP on or before March 31, 2008 with the expressed intention of re-introducing the majority of the investments into a pool of long term floating rate senior and subordinate notes with the senior notes having a credit rating attached to them. The traditional asset pools and ineligible assets will have tracking notes associated with them. It is still uncertain how much of a market will be created as a result of the restructuring. While the Company is not a signatory to the Montreal Accord, it is directly and through counsel monitoring the activities of a committee formed to implement the restructuring and is expected to be required to sign once the restructuring is implemented. However, the final terms of reference for the restructuring, while well advanced as detailed in a press release dated December 23, 2007 (the "December Press Release"), have not been made the subject of a definitive proposal and there is no certainty of a positive outcome.

As a result, there is presently no active market for the ABCP held by the Company and the funds cannot be accessed until such time as the restructuring contemplated by the Montreal Accord has been completed. The Company is unable to definitively determine when or if an appropriate resolution may occur, however, it believes that it is reasonable to anticipate that it will occur by the second quarter of 2008.

The Company has re-classified its holdings in ABCP from short-term investments to long-term assets and categorized such holdings as follows:

Restructuring groupings	Total	Traditional assets	Synthetic assets	Ineligible assets
		$ millions		
Trusts held – Series A				
Aria	11.3	—	10.1	1.2
Aurora	22.8	—	22.8	—
Rocket	55.6	—	48.3	7.3
Gemini	9.5	9.5	—	—
SAT	6.9	—	6.9	—
SIT III	64.1	—	64.1	—
Total investment	**170.2**	**9.5**	**152.2**	**8.5**
Estimated fair value */**	**120.1**	**8.3**	**106.2**	**5.6**

* - see the valuation methodology and valuation ranges below
** - the range of fair values estimated by the Company varied between $105.4 million and $134.7 million

Based upon the December Press Release, the Company expects to receive floating rate notes ("FRNs") for the ABCP supported by synthetic assets and tracking notes for the ABCP supported by traditional and ineligible assets.

Management has estimated the fair value impairment on ABCP held as prescribed by CICA Section 3855 by using a probability weighted cash flow approach. Management has used the following methodology and made the following assumptions in its determination of the likely terms and characteristics of the FRNs:

a) Modeled the FRNs and tracking notes (collectively, "the Restructured Notes") based upon the December Press Release as this remains the most objective and supportable assumption to use.

b) Assumed that:

(i) the Company will receive the average of the group for senior and junior notes from the pool of synthetic assets;

(ii) the maturity date of the FRNs and the ineligible asset tracking notes will have an average life of 7 years from April 14, 2008 and the margin facility providers (applicable only to the synthetic pooled assets) will charge 160 basis points ("bps") to provide the facility. The traditional asset tracking notes are estimated to have a 5 year life ; and

(iii) the underlying assets will generate returns above the collateral invested between 0.5% and 0.8% and that prospective purchasers will require yields between 6% and 15%, depending on the type of trust held, to purchase the FRNs.

As a result of these assumptions, the Company estimated that the Restructured Notes will generate returns in a range of between 3.74% and 4.90% and using the prospective buyers estimated yield to determine a range of recoverable values, present valued the FRNs and tracking notes.

No estimate of the restructuring costs, which have been stated as being immaterial by the Committee, nor interest income since August 13, 2007 has been included in the fair value assessment due to a lack of information.

Based upon a sensitivity analysis the assumptions which have the most significant impact on the valuation estimate includes: the expected yield required by a potential investor, the maturity of the FRNs (currently assumed at 7 years), the cost of the margin facility (currently assumed at 160 bps over the life of the trusts) and whether the restructuring is successful or not.

The resulting cash flows have then been discounted to December 31, 2007 based on the expected maturity of the FRNs. This analysis presumes a successful restructuring essentially on the terms described in the December Press Release and has been calculated without the benefit of full disclosure, review and analysis of the underlying assets of each of the trusts held by the Company as this information has not been provided by each trust. While management believes that it has utilized an appropriate methodology to estimate fair value, given the number of uncertainties there can be no assurance that this estimate of fair value is accurate.

Based on this fair value estimation the Company has recorded an impairment charge in the amount of $50.1 million in the current year which is the mid-point between the best and worst case results of the analysis described above which management believes is the most appropriate indication of the fair value. There can be no assurance that this estimate will be realized or that it will be adequate. Subsequent adjustments, which could be material, may be required in future reporting periods. In addition, the Company has not accrued any interest due from these investments pending further information from the restructuring committee.

Management will continue to seek all avenues to recover the maximum value from the original investments and interest due.

The Company has also amended its previous investment policy to further restrict the list of permitted investments while removing asset-backed securities as an allowable investment. Under the revised investment policy, the Company must invest the majority of its funds in short-term debt issued by the Government of Canada or the Provinces of British Columbia, Alberta or Ontario. The remainder must be held in Bankers' Acceptances, Bank Bearer Deposit Notes or Bank Term Deposits, issued by Authorized Canadian Banks, or in cash on deposit with any of these same banks.

The investment in ABCP and resulting impairment charge and re-classification from current asset to long-term asset does not have any implications on the debt covenants under the Company's current debt indentures. However, as discussed in the Liquidity and Outlook sections of this MD&A, it may have implications on the Company's ability to continue as a going concern when considered with other factors.

New Afton Copper-Gold Project

During 2007 the Company commenced development activities on the Project, including the engagement of the underground contractor who initially commenced the expansion of the existing two kilometer exploration decline, enlarging it to accommodate the equipment necessary to facilitate the mine development. Following this, development has now expanded to five development faces including commencement of the surface portal which began shortly after December 31, 2007. Previous to this, long lead time mill components were ordered as well as the mine development fleet necessary to conduct the underground development. Initial deliveries of the mobile fleet occurred during the third quarter and fourth quarters of 2007 and the majority of all the deliveries have been received by February 2008.

On July 5, 2007 the Company announced that it had appointed AMEC Americas Limited ("AMEC") based in Vancouver, British Columbia as the Engineering and Procurement contractor for the design of the mill and related surface facilities. AMEC has commenced the detailed engineering phase of the project as well as the procurement of the surface facility components. Subsequently, AMEC's mandate was expanded to include Construction Management. The Company has also now finalized an agreement with the contractor who will complete the surface works construction. As a part of its mandate as the EPCM contractor, AMEC Americas is undertaking a further review of the capital costs of the project. Costs of building mining projects world-wide have been increasing as a result of higher labour and material costs. As a result of a comprehensive review completed subsequent to December 31, 2007 and overseen by AMEC, and including input from the other consultants and contractors involved in the Project, the Project costs are now projected to total $592 million (which includes a contingency of $48.6 million), 19.6% over the projected costs contained in the Feasibility Study. The Company is presently completing its review of the financial and operational consequences of reducing the ramp up period to less than 12 months from the presently disclosed 27 months and any corresponding effect on funding requirements.

On October 25, 2007 the Company completed the acquisition of the property surface rights including the payment of $16 million plus applicable transfer taxes. As part of the transaction, the seller was granted a 2% Net Smelter Return over the Project which the Company has the option to repurchase at any time for $12 million.

On October 31, 2007 the Company received from the Ministry of Energy, Mines and Petroleum Resources (British Columbia) a permit issued pursuant to Section 10 of the Mines Act approving the work system and reclamation program in respect of the Project. The Company now requires the water and tailings disposal permits, necessary to commence production of the mine. The Project will have a water source for the start-up of the mine as a result of the de-watering of the New Afton pit into an adjacent pit for storage and use during the start-up of the mill.

The Company has also continued to explore at and around the existing resource through a surface drilling campaign which targeted the deep extension of the project; however, these holes are costly and difficult to complete and for the time being have been curtailed. Once the underground development has sufficiently progressed the Company will be able to drill these deep targets from underground at a much lower cost.

Annual Summary

The annual tabular results of operations are summarized in the following tables which have been prepared in accordance with Canadian GAAP and extracted from the Company's audited financial statements:

	Year ended December 31, 2007	Year ended December 31, 2006
Loss	$ 61,448	$ 3,504
Loss per share – basic and diluted	$ 2.00	$ 0.15
Total assets	468,836	132,656
Cash investments in exploration and development	39,276	20,211
Cash flows from financing activities	374,851	72,304

RESULTS OF OPERATIONS

New Afton

The Company's operating activities for the preceding two fiscal years ended December 31, 2007, have evolved from an exploration based focus in prior years towards the current development focus which commenced in the latter portion of 2006 and continued throughout 2007. The level of spending activity has correspondingly increased in 2007 as a result of the commencement in 2007 of the new mine underground development. In 2006, the primary project spending was focused on the feasibility study required to define the potential of an economic deposit and these results were issued in April 2007.

As a result of these activities, the Company expended $39.3 million, including capitalized financing costs, on the Project and its Ajax property in 2007 as compared to $20.2 million on the Project in 2006. In 2007 the primary expenditures related to $25.7 million on the underground development related to the expansion of the existing 2 kilometer decline and commencement of new development faces, $5.0 million on interest capitalized and paid in 2007, $3.0 million in payments to complete the feasibility study, $4.5 million on surface exploration in and around the New Afton deposit and $0.8 million on exploration at the Company's Ajax property and optioned properties. 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 addition, the Company spent $30.0 million on property, plant and equipment in 2007 as compared to only $0.4 million in the comparative year. The significant increase relates to the receipt of the initial portion of the mine development fleet ($11.2 million) and installment payments made on long lead mill equipment orders ($1.6 million). Additionally, the Company completed the acquisition of the surface rights for the Project in the fourth quarter of 2007 by paying $16.3 million to secure these rights.

Corporate

The Company incurred a loss of $61.4 million or $2.00 per share in 2007 as compared to a loss of $3.5 million or $0.15 per share in 2006.

As discussed above, the Company incurred an impairment charge on its investments in non-bank sponsored ABCP investments totaling $50.1 million during the current year which forms the major variance year over year.

The Company has also expensed $22.1 million related to interest and accretion charges which do not qualify for capitalizing to the project costs. The Company allocates the interest and accretion charges arising as a result of the Note and Debenture debt financings between mineral properties and the Statement of Operations based upon the weighted average effective interest rate of the borrowings times the average capitalized value of the Project during the period. The accretion charges component of these costs, which are non-cash in nature, totaled $13.7 million in 2007 and are high due to the short accretion period used in the debt accounting due to the June 2008 permit test which were expensed as a period cost.

Wages, benefits and stock-based compensation costs related to corporate staffing have decreased to $2.7 million in 2007 as compared to $4.4 million in 2006 mainly as a result of lower stock-based compensation charges which mirror the vesting period of the options issued.

Professional and regulatory fees have increased in 2007 to $2.9 million as compared to $0.9 million in 2006 due to amending the Company's bank advisory agreement and incurring project financing related costs totaling $1.4 million and which was subsequently stopped, incurring consulting fees to advise the Company on its initial year of full Sarbanes-Oxley compliance and higher legal fees inpart due to the Company's investigation into the ABCP restructuring.

As a result of the Company receiving its primary permit to operate and reclaim the New Afton mine on October 31, 2007, the Company has commenced recognizing its previously unrecognized future income tax assets. The Company has recognized future tax assets and recorded a future tax recovery of $9.9 million in 2007 relating to available loss carry forward amounts and share and debt issue costs that have been incurred in 2007 and in prior periods. The balance has been set-off against the Company's future tax liabilities, resulting in a net future tax liability of $2.4 million at December 31, 2007.

SELECTED QUARTERLY INFORMATION

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

Comparative Periods

$Cdn	2007 4th Quarter	2007 3rd Quarter	2007 2nd Quarter	2007 1st Quarter
Statements of Operation and Deficit				
Loss	$ 42,576	$ 16,448	$ 1,962	$ 462
Loss per share	1.15	0.45	0.08	0.02
Balance Sheets				
Working Capital	(29,600)	183,513	228,066	56,783
Total Assets	468,835	502,636	489,143	133,238
Statements of Cash Flows				
Payments for mineral properties exploration costs	20,406	5,957	7,046	5,867

$Cdn	2006 4th Quarter	2006 3rd Quarter	2006 2nd Quarter	2006 1st Quarter
Statements of Operation and Deficit				
Loss	$ 1,375	$ 750	$ 60	$ 1,318
Loss per share	0.06	0.03	0.00	0.07
Balance Sheets				
Working Capital	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 claim interest and exploration costs	5,449	4,544	5,442	4,776

During the fourth quarter of 2007, the Company invested approximately $20.4 million on its mineral properties as compared to $5.5 million in the comparative quarter in 2006. During the current quarter, expenditures on the New Afton project included $13.3 million on underground development and infrastructure, $5.0 million on interest payments which were capitalized to the project costs, $1.3 million on surface exploration in around the New Afton project and $0.8 million on the Company's Ajax claims. In the comparative 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 New Afton deep targets.

In addition, the Company spent $23.5 million on property, plant and equipment in the fourth quarter as compared to $0.1 million in the comparative quarter in 2006. The significant increase relates to the acquisition of the mine development fleet, installment payments made on long lead mill equipment orders plus sundry capital assets required for the development of the New Afton Mine which totaled $7.3 million. Additionally, the Company completed the acquisition of the surface rights for the project in the fourth quarter of 2007 and paid $16.3 million to secure these rights.

For the fourth quarter, the Company incurred a loss of $42.6 million or $1.15 per share as compared to a loss of $1.4 million or $0.06 per share in the prior comparative three month period. The increase in the loss is primarily related to:

- The Company incurred an additional impairment charge on its investments in non-bank sponsored ABCP investments which totaled $32.9 million in the current quarter.
- The Company has expensed $10.8 million related to interest and accretion charges which do not qualify for capitalizing to the Project costs. The Company allocates the interest and accretion charges arising as a result of the Note and Debenture debt financings between mineral properties and the Statement of Operations based upon the weighted average effective interest rate of the borrowings times the average capitalized value of the Project during the period. The accretion charge on a quarterly basis will reduce in future periods once the obligation of the Company to offer to redeem the Note prior to maturity is met; therefore the Company has been accreting the debt over a 12 month period to its face value. The Company expects to be changing the accretion period to the expected life of the debt in June 2008, not as previously reported in the third quarter MD&A, once the remaining permits are received. In addition, as the carrying value of the New Afton property increases the proportionate amount of interest and accretion charged to mineral properties as compared to operations will increase.

The loss was partially offset by an increase of $1.4 million in higher interest income from the net proceeds from the June and July 2007 financings excluding those investments tied up in the ABCP restructuring for which no interest has been accrued pending clarification from the Committee. In addition, wages, benefits and stock-based compensation costs were lower in the current quarter than in the comparative quarter due primarily to lower stock-based compensation charges.

Previous Eight Quarters

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

- Financings - On June 28, 2007 and subsequent agent's over allotment option on July 27, 2007, the Company completed a short form prospectus filing generating gross cash proceeds of $392.3 million (net proceeds $374.5 million) (see Liquidity and Capital Resources). In February 2006 the Company raised $75 million from the issuance of units comprised of one share with a half warrant. In addition, the Company raised approximately $3 million in flow through financing during the fourth quarter of 2005.

As result total assets and working capital, until the fourth quarter of 2007, has increased significantly since the second quarter of 2007. Once the Company receives its remaining permits, working capital will improve further as the Note debt will be re-classified from a current to long-term liability.

- The Company commenced a Feasibility Study in December 2005 (the results of which were published in the second quarter 2007) at a total cost of $9.3 million over the preceding six quarters.
- The Company has recognized an impairment charge against its ABCP investments in the third quarter of 2007 in the amount of $17.2 million and an additional $32.8 million in the fourth quarter of 2007, as management's best estimate of the likely loss that may be realized on the resolution of the ABCP restructuring.
- The Company also expensed $11.4 million in the third quarter of 2007 and $10.7 million in the fourth quarter of 2007 related to interest and accretion charges based on its interest capitalization policy.
- The Company has recorded a tax recovery of $10.6 million at September 30, 2007 related to available loss carry forward amounts and share and debt issue costs as discussed in the third quarter comparative.

LIQUIDITY & CAPITAL RESOURCES

As at December 31, 2007, the Company had negative working capital of $29.6 million versus positive working capital of $65.5 million as at December 31, 2006. The primary reason for this change relates to accounting for the Notes as current debt and categorizing the illiquid ABCP investments as long-term assets. Once the Company meets its permit test on the debt the Company expects to return to a positive working capital position.

On June 28, 2007, the Company completed an offering (the "Offering") and a subsequent agent's over allotment option on July 27, 2007 for 17,000 additional Series D Units, through a syndicate of underwriters, pursuant to which the following securities were issued:

- 237,000 Series D units at a price of $1,000 per unit;
- 55,000 5% subordinated convertible debentures at a price of $1,000 per debenture;
- 2,055,000 flow-through shares at $9.75 per share; and
- 10,700,000 at $7.50 per common shares

The total financing generated gross cash proceeds of $392.3 million (net proceeds $374.5 million).

Series D units

The Company has issued in total 237,000 Series D units ("Units") for an aggregate principal amount of $237 million which includes the issuance of 17,000 additional Units issued as part of the over-allotment option granted to the agents and exercised on July 27, 2007. The Units, which were issued pursuant to a Note Indenture dated June 28, 2007 (the "Note Indenture"), consist of an unsecured note bearing interest at 10% per annum in the principal amount of $1,000 (the "Note") and 100 common share purchase warrants (the "Warrants"). Each Warrant is exercisable to purchase one common share of the Company at a price of $15 per share until June 28, 2017. The Notes and Warrants detached on their listing on the Toronto Stock Exchange.

The Company has allocated the net proceeds, after deducting $10.1 million in transaction costs, of the Series D units as follows: $191.7 million to the Notes based on the fair value of a similar debt instrument without associated common share purchase warrants; and $35.2 million to the Warrants using the residual value method. The value of the Notes will be accreted to its face value over the expected term of the debt using the effective interest method. During the year ending December 31, 2007 accretion costs of $21.0 million were added to the Series D units debt amount balance.

The Notes mature and become due and payable on June 28, 2017 and bear interest at the rate of 10% per annum. Interest is payable in arrears in equal semi-annual installments on January 1 and July 1 in each year, starting January 1, 2008. The Company has the right to redeem the Notes in whole or in part at any time and from time to time from June 28, 2007 to June 27, 2017 at a price ranging from 120% to 100% (decreasing based on the length of time the Notes are outstanding) of the principal amount of the Notes to be redeemed.

The Note Indenture provides that in the event of a change of control of the Company or in the ownership of the Project, as defined therein, the Company may or must offer, depending on the circumstances, to redeem the Notes.

In addition, if the Company has not obtained all the necessary permits for construction, development and conducting mining operations before June 28, 2008 it must offer to redeem the Notes then outstanding at 100% of the principal amount of $237 million plus accrued and unpaid interest. While the principal permit was received on October 31, 2007, the Company continues to classify the Notes as a current liability pending the receipt of any subsequent material permits.

The Notes rank senior to the Debentures described below. If the Company secures any subsequent indebtedness, the Notes are required to be secured in the same manner. The Note Indenture subjects the Company to comply with certain reporting and other covenants that include limits on indebtedness and distributions subject to certain conditions.

Subordinated Convertible Debentures

The Company issued 55,000 Convertible Subordinated Debentures ("Debentures") for an aggregate principal amount of $55 million. The Debentures, which were issued pursuant to a Debenture Indenture dated June 28, 2007 (the "Debenture Indenture"), each have a principal amount of $1,000, bear interest at a rate of 5% per annum and are convertible by the holders into common shares of the Company at any time up to June 28, 2014 at a conversion price of $9.35 per share. The Debentures do not allow forced conversion by the Company prior to January 1, 2012 but after that date the Company may redeem the Debentures if the market price of the Company's shares is at least 125% of the conversion price. The Debentures are classified as compound financial instruments for accounting purposes because of the holder conversion option.

Interest is payable in arrears in equal semi-annual installments on January 1 and July 1 in each year, starting January 1, 2008.

The Debenture Indenture provides that in the event of a change of control of the Company, as defined therein, where 10% or more of the aggregate purchase consideration is cash, the Company must offer to either (i) redeem the outstanding Debentures at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest up to but excluding the date of redemption, or (ii) convert the outstanding Debentures into common shares at a conversion price ranging from $7.48 to $9.35, based on a time formula specified in the Debenture Indenture.

The Debentures are subordinate to the Notes and any secured indebtedness incurred subsequent to the issue of the Debentures.

The Company has allocated the $52.6 million net proceeds, after deducting $2.4 million in transaction costs, to the Debentures totalling $34.2 million as a liability based on the fair value of a similar debt instrument without an associated conversion option. The fair value of the conversion option of the Debentures was estimated using the residual value method at approximately $18.4 million.

The debt component of the Debentures is being accreted over the expected term to maturity using the effective interest method. During the year accretion costs of $1.0 million were added to the convertible debt balance.

The Debenture Indenture requires the Company to comply with certain reporting and other covenants.

The Company has allocated the costs associated with the financing against the component parts of the instruments issued, being the Notes, Warrants, Debentures and the fair value of the conversion option of the Debentures.

As a result of the Notes and Debentures debt financings the Company has incurred interest charges of $13.4 million and recognized $22.0 million in accretion costs for the year. These amounts were charged between the Statement of Operations and mineral properties in accordance with the Company's accounting policy as follows:

	(in millions)		
	Accretion	**Interest**	**Total**
Statement of Operations	13.7	8.4	22.1
Mineral Properties	8.3	5.0	13.3
	22.0	**13.4**	**35.4**

In the 2007 Prospectus related to the equity and debt financing, the Company stated that the use of proceeds from the financing would be used for the development of the Company's New Afton project in accordance with the recommendations contained in the Company's National Instrument 43-101 Technical Report. To December 31, 2007, the Company had expended approximately $30 million on property, plant and equipment and $26 million on direct project development, the bulk of which was incurred subsequent to the financing.

As at December 31, 2007, the Company has negative working capital of $29.6 million. The negative working capital position is primarily due to the classification of the Company's Notes as a current liability because of a provision in the Note Indenture which requires the Company to obtain all material permits related to its New Afton project on or before June 27, 2008 (See Note 7). Should these permits not be obtained or the Company is unable to negotiate a waiver, the Company is obligated to offer to redeem the Notes at par value ($237 million). The negative working capital position is also due to the classification of the Company's investments in non-bank sponsored asset backed commercial paper ("ABCP") as non-current assets. The Company has $170 million in investments subject to the ABCP restructuring in Canada (See Note 3 to the financial statements). The financial impact of these two situations creates substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon obtaining the remaining permits for its New Afton project, resolving the liquidity situation surrounding its ABCP investments or obtaining the necessary financing to fund its debt obligations over the next year.

In recognition of these circumstances, and following the receipt of the major principal mine permit in October 2007, the Company is actively pursuing the remaining permits required to satisfy the debt requirements. The Company's ability to continue as a going concern is also dependent on the successful resolution of the ABCP restructuring which will provide a market to enable the Company to realize some of its ABCP investments, as well as its ability to renegotiate its obligations in terms of the Note Indenture should they fall due. The Company's continuing operations are also dependent on the raising of additional financing to finance the remainder of the Project construction. The amount and timing of these raisings may be materially impacted by the resolution of the Company's investments in ABCP. There can be no assurance it will be able to raise sufficient funds as and when such funds are required. There can furthermore be no assurance that the Company will obtain the necessary permits or resolve its ABCP issues or obtain the necessary funding to continue with its Project construction.

NEW ACCOUNTING POLICIES

During 2007 the Company adopted the following accounting policies:

Financial Instruments

Section 3855 requires that all financial assets, except 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; otherwise, they are measured at cost or amortized cost. Adoption of this policy had no material impact.

Comprehensive Income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in the Statement of Operations such as unrealized gains or losses on available-for-sale investments.

Interest Capitalization

Interest expense allocable to the qualifying cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use. Interest will be allocated between expensing it to the Statement of Operations and capitalizing it to mineral properties by applying the weighted average effective interest rate of the Company's debt to the average deferred New Afton mine costs applicable for the year.

Transaction Costs

The Company records financial assets and liabilities net of transaction costs. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are netted against the financial asset or financial liability on initial recognition and amortized using the effective interest method over the life of the related debt instrument.

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, operating costs, capital costs 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 may be recognized to the extent the recoverability of FIT assets is not likely.

The Company commenced recording future tax assets to offset its FIT liabilities in the third quarter of 2007.

Stock–based Compensation

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 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.

Compound Financial Instruments

The Company has allocated the initial net proceeds of the Series D units and the debenture based on the fair value of a similar debt instrument without associated common share purchase warrants or convertible feature.

Asset-backed Commercial Paper ("ABCP") and Measurement Uncertainty

For the assumptions used in the valuation of the Company's ABCP see *"Asset-backed Commercial Paper ("ABCP") and measurement uncertainty"*

COMMITMENTS AND CONTINGENT LIABILITIES

Afton Project Commitments

a) The Company has entered into a number of contractual commitments related to equipment orders to purchase long lead items or critical pieces of mining equipment necessary to commence development of the Project. These commitments totaled $19.6 million. These commitments are expected to come due over the next 12 months.

b) 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 million in cash or common shares of the Company.

c) As per the terms of the June 28, 2007 equity financing the Company is obligated to renounce qualifying flow-through expenditures totaling $20 million (see Note 18(a) of the financial statements). These qualifying expenditures can be derived from mine development expenditures and exploration incurred in 2007 plus qualifying exploration grass-roots expenditures incurred in 2008 but renounced in 2007.

d) On October 31, 2007 the Company received the main mining permit for the New Afton project under the Mines Act (B.C.) which provides the approval to construct, operate and reclaim the New Afton Mine. The permit obligates the Company to provide a total security deposit in the amount of $9.5 million over a five year period. The first deposit of $3.5 million was paid within 30 days of the receipt of the permit and the Company is obliged to fund an amount of $1.5 million per year over the next four years.

Other Royalties and Property Commitments

e) 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.

f) On October 25, 2007 the Company completed the acquisition of the Teck surface rights including the payment of $16 million plus applicable transfer taxes. As part of the transaction, Teck has been granted a 2% Net Smelter Return over the Project, which the Company has the option to repurchase at any time for $12 million.

g) 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 $50,000 to one optionor and $43,020 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.

Operating Leases

h) The Company is committed to operating leases in the aggregate of $376,825. The future minimum lease payments as at December 31, 2007 are as follows:

	(in thousands)
2008	$ 208
2009	118
2010	51
	$ 377

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
			$ thousands		
Equipment orders[1]	19,585	17,369	2,216	—	—
Operating leases	377	208	169	—	—
Debt – current and long-term [2]	292,000	237,000	—	—	55,000
Total Contractual Obligations [3]	311,962	254,577	2,385	—	55,000

(1) Certain equipment orders do not have defined payment schedules and have been estimated for the purposes of this table

(2) See the Liquidity and Capital Resources section of the MD&A for further details on the current classification of the Notes

(3) All Professional Services commitments, for engineering, procurement, construction and management, 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. Therefore they have not been included in the table above. In addition, all interest payments have been excluded from the table above (See Note 7 to the financial statements).

OFF-BALANCE SHEET ARRANGEMENTS AND RELATED PARTY TRANSACTIONS

The Company does not have any off-balance sheet arrangements or any material related party transactions.

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.

The Company may not be able to Refinance the Notes or Debentures if Required or if it so Desires

As at December 31, 2007, the Company has negative working capital of $29.6 million primarily due to the requirement that the Notes (as defined under "Description of Capital Structure") be classified as a current liability because of a provision in the Note Indenture which requires the Company to obtain all material permits related to the Project test on or before June 27, 2008. Should these permits not be obtained or the Company is unable to negotiate a waiver of such requirement or an extension of the date for compliance from the holders of the Notes, the Company is obligated to offer to redeem the Notes at their par value, $237 million. The Company received its principal permit under the *Mines Act* of B.C. in October 2007 but requires the remaining permits to satisfy the test. The Company is actively pursuing the remaining permits required to satisfy the permit requirement referred to above.

The Company's continuing operations will be dependent on obtaining the remaining permits for the Project (or obtaining a waiver from such requirement under the Note Indenture or an extension of the date for compliance) or the raising of additional financing to finance the remainder of the Project construction. The amount and timing of these raisings may be materially impacted by the resolution of the Company's investments in non-bank sponsored asset backed commercial paper referred to below under "Asset Backed Commercial Paper". There can be no assurance it will be able to raise sufficient funds as and when such funds are required.

The Company may need or desire to refinance all or a portion of the Notes, the Debentures or any other future indebtedness that it incurs on or before the maturity of the Notes or the Debentures. There can be no assurance that the Company will be able to refinance any of its indebtedness or incur further indebtedness necessary for its pre-construction, construction or operative phases on commercially reasonable terms, if at all.

Asset Backed Commercial Paper

As at December 31, 2007 the Company had $170 million invested in collateralized short term debt obligations (rated R1 high by Dominion Bond Rating Service), issued by limited purpose trusts sponsored and managed by non-bank entities. These obligations, commonly known as "Asset Backed Commercial Paper" ("**ABCP**"), typically had terms of less than 365 days and repayment of a maturing ABCP was dependent on the cash generated by the trusts' underlying assets and the ability of the trusts to issue new ABCP. In mid August 2007 a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets. As a result, the non-bank ABCP market remains the subject of an agreement signed on August 16, 2007 amongst a number of affected parties called the "Montreal Accord" which contemplates a restructuring of ABCP on or before March 31, 2008 under the direction of the Pan-Canadian Investors Committee (the "**Committee**") with the expressed intention of re-introducing the majority of the investments into a pool of long term floating rate notes which will have credit ratings attached to them. The Company understands that a market for trading the restructured investments is expected to develop. While the Company is not a signatory to the Montreal Accord, it is directly and through counsel monitoring the activities of the Committee. However, the final terms of reference for the restructuring, while well advanced as detailed in a press release from the Committee dated December 23, 2007 have not been made the subject of a definitive proposal and there is no certainty of a positive outcome. As a result, there is presently no active market for the Company's ABCP and the funds cannot be accessed until such time as the restructuring contemplated by the Montreal Accord has been completed. The Company is unable to definitively determine when or if an appropriate resolution may occur.

The Company has re-classified its holdings in ABCP from short-term investments to long term assets and has recorded an impairment charge in the amount of $50.1 million in the current year. There can be no assurance that this estimate will be realized or that it will be adequate.

Subsequent adjustments, which could be material, may be required in future reporting periods. In addition, the Company has not accrued any interest due from these investments pending further information from the Committee.

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 reserves 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 copper and gold 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 mineral 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. 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.

Disclosure Controls and Internal Control over Financial Reporting

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings required by the U.S. Securities and Exchange Commission and Canadian Securities Administration requirements are recorded, processed, summarized and reported in the manner specified by the relevant securities laws applicable to the Company. The Chief Executive Officer and the Chief Financial Officer have evaluated the Company's disclosure control procedures as of December 31, 2007 through inquiry and review, as well as by drawing upon their own relevant experience. The Chief Executive Officer and the Chief Financial Officer have concluded that, as at December 31, 2007, the Company's disclosure control procedures were effective.

The Company also maintains a system of internal controls over financial reporting designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP and 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 Board of Directors approves the financial statements and ensures that management discharges its financial responsibilities. The Board's review is accomplished principally through the audit committee, which is composed of independent non-executive directors.

The audit committee meets periodically with management and auditors to review financial reporting and control matters. The Board of Directors has also appointed a compensation committee composed of non-executive directors whose recommendations relating to executive compensation and other matters are considered by the Board of Directors.

During the year ended December 31, 2007, the Company effected material changes in internal control over financial reporting. These changes were in part necessitated by the expanding operational activity, especially in the latter two quarters of the year, at the Company's development Project. The Company contracted a third party firm to assist the Company in enhancing its internal controls and to test the enhanced controls as part of management's

assessment of internal controls over financial reporting as required by Rules 13a-15(c) and 15d-15(c) promulgated under the U.S. Securities Exchange Act of 1934, as amended. The Company has a) in general, enhanced its internal control processes across the material financial cycles; b) more specifically, improved its financial controls over period end closing, and procurement processes; and c) implemented compensating procedures around the segregation of duties in the information technology area due to limited staffing.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, and evaluating the effectiveness of the Company's internal control over financial reporting as at each fiscal year end. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to assess the effectiveness of the Company's internal control over financial reporting as at December 31, 2007. Based on this assessment, management has concluded that as at December 31, 2007, the Company's internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as at December 31, 2007 has been audited by PricewaterhouseCoopers LLP, our independent auditor, as stated in their report which appears herein.

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 posted on the Company's website at www.newgoldinc.com and a copy of such description is available by written request made to the Company.

OUTLOOK

Advancement of the Project remains the Company's primary focus as it is the key to the Company's success. With the financing in June of 2007, the purchase of the surface rights and issuance of the primary permit under the Mines Act in October, the Company is now in a position to proceed with the significant development activities required to construct a new mine. Management's operating efforts over the near-term will be primarily focused on:

Advancement of the development of the underground which is the critical path item on the project timeline;

Completion of detailed engineering of the Project plus secure the remaining permits necessary for the Project. Further updates to the capital costs and schedule for construction will occur as detailed engineering progresses;

Commencement of the surface facilities which is expected to occur in March or April of 2008;

Continued procurement of the mill components and structures and development mobile fleet, for the Project; and

Continued expansion of the Company's work force to meet the personnel requirements of the Project.

In addition, the Company continues to assess its exploration opportunities primarily around the existing Afton resource but also on the Ajax and at its optioned properties.

The Company, however, faces significant financial challenges in the short to medium term. As at December 31, 2007, the Company has negative working capital of $29.6 million due to the classification of the Company's Notes as a current liability because of a provision in the Note Indenture which requires the Company to comply with a permit test on or before June 27, 2008. Should the Company fail to meet the test, it is obligated to offer to redeem the Notes at par value ($237 million). The Company also has $170 million in illiquid Asset Backed Commercial Paper ("ABCP") and while there are initiatives being undertaken to restructure ABCP market generally through the Pan-Canadian Investors Committee, there can be no assurance that these initiatives will succeed or, if they do, that the Company will realize a meaningful amount on its ABCP.

The Company's ability to advance the Project will be dependent on the receipt of the remaining permits required to satisfy the permit test, a satisfactory resolution to the ABCP situation and the raising of additional financing to finance the remainder of the Project construction. In connection with the financing requirements of the Company, the Company signed a letter of intent dated March 31, 2008 with Metallica Resources Inc. and Peak Gold Ltd. to complete a business combination whereby New Gold would be the surviving company. The business combination is subject to the completion of confirmatory due diligence, definitive documentation and obtaining the required regulatory approvals.

As at March 31, 2008, the Company's outstanding capital was:

Common shares	36,949,717
Warrants	23,700,000
Common stock options	2,462,500

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's 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.

Cautionary Note Concerning Reserves and Resource Estimates

United States investors are advised that while the terms "reserves" and "resources" are recognized and required by Canadian securities laws, the United States Securities and Exchange Commission (the "SEC") does not recognize them. Under United States 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. Mineral resources that are not mineral reserves do not have demonstrated economic viability. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Inferred resources are in addition to measured and indicated resources. Further, inferred resources have a greater amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically.

National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") is a rule developed by the Canadian Securities Administrators which established standards for all public disclosure of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates have been or will be prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. The requirements of NI 43-101 are not the same as those of the SEC, and reserves reported by New Gold Inc. in compliance with NI 43-101 may not qualify as reserves under the SEC's standards.

Exhibit 4

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 31, 2008, on the balance sheets of the Company as at December 31, 2007 and 2006 and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended, which appears as an exhibit to this Annual Report on Form 40-F.

"PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, British Columbia, Canada
March 31, 2008

Exhibit 5.1

CONSENT OF AMC CONSULTANTS (PTY.) LTD.

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2007 (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 "Narrative Description of the Business – Mineral Projects – The New Afton Project" 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/ Michael Jeremy Thomas
Name: Michael Jeremy Thomas
Title: Director

March 25, 2008

Exhibit 5.2

CONSENT OF SCOTT WILSON RPA

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2007 (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 "Narrative Description of the Business – Mineral Projects – The New Afton Project" 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 RPA

By: /s/ David Rennie
Name: David Rennie
Title: Consulting Geological Engineer

March 28, 2008

Exhibit 5.3

CONSENT OF DAVID W. RENNIE

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2007 (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 headings "Narrative Description of the Business – Mineral Projects – The New Afton Project" and "Interests 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

March 28, 2008

Exhibit 5.4

CONSENT OF MIKE THOMAS

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2007 (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 headings "Narrative Description of the Business – Mineral Projects – The New Afton Project" and "Interests 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/ Michael Jeremy Thomas
Michael Jeremy Thomas
Title: MAusIMM(CP)

March 25, 2008

Exhibit 6.1

CERTIFICATION

I, Clifford Davis, 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: March 31, 2008

/s/ Clifford Davis
Clifford Davis, 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: March 31, 2008

/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, 2007, 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: March 31, 2008

/s/ Clifford Davis
Clifford Davis, 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, 2007, 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: March 31, 2008

/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.