



FACT SHEET

New Gold - Minera San Xavier – Cerro San Pedro Mine

- New Gold owns 100% of the Cerro San Pedro Mine through the Mexican company, Minera San Xavier S.A. de C.V. (MSX).
- Current legal challenges relate primarily to a land use dispute; there are no environmental problems or issues with the Cerro San Pedro Mine. The Cerro San Pedro Mine operates in compliance with all laws and regulations and the environmental management system at the Cerro San Pedro Mine has been certified by the International Organization for Standardization (ISO) as fully compliant with ISO14001:2004.

Injunction against PROFEPA order Suspending Mining Operations

- On December 14, 2009, MSX was granted an injunction by the First District Court in San Luis Potosi against a November order suspending mining at Cerro San Pedro issued by PROFEPA, the Mexican environmental protection & enforcement agency. As a result of the injunction, operations recommenced and are expected to continue through the duration of the continuing legal proceedings.

Cancellation of 2006 Environmental Impact Statement (EIS)

- The suspension of mining activity resulted from the ruling by the Federal Court of Fiscal and Administrative Justice in September 2009 that ordered SEMARNAT, the Mexican environmental regulatory agency, to nullify in November the authorization of MSX's 2006 (EIS) for the Cerro San Pedro mine. MSX appealed the ruling, a hearing in the Third Federal District Court in Mexico City was held in April 2010, and a negative decision was issued by the court in July 2010. The company has not yet been provided the full decision including the written reasons for the denial. As a result, the company is not presently aware of the implications this could have on the Cerro San Pedro mine which is currently fully operational. New Gold expects to receive the detailed full decision in the coming weeks. After the company has had the opportunity to review the full decision, New Gold will file an appeal with a Collegiate Appeals Court in Mexico City. In addition, the company may file an application with the Mexican Supreme Court requesting it hear the case.
- The Federal Court's decision does not affect MSX's land usage permit or its other operating permits, all of which remain in effect.

- In November 2009, MSX filed an application for authorization for a new EIS with SEMARNAT. The application was withdrawn in late March 2010 and an application was filed under new Mexican environmental heap leaching norm NOM-155, which came into force on March 15th. On May 26th SEMARNAT rejected the heap leaching application and MSX is proceeding with the filing of an expanded EIS.

Explosives Permit

- In March 2010, New Gold announced that the restrictions to the Cerro San Pedro mine's explosives permits had been removed, which allowed full operations to resume. A ruling by a Federal District Court in San Luis Potosi removed the restrictions resulting in a new, explosives permit being issued. The court's decision has been appealed, but the issuance of the permit remains in effect while the matter is being considered.

Election of New Ejidal Council

- In April 2009 an Agrarian Court recognized almost all of the current landholders (*ejidatarios*) of the Ejido Cerro de San Pedro (CSP), more than half of who are supportive of the Cerro San Pedro Mine. The judgment became final in January 2010. This outcome permitted the newly recognized landholders to register at the Agrarian Registry, and to convene a meeting of ejidatarios to elect a new Board of Directors replacing the ejido leaders who filed most of the litigation against MSX and government agencies that had issued permits to MSX. A second meeting of the Ejido CSP was held at which it was resolved to withdraw all of the litigation brought by the old Ejido CSP, including the explosives litigation and pending appeal referred to above. The old Ejido CSP has challenged the new Ejido CSP's right to withdraw the litigation, and the cases could take some time before they are definitively resolved.

About Cerro San Pedro

- New Gold's Cerro San Pedro Mine has an enviable record of compliance with Mexican and international environmental standards and enjoys overwhelming local support as a valuable corporate citizen.
- Regional expenditure directly benefitting the surrounding area in 2009 was approximately US\$43 million.
- MSX expects to spend US\$6.5 million on employee wages and benefits this year.
- MSX contributes significantly to the development of the surrounding communities while preserving the historic character of the town immediately adjacent to the mine through a number of initiatives:
 - cleaned up mining waste abandoned by previous miners
 - developed a nursery that to date has produced more than 75,000 plants for reclamation and agricultural purposes
 - reforested 52 hectares with 56,000 plants in the Monte Caldera area
 - built new homes and schools for residents
 - rehabilitated historic churches that had suffered from many decades of neglect
 - constructed a new church
 - conducted trade skills training programs
 - equipped schools with computers and other educational aids
 - supported cultural festivals
 - provided jobs to a significant percentage of the neighbouring population
- Each week, MSX provides free medical services, including doctor visits, ambulance service and dental care, in the neighbouring village of Cerro de San Pedro and the other nine communities in the immediate area.
- MSX has invested significant sums in paving roads, installing sewage lines and building drainage systems to better the lives of local citizens.
- New Gold has a history of operating in a socially and sustainable manner meeting international standards in the three countries where it operates mines.
- Resources relevant to this fact sheet including links to Mexican and Canadian government/ministry websites: <http://delicious.com/CerroDeSanPedro>.