Corrective Action Completion Report

International Cyanide Management Institute

Operation name: New Gold Inc
Operation operator: Western Mesquite Mines Inc
Operation owner: New Gold Inc
Responsible manager: Mr Cory Atiyeh
Location address: Mesquite Mine
6502 East US Hwy 78
Brawley, CA 92227
United States of America

Telephone: +1 928 341 4653
Facsimile: +1 928 341 0041
Email: Cory.Atiyeh@newgold.com

Audit criteria: International Cyanide Management Code
Audit scope: Mesquite Mining and processing operations and support functions

Corrective action completion report prepared by: Noel Steward
Team Leader
SAI Global
386 Sussex Street
Sydney NSW 2000
Australia
Corrective Action Completion Report

Introduction
The initial verification audit was conducted between July 19 - 27, 2010, and March 2 - 18, 2011 during which time a number of non conformances and areas of substantial compliance were identified with the requirements of the International Cyanide Management Code.

At the conclusion of the March 2011 follow up audit substantial evidence was presented that allowed all areas of non conformance to be closed out. The audit also concluded that all but one of the Standards of Practice that were initially found to be in substantial compliance to be in full compliance with the CN Code. Standard of Practice 4.1.4 however remained as an area of substantial compliance with the requirements of the CN Code as outlined below.

Conditional certification was granted by the International Cyanide Management Institute as the operation had demonstrated good faith in actioning the issues for Standard of Practice 4.1.4 since the initial verification audit.

Standard of Practice 4.1
Implement management and operating systems designed to protect human health and the environment including contingency planning and inspection and preventive maintenance procedures.

Standard of practice provision 4.1.4
Procedure to identify when changes in a site's processes or operating practices may increase the potential for the release of cyanide and to incorporate the necessary release prevention measures.

Non conforming situation
Following the March 2011 follow up audit, Western Mesquite Mines Inc., had amended their Cyanide Safety Plan and implemented a policy and procedures to provide review and approval of changes to operating equipment, parameters and practices that could result in an increase to the potential for releases of cyanide to the environment, or potential to increase risk to humans or wildlife. However, the formal change management plan and procedure had yet to be completed and formally implemented.

The audit identified that in practice, the operation ensures through verification of engineering designs and monitoring of operations that the risk for the release of cyanide which could impact on worker safety or the environment did not present an immediate or substantial threat to worker safety or the environment including wildlife.

The deficiency in meeting full compliance with Standard of Practice 4.1.4 related to ensuring a formal and robust process is established and maintained for the management of change.

Evidence submitted
Copies of the documented Change Management Plan and Change Management Procedure were furnished and reviewed by the Lead Auditor and Technical Auditor. The Change Management Plan provides the overarching framework for identifying and managing change to the operation’s organizational structure, management systems, personnel, processes or work practices in order to evaluate the potential effect on all other business systems that may be associated with and affected by those changes.
Corrective Action Completion Report

The Plan requires that potential health and safety, environment and security impacts will be evaluated through a process of hazard identification and risk assessment that must determine:

• What new hazards may be created;
• If risk associated with any new hazards can be effectively controlled;
• If risk levels and effectiveness of controls on any existing hazards will be changed;
• Whether measures required to affect control of new risk are cost effective, and will gain user acceptance.

Implementation of the Plan is supported by a documented procedure and guidelines for planning, developing, approving and implementing approved changes. A detailed Change Request Form is required to be completed to initiate the change management process. The procedure also requires a formal risk assessment regarding the proposed changes and be signed off by all relevant parties in each department. Change Request forms and the Change Manager Procedure are maintained for access in the operation's controlled document intranet library.

As there have been no major changes since implementation of the formal change management process, records were not available to support actual verification. However, given the robustness of the change management process including requirements for risk assessment and approval, the operation has demonstrated good faith in actioning the issue.

Conclusion

The Lead Auditor after reviewing the proposed corrective action report and the objective evidence submitted by Western Mesquite Mines Inc. concludes that the actions have been implemented and are effective in addressing the requirements of Standard of Practice 4.1.4.

Accordingly, the Lead Auditor considers that the initial finding of substantial compliance with Standard of Practice 4.1.1 following the initial verification to be now in full compliance. Accordingly, the Lead Auditor recommends that Western Mesquite Mines Inc., be considered by the International Cyanide Management Institute to be in full compliance the International Cyanide Management Code for Gold mines.

L. Noel Steward
Lead Auditor
Corrective Action Plan 1

**Standard of practice: 4.1**
Implement management and operating systems designed to protect human health and the environment including contingency planning and inspection and preventive maintenance procedures.

**Standard of practice provision: 4.1.4**
Procedure to identify when changes in a site's processes or operating practices may increase the potential for the release of cyanide and to incorporate the necessary release prevention measures.

**Non conforming situation:**
Western Mesquite Mines Inc., has amended their Cyanide Safety Plan (October 2010) and implemented policy and procedures to provide review and approval of changes to operating equipment, parameters and practices that could result in an increase to the potential for releases of cyanide to the environment, or potential to increase risk to humans or wildlife by the Site Safety Manager. However, the formal change management policy and procedure have yet to be completed and formally implemented.

In practice, the operation ensures through verification of engineering designs and monitoring of operations that the risk for the release of cyanide that could impact on worker safety or the environment does not present an immediate or substantial threat to worker safety or the environment including wildlife. The deficiency relates to ensuring a formal and robust process is established and maintained for management of change, which is also a requirement of OHSAS 18001: 2007 to which the operation subscribes. Further, the operation has demonstrated good faith in addressing the issue since the initial verification audit.

**Corrective actions required:**
Complete the document requirements to ensure safety and environmental considerations are taken into account where changes to the operation’s processes or operating practices may increase the potential for the release of cyanide.

Utilise existing forums and mechanisms for communicating and involving key stakeholders including hourly paid employees in the proposed changes.

**Evidence required by the Lead Auditor to bring this Standard of Practice into full compliance with the requirements of the Code:**
1. Copy of the completed the policy / procedure for change management.
2. Examples of changes to processes, plant or work practices where the formal change management process has been implemented.
3. Copies of communiqués to affected workers regarding the impact of change(s).
4. Copy of any relevant training records as a result of the change.

<table>
<thead>
<tr>
<th>Corrective action completion date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 months from date of WMMI's announcement of Conditional Certification</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Approved Lead auditor</th>
<th>Approved Auditee rep.</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noel Steward</td>
<td>Jerald Hepworth</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date:</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 08, 2011</td>
<td></td>
</tr>
</tbody>
</table>

**Closure verified: Lead auditor**

<table>
<thead>
<tr>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 11, 2012</td>
</tr>
</tbody>
</table>