OPTION AGREEMENT

BETWEEN

NEW GOLD INC.

AND

ABACUS MINING & EXPLORATION CORPORATION

DATED AS OF

MARCH 19, 2008

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SCHEDULES

OPTION AGREEMENT

THIS AGREEMENT is made as of the 19th day of March, 2008

BETWEEN:

NEW GOLD INC., a corporation continued under the laws of the Province of British Columbia

(hereinafter called "New Gold")

OF THE FIRST PART

AND

ABACUS MINING & EXPLORATION CORPORATION, a corporation continued under the laws of the Province of British Columbia

(hereinafter called "Abacus")

OF THE SECOND PART

WHEREAS:

A. Abacus owns a 100% interest in certain crown granted and other mineral claims (the "Abacus Claims") as listed in Schedule "A" attached hereto which claims are located in the area of certain mineral properties owned by New Gold;

B. New Gold is the owner of a 100% interest in certain Mining Properties (as defined hereafter) and in certain mineral properties that constitute the Dump Area and the Lay Back Area (as defined hereafter) with the exception of mineral tenure number 504878 in respect of which New Gold is the recorded owner only subject to its right to acquire a 100% interest in such mineral claim under the provisions of an option agreement dated February 24, 2006, with David J. Piggin (the "Underlying Agreement"); and

C. Pursuant to a letter of intent dated October 19, 2007 (the "Letter of Intent") New Gold has agreed to grant to Abacus an option to acquire an interest in the Mining Properties and certain rights to prospect and explore the Mining Properties and the right to use the Dump Area and the Lay Back Area, subject to the terms and conditions hereinafter provided, with a view to permitting Abacus to incorporate the Mining Properties and use the Dump Area and the Lay Back Area as part of mining operations on the Abacus Claims subject to the terms and conditions of this Agreement.

NOW, THEREFORE, THIS AGREEMENT WITNESSES that in consideration of the recitals and of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 In this Agreement, unless there is something in the subject matter or context inconsistent therewith:

(a) "***Agreement***", "***herein***", "***hereby***", "***hereof***", "***hereunder***", and similar expressions mean or refer to this agreement or any instrument supplementary or ancillary hereto; and the expressions "Article", "paragraph" or "subparagraph" followed by a number mean and refer to the specified Article, paragraph or subparagraph of this Agreement;

(b) "***Affiliate***" shall mean any person, partnership, joint venture, corporation or other form of enterprise which directly or indirectly controls, is controlled by, or is under common control with, a Party. For purposes of the preceding sentence, "control" means possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contract, voting trust or otherwise;

(c) "***Costs***" means all costs incurred and monies expended by or on behalf of Abacus in doing Work which shall include, but not be limited to, all costs incurred and monies expended: in doing geophysical, geochemical, land or geological examinations and surveys in searching for, digging, trenching, sampling, assaying, testing, working, developing, mining or extracting Ore, minerals and metals; in doing diamond and other drilling; in erecting and installing mining plant, milling plant, ancillary facilities, buildings, machinery, tools, appliances or equipment; in construction of access roads or facilities for use in relation to any of the Mining Properties, on or off the Mining Properties; in transporting Ore, minerals, metals, personnel, supplies, mining or milling plant, buildings, machinery, tools, appliances or equipment in, to or from any of the Mining Properties; in paying wages and salaries (including "fringe benefits") of personnel engaged in performing such Work; in paying assessments or contributions under worker's compensation, employment insurance, Canada Pension or other similar legislation or ordinances relating to such personnel; in supplying food, lodging and other reasonable needs for such personnel; in obtaining independent legal services directly relating to Work to be performed hereunder; in keeping any of the Mining Properties in good standing under the Mineral Act; all reasonable costs of improving, protecting or perfecting title to the Mining Properties; in preparing engineering, geological, financial, environmental, social impact or marketing studies and/or reports and Work related thereto; in connection with any applications and necessary studies for the obtaining of permits, licenses, and other regulatory approvals, including without limitation, the preparation for and attendance at hearings and other meetings relating to the Mining Properties; in preparing a mining feasibility study and/or any reports supplementary thereto; plus ten percent (10%) of the foregoing for general overhead and administrative costs;

(d) "***Dump Area***" is the area outlined by diagonal striping on the map attached as Schedule "B-1" for potential use as a waste dump area in connection with mining operations on the Abacus Claims and/or the Mining Properties and consisting of those portions of mineral claims owned by New Gold as specifically listed in Schedule "B-2" which fall within the area outlined in the map attached as Schedule "B-1";

(e) "***Interest***" means any right, title or interest of the Parties in and to any of the Mining Properties, the Dump Area and the Lay Back Area;

(f) "***Joint Venture***" means the joint venture formed between the Parties pursuant to paragraph 2.6 subject to the terms of the Joint Venture Agreement;

(g) "***Joint Venture Agreement***" means the agreement to be entered into between the Parties upon the formation of a Joint Venture between the Parties pursuant to paragraph 2.9 hereof;

(h) "***Lay Back Area***" means the area outlined in cross hatch on the map attached as Schedule "B-1" for possible use, if required, as a lay back area for open pit mining operations and/or waste rock disposal in connection with mining operations on the Abacus Claims and/or the Mining Properties and consisting of those portions of mineral claims owned by New Gold as specifically listed in Schedule "B-2" which fall within the area outlined in the map attached as Schedule "B-1";

(i) "***Mineral Act***" means the *Mineral Tenure Act* of the Province of British Columbia, as amended from time to time;

(j) "***Mining Properties***" means the aggregate of those portions of the mineral claims listed in Schedule C which is attached hereto and forms part of this Agreement (excluding any such mineral claims which may be terminated from time to time under the terms of this Agreement) and which fall within the area identified as such in the map attached as Schedule "B-1" but excluding any portion of such area that is within the Dump Area and, subject to paragraph 2.1(c), the Lay Back Area and shall include any mining lease granted pursuant to the provisions of the Mineral Act in respect thereof and any mineral tenures added under paragraph 3.2 hereof;

(k) "***NPI Royalty***" means the royalty interest in the net profits derived from the operation of a mine on the Mining Properties as calculated and paid in accordance with the provisions of Schedule "D" to this Agreement;

(l) "***Operator***" means Abacus during the period while this Agreement is in effect;

(m) "***Option***" means the right and option granted to Abacus pursuant to the provisions of paragraph 2.1(a) hereof;

(n) "***Ore***" means all materials containing a mineral or minerals of commercial economic value extracted or derived from the Mining Properties;

(o) "***Party" or "Parties***" means the initial parties to this Agreement and their respective successors and permitted assigns which become parties to this Agreement;

(p) "***Product***" shall mean all Ore and concentrates or other products derived from the Mining Properties;

(q) "***Project Area***" shall mean the area comprised within the boundaries of the Abacus Claims and the Mining Properties; and

(r) "***Work***" means prospecting, exploration, development or other mining work performed on or in relation to the Mining Properties or the Dump Area or Lay Back Area or any portion thereof after the date of this Agreement.

1.2 Words importing the singular number shall mean and include the plural and vice versa, and words importing the masculine gender shall include the feminine and neuter genders.

1.3 Any Schedule annexed hereto shall form part of this Agreement.

1.4 Any statement of or reference to dollar amounts in this Agreement shall mean coin or currency of Canada.

1.5 The division of this Agreement into Articles and paragraphs, the provision of any index hereto and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

ARTICLE 2
OPTIONS

2.1 New Gold hereby grants Abacus the sole and exclusive right and option:

(a) to acquire up to a one hundred percent (100%) interest in and to each of the Mining Properties (subject in the case of mineral tenure 504878 to the exercise by New Gold of its option under the Underlying Agreement to acquire a 100% interest in such mineral claim) on the terms and conditions set out herein to be held directly by Abacus, free and clear of all liens, charges and encumbrances except as provided in this Agreement, provided that Abacus fulfils all of the conditions contained in paragraphs 2.2, 2.5 and 2.6; and

(b) to conduct condemnation drilling within the Dump Area at its own cost (such cost to be in addition to the amount required under paragraph 2.2) to determine whether mineralization in potentially economic amounts is present in the Dump Area which would preclude the use of the Dump Area as an area to place waste rock. In the event that Abacus can demonstrate either (i) that there is likely no mineralization in potentially economic amounts present in the Dump Area or (ii) that there is mineralization in potential economic amounts, but that its development would likely not be affected by the presence of waste rock at surface, then New Gold will permit that surface portion of the Dump Area which is reasonably required for Abacus for storing waste rock, be included in the Mining Properties, for the purpose of storing waste rock, subject to Abacus acquiring at its own cost any permits or licences required for such use; and

(c) if required, have the Lay Back Area included in the Mining Properties for the purpose of using the surface portion of the mineral claims comprised within the Lay Back Area as a lay back area for open pit lay back up to Pit Depth and/or waste rock disposal in connection with mining operations on the Abacus Claims and/or the Mining Properties subject to the operator of such mining operations acquiring at its own cost any permits or licences required for such use.

2.2 In order to maintain the Option under paragraph 2.1(a) in good standing, Abacus will be obliged to incur cumulative Costs on Work on or in respect of the Mining Properties in the aggregate amount of $2,500,000 during the 24-month period after Abacus (with the co-operation of New Gold) first obtains an exploration permit for such Work (the "End Date"). Abacus will, at the request of New Gold, provide New Gold with reasonable evidence of such expenditures, together with the results of such Work.

2.3 Abacus may in its sole discretion at any time elect in writing to terminate the option granted hereunder without further obligation to incur further Costs under paragraph 2.2 hereof.

2.4 Subject to prior termination pursuant to the provisions of this Agreement, Abacus may at any time on or before the End Date deliver to New Gold a written notice signed by the Chief Financial Officer of Abacus certifying that Abacus has incurred a cumulative total of $2,500,000 in Costs on or in respect of the Mining Properties and attaching thereto a written statement in reasonable detail prepared by the independent accountants acting for Abacus setting out the particulars of such Costs. All costs incurred in connection with a drilling program that results in drilling on both the Mining Properties and the Abacus Claims in the same drill hole that cannot be allocated directly such as footage on the respective properties and assay bills in respect of that footage shall be allocated on a proportionate basis in accordance with the footage of the drill hole attributable to the Mining Properties and the Abacus Claims respectively. Such written notice shall be conclusive evidence of the Costs incurred by Abacus on the Mining Properties unless New Gold gives written notice to Abacus questioning such Costs within 30 days of receipt of Abacus's notice by New Gold. Forthwith after delivery to Abacus of such written notice from New Gold, New Gold shall refer the matter for confirmation to its auditors and in the event that such auditors do not confirm to New Gold the amount of Costs stated to have been incurred by Abacus, and in the event that the auditors for Abacus and the auditors of New Gold do not reach agreement with respect to the amount of Costs, within sixty (60) days after the date of the notice by New Gold, the matter shall be referred to arbitration pursuant to Article 11 of this Agreement. The decision of the arbitrator or arbitrators, as the case may be, shall be final and binding on the Parties hereto. In the event that the auditors representing all Parties agree or the arbitrator(s) determine that the amount of Costs incurred by Abacus are less than $2,500,000, the deficiency shall be paid by Abacus to New Gold to be expended on further exploration of the Mining Properties.

2.5 After Abacus has incurred the Costs referred to in paragraph 2.2 the Option will remain in effect and Abacus will have a further six months from the End Date to: (i) classify the mineralization in the Project Area in compliance with National Instrument 43-101; and (ii) complete an independent, NI43-101 complaint, economic study at the preliminary economic assessment level of the Project Area (the "Study") which shall, among other things, determine a maximum economic pit depth within the Project Area, which maximum economic pit depth shall be subject to further review and determination from time to time during the life of the open pit operations but in no event to exceed a depth of 500 metres ("Pit Depth"). In the event this is not done, unless mutually agreed to otherwise by the Parties, the Option will terminate.

2.6 Forthwith upon completion of the Study, Abacus will deliver a copy of the Study to New Gold. If, after reasonable review of the Study and completion of such due diligence as is reasonable and which it deems necessary or advisable, New Gold concludes that the Study shows that the mineralization within the Mining Properties is economically viable, either as part of a project with the Project Area, or one within the area of the Mining Properties alone, New Gold shall have the option exercisable by notice in writing to Abacus within 90 days after receipt of the Study by New Gold, to either (i) establish a Joint Venture with Abacus on the terms set out in paragraph 2.9 below or (ii) reduce its interest in the Mining Properties to a 10% NPI Royalty.

2.7 If New Gold concludes that the Study does not show that mineralization within the area of the Mining Properties is economically viable, either as part of a project within the Project Area, or one within the Mining Properties alone and does not make the election under paragraph 2.6 (i) within the 90-day period stipulated therein, then Abacus has the option to develop a mine itself and New Gold will be granted the NPI Royalty on production from the Mining Properties and Abacus shall have the right to have the Mining Properties transferred into its name (if possible and practical, and if not will remain in New Gold's name) and to use the Mining Properties as Abacus sees fit in conjunction with its operations (if any) on the Abacus Claims.

2.8 If no definitive decision to construct a mine within the Project Area has been taken by Abacus with 18 months after the End Date any Joint Venture agreement shall have been considered to have been terminated and the interest in the Mining Properties, Dump Area and Lay Back Area shall revert to New Gold.

2.9 The Joint Venture contemplated by paragraph 2.6 above will be established pursuant to a Joint Venture Agreement mutually agreeable to both parties, containing such terms of this Option Agreement as are applicable and such standard terms and conditions normally contained in a mining joint venture agreement with similar intentions and of similar nature and magnitude including, *inter alia*, those general terms and conditions set out in Schedule "E". Any issues that arise in the course of the Joint Venture activities prior to completion of a formal joint venture agreement in substantially the form referenced in the Continuing Legal Education of British Columbia Mining Law Materials of June 1999 ("**CLE JV**") which are not covered by Schedule "E" shall be governed by the terms contained in the form of the CLE JV, however, the terms of Schedule "E" shall prevail in the event of any inconsistency with the form of the proposed CLE JV until the CLE JV is completed and executed. In addition to all such other terms, the Joint Venture Agreement shall provide that:

(a) the interests in that portion of the Mining Properties above Pit Depth will be split 60:40 between Abacus and New Gold with Abacus having a 60% interest and New Gold having a 40% interest (with Abacus to be the operator);

(b) the interest over that portion of the Mining Properties below the eventual Pit Depth will be split 60:40 between New Gold and Abacus with New Gold having a 60% interest and Abacus having a 40% interest (with New Gold to be the operator). These Joint Venture ownership interests will also apply to any mineralization that can be mined by underground mineralization that is within the Mining Properties, but not within the boundaries of any Open Pit Limits as defined hereafter. For these purposes, "Open Pit Limits" shall mean the eventual Pit Depth and the width of any pit plus a safety set back of 150 feet from the edge of any pit. In the instances contemplated in this paragraph 2.9(b), New Gold will incur all costs required to establish that economic mineralization exists. Should New Gold believe that economic mineralization exists either beneath the eventual Pit Depth or elsewhere within the Mining Properties that can be mined by underground means, it will present to Abacus an independent, NI43-101 compliant, economic study at the preliminary economic assessment level to support this belief. After reasonable review of this study, and the completion of such due diligence as is reasonable and which it deems necessary or advisable, Abacus must advise within 90 days of receipt of such study whether it wishes to enter in to a Joint Venture with New Gold with respect to that portion of the Mining Properties below the eventual Pit Depth (or outside the Open Pit Limits, but mineable only by underground methods) under a joint venture agreement containing substantially the same terms as the Joint Venture Agreement (except for the respective interest levels of Abacus and New Gold) regarding the open pit operation or reduce its interest to a 10% NPI with respect to the portion of the Mining Properties below the Pit Depth.

(c) In the event that any proposed development within the Mining Properties is part of a development, or proposed development, within the Project Area, the allocation and payment of capital expenditures applicable to the Mining Properties will be determined by Abacus and New Gold based on mutually agreeable and reasonable terms in accordance with industry standards;

(d) In the event that either of the parties wishes to dispose of their respective interests in the JV, then the other party will have the right of first refusal to acquire the others' interest on terms and conditions similar to those set out in Article 8;

(e) A Joint Venture for an underground operation can be initiated within the Mining Properties below 500 metres in advance of any open pit operation (or outside the proposed open pit limits), provided it does not interfere with any ongoing or proposed open pit operations.

2.10 In any mining operations carried out by Abacus, Abacus may commingle ores from the Mining Properties with ores from other properties, including the Abacus Claims either before or after concentration, provided Abacus and New Gold have reached agreement as to the methods and protocols for securing all data necessary to determine the weight, grade, metallurgical recovery and other pertinent data for both the ores removed from the Mining Properties and the ores with which they are commingled in accordance with sound mining and metallurgical practices. If Abacus and New Gold are not able to reach agreement on the terms and conditions of commingling, then the matter shall be resolved in accordance with Article 11 herein.

ARTICLE 3
RIGHT TO ENTER AND DO WORK

3.1 Subject to the provisions of this Agreement, Abacus shall have the sole and, subject to the rights of New Gold under paragraph 3.3 hereof, exclusive right, at its sole risk and cost:

(a) to enter in, under or upon the Mining Properties;

(b) to have quiet possession of the Mining Properties;

(c) to carry out such Work using its own in-house personnel or outside contractors as Abacus in its sole discretion considers advisable including bringing or erecting upon the Mining Properties machinery, equipment and ancillary facilities including, without limiting the generality of the foregoing, housing, utility services, roads, conveyors, plants, buildings, waste areas, tailing areas, disposal areas or systems and aircraft landing areas; and

(d) to remove Ore, minerals or metals from the Mining Properties in reasonable quantities for the purpose of obtaining assays or making other tests.

3.2 Abacus shall have the right, in its sole discretion and at its own expense to do such acts and things as are reasonably necessary to protect and improve any right, title or interest in and to the Mining Properties.

3.3 Notwithstanding the foregoing, New Gold may continue to carry out exploration activities on the Mining Properties, the Dump Area and the Lay Back Area at its own risk and expense and otherwise have full right of access thereto provided that such activities by New Gold will not unreasonably impede or interfere with, those of Abacus on the Mining

Properties, Dump Area, Lay Back Area or on the Abacus Claims. New Gold will provide Abacus with reports on the results of its exploration activities on the Mining Properties, Dump Area and Lay Back Area on the same basis as Abacus' obligations to New Gold under paragraph 4.3(f). New Gold will indemnify and save Abacus its directors, officers, employees, agents, independent contractors and representatives harmless from all claims, demands, costs (including reasonable lawyer's fees and expenses incurred by Abacus), damages, actions, suits or other proceedings whatsoever arising out of or attributable to the negligent acts or omissions of New Gold, its employees, agents, independent contractors or representatives in carrying out such activities under this Agreement.

ARTICLE 4
REPRESENTATIONS AND COVENANTS

4.1 New Gold hereby represents and warrants that:

(a) it is a corporation duly continued, validly existing and in good standing in and is qualified to do business in the Province of British Columbia;

(b) it has the right to enter into this Agreement and that all corporate and/or other actions required to authorize it to enter into and perform this Agreement have been properly taken, subject to it obtaining any consents that may be required from the appropriate authorities;

(c) it is the beneficial and recorded owner of 100% of the Mining Properties free and clear of all liens, charges and encumbrances with the exception of mineral tenure 504878 in respect of which New Gold has an option to acquire a 100% interest under the terms of the Underlying Agreement;

(d) there is no adverse claim or challenge against or to the ownership of or title to the Mining Properties, nor to the knowledge of New Gold is there any basis therefor, and there are no outstanding agreements or options between New Gold and any third party whatsoever with respect to the Mining Properties or any portion thereof with the exception of mineral tenure 504878 in respect of which New Gold has an option to acquire a 100% interest under the terms of the Underlying Agreement;

(e) no person, firm or corporation has any proprietary interest in the Mining Properties other than New Gold, with the exception of mineral tenure 504878 in respect of which New Gold has an option to acquire a 100% interest under the terms of the Underlying Agreement, and no person is entitled to any royalty or other payment in the nature of rent or royalty on any minerals, Ores, metals or concentrates removed from the Mining Properties;

(f) all activities carried out on the Mining Properties by New Gold were carried out in all material respects with all applicable environmental laws and regulations and there is, to the best of the knowledge of New Gold, without having made any investigation or analysis with respect thereto, no hazardous waste situate on or in the Mining Properties.

4.2 Abacus hereby represents and warrants that:

(a) it is a corporation duly incorporated, validly existing and in good standing in its jurisdiction of incorporation and is qualified to do business in the Province of British Columbia; and

(b) that it has the right to enter into this Agreement and all corporate and/or other actions required to authorize it to enter into and perform this Agreement have been properly taken.

4.3 Abacus hereby covenants and agrees during the period of the Option and so long as it is Operator under the terms of this Agreement:

(a) to carry out Work in a prudent and workmanlike manner to the best of its ability and using its best efforts, skill and judgment and in accordance with good mining, processing and engineering practices generally prevailing in the mining industry and in accordance with all applicable laws and regulations and all agreements, permits and licenses relating to the Mining Properties, the Dump Area or the Lay Back Area;

(b) to pay and discharge all wages and accounts for material and services and all other costs and expenses that may be incurred by Abacus in connection with its Work on the Mining Properties, the Dump Area and the Lay Back Area, and to save New Gold harmless from and against all liens in respect of such Work which may be filed against the Mining Properties, the Dump Area and the Lay Back Area, and in the event of any liens being so filed, to proceed forthwith to have the same removed, provided that the foregoing provision shall not prevent Abacus from properly contesting in good faith any claims for liens which Abacus considers unjustified;

(c) subject to paragraph 6.2, to maintain the Mining Properties in good standing under the Mineral Act;

(d) to maintain and keep in force and, upon request by New Gold, provide reasonable documentary verification of the following insurance in respect of its activities on the Mining Properties, the Dump Area and the Lay Back Area, which shall protect the interests of New Gold within the limits of such insurance:

(i) _Automobile Liability Insurance_ - covering bodily injury (including passenger hazard) and property damage arising from the operation of any vehicles used in the operations and activities under this Agreement, with inclusive limits of not less than $2,000,000 for any one occurrence. With respect to insurance on non-owned vehicles, the policy shall provide coverage for liability assumed under this Agreement.

(ii) *Comprehensive General Liability Insurance* - covering liability for bodily injury and property damage arising from operations and activities under this Agreement. This insurance shall include coverage for the contingent liability with respect to the operations and activities of contractors and subcontractors, the contingent employer's liability of Abacus and the liability assumed by Abacus under this Agreement. The limits of such insurance shall be not less than $5,000,000 inclusive for any one occurrence.

(iii) *Aircraft Liability Insurance* - covering liability for bodily injury (including passenger liability) and property damage arising from the operation of non-owned aircraft (including helicopters) used in connection with operations and activities under this Agreement. The limits of such insurance shall not be less than $5,000,000 inclusive for any one occurrence.

(iv) *Workers' Compensation Insurance* - covering all employees engaged in the Work under this Agreement to the extent required by the laws of the Province of British Columbia or any other governmental authority having jurisdiction over Abacus's operations under this Agreement.

(v) *All Risk Property Insurance* - covering all real and personal property of New Gold under its care, custody and/or control, where the values thereof exceed a deductible amount of not less than $100,000.

(e) to permit New Gold, its respective employees or duly authorized representatives, on reasonable notice to Abacus, access to the Mining Properties, the Dump Area and the Lay Back Area and technical data in order to examine any Work carried out by or on behalf of Abacus and results obtained, provided, however, that neither New Gold, nor its respective representatives shall interfere with or obstruct the operations of Abacus, its employees or agents on the Mining Properties, the Dump Area and the Lay Back Area, and provided further that New Gold and its respective representatives shall enter upon the Mining Properties, the Dump Area and the Lay Back Area at their own risk;

(f) to keep New Gold reasonably informed on a timely basis of significant results of Work performed on the Mining Properties, the Dump Area and the Lay Back Area and to supply New Gold with monthly reports while Work is in progress and annual summary reports on or before January 31 of each year containing copies of all maps and material data compiled by Abacus and a statement of Costs incurred with respect to the Mining Properties during the previous calendar year;

(g) to the extent permitted, record all material Work done in any year on or with respect to the Mining Properties, the Dump Area and the Lay Back Area as assessment work;

(h) to accommodate all reasonable requests by New Gold for information relating to Work on the Mining Properties, the Dump Area and the Lay Back Area; and

(i) to leave the Mining Properties, the Dump Area and the Lay Back Area upon termination of this Agreement, in the case of the Mining Properties if the Option is not exercised and in respect of the Dump Area and the Lay Back Area in any event, in a condition that is substantially similar to the condition the Mining Properties, the Dump Area and the Lay Back Area were in when received by Abacus.

4.4 New Gold will make available to Abacus for review and analysis from time to time at the request of Abacus all relevant correspondence, reports, studies, maps, results, assays, analyses and documents in its possession or control relating to the Mining Properties and will permit Abacus at Abacus' own expense to make copies of such materials as Abacus may request;

4.5 Abacus agrees that, effective from the date of execution of this Agreement, it will not oppose any application by or on behalf of New Gold for any permit related to or in connection with New Gold's New Afton Project or the awarding of such permits so long as such permits would not have a material adverse effect on Abacus proposed mining and related operations in the area contiguous to New Gold's New Afton Project. This provision shall survive any termination of the Option or this Agreement;

4.6 Abacus and New Gold agree to use best efforts to survey the boundaries of the Mining Properties, Dump Area and Lay Back Area as soon as reasonably practicable on the request of either Party to do so, and the costs of such survey shall be shared equally between and New Gold;

4.7 Abacus hereby covenants and agrees to indemnify and save New Gold, its directors, officers, employees, agents, independent contractors and representatives harmless from all claims and demands, costs (including, without limitation, reasonable lawyers' fees and expenses incurred by New Gold and remediation costs), damages, liabilities, losses, actions, suits or other proceedings whatsoever, arising out of or attributable to:

(a) the negligent acts or omissions of Abacus, its employees, agents, independent contractors or representatives under this Agreement; and

(b) the possession or use under this Agreement of the Mining Properties, the Dump Area, the Lay Back Area by Abacus, its employees, agents, independent contractors or representatives.

ARTICLE 5
RIGHT TO PRESERVE TITLE AND REMOVE ASSETS

5.1 Upon execution of this Agreement, New Gold shall proceed forthwith to obtain any necessary consents to this Agreement from the appropriate regulatory authorities.

5.2 The Parties agree that they may protect their Interests under this Agreement by registering this Agreement, or any other document or documents which they may consider reasonably advisable in order to protect their rights and interests hereunder against the title to all or part of the Mining Properties, the Dump Area and the Lay Back Area, provided that New Gold or Abacus, as the case may be, shall hold title to the Mining Properties, the Dump Area and the Lay Back Area subject to the terms and conditions of this Agreement.

5.3 At any time, and from time to time, and for a period of sixty (60) days after the termination of this Agreement otherwise than by exercise of the Option and execution and delivery by the Parties of the Joint Venture Agreement, Abacus may, and at the request of New Gold within such period after termination, Abacus shall, at its own expense and risk, without interfering with the operations of New Gold, enter upon and remove from the Mining Properties, the Dump Area and the Lay Back Area any and all buildings, plant, machinery, tools and equipment or other property of Abacus. Any property not so removed within such period after termination shall become the property of New Gold.

ARTICLE 6
TERMINATION

6.1 Except for the provisions of paragraphs 3.3 (with respect to indemnity only), 4.5, 4.7, 5.3 and 6.3 and Article 7 hereof, this Agreement shall terminate:

(a) if Abacus fails to incur the Costs or pay in lieu of incurring Costs or fails to make the payments to New Gold as required under paragraphs 2.2 and 2.3, then upon the date immediately following such relevant date; or

(b) upon receipt by New Gold of notice from Abacus given prior to the exercise of the Option that Abacus is terminating the Agreement; or

(c) upon exercise of the Option and execution and delivery by the Parties of the Joint Venture Agreement.

6.2 Notwithstanding anything to the contrary contained in this Agreement, Abacus may at any time, and from time to time, by notice in writing to New Gold, terminate this Agreement with respect to any part of the Mining Properties subject to the continuance of paragraphs 3.3 (with respect to the indemnity only), 4.5, 4.7, 5.3 and 6.3 and Article 7. Forthwith after such termination, such part of the Mining Properties with respect to which this Agreement has been terminated shall cease to be a part of the Mining Properties for the purposes of this Agreement, and all obligations of Abacus with respect thereto shall, subject to the said paragraphs, thereupon cease.

6.3 Upon any termination hereof other than pursuant to subparagraph 6.1(c), Abacus shall, at the request of New Gold within thirty (30) days, release, quit claim and/or transfer to New Gold for an aggregate consideration of one dollar ($1.00), all right, title and interest in and to the Mining Properties, the Dump Area and the Lay Back Area or the relevant portion thereof free and clear of any and all liens, charges and encumbrances attributable to Abacus, and Abacus shall deliver to New Gold within thirty (30) days of such termination, a statement describing all Costs incurred by Abacus, all drill core (at a location on the Mining Properties) and a comprehensive report on all Work carried out by Abacus on the Mining Properties, the Dump Area and the Lay Back Area or the relevant portions thereof not previously reported on, together with copies of all maps, drill logs, assay results and other factual technical data compiled by Abacus relating thereto.

6.4 Except as otherwise herein specifically provided, this is an option agreement only and nothing herein contained and no act done, payment made or amount expended hereunder shall obligate Abacus to do any further or other act, to make any further or other payment or to expend any further amount in doing Work hereunder, and in no event shall this Agreement or any act done, payment made or amount expended in doing Work hereunder be construed as creating an obligation of Abacus to perform any other Work hereunder or to proceed with a view to bringing the Mining Properties or any part thereof into commercial production.

ARTICLE 7
CONFIDENTIAL INFORMATION

7.1 The Parties agree to treat this Agreement and all terms and conditions hereof, and all data, reports, records, and other information coming into the possession of the Parties by virtue hereof as confidential except if disclosure is required by law, by regulation or by any securities commission or stock exchange or in connection with the filing of a prospectus or exchange offering prospectus by any Party or its Affiliates. Notwithstanding the foregoing, a Party may disclose information relating to or acquired in activities under this Agreement to its employees, representatives, contractors, subcontractors and consultants to the extent necessary to assist in carrying out its obligations under this Agreement or to potential acquirors of an Interest or of an interest in such Party provided the person, firm, company or other entity shall have agreed to be bound by the confidentiality provisions of this Agreement and the disclosing Party hereby assumes liability to the other Party for any breach of such confidential obligations by the person, firm, company or other entity to which such disclosing Party disclosed such confidential information. Such information shall not be otherwise disclosed to any person without the prior consent of the other Party, which consent shall not be unreasonably withheld.

7.2 Each Party agrees to inform the other Party in advance in the event that it intends to make any public announcement or disclosure permitted hereunder in sufficient time to permit the other Party to jointly or simultaneously make a similar public announcement or disclosure if they so desire and with sufficient opportunity to request that reasonable changes be made in such proposed announcement.

ARTICLE 8
TRANSFER OF INTEREST IN MINING PROPERTIES

8.1 In this article, the word "assign" means to sell, assign, transfer, sublet, grant an option, make a declaration of trust or otherwise convey an Interest. No Party may assign all or any part of its Interest except only in accordance with the terms of this Article 8.

8.2 Until Abacus exercises the Option under Article 2, Abacus shall have no right to assign its rights and obligations under this Agreement except to an Affiliate.

8.3 If a Party wishes to assign any part or all of its Interest other than as described in paragraph 8.5 or 8.6 it shall give written notice of such proposed assignment to the other Party. Such notice shall specify the terms and the cash equivalent thereof (the "Cash Equivalent") which the assigning Party will accept for such Interest. For a period of ninety (90) days following receipt of such notice, the other Party may elect by notice in writing containing payment to the assigning Party to purchase all, but not part, of such Interest upon the terms offered by the assigning Party. If the other Party does not so elect, the assigning Party shall be free to complete the assignment of such Interest to one, but not more than one party, subject to paragraph 8.4 and provided that such assignment shall be completed within one hundred eighty (180) days from the date the other Party declined or failed to elect in timely fashion to purchase such Interest and be for a price and upon terms and conditions no less favourable to the assigning Party than those set out in the assigning Party's notice. If an assignment is not completed within such a period of one hundred eighty (180) days then the provisions of this Article shall apply with respect to any subsequent assignment of the whole or any part of the assigning Party's Interest.

8.4 If an assigning Party wishes to assign any part or all of its Interest to an assignee who is not a Party hereto, the assigning Party shall require that such assignee shall enter into an agreement with the other Parties concurrent with such assignment containing:

(a) a covenant by such assignee to be bound by this Agreement to the same extent as if this Agreement had been originally executed by the assigning Party and such assignee as joint and several obligors making joint and several covenants;

(b) a provision subjecting any further sale, transfer or other disposition of such Interest to the restrictions contained in this Article 8;

(c) in case of any assignment by New Gold of a part of its Interest, a covenant by New Gold and its assignee that their respective Interests shall be dealt with under this Agreement as one aggregate Interest and New Gold shall be authorized to act as spokesperson for that aggregate Interest; and

(d) if only a part of an Interest is assigned, the assignment shall deal with the allocation of the entitlement to receive a 10% NPI Royalty under the terms of this Agreement between the assignor and the assignee so that the maximum aggregate NPI Royalty to be received by the assignor and/or the assignee can never exceed

10% and the payor of any NPI Royalty shall make the payment of same to only one payee which shall thereafter allocate the payment among multiple royalty holders on a pro rata basis;

and the assigning Party shall thereupon be relieved from all obligations in respect of such part of its assigned Interest which thereafter accrue under this Agreement.

8.5 A Party may assign its Interest to an Affiliate at any time without complying with the notice and first right provisions of paragraph 8.3, provided that the Affiliate delivers to the other Parties concurrently with such assignment an agreement containing the covenant and provisions described in paragraph 8.4, and that the assigning Party shall continue to remain principally liable to the other Party for the performance of its obligations under this Agreement and that if at any time after such assignment the assignee shall cease to be an Affiliate of a Party it shall immediately before such time assign all its Interest to a Party or to an Affiliate subject to the provisions of this paragraph 8.5.

8.6 A Party may assign its Interest to another Party at any time without complying with the notice and first right provisions of paragraph 8.3.

ARTICLE 9
NOTICES

9.1 All payments, notices, reports or other communications required or permitted by this Agreement shall be in writing and shall be deemed to have been properly given and delivered when delivered by hand or sent by telecopy, e-mail or registered mail with all postage or delivery charges fully prepaid and addressed to the Parties, respectively, as follows:

To Abacus:

Suite 615
800 West Pender Street
Vancouver, BC V6C 2V6
Attention: Mr. Douglas Fulcher
President
Facsimile: 604 682 0307
E-mail: dfulcher@amemining.com

To New Gold:

Suite 70 University Avenue
Toronto, Ontario M5J 2M4
Attention: Mr. Cliff Davis
President and CEO
Facsimile: 416 977 5406
E-mail: cdavis@newgoldinc.com

or to the latest known address of the Party concerned, as furnished pursuant to paragraph 9.3.

9.2 Any payment, notice, report or communication which is mailed shall be deemed to have been received by the addressee on the fifth business day following posting thereof. In all other instances, the date of receipt by addressee shall be the date of actual delivery or receipt of the telecopy or e-mail.

9.3 A Party may change its mailing address; its e-mail address or telecopier number for the purpose hereof by giving written notice of such change to the other Party at the latest address provided in accordance with this Article.

ARTICLE 10
FORCE MAJEURE

10.1 Time shall be of the essence of this Agreement, provided, however, that the time or times within which any right hereunder may be exercised or any obligation performed shall be extended by a period of time equal to all periods of time during which the Parties or their respective representatives, agents, contractors or employees are prevented or seriously impeded in doing any Work or performing any obligation hereunder by reason of any event of force majeure, which events shall include but shall not be limited to fire; power shortage; strike, lockout or other labour dispute; aboriginal disputes; inability to obtain suitable machinery or labour; inability to arrange access to the Mining Properties; inability to arrange or unavailability of any transportation services, facilities or equipment; wars, riots or civil disorders; Acts of God or the Queen's enemies; governmental, whether Federal, Provincial or Municipal, laws, regulations or requirements; or any other cause beyond the reasonable control of the Parties or their respective representatives, agents, contractors or employees. The settling of labour disputes shall for the purposes of this paragraph be deemed to be beyond the control of the Parties and their respective representatives, agents, contractors or employees and nothing herein contained shall place any obligation upon them to settle any labour dispute. The payment of monies from one Party to the other Party shall be deemed to be within the reasonable control of the Parties and the lack of funds for such payments shall not be considered an event of force majeure.

ARTICLE 11
ARBITRATION

11.1 If any dispute shall arise between the Parties or any of them in respect of any matter relating to this Agreement or with respect to the interpretation of this Agreement, the same shall be submitted to arbitration in accordance with the following provisions.

11.2 The dispute shall be referred to and finally resolved by arbitration in Vancouver, British Columbia, under the rules of the British Columbia International Commercial Arbitration Centre ("BCIAC"), in accordance with its "Procedure for cases under the BCIAC Rules." The award of the arbitrator shall be final and binding. The arbitral tribunal shall consist of a sole arbitrator selected by agreement of the Parties, failing such agreement within 20 days after the filing of the request for arbitration the sole arbitrator shall be appointed by the BCIAC from a list of ten persons submitted to the Parties. Each of Abacus and New

Gold shall have the right to delete three persons from such list and the arbitrator shall be one person not deleted from such list. Each person on such list shall have substantial experience and recognized expertise in the fields of the matters in dispute. The Parties hereby stipulate that the arbitrator's fee shall be a reasonably hourly rate agreed to by the Parties, multiplied by the total time of the arbitrator spent concerning the arbitration. The arbitrator shall be entitled to receive payment for reasonable disbursements. If the Parties are unable to agree on a fee within 30 days after the filing of the request for arbitration, then the fee shall be established by the BCIAC Rules. The Parties further stipulate that the administrative charge shall be a reasonable average hourly rate agreed by the Parties for the services of the BCIAC personnel administering the arbitration, plus a reasonable percentage (not to exceed 10%) for overhead, plus reasonable disbursements. Failing an agreement of the Parties within 30 days of the request for arbitration, the charge will be determined by the BCIAC. If any Party refuses to arbitrate or institutes any proceeding to stay or enjoin arbitration, the other Parties shall be awarded reimbursement of all expenses and legal fees incurred in connection with any such proceeding to stay or enjoin arbitration.

11.3 The decision of the arbitrator shall be in writing and signed by the arbitrator and shall be final and binding upon the Parties as to any question or questions so submitted to arbitration.

11.4 Unless otherwise determined by the arbitrator, the compensation and expenses of such arbitrator shall be paid in equal proportions by the Parties involved in a dispute.

ARTICLE 12
GENERAL

12.1 Each Party shall, from time to time, and at all times, perform all acts and execute and deliver the deeds and documents and give such assurances as are reasonably required in order to perform, carry out, and give effect to the terms of this Agreement.

12.2 A waiver of any breach of a provision of this Agreement shall not be binding upon a Party unless the waiver is in writing and such waiver shall not affect such Party's rights in respect of any subsequent breach.

12.3 All terms and provisions of this Agreement shall run with and be binding upon the lands and estates affected thereby during the term hereof.

12.4 The terms of this Agreement express and constitute the entire agreement between the Parties and no implied covenant or liability of any kind is created or shall arise by reason of anything contained in this Agreement.

12.5 This Agreement supersedes and replaces all previous agreements, whether written or oral, between the Parties in respect of the Mining Properties, the Dump Area and the Lay Back Area including, without limitation, the Letter of Intent.

12.6 This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

12.7 This Agreement shall enure to the benefit of and be binding upon the Parties hereto, their respective successors and their permitted assigns.

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement effective as of the day and year first above written.

NEW GOLD INC.	**ABACUS MINING & EXPLORATION CORPORATION**
Per: ______________________ Authorized Signatory	Per: ______________________ Authorized Signatory
Per: ______________________ Authorized Signatory	Per: ______________________ Authorized Signatory

This is **Schedule "A"** to the Option Agreement dated as of March 19, 2008 between **NEW GOLD INC.** and **ABACUS MINING & EXPLORATION CORPORATION**

LIST OF MINING PROPERTIES

The following mineral properties in the Kamloops Mining District of the Province of British Columbia constitute the Abacus Claims for the purposes of this Agreement:

Part 1 - Crown Granted Mineral Claims

	Undersurface Rights Owned by Abacus by way of Crown Granted Mineral Claims	**Parcel Identifier Numbers of Fee Simple Title against which the Undersurface Rights are Registered**	**Registered Owner of Fee Simple Title**
1.	KW156653A - All Mineral Deposits, Precious and Base (Save Coal, Petroleum and Any Gas or Gases) which may be found in, upon or under DL 1496 Kamloops Division Yale District Known as the "Grass Roots" Mineral Claim (See DD 69337E)	(a) 013-400-410 (b) 011-800-950 (c) 011-800-968 (d) 011-800-976 (e) 011-800-992 (f) 011-801-000	(a) Her Majesty the Queen in Right of the Province of British Columbia (b) Afton Operating Corporation (c) Afton Operating Corporation (d) Afton Operating Corporation (e) Afton Operating Corporation (f) Afton Operating Corporation
2.	KW156657A - All Mineral Deposits, Precious and Base (Save Coal, Petroleum and Any Gas or Gases) which may be found in, upon or under DL 2126 Kamloops Division Yale District Known as the "Wheal Tamar" Mineral Claim (See CG 68368E)	013-184-326	Her Majesty the Queen in Right of the Province of British Columbia

	Undersurface Rights Owned by Abacus by way of Crown Granted Mineral Claims	Parcel Identifier Numbers of Fee Simple Title against which the Undersurface Rights are Registered	Registered Owner of Fee Simple Title
3.	KW156658A - All Mineral Deposits, Precious and Base (Save Coal, Petroleum and Any Gas or Gases) which may be found in, upon or under DL 3015 Kamloops Division Yale District Known as the "Copper Star Fraction" Mineral Claim (See CG 7620GE)	(a) 013-193-503 (b) 012-712-477	(a) Her Majesty the Queen in Right of the Province of British Columbia (b) Afton Operating Corporation
4.	KW156659A - All Mineral Deposits, Precious and Base (Save Coal, Petroleum and Any Gas or Gases) which may be found in, upon or under DL 3016 Kamloops Division Yale District Known as the "Forlorn" Mineral Claim (See CG 7620GE)	(a) 004-543-378 (b) 012-712-477 (c) 012-706-311	(a) George Guy Little (b) Afton Operating Corporation (c) Afton Operating Corporation
5.	KW156662A - All Mineral Deposits, Precious and Base (Save Coal, Petroleum and Any Gas or Gases) which may be found in, upon or under DL 3015 Kamloops Division Yale District Known as the "Ajax" Mineral Claim (See CG DD 80183E)	(a) 011-800-887 (b) 013-193-406 (c) 012-712-795 (d) 004-542-835	(a) Afton Operating Corporation (b) Her Majesty the Queen in Right of the Province of British Columbia (c) Afton Operating Corporation (d) Afton Operating Corporation
6.	KW156663A - All Mineral Deposits, Precious and Base (Save Coal, Petroleum and Any Gas or Gases) which may be found in, upon or under DL 4710 Kamloops Division Yale District Known as the "Neptune" Mineral Claim (See DD 80457E)	(a) 011-801-085 (b) 013-234-595 (c) 011-800-887 (d) 011-800-895 (e) 011-800-909 (f) 011-800-917 (g) 013-193-406	(a) Afton Operating Corporation (b) Her Majesty the Queen in Right of the Province of British Columbia (c) Afton Operating Corporation (d) Afton Operating Corporation (e) Afton Operating Corporation

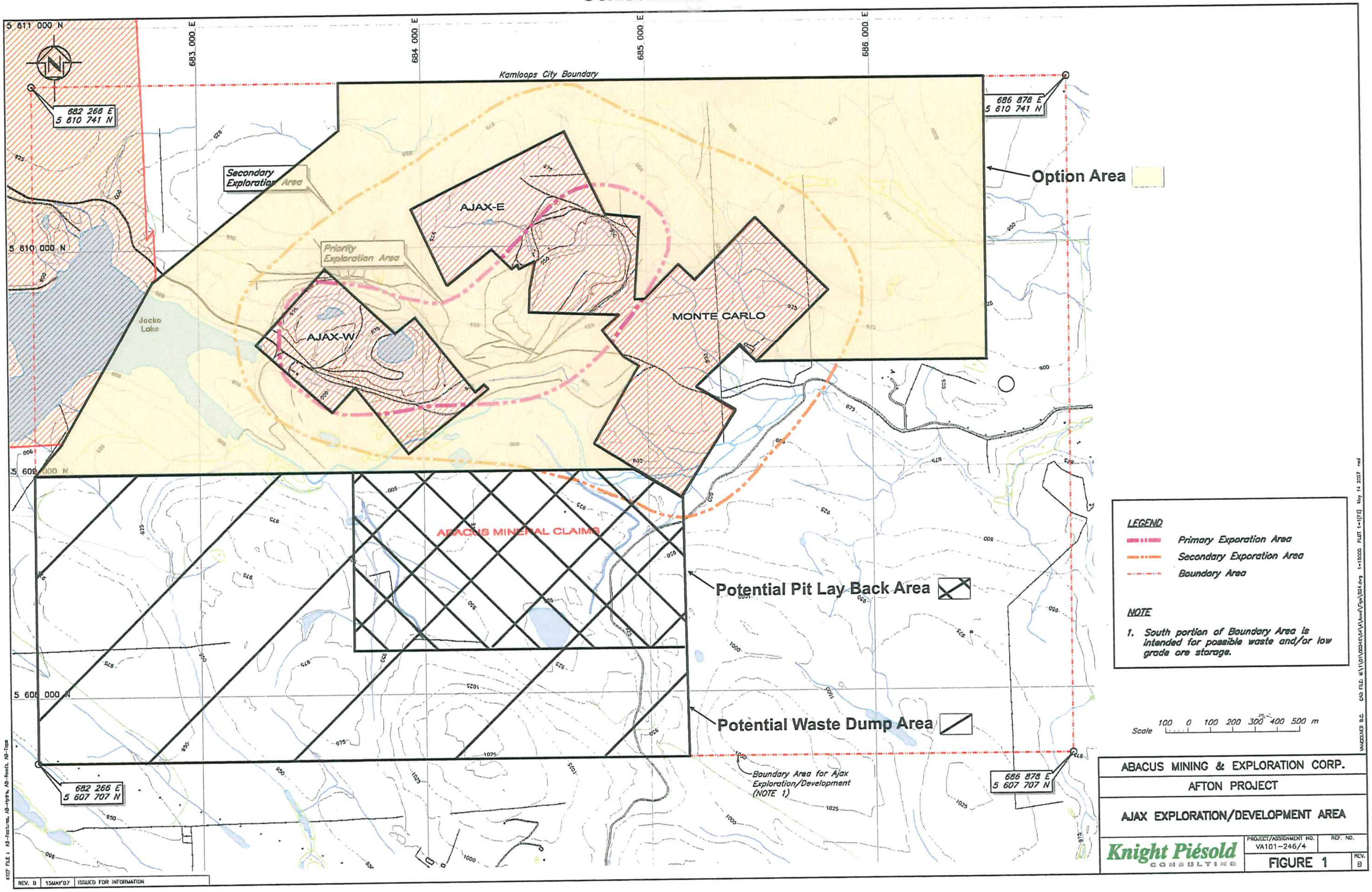
	Undersurface Rights Owned by Abacus by way of Crown Granted Mineral Claims	Parcel Identifier Numbers of Fee Simple Title against which the Undersurface Rights are Registered	Registered Owner of Fee Simple Title
			(f) Afton Operating Corporation (g) Her Majesty the Queen in Right of the Province of British Columbia
7.	KW156664A - All Mineral Deposits, Precious and Base (Save Coal, Petroleum and Any Gas or Gases) which may be found in, upon or under DL 4716 Kamloops Division Yale District Known as the "Monte Carlo" Mineral Claim (See CG 80185E)	(a) 004-543-378 (b) 015-025-632 (c) 012-706-311	(a) George Guy Little (b) George Guy Little (c) Afton Operating Corporation
8.	KW156665A - All Mineral Deposits, Precious and Base (Save Coal, Petroleum and Any Gas or Gases) which may be found in, upon or under DL 4717 Kamloops Division Yale District Known as the "Sultan" Mineral Claim (See CG DD 80184E)	(a) 004-543-378 (b) 012-706-311 (c) 015-025-632 (d) 012-706-604	(a) George Guy Little (b) Afton Operating Corporation (c) Afton Operating Corporation (d) Afton Operating Corporation

Part 2 - Mineral Claims issued under the *Mineral Tenure Act*

Tenure Number	Tenure Type	Claim Name	Good To Date
216688	Mineral Claim	RAINBOW NE	2010/oct/31
216689	Mineral Claim	RAINBOW SE	2010/oct/31
216690	Mineral Claim	RAINBOW SW	2010/oct/31
216738	Mineral Claim	OR #11	2008/feb/28
216739	Mineral Claim	OR #13	2008/feb/28
216740	Mineral Claim	OR #14	2008/feb/28
216745	Mineral Claim	BONNIE JEAN FR	2008/apr/22
216761	Mineral Claim	DELTA 1061	2008/jul/22
216768	Mineral Claim	WILDROSE 2	2008/aug/31
217002	Mineral Claim	SUNNY	2008/may/05
217859	Mineral Claim	BILL	2010/oct/31
219961	Mining Lease	ML 118	2008/mar/02
219963	Mining Lease	ML 120	2008/aug/10
220160	Mineral Claim	ACE NO. 1	2008/jul/19
220551	Mineral Claim	X #16	2010/oct/31
307650	Mineral Claim	JOKER	2008/may/05
320909	Mineral Claim	JAXD 8	2010/oct/31
324308	Mineral Claim	INK 1	2010/oct/31
324309	Mineral Claim	INK 2	2010/oct/31
324310	Mineral Claim	INK 3	2010/oct/31
324311	Mineral Claim	INK 4	2010/oct/31
324312	Mineral Claim	INK 5	2010/oct/31
324313	Mineral Claim	INK 6	2010/oct/31
324337	Mineral Claim	ACE	2008/may/05
327091	Mineral Claim	ACE 2	2008/may/05
398532	Mineral Claim	DCE 1	2010/oct/31
398533	Mineral Claim	DCE 2	2010/oct/31
398643	Mineral Claim	WIRE 1	2010/oct/31
398644	Mineral Claim	WIRE 2	2010/oct/31
398645	Mineral Claim	WIRE 3	2010/oct/31
398646	Mineral Claim	WIRE 4	2010/oct/31

Tenure Number	Tenure Type	Claim Name	Good To Date
505378	Mineral Claim	RAINBOW NW	2010/oct 31
507097	Mineral Claim	ROD #4 FR, KAREN 1-4	2010/oct/31
507852	Mineral Claim	AMY 2, NED 1-4	2010/oct/31
510019	Mineral Claim	CID 1-5	2010/oct/31
522216	Mineral Claim	DAVES DREAM	2008/nov/11
528528	Mineral Claim	522216 EXTRA	2008/feb/17

Schedule B - 1



Kamloops City Boundary
683 000 E
684 000 E
685 000 E
686 000 E
5 611 000 N
5 610 000 N
5 609 000 N
5 608 000 N
682 266 E 5 610 741 N
686 878 E 5 610 741 N
682 266 E 5 607 707 N
686 878 E 5 607 707 N
Option Area
Secondary Exploration Area
Priority Exploration Area
AJAX-E
AJAX-W
MONTE CARLO
Jacko Lake
ABACUS MINERAL CLAIMS
Potential Pit Lay Back Area
Potential Waste Dump Area
Boundary Area for Ajax Exploration/Development (NOTE 1)
LEGEND
Primary Exporation Area
Secondary Exporation Area
Boundary Area
NOTE
1. South portion of Boundary Area is intended for possible waste and/or low grade ore storage.
Scale 100 0 100 200 300 400 500 m
ABACUS MINING & EXPLORATION CORP.
AFTON PROJECT
AJAX EXPLORATION/DEVELOPMENT AREA
Knight Piésold CONSULTING
PROJECT/ASSIGNMENT NO. VA101-246/4
REF. NO.
FIGURE 1
REV. B
REV. B 15MAY'07 ISSUED FOR INFORMATION

Schedule B-2

List of Mineral and Other Tenures owned by New Gold which make up the Dump Area and the Lay Back Area

Holder	Percentage of Interest	Claim Name	Tenure Number	Good Until
New Gold	100%	New Gold Option	559160	2008/may/25
New Gold	100%	AJAX	517292	2016/jun/01
New Gold	100%	AJAX	521725	2016/jun/01
New Gold	100%	AJAX	517214	2016/jun/01
New Gold	100%		514050	2016/jun/01
New Gold	100%	AJAX	514055	2016/jun/01

Schedule "C"

List of Claims Comprising the Mining Properties (Province of British Columbia)

Holder	Percentage of Interest	Claim Name	Tenure Number	Good Until
New Gold	100%	Jet No. 1	220268	2011/sep/26
New Gold	100%	Jet No. 2	220269	2011/sep/26
New Gold	100%	Plane 19 FR.	221619	2016/sep/26
New Gold	100%	AJ 7	415602	2012/nov/06
New Gold	100%	AJ 8	415603	2012/nov/06
New Gold	100%*		504878	2016/jun/01
New Gold	100%		513983	2016/jun/01
New Gold	100%		514050	2016/jun/01
New Gold	100%	AJAX	514055	2016/jun/01
New Gold	100%	AJAX	517214	2016/jun/01
New Gold	100%	AJAX	517292	2016/jun/01
New Gold	100%	AJAX	521725	2016/jun/01
New Gold	100%	AJ	552948	2018/jun/01
New Gold	100%	New Gold Option	559160	2008/may/25

* subject to exercise by New Gold of its option to acquire a 100% interest under the Underlying Agreement.

This is **Schedule "D"** to Option Agreement dated as of March 19, 2008 between **NEW GOLD INC.** and **ABACUS MINING AND EXPLORATION CORPORATION**

NET PROFITS INTEREST ROYALTY

1. **Definitions**. Words and terms defined in the Agreement to which this Schedule "D" is attached shall have the same meaning for purposes of this Schedule "D" unless otherwise specifically indicated. In addition:

a) "***Operating Costs***" has the definition set forth in Section 2 ("Operating Costs") of this Schedule "D";

b) ***"Operating Loss"*** in any Year means the excess of Operating Costs and the Exploration and Development Charge accrued in that Year over Revenues accrued in that Year;

c) ***"Exploration and Development Charge"*** shall mean in any Year the amount of Exploration and Development Costs under Section 3 not previously charged;

d) "***Net Profits***" in any Year means Revenues accrued in that Year less (i) the sum of Operating Costs accrued in that Year, (ii) the Exploration and Development Charge accrued in that Year, (iii) the aggregate amount, if any, of the unrecovered Operating Loss for any prior Year or Years and (iv) the aggregate amount, if any, of principal and interest payments made in that Year to third party institutional lenders under loan agreements entered into by Payor to fund costs incurred by Payor in connection with the acquisition, exploration and development of the Mining Properties prior to the Commencement of Commercial Production;

e) "***Revenues***" in any Year means the gross sale proceeds actually paid or credited (on a final as opposed to any provisional basis) to Payor in exchange for Products, and all other amounts received by Payor (excluding interest on working capital) as a result of the Operating Costs described in Section 2 of this Schedule "D";

f) "***Payee***" means the party entitled to receive a percentage of Net Profits;

g) "***Payor***" means the party paying a percentage of Net Profits;

h) "***Product***" means all ore and concentrates or other products derived from the Mining Properties, and

i) ***"Year"*** or ***"Years"*** means the fiscal year established by Payor for its operations upon the Mining Properties; provided, however, the first Year shall begin with the

Commencement of Commercial Production and shall continue as provided for in paragraph 9.1 of the Agreement to which this Schedule "D" is attached.

2. ***Operating Costs***. "Operating Costs" shall mean the sum of the following costs and expenses incurred by Payor in any Year:

a) all costs and expenses accrued or incurred by Payor after the Commencement of Commercial Production in exploring for, developing, drilling, mining, extracting, removing and transporting Products produced from the Mining Properties including costs and expenses of production, operating, repair and maintenance, employee compensation and related costs and benefits, materials, management, supervision and administration incurred by Payor in connection with or related to the operation of the Mining Properties and the Products produced therefrom and including, but in no way limiting the generality of the foregoing,

i) all mining, milling, leaching, beneficiating, smelting, refining and treatment costs (including custom milling costs and product price participation charges by smelters and/or refiners) with respect to Products and transportation costs thereof to the mill, to the smelter and refinery or to the purchaser thereof; and

ii) all taxes, assessments, fees and duties payable to any federal, state, provincial or local government or governmental body charged, levied or imposed upon the Mining Properties, or payable on or in respect of or measured by the Products of the Mining Properties, including but in no way limiting the generality of the foregoing, all governmental royalties relating to such mining and mining duties or mining or resource taxes, provided however, that income taxes shall not be included; and

iii) all insurance, legal, audit and accounting costs, and direct and indirect costs to obtain permits, licenses and other regulatory approvals, reasonably incurred by or on behalf of Payor in connection with operations and assets relating to the Mining Properties; and

iv) an amount to fully reimburse Payor for its total costs incurred in providing general administrative services connected with the operation of the Mining Properties or with the Products therefrom, including head office and head office engineering expenses, supervision, bookkeeping, accounting and all other expenses which may be reasonably allocated to the operation of the Mining Properties or operations in connection with Products therefrom, and such allocation to be made in the same proportion as the ratio of the amount of time head office employees of Payor, exclusive of its Senior Officers, actually engaged in the performance of tasks related to the Mining Properties to the total hours worked by such employees;

v) all costs and expenses incurred by Payor in or in connection with the marketing of Products of the Mining Properties; and

b) all reasonable costs of obtaining financing, costs of financing and costs of providing security incurred by Payor in connection with the funding of the costs described in Subsection 2(a) and Section 3 inclusive, including an amount equal to interest on the monies utilized by Payor out of its own available cash resources for the payment of such costs at the best rate available to Payor for financing such costs through a chartered bank or banks in Canada. Any amount equal to interest on monies so utilized by Payor shall accrue from the date on which the monies were spent; and

c) all amounts provided for bad debts and for doubtful accounts as required by Payor's external auditors; and

d) all amounts accrued for purposes of reclamation as required by laws and regulations; and

e) all royalties paid to third parties;

provided that with respect to both the items which make up revenue and those that make up the deductions, there shall be no duplication of items relating to the same transaction. Where a cost otherwise deductible under this Schedule "D" is incurred by Payor in a transaction with a party with whom it is not dealing at arm's length, the cost to be deducted shall be fair market cost under the circumstances and at the time of the transaction.

3. ***Exploration and Development Costs***. "Exploration and Development Costs" shall mean the sum of the following costs and expenses incurred by Payor: all costs incurred by Payor prior to the Commencement of Commercial Production, directly or indirectly, for the acquisition, exploration and development of the Mining Properties (including rents and royalties), whether such costs are treated as capital or expense for accounting purposes including, without limitation, all costs incurred by Payor to acquire, construct, erect or develop capital assets required, in the opinion of Payor, solely for the operation of the Mining Properties and including, but in no way limiting the generality of the foregoing, roads, employee housing, townsite development and all equipment, facilities and amenities for the use and welfare of employees, the cost of any mining equipment or machinery, compliance with environmental and regulatory requirements (including attorney's fees), pre-production stripping, together with costs and expenses relating to geological, geochemical and geophysical studies, feasibility studies, exploration and development drilling, sampling and assaying

and mine design, and any other costs or expenses which would be included in Section 2 above if such costs or expenses were incurred after the Commencement of Commercial Production; PROVIDED THAT costs shall not include any cost incurred prior to the formation of the Joint Venture.

4. ***Taking in Kind***. Revenues for Products taken in kind shall be deemed to be equal to the average price or quotation for Products of equivalent type and grade for the month of sale or taking as reported in Metals Week, published by McGraw-Hill. In the event that such a price or quotation is not published in Metals Week or such publication ceases or is suspended, then the sale price shall be the average of the prices or quotations for Products of equivalent type and grade for the month of sale or taking as may be reported in such other publication or source as is generally recognized in the mining industry as reflecting the prices or quotations at which such Products are currently being offered for sale and purchase.

5. ***Payment***. Any Net Profits payment due hereunder shall be estimated and paid in four quarterly installments with a final adjustment to be made when the final amount of Net Profits is determined for the Year in question. Final determination of Net Profits shall be completed for any particular Year within ninety (90) days from the end of such Year and any adjustment required by such final determination shall be made to the following quarterly installments.

6. ***Statement***. Payee shall be provided with a copy of the calculation of Net Profits for a particular Year within ninety (90) days from the end of such Year, certified correct by the external auditors of Payor.

7. ***Manner of Payment***. Each Net Profits payment shall be made by a single cheque made payable to a single bank designated by Payee. Regardless of succession by others to all or any part of the interests of Payee hereunder, whether the same be effected by assignment, devise, will or other voluntary act, liquidation, termination, distribution, operation of law or otherwise, Payor shall not be required to divide any royalty payment into fractional shares and each such payment shall be made by single cheque as provided herein.

8. ***Audit***. Payee shall have a period of ninety (90) days after Payee's receipt of each statement provided for in Section 6 of this Schedule "D" to give Payor notice of any objection by Payee thereto. If Payee fails to object to a particular statement within ninety (90) days after Payee's receipt thereof, then the accuracy of such statement and the amount of any payment transmitted therewith shall be conclusive with respect to the parties. If Payee objects to the accuracy of a particular statement or the amount of the payment transmitted thereby within ninety (90) days after the statement is received by Payee, a chartered or certified public accountant mutually acceptable to the parties and retained by Payee may promptly audit Payor's relevant books and records at an office selected by Payor and during Payor's normal business hours. Any such audit shall be made at the

sole expense of Payee if the audit determines that the payment in question was accurate within five percent (5%). Any such audit shall be made at the sole expense of Payor if the audit determines that the payment in question was inaccurate by more than five percent (5%). In any case, the payment in question shall be adjusted to reflect the results of the audit.

This is **Schedule "E"** to the Option Agreement dated as of March 19, 2008 between **NEW GOLD INC.** and **ABACUS MINING AND EXPLORATION CORPORATION**

JOINT VENTURE TERMS

If a joint venture is formed pursuant to Section 2.6, New Gold and Abacus agree that the Party with the highest Joint Venture Interest shall be the Operator of the joint venture (e.g., a joint venture formed under Section 2.9(a) (the "Open Pit Joint Venture") will have Abacus defined as the initial Operator and a joint venture formed under Section 2.9(b) (the "Underground Joint Venture") will have New Gold defined as the initial Operator) and the following terms, inter alia, shall apply to such joint venture.

SECTION 1. - RELATIONSHIP OF PARTIES.

The relationship of the Parties in the Joint Venture shall not be, and shall not be construed to be, a partnership relationship, an agency or legal representative relationship or a fiduciary relationship. Except as otherwise expressly provided in this Agreement, the rights, privileges, powers, duties, liabilities and obligations of the Parties shall be as joint venturers and shall be several and not joint or joint and several.

SECTION 2. - CALCULATION OF JOINT VENTURE INTERESTS.

2.1 Initial Calculation. On the date that the Joint Venture is formed, New Gold and Abacus are deemed to have the following Joint Venture Interests:

<u>In the case of the Open Pit Joint Venture</u>

	Abacus	New Gold
Deemed Expenditures:	\$2,000,000	\$1,333,333
Joint Venture Interest	60%	40%

<u>In the case of the Underground Joint Venture</u>

	New Gold	Abacus
Deemed Expenditures:	\$750,000	\$500,000
Joint Venture Interest	60%	40%

Calculation on Ongoing Basis. New Gold's and Abacus', as the case may be, Joint Venture Interest, calculated at any time and from time to time, shall be determined in accordance with the formula:

$$A = \frac{B}{C} \times 100\%, \text{ where:}$$

(a) A is New Gold's or Abacus', as the case may be, Joint Venture Interest;

(b) B is an amount equal to New Gold's or Abacus', as the case may be, deemed Expenditures under Section 2.1 of this Schedule "E", plus all of New Gold's or Abacus', as the case may be, Expenditures made after the formation of the Joint Venture; and

(c) C is an amount equal to the Parties' total deemed Expenditures under Section 2.1 of this Schedule "E", plus all of the Parties' Expenditures made after the formation of the Joint Venture.

2.2 **Conversion of Joint Venture Interest**. If New Gold's or Abacus' Joint Venture Interest is reduced to 10% or less, then New Gold's or Abacus', as the case may be, Joint Venture Interest shall be automatically converted to a 10% NPI Royalty calculated in accordance with Schedule "D" to the Agreement. The Joint Venture is automatically terminated upon such conversion, and the surviving Party shall become the sole owner of a 100% interest in the Mining Properties subject to the 10% NPI Royalty.

SECTION 3. - MANAGEMENT COMMITTEE.

3.1 **Establishment**. Promptly upon the formation of the Joint Venture, the Parties shall establish the Management Committee. One Representative and one alternate shall be appointed in writing by each Party and re-appointed from time to time.

3.2 **Powers and Obligations**. Except as expressly provided otherwise in this Agreement, the Management Committee is empowered to make all strategic and planning decisions regarding the Joint Venture. Accordingly, the Management Committee is responsible for revising, as deemed appropriate, Programs submitted by the Operator, for approving all Programs and for evaluating the results of all Programs.

3.3 **Calling of Meetings**. Meetings of the Management Committee shall be held in Vancouver, British Columbia at such place, time, and date as may be determined by the Operator on at least 20 days' notice or as may be determined by the non-Operator on at least 30 days' notice or at such other place as the Parties may agree in writing. The Representatives may waive the notice period required for any meeting. Any notice must include the time, date, place and agenda of each meeting. On receipt of any such notice, the receiving Party may add any item to the agenda, if the receiving Party notifies the other Party of the addition at least 10 days before the meeting. No item that is not on the agenda may be discussed without the consent of the Representatives. Individuals other than the Representatives and the alternate may attend meetings of the Management Committee with the consent of the Representatives.

3.4 **Attendance at Meeting by Phone**. Any Representative may attend a meeting of the Management Committee by telephone or video conference call and such Representative is deemed to be present at such meeting.

3.5 **Quorum at Meetings**. The quorum for any meeting of the Management Committee is one Representative from each of the Parties. If a quorum is not present at the time and place set for a meeting, then the meeting shall be adjourned to the same place and time on the next week. At the continuation of the adjourned meeting the Management Committee may conduct business, if a notice regarding the continuation of the adjourned meeting was sent to the Party whose Representative did not attend the first portion of the meeting. In no other circumstance may business be transacted at a meeting of the Management Committee without a quorum being present.

3.6 **Chairman and Secretary of Meetings**. The initial chairman of the Management Committee (the "Chairman") shall be determined by the Operator and thereafter designated annually by the Party with the greatest Joint Venture Interest. The Chairman shall appoint a secretary to act as a secretary of the Management Committee at the beginning of each meeting of the Management Committee. Such secretary shall carry out the duties of the secretary of the Management Committee until such secretary's replacement is appointed. The secretary shall prepare and maintain minutes of each meeting of the Management Committee. The secretary shall distribute to the Representatives such minutes, as soon as practicable following each meeting, but not later than 30 days after the meeting. The secretary shall also maintain, and distribute to the Representatives, copies of all correspondence and instruments received, sent or signed by the Management Committee or the Representatives (when acting in the capacity of a Representative).

3.7 **Making Decisions**. All decisions of the Management Committee shall be by majority vote by the Representatives, who shall have the number of votes equal to such Representatives' respective Party's Joint Venture Interest from time to time. Alternatively, the Management Committee may transact any business by a written instrument signed by a Representative of each Party. Each decision of the Management Committee shall be final and binding on the Parties.

3.8 **Consent of Management Committee Required**. Notwithstanding any term in this Agreement, the Operator shall not take any of the following actions without obtaining the prior written unanimous consent of the Parties:

(a) create, or permit to remain, any material Liens, upon any Joint Venture Asset, except for any Liens which are customary in the circumstances of a mining joint venture;

(b) abandon, sell or otherwise dispose of the Property, or any material part thereof;

(c) settle any suit, claim or demand with respect to the Joint Venture involving an amount in excess of US$500,000;

(d) the expansion of any mine on the Mining Properties beyond the parameters set out in an approved Feasibility Study;

(e) the closure of any mine on the Mining Properties.

SECTION 4. - THE OPERATOR, ITS POWERS AND OBLIGATIONS.

4.1 **Initial Operator**. Upon the formation of the Joint Venture, the Party with the highest Joint Venture Interest shall be the first Operator.

4.2 **Resignation and Replacement**. The Operator may resign as Operator upon notifying the non-Operator in writing of its resignation at any time after a Program has been approved by the Management Committee but before the commencement of the implementation of such Program, or at any time if no Program is being carried out at that time. The Operator shall be deemed to have resigned if:

(a) the Operator materially defaults in its obligations as operator hereunder and fails to commence and diligently prosecute measures to remedy such default within thirty (30) days after the non-Operator shall have given written notice to the Operator of such default specifying in such notice the nature of the default;

(b) the Joint Venture Interest of the Operator becomes less than fifty percent (50%); or

(c) pursuant to Section 5.1 of this Schedule "E", the Operator fails to submit a Program requiring minimum Expenditures of at least One Hundred Thousand Dollars ($100,000) to the Management Committee within six (6) months of the completion of the previous Program;

(d) an attachment in respect to any material liability of the Operator is made on the Property which is not related to the business of the Joint Venture,

(e) the Operator:

(i) admits in writing its inability to pay its debts as they become due other than indebtedness ("non-recourse financing") for money borrowed or guaranteed where the recourse of the holder thereof is restricted to realization upon specific assets none of which consist of any Interest, and where failure to pay the indebtedness does not result in the creation of an unsecured obligation of the Operator,

(ii) makes an assignment for the benefit of creditors,

(iii) consents to the appointment of a receiver (other than a receiver appointed under non-recourse financing) for all or a substantial part of its assets,

(iv) files a petition in bankruptcy or for a reorganization or an arrangement under applicable bankruptcy, insolvency or creditors' relief laws, or otherwise seeks the relief therein provided, or

(v) is adjudicated bankrupt or insolvent; or

(vi) a Court order is pronounced in respect of the Operator, appointing a receiver or trustee for all or a substantial part of its property (except for property, other than the Property, securing non-recourse financing), or approving a petition in bankruptcy or for a reorganization under applicable bankruptcy, insolvency or creditors' relief laws or for any judicial modification or alteration of the rights of creditors.

In the event of the occurrence of (c) above, the non-Operator shall have the right within a period of ninety (90) days of the occurrence of such event to prepare and deliver to the Management Committee a Program requiring minimum Expenditures of at least One Hundred Thousand Dollars ($100,000) and the provisions of this Section 4.2 and Section 5 shall for all purposes of this Agreement apply mutatis mutandis as if for such Program the non-Operator was the Operator. Provided further that notwithstanding the foregoing, New Gold so long as it retains at least a fifty percent (50%) interest in the Joint Venture, shall continue to have the right to retain its position as Operator in accordance with this Section 4.2 following completion of a Program by the non-Operator.

On any change or replacement of the Operator, the retiring Operator shall transfer all data, documents, reports, records, accounts, samples and assays in its possession or control, and relating to the Mining Operations or the Property, to the incoming Operator.

4.3 **Powers and Obligations**. Subject to the approval of each Program by the Management Committee and to funds being advanced by the Parties who have elected to contribute to such Program, the powers and obligations of the Operator shall be as follows:

(a) to manage the Joint Venture and conduct, or cause to be conducted, all work performed under a Program in a good and workmanlike manner in accordance with good exploration, engineering, mining and accounting practice and in accordance with the terms of this Agreement;

(b) to submit each Program to the Management Committee for approval by delivering the Program to the Representatives at least 30 days in advance of the meeting of the Management Committee at which such Program is to be considered;

(c) subject to Section 3.8 of this Schedule "E", to keep the Property in good standing and to pay all applicable payments, fees and taxes, and other similar governmental charges lawfully levied or assessed in respect of the Property, except that the Operator shall not be obliged, however, to make any such payment as long as such payment is being contested in good faith and the non-payment thereof does not adversely affect the Property;

(d) subject to Section 6, Section 7 and Section 8 of this Schedule "E", to provide, purchase, lease or rent all plant, buildings, machinery, equipment, tools, appliances, materials, supplies and services required for a Program and to dispose of the same when no longer required or useful for the purposes of the Property and the Joint Venture;

(e) to maintain and keep the Joint Venture Assets, or to cause the Joint Venture Assets to be maintained and kept, in good operating condition and repair in accordance with good exploration and mining practice;

(f) to comply with all applicable statutes, regulations, by-laws, laws, orders and judgements and all directives, rules, consents, permits, orders, guidelines, approvals and policies of any applicable governmental authority affecting the Joint Venture;

(g) to obtain and maintain such types and levels of property and liability insurance with respect to the Joint Venture as the Operator shall consider necessary from time to time, such coverage to include the non-Operator as a named insured to the extent of the non-Operator's undivided interest in the Joint Venture from time to time;

(h) to require the Operator's contractors and subcontractors to take out and maintain such types and levels of property and liability insurance as the Operator shall consider necessary or advisable from time to time and to comply with the requirements of all applicable unemployment insurance and workers' compensation legislation with respect to work or services to be provided by such contractors or subcontractors;

(i) to advise the non-Operator of any accident or occurrence resulting in any material damage to or destruction of any Joint Venture Assets or material harm or injury to any individual;

(j) to keep adequate data, information and records of the Operator's management of the Joint Venture and to keep suitable accounts which reflect all financial aspects of the Joint Venture and once per year to make such available to the non-Operator, at the place designated by the Operator, within 10 days of receipt of a written request for disclosure by the non-Operator and to permit the non-Operator at reasonable times and upon notice in writing to the Operator to audit the Operator's accounts and records relating exclusively to the operations of the Joint Venture for any calendar year within 12 months following the end of such calendar year at the non-Operator's expense;

(k) to provide the non-Operator with monthly reports on activities on the Property, including a report of expenditures in comparison to the budget, during periods of active field work or when mine operations are active, quarterly reports and a detailed annual report on the Operator's management of the Joint Venture, including an accounting of all Expenditures made by the Operator under the current or previous Program;

(l) to permit the non-Operator, at the non-Operator's sole risk and expense and with prior notice to the Operator, access to the Property during normal working hours for the purpose of examining activities and work thereon and access to, and the right to inspect and copy all geological, geochemical, geophysical, engineering and environmental data, maps, available drill core, drill logs, surveys, analyses and other technical information acquired with respect to the Property in the course of the work of the Joint Venture, so long as such access shall not materially interfere with or impair such activities and work; and

(m) to have all powers necessary to carry out, or cause to be carried out, all of the Operator's obligations set out in this Agreement and to otherwise carry out, or cause to be carried out, all Programs approved by the Management Committee.

4.4 **Emergencies**. In an emergency, the Operator, without the consent of the non-Operator, may take such immediate actions and make such immediate Expenditures as the Operator deems necessary to keep the Property in good standing or for the protection of individuals and/or property and/or the environment. The Operator shall promptly report such emergency actions and Expenditures to the non-Operator by delivering an invoice to the non-Operator. The non-Operator shall pay its share of the Expenditures to the Operator in accordance with Section 5.4 of this Schedule "E".

4.5 **Contingency Fund**. The Operator may establish and administer a contingency fund to be applied by the Operator to satisfy any legal obligations of the Parties respecting a mine maintenance plan or mine closure plan, including obligations for severance pay, pensions, rehabilitation and reclamation work. Each Party shall contribute its proportionate share of such fund based on such Party's Joint Venture Interest at the time of the establishment of the fund (or at the time of the contribution, in respect of subsequent contributions). The Operator shall invest any unused portion of such fund and all income thereon shall accrue in such fund. If the Operator determines that such fund, or any portion thereof, is no longer necessary, the Operator shall make payments to the Parties in proportion to their contribution to such contingency fund on the date of such payments.

SECTION 5. - PROGRAMS.

5.1 **Contents of Program**. The Operator shall prepare a Program and submit such Program budget to the Management Committee for approval within sixty (60) days of each Anniversary Date. The Management Committee shall within thirty (30) days after receipt of a Program meet to review, approve, amend or agree to an alternative Program. The Management Committee must approve each Program prior to implementation. Each Program shall cover a period of up to 12 months or such other period as the Parties may agree. Each Program must contain:

(a) a reasonably detailed outline of all work which the Operator contemplates carrying out on the Property under such Program detailing the areas on the Property to be subject to such work and the time frame for each of the major elements of such work;

(b) a reasonably itemised budget, broken down by month, of the projected Expenditures under the Program; and

(c) the estimated amount and date of each payment that the non-Operator would have to make to the Operator.

5.2 **Election by Representatives.** If the Operator proposes a Program which is approved by the Management Committee:

(a) for less than One Million Dollars ($1,000,000), the Representatives shall then have 30 days to elect whether or not to participate in the Program; or

(b) for more than One Million Dollars ($1,000,000), the Representatives shall then have 30 days to elect to participate in the Program, and a further 30 days to raise their share of the funding required.

5.3 **Approved Programs.** The Operator shall carry out each Program approved by the Management Committee provided the Parties who have elected to contribute to such Program provide the Operator with their proportionate share of the funding in respect of the Program.

5.4 **Payments to Operator.** If a Representative elects to participate in a Program on behalf of a Party, the Operator will submit an invoice to such Representative on or between the first and 20th day of the month immediately preceding a month in which Expenditures are to be made under a Program. The invoice must set out the estimated Expenditures under the Program for the immediately following month, multiplied by the Joint Venture Interest of such Party. Within 30 days of receipt of such invoice, such Party shall pay the Operator the invoice amount. The Operator may also submit other invoices relating to reconciliations, bills, accounts or other requests for payment in respect of any Expenditures made by the Operator under a Program or otherwise in accordance with this Agreement. Such invoice must set out the total amount involved, multiplied by the participating Party's Joint Venture Interest. Within 30 days of receipt of such invoice, such Party shall pay the Operator the invoice amount. If such Party fails to make any payment to the Operator under this Section 5.4 of this Schedule "E" within any applicable 30 day payment period, after previously having elected to do so, such Party shall make such payment together with an interest payment, calculated at the rate equal to the annual rate of interest announced from time to time by the Canadian Imperial Bank of Commerce as its reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada (commonly known as its prime rate), plus 10%, for the period commencing on the expiry of such 30 day payment period and terminating on the date that full payment is made. If such Party fails to make full payment, including in respect of interest, to the Operator within 60 days of the expiry of the applicable 30 day payment period, Section 5.6 of this Schedule "E" applies.

5.5 **Failure to Participate.** If a Party does not elect to participate in a Program, its Joint Venture Interest shall be diluted in accordance with Section 2.1(b) of this Schedule "E".

5.6 **Failure to Make Payment by non-Operator.** If a Party which has elected to participate in a Program fails to make a required payment within the 60 day period referred to in Section 5.4 of this Schedule "E", such Party's Joint Venture Interest shall be diluted at a rate of two times normal dilution.

5.7 **Failure to Spend at Least 80% of Budget**. If a Party does not elect to participate in a Program and the Operator does not make Expenditures under the Program at least equal to 80% of budgeted Expenditures, the non-participating Party shall not have its Joint Venture Interest reduced in accordance with Section 2.1 of this Schedule "E" if the non-participating Party promptly pays the Operator, following receipt of notice from the Operator of the completion of such Program at less than 80% of budgeted Expenditures, an amount equal to the total Expenditures made under such Program, multiplied by the non-participating Party's Joint Venture Interest, determined at the commencement of such Program.

5.8 **Expenditures More Than 10% Above Budget**. Expenditures made by the Operator exceeding the Expenditures contemplated by the Program by less than 10% will be funded by the Parties in proportion to their Joint Venture Interests. Expenditures made by the Operator exceeding the Expenditures contemplated by the Program by more than 10% will be funded solely by the Operator, unless otherwise agreed by the Parties in writing. Unless otherwise agreed by the Parties in writing, any such payments exceeding the Expenditures contemplated by the Program by more than 10% which are made by either the Operator or the non-Operator will not form part of the calculations used to determine the Joint Venture Interests of the Parties in accordance with Section 2.1(b) of this Schedule "E".

5.9 **Return of Surplus Monies**. If, after completion of any Program, the Operator is in possession of any moneys contributed by the Parties and which are not required for the discharge of obligations relating to such Program, the Operator shall repay such moneys to the contributing Parties.

5.10 **Failure to Submit Program to Management Committee**. If the Operator does not submit a Program involving Expenditures of at least $100,000 to the Management Committee for approval within a period of at least 6 months from the date of completion of the last Program (being when the report is complete and delivered to the non-Operator), then the non-Operator may propose a Program to the Management Committee for an amount not less than $100,000. If the non-Operator makes such a proposal and the Program is approved by the Management Committee, the Operator shall carry out such Program and fund its proportionate share. If the Management Committee does not approve such Program, the non-Operator may, notwithstanding Section 4.2 of this Schedule "E", become the Operator and carry out the Program. Following the completion of such Program Section 4.2 of this Schedule "E" shall apply once again.

SECTION 6. - DEALINGS WITH AFFILIATES.

Any Joint Venture Assets that the Operator may purchase, lease or rent from an Affiliate shall be purchased, leased or rented at not more than fair market value. The cost of all work which the Operator may contract to an Affiliate shall be not more than the fair market value of such work. Any Joint Venture Assets that the Operator may sell or otherwise dispose of to an Affiliate shall be sold or otherwise disposed of at not less than fair market value. The Operator shall pay the net proceeds received in respect of such Joint Venture Assets, if any, to the Parties in proportion to their respective Joint Venture Interests. The Operator shall give the non-Operator written notice of any significant transaction with an Affiliate and the non-Operator may, at any time within 12 months after it has received such notice, dispute whether such transaction was at fair market value.

SECTION 7. - USE OF SURPLUS JOINT VENTURE ASSETS.

Subject to Section 5.9 of this Schedule "E", the Operator may use any Joint Venture Assets which are no longer required for the Joint Venture for such other purposes and on such terms as the Operator may from time to time determine. The Operator shall pay the net proceeds received in respect of such Joint Venture Assets, if any, to the Parties in proportion to their respective Joint Venture Interests. If such surplus Joint Venture Assets are used by the Operator, outside the scope of the Joint Venture, or are used by an Affiliate of the Operator, outside the scope of the Joint Venture, then the net proceeds in respect of such use shall be deemed to be an amount equal to what could be obtained from an arms-length third party.

SECTION 8. - DISPOSITION OF SURPLUS JOINT VENTURE ASSETS.

Subject to Section 3.8 of this Schedule "E", the Operator may from time to time sell or otherwise dispose of such part of the Joint Venture Assets as are no longer required for Joint Venture operations. The Operator shall pay the net proceeds received in respect of such Joint Venture Assets, if any, to the Parties in proportion to their respective Joint Venture Interests.

SECTION 9. - INSURANCE PROCEEDS.

The Operator shall apply, to the extent determined by the Operator, any insurance proceeds received by the Operator in respect of any loss or damage to Joint Venture Assets towards the repair or replacement of the lost or damaged Joint Venture Assets. The Operator shall pay the remaining proceeds received in respect of such Joint Venture Assets, if any, to the Parties in proportion to their respective Joint Venture Interests.

SECTION 10. - SETTLEMENT PAYMENTS.

Subject to Section 3.8(c) of this Schedule "E", all losses, costs, expenses, claims or damages, including legal fees and disbursements, net of any insurance proceeds, incurred and paid by the Operator in settlement of any loss, cost, expense, claim, damage, judgement or similar matter (including a payment made, or an action taken, by the Operator as a result of an action of a governmental agency) shall constitute an Expenditure made by the Operator under the applicable Program. In addition, the non-Operator, in proportion to its Joint Venture Interest calculated on the date that the initial liability was incurred which gives rise to this indemnification obligation, shall indemnify and hold harmless the Operator for any loss, cost, expense, claim or damage, including legal fees and disbursements, suffered or incurred by the Operator in respect of a third party claim (including an action of a governmental agency which results in a payment made, or an action taken, by the Operator), except to the extent that such claim arose from the gross negligence or wilful misconduct of the Operator.

SECTION 11. - LIABILITY OF OPERATOR.

The Operator shall not be liable to the non-Operator for any loss, cost, expense, claim or damage, including legal fees and disbursements, (including a payment made, or an action taken, by the Operator as a result of an action of a governmental agency) except to the extent that such loss, cost, expense, claim or damage is attributable to the gross negligence or wilful misconduct of the Operator. In no event (including fundamental breach) shall the Operator be liable to the non-Operator for any indirect, special or consequential damages (including for loss of goodwill, loss of actual or anticipated profits or other economic loss), even if the Operator has been advised of the potential for such damages.

SECTION 12. - GST.

At the request of the Operator, the Parties shall promptly execute all documents and take all other actions required to make (and file, if necessary) the election referred to in section 273 of the Excise Tax Act (Canada), with a view to authorizing the Operator to pay, from time to time, on behalf of the other Party, all taxes which relate to the Joint Venture and which may become due and payable under Part IX of the Excise Tax Act (Canada). This Section 12 of this Schedule "E" shall apply, with such changes as are required in the circumstances, in respect of any similar applicable provincial legislation.

SECTION 13. - NO PARTITION.

Subject to Section 3.8 of this Schedule "E", no Party may seek or obtain partition of any of the Joint Venture Assets, including the Property, or any interest therein whether by way of physical partition, sale or otherwise. No statute, regulation or law providing for partition, or partition and sale, shall apply to any of the Joint Venture Assets.

SECTION 14. - NO RESTRICTION ON OTHER ACTIVITIES.

Each Party has the unrestricted right to engage in, and receive the full benefit of, any activity outside the scope of the Joint Venture, without consulting with, or accounting to, the other party, or permitting the other party to participate in such activity.

SECTION 15. - TERMINATION.

If the Parties agree to terminate the Joint Venture, the Operator may take any actions necessary or desirable to wind up the Joint Venture. All costs, charges and expenses of winding up the Joint Venture (including in respect of any reclamation) shall be for the account of the Joint Venture and the Parties shall divide the net Joint Venture Assets in proportion to their Joint Venture Interests, although any loans advanced to the Joint Venture by a Party shall be satisfied before any other distribution of assets is made to the Parties. Once the said costs, charges and expenses have been paid in full, the Operator may sell the Joint Venture Assets (with the prior approval of the non-Operator, where Joint Venture Assets are sold for a total amount of in excess of $100,000) or distribute the Joint Venture Assets to the Parties in kind.

SECTION 16. - WITHDRAWAL FROM JOINT VENTURE.

16.1 Right of Withdrawal and Mechanics. Either Party may, at any time during the Joint Venture, voluntarily withdraw from the Joint Venture (the "Withdrawing Party") and forfeit its interest in and to the Property and its rights under this Agreement by giving written notice of such withdrawal to the other Party (the "Remaining Party"). The notice must indicate an effective date for such withdrawal which may not be earlier than 90 days after receipt of such notice. The effects of the delivery of such notice are set out below.

(a) The Withdrawing Party shall:

(i) remain liable for its share, based on its Joint Venture Interest, of all costs, expenses and obligations arising out of operations conducted before the effective date of the withdrawal;

(ii) secure by way of a letter of credit, or otherwise to the satisfaction of the Remaining Party, its share, based on its Joint Venture Interest, of the costs of reclaiming the Property, as estimated at the effective date of the withdrawal considering all applicable statutes, regulations, by-laws, laws, orders and judgements and with all directives, rules, consents, permits, orders, guidelines, approvals and policies of any governmental authority;

(iii) continue, for a period of three years after the effective date of the withdrawal, to be bound by Section 10;

(iv) execute and deliver such documents as may be necessary to transfer the Property to the Remaining Party;

(v) remove, within 12 months of the effective date of the withdrawal, all buildings, machinery, equipment and supplies brought upon the Property by the Withdrawing Party that are not Joint Venture Assets; and

(vi) not be entitled to any royalty under this Agreement.

(b) The Remaining Party shall become the owner of a 100% of the Withdrawing Party's interest in and to the Property as of the effective date of the withdrawal.

(c) The Joint Venture shall be terminated and the Management Committee shall be terminated, as of the effective date of the withdrawal.

16.2 **Right of Remaining Party to Withdraw**. Upon receipt by the Remaining Party of a notice of withdrawal, the Remaining Party may give notice to the Withdrawing Party prior to the effective date of the withdrawal electing to join in the withdrawal ("Joint Withdrawal"). In such case, the Joint Venture shall be terminated in accordance with Section 15 of this Schedule "E".

SECTION 17. - GOVERNMENTAL ASSISTANCE.

Any grant or other form of governmental financial assistance received by a Party with respect to Mining Operations shall be shared by the Parties, in the proportion of their respective Joint Venture Interests at the time that such grant or financial assistance is received.

SECTION 18. - RIGHTS TO MINERAL PRODUCTS

18.1 Each Party shall own and have the right, privilege and power to take in kind and separately dispose of a portion of all Mineral Products produced from the Property, in accordance with its Joint Venture Interest. The Operator shall designate and notify the Parties of the points of delivery situated on the Property for the Parties respective Joint Venture shares of such Mineral Product and all costs in respect of such Mineral Products shall be for the account of the Joint Venture, until such Mineral Products are delivered to such points. After such Mineral Products are delivered to such points each Party shall pay its own costs in respect of such Mineral Products. The Operator shall use its best efforts to ensure that each Party receives product of like quality.

18.2 The Operator shall have no obligation in respect of the Parties' Mineral Products after delivery of such Mineral Products to the point of delivery provided, however, that if a Party is prepared to sell its Mineral Products at the same time and on the same terms and conditions as the Operator is selling its own Mineral Products and so advises the Operator the Operator may, but is not obligated to, act as an agent for the Non-Operator in relation to the sale of the Non-Operator's Mineral Products on the terms and conditions that are equivalent to the terms and conditions obtained for its own Mineral Products. If the Operator elects to act as agent for the Non-Operator, it may discontinue such agency at any time upon giving the Non-Operator 30 days advance notice. If the Operator, while acting as the Non-Operator's agent, is of the opinion that 100% of its own Mineral Products and 100% of the Non-Operator's Mineral Products available for sale cannot be sold at the same time for revenue deemed acceptable by the Operator, the Operator shall arrange for sales of a lesser amount of each Party's Mineral Products on a pro rata basis. In the event that the Operator acts as an agent for the Non-Operator, the Operator shall be entitled to sale commissions equal to prevailing rates charged by other agents for effecting similar sales. In the event of a non-arm's length sale of Mineral Products, such sale shall be at commercially competitive rates.

SECTION 19 - REPLACEMENT JOINT VENTURE

If either Party so desires at any time the Parties will expeditiously work to settle a more detailed Joint Venture Agreement in substantially the form referenced in the Continuing Legal Education Society of British Columbia Mining Law Materials of June 1999 ("CLE JV"). Until the CLE JV is completed and executed the initial terms of the joint venture agreement shall be as set out in the Agreement and this Schedule "E". Any issues that arise in the course of the joint venture activities prior to completion of the CLE JV which are not covered by the Agreement and this Schedule "E" shall be governed by the terms contained in the form of the CLE JV, however, the terms of the Agreement and this Schedule "E" shall prevail in the event of any inconsistency with the form of the proposed CLE JV until the CLE JV is completed and executed.