newgold Blackwater Gold Project

New Gold Inc.
Blackwater Gold Project, British Columbia

Project Description Summary

Date: **24 October 2012**

Project No. **VE52095**

SUMMARY

General Information

New Gold Inc. (New Gold) is proposing to develop the Blackwater Gold Project (proposed Project), an open pit gold and silver mine and ore processing facilities with a nominal milling rate capacity of 60,000 t/d (22 Mt/y) over 17 years. The proposed Project is situated approximately 110 km south of Vanderhoof (straight-line distance) in central BC (**Figure 1**).

General contact information for the proposed Project is presented below:

Project Name	Blackwater Gold Project
Proponent:	New Gold Inc. Two Bentall Centre Suite 1800 - 555 Burrard Street Vancouver, BC V7X 1M9 Telephone: (604) 696-4100 Facsimile: (604) 696-4110 Internet: www.newgold.com
Principle Contact:	Tim Bekhuys, Environment & Sustainability Director Email: Tim.Bekhuys@newgold.com Telephone: (604) 639-2005 Facsimile: (604) 696-4110

New Gold was incorporated under the laws of the Province of British Columbia on 31 January 1980. New Gold has a presence in the local communities in proximity to the proposed Project, with an office in Vanderhoof that facilitates easy access to information regarding on-going exploration activities and other details concerning the proposed Project. Key stakeholders and Aboriginal groups who are expected to have an interest in the proposed Project include, but are not limited to those listed in the following two tables. The tables also identify key stakeholders and Aboriginal groups who were consulted during the preparation of this Project Description.

Stakeholder	Consulted
Provincial Government	
BC Ministry of Aboriginal Relations and Reconciliation (BC MARR)	Yes
BC Ministry of Children and Families (BC MCF)	No
BC Ministry of Energy, Mines and Natural Gas and Responsible for Housing (BC MEMNG)	Yes
BC Ministry of Environment (BC MOE)	Yes
BC Ministry of Forests, Lands and Natural Resource Operations (BC MFLNRO)	Yes
BC Ministry of Jobs, Tourism and Innovation (BC MJTI)	Yes
BC Ministry of Transportation and Infrastructure (BC MOTI)	No
British Columbia Environmental Assessment Office (BC EAO)	Yes

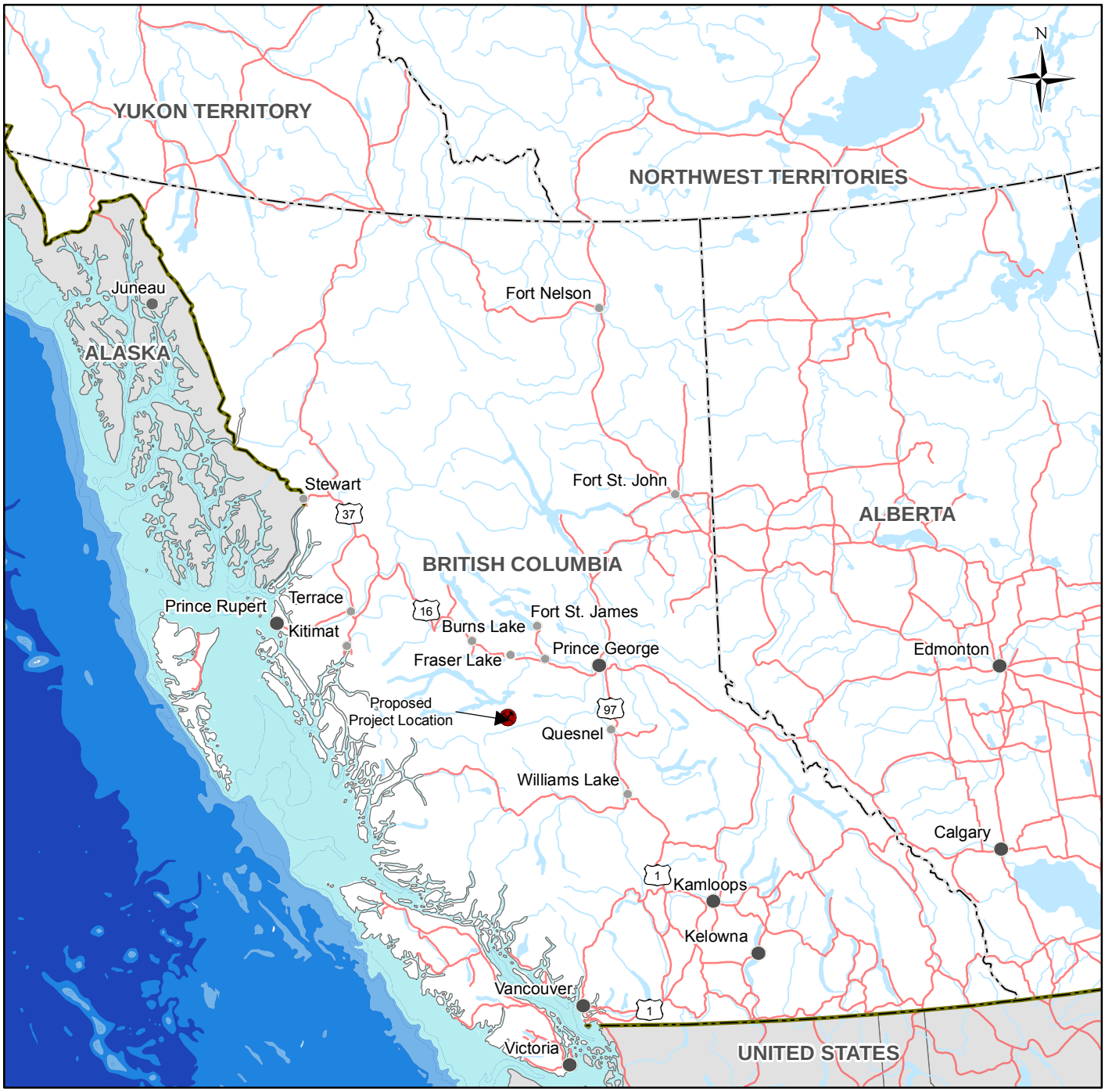
Stakeholder	Consulted
Front Counter BC	Yes
Northern Health Authority	Yes
Federal Government	
Aboriginal Affairs and Northern Development Canada (AANDC)	No
Canadian Environmental Assessment Agency (the Agency)	Yes
Environment Canada (EC)	Yes
Fisheries and Oceans Canada (DFO)	No
Health Canada (HC)	No
Major Projects Management Office	Yes
Natural Resources Canada (NRCan)	No
Transport Canada (TC)	Yes
Local Government	
Burns Lake Community Health Centre	Yes
Cariboo Regional District	Yes
City of Prince George	Yes
City of Quesnel	Yes
District of Fort St. James	Yes
District of Vanderhoof	Yes
Regional District of Bulkley-Nechako	Yes
Royal Canadian Mounted Police (RCMP)	Yes
School District 91	Yes
Village of Burns Lake	Yes
Village of Fraser Lake	Yes
Landowners and Land / Resource Users	
Tatelkuz Lake Ranch Resort	Yes
Canadian Forest Products	Yes
L & M Lumber Limited	Yes
TTM Resources Ltd.	Yes
Wayne Daul	Yes
Other Stakeholders	
BC Forest Safe Council	Yes
BC Forest Safe Council and	Yes
BC Institute of Technology (BCIT)	Yes
BC Trappers Association	Yes
BC Wildlife Federation	Yes
Caledonia Courier	Yes
College of New Caledonia	Yes
Community Futures Stuart Nechako	Yes

Stakeholder	Consulted
Ecosystem Restoration Committee	Yes
Gord Armstrong (ARO Auto/Industrial)	Yes
Gulbranson Logging Ltd.	Yes
Lakes District Community Services	Yes
Nechako Environment and Watershed Stewardship Society	Yes
Nechako Valley Cattlemen's Association	Yes
Nechako Valley Historical Society	Yes
Nechako Waste Reduction Initiative	Yes
University of British Columbia (UBC)	Yes
University of Victoria	Yes
Vanderhoof and District Chamber of Commerce	Yes
Vanderhoof International Air Show Society	Yes
West Chilcotin Tourism Association	Yes

Aboriginal Groups	Engaged
Lhoosk'uz Dene Nation	Yes
Nadleh Whut'en First Nation	Yes
Nazko First Nation	Yes
Saik'uz First Nation	Yes
Skin Tyee Nation	Yes
Stellat'en First Nation	Yes
Ulkatcho First Nation	Yes

In addition to consulting with the Aboriginal groups located in the vicinity of the proposed Project area, New Gold will engage the Carrier Chilcotin Tribal Council (CCTC), the Carrier Sekani Tribal Council (CSTC), and the Tsilhqot'in National Government and the Métis Nation BC. Consultation and engagement activities will continue during the next phases of the proposed Project. New Gold is committed to developing an environmentally sound project that makes an overall positive contribution to local communities, Aboriginal groups, and the province.

The proposed Project is expected to require both provincial and federal Environmental Assessment (EA) reviews under the BC *Environmental Assessment Act (*BC *EAA*) and *Canadian Environmental Assessment Act*, *2012* (*CEA Act 2012*), respectively. The proposed Project will not occur in a region that has been the subject of federal regional environmental studies.



Legend

- Blackwater Gold Project
- City
- Town
- Road
- Stream
- Waterbody
- Provincial Boundary
- International Boundary

Reference
Atlas of Canada scale 1:7,500,000

Scale: 1:9,000,000

0 50 100 200 300 400 500
Kilometres

CLIENT: newgold

PROJECT: Blackwater Gold Project

Proposed Project Location

DATE:	ANALYST:	**Figure 1**
November, 2012	MY/KC	
JOB No: VE52095	QA/QC: AP	PDF FILE: Other-100-005_v7_project_location.pdf
GIS FILE: Other-100-005_v7.mxd		
PROJECTION: UTM Zone 10	DATUM: NAD83	amec

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Project General Information

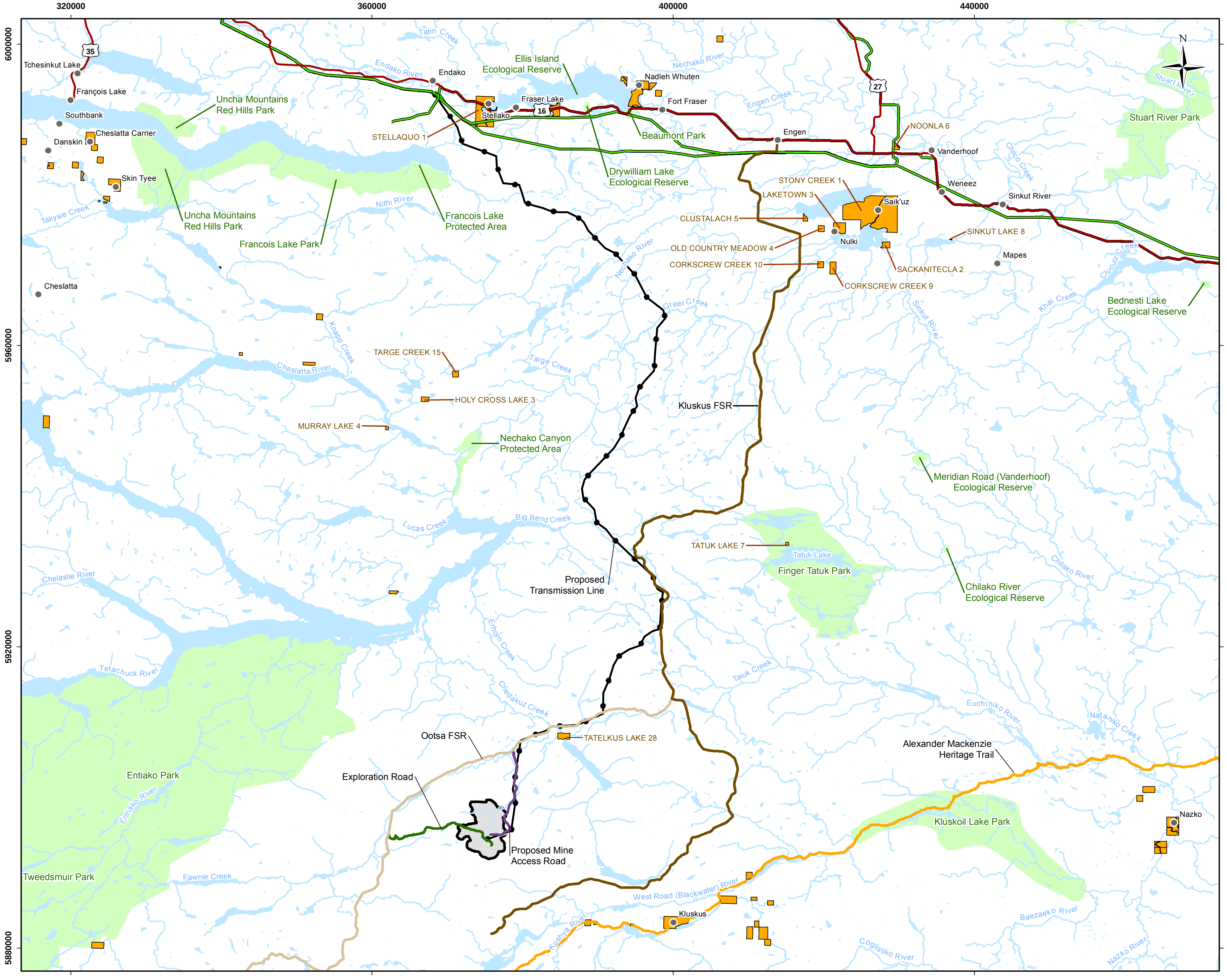
The proposed Project footprint consists of the mine site, the mine access road, and the transmission line. The proposed mine site is situated along the northern flanks of Mt. Davidson in the Nechako Plateau, approximately 160 km southwest of the city of Prince George and 110 km southwest of the town of Vanderhoof in a straight-line distance. The proposed mine site is centered at 53° 11' 22.872"N 124° 52' 0.437"W (5893000 N and 375400 E) and is located in National Topographic System (NTS) sheet 93F/02 (**Figure 2**).

The proposed mine site occupies a surface area of approximately 3,300 ha and is located within a group of 69 mineral claims (**Figure 3**), 66 of which are recorded under New Gold's name and three other claims are recorded in the name of third parties, with New Gold having an option to acquire them subject to a royalty. The footprint of the proposed Project contains no water lots and does not overlap with any private or federal Crown land; however, the proposed transmission line overlaps with some parcels of surveyed provincial Crown land (**Figure 4**). The Tatelkus Lake Indian Reserve 28, located approximately 15 km northeast of the proposed mine site, is the closest Indian Reserve to the proposed Project footprint. In addition, the proposed Project footprint overlaps with eight range, 14 trapline, and six guide outfitting tenures.

Two known residences in the proximity of the proposed mine site are located on private lands at the north end of Tatelkuz Lake, approximately 11.5 km northeast from the proposed mine site. Tatelkus Lake Indian Reserve (IR28) also has one known residence approximately 17 km northeast of the Blackwater deposit.

Located approximately 26 km northwest of the proposed mine site, Entiako Provincial Park is the closest park to the proposed Project. Designated recreational sites are also in the area, the closest located at Top Lake South, approximately 8 km northwest of the proposed mine site.

Development of the proposed mine site, potential upgrades along the Kluskus and Ootsa Forest Service Roads (FSRs) (existing road access route), and transmission line construction may directly affect streams in the area, for which potential navigability will be assessed.

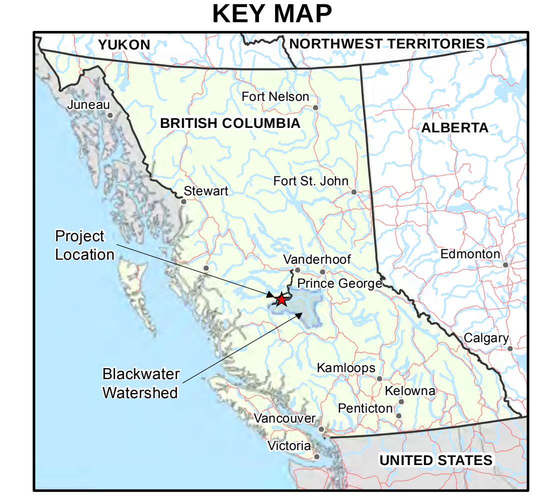


320000
360000
400000
440000
6000000
5960000
5920000
5880000
Tchesinkut Lake
François Lake
Southbank
Cheslatta Carrier
Danskin
Skin Tyee
Uncha Mountains Red Hills Park
Francois Lake Park
Francois Lake Protected Area
Nithi River
Taysie Creek
Cheslatta
Endako
Endako River
Tatin Creek
Ellis Island Ecological Reserve
Nadleh Whuten
Nechako River
Fraser Lake
Stellako
Fort Fraser
STELLAQUO 1
Beaumont Park
Drywilliam Lake Ecological Reserve
Engen
Engen Creek
NOONLA 6
Vanderhoof
Weneez
Sinkut River
Stuart River
Stuart River Park
Chilco Creek
STONY CREEK 1
LAKETOWN 3
Saik'uz
CLUSTALACH 5
Nulki
OLD COUNTRY MEADOW 4
CORKSCREW CREEK 10
SACKANITECLA 2
CORKSCREW CREEK 9
SINKUT LAKE 8
Mapes
Cluculz Creek
Khai Creek
Bednesti Lake Ecological Reserve
Nechako River
Greer Creek
Sinkut River
Knapp Creek
Cheslatta River
TARGE CREEK 15
Targe Creek
HOLY CROSS LAKE 3
MURRAY LAKE 4
Nechako Canyon Protected Area
Kluskus FSR
Meridian Road (Vanderhoof) Ecological Reserve
Lucas Creek
Big Bend Creek
TATUK LAKE 7
Tatuk Lake
Finger Tatuk Park
Chilako River
Chilako River Ecological Reserve
Chelaslie River
Proposed Transmission Line
Entiako Creek
Tetachuck River
Taiuk Creek
Chedakuz Creek
Euchiniko River
Nataniko Creek
Ootsa FSR
TATELKUS LAKE 28
Alexander Mackenzie Heritage Trail
Entiako Park
Entiako River
Exploration Road
Kluskoil Lake Park
Nazko
Proposed Mine Access Road
Tweedsmuir Park
Fawnie Creek
West Road (Blackwater) River
Kluskus
Kushya River
Baezaeko River
Coglistiko River
Nazko River
35
16
27
N

Legend

- Populated Place
- Alexander Mackenzie Heritage Trail
- Highway
- Kluskus FSR
- Ootsa FSR
- Proposed Mine Access Road
- Exploration Road
- Existing Transmission Line
- Proposed Transmission Line
- Stream (3rd Order)
- Waterbody
- Indian Reserve
- Proposed Mine Site
- Parks, Protected Areas and Ecological Reserves

KEY MAP



YUKON
NORTHWEST TERRITORIES
Juneau
Fort Nelson
BRITISH COLUMBIA
ALBERTA
Stewart
Fort St. John
Project Location
Vanderhoof
Prince George
Edmonton
Calgary
Blackwater Watershed
Kamloops
Kelowna
Penticton
Vancouver
Victoria
UNITED STATES

Scale: 1:500,000

0 5 10 20

Kilometres

Reference

BC Government GeoBC Data Distribution

CLIENT:	newgold
PROJECT:	Blackwater Gold Project

Proposed Mine Site Location with Mine Access Road and Transmission Line

DATE: October, 2012	ANALYST: MY	**Figure 2**
JOB No: VE52095	QA/QC: LR	PDF FILE: Other-100-028_v3_TL_mine_parks.pdf
GIS FILE: Other-100-028_v3.mxd		
PROJECTION: UTM Zone 10	DATUM: NAD83	amec

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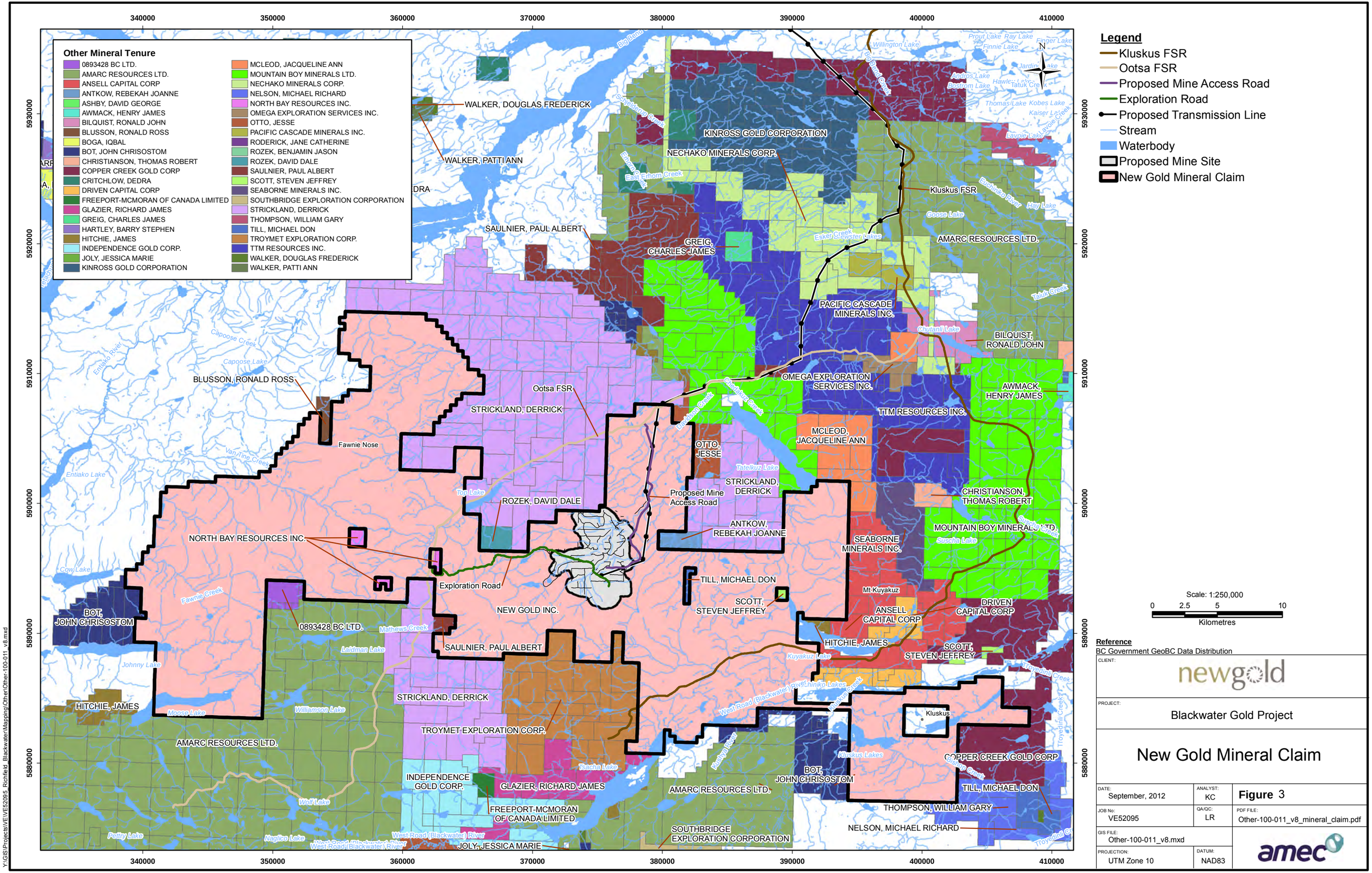

Reference
BC Government GeoBC Data Distribution

CLIENT: newgold

PROJECT: Blackwater Gold Project

New Gold Mineral Claim

DATE:	ANALYST:	
September, 2012	KC	**Figure** 3
JOB No: VE52095	QA/QC: LR	PDF FILE: Other-100-011_v8_mineral_claim.pdf
GIS FILE: Other-100-011_v8.mxd		
PROJECTION: UTM Zone 10	DATUM: NAD83	amec

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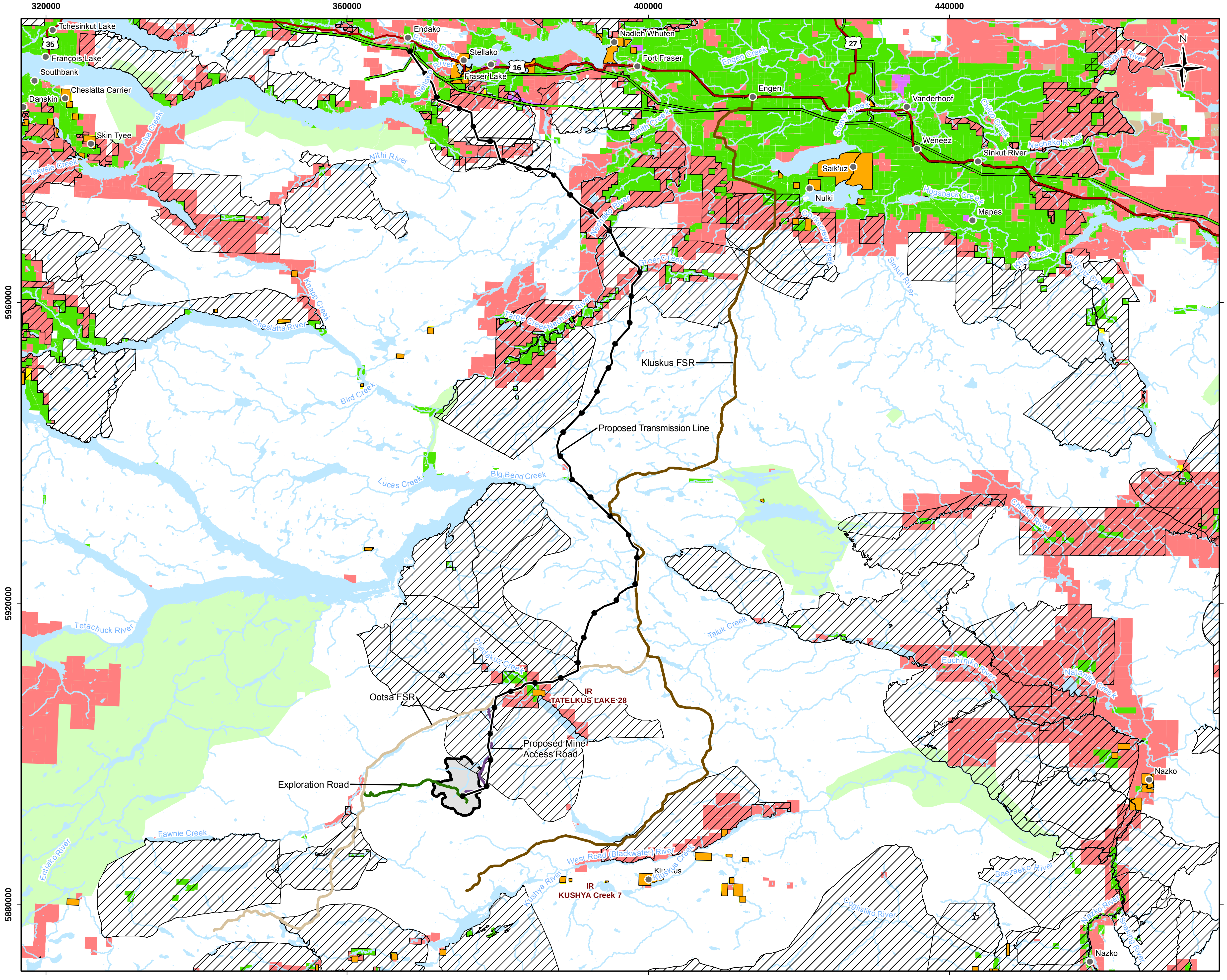

Legend

- Populated Place
- 37 Highway
- Kluskus FSR
- Ootsa FSR
- Proposed Mine Access Road
- Exploration Road
- Proposed Transmission Line
- Existing Transmission Line
- Stream (3rd Order)
- CROWN FEDERAL
- CROWN MUNICIPAL
- CROWN PROVINCIAL
- PRIVATE
- UNKNOWN
- Range Tenure
- Indian Reserve
- Proposed Mine Site
- Parks,Protected Areas And Ecological Reserves

Scale:1:500,000

0 5 10 20

Kilometres

Reference

BC Government GeoBC Data Distribution

Range Tenure Map Entitled "Range Tenures Vanderhoof District FLNRO 2011"

CLIENT: newgold

PROJECT: Blackwater Gold Project

Land Rights in the Project Area

DATE: September, 2012	ANALYST: KC	Figure 4
JOB No: VE52095	QA/QC: LR	PDF FILE: Other-100-024_v9_Land_Rights.pdf
GIS FILE: Other-100-024_v9.mxd		
PROJECTION: UTM Zone 10	DATUM: NAD83	amec

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Federal Involvement Project Information Requirements

Federal authorities will not be providing financial support to the proposed Project. No federal lands will be used for the purpose of carrying out the proposed Project.

Federal permits, licences, and authorizations that may be required in order to carry out the proposed Project are listed below. Based on the *Regulations Designating Physical Activities* of *CEA Act 2012,* the proposed Project will be subject to a federal review under *CEA Act 2012* because the proposed nominal production capacity of 60,000 t/d will exceed 600 t/d.

Per section 5 of *CEA Act 2012* the Application for an EA Certificate / Environmental Impact Statement (Application / EIS) will include a description of potential adverse environmental effects that are within federal jurisdiction, including:

- Fish and fish habitat as defined in the *Fisheries Act*;
- Other aquatic species as defined in the *Species at Risk Act*;
- Migratory birds as defined in the Migratory Birds Convention Act, 1994;
- Federal lands;
- Effects that impact on Aboriginal peoples, such as their use of lands and resources for traditional purposes;
- Changes to the environment that are directly linked to or necessarily incidental to any federal decisions about the proposed Project.

The EA will consider a comprehensive set of factors that include potential cumulative effects, potential effects mitigation measures and management strategies, and comments received from the public and Aboriginal groups.

Project Overview

Context, Objectives, and Guiding Principles

Mineral exploration activities in the proposed Project area commenced in 1973 by Granges Exploration Ltd. (Granges) and continue to take place. Richfield Ventures Corporation (Richfield) acquired the Blackwater mineral claims in 2009 and conducted additional drilling and baseline environmental programs. New Gold purchased Richfield in 2011 acquiring the Blackwater mineral claims and continued major exploration drilling, metallurgical test work and engineering, and environmental studies.

Exploration activities undertaken by New Gold to support the Preliminary Economic Assessment (PEA) of the proposed Project were completed in mid-May 2012, and involved drilling 449 holes for approximately 160,000 m. New Gold's environmental baseline studies began in May 2011 and are on-going.

The main objective of the proposed Project is the economic extraction of the gold and silver resources from the Blackwater deposit. The proposed Project would represent an annual average production of 507,000 oz of gold and 2,039,000 oz of silver during 17 years of operations, and would generate positive economic effects, including employment and business opportunities, and tax payments. The main physical activities associated with the

proposed Project include the construction, operation, and closure of an open pit mine and ore processing facilities with a nominal milling rate of 60,000 t/d (22 Mt/y).

Whole ore leaching (WOL) with cyanide is the preferred method for recovering gold from ore on the property. Further testing of metallurgical processing alternatives will be conducted as part of the Feasibility Study (FS).

Regulatory Framework

This Project Description submission is anticipated to initiate the cooperative EA review process at provincial and federal levels. The review process of the Application / EIS will be conducted by the BC Environmental Assessment Office (BC EAO) and the Canadian Environmental Assessment Agency (Agency).

The BC *EAA* identifies new projects that must be reviewed by the BC EAO. Pursuant to Part 2 of the BC *EAA*, *Reviewable Projects Regulation* review is required for the proposed Project because it would be a new mine facility with a production capacity greater than 75,000 t/y of mineral ore. The proposed Project is expected to have a nominal ore production capacity of 22 Mt/y.

Under the *CEA Act 2012*, "an environmental assessment may be required of designated projects." Pursuant to paragraphs 84(a)(e) of *CEA Act 2012*, *Regulations Designating Physical Activities*, an EIS may be required because the proposed Project involves the construction, operations, decommissioning, and abandonment of a gold mine with an ore production capacity greater than 600 t/d. The proposed Project is expected to have a nominal ore production capacity of 60,000 t/d, and therefore will require an EIS.

Following Application / EIS approvals, additional permits, licenses, authorizations, and certificates will be required to proceed to construction of the proposed Project. The tables below present a list of expected required permits, licenses, authorizations, and certificates under provincial and federal regulations. Other approvals may be required depending upon proposed Project design.

Potential Provincial Permits, Licenses, and Authorizations Required for the Proposed Project

Statute	Authorization or Requirement	Agency
BC *EAA*	EA Certificate	BC EAO
Condition of provincial EA	Fish and Wildlife Mitigation and Monitoring Plans	BC EAO; BC MFLNRO
Environmental Management Act	Effluent Discharge Permit	BC MOE
Mines Act Section 10	Mine and Reclamation Permit	BC MEMNG
Mines Act	Mining Lease	BC MEMNG
Forest Act	Occupant Licence to Cut - Sec 47	BC MFLNRO
Forest Protection Code (FPC) Act, *Forest Use Regulations*, *Forest and Range Practice Act*	Special Use Permit	BC MFLNRO
FPC Act, *Forest Use Regulations, Forest and Range Practice Act*	Road Use Permit	BC MFLNRO

Statute	Authorization or Requirement	Agency
Water Act, Water Regulation	Approval or Notification of "changes in or about a stream" (s.8/s.9)	BC MFLNRO
Water Act, Water Protection Act	Water Licence	BC MFLNRO
Heritage Conservation Act	s. 14 Inspection Permit	BC MFLNRO
Heritage Conservation Act	s. 14 Investigative Permit	BC MFLNRO
Heritage Conservation Act	s. 12 Site Alteration Permit	BC MFLNRO
Environmental Management Act	Fuel Storage Permit	BC MOE
Environmental Management Act - Hazardous Waste Regulation	Hazardous Waste Registration	BC MOE
Environmental Management Act	Air Discharge Permit	BC MOE
Environmental Management Act	Refuse Permit	BC MOE
Environmental Management Act - Municipal Wastewater Regulation	Sewage System Registration	BC MOE
Wildfire Act	Burning Permit	BC MFLNRO
Wildfire Act	*Amendment to Closed Area Regulations*	BC MFLNRO
Transportation Act, Motor Vehicles Act	Access Permit (MOTI-A)	BC MOTI
Motor Vehicles Act	Approvals for oversize loads or bulk haul	BC MOTI
Drinking Water Protection Act and Regulation	Construction Permit - Sec 2	NHA
Drinking Water Protection Act and Regulation	Operating Permit - Part 2	NHA
Land Act	Investigative Use Permit	BC MFLNRO
Land Act	License of Occupation	BC MFLNRO; BC Safety Authority
Mines Act	Explosives Storage and Use Permit	BC MEMNG

Note: BC *EAA* - British Columbia *Environmental Assessment Act;* BC EAO - British Columbia Environmental Assessment Office; BC MEM - British Columbia Ministry of Energy, Mines and Natural Gas and Responsible for Housing; BC MFLNRO - British Columbia Ministry of Forests, Lands and Natural Resource Operations; BC MOE - British Columbia Ministry of Environment; BC MOTI - British Columbia Ministry of Transportation and Infrastructure; EA - Environmental Assessment; FPC - Forest Practices Code; NHA - Northern Health Authority

Potential Federal Permits, Licences and Authorizations Required for the Proposed Project

Enabling Legislation	Authorization or Requirement	Agency
CEA Act 2012	EA Decision	Agency
MMER under *Fisheries Act*	Compliance and Reporting	EC
Fisheries Act	Authorisations under s.35(2) - Approval of final FHCP (HADD) Authorisation under s.36(3) – Schedule 2 Amendment under the *MMER*	DFO EC
Explosives Act Explosives Regulations	Licenses under s.7(1)(a)	NRCan
Explosives Act Ammonium Nitrate and Fuel Oil Order Regulation	Assemble and Blend Ammonium Nitrate & Fuel Oil	
Explosives Act Explosives Regulations	Mechanical Ammonium Nitrate & Fuel Oil (ANFO) Certificate	
Radio Communication Act	Licenses	Industry Canada
Transportation of Dangerous Goods *Act Transportation of Dangerous Goods Regulations*	Transportation of Dangerous Goods Permit	Transport Canada
Navigable Waters Protection Act	TC's approval	Transport Canada

Note: Agency - Canadian Environmental Assessment Agency; *CEA Act 2012 - Canadian Environmental Assessment Act, 2012;* DFO - Fisheries and Oceans Canada; EA - Environmental Assessment; EC - Environment Canada; FHCP - Fish Habitat Compensation Plan; HADD - harmful alteration, disruption or destruction; *MMER - Metal Mining Effluent Regulations;* NRCan - Natural Resources Canada; TC - Transport Canada

Proposed Project Components and Activities

The table below presents a summary of the main proposed Project components and facilities with their approximate dimensions and capacities as described in the PEA completed in September 2012. Dimensions and capacities will be reviewed and revised as required during the planned FS of the proposed Project.

Project Components and Facilities – Approximate Dimensions and Capacity

Project Component or Facility	Dimensions and / or Capacity
Mine Site	Occupies approximately 3,300 ha and accommodates all mine, ore processing, mine waste, water supply and management, and on-site infrastructure
Open Pit	Footprint of approximately 237 ha with approximate dimensions 2 km long from east to west and 1.5 km long from north to south, with an anticipated depth of 550 mbgs
Type 4 (NAG) Waste Rock Dump	Footprint of approximately 93 ha to store 56 Mt of NAG 4 with an elevation of 1,510 masl (80 m high)

Project Component or Facility	Dimensions and / or Capacity
Type 3 (NAG) Waste Rock Dump	Footprint of approximately 136 ha to store 44 Mt of Type 3 NAG and 73 Mt of overburden with an elevation of 1,570 masl (50 m high for Type 3 NAG and 100 m high for overburden)
Low Grade Stockpile	Footprint of approximately 62 ha to store 36 Mt of low-grade ore
Construction Laydown and Camp Area	Occupies approximately 23 ha, consisting of buildings to accommodate 800 to 1,200 personnel people during construction phase
Truck Shop	Occupies approximately 9 ha
Tailings Storage Facility	Footprint of approximately 1221 ha to store 356 Mt of tailings and 519 Mt of PAG waste rock; main dam with a elevation of 1,340 masl (dam height of 150 m)
Plant Site	Occupies approximately 18 ha with industrial buildings to process 60,000 t/d (22 Mt/y) of ore
Operations Camp	Occupies approximately 4 ha with buildings to accommodate up to 400 personnel during the operations phase
Topsoil Stockpile	Footprint of approximately 6 ha to store 0.5 Mt of top soil with a height of 15 m
Core Logging Area	Occupies approximately 5 ha
Transmission Line	Occupies approximately 550 ha - 133 km long, 230 kV line over a right of way 40 m wide
Mine Access Road	Occupies approximately 28 ha - 15 km long over a right of way 20 m wide

Note: masl - metres above sea level; mbgs - metres below ground surface; NAG - non-acid generating

A 133-km transmission line connecting the mine site with an existing substation south of the community of Endako will be required to provide power to the proposed Project. Access to the proposed Project is by road from Vanderhoof via an existing network of FSRs and an 18-km exploration road (existing road access route). The exploration road will be closed and moved east and north out of the Ungulate Winter Range (UWR), which it currently traverses. A new 15-km exploration road will be built to enable exploration activities to continue, and will connect with the Ootsa Forest Service Road (FSR), as presented in **Figure 2**. This new exploration road will become the mine access road for the proposed Project. Supplementary fresh water make-up requirements will be met by pumping water from Tatelkuz Lake or another nearby lake, to the Tailings Storage Facility (TSF). **Figure 2** presents the locations of the proposed mine site, mine access road and transmission line.

Given the large size and the disseminated nature of mineralization within the proposed Project footprint, open pit mining is the only feasible option for economic extraction of the ore. The current resource estimate indicates combined Indicated and Inferred resources of 10.18 Moz of gold and 65.2 Moz of silver at a 0.3 g/t Au equivalent cut-off grade. The PEA

mine plan involves mining 361 Mt of ore, 735 Mt of waste rock and 99 Mt of overburden for a total production of 1,195 Mt of material.

Ore would be processed in a mill to be constructed north of the open pit. Following assessment of lixiviant alternatives, cyanide was selected because it is the only reagent that is cost effective and proven to work at an industrial scale. WOL was selected as the preferred ore processing method over heap leaching (HL) or flotation, concentrate regrind and leach (FCL) prior to leaching. Further evaluation of processing flowsheet options will be conducted during the proposed Project's FS. Tailings from the mill will be treated by a SO_2/air treatment plant to destroy cyanide prior to disposal in the TSF.

Geochemical characterization of the waste rock has been conducted and it is proposed that potentially acid generating (PAG) waste rock be disposed under water in the TSF or in the open pit. Non-acid generating (NAG) waste rock would be deposited on land, covered with overburden, and revegetated at closure. Geochemical testing will continue and waste management plans will be reviewed and possibly modified during the FS for the proposed Project.

The location of the mine waste storage facilities was selected to avoid the Blackwater River drainage to the south, whitebark pine (listed on schedule 1 of the *Species at Risk Act (SARA)*) to the south, and the UWR to the west. **Figure 5** presents the proposed mine site layout. During operations, the proposed Project will generate air emissions, liquid discharges, and solid waste, which will be managed in accordance with applicable regulations. Reagents, including cyanide, fuel and lubricants, explosives, and blasting agents will be transported regularly to the proposed mine site for use in operations. The proposed Project will adhere to the International Cyanide Management Code (ICMC) and follow Environment Canada's (EC) Environmental Code of Practice for Metal Mines.

A key objective of the proposed Project design is to prevent surface water discharges from the proposed mine site to adjacent streams during operations. Process and site drainage water would be collected and stored in the TSF and recycled for use in the mill.

The proposed Project would be decommissioned and reclaimed following completion of the operations phase. Proposed end land use objectives for mine closure are recreational use, wildlife habitat, and return of land to traditional use by Aboriginal groups.

The closure strategy considers accelerated flooding of the open pit via pumping. After filling, the pit lake would discharge to the TSF and then to Davidson Creek. Constructed wetlands would be established in the saturated areas of the TSF impoundment, and exposed beaches would be covered with overburden. The NAG waste rock dumps would also be covered and run-off from these facilities would report to the open pit or the TSF. Post-closure, it is expected that the overflow from the TSF will be of acceptable quality for discharge to Davidson Creek. Water diversions around the TSF would also be breached to return watercourses to their natural direction at closure.

The proposed Project will generate the following types of gaseous, liquid, solid, or hazardous waste:

- Atmospheric emissions from point and fugitive sources;
- Particulate matter (dust) and noise generated by mining and ore processing activities and general vehicle movements;
- Greenhouse gas (GHG) emissions primarily from diesel fuel combustion in heavy equipment operation;
- Mine site water, managed in the following ways during each phase of the proposed Project:
  - During construction, the mine site would be managed to ensure downstream water quality and aquatic values were protected;
  - During operations process water and mine site surface drainage would be managed to prevent surface water discharges. Water in contact with the mine facilities, including the NAG waste dumps, the open pit, and low-grade stockpile, would be collected and either conveyed to the TSF or the open pit;
  - During post-closure the mine site would discharge to local streams once water meets closure effluent permit discharge limits;
- Domestic sewage consisting of grey and black water from the accommodation camp, treated on site using a rotating biological reactor;
- Solid mine waste consisting of overburden not suitable or required for construction and reclamation activities, waste rock, and tailings (mine waste management is described above);
- Domestic solid waste including food scraps, refuse, metal tins, scrap metal, glass, plastic, wood, and paper. During each proposed Project phase, suitable non-hazardous wastes would be incinerated and the ash disposed of in a designated on-site landfill. Bulk inert waste (i.e., large wood pieces) would also be placed in the landfill. Potential for reuse and recycling would be evaluated and if feasible would be included as part of the domestic waste management efforts;
- Non commercial timber would be managed as appropriate (e.g., organic material within the TSF may be left as a layer for passive treatment or incorporated into overburden piles as a nutrient source); and
- Hazardous wastes generated at the proposed mine site are expected to include: waste reagents, waste petroleum products and packaging waste, glycol, potential petroleum-contaminated soil waste, explosives waste, batteries, and possibly very small quantities of biomedical waste. Hazardous wastes would be stored in appropriate temporary storage areas and removed from site for recycling or disposal as per applicable law.

Project Schedule

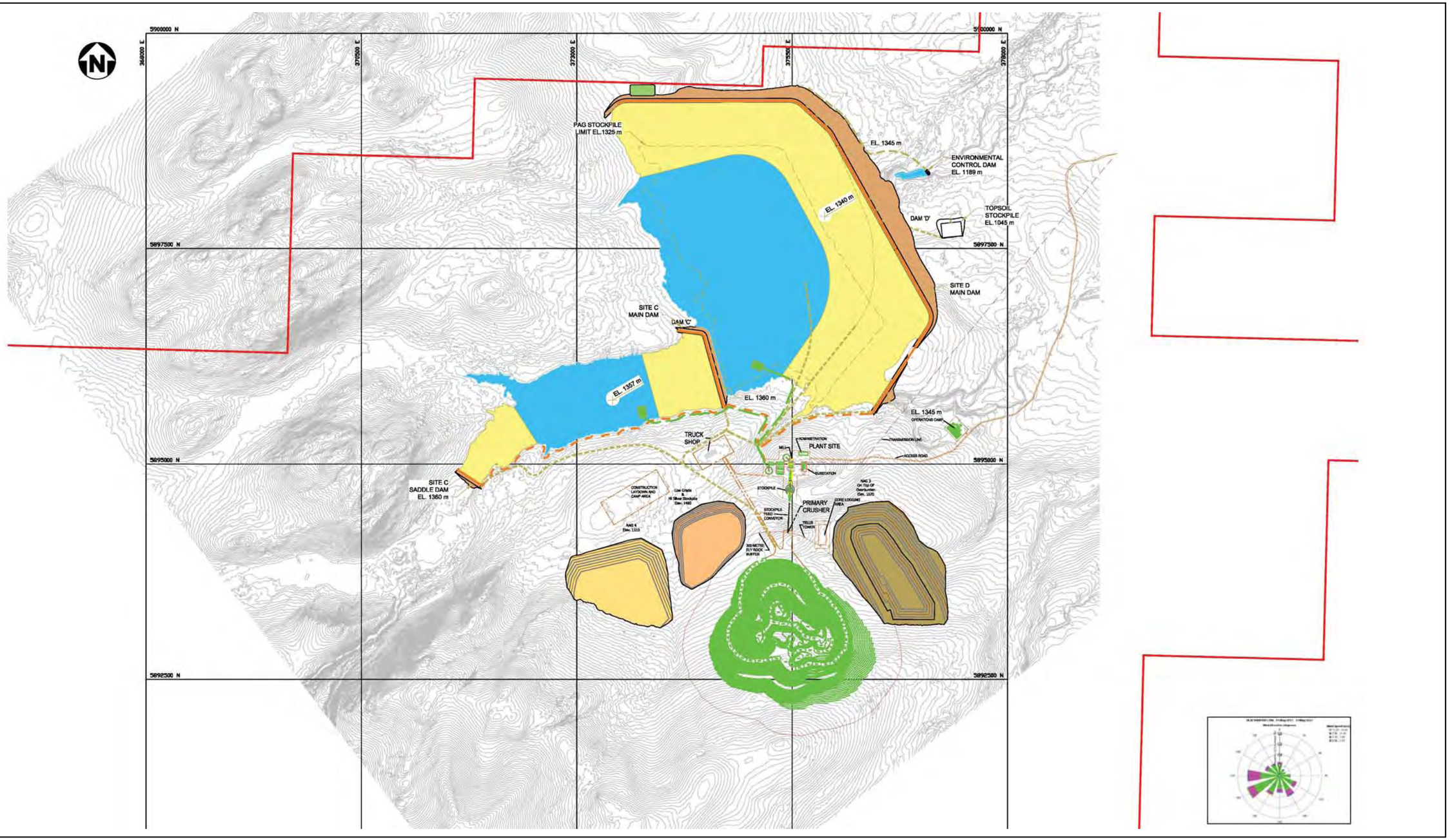
New Gold is planning to complete a FS for the proposed Project and the Application / EIS during Q4 of 2013. Provincial and federal approvals are expected during 2014 and initiation of construction is currently scheduled for 2015, with first gold production planned for 2017.

The construction phase of the proposed Project is expected to take two years. With the current resource estimates, approximately 361 Mt of ore are to be mined and processed at a rate of 60,000 t/d (22 Mt/y). The operations phase is expected to continue for 17 years.

Project Economics

According to the September 2012 PEA, the proposed Project's Capital Expenditures (CapEx) are estimated to be $1,814 million and the annual Operating Expenditures (OpEx) to be $578 per oz (average $293 million per year) produced during the operations phase. New Gold will conduct a FS for the proposed Project in 2013.

During the two years of construction, up to 1,500 employment and contracting opportunities are expected to be generated (approximately 2,600 person-years (PYs)), and during operations approximately 500 permanent jobs are expected to be created (approximately 8,000 person years). The proposed Project will also contribute royalties and taxes to the Province of British Columbia.



CLIENT: newgold		DWN BY: MY	PROJECT: Blackwater Gold Project	DATE: September, 2012
AMEC Environment & Infrastructure 4445 Lougheed, Suite 600, Burnaby, B.C., V5C 0E4 Tel. 604-294-3811 Fax 604-294-4664	amec	CHK'D BY: AP DATUM: NAD83 PROJECTION: UTM Zone 10 SCALE: N/A	TITLE: Overall Site Layout of Open Pit and Waste Facilities	PROJECT NO: VE52095 REV. NO.: A FIGURE No. 5

Y:\GIS\Projects\VE\VE52095_Richfield_Blackwater\Mapping\Other\Other-100-036.mxd

Summary of Baseline Conditions in the Proposed Project Setting

Following is a summary of the baseline conditions encountered in the environmental, economic, social, heritage, and health setting of the proposed Project.

Climate

Two climatology stations, both above and below the proposed mine site, were installed in 2011 and 2012 respectively. Short-term and long-term historical data collected from nearby Meteorological Service of Canada (MSC) stations indicate a mean annual lake evaporation of 400 mm, precipitation of 580 mm (59% relative humidity), temperature of -0.6°C, and wind speed of 2.7 m/s.

Air Quality, Noise, and Vibration

No historical air quality investigations in the region were identified. An air quality sampler has been installed to collect background data. Monitoring data of suspended particulate matter will be available for the Application / EIS, in addition to a description of monitoring activities and analysis of suspended particulate matter present in the atmosphere. Representative background concentrations of other criteria air contaminants (CACs) will also be used to characterize air quality in the proposed Project area. Similarly, background noise levels will be measured, and potential receptors will be located and identified.

Hydrology

The proposed mine site is located outside of the Blackwater River basin and entirely within the Nechako River basin. Hydrological studies are focusing on the following five catchments in the vicinity of the proposed mine site: Davidson Creek catchment, where most of the proposed mine site is located; Creek 661; Creek 705; Turtle Creek; and Chedakuz Creek.

Sixteen hydrometric stations were installed to collect flow data, including 10 full hydrometric stations for rating curve development and six lake stations to record seasonal fluctuations in water levels. In addition, data from five regional Water Survey of Canada (WSC) hydrometric stations located within 180 km of the proposed Project site were assessed, and confirm that the regional data are consistent with the preliminary site data collected from the 16 installed hydrometric stations. Data will continue to be collected from all 16 site stations to enable refinement of the flow estimates and facilitate a better understanding of the hydrologic variability amongst the various project drainages.

Based on preliminary data collection and analysis of regional WSC hydrometric stations, the effective annual runoff coefficient for natural drainage areas in the proposed Project area is expected to be approximately 0.34, based on the ratio of mean annual runoff of 200 mm to the mean annual precipitation of 580 mm.

Surface Water and Sediment Quality

Samples of water and sediment quality were collected from 16 locations since March 2011 on streams and lakes in the vicinity of the proposed mine site. Water samples analyzed to date indicate near neutral pH, low hardness, low alkalinity, and low conductivity. Metals

concentrations are also well below provincial guidelines, with the exception of elevated levels of cadmium, zinc, and dissolved aluminum at one location.

In addition, stream sediments collected during 2011 and 2012 reveal that most metal levels are below provincial and federal guidelines. Surveys conducted to date have identified elevated levels of arsenic, zinc, cadmium, lead, and mercury in sediments.

The sources of these naturally occurring substances will be further investigated, and may require development of site-specific water and sediment quality objectives for metals that are naturally elevated in the watershed.

Hydrogeology and Groundwater Quality

Groundwater in the proposed Project area is recharged from surface infiltration and flows from higher elevations to lower-lying areas where it discharges to streams and small wetland areas. Both vertical and horizontal groundwater flow directions are likely affected by local geological heterogeneities. Seasonal variation in groundwater levels is expected, given the climate conditions in the area, with groundwater levels highest during periods of snowmelt. Artesian conditions have been observed in the western low-lying areas of the proposed TSF. Continued hydrogeological investigations will characterize the baseline groundwater regime while facilitating assessment of potential changes due to development.

Analyzed groundwater from the proposed Project area is soft and has low alkalinity, and most measured metals concentrations are below federal and provincial surface water quality guidelines and standards. One groundwater sample found concentrations of cadmium, iron, and zinc, which exceeded provincial or federal guidelines, while dissolved iron and manganese concentrations were detected in several other samples. Measured concentrations in analyzed groundwater do not exceed applicable provincial standards established to protect drinking water.

Freshwater Aquatic Resources

The following streams could be affected by proposed Project activities:

- Davidson Creek;
- Chedakuz Creek;
- Turtle Creek;
- Creek 661; and
- Creek 705.

In addition, 149 streams would be crossed during development of the proposed transmission line Right-of-Way (ROW). Named streams with crossings on the proposed access route include Davidson, Chedakuz, Esker, Big Bend, Swanson, Greer, Tahultzu, Fifteen, and Smith Creeks, as well as the Nechako and Stellako Rivers.

Based on historic information, Tatelkuz Lake supports rainbow trout, kokanee, longnose sucker, largescale sucker, mountain whitefish, burbot, and northern pike minnow. Baseline fish sampling conducted in spring 2011 confirmed the presence of rainbow trout in streams

throughout the proposed Project area, as well as incidental catches of mountain whitefish, burbot, sculpin, and longnose sucker. Davidson Creek and Creek 661 support rainbow trout and kokanee populations. Turtle Creek supports rainbow trout and Creek 705 supports rainbow trout, longnose sucker, and mountain whitefish.

Preliminary metal burdens analysis of fish tissue was also conducted in streams in the Davidson and Turtle Creek watersheds and lakes. Testing for methyl-mercury was not completed in 2011; conservative use of total mercury concentrations suggests potential exceedances of methyl-mercury guidelines for wildlife protection. Samples of rainbow trout tissue from Davidson Creek and Turtle Creek exceed the selenium screening guideline of 1.0 mg/kg.

Terrain, Surficial Geology, and Soils

The proposed Project is located within the glaciated landscape of the Nechako Plateau and is characterized by gently to moderately sloping topography, primarily composed of glacially eroded volcanic bedrock, with average elevations ranging from 1,200 - 1,900 metres above sea level (masl). The majority of the mine site is characterized by poorly sorted sand to clay-based glacial till of variable thickness although widespread variability has been identified in composition (i.e., colluvial, and glaciofluvial outwash sand and gravel deposits).

Due to the absence of provincial soil mapping for the proposed Project area, the baseline characterization for the proposed Project has relied on adjacent soil associations for preliminary assessment of soil cover and condition. A site-specific soil map will be created using detailed soil baseline information collected in 2012. Key considerations during collection of baseline data included determining reclamation suitability and identifying baseline total metal analysis.

Vegetation and Plant Communities

The proposed mine site and mine access road are located in the Nazko Upland (NAU) Ecosection while the proposed transmission line alignment and the proposed access route cross the NAU and the Nechako Lowland (NEL) Ecosections. Seven biogeoclimatic (BGC) units occur within the proposed Project area, the most common of which are Englemann Spruce - Subalpine Fir Moist Very Cold Nechako variant (ESSFmv1). Also within the proposed Project area, there are 34 ecological communities listed by the BC Conservation Data Centre (BC CDC) as at risk, 10 of which are Red-listed and 24 are Blue-listed. Three of the Blue-listed ecological communities occur within the proposed mine site area; two are wetland communities and one is a terrestrial community. Sensitive ecosystems include old-growth forests riparian areas, wetlands, and sparsely vegetated units. Upon completion of Terrestrial Ecosystem Mapping (TEM), the amount and distribution of sensitive ecosystems present in the proposed Project area will be identified and characterized in baseline study reports.

During 2011, 23 representative BGC sites were sampled, including leaves, humus, and soil / organics. All soil concentrations of metals did not exceed either the generic standard or matrix standard presented in the BC *Contaminated Sites Regulation* (BC *CSR*). Field studies conducted in 2011 also identified no invasive plant species in the immediate vicinity

of the proposed Project, although invasive plants have been observed and reported within 5 km of the proposed Project area. Because road systems and utility corridors serve as vectors to spread invasive plant species into wilderness areas, the proposed Project carries the potential for the spread of invasive plant species via vehicles, equipment, and people. Mitigation measures will be available for the Application / EIS.

Two species at risk surveys and a TEM survey were conducted in 2011. Plants sampled during the surveys were collected and analyzed for baseline metal concentrations. Of the 17 potentially occurring plant species at risk in the proposed Project area, only whitebark pine (*Pinus albicaulis*) was found within the proposed mine site at high elevations in the subalpine south of the current camp location. Listed by the Committee on the Status of Endangered Wildlife in Canada (COSEWIC) as Endangered and as Blue-listed in BC, the whitebark pine has recently been added to Schedule 1, Part 2 of *SARA*. New Gold has developed a whitebark pine management plan to minimize negative effects on this species.

Wetlands

Wetlands characterization was conducted in 2011 and involved collection of biochemical, ecological, and habitat function information. Freshwater Atlas data were initially used to scope 2011 baseline field work, with mapping conducted in 2012. Three separate sampling events were conducted during the 2011 field season. Biochemical function was described using water quality parameters related to nutrient, chemical, and metal concentrations found in wetlands near and within the proposed Project area. Field pH measurements indicated alkaline conditions in nine of the 10 wetlands sampled. Laboratory pH was below the 30-day guidelines (pH 6.5-9.0) for two of the wetland samples, both of which have significant sphagnum moss vegetation. Total cadmium and iron, and dissolved aluminum exceeded BC Guidelines for the Protection of Fresh Water Aquatic Life (BCFWG).

Wildlife and their Habitat

The proposed mine site is located outside the range of the Tweedsmuir-Entiako caribou herd, and no winter tracks were located in the proposed Project area during the 2011 aerial survey. Wildlife and wildlife habitat in the proposed Project area have been assessed as moderate, with no critical or at-risk habitat identified.

An initial review of existing studies was conducted prior the 2011 field surveys of songbirds, diurnal and nocturnal raptors, waterfowl, pond-breeding amphibians, ungulates, game animals, furbearers, bats, butterflies, and dragonflies (as well as incidental sightings of other species). The initial review of background data identified 35 species of conservation concern (listed as a species at risk by the BC Ministry of Environment (BC MOE) and / or COSEWIC) potentially occurring within the proposed Project area, of which the western toad, olive-sided flycatcher, barn swallow, and common nighthawk were confirmed during the 2011 field surveys. Caribou scat was found in the proposed project area in 2011. Adult western toads were located along Davidson Creek in 2011; although no breeding evidence for any amphibians was identified, the wetland habitats in the proposed Project area support the biophysical attributes for breeding habitat. Columbia spotted frogs and wood frogs were

also identified during the 2011 field surveys. Breeding bird surveys in 2011 identified 67 species.

Of the 22 wetlands assessed as part of the waterfowl surveys in 2011, nine bird species were encountered, including three species with young on two separate wetlands - Barrow's goldeneye, bufflehead, and mallard duck. Bats were also identified at the mine camp and elsewhere within the proposed Project area. Additionally, four species and additional groups of unidentified ungulates were confirmed in the proposed Project area. Moose and furbearers such as the snowshoe hare and lynx were identified, mostly in the lower-elevation pine habitat types, cut blocks, and along riparian corridors, where well-developed shrub complexes provide foraging opportunities. Ungulates were found along the lower riparian areas during the winter. Invertebrate surveys in 2011 confirmed 35 butterfly and 23 dragonfly species in the vicinity of the proposed Project.

Environmental Health

Reviews of existing background information have identified no detailed reports with respect to assessment of the environmental health of the proposed Project area. A Human Health and Ecological Risk Assessment (HHERA) will be conducted to examine the chemicals to be used during the construction, operations, decommissioning, and closure of the proposed Project, which could be a potential concern to human and other ecological receptors. The HHERA will assess cumulative and integrated exposures by receptors to relevant chemicals via reasonably conceivable exposure pathways, and will identify significant toxicological health risks related to the proposed Project.

Economic Conditions

Forestry, agriculture, and, to a lesser extent, tourism, are the primary industries driving the economy of the proposed Project region, with mining targeted as an emerging sector. The area's economy has historically been driven by forestry, but the Mountain Pine Beetle (MPB) epidemic, the downturn in the forest industry, and the losses of the Lakeland Mills sawmill in Prince George and the Burns Lake mill in 2012 resulted in negative economic effects in the region. Economic diversification efforts have focused on expanding the educational services sector through the University of Northern British Columbia (UNBC), strengthening the mining sector through expansion of the Smithers Airport, and promoting support services to mining operations. The Endako molybdenum mine and the Huckleberry copper / molybdenum mine are both operating in the region. The Mt. Milligan copper / gold mine is under construction, with operations expected to commence in late 2013. Extensive mining exploration is also occurring throughout the Bulkley Nechako Regional District (BNRD). Baseline socio-economic research is currently underway and will be summarized in a baseline studies report.

Social Conditions

According to the 2011 census, the proposed Project region is home to approximately 96,000 residents, 75% of whom live in the Prince George area. The smaller communities of the region house between 300 and 4,000 residents. The 25- to 54-year-old age group represents the largest age group in the region, which is important since this group

comprises the existing labour pool. Prince George offers the most developed health, education, and transportation facilities. Highway 16, Canadian National Rail (CN Rail) and its port terminus in Prince Rupert, and the Prince George and Smithers airports serve most of the region, with secondary airports located at Burns Lake, Fraser Lake, Vanderhoof, and Fort St. James.

The proposed Project is located within Zone 17, Davidson Creek of the Vanderhoof Land and Resource Management Plan (LRMP), which includes the Tsacha Mountain area, a recommended Scenic Area, as well as the Naglico hills, which are visually important from viewpoints on the Alexander MacKenzie Heritage Trail, Tsacha Lake, and the Blackwater Valley. The Visual Landscape Inventory (VLI) conducted for the region did not identify any area requiring visual quality consideration south or east of the proposed Project for at least 2 km, with the closes VLI area ranked as low sensitivity.

The Recreational Features Inventory (RFI) conducted for the region identified an area of high significance located immediately north of the proposed Project and extending approximately 8 km west. Another area was identified approximately 2 km south, east, and north of the proposed Project, with a significance rating of medium. MPB infestation and associated aggressive harvesting and timber salvage activities have altered the landscape in the Vanderhoof Forest District, and an amended LRMP has been developed to provide strategic land use direction that supports balanced resource management while optimizing MPB salvage activities.

Heritage Resources

An Archaeological Overview Assessment (AOA) for the proposed Project included potential alternative TSF areas, the mine access road, and other proposed mine facilities. In total, 190 archaeological sites have been documented in the proposed Project area, although no recorded archaeological sites have been identified within the proposed Project footprint. Recorded archaeological sites are all situated at lower elevations, around water bodies northeast and south of the proposed mine site. Only three have been identified within the proposed transmission line ROW and 26 have been identified along the proposed access route. Intensive, systematic archaeological research studies have not been conducted within the proposed Project footprint, and no archaeological assessments have been conducted in mid to high-elevation locations in the region.

No fossils have been recorded in the proposed mine site to date, although a preliminary review by the Geological Survey of Canada database indicates 12 fossil find locations within 20 - 25 km south of proposed mine site. New Gold's Senior Exploration Geologist also identified dark-grey mudstone containing Jurassic-aged marine fossils in the region.

No historic heritage sites have been identified near the proposed mine site footprint. A major historic heritage site in the region, the Alexander Mackenzie Heritage Trail, located south of the proposed Project, will not be affected by proposed Project development activities. The proposed transmission line would cross two historic heritage trails, the Messue Wagon Road and the Cheslatta Trail. In addition, a fresh water supply pipeline from Tatelkuz Lake to the proposed mine site would cross the Messue Wagon Road.

Traditional Land Use

Although the proposed Project footprint does not overlap with any Indian Reserves, it is located within the Traditional Territories of a number of First Nations. The proposed mine site, mine access road, and southern portion of the transmission line also falls within Engagement Zone A under the Tsilhqot'in Framework Agreement. New Gold has identified seven Aboriginal groups whose traditional territories (as described in publicly available information) overlap with proposed Project Components as presented in the table below.

Aboriginal Groups	Project Component		
	Mine Site	Kluskus-Ootsa FSRs or Mine Access Road	Transmission Line
Lhoosk'uz Dene Nation[1]	Yes	Yes	Yes
Nadleh Whut'en First Nation[2]	No	Yes	Yes
Nazko First Nation[3]	No	Yes	No
Saik'uz First Nation[4]	No	Yes	Yes
Skin Tyee Nation[5]	Yes	Yes	Yes
Stellat'en First Nation[6]	No	No	Yes
Ulkatcho First Nation[7]	Yes	Yes	Yes

Notes:
1. http://www.carrierchilcotin.org/CCTC_Map_11x17.pdf
2. http://www.carriersekani.ca/images/docs/nadleh/Nadleh_Whuten.pdf
3. http://www.bctreaty.net/nations/soi_maps/Nazko_Indian_Band_SOI_Map.pdf
4. http://www.carriersekani.ca/images/docs/saikuz/Saikuz_First_Nation.pdf
5. http://www.for.gov.bc.ca/haa/docs/skin_tyee_fra.pdf
6. http://www.carriersekani.ca/images/docs/stellaten/Stellaten_First_Nation.pdf
7. http://www.carrierchilcotin.org/CCTC_Map_11x17.pdf

The seven First Nations identified above are speakers of a dialect of the Dakelh language, known formally in the literature as *Southern Carrier/Dakelh*. Scholars and contemporary anthropologists classify the Dakelh speech community in the Project area into separate "bands" meaning that each formed a somewhat distinct group of loosely-related families with definite localities and villages. The traditional Dakelh way of life was based on the seasons with the greatest activity in the summer when berries were gathered and fish was caught and preserved. Winter activity was more limited, with some hunting, trapping, and fishing under the ice.

The Project area has historically been used by the Dakelh peoples for traditional activities such as fishing, hunting, trapping, and harvesting wild plants such as berries and medicinal and ceremonial plants. Hunting and trapping activities continue today. For example, publicly available information indicates that the proposed Project area overlaps with a number of traplines, some of which have been historically registered in the names of individuals assumed to be of First Nations ancestry. Fishing also continues to be important and large runs of salmon are reported for the Central Carrier area, particularly in the Ootsa lakes and the Nechako River.

Potential Issues and Preliminary Management Strategies

The proposed Project has the potential to affect the biophysical environment, human health, social, economic, and heritage conditions, and Aboriginal groups. No changes would occur to the environment, on federal lands, in a province other than BC, or outside of Canada as a result of carrying out the proposed Project. The table below presents a list of key potential issues and preliminary management strategies being considered by New Gold. The potential issues and management strategies will be reviewed and refined during the FS.

Potential Issue	Preliminary Management Strategies
Fugitive dust	Use dust suppression measures such as watering haulage roads as appropriate. Minimize land disturbance and reclaim land progressively.
Noise	Enforce speed limits in relation to access road conditions. Where possible, place stationary equipment in sheltered, enclosed locations.
Discharges and seepage	Prevent surface water discharges during operations from the TSF by recycling water to the mill. Collect and recycle seepage to the TSF.
Decrease in stream flows	Recycle process water to reduce effects on local water bodies. Mitigate flow reduction by fresh water pumping from nearby lake.
Loss or degradation of stream habitat	Minimize project footprint and direct impacts on aquatic habitat. Mitigate and manage habitat encroachment and riparian clearing to the extent possible. Develop a detailed FHCP to compensate for unavoidable habitat effects.
Soil contamination	Bioremediate fuel contaminated soil on-site.
Protected species	Minimize project footprint. Salvage significant top soil layers for reclamation. Implement progressive revegetation.
Ungulate winter habitat	Locate project facilities outside UWR. Close exploration road and move site access to the northeast outside of the UWR.
Induced migration	House workers in camps during construction and operations, allowing workers to travel from home communities.
Traffic	Establish a road use agreement with other industrial users.
Archaeological sites	Minimize project footprint. Identify, record, assess, consult, avoid and / or recover data Design project to avoid known archaeological sites to the extent possible.
Traditional Use	Conduct Traditional Use and Traditional Knowledge studies and incorporate results into project design and EA.

Note: EA - Environmental Assessment FHCP - Fish Habitat Compensation Plan TSF - Tailings Storage Facility UWR - Ungulate Winter Range

Potential Aboriginal use of proposed Project area streams and lakes will be determined during proposed Traditional Knowledge / Traditional Land Use (TK / TLU) studies.

Recreational fishing occurs on Tatelkuz Lake. The extent of recreational fishing on other proposed Project area streams and lakes will be determined during continuing consultation activities. The proposed transmission line traverses watersheds that support commercial, recreational, and Aboriginal fisheries. A Fish Habitat Compensation Plan (FHCP) will be developed for unavoidable fish habitat effects.

The species of vegetation, wildlife, or fish identified in the proposed Project Area and listed under the *SARA* or the *Migratory Birds Convention Act, 1994* are presented in the table below.

Scientific Name	English Name	Listing
Acipenser transmontanus	White Sturgeon (Nechako River population)	Federal *SARA Schedule 1* (Endangered) and provincial Red List
Pinus albicaulis	Whitebark pine	Federal *SARA Schedule 1* (Endangered) and provincial Blue List
Anaxyrus boreas	Western toad	Federal *SARA Schedule 1* (Special Concern) and provincial Blue List
Hirundo rustica	Barn swallow	*Migratory Birds Convention Act, 1994*
Contopus cooperi	Olive-sided flycatcher	*Migratory Birds Convention Act, 1994*
Chordeiles minor	Common nighthawk	*Migratory Birds Convention Act, 1994*
Rangifer tarandus	Caribou	Federal *SARA Schedule 1* (Threatened) and provincial Blue List

Note: *SARA - Species at Risk Act*

Construction of proposed Project facilities (i.e., footprint effects) and activities proposed during operations could result in potential effects to species of vegetation, wildlife, or aquatic resources identified in the proposed Project Area and listed under the *SARA* or the *Migratory Birds Convention Act, 1994* and their habitat (i.e., noise, surface water flow or level changes, and air, water, sediment and soil quality). The proposed Project design principles have considered minimization of the Project footprint and avoidance of habitat used by protected species to the extent feasible.

Migratory birds will be assessed through modified Resources Information Standards Committee protocols and breeding birds point count methodology during appropriate breeding windows in the study areas of the proposed Project. Breeding bird surveys will be performed and migratory birds, as defined in the *Migratory Birds Convention Act, 1994*, will be targets. Mitigation for proposed Project effects will be available for the Application / EIS. Mitigations and windows for clearing and construction activities will follow the protection of

migratory birds as per the *Migratory Birds Convention Act, 1994*. The baseline breeding surveys will be used for understanding species composition and variation throughout the study areas of the proposed Project. The EA will address potential effects of the proposed Project footprint and activities on migratory birds, as defined in the *Migratory Birds Convention Act, 1994* and their habitat.

The residual effects of the proposed Project will be the subject of an assessment and results will be available for the Application / EIS. The Application / EIS will be developed under the approved Application Information Requirements / EIS Guidelines (AIR / EIS Guidelines) or terms of reference by BC EAO and the Agency.

Consultation and Engagement

As articulated in its "Health, Safety, Environmental and Sustainability Policy" (www.newgold.com) and required by applicable legislation, New Gold has initiated consultation with stakeholders and engagement with Aboriginal groups as part of the pre-Application / EIS stage of the proposed Project. Communication has taken place in the form of meetings, open houses, site tours, telephone conversations, and email communications. A summary of the key issues raised by stakeholders and responses provided is presented below.

Potential Issue	Examples of Concerns / Issues	Responses
Development of the Capoose Site	Timing of its development	The Capoose site is undergoing early exploration. It will be considered as an exploration project in the Application / EIS.
Presence of a construction and operations worker camp	Proximity of camp to land owners Presence of archaeological artefacts at camp	The proposed Project is located approximately 2.5 hours from Vanderhoof, and therefore too far for daily commute. The proposed Project will have a camp on-site during construction and operations for employees.
Recreational use of the local area	Increased use of trails such as the Mackenzie Trail as a result of easier access from the road	The nearest provincial recreation site is Top Lake South, approximately 10 km northwest from the proposed mine site. There is also a ranch located approximately 10 km northeast of the proposed mine site, which is used for recreational purposes. These sites are not within the proposed Project footprint.
Presence of Ungulate Winter Range (UWR) to the west of the proposed Project	Negative effects to Caribou	The exploration road will be closed to mine traffic and moved east and north out of the UWR. This will move the proposed Project footprint completely out of the UWR.
Presence of Clark's Nutcracker (Blue-listed species adjacent to the proposed Project and association with whitebark pine (listed	Negative effects	Proposed Project footprint (TSF location) revised to minimize direct impacts to whitebark pine. Cone collection program initiated for reclamation / restoration program.

Potential Issue	Examples of Concerns / Issues	Responses
on schedule 1 of *SARA*)		
Baseline work plan	Timing and methods	Comments received by BC MOE on fisheries, water quality, and air quality baseline programs; and from BC MEMNG on geochemical characterization and the mine waste management and design program. Adjustments to the programs were made to address comments.
Loss of fish habitat	High fish sample sizes that could negatively affect fish populations	The proposed TSF location does not overlap lake habitat. Studies are underway and preliminary plans developed to mitigate where possible effects (e.g., flow reduction) on fish habitat. A conceptual fish habitat compensation plan has been developed for losses to fish habitat.
Cyanide	Use of cyanide in the mining process and potential for spills	Following EC Environmental Code of Practice for Metals Mines (EC 2009) and adherence to International Cyanide Management Code (ICMI 2012). Mine design prevents surface water discharge during operations. Tailings from mill will be treated with SO_2/air cyanide destruction process.
Impact to Private Land Holdings	Negative effects on landowners	The proposed Project has been designed to minimize the effect on private land holdings. The transmission line alignment has been selected to avoid private land holdings. The proposed Project proposes no direct impacts to private land holdings.
Traffic safety	Traffic on the Kluskus Forest Service Road	New Gold has a road use agreement for the FSR during exploration. Discussions have been initiated with forestry operators in the area related to proposed Project construction and operations.
Cattle Grazing in vicinity of the proposed Project	Negative effects to cattle	Discussions have been held with ranchers in the project area to discuss tenure overlap with the proposed Project and resolution. The proposed Project design has been changed (i.e., access road location) to address potential conflicts with cattle grazing.
Maximizing local employment and contracting opportunities	Use of local employees Attracting permanent populations to the region	A Community Sustainability Committee with local communities has been established to examine strategies and partnerships to maximize local employment and contracting opportunities while minimizing potential negative effects. Approximately 70% of New Gold's current employees on the Project are from the local area.

Note: Application / EIS - Application for an Environmental Assessment Certificate / Environmental Impact Statement; BC MOE - British Columbia Ministry of Environment; EC - Environment Canada; ICMI - International Cyanide Management Institute; *SARA - Species at Risk Act;* TK / TLU - Traditional Knowledge / Traditional Land Use; TSF - Tailings Storage Facility; UWR - Ungulate Winter Range

A summary of key issues and interests provided by Aboriginal Groups and responses by New Gold are presented in the table below.

Potential Issue	Examples of Concerns/ Comments/ Issues	Responses
Completion of TK / TLU studies	Timing of Aboriginal participation	TK / TLU studies with local Aboriginal groups have been initiated and are expected to be completed in 2013.
Need for Exploration Agreements	Length of Exploration permits	Two Exploration Agreements have been signed with the Lhoosk'uz Dene and Ulkatcho First Nations respectively.
Employment and Contracting Opportunities during exploration, construction, and operation of the mine	Training opportunities for members Social impacts from development	Employment and contracting opportunities for Aboriginal people during the exploration phase are being provided by New Gold. Aboriginal people are working at the proposed mine site and at a core processing lab in Vanderhoof. Current employment of Aboriginal people is approximately 25% of total employees. Further discussion with Aboriginal peoples during the EA phase will be conducted to develop strategies for contracting and direct employment during each project phase.
Training opportunities during exploration, construction, and operations	Interests in employment and training opportunities	New Gold has provided training to Aboriginal workers at the proposed mine site and at the Vanderhoof lab. An environmental field assistant training program is currently being organized in partnership with BC Aboriginal Mine Training Association. Training to prepare Aboriginal staff for employment during construction and operations of the mine is being explored with regional Aboriginal training institutions and local Aboriginal groups.
Traditional use of the proposed Project area	Effects to the homesteads of elders in the area Protecting traditional areas	New Gold is funding TK / TLU studies being completed by some potentially affected Aboriginal groups. These are anticipated to be completed in 2013.
Archaeological and heritage sites in the proposed Project area	Concerns over effects to valued archaeological sites and historic remains	New Gold has commenced archaeology and heritage studies of the proposed Project area. There are no known archaeological sites within the proposed mine footprint. The transmission line will be designed to minimize effects on known archaeological sites.
Mine design, construction, and operations	Effects to water resources and waterways Year-round road access	New Gold has facilitated site visits by Aboriginal groups' representatives to its New Afton mine site and discussed the design of the proposed Project. The design has been altered to address Aboriginal groups' concerns by moving the exploration access road out of UWR, moving the TSF out of the Blackwater drainage, and moving the transmission line to minimize effects on known archaeological sites.
Tailings	Location of the	Meetings have been held with local Aboriginal groups to

Potential Issue	Examples of Concerns/ Comments/ Issues	Responses
management and water	tailings ponds	discuss the mine waste and water management strategies. New Gold has engaged BCIT to hold workshops for potentially affected Aboriginal communities on mining and environmental protection as a way of building capacity and understand the proposed Project. The mine is being designed to prevent surface water discharges during operations.
Mine closure	Approach to mine closure	New Gold is using a design-for-closure approach that will incorporate TK / TLU. New Gold will engage with Aboriginal groups on the objectives, approach, and strategies of the plan.
Wildlife and environment	Concerns about the potential effects to Caribou herds in traditional territories Effects to Caribou habitat zones Effects on ungulates	New Gold is engaged in on-going discussions about wildlife and environmental aspects of the study area and the proposed Project with local Aboriginal communities. The Environmental Work Plan for baseline studies was provided to Aboriginal groups and representatives are participating in environmental monitoring.
Traplines	Negative effects on trap lines and trapping activity	New Gold has commenced analysis and discussions with trap line areas and owners. Agreements will be considered as required.

Note: EA - Environmental Assessment; TSF - Tailings Storage Facility; UWR - Ungulate Winter Range; TK / TLU - Traditional Knowledge / Traditional Land Use

New Gold has initiated engagement as well as TK / TLU studies with potentially affected Aboriginal communities to determine the extent of the historical, recent and current use of the area. Potential effects of the proposed Project to TLU activities may include disturbance to traditional hunting, fishing and plant gathering. New Gold's aim is to avoid any potential effects on TLU activities. The results of the TK / TLU studies will be used to avoid or mitigate for negative effects.