New Afton
886048

"The Golden Copper Company"

NGD: TSX/AMEX

Tom Schroeter
JOGMEC TOUR
SEP.21-22/05

New Gold Inc. is listed on both the Toronto (TSX) and American (AMEX) Stock Exchanges under the symbol NGD. New Gold's principal asset is its 100%-owned "New Afton" Copper-Gold Project, located 10 kilometres (6 miles) west of Kamloops, British Columbia, Canada. An advanced independent scoping study completed in 2003 by Behre Dolbear and Company Ltd., and updated in 2004, indicated that the project has excellent potential to be developed into a new underground mine with extremely robust economics (20% after tax IRR) based even on conservative metal prices of US$0.85/lb – Copper (Cu); US$375/oz – Gold (Au); US$5.25/oz - Silver (Ag); and US$200/oz – Palladium (Pd).

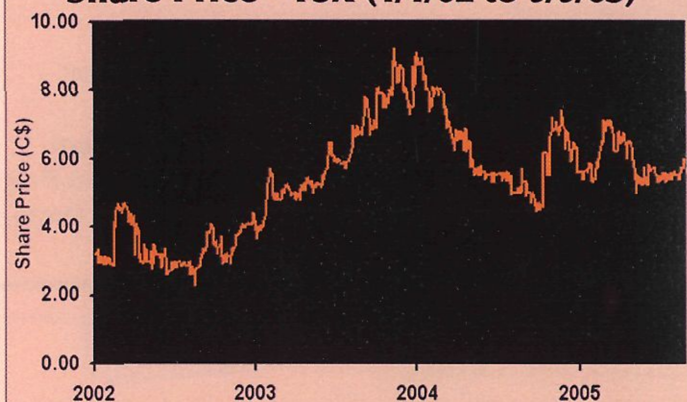
In December, 2004 New Gold commenced an underground exploration program at the New Afton Project. The data generated from this work will be used in the completion of a feasibility study. When completed this study will determine in greater detail the capital requirements and potential economics of developing the project into a new underground mine. The study will also provide the information necessary to discuss project financing alternatives with potential lenders.

Capital Structure

Shares Outstanding:	14.6 Million Shares
Shares Fully Diluted:	16.4 Million Shares
Recent Share Price*:	C$5.85
52 Week Range:	C$4.30 - C$8.00
Market Capitalization*:	C$85Million
Cash (at 30/6/05):	C$20 Million
Management & Insiders:	22%

*September 9th, 2005

Share Price - TSX (1/1/02 to 9/9/05)

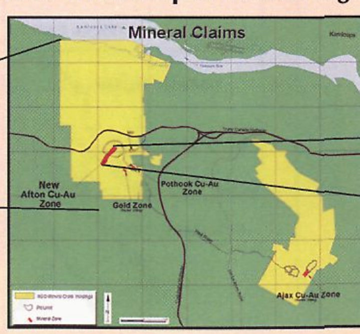


New Afton Project, History:

The mining industry truism that "the best place to find a mine is next to a mine" was once again demonstrated with New Gold's discovery of its New Afton Cu-Au Mineralization adjacent to the abandoned past-producing Afton open pit.

Low Political Risk

100% Ownership of Mineral Rights



Excellent Infrastructure

Suite 1460, 70 University Avenue,
Toronto, Ontario, M5J 2M4

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

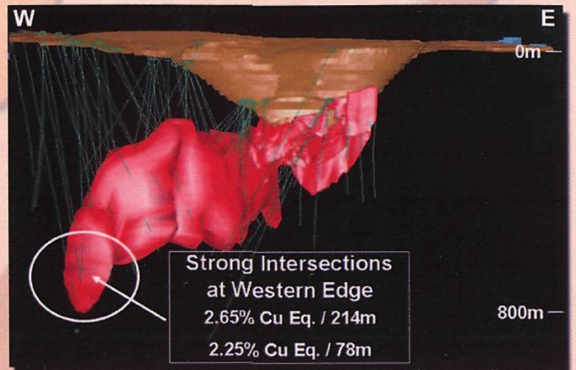
For Further Information: www.newgoldinc.com; invest@newgoldinc.com; 877-977-1067

Current Resource:

The current resource was independently calculated as part of the 2004 Advanced Scoping Study. The Mineralization remains open to depth and to the west. The grades are among the highest known for a copper-gold porphyry.

Afton Main Zone Mineral Resource Estimate Summary
(Behre Dolbear & Company Ltd. – January 2004)

Category	Tonnes (Millions)	Grade			Contained Product In-situ	
		Cu (%)	Au (g/t)	Cu Eq. (%)	Cu (M lbs)	Au (M ozs)
Measured + Indicated	68.7	1.1	0.9	1.68	1,600	1.9
Inferred	7.5	0.9	0.8	1.48	152	0.2



Using: Cu $0.85/lb; Au $375/oz; Ag $5.25/oz; Pd$200/oz

Building a Team:

New Gold's management and directors provide a combined experience in the mining industry totaling more than 200 years with demonstrated skills in Mining, Exploration, Discovery, Corporate and Mine Development, Finance, Investor Relations and Market Analysis.

Management:

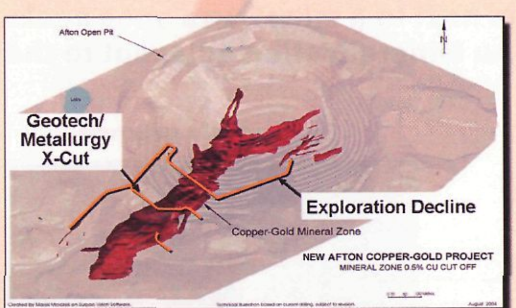
- **Chris Bradbrook - President, CEO & Director**
- **Paul Martin - VP Finance & CFO**
- **Mike Hibbitts - VP Exploration & Development**
- **Charles Brown - Project Manager, New Afton Project**
- **Rick Sawyer - Senior Geologist, New Afton Project**

Directors:

- **John Kruzick (Chairman), Vancouver, Canada**
- **Cliff Davis, Owen Sound, Canada**
- **Bob Edington, Victoria, Canada**
- **Greg Laing, Oakville Canada**
- **Mike Muzylowski, Vancouver, Canada**
- **Sharon Ross, Vancouver, Canada**

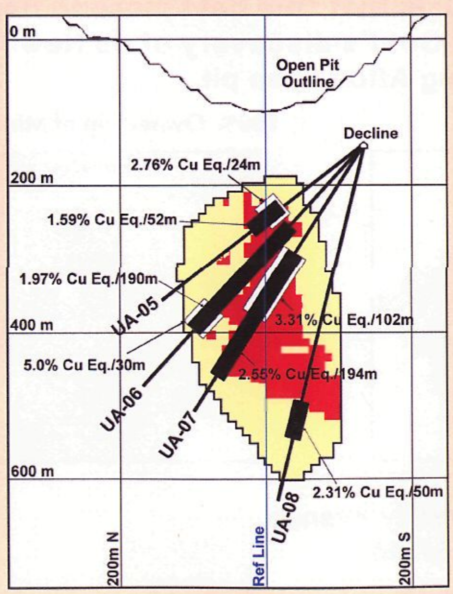
Defining the Future:

With the location and infrastructure advantages the New Afton Project enjoys, New Gold is doing everything possible to fast track to production, assuming the results of the feasibility are supportive and financing can be arranged. Early results from the infill diamond drilling are very encouraging.



Feasibility Study:

- **2,000m Decline (>85% Complete)**
- **>27,000m Delineation/Exploration Drilling**
- **Geotechnical/Metallurgical Studies**
- **Completion: Q3, 2006**



Section 72 East - Viewed From West Underground Infill Drilling Results

Outline of Mineralization From 2004 Resource Block Model

Outline of Mineralization (limit of Detectable Cu & Au)

Kriged Cu Equivalent* (%)

Cu Eq > 1.50 %

* Using: Cu $0.85/lb; Au $375/oz; Ag $5.25/oz; Pd $200/oz

Diamond Drilling

UA-06 — Current Underground Infill Program

Current Intersections > 1.5% Cu Eq.

Current Intersections > 2.5% Cu Eq.

Sept. '05

new gold inc.

"A New Growth Story"

6 Reasons to Own New Gold

- Outstanding Capital Structure
- Excellent Asset (New Afton Project)
- Low Political Risk (Canada)
- Exploration Upside
- Unknown and Undervalued
- Leverage to Copper and Gold Bull Markets

Capital Structure*

Issued:	14.6 million shares
Fully Diluted:	16.4 million shares
52 Week Range:	C$4.30 - C$8.00
Market Capitalization:	C$85M
Cash:	C$20M**
Major Shareholders:	Management 22%

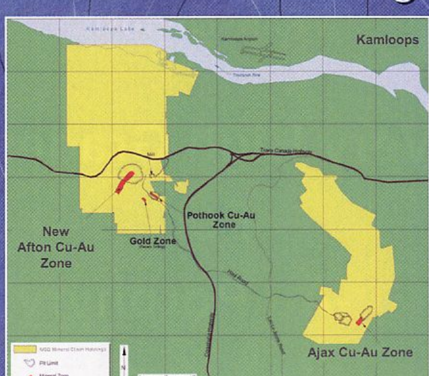
*September 9th, 2005, **June 30th, 2005

Main Projects

- New Afton - Kamloops - Cu, Au
  - Feasibility, Exploration
- Ajax - Kamloops - Cu, Au
  - Exploration

New Afton Cu-Au Project

Mineral Claim Holdings



Afton Mine Past Production

- Discovered 1971
- Production 1978-1987
  - 512 m lbs Cu
  - 480,000 oz Au
  - 2.8 m oz Ag

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Investor Presentation
September, 2005

:NGD

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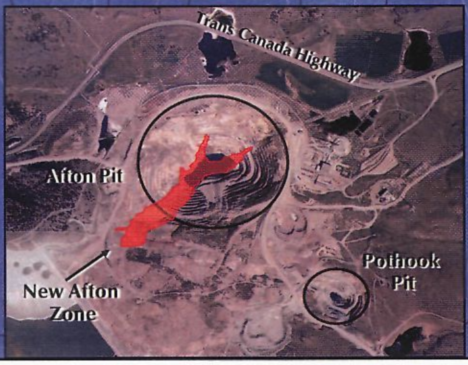
"A New Growth Story"

New Afton Cu-Au Project
Well Located



An Opportunity Seized

- Exploration Clues:-
  200m @ 2.5% Cu & 1.06 g/t Au
  beneath pit – NOT TESTED
- Teck Drops Claims (1999)
- NDG Acquires by staking!

New Afton Cu-Au Project

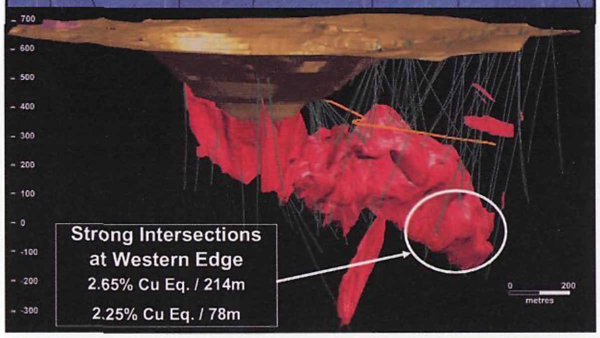
- CDN$5 Million Expenditures

Discovered

- US$3 Billion IN-SITU Value!

(Still Open)

New Afton Cu-Au Project
Current Resource



New Afton Cu-Au Project
Mineral Resources

Afton Main Zone Mineral Resource Estimate Summary
(Behre Dolbear & Company Ltd. – January 2004)

Category	Tonnes (Millions)	Grade			Contained Product In-situ	
		Cu (%)	Au (g/t)	Cu Eq. (%)	Cu (M lbs)	Au (M ozs)
Measured + Indicated	68.7	1.1	0.9	1.68	1,600	1.9
Inferred	7.5	0.9	0.8	1.48	152	0.2

Assumptions: Cut Off Grade 0.7% Copper Equivalent. Recovery: Copper & Gold 90%, Silver 75% and Palladium 74%
Copper US$ 0.85/lb, Gold US$ 375/oz, Silver US$ 5.25/oz, Palladium US$ 200/oz.

New Afton Cu-Au Project
A Rare Deposit

Very High Grades
For
Cu-Au Porphyry!

Grades of Selected Copper-Gold Deposits

Source: Wellington West Capital Markets Inc.

Potential Economics

2003 Scoping Study Updated 2004[1]

Conservative Metal Prices Used

US$0.85/lb Cu – US$375/oz Au

[1] Completed by Behre Dolbear and Company, 2003-2004

New Afton Cu-Au Project Potential Production Scenario[1]*

- Average Annual Production:

  Cu 75 million lbs

  Au 80,000 oz

- Mine Life: 18 years
- IRR 20% - after tax

*Metal Prices of US$0.85 Cu / US$375 Au
[1] Behre Dolbear & Company Ltd. Updated Advanced Scoping study 2004.

New Afton Cu-Au Project Potential Operating Costs[1]*

- Capex: C$150 Million
- Cash Costs: US$0.15/lb Cu
- Total Costs: US$0.40/lb Cu

*Metal Prices of US$0.85 Cu / US$375 Au
[1] Behre Dolbear & Company Ltd. Updated Advanced Scoping study 2004.

New Afton Cu-Au Project Advantages

- Excellent Infrastructure
- Adjacent to Trans Canada Hwy
- Water, Power Available
- Existing Mine Site
- All levels of Government Support
- Available Labour Force
- Historical Mining Area Kamloops, B.C.

Timeline What to Expect Next

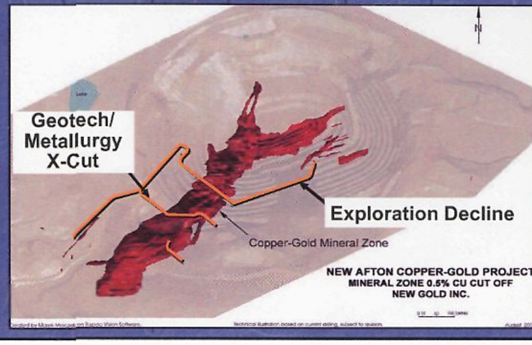
- Underground Excavation Complete – Sept, 2005
- Infill Drilling Complete - Dec, 2005
- Permitting Process Initiated – Preliminary Presentation to Mine Review Committee - Nov, 2005
- Feasibility Contract Awarded - Nov, 2005
- Feasibility Study Completed, Production Decision - Q3, 2006

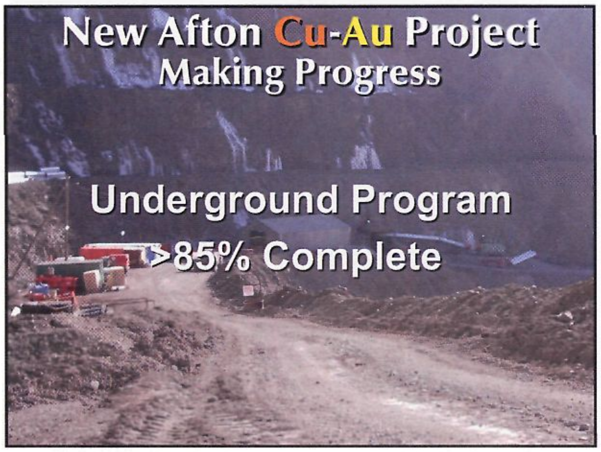
"A New Growth Story"

New Afton Cu-Au Project
Feasibility Study – Scope, Timeline & Costs

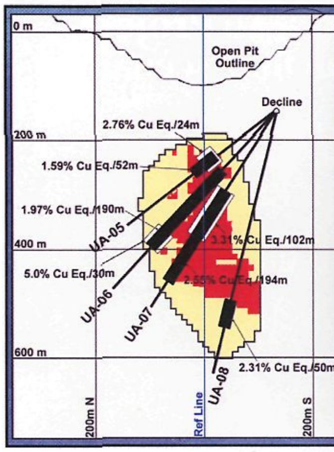
- 2,000m Decline
- > 20,000 m Underground Drilling
- Geotechnical & Metallurgical Studies
- Underground Costs - US$13 Million
- Feasibility Study in Tendering Process

New Afton Cu-Au Project
Exploration Decline





Infill Drilling Confirming Model Section 72 East (From West)



Outline of Mineralization From 2004 Resource Block Model

- Outline of Mineralization (limit of Detectable Cu & Au)

Kriged Cu Equivalent* (%)

- Cu Eq > 1.50 %

Diamond Drilling

- UA-06 Current Underground Infil Program
- Current Intersections >1.5% Cu Eq.
- Current Intersections >2.5% Cu Eq.

Restarting & Accelerating Exploration

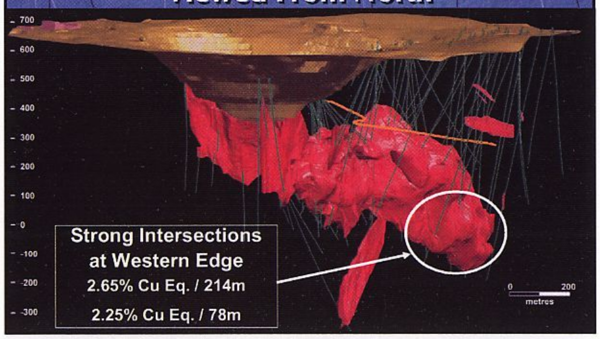
- 2 Drills Underground
- 1 Drill at Surface

Exploration Potential
3 Target Areas

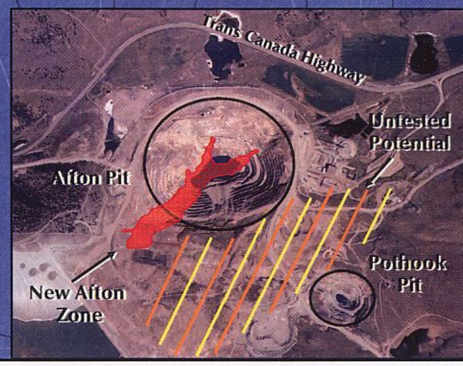
- Expanding Current Resource
- Surface Targets
- Nearby Ajax Property

"A New Growth Story"

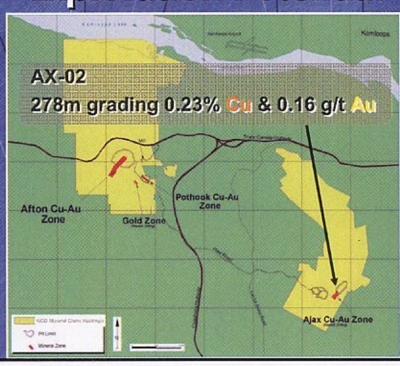
Exploration Upside
Current Resource with Decline
Viewed From North



Surface Exploration Targets



Ajax Project
Exploration Potential



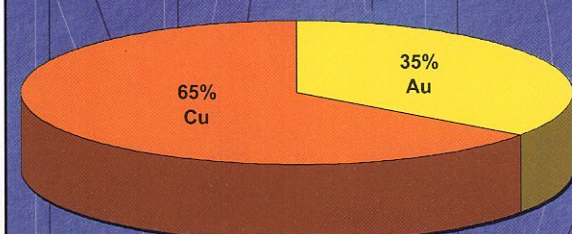
Factors Determining Valuation

- Grade
- Economics – Financial Risk
- Location – Political & Permitting Risks
- Nature & Quantity of Contained Metal (Au vs Base Metals)

How Does NGD Rate?

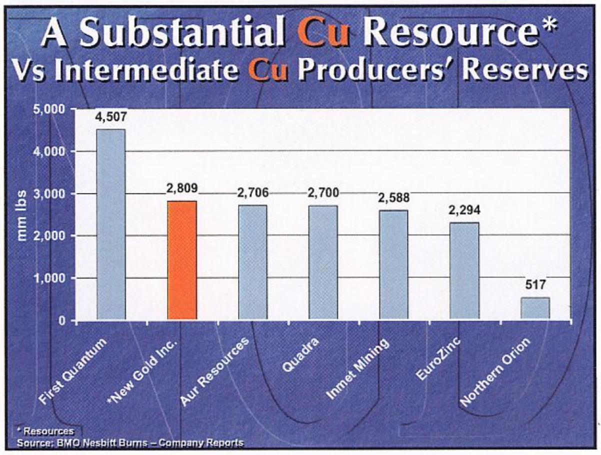
- Grade ✓
- Economics ✓
- Location ✓
- Nature & Quantity of Contained Metal ?

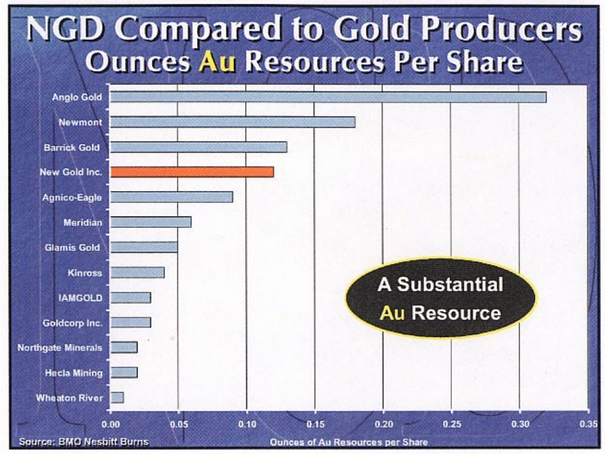
New Afton Cu-Au Project
A Substantial Resource
* Value Distribution

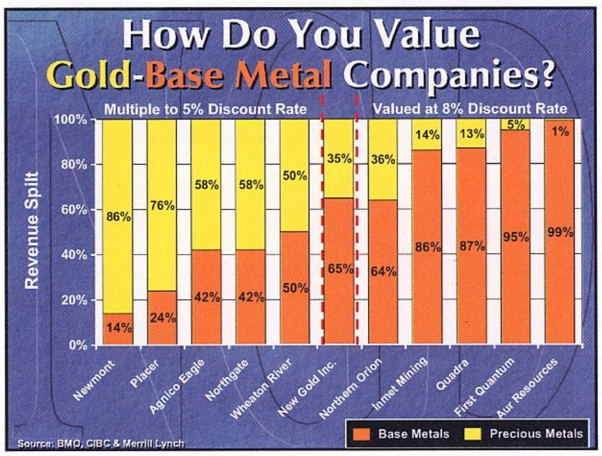


*US$0.85 Cu; US$375 Au

"A New Growth Story"







Valuing New Gold Inc.

- Rich in Copper
- Rich in Gold
- Hybrid Valuation

New Gold Inc.

Cu

Or

Au?

An Excellent Strategic Base for Either

Strategic Alternatives
The Value of Cu - Au Assets

- Goldcorp & Wheaton River
- 1.1 Million oz Au @ $55/oz
- How?
- Cu-Au Assets

new gold inc.

"A New Growth Story"

Progress Made

- Market Opportunity ✓
- Commence Feasibility ✓
- Accelerate Feasibility ✓
- Strengthen Mgmt & Technical Team ✓
- Strengthen Board ✓
- Restart/Accelerate Exploration ✓
- Establish Timelines to Production ✓
- Investigate Strategic Options ✓

Acquiring Necessary Expertise Strengthening Team

- Combined >200 Years Experience*
- Skilled In:
  - Mining
  - Corporate & Mine Development
  - Exploration
  - Discovery
  - Finance
  - Investor Relations
  - Market Analysis

* Management and Board of Directors

Key Personnel

- Chris Bradbrook – President & CEO / Director
- Paul Martin – CFO & VP Finance
- Mike Hibbitts – VP Exploration & Development
- Charles Brown – Project Manager, New Afton Project
- Rick Sawyer – Senior Geologist, NewAfton Project
- John Kruzick – Chairman of the Board
- Cliff Davis – Director
- Bob Edington - Director
- Greg Laing – Director
- Mike Muzylowski – Director
- Sharon Ross - Director

News Flow?

Commenced Q2, 2005

Steady Stream of Exploration Results!

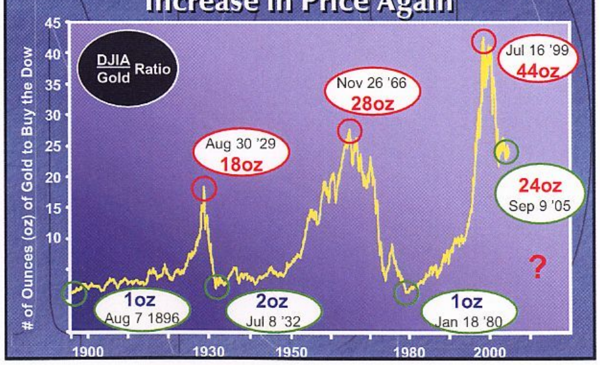
Higher Metal Prices? 2 Ways to Benefit

- Bull Market in Copper (Cu)

and/or

- Bull Market in Gold (Au)

DJIA Divided by the Gold Price – 108 Years of History Indicates Gold Will Increase in Price Again



TSX :NGD

Investor Presentation
September, 2005

:NGD

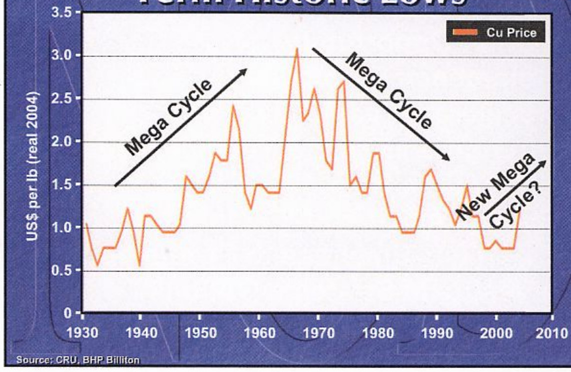
"A New Growth Story"

China & India

Need Copper
"A Lot of Copper"

- Expanding Economies
- Increasing Urbanization
- Growing Middle Class

Yet Cu Price is at a Long Term Historic Lows



Where Are the New Projects?

- No New Mega Copper Mine Anticipated by 2010
- Political Uncertainties in Some Producing Countries
- Permitting Challenges

For More Information

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Sept. '05

Success is in the details **orion** SECURITIES INC.

NEW GOLD INC.

Same Old Same Old (but That's Good)

August 24, 2005

Precious Metals Mining (Overweight)

NGD, TSX – C$5.40
NGD, AMEX – US$4.50

12-Month Target: **C$17.00**
Rating: **Overweight**
Potential Return: **215%**

What's Changed

	Previous	New
Rating	Overweight	Unchanged
Target	C$17.00	Unchanged

What Happened?

- New Gold reported six new underground drill holes on two sections from the Afton project.
- Average grades intercepted were higher than the scoping study indicated averages of 1.08% copper and 0.85 g/t gold. Copper equivalent grade reached 1.86% versus the 1.68% estimated in the scoping study.
- New Gold also encountered mineralization below the scoping study-indicated mineralized envelope, suggesting the orebody is open to depth.
- The company further advanced the decline to reach a total of 1,725 metres, or 85% of the program.

What Does it Mean?

- The drill results appear to indicate better copper grades throughout the orebody than previously indicated, albeit with slightly lower gold grades. We believe this may result in lower tonnages with the same metal content (i.e., higher grade), and thus lower costs.
- The decline is opening the ore to visual and mechanical inspection – companies interested in a sizeable (1.6 billion copper and 1.9 million oz gold) deposit will find it easier to evaluate the project.

What Is it Worth?

- Our view of Afton and New Gold remains simple – the company has succeeded in discovering and delineating a significant deposit that we are confident will be developed as a significant copper-gold mine – the valuation (EV less than C$60 million) does not reflect this.
- We maintain our C$17.00 target - although the results are positive, we believe we account for the value of the project (and by extension the company) in our model and target price.
- We will continue to monitor the progress with a view to add value for mineralized material encountered outside the current ore resource.

What to Do

- We maintain our Overweight recommendation.
- We note that once in production, Afton will be one of the largest (top five) copper and gold (top ten) producers in Canada.
- We recommend accounts with a longer-term horizon accumulate NGD shares to our target.

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Peter Bures
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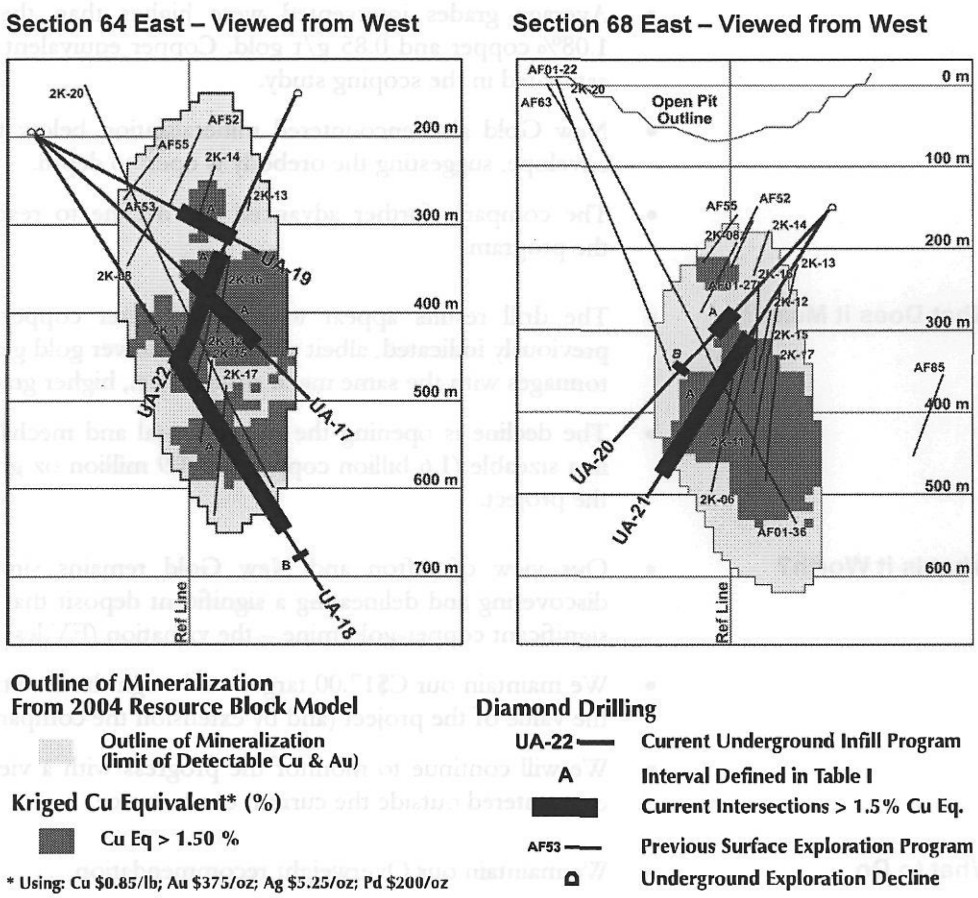
Exhibit 1. Results of Underground Infill Drilling (Sections 64E and 68E)

DDH	Depth (m)	From (m)	To (m)	Length (m)	True Thickness	Cu %	Au g/t	Ag g/t	Pd g/t	Cu Eq %*
UA-17	430	234	346	112	76	1.36	2.16	2.62	0.22	2.85
UA-18	610	298	532	234	127	1.30	0.60	4.83	0.08	1.75
		564	570	6	3	0.69	1.18	3.47	0.12	1.53
UA-19	286	184	252	68	60	2.32	1.02	6.41	0.03	3.05
US-22	334	198	334	136	57	2.10	1.45	5.59	0.14	3.13
Section 64E Average				*138*		*1.64*	*1.16*	*4.76*	*0.12*	*2.48*
UA-20	383	168	206	38	25	1.38	0.24	2.52	0.01	1.56
		256	266	10	7	1.10	0.76	6.36	0.16	1.70
US-21	414	182	382	200	108	1.45	0.66	3.47	0.04	1.92
Section 68E Average				*119*		*1.44*	*0.59*	*3.32*	*0.04*	*1.86*

* Copper equivalent grade based on $0.85/lb copper, $375/oz gold, $5.25/oz silver, and $200/oz palladium.

Source: Company reports, Orion Securities

Exhibit 2. Afton Underground Drill Hole Locations on Section 64E and 68E



Source: Company reports

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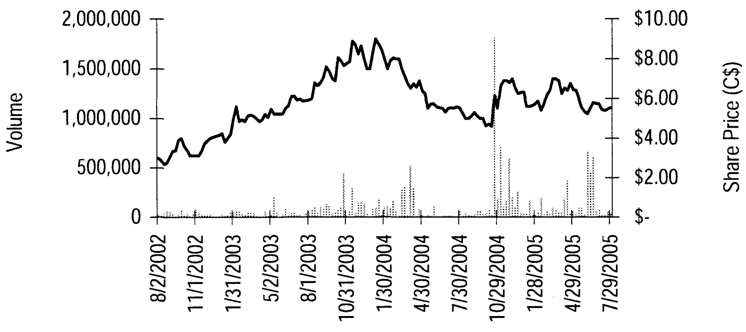
NGD, TSX – The Details



Share Statistics

(all values in US$ unless otherwise noted)

12-Month High - Low:		C$8.00 - 4.30
Previous Volume:		6,500
Current Book Value:		$22.7 million
Shares O/S	Basic:	14.4 million
	F.D.:	16.2 million
Market Cap:		C$77.8 million
Float:		12.0 million
Float Value:		C$64.8 million
Index Member:		N/A
Full Report Issued:		June 23, 2003

Company Profile

New Gold Inc. has an option to earn a 100% interest in the Afton copper-gold project in central British Columbia. Since acquiring the property in late 1999 New Gold has outlined 53 million tonnes of copper-gold mineralization at an average grade of 2.1% copper-equivalent. A pre-feasibility study on Afton has recently been completed and the project entered the final feasibility stage in late-2004. Afton is a robust copper-gold project located in a mining friendly region that we believe is capable of producing over 100,000 oz per year of gold and 100 million lbs of copper per year.

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Disclaimers

Orion Securities Inc. has acted as a financial agent for New Gold Inc. (formerly DRC Resources Corporation) within the past two years.

Orion's Research Distribution Policy is to allow all clients that are entitled to have equal access to our research.

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Industry Rating	**Definition**
Overweight	Analyst expects performance of their industry coverage universe to beat the TSX benchmark over the next 12 to 18 months.
Equal Weight	Analyst expects performance of their industry coverage universe to be in line with TSX benchmark over the next 12 to 18 months.
Underweight	Analyst expects performance of their industry coverage universe to lag the TSX benchmark over the next 12 to 18 months.
Company Rating	
Overweight	The stock's total return is expected to exceed the average total return of the analyst's (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12 to 18 months.
Equal Weight	The stock's total return is expected to be in line with the average total return of the analyst's (or industry team's) coverage universe on a risk-adjusted basis, over the next 12 to 18 months.
Underweight	The stock's total return is expected to be below the average total return of the analyst's (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12 to 18 months.
Speculative	Analysts will use a speculative risk rating where the company faces unusually high business or financial risk.

Note: All ratings assume equal-weighted stocks in a portfolio.
TSX benchmark total return is assumed at annualized rate of 8% to 10%.

Sep Y. '05

DRC RESOURCES CORPORATION

(DRC, C$6.20, TSX; DRJ, US$5.00, AMEX)
Recommendation: Overweight; 12-Month Target: C$17.00

orion SECURITIES INC.

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April 6, 2005

All values in US$ unless otherwise noted.

Closing Price:		C$6.20
Target Price:		C$17.00
Potential Return:		174%
12-Month High-Low:		C$8.00 – 4.30
Previous Volume:		8,150
Current Book Value:		$22.7 million
Shares O/S	Basic:	13.9 million
	F.D.:	15.2 million
Market Cap:		$70.7 million
Float:		11.1 million
Float Value:		$56.4 million
Index Member:		N/A
Full Report Issued:		June 23, 2003

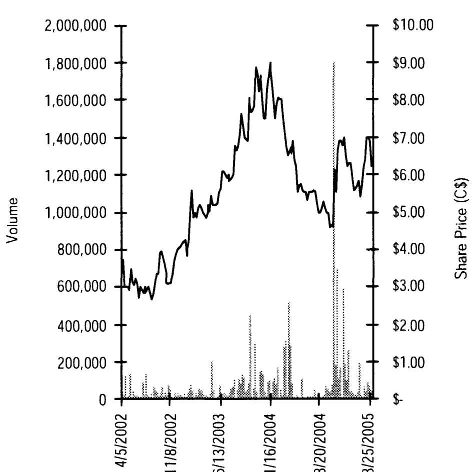
What's Changed

	Previous	New
Rating	Overweight	Unchanged
Target	C$14.00	C$17.00

Company Profile

DRC Resources Corporation has an option to earn a 100% interest in the Afton copper-gold project in central British Columbia. Since acquiring the property in late 1999 DRC has outlined over 60 million tonnes of copper-gold mineralization at an average grade of almost 2% copper-equivalent An underground program is underway to allow delineation drilling as well as rock mechanics and metallurgical testing. Afton is a robust copper-gold project located in a mining friendly region that we feel is capable of producing over 100,000 oz of gold and 100 million lbs of copper per year.

DRC Resources Corporation – Trading History



New and Golden

- **DRC is making excellent progress at Afton.** With the project clearly on-track, we believe it is time for a renewed look at the company soon to be renamed New Gold Inc. (assuming shareholder approval).
- **Progress on the decline has bettered expectations.** The planned 1.2 km ramp is 50% complete and should be finished by mid-summer – ground conditions remain very good (even in the vicinity of the main mineralized structure)
- **Delineation drilling and crosscuts into the ore zone will provide data for feasibility.** By year-end we expect that all the data needed to plan development will be in hand (infill drilling, geotechnical characterization of ore and wallrock, and metallurgical testwork for circuit optimization).
- **The stage should be set for a smooth transition to mine development.** If the company finances permit, we believe that DRC can begin underground development concurrent with finalizing the feasibility (expected June 2006), which could allow for production in late 2007.
- **With the startup of underground drilling, the company should be able to provide a steady stream of exploration results over the next 18 months**. With Afton finally progressing, we look to see the market begin to appropriately value this high-quality project.
- **We maintain our Overweight rating, but we are raising our target price to C$17.00.** We have reexamined our model to reflect higher costs, but also increased our assumed tonnage and incorporated higher metal prices.

Summary & Investment Outlook

We recently visited DRC's Afton project, seeing the exploration/feasibility ramp for the first time. The company has been achieving 6 metres/day or so of advance, and looks set to meet (or slightly beat) its planned completion in June or July (see our note of February 28, 2005).

The decline has gone "round the bend", and has crosscut the main ore trend. The part of the program that held the greatest risk of delays is past, giving us more confidence of DRC's ability to hold to its schedule of completing the underground program in the summer, with the feasibility study due in mid-2006.

This underground program will provide key information. The key issues for the Afton project include reserve definition, metallurgical response of the ores, and mining method – the data needed to tie all of these down will come either directly from the underground work or from detailed drilling to be carried out from the decline.

The rock conditions in the decline were as least as good as the company had expected. Ground support, consisting of mesh and resin bolts, appears to be more than adequate, and in our view the competency of the wallrocks is sufficient for establishing long-term access and infrastructure for mining. Shotcrete was being applied near the main structure that hosts the mineralized intrusive phase, but water inflows and raveling of the ground appeared minimal.

Drill stations have been established and delineation drilling is underway. The underground program is slated to include 20,000 metres, drilled on sections 80 metres apart. This should provide enough information to refine the resource/reserve model and to allow detailed mine planning.

We expect Afton to become a significant copper-gold mine as early as mid- to late-2007. In our view, the current share price does not come close to reflecting the company's intrinsic value. We reiterate our Overweight rating and increase the 12-month target price to C$17.00 to reflect our expectation of material progress in making the new Afton a reality. While we believe that current management wants to stay independent and build a new company, as the technical uncertainties are reduced (via the underground program) we do expect the company to be attractive to a range of mid-tier gold and/or base metal producers.

Ch-Ch-Changes

A "new" gold company is in the making. Assuming that the resolution receives shareholder approval, DRC is likely to be renamed New Gold Inc. – this will eliminate confusion between DRC's name (suggesting the Democratic Republic of the Congo to many investors) and its strictly Canadian focus.

Personnel changes go along with the name change. Aside from DRC's new Chief Executive Officer (see our note of October 19, 2005) the company has named two new board members who bring important bulk mining (Cliff Davis, formerly an executive at Rio Tinto, as well as Chief Executive Officer of TVX

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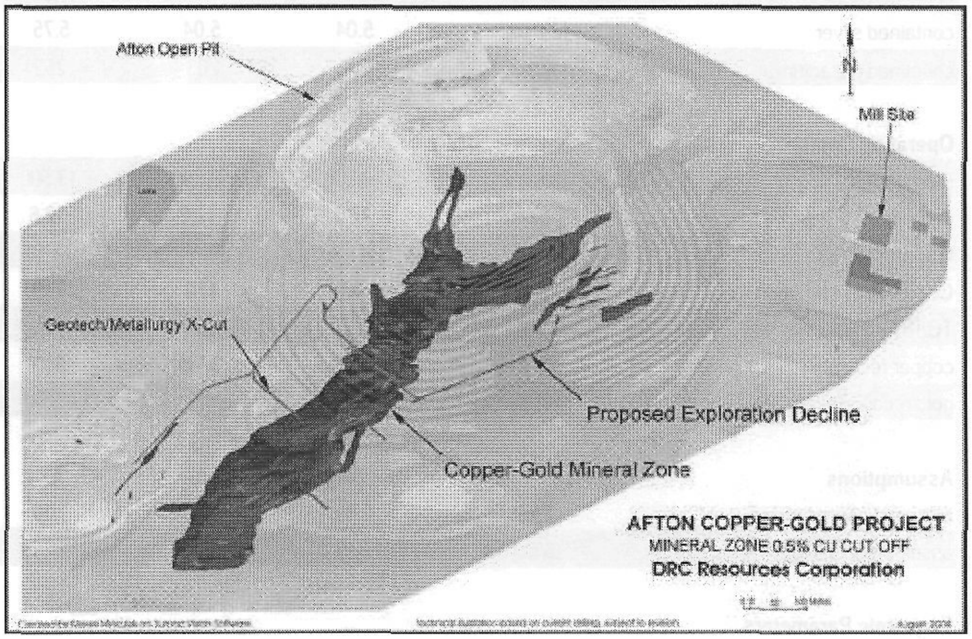
Gold and Gabriel Resources) and corporate/legal (Greg Laing, Legal of Goldcorp with a background at other miners including TVX) experience.

We anticipate further augmentation of the senior ranks. In our view, we see additions at the Chief Operating Officer and Chief Financial Officer level as the company moves closer to producer status. In the meantime, we came away from our visit impressed with the organization DRC has put in place at the project level.

With Afton, DRC/New Gold has the platform to grow a significant gold or base metal company. In its revenue mix the company is not far off the split at Wheaton River's key Alumbrera mine. Afton can be a +100,000 oz producer with negative cash costs and strong cash flow generation – such an asset gives a company a strong strategic position to continue to grow from as either a gold or base metal miner.

Exhibit 1 – Perspective Drawing of Afton Orebody Showing Planned Decline



Source: DRC Resources reports

Model Changes

We have taken a hard look at our model and modified a number of inputs. We continue to take the approach that a sub-level caving operation is more likely to be built than a block cave (which was assumed in the advanced scoping study published in February 2004). This has the result of lowering initial and LoM capex relative to the scoping study, but significantly increasing operating costs per tonne (overall our model incorporates total costs per tonne 20% higher, in Canadian dollar terms, than the scoping study).

We have raised our assumed operating and capital costs to reflect the global pattern of "cost creep". These changes are shown in Exhibit 2. The largest changes are in off-site costs (TC/RC's and concentrate transport are up 33 and 175%, respectively) but operating (+13%) and capital (+42%) are also higher.

Exhibit 2. DRC Resources Model Changes

		Previous	Inflated	Current	Change
Reserve					
cut-off grade	(% copper-equiv)	1.30%	1.30%	1.00%	-23%
tonnes	(MM)	48.5	48.5	62.0	28%
copper grade	(%)	1.33%	1.33%	1.19%	-10%
gold grade	(g/t)	1.05	1.05	0.94	-11%
silver grade	(g/t)	3.24	3.24	2.89	-11%
palladium grade	(g/t)	0.13	0.13	0.13	-3%
contained copper	MM lb	1,421	1,421	1,625	14%
contained gold	MM oz	1.64	1.64	1.87	14%
contained silver	MM oz	5.04	5.04	5.75	14%
contained palladium	K oz	203	203	252	24%
Operating Costs					
daily throughput	(tonnes)	10,900	10,900	13,500	24%
mine life	(years)	12.2	12.2	12.6	3%
On-Site Costs	($/t ore)	11.64	13.96	13.11	13%
Concentrate Transport	($/t concentrate)	40	110	110	175%
TC/RC	($/lb)	0.15	0.20	0.20	33%
copper recovery	(%)	91%	91%	90%	-1%
gold recovery	(%)	91%	91%	88%	-3%
Assumptions					
assumed copper price	($/lb)	0.85	1.10	1.10	29%
assumed gold price	($/oz)	375	425	425	13%
Economic Parameters					
LOM cash cost	($/lb)	0.15	0.31	0.34	131%
LOM capex	($MM)	135	161	191	42%
LOM total cost	($/lb)	0.26	0.44	0.48	87%
payback period	(years)	1.13	1.20	1.14	1%
IRR	(%)	56%	55%	55%	-2%
		Previous	**Inflated**	**Current**	**Change**
NPV ($MM)	0%	447	499	526	18%
	5%	283	312	329	16%
	8%	228	251	253	11%
	10%	185	203	213	15%
	12%	157	172	181	15%
	15%	124	135	142	14%

Source: Orion Securities

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We continue to benchmark off of other mines and projects. The revised on-site costs of $13.11/tonne (up from $11.64/tonne) are comparable with those we estimate for the very similar Ridgeway mine (operated by Aussie senior Newcrest Mining), as well as for feasibility cost estimates for like sized copper-gold operations in several locations.

We have assumed a larger ultimate reserve. In previous versions of the model we used a 1.3% copper-equivalent cutoff grade. When looking at assumed costs it was clear that this was too conservative under any but a very pessimistic metal price scenario. As a result, we have moved to a 1% copper-equivalent cutoff, yielding 28% more tonnes of ore, and 13% and 11% increases in payable copper and gold, respectively.

With a larger deposit we have also increased our assumed mining rate. Based on 60 million tonnes of mineable ore we are assuming a mining rate of 13,500 tpd – this results in a 12-13 year mine life, similar to that in our previous model. Note that our assumption of higher unit operating costs are in spite of a 24% higher milling rate.

These changes result in higher forecast LoM costs. These have gone to 0.34/lb from 0.15/lb, with total costs also rising to 0.48/lb from 0.26/lb. Of this increase in cash costs, $0.14/lb comes directly from higher TC/RCs and concentrate transport. An additional $0.03/lb comes from lower grades, with $0.02/lb from higher on-site operating costs.

Higher metal prices more than offset the cost increases. In our original look at DRC we assumed prices of $0.85/lb and $375/oz for copper and gold, respectively. In 2004 these prices averaged $1.30/lb and $410/oz, and thus far in 2005 have been $1.48/lb and $428/oz. We believe that many of the drivers of cost creep are also behind today's robust base metal prices, and if metal prices were to fall our operating cost estimates would prove to be pessimistic.

The project remains very robust. Based on our original cost forecasts and metal prices, we expected a payback period under 14 months and a high IRR of 55%. Looking at our new model these quantities are essentially unchanged – we see a project with a +50% IRR and a payback period of less than two years.

Potential Upside

While we already see Afton as an outstanding project, there are several sources of potential upside for the project. One feature that we have noted in the past is the higher grades in the measured resource as compared with those in the indicated and inferred categories. Using a 1% copper-equivalent cutoff the measured resource grades 1.4% copper and 1.0g/t gold (plus minor silver and palladium) – the indicated plus inferred resources together average 1.16% copper and 0.9g/t gold. With the average grade of the measured resource 21% higher than indicated plus inferred, there is some potential to see the deposit's average rise as infill drilling proceeds.

The mineralized zone remains open at depth and to the west. Drilling from surface had reached its logical limit, and as a result the company had stopped chasing the mineralized zone to depth. With the better drill platform provided by the decline we expect to see drilling extend the deposit.

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Other mineralized zones remain to be tested. While the company has done a minor amount of exploration in the past on the nearby Pothook structure and in the Ajax area (see our note of July 16, 2004), much of the Afton property is essentially unexplored. We expect that the company will, as it seeks to scope out the appropriate size for the Afton mill, spend more effort on testing these targets.

The Teck Situation

DRC/New Gold still needs to come to an arrangement with Teck. Teck (now Teck Cominco) was the former operator of the Afton mine, and still holds certain surface rights. DRC has held discussions with Teck over the years on transferring these rights to the company. We believe a dialogue is ongoing and that DRC's new management will succeed in getting access to what really counts – the existing Afton tailings facility.

Valuation

Corporate NAV is well in excess of the current share price. We have looked at DRC/New Gold in a variety of ways and we illustrate these results in Exhibit 3. These include project net present value and NAV per share under our original model (including original metal price assumptions), an "inflated" case (with higher metal prices and costs), and our "new" model incorporating higher costs and prices, as well as an expanded reserve and mining rate.

Exhibit 3. DRC Resources/New Gold NAV Estimates

	NAV $C/sh				NAV $C/sh (financed)		
	Previous	Inflated	Current		Previous	Inflated	Current
0%	40.69	45.20	47.51	0%	28.97	30.79	31.20
5%	26.34	28.93	30.36	5%	19.95	21.09	21.40
8%	21.56	23.55	23.71	8%	16.97	17.88	17.61
10%	17.82	19.36	20.28	10%	14.65	15.38	15.65
12%	**15.41**	**16.66**	**17.44**	**12%**	**13.14**	**13.77**	**14.03**
15%	12.51	13.44	14.05	15%	11.34	11.85	12.10

Source: Orion Securities

Two NAV per share estimates are presented for each of the scenarios. These include the current NAV per share based on the current share count and working capital, plus an estimate of NAV after the Afton project is financed. For the latter calculation we looked at a roughly 50-50 debt-equity split, with the remaining equity raised at C$10.00/sh.

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Afton's value is most sensitive to copper price. In Exhibit 4 we show project NPV as well as DRC NAV per share at 5%, 8%, and 12% discount rates at a range of copper and gold prices (this is based on current shares and working capital). Note that even at a 12% discount rate and very conservative metal price assumptions ($0.80/lb copper, $350/oz gold) DRC's NAV is comparable with the current share price. If you look at current metal prices and lower discount rates (we believe 8% is appropriate for a company approaching startup, and 5% for a copper-gold company in production) the NAV is a multiple of the current DRC share price.

Exhibit 4. DRC IRR and NAV sensitivity

IRR

	0.80	0.95	1.10	1.25	1.40	1.55
350	29%	40%	49%	57%	65%	73%
375	32%	42%	52%	59%	67%	75%
400	34%	44%	53%	61%	69%	76%
425	37%	47%	55%	63%	71%	78%
450	39%	49%	57%	65%	72%	80%
475	42%	51%	59%	67%	74%	81%

Project Net Present value

NPV 5%

	0.80	0.95	1.10	1.25	1.40	1.55
350	123	200	276	348	424	501
375	142	218	295	367	443	519
400	160	237	312	385	462	538
425	179	256	329	404	480	556
450	198	274	346	422	499	575
475	216	293	365	441	517	593

NPV 8%

	0.80	0.95	1.10	1.25	1.40	1.55
350	90	150	211	268	328	389
375	104	165	226	283	343	403
400	119	180	239	297	358	418
425	134	195	253	312	372	433
450	149	209	266	326	387	447
475	163	224	281	341	401	462

NPV 12%

	0.80	0.95	1.10	1.25	1.40	1.55
350	58	104	150	192	237	283
375	69	115	161	203	248	294
400	80	126	171	214	259	305
425	91	137	181	225	270	316
450	102	148	190	236	281	327
475	113	159	201	247	291	338

DRC Net Asset Value/Share

NAV 5%

	0.80	0.95	1.10	1.25	1.40	1.55
350	12.43	19.14	25.76	32.03	38.65	45.36
375	14.08	20.70	27.41	33.68	40.30	46.92
400	15.65	22.36	28.89	35.25	41.96	48.58
425	17.31	24.01	30.37	36.91	43.53	50.15
450	18.96	25.58	31.85	38.47	45.18	51.80
475	20.53	27.24	33.51	40.13	46.75	53.37

NAV 8%

	0.80	0.95	1.10	1.25	1.40	1.55
350	9.55	14.78	20.09	25.06	30.29	35.60
375	10.77	16.09	21.40	26.37	31.59	36.82
400	12.08	17.39	22.53	27.59	32.90	38.13
425	13.39	18.70	23.75	28.89	34.12	39.43
450	14.69	19.92	24.89	30.11	35.43	40.65
475	15.91	21.23	26.19	31.42	36.64	41.96

NAV 12%

	0.80	0.95	1.10	1.25	1.40	1.55
350	6.77	10.77	14.78	18.44	22.36	26.37
375	7.72	11.73	15.74	19.40	23.32	27.32
400	8.68	12.69	16.61	20.36	24.28	28.28
425	9.64	13.65	17.48	21.31	25.23	29.24
450	10.60	14.61	18.26	22.27	26.19	30.20
475	11.56	15.56	19.22	23.23	27.06	31.16

Source: Orion Securities

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Afton looks great as a gold project. The success of Alumbrera in attracting a gold multiple in Wheaton River is encouraging for any gold miner that wants to take advantage of the low costs that the magic of byproduct accounting can bring. Exhibit 5 shows what Afton looks like as a gold mine, with negative cash and total costs when copper (plus minor silver and palladium) are treated as byproducts.

Exhibit 5. Afton Project as a Gold Mine

Payable Gold Prod'n	(K oz)	1,687
Average Annual Prod'n	(K oz)	130
Total Expenses	($MM)	1,291
Byproduct Credits	($MM)	1,646
Net Expenses	($MM)	(355)
Cash Cost	($/oz)	(210)
LOM Capex	($MM)	191
Capex/oz	($/oz)	113
Total Cost	($/oz)	(98)

Source: Orion Securities

Target Price

Afton looks like a clear winner. In our opinion, this project can make it even with metal prices well below the current levels, even if we see operating and cash costs well above our forecasts. In our view, there is very little risk of Afton not progressing through to production.

We believe a gold-copper asset like Afton would attract a blended multiple. The Alumbrera mine, 37.5% owned by Wheaton River (soon to merge with Goldcorp) is a good comparison. Our models suggest that the market applies a discount rate close to 4% in comparison to the 0% discount rate we use for gold assets. Given that Afton has a slightly higher copper:gold ratio than Alumbrera we would look to a 5% discount rate for an ultimate value.

In the interim we are taking what we believe is a conservative route, looking at a 12% discount rate and metal prices well below our forecast. Based on \$1.10/lb copper and \$425/oz gold, our 12% discounted NAV is almost C\$17.50/sh. On a financed basis and a 5% discount rate (using the same metal prices) our valuation rises to C\$21.40/sh. We believe that the company has the potential to bring the deposit into production in the second half of 2007, and that a two-year target price in excess of C\$20.00 is reasonable.

Will DRC Make It on Its Own?

By mid-summer the planned geotechnical and bulk sampling will drive across the mineralized zone. This (along with the definition drilling) will be the most keenly watched part of the study. The drift into the ore zone should provide the necessary assurance for DRC (or any other interested parties) in terms of selecting an appropriate mining method.

DRC is building the team for the long haul. New Chief Executive Officer Chris Bradbrook believes that Afton can provide the foundation for a new mid-tier producer. His experience at Goldcorp, where he was a key member of the team that built the company's profile with investors, will prove key. New board member Cliff Davis brings depth of operating and development and should help in providing perspective while the company examines development alternatives, as well as assist in recruiting a new Chief Operating Officer.

As it gets closer to production the market will speak. At a share price close to the current level, we believe that DRC/New Gold would represent extremely compelling value for a gold or base metal miner. We expect the market to respond to positive news flow from the underground program and for the DRC share price to begin closing the gap with the company's underlying value.

Summary and Conclusions

We maintain our Overweight recommendation but we are raising our target price to C$17.00. In our view, even this new figure represents a conservative valuation at current metal prices. While exploration success offers the possibility of increasing this value, in our view, the key for the market is to finally recognize the progress at Afton, giving assurance that (after a long wait) the company is poised to finally realize the value of its high-grade discovery.

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Disclaimers

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Industry Rating	**Definition**
Overweight	Analyst expects performance of their industry coverage universe to beat the TSX benchmark** over the next 12 to 18 months.
Equal Weight	Analyst expects performance of their industry coverage universe to be in line with TSX benchmark over the next 12 to 18 months.
Underweight	Analyst expects performance of their industry coverage universe to lag the TSX benchmark over the next 12 to 18 months.
Stock Rating	
Overweight	The stock's total return is expected to exceed the average total return of the analyst's (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12 to 18 months.
Equal Weight	The stock's total return is expected to be in line with the average total return of the analyst's (or industry team's) coverage universe on a risk-adjusted basis, over the next 12 to 18 months.
Underweight	The stock's total return is expected to be below the average total return of the analyst's (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12 to 18 months.
Speculative Rating	Analysts will use a speculative risk rating where the company faces unusually high business or financial risk.

Note: All ratings assume equal-weighted stocks in a portfolio.
TSX benchmark total return is assumed at annualized rate of 8% to 10%.

Sept.'05

Metals and Mining

New Gold Inc. (NGD-T, $5.54; NGD-A)

Recommendation: Strong Buy

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All values in C$ unless otherwise noted.

Current Price	$5.54
Target Price (12-Month)	$10.00
Target Return	81%

Changes

	Old	New
Recomm.	N/A	Strong Buy
Target	N/A	$10.00

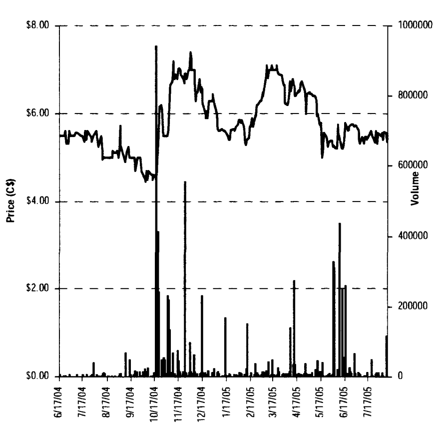
Company Profile

New Gold Inc. (formerly DRC Resources) controls the deep underground extension of the past producing Afton copper/gold open pit mine near Kamloops, British Columbia. New Gold is tunneling a 2 km underground ramp for improved ore access and infill drilling. An updated resource estimate will be incorporated in its final feasibility study, expected potentially in 2Q/06, with a production decision to follow thereafter.
www.newgoldinc.com

"New Afton" Copper/Gold Project; Initiating Coverage; Target Price of $10.00

- **$18 million advanced-stage evaluation program underway.** The 2 km underground decline and development is 75% complete. Comprehensive sample results will be included in the feasibility study.
- **Initial infill drilling results confirming mineralized grade and widths.** A higher-grade "core" appears to be developing within the larger resource of 69.7 million tonnes grading 1.08% copper and 0.85 g/t gold.
- **New high-grade deposit below the past-producing Afton mine.** Provides potential for developing a "brownfields" mine on a previously disturbed mine site, which should expedite the permitting period.
- **Strong Buy and Target Price of $10.00 per share.** Results and regular updates will be provided as the eighteen-month program advances to a production decision in 3Q/06.

Price Chart



Source: PCQuote

Financial Summary

Shares Out (M)	14.4	52-Week Range	$4.30 - $8.00
Market Cap (M)	$79.6	Avg Weekly Volume	1,696,288
Shares (FD M)	16.2	Fiscal Year End	Dec-31
Working Capital (M)	$20.6	Book Value/Share	$2.05

Key Properties:	**Status:**
New Afton, British Columbia	20,000 metre underground drilling and evaluation program underway
	Final feasibility study expected first half 2006
	Measured/Indicated resource totals 69 M tonnes grading 1.1% copper, 0.9 g/t gold, or 1.6 B lbs copper, 1.9 M oz gold
	Inferred resource totals 7.5 M tonnes grading 0.9% copper, 0.8 g/t gold, or 152 M lbs copper, 0.2 M oz gold

Key Management:		**Key Shareholders (Est. Holding):**
Chris Bradbrook	President, CEO	Officers/Directors (22.2%)
Paul Martin	Chief Financial Officer	
Michael Hibbitts	VP Exploration	

Source: Wellington West Capital Markets

Please see disclaimers at the end of this report.

INVESTMENT SUMMARY

New Gold controls New Afton – a deeper and higher grade zone below the past producing Afton open pit mine in British Columbia. An aggressive underground exploration and evaluation program is in progress to complete a final feasibility study. This will bring the project to the production decision stage by the third quarter of 2006, and with a relatively short development timeline, potential production could start-up in 2008. **We are initiating coverage of New Gold Inc. with a Strong Buy and a target price of $10.00 per share.**

INVESTMENT POSITIVES

$17.5 million underground exploration and evaluation program underway. Progress has been ahead of schedule for the underground decline, and drilling has proceeded well. Bulk sampling and drilling of the high-grade deeper mineralization will increase technical confidence for future mining parameters.

"Brownfields" project. The New Afton project is well-located adjacent to paved highways, on the site of a past-producing mine, with power, water and a nearby skilled labour force. Environmental and mining permits will be necessary but should be relatively straight-forward given historical mining at the site.

Grade and expansion upside. The cross-cut now extends 44 metres through the central part of the zone, which should upgrade and possibly expand resources, as well as improve the project economics. Copper and gold grades are comparable to several large world-class mines.

INVESTMENT RISKS

Land use agreements to be arranged. New Gold owns its mineral rights, will have surface access from the government for mining and has started applying for the necessary permits. TeckCominco announced the sale of its surface rights in the project area to a junior company, retaining an indirect equity interest.

Conservative scoping study. The 2003 positive Behre Dolbear scoping study used relatively low metal prices and high capital expenditures. There are several areas of potential economic improvement but caution is required in assuming much higher prices and lower costs until the current evaluation is completed.

Development risk. New Gold will need to transition from junior exploration company to producer, and has assembled a new technical team to take the project through the evaluation and development period. Positive management and board changes were made in the last year, with further additions required for operation.

VALUATION SUMMARY

New Gold is fully financed to complete its aggressive underground program. The comprehensive infill drilling and bulk sampling will allow a production decision to be made in 3Q/06. The preliminary net present value of our modeled discounted cash flows, using conservative discount rates of 7.5%-12.0% returns values of **$9.75-$15.40** per diluted New Gold share. The deposit's potential and location appear more favourable than several other British Columbian and remote global deposits. Average copper and gold grades compare well to several large world-class mines. **We are initiating coverage, ranking the shares Strong Buy with a target price of $10.00 per share.**

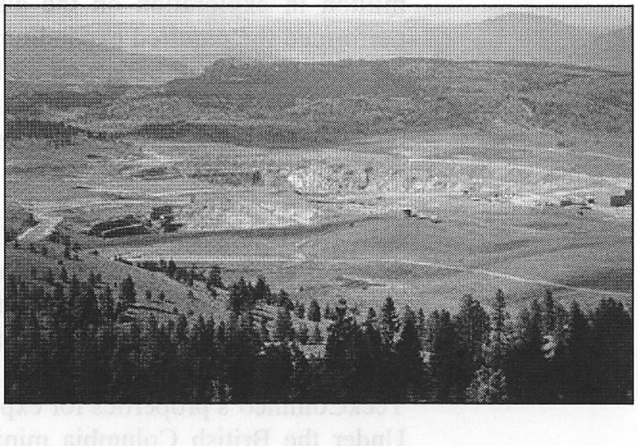
NEW AFTON PROJECT, BRITISH COLUMBIA

The New Afton Project is located adjacent to the Trans Canada and Coquilhala Highways about 15 km from downtown Kamloops, British Columbia. Kamloops is a city of 80,000, located three and one half hours by road from Vancouver. The deposit name coined herein as New Gold's New Afton refers to the mineralization below the Afton open pit, mined for twenty years by TeckCominco (TEK.SV.B-TSX) (formerly Teck Corporation) until 1997.

A key strength for New Gold is advancing and developing a deposit on a previously disturbed mining site. Water, gas and hydro lines cross the project area; which is located on major highways. The nearby town has a skilled mining labour force and an attractive employee lifestyle opportunity, especially compared to remote and rural global locations. TeckCominco's Highland Valley copper mine is 60 km to the southwest, and produces about 170,000 tonnes of copper annually, plus molybdenum. Project-specific environmental and mining permits will be required by New Gold

The Afton main pit is not visible from the east-west Trans Canada Highway which passes around the northern edge of the pit in Exhibit 1. The Coquihalla Highway is seen in the lower left foreground.

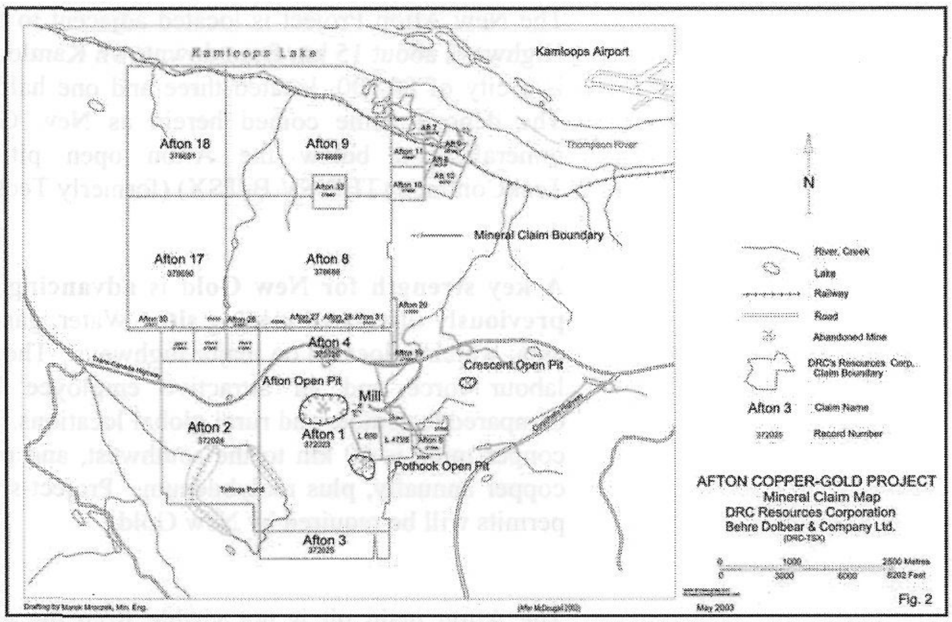
Exhibit 1: View Looking West Towards Afton Pit (smaller Pothook Pit in Left Foreground and Dormant Afton Mill Building at Far Right)



Source: New Gold Inc.

New Gold controls the mineral rights for 32 claims covering 3,150 hectares. Mineral claims #Afton 1-11 are subject to a 1999 option agreement whereby New Gold is acquiring a 100% interest from companies controlled by John Kruzick, current Chairman and founder of New Gold (DRC Resources) and John Ball, a geologist formerly active on the project. The remaining 21 mineral claims were staked by New Gold subsequent to the 1999 option. The Company reports all of the claims are in good standing to March 2011.

Exhibit 2: Mineral Claim Map



Source: New Gold Inc.

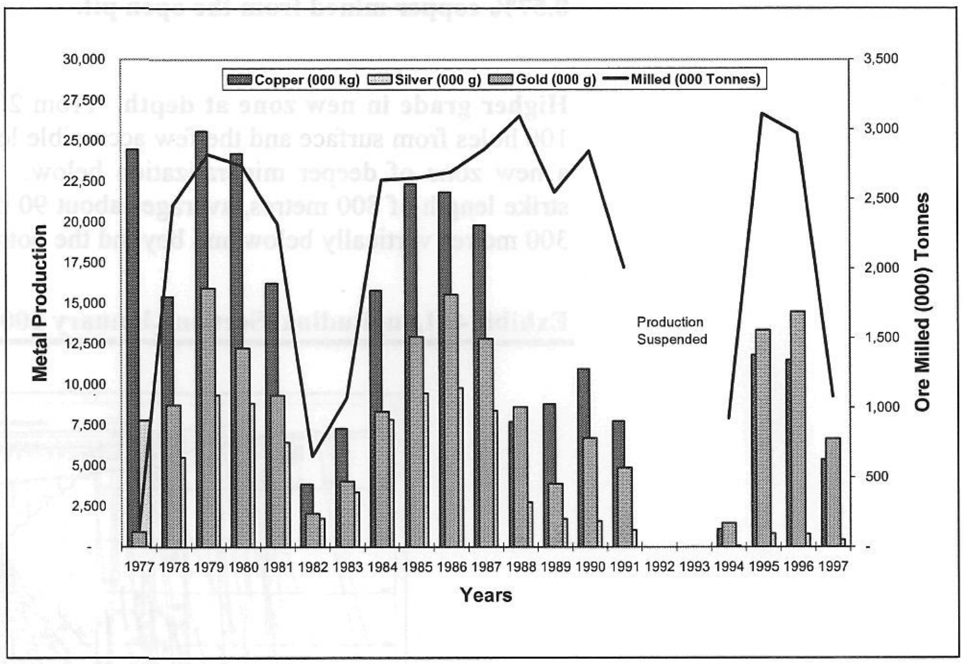
The option agreement was signed in September 1999, allowing New Gold to acquire 100% interest in the eleven mineral claims mentioned above by issuing two million New Gold shares to the vendors and expending a total of $6.5 million in exploration on the claims over a ten-year period. New Gold has performed the required expenditures and has issued 1.8 million shares. The final 200,000 shares will be issued by November 2005, according to management. A 10% net profits interest royalty can be purchased by New Gold for $2.0 million up to December 1, 2010. We have assumed this will occur.

New Gold does not own most of the surface rights to the area covered by the mineral claims, but has the right to exploit the deposit. Part of the deposit is overlain by crown land for which New Gold has surface rights. In April 2000 New Gold signed an access agreement with the surface rights' owner, TeckCominco (with extensions to 2006) giving it the right to access TeckCominco's properties for exploration purposes, subject to certain conditions. Under the British Columbia mining act, surface right access is granted to the holder of mineral rights, allowing them to exploit a potentially economic deposit.

Historical Open Pit Production

TeckCominco (formerly Teck Corporation) mined from five open pits along a 10 km-long mineralized trend in the Afton area. Capital costs were reportedly $90 million (Northern Miner). Production data from the Afton, Ajax West and Ajax East pits are summarized from the provincial government records in Exhibit 3 and Exhibit 15. The Pothook and Crescent open pits were likely mined from 1988-1991 as the Afton ores were depleted. Over nineteen years, 41.6 million tonnes was processed at the 9,000 tonne-per-day mill, recovering a total of **578 billion pounds of copper, 612,000 ounces gold and 2.8 million ounces silver**. Using long-term price assumptions of US$300/oz gold, US$5.00/oz silver and US$0.60/lb copper, a gross metal value of US$544 million is implied with **64% of the revenue from copper and 34% from gold.**

Exhibit 3: Chart of Past Production From Afton and Ajax Open Pits



Source: B.C. Ministry of Mines

The main Afton pit was mined to a depth of 280 metres. It is now partially flooded, with no impediment to New Gold's current underground development. **On a recent site visit, no excess water or pumping was seen underground, nor was unusual ground support required.** Due mainly to low metal prices mining stopped in August 1991 and restarted from the Ajax pits in October 1994. The mine was permanently closed in May 1997.

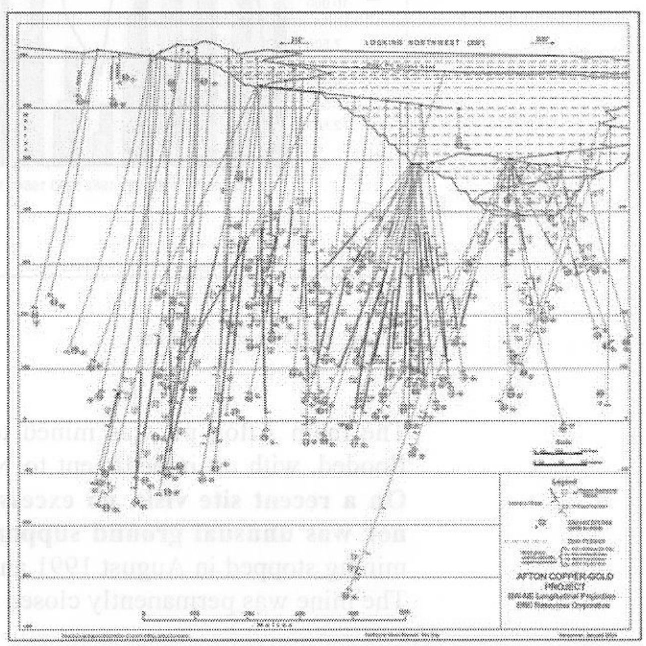
Previously disturbed area. TeckCominco placed the mill on care and maintenance and sold most of the mine and mill equipment, although the buildings remain. TeckCominco is responsible for reclamation of the previously-disturbed area, which has included posting of a bond with the province and revegetation of most of the surrounding area (now used for cattle grazing). Water and gas pipelines cross the Afton property area, which is adjacent to paved highways. A large tailings impoundment area with a berm about 50 metres in height is located southwest of the main pit, and continues to be monitored.

Exploration at Depth

Drilling by TeckCominco below the Afton open pit was minimal, and included only two drill holes in 1973 and five drill holes in 1980. A resource estimate was reported which estimated mineralization below the pit at 6.5 million tons grading 1.55% copper, 1.6 g/t gold and 6.9 g/t silver. **The average grade below the pit was estimated to be nearly three times higher than the average grade of 0.57% copper mined from the open pit.**

Higher grade in new zone at depth. From 2000-2003, New Gold drilled over 100 holes from surface and the few accessible lower benches of the Afton pit into a new zone of deeper mineralization below. The main zone extends along a strike length of 800 metres, averages about 90 metres in width and extends up to 300 metres vertically below and beyond the bottom of the open pit.

Exhibit 4: Longitudinal Section (January 2004)



Source: New Gold Inc.

Independent Scoping Study

Independent consultants Behre Dolbear were retained in 2003 to complete a resource estimate and provide a preliminary scoping study for potential mining of the deeper deposit. **Metal prices used in the 2003 independent estimate were substantially lower than current prices.** Copper is currently trading at US$1.70/lb compared to US$0.85/lb used by Behre Dolbear and gold is presently over US$435/oz compared to US$375/oz in the study. Converting the precious metals within the resource estimate at the stated prices returned an **average grade of 1.69% copper equivalent** for the measured and indicated resource.

Exhibit 5: Resource Summary

	Tonnes (000)	Copper (%)	Gold (g/t)	Silver (g/t)	Palladium (g/t)	Copper (mill lb)	Gold (000 oz)
Measured & Indicated							
Main Zone	68,700	1.082	0.845	2.619	0.119	1,639	1,866
Northeast Zone	970	1.120	0.948	6.396	0.096	24	30
	69,670	1.083	0.846	2.672	0.119	1,663	1,896
Inferred Resource							
Main Zone	7,450	0.924	0.784	2.341	0.120	152	188
Northeast Zone	430	1.003	0.662	4.634	0.058	10	9
	7,880	0.928	0.777	2.466	0.117	161	197

Metal Price Assumptions: Copper US$0.85/lb, Gold US$375/oz, Silver US$5.25/oz, Palladium US$200/oz
Recoveries - Copper 90%, Gold 90%, Silver 75%, Palladium 74%

Source: New Gold Inc.

Scoping study summary. The mine plan for the Main Zone assumed 68% of the measured and indicated resource and 61% of the inferred resource at an average grade of 1.72% copper equivalent would be mined over 17.8 years. Annual production was forecast to average 65 million pounds copper, 71,000 ounces gold, 178,100 ounces silver and 7,700 ounces palladium. Initital capital costs for the 9,000 mtpd underground mine were projected at C$149.7 million, with an additional C$191.4 million in sustaining capital. Block caving was the assumed mining method, with operating costs estimated at $9.77/tonne milled, or US$0.15/lb copper after by-product credits in a conventional flotation circuit. The after-tax internal rate of return was estimated at 20% using a 10% discount rate, and a net present value of C$94.3 million. As mentioned above, low long-term metal prices were used in the study.

Positive economics were returned, however, several areas of potential improvement and optimization are being evaluated. The long-term metal prices used appear relatively low during the current commodity price cycle. Mill ore recoveries used in the study were based on historical reports from open pit mining of relatively lower grade ores compared to the estimated New Afton grades. The copper equivalent cut-off grade used was 0.70% which should be confirmed and likely reduced with further work. The mining method chosen by Behre Dolbear was block caving with underground access via a ramp.

Block caving is typically used in large orebodies that have consistent grades throughout, with relatively poor ground conditions. A recent site visit confirmed that no major or unusual ground support was required underground. Block caving requires considerable development (time and cost) to blast and create drawpoints and ore chutes. Once the lower levels are prepared, large blocks of ore are blasted and allowed to cave under their own weight. Overall operating costs are relatively lower (US$10-$15/tonne) than drilling and blasting from separate levels or even more selective long-hole stoping (US$25-$35/tonne) used with a narrow vein-type system. New Gold retained SRK Consultants which have extensive experience in underground mining, especially block caving and sub-level block caving. They have also been retained by Ivanhoe Mines (IVN-TSX) to evaluate block caving as one of its underground mining methods at its Oyu Tolgoi copper/gold project in Mongolia, as well as at Newcrest Mining's (NCM-ASX) Ridgeway mine in Australia.

Ramp or hoist? Current access into the underground is via a ramped decline from a lower bench level in the past-producing open pit. For production purposes, a ramp from surface may be an option, with ore removed and trucked up the ramp to the mill. A more favourable option may be to sink a shaft and hoist the ore to surface, the location of which will depend on the final orientation and centre of gravity of the orebody.

Current Advanced Exploration Program

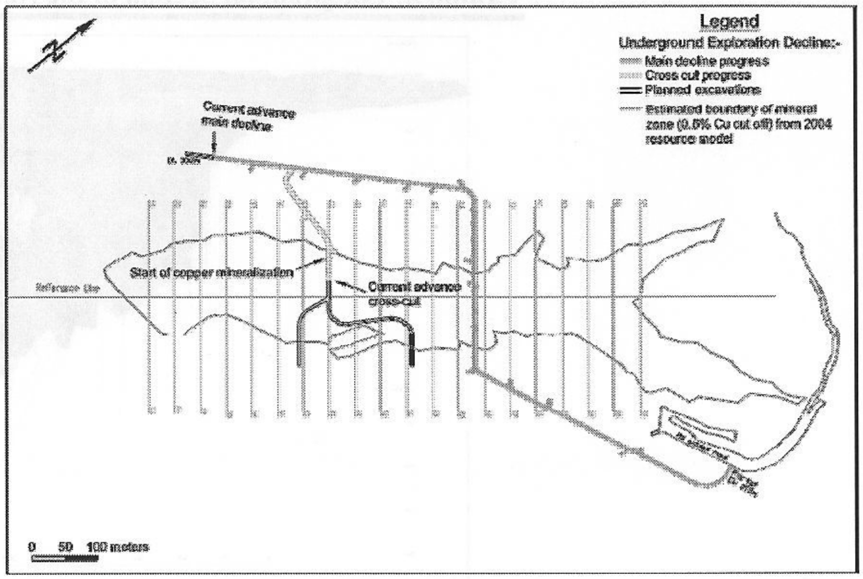
New Gold is now implementing the $17.5 million advanced exploration program recommended in the 2003 Behre Dolbear scoping study, with completion of the underground portion this year and the final feasibility study in the first half of 2006. About 75% of the cost is associated with the two km underground decline and development from one of the lower benches in the Afton open pit.

The main access decline is 90% completed at 1,162 metres by contractor Procon Mining & Tunnelling. As shown in Exhibit 6, a cross-cut into the orebody was taken from the main drive, and management reports it now provides **underground access to 44 metres (at Aug. 4) of mineralization within the core of the New Afton deposit.** Chip samples in the first four metres of the walls of the cross-cut at the contact of the mineralization, returned an average of 1.43% copper, 0.25 g/t gold, 2.3 g/t silver and <0.03 g/t palladium.

Grade continuity and metallurgical data. The key purpose of the underground program is to provide better accesss for extracting larger samples, complete geotechnical work and improve the confidence in data for grade continuity and metallurgical information, as part of the final feasibility study.

Improved access for drilling from underground. Two diamond drill rigs are active with a planned $1.8 million budget, including 20,000 metres of infill drilling. This should be sufficient for a new resource estimate. Eleven holes have been reported (to June 22) for a total of 5,153 metres or 468 metres/hole on average.

Exhibit 6: Plan View Showing Underground Decline



Source: New Gold Inc.

The selected principal intersections shown in Exhibit 7 for each of the holes released to-date average **1.43% copper** (2.06% copper equivalent) over significant intersections with estimated true widths averaging **51 metres**. The results confirm previous surface drilling results and appear that the mineralization envelope could be expanded. **The average of the principal intersections from the first eleven drill holes are 32% higher than the average resource grade (1.43% compared with 1.08% copper).**

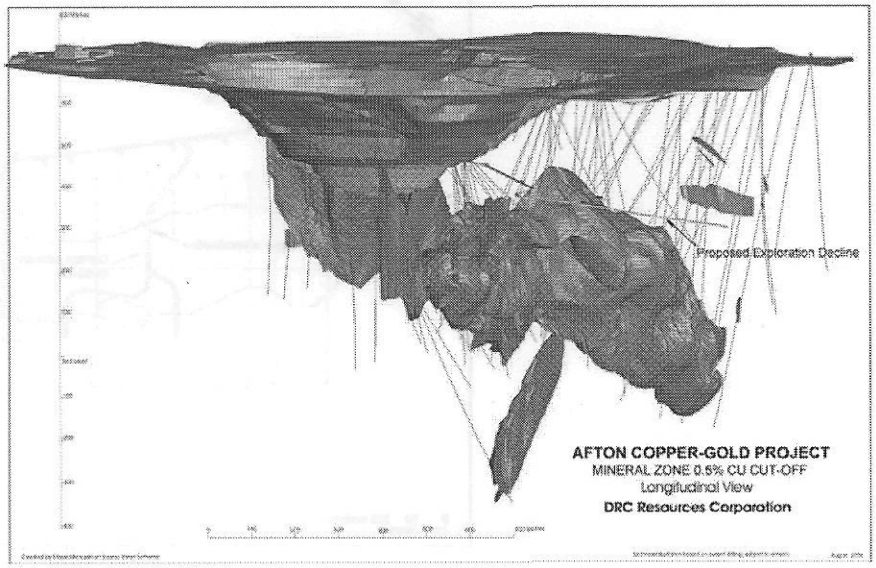
Exhibit 7: Selected Principal Underground Drill Intersections (June 22)

Drill Hole (Section)	Downhole (Metres) From	To	Length	Est. True Thickness (metres)	Copper (%)	Gold (g/t)	Silver (g/t)	Palladium (g/t)	Copper Equiv. (%)	Copper Equiv.* (%)
UA-02 (84E)	264	326	62	**53**	1.61	0.59	4.35	0.07	**2.05**	1.87
UA-03 (84E)	282	366	84	**65**	1.22	0.45	3.41	0.04	**1.55**	1.41
UA-09 (84E)	344	364	20	**11**	0.61	0.93	1.92	0.29	**1.33**	1.02
UA-12 (84E)	330	350	20	**13**	1.35	0.66	5.69	0.04	**1.84**	1.64
UA-11 (76E)	164	218	54	**46**	2.37	1.52	7.23	0.13	**3.46**	3.00
UA-13 (76E)	192	260	68	**46**	1.30	0.61	2.86	0.13	**1.76**	1.57
UA-16 (76E)	324	406	82	**36**	1.65	0.84	5.61	0.08	**2.27**	2.01
UA-05 (72E)	138	190	52	**41**	0.97	0.85	3.31	0.13	**1.59**	1.33
UA-06 (72E)	146	336	190	**131**	1.39	0.82	2.55	0.09	**1.97**	1.73
UA-07 (72E)	174	368	194	**105**	1.75	1.08	5.71	0.15	**2.55**	2.21
UA-08 (72E)	356	406	50	**12**	1.48	1.17	5.82	0.08	**2.31**	1.96
Average				**51**	1.43	0.87	4.41	0.11	**2.06**	1.79

Source: New Gold Inc.

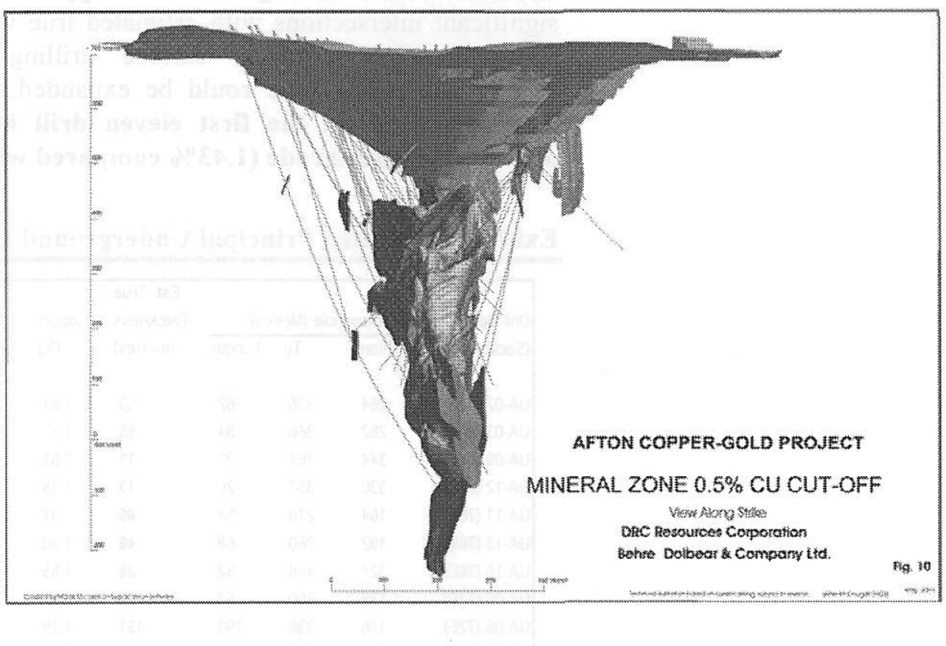
For orientation the mill buildings are located to the right just off the map in Exhibit 6, in the upper left-hand corner of Exhibit 8 and in the upper right-hand corner of Exhibit 9..

Exhibit 8: Longitudinal Section of the New Afton Deposit Looking South



Source: New Gold Inc.

Exhibit 9: Cross Section of the New Afton Deposit Looking North



Source: New Gold Inc.

AFTON AREA LAND HOLDINGS

New Gold owns mineral claims in the Afton area, in particular the claims covering the New Afton deposit below the main Afton open pit. TeckCominco currently owns the surface rights to some of these claims and has signed an option agreement with junior Abacus Mining (AME-TSXV) for their sale. Once New Gold has completed its feasibility study and decides whether to proceed to development, it will require facilities on surface to support the underground mine. In particular, it will require level land available for construction of a processing mill, tailings discharge area (either wet or dry), supporting infrastructure, potentially a production shaft and headframe plus access to the underground decline.

Under the British Columbia mining code, the government can ensure a portion of the overlying surface area will be available for proposed mineral development and use during the life of the mine and its reclamation. New Gold will have guaranteed access across the property, and has started the permitting process with the government, which will be finalized once a plan of operations is submitted.

Abacus Mining and TeckCominco Ltd. Agreement

The Afton mineralized trend is up to 20 km in length and 5 km in width, and only three mining companies have major land holdings along this trend – New Gold, TeckCominco and Abacus. Abacus Mining and Exploration (AME-V) acquired its mineral properties in the Afton area from TeckCominco in 2002, and signed a new letter of intent with that company in May 2005 to acquire certain nearby surface facilities. Over the next two years, Abacus management is planning an aggressive exploration program to advance its DM Audra and Rainbow deposits to the stage of potential development. These zones are relatively shallow, located within 2 km of the main Afton open pit. The letter of intent between Abacus and TeckCominco includes the acquisition of the Afton mill building and tailing storage, various permits, other infrastructure and back-in rights, subject to due diligence and independent valuation. Knight Piésold Ltd. and Beacon Hill Consultants Ltd. were retained to conduct the review, **now expected by the end of August**. The consultants are reviewing environmental issues, additional mining permits that may be required, and the cost-benefit analysis of building a new 25,000 tonne-per-day mine. The project is earlier stage than New Gold's and will require considerable exploration and evaluation prior to take it to the production decision stage. Abacus will issue 18.5 million shares and pay $10.0 million in cash over two years. The company has 37.6 million shares outstanding, giving a market value of $9.4 million at the recent price of $0.25 per share. **The purchase transaction is valued $14.6 million** (18.5 M x $0.25 + $10 M), more than doubling the size of the company. **TeckCominco will own 33% of Abacus when the payments are completed.**

Exhibit 10: Abacus Mining Resource Estimate

0.25% cut-off	Tonnes (000)	Copper (%)	Gold (g/t)	Copper (mill lb)	Gold (000 oz)
Indicated Resource					
Rainbow Zone	31,600	0.405	0.094	282	96
DM/Audra Zone	16,200	0.350	0.188	125	98
Total/Average	47,800	0.386	0.126	407	193
Inferred Resource					
Rainbow Zone	1,100	0.288	0.071	7	3
DM/Audra Zone	9,400	0.322	0.153	1	46
Total/Average	10,500	0.318	0.144	8	49

Source: Abacus Mining & Exploration.

OTHER PROPERTIES

New Gold controls additional mineral claims in the Afton area, in particular, 77 mineral claims covering the Ajax deposit, about 10 km east of the Afton deposit. Six diamond drill holes completed in 2004 along a strike length of 400 metres and to a depth of about 300 metres intersected low-grade copper and gold mineralization (in four holes) below the previously mined area.

VALUATION

Several methods of assessing market valuation are addressed including net present value of forecast discounted cash flows; multiple of in-situ resource and industry comparatives. The preliminary net present value of our modeled discounted cash flows, using conservative discount rates of 7.5%-12.0% returns values of **$9.75-$15.40** per diluted New Gold share. The deposit's potential and location appear more favourable than several other British Columbian and remote global deposits. Average copper and gold grades compare well to several large world-class mines. **We are initiating coverage, ranking the shares Strong Buy with a target price of $10.00 per share.**

Discounted Cash Flow

Using a 10% discount rate, our model assumptions indicate a net present value of $259.0 million or $10.93 per fully diluted share (Exhibit 16). Capital financing of 70%:30% debt:equity is assumed, increasing the shares used in this calculation to 23.7 million from the current 16.2 million.

Lower discount rate. One-third of the revenue is projected to come from gold, silver and palladium. Therefore this offers a good opportunity for the market to apply a lower discount rate for this copper/gold project, heading towards the more typical 3-5% used for gold-only projects. **At a 5% discount rate, the net present value estimate equates to $18.83 per fully diluted share.**

The Behre Dolbear scoping study returned a net present value at a 10% discount rate of $94.3 million or $6.55 per New Gold share, with an after-tax internal rate of return of 19.9%. Our model uses higher long-term metal prices, exchange rate, and operating costs (US$13.25/tonne) over the 18 year mine life. The same throughput of 9,000 tonnes per day and production of 70 million pounds copper and 300,000 ounces of by-product precious metals are assumed. **No increase in ore grade is assumed, but initial mining of what is appearing to a high-grade core will increase front-end cash flow and improve the project's economics.** A conservative use of the same initial capital cost of $140.9 million, and the relatively high sustaining capital projection of $191.4 million is used. Depending on the mining methods chosen, capital estimates should be lower, however, component cost prices have risen sharply in the last two years.

In-Situ Resource

Current drilling results appear to be expanding the mineralization with the potential to increase the mineable grade and the resource. The 2003 independent resource estimate reported 1.7 billion pounds copper averaging 1.08% copper. We believe the average grade could increase to about 1.5% copper, and the resource could expand to **2.2 billion pounds**. Copper, copper/gold and gold/copper projects, are priced at successfully higher market values relative to the copper contained in resource due mainly to lower potential operating costs associated with the higher precious metals by-product credit. Assuming the resource can be increased to 2.2 billion pounds, and applying copper/gold market multiples of US$0.05-US$0.15/lb indicates a potential value of **$8.27-$24.82** per New Gold share.

Exhibit 11: Market Multiples per Pound Copper in Resource

In-Situ Market Multiple Range (US$/lb)			Potential NGD Value/Sh.	
Copper Projects	$0.03	$0.05	$4.96	$8.27
Copper/Gold Projects	**$0.05**	**$0.15**	**$8.27**	**$24.82**
Gold/Copper Projects	$0.20	$0.25	$33.09	$41.36

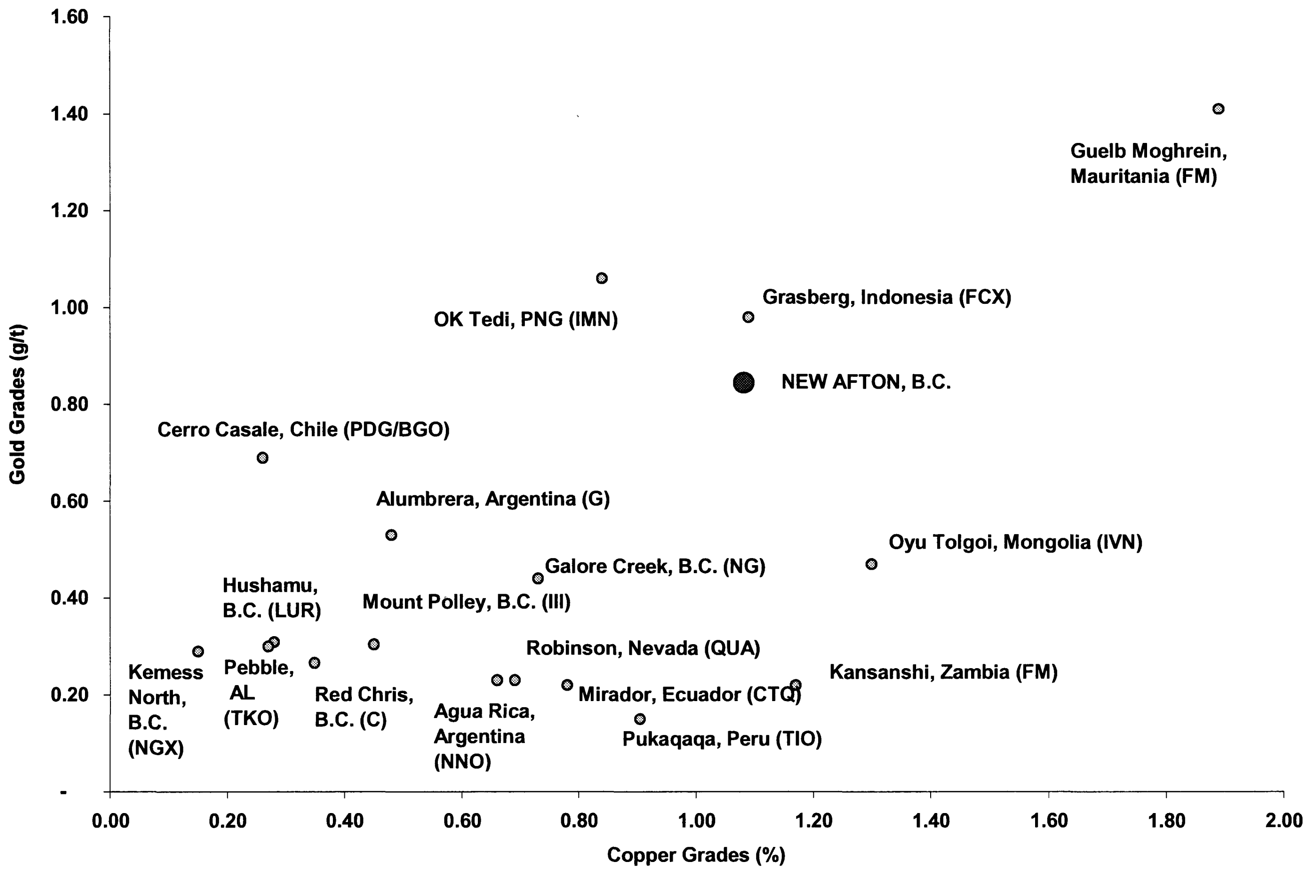
Source: Wellington West Estimates.

Industry Comparables

There are relatively few comparable projects based on grade, deposit orientation, size, location or ratio of copper to precious metals content. It is thus difficult to compare capital expenditures and operating costs, and thus market valuations for deposits held by different companies.

Compared to other British Columbian projects, the New Afton underground resource estimate indicates significantly higher average copper and gold grades than open pittable projects such as Kemess North, Red Chris, Hushumu or Mount Polley, as shown in Exhibit 12. Deep deposits with similar average grades are substantially larger than New Afton, such as Grasberg, Oyu Tolgoi and OK Tedi. The latter deposits are world-class in size suggesting good long-term potential for the New Afton deposit.

Exhibit 12: Selected Copper/Gold Deposits



Source: Company Reports.

The selected companies in Exhibit 13 are base metal producers, developers and exploration companies, ranked by market value. New Gold appears substantially undervalued relative to the average ($181.4 million or **$12.62** per New Gold share) of its non-producing peers.

Exhibit 13: Company Comparison Table

Company	Symbol/ Exch.	Price	52 Week High	52 Week Low	Shares (000)	Market Cap. ($ 000)	Comments
TeckCominco	TEK.SV.B/T	$48.51	$49.67	$22.45	202,380	$9,817,454	Diversified
Falconbridge Ltd.	FAL.LV/T	$21.55	$23.13	$19.60	367,327	$7,915,903	Diversified
Placer Dome	PDG/T	$17.99	$28.24	$15.35	437,000	$7,861,630	Gold/copper
Ivanhoe Mines Ltd.	IVN/T	$9.25	$11.27	$4.85	293,768	$2,717,351	Oyu Tolgoi, Mongolia
First Quantum	FM/T	$26.30	$27.44	$12.15	61,487	$1,617,108	Kansanshi, Zambia
Inmet Mining	IMN/T	$18.55	$22.60	$14.34	41,724	$773,976	Copper/gold
Yamana Gold Inc.	YRI/T	$4.63	$5.01	$2.60	165,451	$766,039	Brazil
Aur Resources	AUR/T	$7.85	$8.19	$5.20	95,176	$747,132	Quebec, Chile
Northern Orion Expl.	NNO/T	$3.11	$4.18	$2.27	148,476	$461,762	Alumbrera/Agua Rica, Arg.
Northgate Minerals	NGX/T	$1.44	$2.71	$1.15	200,543	$288,781	Kemess, British Columbia
Hudbay Minerals	HBM/T	$3.10	$4.35	$1.86	80,940	$250,913	Zinc/copper, Manitoba
Quadra Mining	QUA/T	$6.20	$7.70	$4.10	27,346	$169,545	Robinson, Nevada
Taseko Mines Limited	TKO/V	$1.40	$2.14	$1.02	102,717	$143,804	Gibraltar, British Columbia
Tenke Mining	TNK/T	$7.20	$7.35	$2.05	48,621	$350,070	Tenke Fung., D.R. Congo
Northern Dynasty	NDM/V	$4.30	$7.35	$4.20	56,507	$242,982	Pebble, Alaska
Imperial Metals	III/T	$6.55	$8.40	$4.85	28,113	$184,138	Mt. Polley, British Columbia
Constellation Copper	CCU/T	$1.18	$1.25	$0.52	115,263	$136,011	Lisbon Valley, Utah
Regalito Copper	RLO/T	$6.15	$6.80	$5.10	20,679	$127,175	Regalito, Peru
Corriente Resources	CTQ/T	$2.70	$3.95	$1.41	45,421	$122,638	Mirador, Ecuador
African Copper	ACU/T	$1.95	$2.60	$1.05	52,000	$101,400	Dukwe, Botswana
Metallica Resources	MR/T	$1.38	$1.90	$1.13	82,705	$114,133	El Morro, Chile
New Gold Inc.	**NGD/T**	**$5.54**	**$5.98**	**$4.95**	**14,371**	**$79,614**	**New Afton, British Columbia**
Equinox Minerals	EQN/T	$0.59	$0.80	$0.36	110,430	$65,154	Lumwana, Zambia
Tiomin Resources	TIO/T	$0.38	$0.51	$0.31	134,642	$51,164	Pukaqaqa, Peru
bcmetals Corp.	C/V	$0.49	$0.96	$0.33	30,021	$14,710	Red Chris, British Columbia
Lumina Resources	LUR/T	$0.45	$1.25	$0.37	20,917	$9,413	Hushamu, British Columbia
Inca Pacific	IPR/V	$0.77	$1.05	$0.46	10,528	$8,106	Magistral, Peru

Source: Company Reports, PC Quote.

CORPORATE AND FINANCIAL

New Gold changed its name from DRC Resources June 1, 2005. The Company, led by John Kruzick, has been active in mineral property acquisition and exploration since it was incorporated in 1980. The New Afton mineral claims were acquired when dropped by previous owner TeckCominco. From 2000 to 2003 New Gold spent $5.0 million exploring its mineral properties in the Afton area. On the back of the encouraging Behre Dolbear independent resource estimate and scoping study released in 2003, it successfully raised $24.15 million in equity financing (3.45 million shares at $7.00 per share) late that year. Chris Bradbrook joined the Company in late 2004 as President to assemble and lead a new management team through its next stages of project and corporate development. The Company is fully financed for the current eighteen-month program, budgeted at $17.5 million. **To the end of March $6.5 million had been spent on the program, with an additional $2.0 million estimated in the second quarter.**

Development of the New Afton project will require substantial additional financing. It is assumed at this early stage that the project could be brought into production and is financeable. A ratio of 70%:30% debt:equity is assumed, thus at the current share price this would require almost ten million new shares to be issued. The scoping study projected initial capital costs at $149.7 million with an additional $191.4 million required for sustaining capital over the 17.8 year mine life. The final feasibility study will review different mining methods and development options.

New Gold has working capital at the end of June of about $18.0 million, shareholder's equity of about $31.5 million and no long-term debt. A $7.50 per share million flow through financing raised $3.0 million in April 2005. Officers and directors collectively hold about 22% of the issued and outstanding shares, with John Kruziak holding 2.7 million or about 19%.

Exhibit 14: Capitalization Summary

Officers/Directors	*3,101,951*	*22%*
Shares Outstanding	**14,370,766**	
Options	1,845,000	
Warrants	0	
Fully Diluted	**16,215,766**	

Source: Company Reports.

Officers and Directors (Date Appointed Director)

Chris Bradbrook, President, CEO, Director (2004): Joined in October 2004. Over 25 years experience in exploration, mining, financial analysis and marketing. Previously VP Corporate Development at Goldcorp (G-TSX).

Paul Martin, CFO, VP Finance: Joined in May 2005. Over 20 years of experience in mining finance, and accounting. Previously CFO with Gabriel Resources (GBU-TSX) and TVX Gold (now Kinross Gold K-TSX).

Michael Hibbitts, VP Exploration and Development: Joined in March 2004. Professional Geoscientist with over 25 years of mining experience including sic years at Northgate Minerals directing development of the Kemess South mine.

John Kruzick, Chairman (1980): Founder of New Gold (DRC Resources) in 1980. Previously exploration consultant with the company. Self-employed businessman.

Sharon Ross, Secretary, Director (1981): Over 25 years corporate administration experience.

Robert Edington, Director (1992): Professional engineer with Deas Pacific Marine Inc. Previously CFO of Afton Gold (DRC Resources) in 2001 and 2002.

Mike Muzylowski, Director (2000): Businessman. President and CEO of Callinan Mines Limited. Previously director and officer of several companies including Diamondex Resources, Winspear Resources and Granges Exploration.

Cliff Davis, Director (2005): Businessman. Over 40 years international mining experience. Director of Rio Narcea Gold Mines and Tiberon Minerals. Previously President and CEO of TVX Gold and Gabriel Resources.

Greg Laing, Director (2005): Lawyer with extensive legal expertise in securities and corporate law. Previously VP Legal with Goldcorp (G-TSX).

Exhibit 15: Past Production From Afton and Ajax Open Pits

			Average Ore Grades			Metal Production		
		Ore Milled	Silver	Gold	Copper	Silver	Gold	Copper
Year	Pit	(000 Tonnes)	(g/t)	(g/t)	(%)	(000 oz)	(000 oz)	(000 lb)
1977	Afton	122	-	-	-	250	3	53,930
1978	Afton	2,457	2.25	0.42	0.63	178	33	34,016
1979	Afton	2,823	3.32	0.66	0.91	301	60	56,464
1980	Afton	2,740	3.23	0.52	0.88	285	46	53,399
1981	Afton	2,324	2.78	0.47	0.70	208	35	35,819
1982	Afton	655	2.72	0.37	0.59	57	8	8,530
1983	Afton	1,076	3.15	0.44	0.68	109	15	16,121
1984	Afton	2,639	2.98	0.37	0.60	253	31	34,839
1985	Afton	2,651	3.58	0.57	0.84	305	49	49,307
1986	Afton	2,694	3.64	0.67	0.81	315	58	48,178
1987	Afton	2,862	2.93	0.52	0.69	270	48	43,664
1988	Afton	3,094	0.89	0.32	0.25	88	32	16,999
1989	Afton	2,548	0.68	0.18	0.35	55	15	19,395
1990	Afton	2,843	0.56	0.28	0.38	51	25	24,134
1991	Afton	2,009	0.52	0.28	0.39	33	18	17,096
1992	-	-	-	-	-	-	-	-
1993	-	-	-	-	-	-	-	-
1994	Ajax East	926	0.08	0.19	0.12	2	6	2,443
1995	Ajax East	3,111	0.27	0.50	0.38	27	50	26,070
1996	Ajax West	2,973	0.27	0.57	0.39	26	54	25,390
1997	Ajax West	1,081	0.42	0.72	0.50	15	25	11,883
						-	-	
Total		41,628				2,828	612	577,675
Average		2,191	1.91	0.41	0.57	135	29	27,508

Source: B.C. Ministry of Mines.

Exhibit 16: Financial Summary

Metal Production	**2008e**	**2009e**	**2010e**	**2011e**	**2012e**	**2013e**	**2014e**
Copper (Tonnes)	15,965	31,930	31,930	31,930	31,930	31,930	31,930
Copper (000 Pounds)	35,197	70,394	70,394	70,394	70,394	70,394	70,394
Gold (Ounces)	40,160	80,320	80,320	80,320	80,320	80,320	80,320
Silver (Ounces)	103,728	207,455	207,455	207,455	207,455	207,455	207,455
Palladium (Ounces)	4,650	9,300	9,300	9,300	9,300	9,300	9,300
Concentrate (Tonnes)	53,217	106,434	106,434	106,434	106,434	106,434	106,434
Metal Revenues (US$000)							
Copper	$35,197	$70,394	$70,394	$70,394	$70,394	$70,394	$70,394
Precious Metals (Au, Ag, Pd)	$17,668	$35,337	$35,337	$35,337	$35,337	$35,337	$35,337
% Precious Metal Revenue	33%	33%	33%	33%	33%	33%	33%
Earnings (US$000)							
Gross Revenue	$52,865	$105,731	$105,731	$105,731	$105,731	$105,731	$105,731
Less Deductions	$5,747	$11,494	$11,494	$11,494	$11,494	$11,494	$11,494
Net Revenues	$47,118	$94,237	$94,237	$94,237	$94,237	$94,237	$94,237
Operating Costs	$21,763	$43,526	$43,526	$43,526	$43,526	$43,526	$43,526
General & Admin	$2,643	$5,287	$5,287	$5,287	$5,287	$5,287	$5,287
Royalties	$0	$0	$0	$0	$0	$0	$0
EBITDA	$22,712	$45,424	$45,424	$45,424	$45,424	$45,424	$45,424
Deprec., Amort.	$3,327	$6,653	$6,653	$6,653	$6,653	$6,653	$6,653
Interest Income/(Expense)	$9,581	$9,581	$9,581	$9,581	$9,581	$9,581	$9,581
Pre-Tax Earnings	$9,805	$29,190	$29,190	$29,190	$29,190	$29,190	$29,190
Taxes	$3,186	$9,487	$9,487	$9,487	$9,487	$9,487	$9,487
Net Earnings	$6,618	$19,703	$19,703	$19,703	$19,703	$19,703	$19,703
Per Share (C$)	$0.38	$1.13	$1.13	$1.13	$1.13	$1.13	$1.13
Cash Flow (US$000)							
Operating Cash Flow	$12,335	$33,472	$33,472	$33,472	$33,472	$33,472	$33,472
Per Share (C$)	$0.71	$1.91	$1.91	$1.91	$1.91	$1.91	$1.91
Capital Expenditures	($19,960)	($8,504)	($8,504)	($8,504)	($8,504)	($8,504)	($8,504)
Other Investing	$0	$0	$0	$0	$0	$0	$0
Total Investing	($7,624)	$24,971	$24,971	$24,971	$24,971	$24,971	$24,971
Borrowing/Repayments	$0	$0	$0	$0	$0	($13,972)	($13,972)
Other Financing	$0	$0	$0	$0	$0	$0	$0
Total Financing	($7,624)	$24,971	$24,971	$24,971	$24,971	$10,999	$10,999
Other	$0	$0	$0	$0	$0	$0	$0
Net Cash Flow	($7,624)	$24,971	$24,971	$24,971	$24,971	$10,999	$10,999
Net Present Value							
Discount Rate	0.0%	5.0%	7.5%	10.0%	12.0%		
NPV Operating Cash Flow (US$000)	$673,360	$357,119	$269,290	$207,321	$170,497		
NPV Operating Cash Flow (C$000)	$841,699	$446,398	$336,613	$259,151	$213,121		
per Post Financing Basic Share (C$)	$38.51	$20.42	$15.40	$11.86	$9.75		
per Post Financing FD Share (C$)	$35.51	$18.83	$14.20	$10.93	$8.99		

Metal Price Assumptions: Copper US$1.00/lb, Gold US$400/oz, Silver US$6.50/oz, Palladium US$200/oz
Post-Financing Shares: 21.9 M basic, 23.7 M fully diluted.

Source: Wellington West Estimates.

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Company Name	Ticker Symbol	Disclosure
New Gold Inc.	NGD-TSX	1,2,11,12

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9) Over the last 12 months, the research analyst has received compensation based on a specific investment banking transaction relative to the subject issuer.
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12) A portion of the travel expenses of the analyst were paid or reimbursed by the issuer.

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Sept. '05

TD Newcrest
The Equity Division of TD Securities

Metals & Minerals Bulletin
August 15, 2005

New Gold Inc.
(NGD-T) C$5.60

— INITIATING COVERAGE —

Recommendation:	Speculative BUY
12-Month Target Price:	C$8.00
12-Month Projected Total Return:	43%

Gold Plated Copper Development Story

Market Data		Financial Data	
Ticker	NGD	Fiscal Y/E	31-Dec
Exchange(s)	T	Shares O/S (basic, mm)	14
Current Price (C$)	$5.60	Float (mm)	11
52-Week Range (C$)	$8.00–4.30	Current Dividend	$0.00
Market Cap. (C$mm)	$80	Yield	0.0%
		Book Value	$1.97
		Debt/Invested Capital	0%

Note: All figures in Canadian dollars unless otherwise specified.

Investment Summary

- New Gold Inc. (NGD-T) is completing an underground exploration program, prior to commencing a feasibility study of the Afton copper/gold deposits near Kamloops, British Columbia. Exploration results are expected over 2005 and the feasibility study results in early 2006.
- Based upon a scoping study, the Afton deposit consists of approximately 68 million tonnes of ore grading 1.08% copper and 0.78g/t gold, indicating production of 30,000 tonnes of copper and 80,000 ounces of gold over an estimated 18-year mine life. Operating costs are expected to be an impressive $0.15/lb of copper. Capital costs are expected to be around $150 million.
- The recent share price weakness is apparently caused by the sale of certain related historical assets by Teck Cominco Ltd., the previous mine operator. We do not believe this should affect New Gold's ability to develop the project and has, in our view, created a significant buying opportunity.
- We are initiating coverage of New Gold with a Speculative BUY recommendation. Our target price of $8.00 is derived from a 20% discount to our after finance NAV for the shares, based on the development parameters outlined in the scoping study, a 10% discount rate, and long-term commodity price forecasts of $0.90/lb copper and $375/oz gold.

YOUR ATTENTION IS DIRECTED TO THE IMPORTANT DISCLOSURES IN APPENDIX A.

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Company Profile

New Gold Inc., previously known as DRC Resources, is a small capitalization TSX and AMEX listed mining and exploration company focused on developing its 100% owned Afton copper-gold project, located just outside Kamloops, British Columbia. The project is located essentially below the previously mined Afton open pit copper mine that was operated by Teck Cominco until the mid 1990s. New Gold is currently in the process of completing an underground exploration program as part of a full bankable feasibility study on the project. This study is aimed at updating a previously completed and highly positive scoping study that was most recently updated in February 2004.

With cash on hand of around C$22 million as at the end of Q1/05, New Gold is fully funded to complete the current underground exploration program and feasibility study, slated for completion in early 2006. To date, the company has outlined a measured and indicated mineral resource of 68.7 million tonnes of ore grading 1.08% Cu, 0.85g/t Au, 2.62g/t Ag, and 0.12g/t Pd. This equates to approximately 1.6 billion pounds of contained copper, and 1.9 million ounces of contained gold. Based upon the scoping study, production rates have been forecasted at around 75 million pounds of copper and 80,000 ounces of gold per annum over the estimated 18-year mine life. While the Afton project is the company's primary asset, it also holds other exploration properties in British Columbia.

Capital Structure

New Gold's capital structure is compelling in our opinion, as it has only 14.3 million shares currently outstanding and no debt. Its shares trade on the TSX and AMEX exchanges under the symbol NGD, and the company has no significant shareholders outside of management and the board of directors, the members of both of which hold approximately 20%. However, share liquidity is low and this could limit investors' ability to acquire a meaningful position.

Exhibit 1. New Gold Inc.: Capital Structure

	Shares (mm)	Exercise Price
Shares Issued	14.34	
Options	1.25	$5.69
Broker Options*	0.40	$7.13
Remaining Acquisition Shares	0.20	
Total Fully Diluted	16.19	

* Compensation Options issued to various brokerage houses

Source: Company reports.

Funding Requirements

In order to bring the Afton project into production, New Gold would require access to additional funding, most likely in the form of project debt and new equity financing. In valuing the shares, we have assumed that a positive feasibility study outcome will lead to actual mine development. Assuming New Gold does not bring in a partner or is taken over, and a debt to equity ratio of 66.7:33.3, we believe New Gold would need to raise approximately $50 million in mid 2006. As such, we have assumed the issuance of approximately 8.3 million shares at an issue price in line with the current market price. If the actual equity required was raised at higher prices, our valuation would likely increase, given lower share dilution.

In addition, in the shorter term, it is our understanding that New Gold is considering undertaking an issuance of "flow through" common shares, pending a ruling on the status of the project as a "new" mine by the government. If the ruling is favourable, such that New Gold's Afton project is indeed classified as a "new" mine, unrelated to previous workings on the site, then the company would be in a position to use less dilutive, flow through financing to complete the current underground exploration program and feasibility study. This would leave the current cash available for future mine construction and potentially reduce future equity requirements, given the current share price. This would be accretive to our valuation.

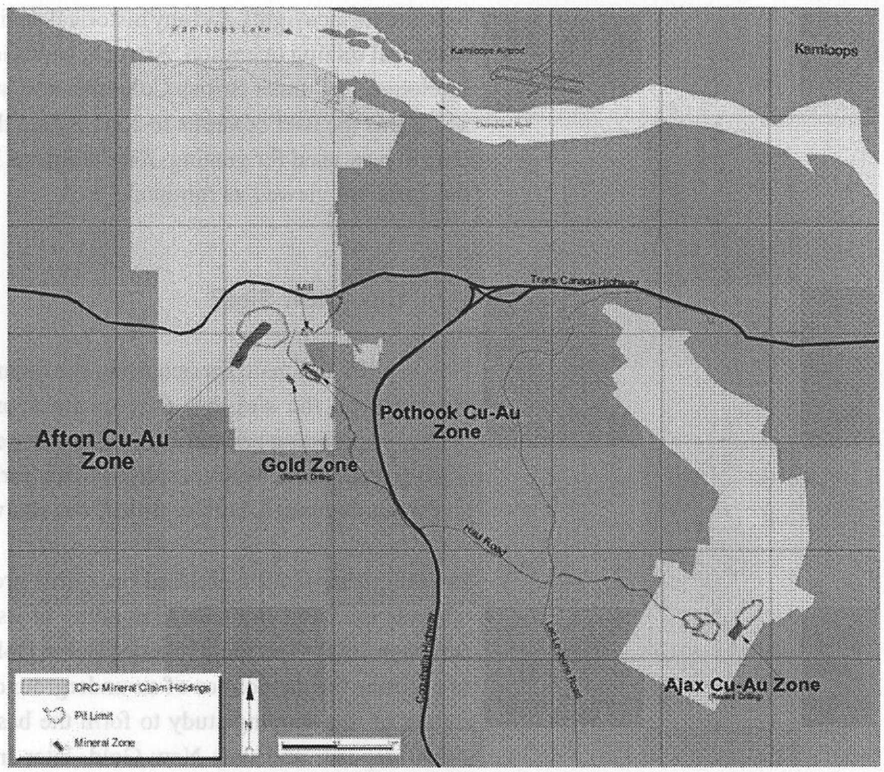
Key Development Asset – The Afton Copper-Gold Project

The company's strategy over the next year or so is relatively simple and straight forward—i.e., to complete the evaluation of the Afton copper-gold project with an eye on eventually preparing the bankable feasibility study. Only after a positive feasibility study, would the company be in a position to make a final development decision. The study should be completed during H1/06, which we believe should allow the mine to commence production in early 2008. In the following section, we have outlined the key parameters of the Afton project, the status of the ongoing feasibility study, and a preliminary valuation of the project and, thus the shares of New Gold, based upon the parameters outlined in the previously completed scoping study.

Location

The Afton copper-gold project is located 10 kilometres west of Kamloops, British Columbia on the site of the previously producing Afton open pit copper mine, which was operated by Teck Cominco between 1978 and 1987. The site is well situated, with relatively easy access to infrastructure such as water, electric grid power, roads, air, rail and skilled labour from Kamloops. In addition, the region has had significant exposure to the natural resources industry from historical and ongoing mining operations such as the nearby Highland Valley Copper mine and to the pulp and paper industry. This is likely to add local support to the project.

Exhibit 2. New Gold Inc.: Current Claim Blocks



Source: Company presentations.

Acquisition and Mining History

The initial ore body discovery at Afton dates back to the late 1890s and mining operations have been conducted on and off by various operators ever since. The most significant mining operations were undertaken by what was then known as the Teck Corp. which put the Afton open pit into operation in late 1977. The mine was operated by its subsidiary, Afton Mines Ltd. Ore resources at the time were estimated at 34 million tonnes grading 1% copper and 0.016 oz/tonne gold. Till 1987, a total of 24 million tonnes had been extracted from the Afton pit, while milling operations, i.e., processing ore from the nearby Ajax and Pothook pits located close by, continued until 1997. Since then, Teck Cominco has been rehabilitating the site.

In 1999, the Afton mining leases held by Teck Cominco expired and the claims were then staked by Westridge Enterprises and Indogold Development Ltd. The claims were then optioned by New Gold, or DRC Resources as its was known at the time, giving the company access to the underground mineral rights. New Gold acquired the rights by issuing 2 million shares over a period of six years (200,000 remain to be issued in 2005) and spending a total $6.5 million on exploration, which has been completed. The initial agreement also included a 10% net profit royalty, but New Gold repurchased this in 2002.

While New Gold has the underground mineral rights, it should be noted that the surrounding area is either Crown land or land on which Teck Cominco continues to hold the surface rights, and any historical environmental liabilities associated with the historical mining operation. As such, New Gold has had to negotiate access rights to its claims, but, under British Columbia law, such access cannot be reasonably denied as long as the user commits to compensate the surface rights holder. Given that the land in now used for grazing, New Gold has had no difficulty in gaining access, and the costs are viewed as minimal.

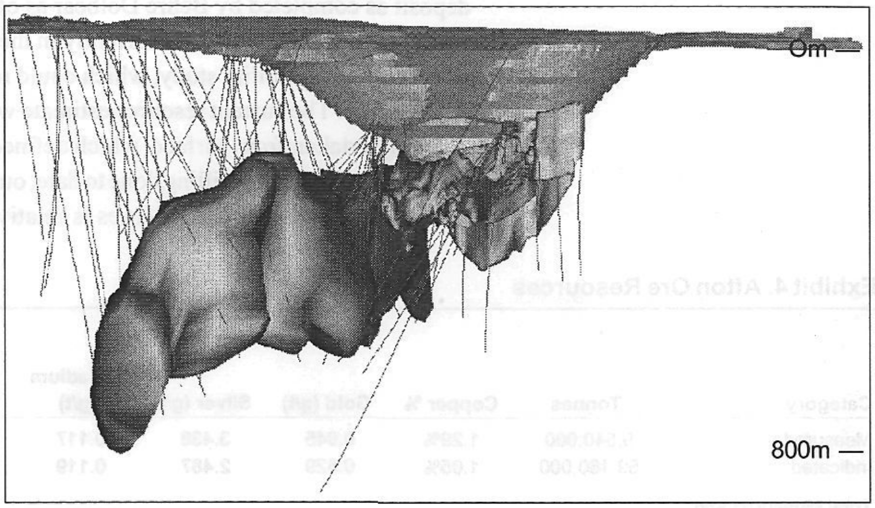
Why the Afton Site?

New Gold's rationale for acquiring the claims was not to re-evaluate the historical workings on the site, but to evaluate a previously discovered, but abandoned, southwest trending primary mineralized zone located at depth beneath the Afton pit. Various drill holes were completed in the early 1980s on this region and a feasibility study was competed, but the project was shelved at that time for undisclosed reasons.

In 2000, New Gold embarked on a drill program to re-confirm this resource and upgrade the company's understanding of its potential. Based upon the initial drill results in 2000, New Gold retained Behre Dolbear and Co. to prepare a scoping study to examine the economics of an underground operation at Afton. We have used the results of this scoping study to form the basis on our preliminary valuation of the Afton deposit, and thus New Gold, later in this research report. In various drill programs from 2000 to 2003, New Gold has drilled a total of 53,000 meters to outline the current resource. The current underground exploration program and feasibility study is expected to complete a further 20,000 meters of underground infill diamond drilling.

Drilling to date has outlined a steeply easterly dipping, southwest plunging tabular shaped deposit extending southwest from the abandoned Afton pit. It averages 800 meters in length, 90 meters in width and around 300 meters vertically. It remains open to southeast at depth. While there are regions of heavily fractured material, overall rock competency appears favourable to host underground mining operations. To date, the underground exploration program has encountered better than expected ground conditions.

Exhibit 3. New Gold Inc.: Underground Representation of the Afton Ore Deposit



Source: Company presentations.

Is Afton Underground a New Mine?

New Gold is trying to have this deep deposit and any potential mining activity that may be developed classified as a separate discovery so that any operation would be a new mining operation. As we have already noted, such a classification is significant, as it would allow New Gold to use funds raised via the issuance of flow through common shares to fund the current underground exploration program and the associated feasibility study. It would also allow the company to retain its current cash balances for future mine development and raise funds at a higher price to complete the exploration program than is currently available in the market. A ruling is expected later this summer, after which we believe New Gold could look to raise new capital if the market's appetite is strong enough.

New Gold views any potential development as a new mine, as the underground ore deposit is not interpreted from a geological perspective as just an extension of the historic open pit ore body that was once mined by Teck Cominco, but as a separate ore body. Initial interpretations suggested the deposit was a typical, alkali intrusive related copper gold porphyry, similar to other deposits in British Columbia. But, based upon New Gold's drilling and mapping, recent interpretations suggest that the deposit is not a typical porphyry system as there is no concentric zoning of alteration envelopes. Recent studies have suggested that the Afton deposit is more analogous to a magmatic copper nickel deposit. This is supported by the fact that ore grades in the deeper deposit are of a higher grade than those mined in the historic open pit which is a typical occurrence in such deposits. Given the interpretation, we believe New Gold should be successful in having any development classified as a "new mine".

Mineral Resource Estimate

In Exhibit 3, we present the most recent ore resource for the Afton copper-gold deposit as completed by Behre Dolbear as of January 2004. It should be noted once again noted that New Gold is currently in the process of conducting an infill drilling as part of the feasibility study, which could result in changes to the size and tenor of the resource. The current resource estimate was defined from over 100 diamond drill holes undertaken from surface, which defined a total strike for the deposit of around 800 meters. Given the drilling done to date, our confidence level in New Gold's ability to upgrade the resource to reserves is relatively high.

Exhibit 4. Afton Ore Resources

Category	Tonnes	Copper %	Gold (g/t)	Silver (g/t)	Palladium (g/t)	Copper Equivalent %*	Contained Metal Copper mm lbs	Contained Metal Gold mm ozs
Measured	9,540,000	1.29%	0.945	3.438	0.117	1.96%	271.2	0.29
Indicated	59,160,000	1.05%	0.829	2.487	0.119	1.64%	1,368.4	1.58
Total Measured and Indicated	68,700,000	1.08%	0.845	2.619	0.119	1.68%	1,639.6	1.87
Inferred	7,450,000	0.92%	0.784	2.341	0.120	1.48%	151.8	0.19

* Assuming metal prices for copper US$0.85/lb, Gold US$375/oz; Silver US$5.25/oz and Palladium US$200/oz.

Source: Company reports.

Scoping Study Details

In Exhibit 4, we present the key operating parameters outlined in the updated 2004 scooping study completed by Behre Dolbear. The scoping study proposed the construction of an underground block caving mining operation to exploit the Afton Main zone minerals region. Block caving is viewed as potentially the most appropriate mining method, given the dimensions and orientation of the ore deposit, which make it amenable to bulk mining.

Exhibit 5. Scoping Study Operating Parameters

			Copper Equivalent Grades %
Mineral Resource	Measured and Indicated	68,700,000	1.68%
	Inferred	7,450,000	1.61%
Mineral Resource Within Mine Plan	Measured and Indicated	46,983,000	1.72%
	Inferred	4,543,000	1.72%
Metallurgical Recoveries	Copper		90.0%
	Gold		90.0%
	Silver		75.0%
	Palladium		74.0%
Mining Method			Underground Block Caving
Production Rate			9,000 tpd
Mine Life			17.8 years
Average Annual Production	Copper		29,5350 tonnes
	Gold		71,000 ozs
	Silver		178,000 ozs
	Palladium		7,700 ozs
Initial Capital Costs (C$)			$140 million
Ongoing Capital (C$)			$191 million
Unit Operating Costs (C$)			$9.77/tonne milled

Source: Company reports.

The scoping study proposed the development of the Afton mine using a ramp access network from surface with a conveyor belt declined at around 18% in two main stretches to accommodate the different mining areas. Access to the ore body would then be via ramps from the main decline. Primary crushing facilities would be located underground as well. The scoping study proposed the use of the block caving mining method due to the various characteristics of the ore, in terms of rock fragmentation and the orientation of the ore deposit, among other technical considerations. This method also typically has extremely low operating costs. The scoping study had assumed that New Gold would refurbish the old mill facility and use the existing tailings pond as part of the development plan. This no longer appears to be the most likely course of action for the company, for two key reasons. First, these assets are in the process of being sold by Teck Cominco to junior mining company Abacus Minerals. In our opinion, this has been the source of significant market confusion and uncertainty of late and has depressed share prices (see below for more details). Second, given the state of repair of the mill facility, with many key components having been removed, and questions related to the potential or desire of using the old tailing facility, New Gold has been moving toward a view that it would be more prudent in the long run to build an entirely new facility. That said, these changes and the ongoing increase in general construction costs could result in higher capital costs than the scoping study originally envisaged, which were based on Q3/03 development costs. We have used $150 million in our valuation of the shares.

The scoping study proposed the use of underground block caving as the preferred mining method, similar to that in use in several mining operations located around the world. Consulting firm SRK reviewed the geotechnical aspects of the project and confirmed that the deposit would be amenable to block caving in terms of ground stability and rock fragmentation. At that time, is was envisaged that the mine would essentially be split into two major development panels, one for the first 10 years and one thereafter. This second panel development also represents about 25% of the total ongoing capital costs required over the life of the mine. If the mining method were changed it is likely that these capital requirements would decline.

As part of the current feasibility study, however, in addition to block caving, New Gold is evaluating the use of other mining methods, such as sub level caving to determine the best mining method in terms of overall project risk and economics. The company is also reviewing the potential use of a vertical shaft instead of a access ramp and conveyor system. One of the key reasons behind this study is that by potentially changing the mining method to a more selective approach, New Gold would be in a position to mine the high grade core of the deposit first and thus enhance the value. In addition, less pre-development work is required, which should allow for a quicker production schedule relative to block caving. In addition, it would also reduce the operational risk to New Gold by having several working areas in case any ground issues or other operational problems develop. With a block cave, only one working face is available. That said, operating costs would likely be somewhat higher than under the block cave scenario, but this would be offset to a degree by lower start up capital and the processing of higher grade material in the early years. As such, the feasibility study is expected to review the cost benefit analysis of the various mining methods for the Afton project. A good example of this type of operation would be the Ridgeway mine in Australia operated by Newcrest Mining, which operates with similar grades and production rates.

Irrespective of the actual mining method chosen, the ore would then be processed through a standard copper flotation circuit to produce a copper gold concentrate. Given the previous history of mining at Afton, no specific issues related to metallurgy or concentrate quality are anticipated. That said, the arsenic content could result in a penalty charge if it remains above 0.2%. The concentrate would then be dried and shipped via rail or truck to smelters overseas.

The Abacus Deal – Should We Really Care?

In early May, New Gold's share price came under pressure after the announcement that Teck Cominco had executed a Letter of Intent with Abacus Mining and Exploration Corp. for the sale of the Afton Operating Corp.'s milling and processing facilities, tailings storage area, associated permits, and other infrastructure from the past producing operations. Abacus is currently evaluating the economic potential of various other, albeit, lower grade resources in the vicinity of the previous operations and New Gold's Afton project. New Gold's share price came under pressure as investors were either confused or concerned by this development. **While the announcement did and continues to add a degree of confusion to New Gold's**

development plans, pending final resolution, we would point out that at no time has the company's mineral claims or mineral rights been in question. Further, it is our understanding that as development of the Afton deposit has continued, New Gold has come to the conclusion that it will probably not use significant parts of the historical infrastructure in any potential development scenario. In addition, had New Gold acquired these assets as proposed under the current transaction, we would have been concerned that it would also acquire any historical environmental liabilities associated with previous mining operations. In addition, while Abacus would be acquiring various surface rights in the region, these would not affect New Gold's ability to build the proposed shaft and mill facility.

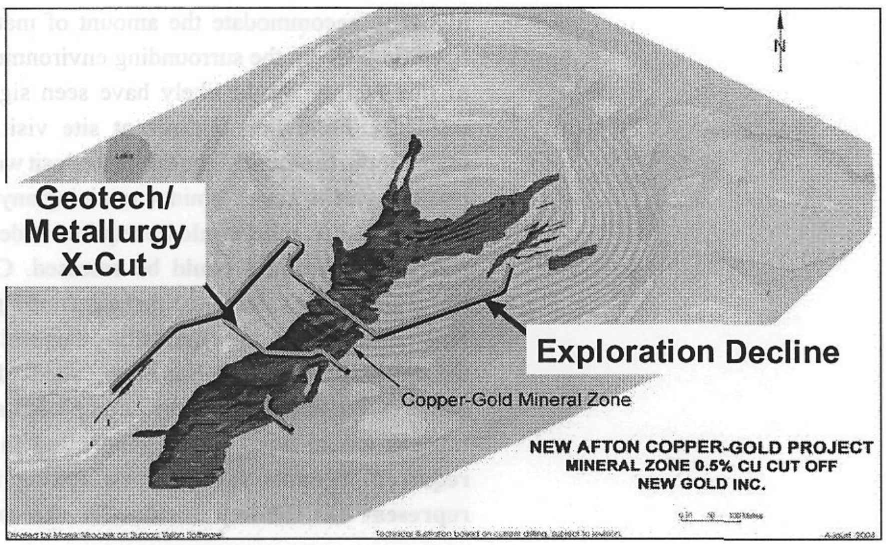
With respect to the potential loss of the old tailing facilities and associated permits, New Gold has indicated that it did not anticipate being able to use the historical tailing disposal area. That said, it would have been nice to have acquired the tailings permit, even if only from a perception point of view. The rationale behind this is that to use the old tailing impoundment area, the dam wall would have to be re-engineered and restructured to current standards. That would have required it to be raised considerably higher to accommodate the amount of material to be mined over the life of the operation. Given the surrounding environment, the restructuring and long term use of this facility would likely have seen significant local opposition from nearby residents. Following our recent site visit, we would have to agree with this assumption. In addition, the tailing deposit would remain the responsibility of various parties, such as Teck Cominco retaining any historical environmental liabilities. As such, a detailed audit would be required to develop a base line study and then historic and future liabilities could be assessed. Clearly, in our mind, this would only complicate issues and likely make permitting more problematic. In response to this, New Gold is reviewing other tailing disposal options such as in pit tailing disposal in the old Afton pit or the use of so called "dry stacking" of the tailing. Under this scenario, the tailings are dried, compacted and left on the surface. **Given that the tailings would not be acid generating in nature, underwater disposal is not required. Permits for any new tailing facility remain to be awarded and represent one the key hurdles for the company to overcome.**

We would also point out that the above transaction has yet to close and there is some question as to whether it will or not. While Teck Cominco would become a major shareholder of Abacus, it is our understanding that it would effectively be downloading the ongoing environmental responsibility to a smaller company with limited financial resources. Various government agencies may or may not support such a move without the receiving sufficient guarantees, such as posting environmental bond, which may not be available.

Current Exploration Program Update

While our preliminary valuation outlined in this research report is based upon the results of the scoping study, New Gold is currently undertaking an underground exploration program to better define the resource with an infill drilling program as part of a $18 million feasibility study expenditure program that commenced in mid-2004. The results of this program would then be used to complete a full feasibility study, which the company aims to complete by mid-2006. The overall exploration program involves driving a 2,000 meter exploration *decline* to undertake detailed infill drilling to firm up the grade profile of the deposit and the block model, and to determine the optimal mining method to use. The decline in approximately 75% complete, with 1,550 meters out of a total of 2,000 meters complete, and drill results to date continue to show good reconciliation to the block model, such that the company is firming up grade and width model expectations.

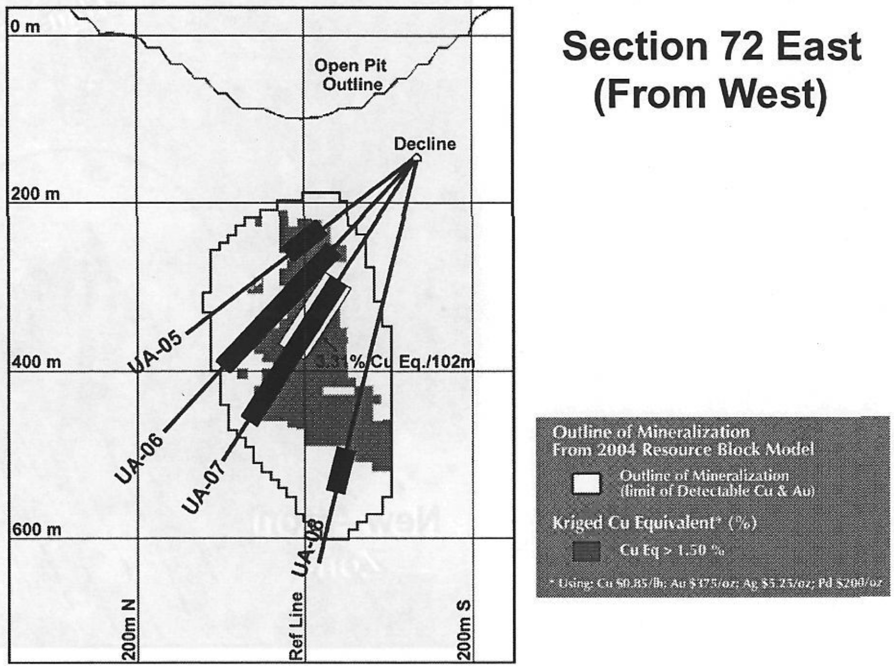
Exhibit 6. Afton Exploration Decline



Source: Company presentations.

To date, New Gold has released the results of seven drill holes from the underground exploration program, which by and large are confirming ore grades and dimension as expected, based upon the block model. As the company progresses underground, it is setting up drilling stations from which a fan of drill holes are completed, as shown in Exhibit 6. Additional drill results are expected to be released in the coming months. The results are also firming up the presence of a high grade core to the deposit, with ore grade of over 1.5% copper equivalent. New Gold believes it could selectively mine this deposit first and enhance the overall economics of the project by using a more selective mining approach, as opposed to the original block caving method that was proposed.

Exhibit 7. New Gold Inc.: Representative Underground Drill Section



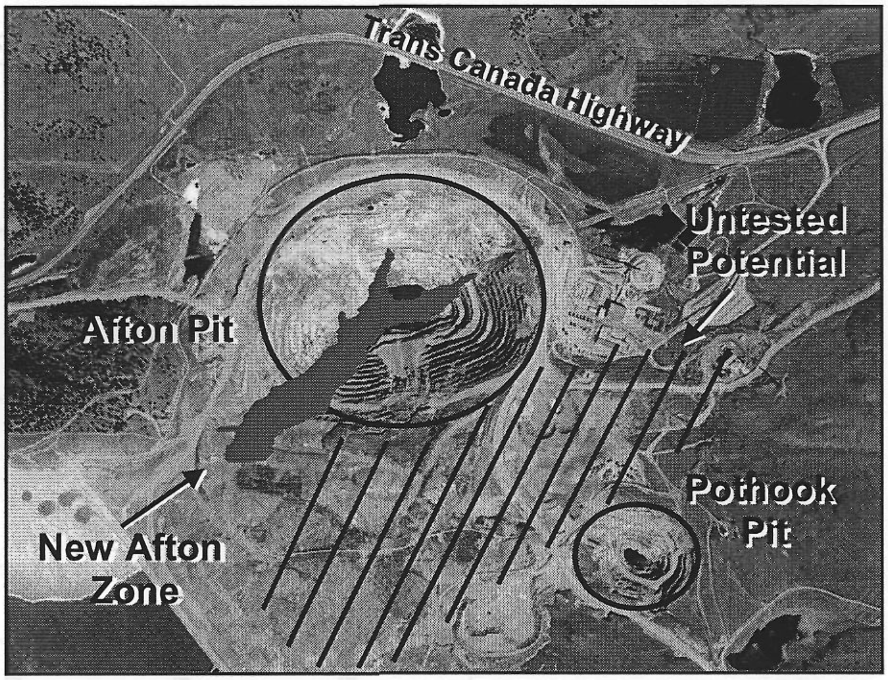
Source: Company presentations.

New Gold recently reported samples taken from the decline cross cut. The cross cut intersected the ore body as anticipated and initial chip samples appear to confirm grade expectation. More detailed information is expected as the cross cut continues. Not only is the cross cut expected to allow direct sampling of the mineralization, but also it is expected to permit a more detailed, geotechnical evaluation to help determine the optimal mining method. It will also allow for the extraction of samples for metallurgical analysis.

Other Exploration Opportunities

While the current exploration is focused on the underground drill program, it should be noted that New Gold does have other land holdings that have exploration potential. The most significant among these are likely within the area surrounding the Afton deposit, namely the region between the Afton and Pothook pits. New Gold's key to success at Afton was the lack of deep drilling by previous operators. As such, New Gold believes the region has significant potential to host additional ore deposits, albeit at greater depths than previous operations.

Exhibit 8. Exploration Opportunities Near Afton



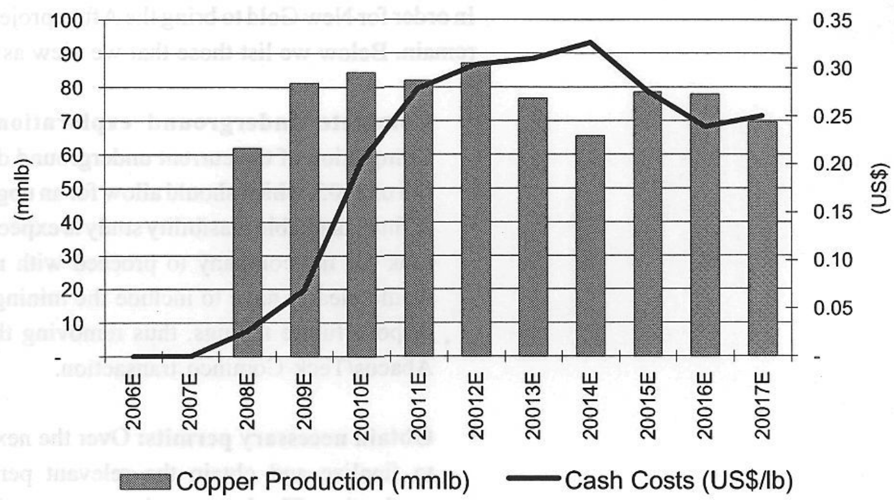
Source: Company presentations.

In addition to the region noted above, New Gold also holds what is called the Ajax Project, which is located approximately 10 kilometres from the Afton project and connected by an old haulage road. In 2004, the company drilled six diamond holes to test for sulphide mineralization between the previously mined regions. The drill program has outlined copper gold mineralization with an interpreted depth of 300 meters below surface and approximately 400 meters thick. Further work is needed to determine the economic potential of this deposit.

Afton Production Profile for Copper and Gold

Based upon the operational data contained in the scoping study, in Exhibits 8 and 9 we have presented the anticipated copper and gold production profile from the mine. This profile is subject to change in the event that NewGold chooses to proceed with a more selective mining approach, which should allow for the mining of higher grade material early in the mine life. Based upon our long-term metal price assumptions of \$0.90/lb for copper and \$375/oz for gold, we anticipate that approximately 60–65% of revenues would be derived from copper production and 30–35% from gold, with silver and palladium making up the remainder.

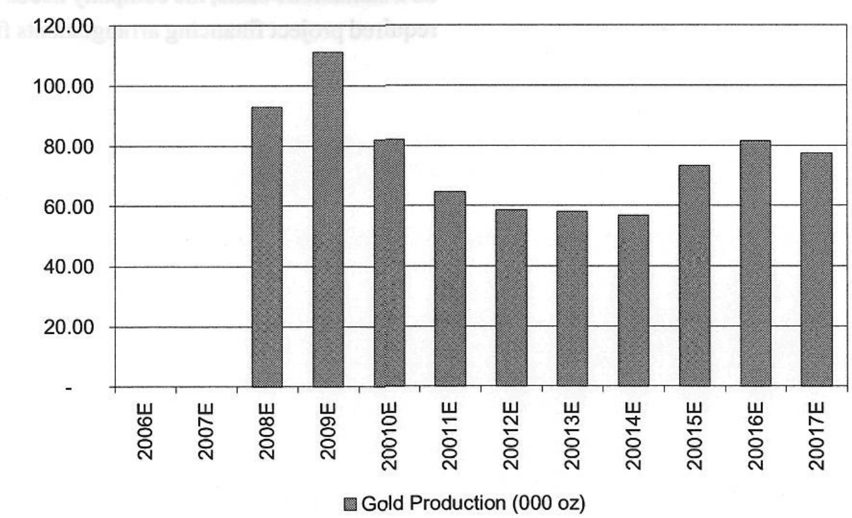
Exhibit 9. Afton Copper Production Profile



Source: Company reports.

The fluctuations in the forecasted copper cash costs over the life of the mine reflect changes in the expected gold production profile noted in Exhibit 10. As evidence, the plan is to mine higher grade material initially, which should result in higher by-product credits in the early years of operation, thereby enhancing the overall economics of the project. Even without any grade optimization being determined from the feasibility study, the scoping study projected an average cash cost as low as $0.15/lb over the life of the mine, which would position the new Afton mine as one of the lowest cost copper producers in the world. Given that this forecast assumes a long-term gold price of $375/lb, it could prove to be conservative over the longer term if gold prices remain closer to current levels.

Exhibit 10. Forecasted Gold Production Profile



Source: Company reports.

Key Development Hurdles and Timeline

In order for New Gold to bring the Afton project forward, several outstanding hurdles remain. Below we list those that we view as the key hurdles.

- **Complete underground exploration program and feasibility study:** Completion of the current underground drilling program is expected during the fall of 2005, which should allow for an upgrading of the overall resource estimate. A final, bankable feasibility study is expected in early 2006, after which we would look for the company to proceed with mine development plans. These plans would clearly have to include the mining method and how New Gold plans to dispose future tailings, thus removing the uncertainty caused by the ongoing Abacus/Teck Cominco transaction.

- **Obtain necessary permits:** Over the next six to nine months, New Gold needs to finalize and obtain the relevant permits needed to bring the mine into production. The key permits are an environmental impact assessment/review, tailing disposal permit, water usage, and the official mining permit. We do not foresee any significant obstacles to New Gold obtaining these permits, given that the area had a mining operation previously. In addition, it is possible that New Gold would not have to complete a complete Environmental Assessment as the region is previously disturbed. A ruling is expected later this year.

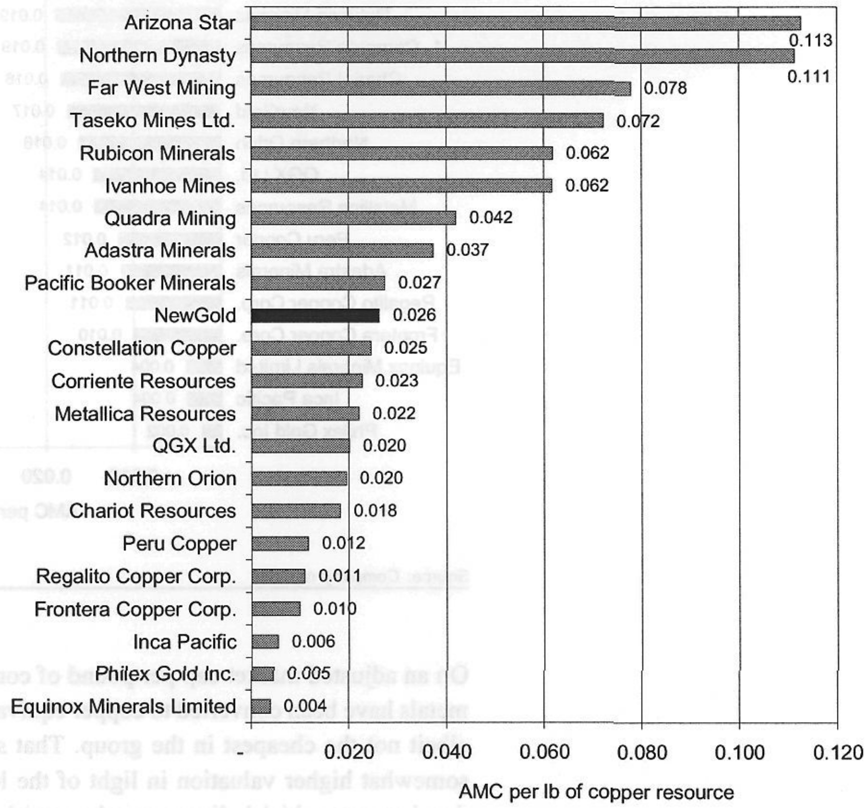
- **Management Team Build Out** – While, in our view, the current management team is strong, if New Gold plans to make the transition to producer, then more personnel with operational experience at both the mining and metallurgical areas, as well as mine development and investor relations, would need to be hired in the coming year or so. As New Gold completes the build out of its management team, we believe market confidence in the company's ability to bring the project into production should be enhanced.

- **Financing:** Assuming New Gold aims to bring the Afton project into development on a standalone basis, the company needs to begin the process of establishing the required project financing arrangements from both debt and equity perspectives.

How Does New Gold's Afton Project Stand Up to its Peers

Before undertaking a more rigorous financial evaluation of the project, in the following section we have reviewed how the Afton deposit, and thus New Gold, stacks up against other junior copper producers, in terms of market capitalization per pound of copper and copper equivalent contained in resource.

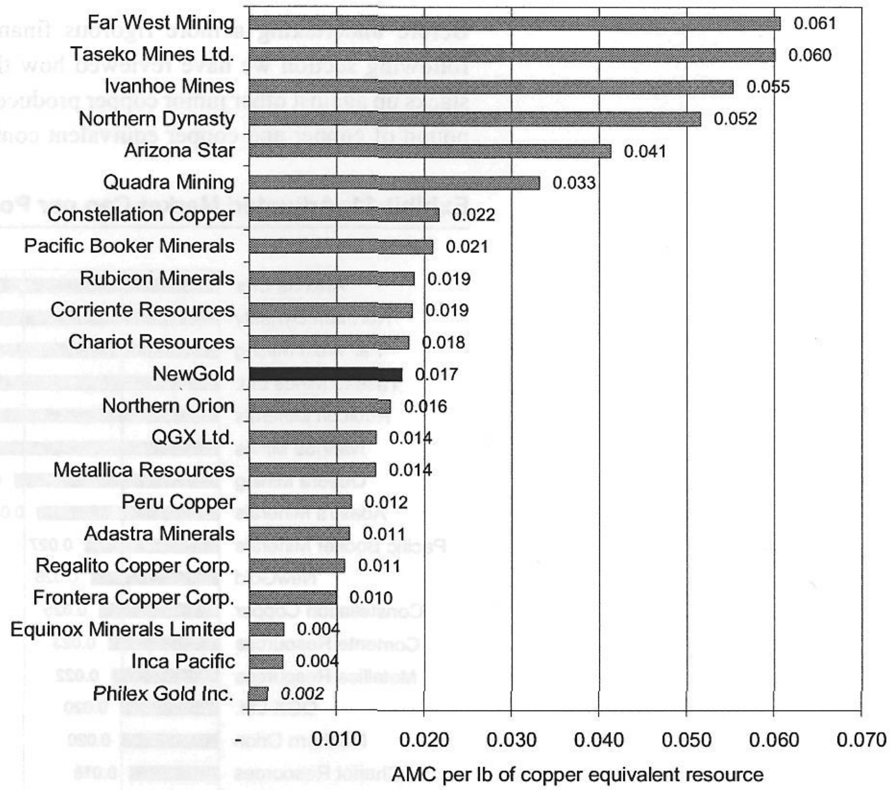
Exhibit 11. Adjusted Market Cap per Pound of Copper in the Ground



Source: Company reports.

Relative to its peers, New Gold appears valued in the mid range of the group in terms of adjusted market cap per pound of copper in the ground. This valuation, however, does not take into account the importance of the gold resource in the value of the Afton resource. Despite this, New Gold does not appear expensive relative to its peers, given the state of the development and the low risk location of the asset, which we believe suggest that New Gold should trade at a premium to its higher risk peers.

Exhibit 12. Adjusted Market Cap per Pound of Copper Equivalent in the Ground



Source: Company reports.

On an adjusted market cap per pound of contained copper equivalents (by-product metals have been converted to copper equivalent), New Gold appears even cheaper, albeit not the cheapest in the group. That said, we believe New Gold deserves a somewhat higher valuation in light of the location of the deposit and the state of development, which believe puts a lower risk premium on New Gold relative to some of its higher priced peers.

Valuation and Justification of Target Price

While Exhibits 11 and 12 provide a quick view of the current relative market valuation of New Gold, in determining our target price for the stock, we have derived our preliminary valuation using a discounted cash flow approach to value the Afton project, based upon the assumptions outlined in the scoping study. As such, this valuation is likely to change over time as new details regarding the mining method, operating assumptions and capital costs are determined to a greater degree of confidence. That said, we do believe it provides a good indication of the potential value associated with the Afton project and thus in New Gold's shares.

It is also important to note that while the company's name is New Gold, we view it as more of copper development story than a gold story in determining our valuation of the company. Based upon our long-term copper and gold price forecasts, we are forecasting a potential revenue distribution as 60–65% copper and 30–35% gold, with additional by-product metals making up the remainder. As such, we believe looking at the company as a copper stock is appropriate. That said, based upon the actual future gold and copper prices, the company could attract a premium multiple due to its significant exposure to gold, which could result in higher market valuations than we typically attribute to base metal equities. In addition, the gold credits from any future operation are expected to reduce the cash costs to produce a pound of copper to the lowest 10% of global producers.

When attempting to place a value on the shares of New Gold, we have used a discounted cash flow approach, and looked at the company first as a copper company, and second as a gold/copper hybrid and the potential value implications. In all cases, we have assumed the operating parameters as outlined in the scoping study: capital costs of $150 million (marginally higher than the scoping study due to price escalation since Q3/03), long-term metal prices of $0.90/lb for copper and $375/oz for gold, and a discount rate of 10%, excluding the gold case where we have used a 5% discount rate. We have assumed that production will commence in 2008 and that the company will pay a 40% tax rate after the initial capital has been recovered. Given the uncertainty of future commodity prices and timing of the mine's start up, we have not valued the shares based upon a price to cash flow approach at this time. We have derived our DCF valuation in three ways.

1. **Value per current share:** We have calculated a straight DCF derived NAV for New Gold's shares, assuming unlimited access to capital to fund the required capital expenditures. We have not assumed any share dilution in this scenario.

2. **After Finance Valuation:** On an after-finance DCF derived value, we have assumed the company undertakes two equity issues over the next 12 months or so, with the first raising C$20 million of flow through in H2/05, and the second raising C$48 million as the equity component of the project development costs in 2006, post the completion of the feasibility study.

3. **As a Gold Equity**: Given the possibility that the shares could attach some sort of gold premium, with the large percentage of revenue contribution from gold, we have also presented our after-finance valuation at a 5% discount rate. Given the stage of development, we have not applied a premium multiple to this NAV at this time. However, after the mine is producing, this could add further upside potential, especially if gold prices move above our long-term forecast.

In the following exhibits, we have presented our valuation of the Afton project, and, by extension, of New Gold, on both a 100% equity basis and an after-finance DCF at a 10% discount approach to value New Gold's Afton copper gold project. We calculate a project IRR of 32%.

Exhibit 13. New Gold Inc.: Equity Funded NAV

Gold Price (US$/oz)	Copper Price (US$/lb)				
	$0.85	**$0.90**	**$0.95**	**$1.00**	**$1.05**
$350	9.36	10.29	11.21	12.14	13.07
$375	10.10	$\boxed{11.02}$	11.95	12.88	13.80
$400	10.83	11.76	12.69	13.61	14.54
$425	11.57	12.50	13.42	14.35	15.27
$450	12.31	13.23	14.16	15.08	16.01

Source: TD Newcrest estimates.

Based upon the above assumptions, we value New Gold's Afton project at C$11.02 per current share outstanding, assuming unlimited access to capital.

Exhibit 14. New Gold Inc.: After-Finance NAV

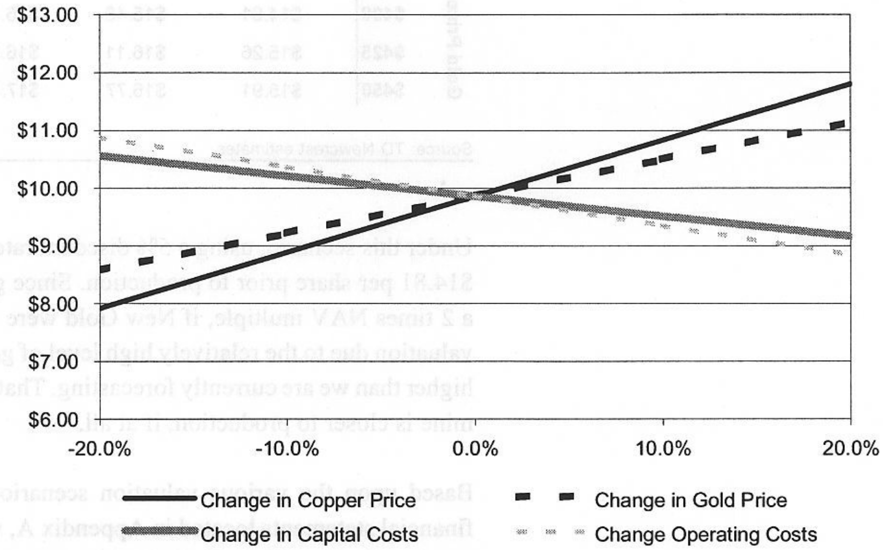
Gold Price (US$/oz)	Copper Price (US$/lb)				
	$0.85	**$0.90**	**$0.95**	**$1.00**	**$1.05**
$350	$8.89	$9.43	$9.97	$10.51	$11.05
$375	$9.32	$\boxed{\$9.86}$	$10.40	$10.94	$11.48
$400	$9.75	$10.29	$10.83	$11.37	$11.91
$425	$10.18	$10.72	$11.26	$11.80	$12.34
$450	$10.61	$11.15	$11.69	$12.23	$12.77

Source: TD Newcrest estimates.

In Exhibit 14 we have looked at the valuation from what we view as a more realistic point of view, taking the required debt and equity funding into consideration. Under our noted assumptions, we calculate a value of $9.86 per share. As noted previously, under this scenario we have assumed that New Gold will undertake two equity transactions over the next 12 months or so to fund the equity component of the project, with approximately $100 million in new debt required. We have also assumed that the company repays this debt in equal annual instalments of $25 million, commencing mid-year 2008.

In Exhibit 15 we have presented the sensitivity of our after-finance NAV to changes in the key variables, namely copper and gold prices, operating costs and capital costs estimates.

Exhibit 15. New Gold Inc.: Sensitivity Table for After Finance NAV



Source: TD Newcrest estimates.

What if New Gold was Valued as a Gold Stock?

While we view the Afton project as a copper deposit because the majority of the revenue is derived from copper, based upon our long term price assumptions, there is the possibility that the market would view it more as a gold stock, given the significant contribution from gold. Further, depending on one's long-term outlook for the gold price relative to our assumptions, the relative contribution from gold could be somewhat higher than we are forecasting. As such, we believe it is possible that New Gold could end up getting a hybrid valuation between that of a copper and gold equity. Gold equities are typically valued using a 5% discount rate and when in production, typically trade at a multiple to the calculated NAV. The current mid-tier multiple is approximately 2 times NAV. As such, if New Gold were to attract even a small fraction of a gold valuation, significantly higher share prices are possible.

Exhibit 16. New Gold Inc.: Valued Using a 5% Discount Rate

Gold Price (US$/oz)	Copper Price (US$/lb) $0.85	$0.90	$0.95	$1.00	$1.05
$350	$13.30	$14.15	$15.01	$15.55	$16.09
$375	$13.95	$14.81	$15.66	$16.20	$16.74
$400	$14.61	$15.46	$16.31	$16.86	$17.40
$425	$15.26	$16.11	$16.97	$17.51	$18.05
$450	$15.91	$16.77	$17.62	$18.16	$18.71

Source: TD Newcrest estimates.

Under this scenario, using a 5% discount rate, we would value New Gold at around $14.81 per share prior to production. Since gold equities typically trade at close to a 2 times NAV multiple, if New Gold were to capture even some of this premium valuation due to the relatively high level of gold exposure, the market could value it higher than we are currently forecasting. That said, this is not likely to occur until the mine is closer to production, if at all.

Based upon the various valuation scenarios outlined above, and our forecasted financial statements located in Appendix A, we have derived a target price of $8.00 per share for New Gold. To derive our target price, we have relied mostly on our after-finance valuation of the share in determining the potential value of the Afton project. We have then placed a somewhat subjective 20% discount to this value, to account for the various development and financing hurdles that remains. As these issues are finalized, along with a final feasibility study to confirm capital and operating cost assumptions, we would look to increase our target price at that time (all else being equal) as risk levels decline. Given the ongoing risk associated with an investment in New Gold, we rank the shares a Speculative BUY.

Key Risks to Target Price

We view the following as being the most significant risks to New Gold achieving our target price:

1. **Commodity** – New Gold's primary commodity exposures are copper and gold. If actual prices fall materially below our forecasted levels, it would represent a significant risk to New Gold achieving our earnings and cash flow forecasts and thus our 12-month target price.

2. **Operational** – For our valuation of New Gold, we have relied on publicly available information, engineering reports, and our discussions with management. The majority of the operational information currently available is preliminary in nature and is based upon a comparative analysis to other mining operations. There can be no assurance that New Gold's Afton project will operate in a similar manner. That said, given the number of similar operations, we are comfortable with this risk. Any mechanical failure, logistical problem or labour disruption at New Gold's future operations could have a significant negative financial impact, given that the company is a one-asset company.

3. **Technology** – As with all mining companies, New Gold is exposed to a degree of technological risk inherent in the business. We would note, however, that the proposed Afton development plan is proposing to use well proven, industry normal, production techniques, which should limit investors' risk exposure in the area.

4. **Development/Exploration Projects** – Our valuation of New Gold is dependent on the successful completion of the current exploration and development plans. Additional upside is also dependent on the success of the company's ongoing exploration efforts. Until a more detailed economic evaluation of the technical and economic merits of the project have been completed, an investment in New Gold remains speculative in nature.

5. **Capital and Operating Cost Risks:** Our valuation of New Gold assumes that no material change in the estimated capital or operating costs assumptions arise with the release of the final feasibility study. If actual costs are significantly higher than our estimate, it would negatively affect our valuation of the shares.

6. **Political/Legal** – Given that New Gold's development projects are all located in Canada, we view these risk as minimal. That said, New Gold is subject to legal and regulatory issues that are subject to change and could have a material impact on New Gold's ability to develop the project in line with our expectations.

7. **Capital Markets Risk** – In order to develop the Afton project, New Gold would be required to raise significant debt and equity financing. If the company is unsuccessful, our valuation of the shares is likely overstated.

8. **Permitting/Regulatory Risk** – Please see pages 11 and 16.

Exhibit 17. New Gold Inc.: Condensed Income Statement (C$mm, except per-share amounts)

	2004A	2005E	2006E	2007E	2008E	2009E	2010E
Commodity Prices							
Gold (US$/ozs)	$325.00	$440.00	$420.00	$375.00	$375.00	$375.00	$375.00
Copper (US$/lb)	$1.30	$1.46	$1.20	$1.00	$0.90	$0.90	$0.90
Attributable Metal Production							
Copper (mmlb)	-	-	-	-	61.90	81.31	84.57
Gold (000's ozs)	-	-	-	-	92.95	111.21	82.13

	2004A	2005E	2006E	2007E	2008E	2009E	2010E
Revenues - NSR	0	0	0	0	99	124	112
Operating Expenses	-	-	-	-	25.0	32.1	32.1
Administration	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Depreciation	-	-	-	5.8	17.5	17.5	17.5
Other Expenses	-	-	-	-	-	-	-
Total	1.8	1.8	1.8	7.6	44.2	51.4	51.4
Income from Operations	(1.8)	(1.8)	(1.8)	(7.6)	54.9	73.1	61.1
Interest Expense - Net	(0.6)	(0.8)	(0.8)	0.7	5.3	3.8	1.6
Income Pre-Tax	(1.2)	(1.0)	(1.0)	(8.3)	49.6	69.3	59.5
Income Tax Rate	-4%	0%	0%	0%	40%	40%	40%
Income Taxes	0.0	-	-	-	19.8	27.7	23.8
Minority Interest	-	-	-	-	-	-	-
Income (before extr'y)	(1.2)	(1.0)	(1.0)	(8.3)	29.7	41.6	35.7
Extraordinary Item	-	-	-	-	-	-	-
Net Income	(1.2)	(1.0)	(1.0)	(8.3)	29.7	41.6	35.7
Wt Avg. Shares Outstanding (mm)	13.4	15.5	21.3	25.5	25.5	25.5	25.5
Wt Avg. Shares Outstanding FD (mm)	14.0	16.8	22.3	26.2	26.2	26.2	26.2
EPS Per Share - FD	(0.09)	(0.06)	(0.04)	(0.32)	1.14	1.59	1.36
EPS Per Share FD - After extro'd	(0.09)	(0.06)	(0.04)	(0.32)	1.14	1.59	1.36
EBITDA ($mm)	(1.8)	(1.8)	(1.8)	(1.8)	72.4	90.6	78.6
EBITDA Per FD Share ($)	(0.13)	(0.11)	(0.08)	(0.07)	2.76	3.46	3.00

Source: Company reports and TD Newcrest.

Exhibit 18. New Gold Inc.: Balance Sheet (C$mm)

	2004A	2005E	2006E	2007E	2008E	2009E	2010E
ASSETS							
Cash	25.0	26.5	25.5	23.0	57.8	91.9	115.1
Other Current Assets	0.3	0.3	0.3	20.3	20.3	20.3	20.3
Total Current Assets	25.4	26.8	25.9	43.4	78.1	112.2	135.4
Property Plant & Equip	0.5	20.5	95.5	164.7	152.2	139.7	127.2
Investments	-	-	-	-	-	-	-
Other	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Sub-total	6.4	26.4	101.4	170.6	158.1	145.6	133.1
Total Assets	31.8	53.3	127.3	214.0	236.2	257.8	268.5
LIABILITIES							
Debt due (one year)	-	-	-	12.5	25.0	25.0	25.0
Other Current Liabilities	1.2	1.2	1.2	21.2	21.2	21.2	21.2
Total Current Liabilities	1.2	1.2	1.2	33.7	46.2	46.2	46.2
Minority Interest	-	-	-	-	-	-	-
Long-term debt	-	-	25.0	87.5	67.5	47.5	22.5
Other Long Term Liabilities	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Sub-total	1.0	1.0	25.9	88.4	68.4	48.4	23.4
SHAREHOLDERS' EQUITY							
Preferred	-	-	-	-	-	-	-
Common	33.0	55.5	105.5	105.5	105.5	105.5	105.5
Retained earnings	(4.2)	(5.2)	(6.2)	(14.5)	15.2	56.8	92.5
Other	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Sub-total	29.7	51.1	100.2	91.9	121.6	163.2	198.9
Liabilities and Shareholders' Equity	31.8	53.3	127.3	214.0	236.2	257.8	268.5

Source: Company reports and TD Newcrest.

Exhibit 19. New Gold Inc.: Condensed Cash Flow Statement (C$mm, except per-share amounts)

	2004A	2005E	2006E	2007E	2008E	2009E	2010E
Net Income	(1.2)	(1.0)	(1.0)	(8.3)	29.7	41.6	35.7
Depreciation	0.0	-	-	5.8	17.5	17.5	17.5
Provisions & Other Add Back	-	-	-	-	-	-	-
Minority Interests	-	-	-	-	-	-	-
Operating Cash Flow	(1.2)	(1.0)	(1.0)	(2.5)	47.2	59.1	53.2
Working Capital Changes	0.8	-	-	-	-	-	-
Net Cash From Operations	(0.4)	(1.0)	(1.0)	(2.5)	47.2	59.1	53.2
Investing Activities							
Capital Expenditures	(2.8)	(20.0)	(75.0)	(75.0)	(5.0)	(5.0)	(5.0)
Asset Sales/Acquistion	0.2	-	-	-	-	-	-
Financing Activities							
Dividend Payments	-	-	-	-	-	-	-
Debt Repayment	(0.0)	-	-	-	(12.5)	(25.0)	(25.0)
Assumed New Debt	-	-	25.0	75.0	5.0	5.0	-
Common Shares Repurchased/Issued	2.6	22.5	50.0	-	-	-	-
Cash at Beginning of Period	24.7	25.0	26.5	25.5	23.0	57.8	91.9
Net Change in Cash Balance	(0.6)	1.5	(1.0)	(2.5)	34.7	34.1	23.2
Cash at End of Period	24.2	26.5	25.5	23.0	57.8	91.9	115.1
Operating Cash Flow	(1.2)	(1.0)	(1.0)	(2.5)	47.2	59.1	53.2
Operating CFPS f.d. ($)	($0.09)	($0.06)	($0.04)	($0.10)	$1.80	$2.26	$2.03
Free Cash Flow Before New Debt	(0.3)	(1.0)	(1.0)	(2.5)	47.2	59.1	53.2
Free Cash Flow per Share f.d. ($)	($0.02)	($0.06)	($0.04)	($0.10)	$1.80	$2.26	$2.03

Source: Company reports and TD Newcrest.

Notes

Notes

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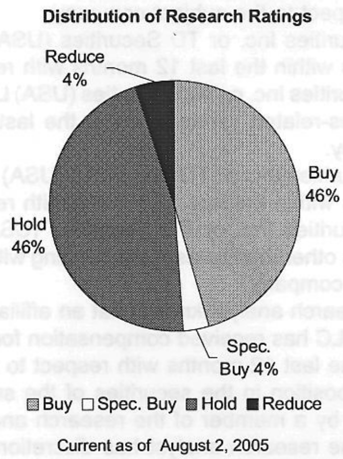

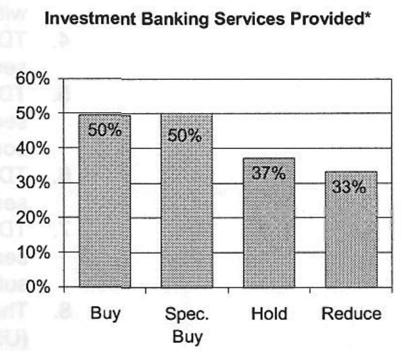

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Canadian Mining Journal

COPPER/GOLD EXPLORATION – Advanced project celebrated at Afton

4/20/2005

By Jane Werniuk

BRITISH COLUMBIA – There were employees and more than 30 guests on hand to officially inaugurate the Afton copper/gold exploration project near Kamloops last week. The ceremonial ribbon was cut by guest of honour Dr. Sheila Wynn who is the Deputy Minister of Mines & Energy for British Columbia, assisted by Kamloops area MLA Kevin Kruger.

The Afton project is owned and operated by DRC RESOURCES CORP., the Vancouver-based junior that restaked the property in 1999 after former owner, TECK CORP., let the claims lapse. DRC's work at Afton is described in the February 2005 issue of CMJ ("DRC Resources taking another good look at Afton").

Teck had mined the Afton deposit by open pit. DRC founder and now chairman, John Kruzick, was aware that Teck had come up with a few good diamond drill results from beside and below the pit, which is about 215 m from surface to bottom. The $5 million that DRC spent on exploration, services and a scoping study in 2003, updated in 2004, resulted in a new discovery with an in-situ value of more than $3 billion at current metal prices. Surface drilling has outlined a measured and indicated resource of 68.7 million tonnes grading 1.08% Cu, 0.85 g/t Au, 2.62 g/t Ag and 0.12 g/t Pd. Of the total value, 65% comes from the copper and 35% from the gold.

An underground decline from the pit bottom that was begun in November 2004 is more than half completed to its ultimate length of 1,200 m. This work is part of a $14.5-million, 18-month bankable feasibility study to be completed by mid-2006. The ground conditions encountered so far have been very good, better than expected, requiring only 180-cm-long rebar and wire mesh for ground support, plus shotcrete in the area of a fault system. The decline is remaining fairly dry as well.

The decline (which curves above the ore) and a 550-m-long crosscut into the main ore zone are allowing the access needed to complete underground diamond drilling at 80-m spacings. One drill is already operating and another was to start up probably the end of last week. A third diamond drill will explore from surface, to ensure than no ore zone is left undiscovered. There are currently about 30 DRC employees and contractors on site, including 16 miners with PROCON MINING SERVICES.

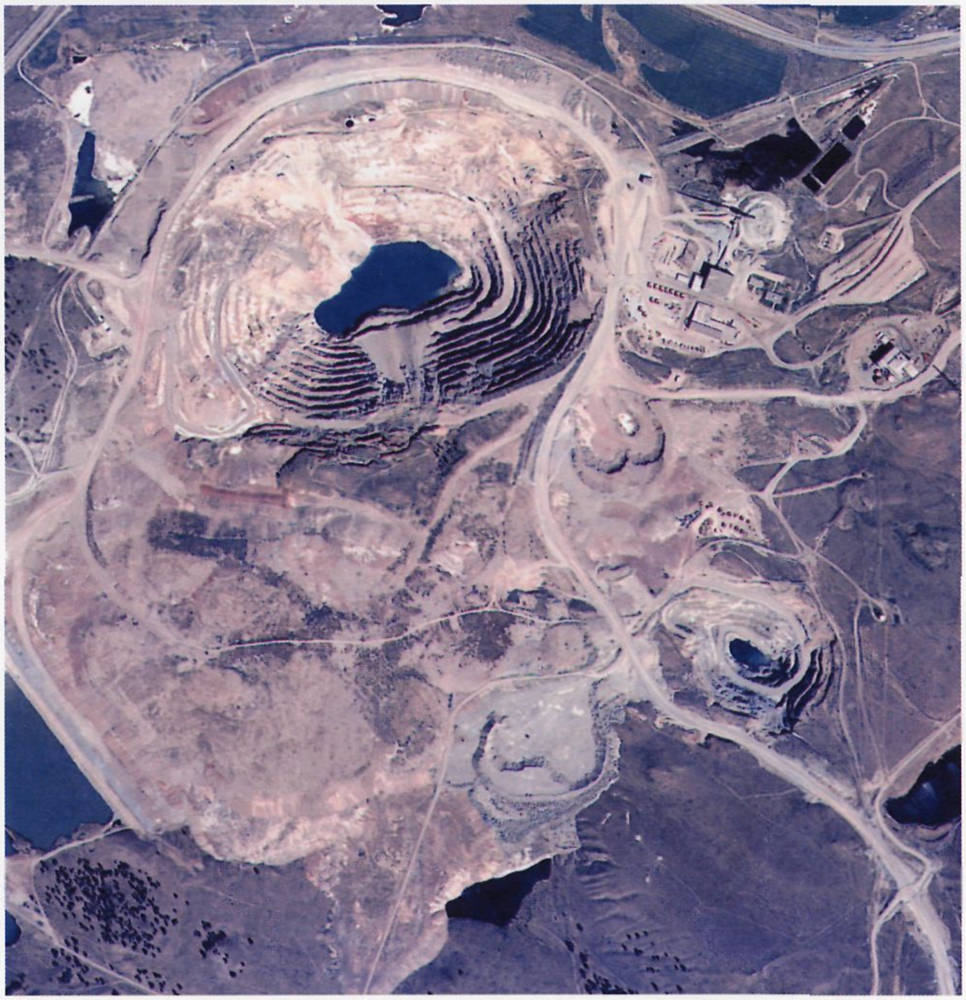
The project is blessed with an excellent location, right on the TransCanada Highway, just a few kilometres from Kamloops, a picturesque city of 80,000 in the Okanagan Valley, which has Canada's only warm desert climate. If the mine does go into production, it will probably require a production shaft as well as a new concentrator.

In her speech at the ceremony, Wynn said, "DRC has brought Afton from a concept to a major project. This may lead to the opening of the first underground mine in some time. It is significant that it is on a brownfield site. It shows that we have to leave our options open." Wynn pointed out that mineral exploration is booming in the province, with $130 million of expenditures in 2004; there are 20 advanced exploration projects right now in British Columbia compared with one, three years ago.

Chris Bradbrook was brought into the company as president and CEO in October 2004. In a presentation to the employees, investors and guests after the ribbon-cutting, he said that the company name dates back 20 years and has nothing to do with a republic in central Africa. ("DRC" stands for "Dynamic Resources Corp.", a subsidiary). However, Bradbrook says the name has become something of a liability to a company whose only projects are in southern British Columbia, so a change is in order. Shareholders will have a say in the matter at the annual meeting May 4, but the current favourite is "New Gold Inc." (as in "Copper is the new gold, Baby").

Watch for assays from the diamond drilling to start coming from the company in the near future, with feasibility study results later on. You can keep up to date with the Afton project by checking www.DRCResources.com," until the corporate name changes.

DRC Resources taking another good look at Afton



The Afton copper-gold project being developed by DRC Resources is located south of the Trans-Canada Highway, 10 km west of Kamloops, B.C. Previous owner Teck Corp. operated an open pit mine at Afton in the 1980s, but dropped the claims in 1999. DRC Resources is developing an underground decline and started additional diamond drilling in late January.

by Patricia Liles

Diamond drilling began in late January from the first portion of a new underground decline being developed by Vancouver-based **DRC Resources Corp.** at the Afton copper-gold project near Kamloops, B.C. The company has acquired a 100% interest in the property through claim-staking.

An open pit mine shuttered by former operator **Teck Corp.** since 1987, Afton's deeper mineralization is shaping up as a potential underground project. The southeastern British Columbia property could provide DRC Resources with an opportunity to transition from an exploration company to its first development and producing mine.

"Given where it is, with outstanding infrastructure and location, the grades are robust and the size is robust. This project has a real shot," said Chris Bradbrook, president and CEO of DRC Resources. "We're doing what we need to figure out whether it will be an economic operation."

DRC Resources plans to spend roughly Cdn$1 million per month throughout 2005, part of the total $18 million required to complete a bankable feasibility study in early 2006.

Included in the feasibility work is completion of a 2-km decline, a job begun in November 2004 by mining contractor **Procon Mining & Tunneling Ltd.** In a late January interview, Bradbrook said crews had completed 290 m of that decline, allowing drillers to go underground to start a 20,000-m diamond drill program. **F. Boisvenu Drilling Ltd.** landed the underground drilling contract at Afton.

Afton's existing pit is roughly 700 feet deep. Mineralization almost adjoins the old workings, but dips away sharply from the pit, precluding access by enlarging the closed mine.

"We discovered the deposit by drilling from surface," Bradbrook said. "We did as much as we could, but we can't convert [resources to reserves] unless we go underground."

Drilling to upgrade to reserves and explore

Drilling work this year has two objectives. Primarily, the work is designed to better delineate the orebody and upgrade it to reserves. "We also want to do some additional exploration work, to see how big the deposit is and to look for extensions. We definitely believe in the potential to find more through exploration," Bradbrook said. "Grades for a copper-gold porphyry don't get much better than this."

Mineralization at Afton is continuous over 1,000 m in length, 80 to 100 m wide with a vertical height of 300 m. The deepest mineralization is roughly 775 m below surface.

In addition, the company plans work this year at the nearby Pothook pit, also previously mined. For the first time, surface drilling will test for mineralization between Pothook and Afton. "We don't want to make the mistake of stopping exploration because there may be more there," Bradbrook said.

DRC Resources also plans to drill in 2005 at the Ajax property, located 10 km east of Afton, another previously-mined open pit mine. Three drill holes completed in 2004 indicated substantial near-surface low-grade sulphide mineralization. The largest is a 278-m intercept that graded 0.233% Cu and 0.159 g/t Au, according to a July 15, 2004, release.

Drilling to date on Afton, excluding Ajax and Pothook, has identified a measured and indicated resource of 68.7 million tonnes, grading 1.68% Cu equivalent or 2.61 g/t Au equivalent. Mineralization contained is approximately 1.63 billion lb of copper and 1.86 million oz of gold, as well as significant and recoverable amounts of silver and palladium.

An inferred resource of 7.4 million tonnes, containing an additional 151 million lb of copper and 188,000 ounces of gold, has also been identified by prior drilling work completed from 2000 through 2003. About 55,000 m of core samples were taken from 110 holes, according to John Kruzick, board chairman at DRC.

DRC Resources acquired Afton in 1999 after Teck dropped the mining claims, despite some positive intercepts from beneath the pit. "To get some of it below, they would have had to push the pit back, which requires a lot of capital," Bradbrook said. "It wasn't worth it for what they thought was there, but they didn't realize the shape of it...back then, people were not thinking about underground mining in a copper-gold porphyry."

Between acquiring Afton and starting feasibility work last November, the company has spent $5 million on the property. "It's a decent amount of money," Bradbrook said. "Considering what was found with that money, it is quite a spectacular use of exploration funds."

Scoping study indicates feasible underground project

In addition to drill work, the company commissioned an advanced scoping study completed in February 2004 by **Behre Dolbear and Co., Ltd.** That work indicates that panel cave mining and conventional flotation are viable methods for mining and processing a 51.5-million-tonne mineral resource grading 1.72% Cu equivalent. Estimated mine life is 17.8 years, based on the mineral resource.

At a mine and mill production rate of 9,000 tonnes/day, average annual production is estimated at 29,000 tons of copper, 71,000 oz of gold, 178,000 oz of silver and 7,700 oz of palladium.

Initial capital costs are estimated at $150 million, with cash costs of US$0.15 and total operating costs estimated at US$0.40/lb of copper. Estimated internal rates of return are nearly 27% pre-tax, and 20% after tax, with a payback period estimated at 3.7 years.

Estimates are based gold and copper recoveries of 90% each, 75% for silver and 74% for palladium. Assumed metal prices are US$0.85/lb of copper, US$375/oz for gold, US$5.25/oz for silver and US$200/oz of palladium.

Development of Afton would be aided by the existing mine infrastructure and its location near the Trans-Canada Highway, 10 km west of Kamloops. "It's definitely a plus for us," Bradbrook said. "Some projects can be hardship assignments for people...we'll never have a problem getting people to work (at Afton)."

Water and power are available at the site, as well as an experienced labour force in the area. A mine operating permit may be available from the former owner (now Teck Cominco), although the two companies would have to come to an agreement about usage.

"The existing permits would have to be updated," Bradbrook said. "To the extent we can use them and upgrade them to make adjustments as needed, we are not starting from scratch on permitting."

All of these factors could play into an accelerated development schedule for the brownfield property. Depending on the progress of financing, construction and permitting, Bradbrook said, "...if everything lines up and works on a good pace, within three years of starting the feasibility study we would like to start up production."

DRC preps for solo development

At this point, DRC Resources is not looking for partners on the project. The company has cash available to cover feasibility costs.

"I think you have to look at these projects with the intention of building them," Bradbrook said. "We will do what we need to build the company and team and to develop the skills to assess the orebody. If we believe it is economic, we'll gradually build that team up to operate it."

Richard Keane, shift supervisor from Procon Mining & Tunnelling (left foreground) oversees continued work on an underground decline at the Afton copper-gold project in southeastern British Columbia. A 2-km decline is planned for the property, allowing drillers to complete 20,000 m of core from the underground workings, an effort designed to upgrade the measured and indicated resource to reserves.

DRC RESOURCES CORP.

Should that happen, DRC Resources will look very different, he said, a sort of hybrid between a copper company and a gold company. Of the existing resource, 65% of its estimated US$3-billion value comes from copper. "There is so much gold in such a high proportion to the copper," Bradbrook said. "Diversity is good, because weakness in one price can be offset by strength in another. From a marketing perspective, we have leverage in two bull markets."

Bradbrook joined DRC Resources last October, after last serving as vice-president of corporate development at Goldcorp Inc. DRC's capital base, share structure, cash position and the Afton asset drew him in. "I view this as an excellent platform to build a serious company," he said. "It's chasing a dream to build something from scratch." CMJ

Patricia Liles is a freelance business writer based in Fairbanks who specializes in mining, oil and gas and alternative energy reporting; she can be reached at pliles@alaska.net.

NEW GOLD INC.
PRESS RELEASE

New Afton Project
Continued Positive Underground Drill Results
Up to 2.37% Cu, and 1.52 grams Au/t over 54 Metres

June 22 2005, Vancouver, British Columbia – New Gold Inc. (NGD:TSX/AMEX) is pleased to announce continued success from its ongoing 20,000 metre (m) underground diamond drill program at its New Afton Copper-Gold Project, Kamloops, B.C., Canada. The drilling continues to intersect zones of significant grade copper-gold mineralization (> 1.50% copper equivalent) which correlate well with those identified by the current resource block model.

This program is being completed from the Project's underground exploration decline and is designed to complete the infill drilling necessary to confirm the validity of the current resource block model and (in conjunction with completion of a feasibility study) is expected to enable the Company to convert current resources into reserves. The underground decline is forecast to be completed to a total length of 2,000m.

The current results are from a total of seven drill holes completed on two sections (76E and 84E), and are shown in the attached table and figures. Future results will continue to be released on a sectional basis as the infill drilling is completed. All copper equivalent grades are calculated using the following metal prices – Copper (Cu) US$0.85/lb; Gold (Au); US$375/oz; Silver (Ag) US$5.25/oz; and Palladium (Pd) US$200/oz. This is consistent with the metal prices used in the existing independently calculated resource and is also consistent with metal prices used in preparation of the independent Scoping Study (by qualified person James Currie, P.Eng, 2004 Behre Dolbear Advanced Scoping Study)

The highlights of these results are:

- Individual intersections encountered include **54m (46m true thickness) grading 2.37% Cu and 1.52 grams per tonne (g/t) Au (3.46% Cu equivalent)**; and **82m (36m true thickness) grading 1.65% Cu and 0.84 g/t Au (2.26% Cu equivalent).**

- The weighted average for the principal mineralized intersections of the three holes on **Section 76E** was **1.66% Cu and 0.76 g/t Au (2.22% Cu equivalent) over 54m.**

- The weighted average for the principal mineralized intersections of the four holes on **Section 84E** was **1.17% Cu and 0.81 g/t Au (1.77% Cu equivalent) over 36m.**

- Higher grade intersections (>1.50% Cu equivalent) continued to be encountered where predicted by the resource model.

- In addition, a number of higher grade intersections were encountered on Section 84E in areas indicated as low grade by the block model, suggesting the possibility that this higher grade mineralization extends further to the east than previously believed.

- The underground exploration decline has now been advanced more than 1,040m and is ahead of schedule. The cross-cut to directly access the ore has been started. Ground conditions continue to be better than anticipated and are better at depth.

Upon releasing these results, President and CEO, Chris Bradbrook stated, "We continue to be very encouraged by the results of the infill drilling program. As the year progresses we will continue the procedure of releasing results for individual sections as the drilling is completed. We are also very excited to be able to announce the commencement of the additional decline heading, to enable the excavation of the cross-cuts into the mineralization as this will provide the opportunity to directly access the New Afton Cu-Au discovery underground."

The information obtained from the exploration decline and the underground diamond drill program will be used in completion of a feasibility study, which will determine the capital requirements and potential economics of developing a new underground mine to extract this resource. The total planned budget for the decline, underground diamond drilling and feasibility study is $18 million over 18 months. Work commenced in November, 2004. The Company remains fully funded to complete this work which is under budget and ahead of schedule

NATURE OF MINERALIZATION

The currently defined copper and gold resource was outlined by approximately 100 diamond drill holes completed from surface. Results for these holes are available in past press releases on the Company's website (www.newgoldinc.com). The outline of this mineralization is indicated on the attached plan view. This plan indicates that mineralization occurs over a strike length in excess of 800m.

The resource was independently calculated from a kriged block model as part of an independent advanced scoping study conducted by Behre Dolbear in 2003 and updated in 2004 under the supervision of qualified person James A. Currie, P.Eng.. At a cut-off of 0.70% Cu equivalent the Measured and Indicated Mineral Resource was calculated to be 68.7 Million Tonnes grading 1.68% Cu equivalent or 2.61 g/t Au equivalent (1.08% Cu, 0.85 g/t Au, 2.62 g/t Ag, 0.12 g/t Pd), which contains approximately 1.6 billion pounds of copper, and 1.9 million ounces of gold. The scoping study suggested that the project has very robust economics, with an after-tax IRR of 20% at metal prices of US$0.85 per lb copper, and US$375 per ounce gold.

The resource block model indicated mineralization with a higher grade core containing in excess of 1.50% Cu equivalent, which represents the bulk of the resource. This higher grade core is surrounded by a lower grade envelope. The attached drawings of both sections 76E and 84E show the location of this higher grade core and the limits of mineralization (which indicate the outer extent of detectable Cu and Au mineralization) as defined by the resource model.

A primary goal of the current underground diamond drill program is to fill informational gaps on all necessary sections such that the entire resource model can be tested and analyzed on a section-by-section basis.

SUMMARY OF RESULTS

The main intersections are summarized in the attached Table I. The location of these holes and the mineralized intervals relative to the resource model are indicated on the attached cross sections. These diagrams also indicate the locations where previous surface holes intersected the sections.

Section 76E

Three underground holes were completed on Section 76E for a total of 1,345m. The drilling encountered **five principal zones of mineralization** four of which contained intersections averaging in excess of 1.50% Cu equivalent. Of these, **two contained in excess of 2.00% Cu equivalent**. The holes intersected the mineralized zones 65 – 160m apart. The limits of these intersections were defined using a 0.7% Cu equivalent cut-off.

The weighted average of the five principal intersections of the three drill holes is **54m grading 1.66% Cu; 0.76 g/t Au; 4.69 g/t Ag; and 0.08 g/t Pd (or 2.22% Cu equivalent).**

For Section 76E the location of the significant intersections appeared to correspond well with those indicated by the resource model. The principal difference was in hole UA-16 where mineralization was intersected over a similar distance suggested by the resource model, but further down-hole than anticipated, suggesting a potentially steeper dip for the mineralization. Copper and gold mineralization was encountered over a vertical distance of more than 270 metres and remains open in both up and down-dip directions.

Hole UA-11 intersected two principal zones of significant mineralization which were: Interval **A - 54m (46m true thickness) grading 2.37 % Cu; 1.52 g/t Au; 7.23 g/t Ag; and 0.13 g/t Pd, (or 3.46% Cu equivalent),** and Interval **B - 44m (38m true thickness) grading 1.52% Cu; 0.23 g/t Au; 4.17 g/t Ag; and 0.01 g/t Pd (or 1.70% Cu equivalent).**

Hole UA-13 intersected two principal zones of significant mineralization which were: Interval **A - 68m (46m true thickness) grading 1.30% Cu; 0.61 g/t Au; 2.86 g/t Ag; and 0.13 g/t Pd (or 1.76% Cu equivalent),** and Interval **B - 22m (15m true thickness) grading 1.34% Cu; 0.14 g/t Au; 1.73 g/t Ag; and 0.00 g/t Pd (or 1.45% Cu equivalent).**

Hole UA-16 intersected one principal zone of significant mineralization which was: Interval **A - 82m (36m true thickness) grading 1.65% Cu; 0.84 g/t Au; 5.61 g/t Ag; and 0.08 g/t Pd (or 2.26% Cu equivalent).**

Section 84E

Four underground holes were completed on Section 84E for a total of 2,104m. The drilling encountered **nine principal zones of mineralization**, seven of which contained intersections in excess of 1.50% Cu equivalent. Of these, **three contained in excess of 2.00% Cu equivalent.** The holes intersected the mineralized zones 40 – 60m apart. The limits of these intersections were defined using a 0.7% Cu equivalent cut-off.

The weighted average of the nine principal intersections of the four drill holes is **36m grading 1.17% Cu; 0.81 g/t Au; 4.48 g/t Ag; and 0.10 g/t Pd (or 1.77% Cu equivalent).**

Section 84E is located on the eastern edge of the resource model, which had indicated only minor higher grade mineralization in excess of 1.50% Cu equivalent. The results of the underground diamond drilling identified more higher grade mineralization than anticipated. The mineralization appears to occur in two distinct zones, one of which lies outside and to the east of the resource model. This suggests the possibility that high grade mineralization extends further to the east than was previously believed. Copper and gold mineralization was encountered over a vertical distance of more than 200 metres and remains open in both up and down-dip directions.

Hole UA-02 intersected two principal zones of significant mineralization which were: Interval **A - 22m (19m true thickness) grading 0.69% Cu; 1.94 g/t Au; 9.88 g/t Ag; 0.18 g/t Pd, (or 2.09% Cu equivalent),** and Interval **B - 62m (53m true thickness) grading 1.61% Cu; 0.59 g/t Au; 4.35 g/t Ag; and 0.07 g/t Pd (or 2.05% Cu equivalent).**

Hole UA-03 intersected three principal zones of significant mineralization which were: Interval **A - 26m (20m true thickness) grading 1.70% Cu; 1.41 g/t Au; 9.40 g/t Ag; and 0.09 g/t Pd (or 2.73% Cu equivalent),** Interval **B - 84m (65m true thickness) grading 1.22% Cu; 0.45 g/t Au; 3.41 g/t Ag; and 0.04 g/t Pd (or 1.56% Cu equivalent), and** Interval **C – 16m (12m true thickness) grading 1.30% Cu; 0.41 g/t Au; 2.80 g/t Ag; and 0.06 g/t Pd (or 1.60% Cu equivalent).**

Hole UA-09 intersected two principal zones of significant mineralization which were: Interval **A - 50m (27m true thickness) grading 0.65% Cu; 1.01 g/t Au; 2.87 g/t Ag; and 0.20 g/t Pd (or 1.40% Cu equivalent),** and Interval **B - 20m (11m true thickness) grading 0.61% Cu; 0.93 g/t Au; 1.92 g/t Ag; and 0.29 g/t Pd (or 1.33% Cu equivalent).**

Hole UA-12 intersected two principal zones of significant mineralization which were: Interval **A - 20m (13m true thickness) grading 1.05% Cu; 0.78 g/t Au; 3.80 g/t Ag; and 0.09 g/t Pd (or 1.61% Cu equivalent),** and Interval **B – 20m (13m true thickness) grading 1.35% Cu; 0.66 g/t Au; 5.69 g/t Ag; and 0.04 g/t Pd (or 1.83% Cu equivalent)**

EXPLORATION DECLINE PROGRESSING WELL
Additional Heading Commenced

The rate of progress on the exploration decline continues to be extremely encouraging. To date the main portion of the decline has been advanced more than 1040m, representing more than 80% completion of this part of the decline. Additional underground crews are now at site, as excavation of an additional heading has commenced. This will facilitate the completion of cross-cuts through the orebody in order to determine the most suitable mining methods and metallurgical characteristics of the mineralization. The additional heading will be excavated simultaneously with the continued advancement of the main portion of the decline. It is anticipated that direct access to the ore will be gained by mid Summer. The total amount of planned underground decline work is 2,000m, indicating the project is now more than 50% complete.

QUALIFIED PERSON

These exploration results have been prepared and approved by Mike Hibbitts P.Geo., Vice President Exploration and Development for New Gold Inc. who is a Qualified Person under National Instrument 43-101. He is therefore qualified to confirm the validity and veracity of these results.

A Quality Assurance/Quality Control Program (QA/QC) was established under the direction of Roscoe Postle Associates, an independent firm of geological and mining consultants based in Toronto, Ontario, Canada with offices in Vancouver, British Columbia and Rouyn-Noranda, Quebec. Samples are analyzed at Eco Tech Laboratories of Kamloops, British Columbia, Canada. Copper is analyzed through Aqua Regia digestion with AA finish. Samples containing native copper are analyzed for "metallic" copper. Gold is analyzed using a Fire Assay with an AA finish on a 30 gram sample. The accuracy of analyses is constantly monitored by systematically submitting duplicate samples and control (or standard) samples to the Laboratory for analysis.

New Gold is in excellent financial condition with cash of more than $21 million (at 31/03/05) and no debt. The company has only 14.4 million shares outstanding and 16.2 million shares fully diluted.

For further information on New Gold Inc. and the New Afton Project, please contact:

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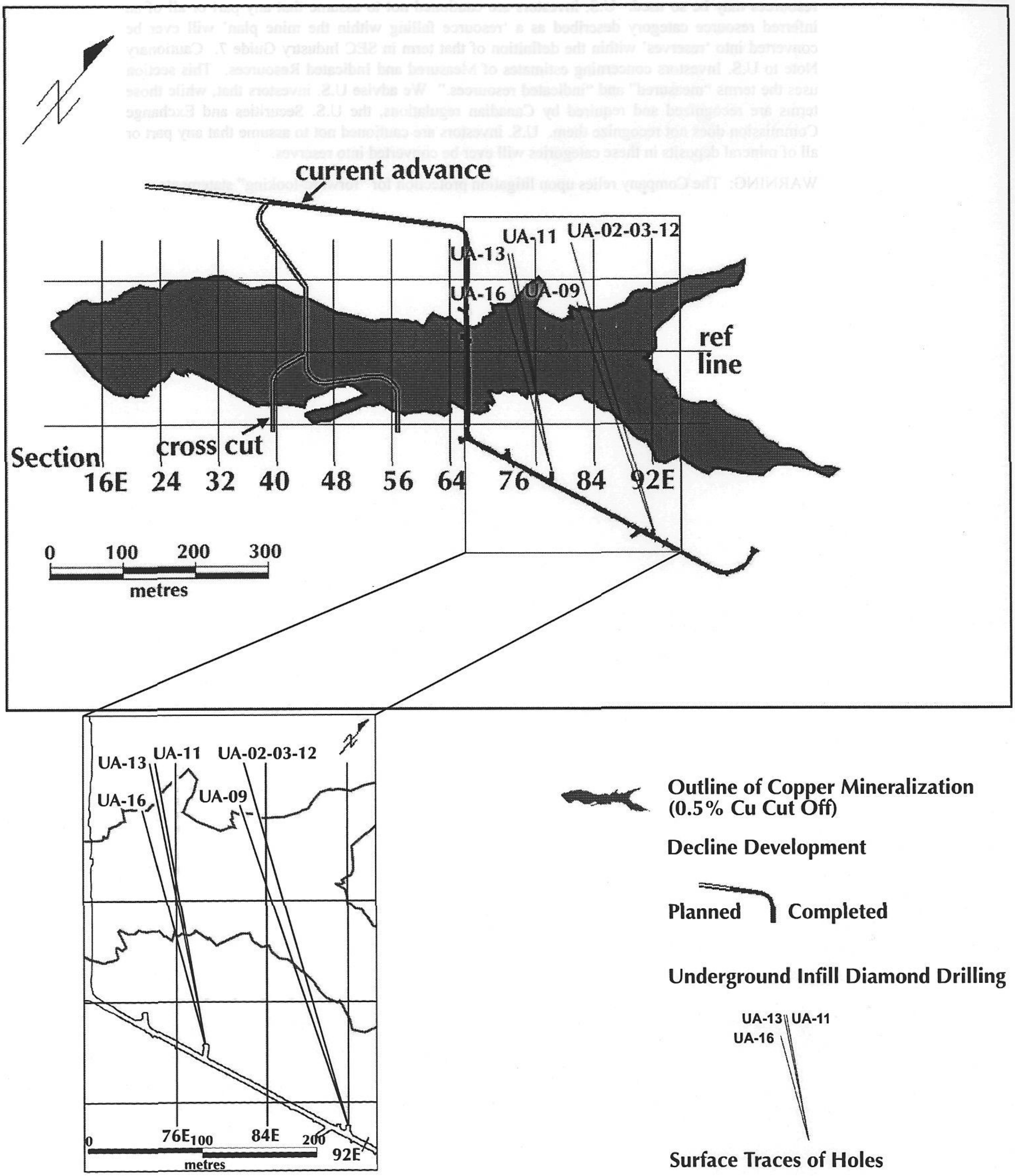
this information and disclaims any legal liability to the contrary. Cautionary Note to U.S. Investors concerning resource estimates. This press release discusses the results of a scoping study, which is a "preliminary assessment" as defined in the Canadian NI 43-101, under which the use of inferred mineral resources is permitted under certain circumstances. The U.S. Securities and Exchange Commission regulations do not recognize any circumstances in which inferred mineral resources may be so used. U.S. investors are cautioned not to assume that any part or all of an inferred resource category described as a 'resource falling within the mine plan' will ever be converted into 'reserves' within the definition of that term in SEC Industry Guide 7. Cautionary Note to U.S. Investors concerning estimates of Measured and Indicated Resources. This section uses the terms "measured" and "indicated resources." We advise U.S. investors that, while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.

WARNING: The Company relies upon litigation protection for "forward-looking" statements.

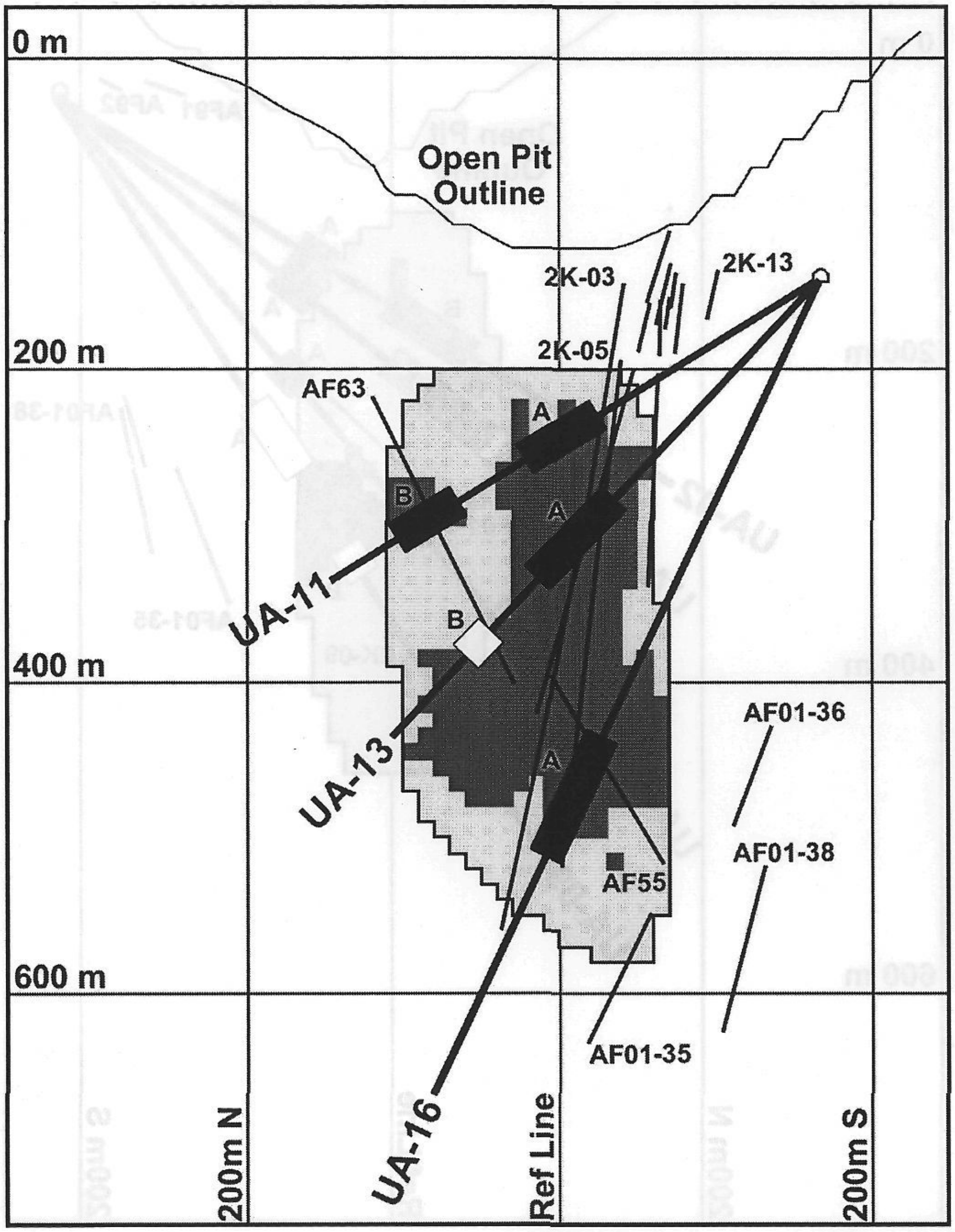
New Gold Inc. - New Afton Copper-Gold Project
Plan View Showing Surface Traces of Underground Infill Drilling

June 21, 2005



New Gold Inc. - New Afton Copper-Gold Project
Section 76 East - Viewed From West
Underground Infill Drilling Results
Compared to Resource Model

June 21, 2005



Outline of Mineralization From 2004 Resource Block Model

Outline of Mineralization (limit of Detectable Cu & Au)

Kriged Cu Equivalent* (%)

Cu Eq > 1.50 %

* Using: Cu $0.85/lb; Au $375/oz; Ag $5.25/oz; Pd $200/oz

Diamond Drilling

UA-11 — Current Underground Infill Program

A — Interval Defined in Table I

Current Intersections > 1.5% Cu Eq.

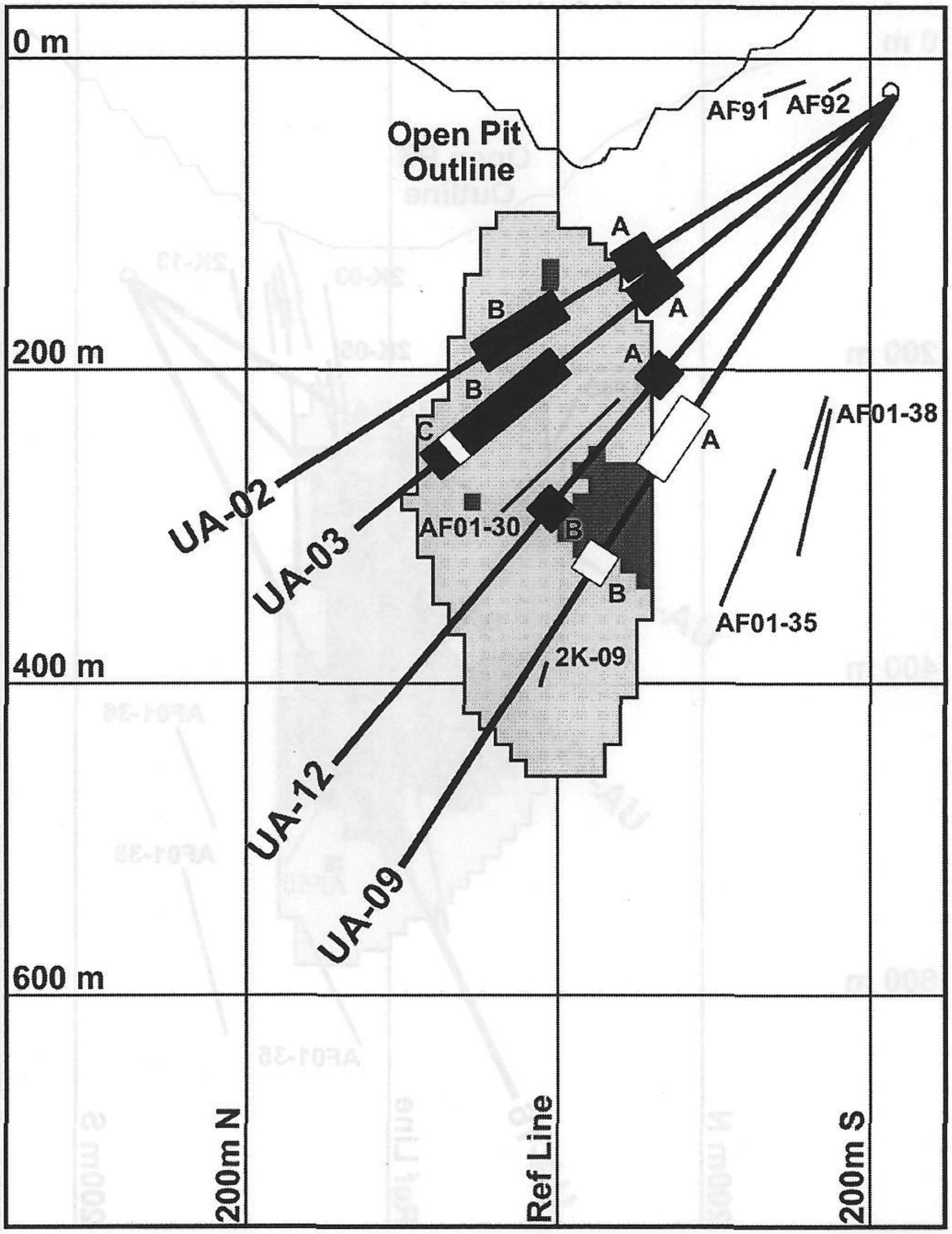
Current Intersections 1.0-1.5% Cu Eq.

AF63 — Previous Surface Exploration Program

Underground Exploration Decline

New Gold Inc. - New Afton Copper-Gold Project
Section 84 East - Viewed From West
Underground Infill Drilling Results Compared to Resource Model

June 21, 2005



Outline of Mineralization From 2004 Resource Block Model

Outline of Mineralization (limit of Detectable Cu & Au)

Kriged Cu Equivalent* (%)

Cu Eq > 1.50 %

* Using: Cu $0.85/lb; Au $375/oz; Ag $5.25/oz; Pd $200/oz

Diamond Drilling

UA-02 — Current Underground Infill Program

A — Interval Defined in Table I

Current Intersections > 1.5% Cu Eq.

Current Intersections 1.0-1.5% Cu Eq.

AF30 — Previous Surface Exploration Program

Underground Exploration Decline

NEW GOLD INC.

TABLE 1
NEW AFTON COPPER – GOLD PROJECT

RESULTS OF UNDERGROUND INFILL DRILLING - SECTIONS 84E AND 76E
June 21, 2005

DDH	Azimuth*	Depth (m)	Dip*	Interval	From (m)	To (m)	Length (m)	True Thickness (m)*	Cu %	Au g/t	Ag g/t	Pd g/t	Cu Eq**
Section 84E													
UA-02	295	479	-31	A	190	212	22	19	0.69	1.94	9.88	0.18	2.09
				B	264	326	62	53	1.61	0.59	4.35	0.07	2.05
UA-03	295	450	-38	A	188	214	26	20	1.70	1.41	9.40	0.09	2.73
				B	282	366	84	65	1.22	0.45	3.41	0.04	1.56
				C	376	392	16	12	1.30	0.41	2.80	0.06	1.60
				B+C	282	392	110	85	1.15	0.41	3.07	0.04	1.45
UA-09	303	612	-57	A	236	286	50	27	0.65	1.01	2.87	0.20	1.40
				Including	236	258	22	12	1.06	1.30	5.33	0.16	2.00
				B	344	364	20	11	0.61	0.93	1.92	0.29	1.33
UA-12	292	563	-49	A	220	240	20	13	1.05	0.78	3.80	0.09	1.61
				B	330	350	20	13	1.35	0.66	5.69	0.04	1.83
Weighted Average of Principal Intersections							36		1.17	0.81	4.48	0.10	1.77
Section 76E													
UA-11	304	365	-32	A	164	218	54	46	2.37	1.52	7.23	0.13	3.46
				Including	164	206	42	35	2.74	1.86	8.92	0.12	4.06
				B	270	314	44	38	1.52	0.23	4.17	0.01	1.70
UA-13	300	400	-47	A	192	260	68	46	1.30	0.61	2.86	0.13	1.76
				B	306	328	22	15	1.34	0.14	1.73	0.00	1.45
UA-16	295	580	-64	A	324	406	82	36	1.65	0.84	5.61	0.08	2.26
Weighted Average of Principal Intersections							54		1.66	0.76	4.69	0.08	2.22

* Numbers rounded to nearest whole number ** Copper Equivalent
Price assumptions used to calculate Copper Equivalent – Cu = $0.85/lb; Au = $375/oz; Ag = $5.25/oz; Pd = $200/oz

NEW GOLD INC.
PRESS RELEASE

Initial Underground Drill Results Very Encouraging
Up to 194 metres grading 1.75% Cu, and 1.08 grams Au/t

June 1 2005, Vancouver, British Columbia – New Gold Inc. (NGD:TSX/AMEX) (formerly DRC Resources Corp.) is pleased to announce a very encouraging first set of results from the ongoing 20,000 metre (m) underground diamond drill program at its Afton Copper-Gold Project, Kamloops, B.C., Canada. This program is being completed from the Project's underground exploration decline and is designed to complete the infill drilling necessary to confirm the validity of the current resource block model and (in conjunction with completion of a feasibility study) is expected to enable the Company to convert current resources into reserves. The underground decline is being completed to a total length of 2,000m.

The current results are from four holes completed on Section 72E, and are shown in the attached table and figures. Future results will be released on a sectional basis as the infill drilling is completed. All copper equivalent grades are calculated using the following prices – Copper (Cu) US$0.85/lb; Gold (Au); US$375/oz; Silver (Ag) US$5.25/oz; and Palladium (Pd) US$200/oz. This is consistent with the metal prices used in the existing independently calculated resource and is also consistent with metal prices used in preparation of the independent Scoping Study (2004 Behre Dolbear Advanced Scoping Study)

The highlights of these results are:

- Individual intersections encountered include **194m (105m true thickness) grading 1.75% Cu and 1.08 grams per tonne (g/t) Au (2.55% Cu equivalent)**; and **30m (21m true thickness) grading 3.27% Cu and 2.39 g/t Au (5.00% Cu equivalent)**.

- The weighted average for the principal mineralized intersections of the four holes was **1.50% Cu and 0.96 g/t Au (2.20% Cu equivalent) over 122m.**

- The underground exploration decline has now been advanced more than 950m and is ahead of schedule. Ground conditions continue to be better than anticipated.

Upon releasing these results, President and CEO, Chris Bradbrook stated, "We are very encouraged by the start made to the infill drilling program. We look forward to being able to systematically release additional infill drill results on a sectional basis in the near future, and thereafter as the year progresses. This will allow direct comparison of the infill drilling to the resource model as the underground drilling progresses."

The information obtained from the exploration decline and the underground diamond drill program will be used in completion of a feasibility study, which will determine the capital requirements and potential economics of developing a new underground mine to extract this resource. The total planned budget for the decline, underground diamond drilling and feasibility study is $18 million over 18 months. Work commenced in November, 2004. The Company remains fully funded to complete this work which is under budget and ahead of schedule

NATURE OF MINERALIZATION

The currently defined Copper and Gold resource was outlined by approximately 100 diamond drill holes completed from surface. Results for these holes are available in past press releases on the Company's website (www.newgoldinc.com). The outline of this mineralization is indicated on the attached plan view. This plan indicates that mineralization occurs over a strike length in excess of 800m.

The resource was independently calculated from a kriged block model as part of an independent advanced scoping study conducted by Behre Dolbear in 2003 and updated in 2004 under the supervision of Behre Dolbear qualified person, James A. Currie, P.Eng. At a cut-off of 0.70% Cu equivalent the Measured and Indicated Mineral Resource was calculated to be 68.7 Million Tonnes grading 1.68% Cu equivalent or 2.61 g/t Au equivalent (1.08% Cu, 0.85 g/t Au, 2.62 g/t Ag, 0.12 g/t Pd), which contains approximately 1.6 billion pounds of copper, and 1.9 million ounces of gold. The scoping study suggested that the project has very robust economics at metal prices as low as US$0.85 per lb copper, and US$375 per ounce gold.

This block model indicated mineralization with a higher grade core containing in excess of 1.5% Cu equivalent, which represents the bulk of the resource. This higher grade core is surrounded by a lower grade envelope. The attached drawing of section 72E shows the location of this higher grade core and the limits of mineralization (which indicate the outer extent of detectable Cu and Au mineralization) as defined by the resource model.

It is important to note that these are the results of only one section. A primary goal of the current underground diamond drill program is to fill informational gaps on all necessary sections such that the entire resource model can be tested and analyzed on a section-by-section basis.

SUMMARY OF RESULTS

The main intersections are summarized in the attached Table I. The location of these holes and the mineralized intervals relative to the resource model are indicated on the attached cross section. This diagram also indicates the locations where previous surface holes intersected the section. Four underground holes were completed on the section for a total of 1704m. The holes intersected the mineralized zone 40 – 100m apart. All holes encountered a core zone of higher grade mineralization (>1.50% Cu equivalent) within a wider, lower grade envelope. The limits of these intersections were defined using a 0.7% Cu equivalent cut-off.

Hole UA-05 intersected a principal zone of significant mineralization which was: **52m (41m true thickness) grading 0.97 % Cu; 0.85 g/t Au; 3.31 g/t Ag; 0.13 g/t Pd, (or 1.59% Cu equivalent).**

Hole UA-06 intersected a wide principal zone of significant mineralization which was: **190m (131m true thickness) grading 1.39% Cu; 0.82 g/t Au; 2.55 g/t Ag; and 0.09 g/t Pd (or 1.97% Cu equivalent).** Within this interval a significantly higher grade intersection was encountered which contained **30m (21m true thickness) grading 3.27% Cu; 2.39 g/t Au; 9.15 g/t Ag; and 0.33 g/t Pd (or 5.00% Cu equivalent).**

Hole UA-07 intersected the most significant principal zone of mineralization which was: **194m (105m true thickness) grading 1.75% Cu; 1.08 g/t Au; 5.71 g/t Ag; and 0.15 g/t Pd (or 2.55% Cu equivalent).** Within this interval was a slightly narrower and higher grade intersection which contained **164m (89m true thickness) grading 1.91% Cu; 1.22 g/t Au; 6.41 g/t Ag; and 0.18 g/t Pd (or 2.81% Cu equivalent).**

Hole UA-08 intersected a zone of mineralization which was: **50m (12.0m true thickness) grading 1.48% Cu; 1.17 g/t Au; 5.82 g/t Ag; and 0.08 g/t Pd (or 2.31% Cu equivalent).**

For Section 72E, the thickness, shape and grade distribution of this mineralization is generally consistent with the resource model. The principal difference from the model was the location of the intersection of higher grade mineralization in UA-08, which was of a similar extent to that indicated in the model, but at a greater depth, suggesting a steeper dip for the mineralization on this section. Copper and gold mineralization was encountered over a vertical distance of more than 300 metres and remains open in both up and down-dip directions.

The weighted average of the principal intersections of the four drill holes is **122m grading 1.50% Cu; 0.96 g/t Au; 4.23 g/t Ag; and 0.12 g/t Pd (or 2.20% Cu equivalent).**

EXPLORATION DECLINE PROGRESSING WELL

The rate of progress on the exploration decline continues to be extremely encouraging. To date the main portion of the decline has been advanced more than 950m, representing more than 75% completion of this part of the decline. Additional underground crews will be brought to site in the near future in order to commence the excavation of an additional heading. This will facilitate the completion of cross-cuts through the orebody in order to determine the most suitable mining methods and metallurgical characteristics of the mineralization. The additional heading will be excavated simultaneously with the continued advancement of the main portion of the decline. The total amount of planned underground decline work is 2,000m, indicating the project is approaching 50% completion.

QUALIFIED PERSON

These exploration results have been prepared and approved by Mike Hibbitts P.Geo., Vice President Exploration and Development for New Gold Inc. who is a Qualified Person under National Instrument 43-101. He is therefore qualified to confirm the validity and veracity of these results.

A Quality Assurance/Quality Control Program (QA/QC) was established under the direction of Roscoe Postle Associates, an independent firm of geological and mining consultants based in Toronto, Ontario, Canada with offices in Vancouver, British Columbia and Rouyn-Noranda, Quebec. Samples are analyzed at Eco Tech Laboratories of Kamloops, British Columbia, Canada. Copper is analyzed through Aqua Regia digestion with AA finish. Samples containing native copper are analyzed for "metallic" copper. Gold is analyzed using a Fire Assay with an AA finish on a 30 gram sample. The accuracy of analyses is constantly monitored by systematically submitting duplicate samples and control (or standard) samples to the Laboratory for analysis.

New Gold is in excellent financial condition with cash of more than $21 million (at 31/03/05) and no debt. The company has only 14.4 million shares outstanding and 16.2 million shares fully diluted.

For further information on New Gold Inc. and the Afton Project, please contact:

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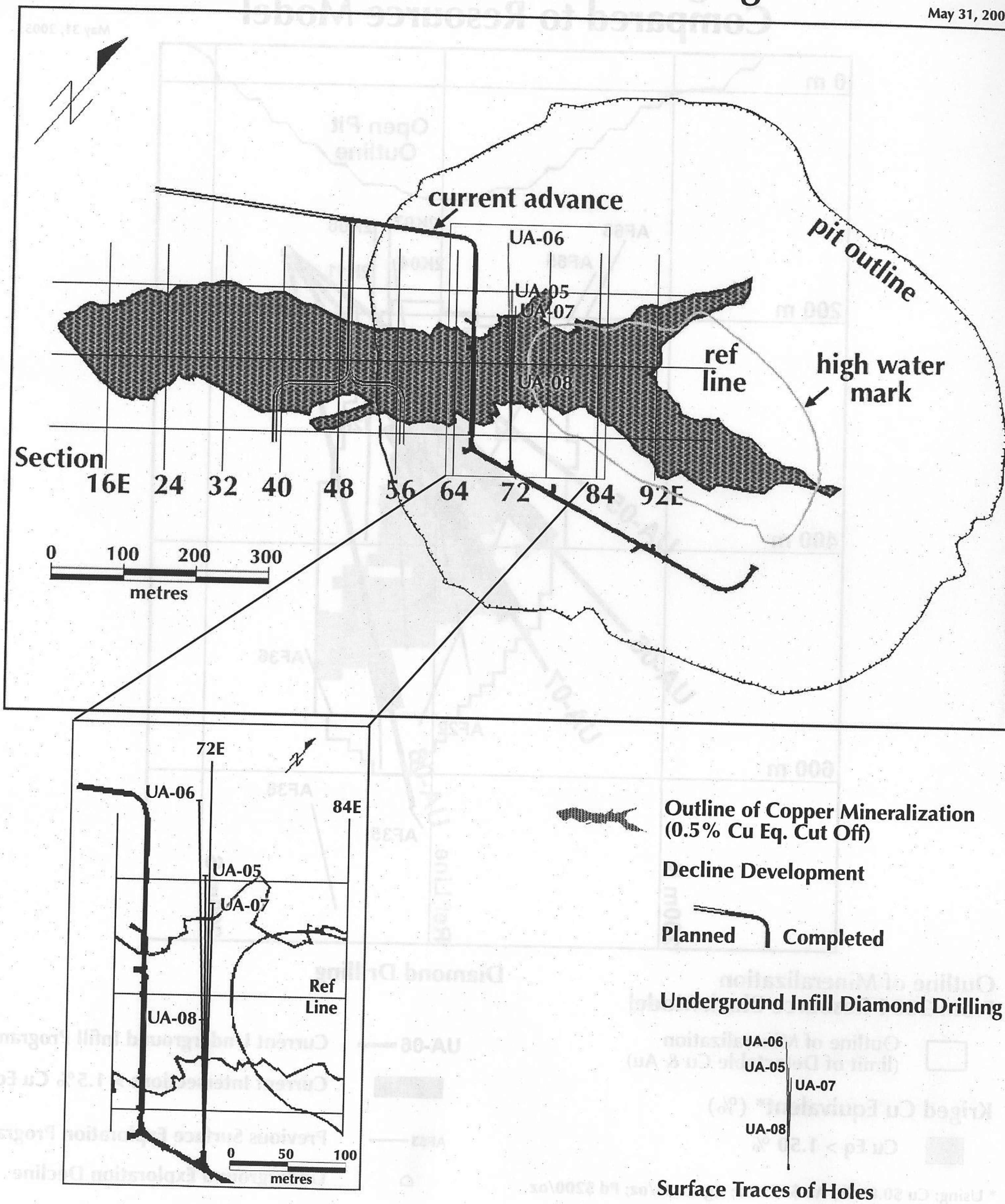
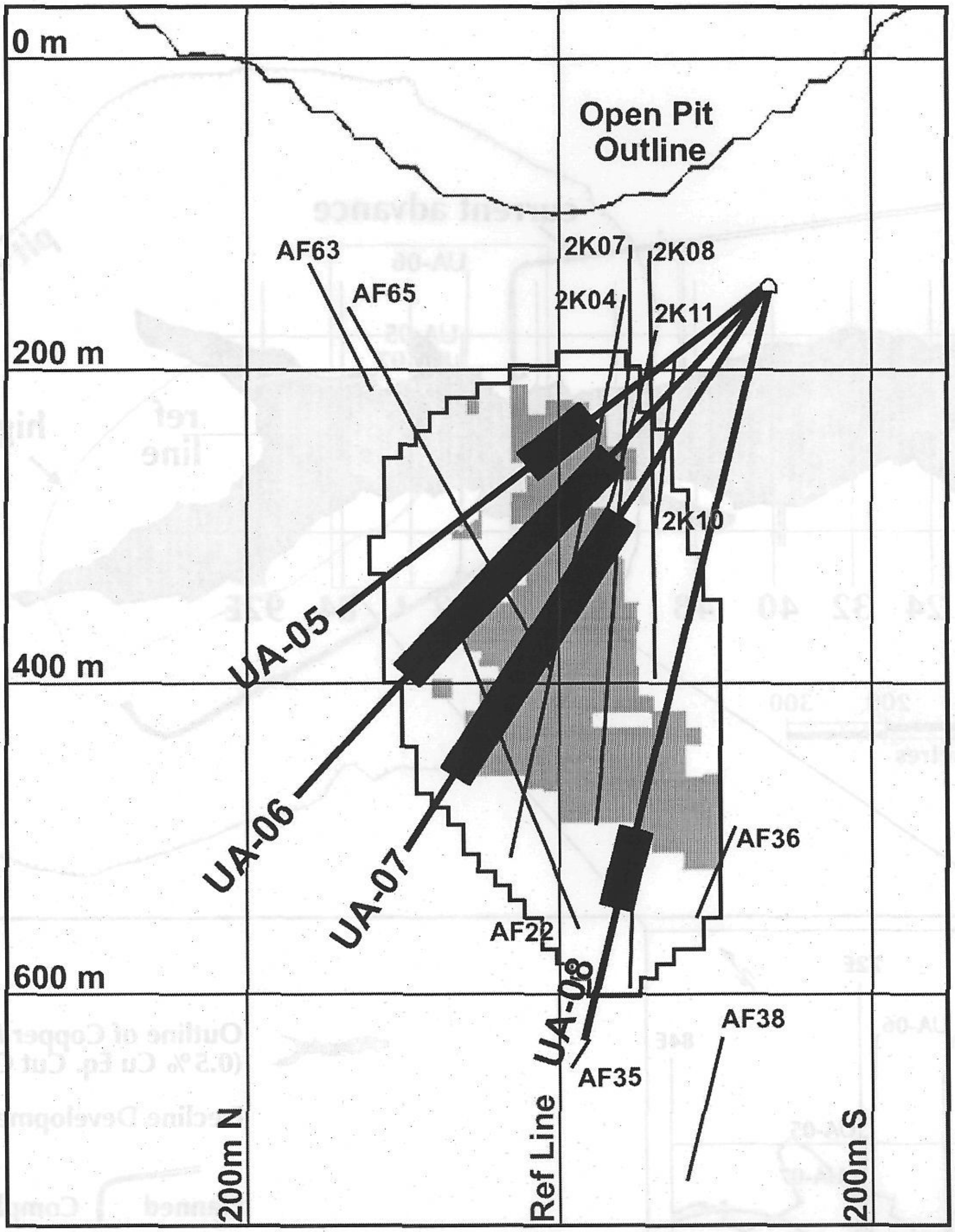
New Gold Inc. - Afton Copper-Gold Project
Plan View Showing Surface Traces of Underground Infill Drilling

May 31, 2005



New Gold Inc. - Afton Copper-Gold Project
Section 72 East - Viewed From West
Underground Infill Drilling Results Compared to Resource Model

May 31, 2005



Outline of Mineralization From 2004 Resource Block Model

Outline of Mineralization (limit of Detectable Cu & Au)

Kriged Cu Equivalent* (%)

Cu Eq > 1.50 %

Diamond Drilling

UA-06 — Current Underground Infill Program

Current Intersections > 1.5% Cu Eq.

AF63 — Previous Surface Exploration Program

Underground Exploration Decline

* Using: Cu $0.85/lb; Au $375/oz; Ag $5.25/oz; Pd $200/oz

NEW GOLD INC.

TABLE 1
AFTON COPPER – GOLD PROJECT

RESULTS OF UNDERGROUND INFILL DRILLING
SECTION 72E

May 31, 2005

DDH	Azimuth*	Depth (m)	Dip*	From (m)	To (m)	Length (m)	True Thickness* (m)	Cu %	Au g/t	Ag g/t	Pd g/t	Cu Eq**
UA-05	**308**	**344**	**-38**	**138**	**190**	**52**	**41**	**0.97**	**0.85**	**3.31**	**0.13**	**1.59**
			Including	138	162	24	19	1.50	1.72	5.77	0.29	2.76
			And	180	190	10	8	1.39	0.28	2.94	0.01	1.60
UA-06	**309**	**441**	**-46**	**146**	**336**	**190**	**131**	**1.39**	**0.82**	**2.55**	**0.09**	**1.97**
			Including	146	220	74	51	1.24	0.98	2.14	0.09	1.93
			And	240	280	40	28	1.54	0.11	0.99	0.00	1.62
			And	306	336	30	21	3.27	2.39	9.15	0.33	5.00
UA-07	**311**	**423**	**-57**	**174**	**368**	**194**	**105**	**1.75**	**1.08**	**5.71**	**0.15**	**2.55**
			Including	174	338	164	89	1.91	1.22	6.41	0.18	2.81
UA-08	**308**	**496**	**-76**	**356**	**406**	**50**	**12**	**1.48**	**1.17**	**5.82**	**0.08**	**2.31**
Weighted Average of Principal Intersections						**122**		**1.50**	**0.96**	**4.23**	**0.12**	**2.20**

* Numbers rounded to nearest whole number
** Copper Equivalent

Price assumptions used to calculate Copper Equivalent – Cu = $0.85/lb; Au = $375/oz; Ag = $5.25/oz; Pd = $200/oz