

NEWGOLD INC
Form SB-2
December 01, 2006

As filed with the Securities and Exchange Commission on December 1, 2006

Registration No. _____

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM SB-2
REGISTRATION STATEMENT UNDER THE
SECURITIES ACT OF 1933**

NEWGOLD, INC.
(Name of Small Business Issuer in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	1081 (Primary Standard Industrial Classification Code Number)	16-1400479 (I.R.S. Employer Identification No.)
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400 Capitol Mall, Suite 900, Sacramento, CA 95814
(916) 449-3913
(Address and Telephone Number of Principal Executive Offices)

400 Capitol Mall, Suite 900, Sacramento, CA 95814
(Address of Principal Place of Business or Intended Principal Place of Business)

A. Scott Dockter
400 Capitol Mall, Suite 900, Sacramento, CA 95814
(916) 449-3913
(Name, Address and Telephone Number of Agent For Service)

Copy to:

Roger D. Linn, Esq.
Weintraub Genshlea Chediak Law Corporation
400 Capitol Mall, 11th Floor, Sacramento, CA 95814
(916) 558-6000

Approximate Date of Commencement of Proposed Sale to the Public: as soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration

statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share ⁽¹⁾	Proposed Maximum Aggregate Offering Price ⁽¹⁾	Amount of Registration Fee
Common Stock \$.001 par value issuable upon conversion of convertible debenture	20,618,750 ⁽²⁾	\$0.33	\$6,804,188	\$728
Common Stock \$.001 par value issuable upon exercise of warrants	4,246,843	\$0.33	\$1,401,458	\$150
TOTAL	24,865,593	\$0.33	\$8,205,646	\$878

- (1) The proposed maximum offering price per share is estimated solely for purpose of calculating the registration fee in accordance with Rule 457(c) on the basis of the average of the high and low sales price as reported by the Over-the-Counter Bulletin Board on November 22, 2006.
- (2) Estimated number of shares of common stock underlying Convertible Debentures as provided under the Securities Purchase Agreements dated September 26, 2006, as amended between the Registrant and Cornell Capital Partners, LP and October 10, 2006 between the Registrant and three individual investors.
- (3) If, as a result of stock splits, stock dividends or similar transactions, the number of securities purported to be registered on this registration statement increases, the provisions of Rule 416 under the Securities Act of 1933 shall apply, and this registration statement shall be deemed to cover any such additional shares of common stock.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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PART 1 - INFORMATION REQUIRED IN PROSPECTUS

The information in this prospectus is not complete and may be changed. The Selling Security Holders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED December 1, 2006.

PROSPECTUS

NEWGOLD, INC.

24,865,593 Shares of Common Stock

This prospectus relates to the disposition by certain selling stockholders identified in this prospectus (the "Selling Stockholders") of up to an aggregate of 24,865,593 shares of Common Stock, par value \$0.001 per share ("Common Stock") which includes (i) up to 20,618,750 shares issuable upon the conversion of convertible debentures, and (ii) 4,246,843 shares issuable upon the exercise of warrants . All of such shares of Common Stock are being offered for resale by the Selling Stockholders.

The prices at which the Selling Stockholders may sell shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any of the proceeds from the sale of these shares by the Selling Stockholders. However, we will receive proceeds from the exercise of warrants if exercised by the Selling Stockholder.

We will bear all costs relating to the registration of the Common Stock, other than any Selling Stockholder's legal or accounting costs or commissions.

Our Common Stock is quoted on the Over-the-Counter ("OTC") bulletin board under the symbol "NGLD". On October 31, 2006, the last sale price of our Common Stock on the Over-the-Counter Bulletin Board was \$0.34 per share.

Our principal executive offices are located at 400 Capitol Mall, Suite 900, Sacramento, CA 95814, and our telephone number is (916) 449-3913.

INVESTING IN THE COMMON STOCK OFFERED HEREIN INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD PURCHASE SHARES ONLY IF YOU CAN AFFORD A COMPLETE LOSS OF YOUR INVESTMENT. YOU SHOULD CONSIDER CAREFULLY THE “RISK FACTORS” CONTAINED IN THIS PROSPECTUS BEGINNING ON PAGE 4.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is _____, 2006.

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ABOUT THIS PROSPECTUS

We have not authorized anyone to provide information different from that contained in this prospectus. This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any jurisdiction where such offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the Common Stock. In this prospectus, references to “Newgold, Inc.,” the “Company,” “we,” “us” and “our” refer to Newgold, Inc., a Delaware corporation.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus and in any prospectus supplement we may file constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events concerning our business and to our future revenues, operating results, and financial condition. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “forecast,” “potential,” or “continue” or the negative of those terms or other comparable terminology.

Any forward looking statements contained in this prospectus or any prospectus supplement are only estimates or predictions of future events based on information currently available to our management and management’s current beliefs about the potential outcome of future events. Whether these future events will occur as management anticipates, whether we will achieve our business objectives, and whether our revenues, operating results, or financial condition will improve in future periods are subject to numerous risks. The section of this prospectus captioned “Risk Factors,” beginning on page 4, provides a summary of the various risks that could cause our actual results or future financial condition to differ materially from forward-looking statements made in this prospectus. The factors discussed in this section are not intended to represent a complete list of all the factors that could adversely affect our business, revenues, operating results, or financial condition. Other factors that we have not considered may also have an adverse effect on our business, revenues, operating results, or financial condition, and the factors we have identified could affect us to a greater extent than we currently anticipate. Before making any investment in our securities, we encourage you to carefully read the information contained under the caption “Risk Factors,” as well the other information contained in this prospectus and any prospectus supplement we may file.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the information contained elsewhere in this prospectus. You should read the entire prospectus, including "Risk Factors" and the financial statements before making an investment decision.

Issuer: Newgold, Inc.
400 Capitol Mall, Suite 900
Sacramento, CA 95814
(916) 449-3913

Description of Business: Newgold's business will be to acquire, explore and, if warranted, develop various mining properties located in the state of Nevada with the objective of identifying, mining and processing gold and silver ore deposits. Newgold plans to carryout comprehensive exploration and development programs on its properties which currently consists of various mineral leases associated with the Relief Canyon Mine located near Lovelock, Nevada. A description of our business begins on page 15 of this prospectus.

On January 25, 2006, Newgold entered into a joint venture with ASDi LLC to explore and, if warranted, develop two additional mining properties known as the Red Caps Project and the Crescent Valley Project located in the Battle Mountain - Eureka mineral belt in Nevada. A description of this joint venture begins on page 19 of this Prospectus.

The Offering: This offering relates to the resale of shares of our Common Stock that may be acquired from time to time upon conversion of an outstanding Secured Convertible Debenture and upon exercise of outstanding warrants. The selling stockholders and the number of shares that may be sold by each are set forth on page 47 of this prospectus.

Shares: 24,865,593 shares of our Common Stock. A description of our Common Stock is set forth on page 46 of this prospectus.

Manner of Sale: The shares of our Common Stock may be sold from time to time by the selling stockholders in open market or negotiated transactions at prices determined from time to time by the selling stockholders. A description of the manner in which sales may be made is set forth in this prospectus beginning on page 47 of this prospectus.

Use of Proceeds: We will not receive any of the proceeds from the sale of our Common Stock by the Selling Stockholders. However, we will receive proceeds from the exercise of warrants.

Risk Factors: The securities offered hereby involve a high degree of risk and will result in immediate and substantial dilution. A discussion of additional risk factors relating to our stock, our business and this offering begins on page 4 of this prospectus.

RISK FACTORS

Please carefully consider the specific factors set forth below as well as the other information contained in this prospectus before purchasing shares of our Common Stock. This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements.

Risks Related to Our Business

We have a limited operating history and have not generated a profit since we recommenced operations, consequently our long term viability cannot be assured.

We were inactive from July 2001 to February 2003 at which time we resumed our mining related activities and have incurred losses in each reporting period since recommencing operations.

Our prospects for financial success are difficult to forecast because we have a relatively limited operating history and have not yet commenced exploration at two of our mining properties and have conducted limited exploration at the Relief Canyon mining property. Our prospects for financial success must be considered in light of the risks, expenses and difficulties frequently encountered by exploration stage mining companies initiating exploration of unproven properties. Our business could be subject to any or all of the problems, expenses, delays and risks inherent in the establishment of a gold and silver exploration enterprise, including limited capital resources, possible delays in mining explorations and development, failure to identify commercially viable gold or silver deposits, possible cost overruns due to price and cost increases in exploration and are processing, uncertain gold and silver market prices, inability to accurately predict mining results and attract and retain qualified employees. Therefore, there can be no assurance that our exploration or mining will be successful, that we will be able to achieve or maintain profitable operations or that we will not encounter unforeseen difficulties that may deplete our capital resources more rapidly than anticipated.

If we do not obtain additional financing, our business will fail and our investors could lose their investment.

We had cash in the amount of \$160,736 and working capital deficit of \$2,385,885 as of July 31, 2006. We currently do not generate revenues from our operations. Our business plan calls for substantial investment and cost in connection with the acquisition and exploration of our mineral properties currently under lease or joint venture. Any direct acquisition of any of the claims under lease or joint venture is subject to our ability to obtain the financing necessary for us to fund and carry out exploration programs on the subject properties. The requirements are substantial. We do not currently have any arrangements for financing and we can provide no assurance to investors that we will be able to find such financing if required. Obtaining additional financing would be subject to a number of factors, including market prices for minerals, investor acceptance of our properties, and investor sentiment. These factors may make the timing, amount, terms or conditions of additional financing unfavorable to us. The most likely source of future funds presently available to us is through the sale of additional equity capital and loans. Any sale of additional shares will result in dilution to existing stockholders

while incurring additional debt will result in encumbrances on our property and future cash flows.

Because there is no assurance when we will generate revenues, we may deplete our cash reserves and not have sufficient outside sources of capital to complete our exploration or mining programs.

We have not earned any revenues as of the date of this prospectus and have never been profitable. To date we have been involved primarily in financing activities and no exploration activities. We do not have an interest in any revenue generating properties. Prior to our being able to generate revenues, we will incur substantial operating and exploration expenditures without realizing any revenues. We therefore expect to incur significant losses into the foreseeable future. Our net loss for the fiscal year ended January 31, 2006 was \$2,645,231 and our net loss for the six months ended July 31, 2006 was \$1,608,539.

Due to our continuing losses from business operations, our independent auditor's report dated April 26, 2006, includes a "going concern" explanation relating to the fact that our continued operations are dependent upon obtaining additional working capital either through significantly increasing revenues or through outside financing. We are currently operating with limited cash reserves and no revenues which could inhibit our ability to continue in business or achieve our business objectives.

Because of the speculative nature of exploration of natural resource properties, there is substantial risk that we will not find commercially viable gold or silver ore deposits which would reduce our realization of revenues.

There is no assurance that any of the claims we explore or acquire will contain commercially exploitable reserves of gold or silver minerals. Exploration for natural resources is a speculative venture involving substantial risk. Hazards such as unusual or unexpected geological formations and other conditions often result in unsuccessful exploration efforts. Success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital. Due to these and other factors, no assurance can be given that our exploration programs will result in the discovery of new mineral reserves or resources.

We may not have access to all of the supplies and materials we need for exploration, which could cause us to delay or suspend operations.

Demand for drilling equipment and limited industry suppliers may result in occasional shortages of supplies, and certain equipment such as drilling rigs that we need to conduct exploration activities. While we have acquired a used mobile drilling rig, we have not negotiated any long term contracts with any suppliers of products, equipment or services. If we cannot find the trained employees and equipment when required, we will have to suspend or curtail our exploration plans until such services and equipment can be obtained.

We have no known ore reserves and we cannot predict when and if we will find commercial quantities of mineral ore deposits. The failure to identify and extract commercially viable mineral ore deposits will affect our ability to generate revenues.

We have no known ore reserves and there can be no assurance that any of the mineral claims we are exploring contain commercial quantities of gold or silver. Even if we identify commercial reserves, we cannot predict whether we will be able to mine the reserves on a profitable basis, if at all.

We have entered into one joint venture in which our joint venture partner is an affiliate and we initially own a minority interest. Consequently, we may be unable to influence or prevent actions pertaining to the joint venture property which we disagree with.

We have acquired the exploration rights to two mining properties from ASDi LLC whose sole manager and majority member is A. Scott Dockter, President and CEO of Newgold. Consequently, Mr. Dockter has a conflict of interest in this joint venture. Furthermore, ASDi LLC will initially hold a 77.78% interest in a newly formed Nevada LLC through which the joint venture will be operated. While Newgold will be the sole manager of the Nevada LLC, Mr. Dockter will be able to control the joint venture activities through his position with the Manager (Newgold) and through his ownership and control of the majority member (ASDi LLC). While Mr. Dockter will endeavor to always act in the best interest of Newgold and its stockholders, stockholders will have only limited ability to influence or object to actions taken by the Nevada LLC in exploring, developing and capital spending on the joint venture properties. In addition, the lessors have given notices of termination of the leases covering the joint venture property claiming that the contribution of the leases to the joint venture was a breach of the leases. While ASDi LLC disputes that a breach has occurred and the lease terminations, the matter has yet to be resolved. Should the lease terminations be held valid, we would lose the opportunity to explore and possibly develop this property in the future.

If we are unable to hire and retain key personnel, we may not be able to implement our business plan.

Newgold is substantially dependent upon the continued services of A. Scott Dockter, its President. We have an employment agreement with Mr. Dockter, but do not have either key person life insurance or disability insurance on Mr. Dockter. While Mr. Dockter expects to spend the majority of his time assisting Newgold and its business, there can be no assurance that Mr. Dockter's services will remain available to Newgold. If Mr. Dockter's services are not available to Newgold, Newgold will be materially and adversely affected. However, in addition to his three year employment agreement, Mr. Dockter has been a significant stockholder of Newgold since its inception and considers his investment of time and money in Newgold of significant personal value. Our success is also largely dependent on our ability to hire highly qualified personnel. This is particularly true in the highly technical business such as mineral exploration. These individuals are in high demand and we may not be able to retain the personnel we need. In addition, we may not be able to afford the high salaries and fees demanded by qualified personnel, or may lose such employees after they are hired. Failure to hire key personnel when needed, or on acceptable terms, to carryout our exploration and mining programs would have a significant negative effect on our business.

Because the probability of many of the individual mining prospects explored will not show commercially viable amounts of gold or silver ore deposits, substantial amounts of funds spent on exploration will not result in identifiable reserves.

The probability of our exploration program identifying individual prospects having commercially significant reserves cannot be predicted. It is likely that many of the properties explored will not contain any commercially significant reserves. As such substantial funds will be spent on exploration which may identify only a few, if any, claims having commercial development potential.

Our mining claims could be contested which would add significant costs and delays to our exploration programs.

Our mining property rights consist of 146 mill site and unpatented mining claims at the Relief Canyon Mine; 96 unpatented mining claims at the Red Caps project; and 39 unpatented mining claims at the Crescent Valley project. The validity of unpatented mining claims is often uncertain and is always subject to contest. Unpatented mining claims are generally considered subject to greater title risk than patented mining claims, or real property interests that are owned in fee simple. If title to a particular property is successfully challenged, we may not be able to develop or retain our royalty interests on that property, which could reduce our future revenues.

Mining operations are subject to extensive federal and state regulation which increases the costs of compliance and possible liability for non-compliance.

Mining is subject to extensive regulation by state and federal regulatory authorities. State and federal statutes regulate environmental quality, safety, exploration procedures, reclamation, employees' health and safety, use of explosives, air quality standards, pollution of stream and fresh water sources, noxious odors, noise, dust, and other environmental protection controls as well as the rights of adjoining property owners. We believe that we are currently operating in compliance with all known safety and environmental standards and regulations applicable to our Nevada properties or are in the process of remediating our property to be compliant. However, there can be no assurance that our compliance could be challenged or that future changes in federal or Nevada laws, regulations or interpretations thereof will not have a material adverse affect on our ability to resume and sustain mining operations.

Mining operations are subject to various risks and hazards which could result in significant costs or hinder ongoing operations.

The business of gold mining is subject to certain types of risks, including environmental hazards, industrial accidents, and theft. We expect to secure insurance against certain property damage loss (including business interruption) and comprehensive general liability insurance. While we will maintain insurance consistent with industry practice, it is not possible to insure against all risks associated with the mining business, or prudent to assume that insurance will continue to be available at a reasonable cost. We have not obtained environmental liability insurance because such coverage is not considered by management to be cost effective. We currently carry no insurance on any of our properties due to the current status of our mine operations.

Compliance with corporate governance and public disclosure regulations may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, and new regulations issued by the Securities and Exchange Commission, are creating uncertainty for companies. In order to comply with these laws, we may need to invest substantial resources to comply with evolving standards, and this investment would result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Our officers and directors have limited liability and have indemnification rights

Our Certificate of Incorporation and by-laws provide that we will indemnify our officers and directors against losses sustained or liabilities incurred which arise from any transaction in that officer's or director's respective managerial capacity unless that officer or director violates a duty of loyalty, did not act in good faith, engaged in intentional misconduct or knowingly violated the law, approved an improper dividend, or derived an improper benefit from the transaction.

Risks Related to Our Stock

Our Stock Price is Volatile.

The market price of a share of our Common Stock has fluctuated significantly in the past and may continue to fluctuate significantly in the future. During the first nine months of fiscal year 2007, through October 31, 2006, the high and low sales prices of a share of Newgold common stock were \$0.53 and \$0.14 respectively. During fiscal year 2006, through January 31, 2006, the high and low sales prices of a share of Newgold Common Stock were \$0.34 and \$0.10, respectively. During fiscal year 2005, the high and low sales prices of a share of our Common Stock were \$0.36 and \$0.02, respectively. The market price of a share of our Common Stock may continue to fluctuate in response to a number of factors, including:

- results of our exploration program;
- fluctuations in our quarterly or annual operating results;
- fluctuations in the market price of gold and silver;
- the loss of services of one or more of our executive officers or other key employees;
- adverse effects to our operating results due to unforeseen difficulties affecting our exploration program; and
- general economic and market conditions.

We may need to raise funds through debt or equity financings in the future, which would dilute the ownership of our existing stockholders and possibly subordinate certain of their rights to the rights of new investors or creditors.

We may choose to raise additional funds in debt or equity financings if they are available to us on terms we believe reasonable to increase our working capital, strengthen our financial position or to make acquisitions. Any sales of additional equity or convertible debt securities would result in dilution of the equity interests of our existing stockholders, which could be substantial. Additionally, if we issue shares of preferred stock or convertible debt to raise funds, the holders of those securities might be entitled to various preferential rights over the holders of our Common Stock, including repayment of their investment, and possibly additional amounts, before any payments could be made to holders of our Common Stock in connection with an acquisition of the Company. Such additional debt, if authorized, would create rights and preferences that would be senior to, or otherwise adversely affect, the rights and the value of our Common Stock. Also, new investors may require that we and certain of our stockholders enter into voting arrangements that give them additional voting control or representation on our board of directors.

Inadequate market liquidity may make it difficult to sell our stock.

There is currently a public market for our Common Stock, but we can give no assurance that there will always be such a market. Only a limited number of shares of our Common Stock are actively traded in the public market and we cannot give assurance that the market for our stock will develop sufficiently to create significant market liquidity. An investor may find it difficult or impossible to sell shares of our Common Stock in the public market because of the limited number of potential buyers at any time. In addition, the shares of our Common Stock are not eligible as a margin security and lending institutions may not accept our Common Stock as collateral for a loan.

The application of the “penny stock regulation” could adversely affect the market price of our Common Stock

Penny stocks generally are equity securities with a price of less than \$5.00 per share other than securities registered on certain national securities exchanges or quoted on the NASDAQ Stock Market, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. Our securities may be subject to “penny stock rules” that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser’s written consent to the transaction prior to the purchase. Consequently, the “penny stock rules” may restrict the ability of broker-dealers to buy and sell our securities and may have the effect of reducing the level of trading activity of our Common Stock in the secondary market.

We may engage in future acquisitions that dilute our stockholders and cause us to incur debt or assume contingent liabilities.

As part of our strategy, we expect to review opportunities to acquire or participate in the exploration of other mining properties that would complement our current exploration or mining program, or that may otherwise offer growth opportunities. In the event of any future acquisitions, we could:

- issue stock that would dilute current stockholders' percentage ownership;
 - incur debt; or
 - assume liabilities.

These acquisitions also involve numerous risks, including:

- problems combining additional exploration or mining opportunities with current business operations:
 - unanticipated costs;
 - holding a minority interest in other joint ventures or partnerships;
 - possible financial commitments to fund development;
- risks associated with exploring new mining property with negative results; and
 - possible shared control with other persons or entities;

We cannot assure you that we will realize positive exploration results from the newly acquired Red Caps and Crescent Valley projects or any additional mining rights we may participate in or acquire in the future.

Risks Relating to Our Current Financing Arrangement

We have significant "equity overhang" which could adversely affect the market price of our Common Stock and impair our ability to raise additional capital through the sale of equity securities.

As of October 31, 2006, Newgold had approximately 74,644,240 shares of Common Stock outstanding and convertible debentures which are convertible into up to 21,704,543 shares of our Common Stock. Additionally, warrants to purchase a total of 25,521,366 shares and options to purchase 1,850,000 shares of our Common Stock were outstanding as of October 31, 2006. Furthermore, up to an additional 10,000,000 shares of Common Stock could become issuable to the convertible debenture holders if a default were to occur. The possibility that substantial amounts of our outstanding Common Stock may be sold by investors or the perception that such sales could occur, often called "equity overhang," could adversely affect the market price of our Common Stock and could impair our ability to raise additional capital through the sale of equity securities in the future.

The continuously adjustable conversion price feature of our secured convertible debenture could require us to issue a substantially greater number of shares upon conversion, which will cause immediate and substantial dilution to our existing stockholders.

At the time of entering into the \$3,000,000 Secured Convertible Debenture (“Convertible Debenture”) with Cornell Capital Partners, the Fixed Conversion Price was \$0.4735 per share which would equal approximately 6,335,797 if the entire principal were converted into Newgold Common Stock. This represents the minimum number of shares issuable upon the conversion of the Convertible Debentures. However, the Convertible Debenture provides for the conversion rate at any given time to be the lower of the Fixed Conversion Price or 95% of the lowest Volume Weighted Average Price of Newgold’s Common Stock during the 30 trading days immediately preceding the Conversion Date as quoted in Bloomberg, LP (“Market Conversion Price”). Consequently, if the market price for Newgold Common Stock should remain below \$0.4735 per share, we would be required to issue substantially more shares of Common Stock upon the conversion of the Convertible Debenture. The issuance of significantly more shares at a lower conversion price would have a dilutive effect to our current stockholders. See the Table on page 15.

If an event of default occurs under the Securities Purchase Agreement dated September 26, 2006, Secured Convertible Debenture or the Security Agreement, the investors could take possession of all our mining rights held in the Relief Canyon property.

In connection with the Securities Purchase Agreement dated September 26, 2006, as amended, we executed a Security Agreement in favor of Cornell Capital Partners granting them a first priority security interest in all of our leasehold interests and mining rights to the Relief Canyon property as well as any equipment or improvements located on such property. The Security Agreement states that if an event of default occurs under the Securities Purchase Agreement, Secured Convertible Debenture or Security Agreement, Cornell Capital Partners have the right to take possession of the collateral, to operate our business using the collateral, and have the right to assign, sell, lease or otherwise dispose of and deliver all or part of the collateral, at public or private sale or otherwise to satisfy our obligations under these agreements.

In the event a default occurs under the Secured Convertible Debenture, we may be required to issue up to an additional 10,000,000 shares of Newgold Common Stock as an additional penalty for such default. If such shares were to be issued, we would be required to file a subsequent registration statement covering those additional shares and resulting in further dilution to existing stockholders and expense to Newgold.

As an additional inducement to Cornell Capital Partners to enter into the Securities Purchase Agreement, the event of a default in the Convertible Debenture, we would be required, in addition to other remedies provided, to issue up to an additional 10,000,000 shares of our Common Stock to Cornell Capital Partners as an additional penalty for such default. (The exact number of shares dependent on the amount of principal debt remaining unpaid at the time a default was declared). In addition to having a dilutive affect on our existing stockholders, we

would be required to file a subsequent registration statement covering such additional shares. The filing of an additional registration statement would result in substantial costs to us.

Our financial condition and the restrictive covenants contained in our outstanding debt may limit our ability to borrow additional funds or to raise additional equity as may be required to fund our future operations.

The terms of our outstanding Secured Convertible Debenture with Cornell Capital Partners may limit our ability, without Cornell Capital's consent, to, among other things:

- enter into certain transactions;
- create additional liens on our assets;
- issue preferred stock or Common Stock at certain discounts below market prices; or
- merge or consolidate with other entities.

These restrictions could adversely affect our liquidity and our ability to attract additional funding as required.

We may not be able to pay our debt and other obligations and our assets may be seized as a result.

We do not have sufficient funds to repay our outstanding debt at maturity and we may not generate the cash flow required to pay our liabilities as they become due. Our outstanding debt includes approximately \$3,000,000 and accrued interest on the Convertible Debentures with Cornell Capital Partners due between September 26, 2009, and November 1, 2009. If Cornell Capital Partners determines not to convert the Debentures into shares of Newgold Common Stock they may require us to repay all of the principal and interest outstanding under the Debentures under certain circumstances. We may not have sufficient cash reserves to repay the Debentures at such time, which would cause an event of default under the Debentures and may force us to declare bankruptcy. If we raise additional funds to repay the Debentures by selling equity securities, the relative equity ownership of our existing investors could be diluted and new investors could obtain terms more favorable than previous investors.

USE OF PROCEEDS

The Shares offered by this prospectus are being registered for the account of the selling stockholders. We will not receive any proceeds from the sale of Common Stock by the selling stockholders.

MARKET FOR NEWGOLD COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Market for Our Common Stock

In July 1997, our Common Stock was approved for quotation on the National Association of Securities Dealers' Over-the-Counter ("OTC") Bulletin Board where it traded under the symbol "NGLD" until June 2001. In June 2001, our Common Stock was moved to the "Pink Sheets" published by the Pink Sheets LLC (previously National Quotation Bureau, LLC). On June 7, 2005, our Common Stock was again approved for quotation on the OTC Bulletin Board with its symbol of "NGLD." As of October 31, 2006, the closing bid price of our Common Stock was \$0.34 per share.

Price Range of Our Common Stock

A public trading market having the characteristics of depth, liquidity and orderliness depends upon the existence of market makers as well as the presence of willing buyers and sellers, which are circumstances over which we do not have control. The following table sets forth the high and low sales prices reported by the OTC Bulletin Board for our Common Stock in the periods indicated. The quotations below reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

NEWGOLD, INC. COMMON STOCK	Low	High
Year Ending January 31, 2007		
Third Quarter (August-October)	\$0.30	\$0.47
Second Quarter (May-July)	\$0.19	\$0.53
First Quarter (February-April)	\$0.14	\$0.245
Year Ending January 31, 2006		
Fourth Quarter (November-January)	\$0.12	\$0.225
Third Quarter (August-October)	\$0.10	\$0.29
Second Quarter (May-July)	\$0.20	\$0.34
First Quarter (February-April)	\$0.15	\$0.33
Year Ended January 31, 2005		
First Quarter (November-January)	\$0.08	\$0.33
Second Quarter (August-October)	\$0.02	\$0.25
Third Quarter (May-July)	\$0.15	\$0.26
	\$0.16	\$0.36

Fourth Quarter
(February-April)

Stockholders

As of January 31, 2006, there were approximately 1,065 holders of record of our Common Stock. This amount does not include stockholders whose shares are held in street name.

Dividend Policy

We have never declared or paid any cash dividends on our Common Stock. We currently anticipate that we will retain all future earnings for the expansion and operation of our business and do not anticipate paying cash dividends in the foreseeable future.

Securities Authorized For Issuance Under Equity Compensation Plans

Subsequent to Newgold's fiscal year end, our Board of Directors adopted the 2006 Stock Option Plan. The 2006 Plan will be submitted for approval by stockholders at the next annual stockholders meeting. Under the terms of the 2006 Plan, we may grant options to purchase up to 5,000,000 shares of our common stock which can include Incentive Stock Options issued to employees and Nonstatutory Stock Options issuable to employees or consultants providing services to Newgold on such terms as are determined by our board of directors. Our Board administers the 2006 Plan. Under the 2006 Plan, options vest not less than 20% per year and have 10-year terms (except with respect to 10% stockholders which have five-year terms). If an option holder terminates his/her employment with us or becomes disabled or dies, the option holder or his/her representative will have a certain number of months to exercise any outstanding options. If we sell substantially all of our assets or are a party to a merger or consolidation in which we are not the surviving corporation, then we have the right to accelerate unvested options and will give the option holder written notice of the exercisability and specify a time period in which the option may be exercised. All options will terminate in their entirety to the extent not exercised on or prior to the date specified in the written notice unless an agreement governing any change of control provides otherwise. As of October 31, 2006, options to purchase 1,850,000 shares of common stock had been issued as follows: 500,000 options issued to A. Scott Dockter; 400,000 options issued to James Kluber; 500,000 options issued to Terrence Lynch; 250,000 options issued to Stephen Akerfeldt; and 200,000 options issued to an employee for the purchase of Newgold restricted common stock.

Shares Issuable Upon Conversion of Convertible Debenture

The \$3,000,000 principal amount of Convertible Debentures held by Cornell Capital are convertible into shares of our Common Stock at a per share conversion rate at the time of conversion which will be the lower of \$0.4735 per share or 95% of the lowest Volume Weighted Average Price of Newgold's common stock during the 30 trading days immediately preceding the Conversion Date as quoted by Bloomberg, LP (the "Market Conversion Price").

The following table sets forth the number of shares which would be issued to Cornell Capital upon the conversion of the \$3,000,000 principal amount of the Debenture at various assumed Market Conversion Prices:

Assumed Market Conversion Price Per Share	Total Shares Issued to Cornell Capital Under the Debenture if Full Conversion ⁽¹⁾
\$ 0.4735 or higher	6,335,797
\$ 0.40	7,500,000
\$ 0.30	10,000,000
\$ 0.20	15,000,000
\$ 0.10	30,000,000

⁽¹⁾ Does not include conversion of accrued but unpaid interest on the Debenture

BUSINESS

General

Newgold has embarked on a business strategy whereby it will invest in, explore and if warranted, conduct mining operations of its current mining properties and other mineral producing properties. Newgold is a public company that in the past has been engaged in the exploration, acquisition and development of gold-bearing properties in the continental United States. Currently, Newgold's principal assets include various mineral leases associated with the Relief Canyon Mine located near Lovelock, Nevada along with various items of mining equipment and improvements located at that site. Newgold has also entered into a joint venture to explore additional mining properties known as the Red Caps Project and Crescent Valley Project, both of which are located in Lander County, Nevada.

From 1995 until the beginning of 2000, Newgold had followed the above described business activity focusing on the exploration and mining of gold and silver ore deposits. At the beginning of 2000, Newgold's business strategy became focused on investing in Internet start-up companies. That strategy was not successful and by mid-2001 Newgold had abandoned such investments. From approximately July 2001 until February 2003 Newgold had been inactive. During the period of inactivity, ASDi LLC, an entity controlled by A. Scott Dockter who is also the Chairman and CEO of Newgold, has made the necessary expenditures to maintain the current status of the Relief Canyon mining claims. In February 2003, Newgold resumed its business of acquiring, exploring and if warranted developing its mining properties.

Newgold's mailing address is 400 Capitol Mall, Suite 900, Sacramento, CA 95814; and its telephone number is (916) 449-3913.

The Company

Newgold, Inc., a Delaware corporation, has been engaged in the acquisition, development and exploration of gold-bearing properties in the continental United States since 1995. In fiscal 1999 Newgold placed its only remaining property, the Relief Canyon Mine, located in Pershing County, Nevada, on a care and maintenance status. During fiscal 2000, Newgold executed a contract to sell the Relief Canyon Mine to A. Scott Dockter, Chairman of Newgold; however the

sale was never completed and the asset remains the property of Newgold. It is now Newgold's intention to resume mining at the Relief Canyon Mine. See "Business" below for further detail.

Newgold's independent accountants have included a "going concern" explanatory paragraph in their report dated April 26, 2006 on Newgold's financial statements for the fiscal year ended January 31, 2006, indicating substantial doubt about Newgold's ability to continue as a going concern (See Note 2 of Financial Footnotes). If Newgold's exploration program is not successful or if insufficient funds are available to carry out Newgold's development plans, then Newgold will not be able to execute its business plan.

For financial information regarding Newgold, see "Financial Statements."

Business

Newgold is an "exploration stage" company engaged in the search and/or verification of ore deposits (reserves) in its property. Our business will be to acquire, explore and, if warranted, develop various mining properties located in the state of Nevada. We plan to carry out comprehensive exploration and development programs on our properties. While we currently plan to fund and conduct these activities ourselves, we may in the future outsource some of these activities through the use of various joint venture, royalty or partnership arrangements pursuant to which other companies would agree to finance and carry out the exploration and development programs on our mining properties. Consequently, our current plan will require the hiring of various mining employees to perform exploration and mining activities for our various mining properties.

Properties

Relief Canyon Mine

The Relief Canyon Mine is an open-pit, heap leaching operation located approximately 110 miles northeast of Reno, Nevada. Newgold held 50 unpatented mining claims covering approximately 1000 acres until October 2004 at which time Newgold completed re-staking the Relief Canyon mill site and lode claims. Newgold currently holds a total of 146 claims including 120 mill site claims and 26 unpatented mining claims. The annual payments to maintain these claims are approximately \$15,600. The mine is readily accessible by improved roads. Water for mining and processing operations is provided by two wells located on the property in close proximity to the mine and processing facilities. Power is provided by a local rural electric association and phone lines are present at the mine site. Relief Canyon is located in the Humboldt Range, a mining district in Pershing County, Nevada.

Background and History

On January 10, 1995, Newgold purchased the Relief Canyon mine from J.D. Welsh & Associates for \$500,000. The mine at that time consisted of 39 unpatented lode mining claims covering approximately 780 acres and a lease for access to an additional 800 acres contiguous to the 39 claims located on Newgold's property. Located on the property are, a building containing five carbon tanks and a boiler for carbon strip solution, four detoxified leach pads, a preg pond for gold bearing solution, a barren pond for solution from which gold had been removed, water

rights, and various permits. From acquisition through November 1997, Newgold refurbished the processing facilities by the purchase and installation of all equipment required to process the gold bearing leach solution when the mine was returned to production in 1997. During 1997, Newgold staked an additional 402 claims. However, subsequent to January 31, 1998, Newgold reduced the total claims to 50 (covering approximately 1,000 acres). In 1999 Newgold placed the mine in a care and maintenance status.

If mining operations are not resumed at the Relief Canyon mine, it is possible Newgold may be required to reclaim the mine. Reclamation consists of recontouring the four heaps to a 3:1 slope, sale and removal of the building and its contents, evaporation of all water in both ponds and burial of the building foundation and floor within the ponds' liners under the soil contained in the pond berms. Finally, native vegetation must be re-established in all areas of disturbance.

During 1996, Repadre Capital Corporation ("Repadre") purchased for \$500,000 a net smelter return royalty (Repadre Royalty). Repadre was to receive a 1.5% royalty from production at each of the Relief Canyon Mine and Mission Mines. In July 1997, an additional \$300,000 was paid by Repadre for an additional 1% royalty from the Relief Canyon Mine. In October, 1997, when the Mission Mine lease was terminated, Repadre exercised its option to transfer the Repadre Royalty solely to the Relief Canyon Mine resulting in a total 4% royalty. The total amount received of \$800,000 has been recorded as deferred revenue in the accompanying financial statements.

Plan for Relief Canyon Production

Based on past exploration by us and work done by others, we believe the Relief Canyon Mine presents the potential for gold bearing ore deposits which will hopefully be validated through further exploration of additional mining claims.

As of September 30, 2006 the Relief Canyon properties include 146 millsite claims and unpatented mining claims contained in about 1,000 acres.

Newgold's operating plan is to place the most promising mining targets into production during the 2007 fiscal year, and use the net proceeds from these operations to fund expanded exploration and development of its entire property holdings. By this means, Newgold intends to progressively enlarge the scope and scale of the mining and processing operations, thereby increasing both Newgold's annual revenues and its net profits.

Newgold's goals for environmental protection and reclamation are for minimal environmental disturbance during mining, and reclamation and/or restoration of the disturbed area after mining ceases. The economics of Newgold's operations will permit this environmentally responsible plan of operations.

We will initially focus on exploring the North Relief Canyon mining property. We recently posted a \$243,204 reclamation bond with the Nevada Bureau of Mining Regulations and Reclamation ("BMRR") which allows us to apply for new permits for mining and processing on the property. In addition to posting the reclamation bond, the property must be brought into compliance with the Bureau of Land Management ("BLM") and Nevada Department of Environmental Protection ("NDEP") before any work can commence. We have completed approximately 75% of all the environmental work required by NDEP in the Administrative

Order of Consent issued May 2005 (the AOC). The purpose of the AOC is to bring the Relief Canyon mine up to current environmental compliance.

In September 2006, we submitted our "Application for Water Pollution Control Permit and Design Report" with the NDEP. This document provides the BLM and NDEP with information regarding the characteristics of the site, proposed management of process fluids, monitoring and tentative plans for the eventual closure of operations. In addition, this fulfills Nevada state requirements and illustrates the plan to prevent undue degradation of public lands while the Relief Canyon Mining Project is in operation.

On September 25, 2006 we submitted our "Plan of Operations" for the Relief Canyon Mining Project to the NDEP. The Plan contains extensive details on how the mine will operate once in production. The Plan includes an intention to reprocess the existing heaps containing approximately 8 million tons of ore and the construction of a new heap leach pad. The Plan also includes facilities and processes which are compliant with our "Green Initiative" to construct and operate an environmentally conscience project.

On October 19, 2006 we received notice from the NDEP that we would be allowed to attach our current Plan of Operations as an amendment to a previous Plan of Operations submitted in 1996. This consolidation of Plans is expected to significantly reduce the processing time and documentation necessary to secure our production permit from the NDEP which will allow us to commence processing ore at the Relief Canyon Mining Project.

To assist us in this effort, we have retained Dyer Engineering Consultants, Inc. as our lead engineering firm for the permitting and compliance engineering work at the Relief Canyon, Crescent Valley and Red Caps exploration projects in Nevada.

Once we have achieved environmental compliance, we can proceed with the permits to commence full scale exploration and mining activities. The estimated time for completing the permitting process is between six months to nine months. However, upon posting the reclamation bond, we are able to carry on limited operations pending full permitting for full mining operations.

Description of Past Exploration and Existing Development Efforts

Over 400 reverse circulation holes have been drilled at the Relief Canyon project. Of the 400 holes drilled, 106 had intercepts of gold bearing ore structures of 0.1 gold/ton content. Additionally there are numerous holes with several feet of 0.09 - 0.099 gold/ton content.

The ore zone of Relief Canyon is open ended on three sides. It is projected that additional drilling will increase the size of possible reserves. Most of the drilling to date was targeted for open pit mining, resulting in shallow holes which did not test for possible deeper ore deposits. A significant number of deep holes with 0.3 gold/ton and better were drilled on the North end of the property. This area is targeted for initial underground mining development. Additional exploration holes will be drilled when underground mining commences throughout the various ore zones to determine future development. Newgold has acquired one mobile drilling rig to conduct this drilling program and is seeking to acquire or rent a second drilling rig.

Typically, grade values of the Relief Canyon drill holes are reduced as a result of finds being lost down the hole or vented out as dust. Actual mining and recovery of gold in the milling process will determine the loss if any which could be as much as 30%.

Proposed Underground Mining Efforts

We will pursue exploration drilling to further identify areas of possible gold-bearing ore deposits. Results of this additional drilling will allow us to better plan our eventual underground mining efforts. Further development of our underground mining activity will also be dependent on the availability of adequate capital to initiate and sustain this effort. Underground mining is very expensive costing in the range of \$600 to \$1,000 per linear foot of underground development.

Ore Processing

In October 2006, we commenced revitalization of our process solution ponds. The existing Pregnant and Barren ponds, which manage the process solutions, are being cleaned and relined with the latest technology of fluid containment. In keeping with our "Green Initiative," this will include new leak detection equipment and protocols. In addition, a new solution transmission channel will be constructed between the site of the proposed heap leach pad and the existing solution ponds. Upon completion, we plan to process approximately 8 million metric tons of existing lower grade oxide ores by heap leaching. Heap leaching consists of stacking crushed or run-of-mine ore in impermeable ponds, where a weak cyanide solution is applied to the top surface of the heaps to dissolve the gold.

Higher-grade oxide ores are processed through mills, where the ore is ground into a fine powder and mixed with water in slurry, which then passes through a cyanide leaching circuit. In both cases, the gold-bearing solution is then collected and pumped to facilities to remove the gold by collection on carbon or by zinc precipitation directly from leach solutions.

Some gold-bearing sulfide ores may be processed through a flotation plant. In flotation, ore is finely ground, turned into slurry, then placed in a tank known as a flotation cell. Chemicals are added to the slurry causing the gold-containing sulfides to float in air bubbles to the top of the tank, where they can be separated from waste particles that sink to the bottom. The sulfides are removed from the cell and converted into a concentrate that can then be processed in an autoclave or roaster to recover the gold. The ore is then processed through an oxide mill.

Crescent Valley and Red Caps Mine

Overview

Newgold is the owner of a 22.22% joint venture interest and is the operator of the Crescent Red Caps Joint Venture ("Crescent Red Caps"). The remaining 77.78% interest is held by ASDi LLC, a California limited liability company owned by A. Scott Dockter, Chairman and CEO of Newgold. Additionally, Newgold, by making expenditures over the next three years (January 2006 - January 2009) aggregating \$2,700,000, will end up with a 66.66% overall interest in the joint venture. Newgold will then have the opportunity to purchase the remaining joint venture

interest held by Mr. Dockter based on the results of the exploration work contemplated by these additional expenditures.

The properties are subject to two leases held by individuals and trusts affiliated with Sam Bida and Leon Belaustagi. The two leases include approximately 135 unpatented mining claims and cover approximately 2700 acres. All gold, silver and other mineral production by Crescent Red Caps is subject to a 3% net smelter return ("NSR") royalty payable to the lessors except for barite which is subject to a 10% royalty on ore produced from claims covered by the leases. On October 13, 2006 and November 1, 2006 the lessors gave notices of termination of the Crescent Valley and Red Caps leases, respectively. The lessors are claiming that the contribution of the leases by ASDi LLC to Crescent Red Caps was in breach of the leases. While ASDi LLC disputes the lease terminations, the matter has yet to be resolved. Newgold will delay any exploration program of the properties until this lease dispute is resolved.

Property

The Crescent Red Caps Properties are located in northeastern Nevada, approximately 60 miles southwest of Elko, Nevada in Lander County. The properties are accessed via Nevada State Highway 306, which extends southward from U.S. Interstate 80, both of which are paved roads.

The Cortez area of interest comprises approximately 640,000 acres along the Cortez/Battle Mountain trend. The two leases controlled by Crescent Red Caps include approximately 135 unpatented mining claims and cover approximately 2700 acres located along the Cortez/Battle Mountain trend. Currently no exploration, development or mining permits have been granted for the areas covered by the leases.

Geology and Mineralization

The Crescent Red Caps properties are situated along the Cortez/Battle Mountain trend in north-central Nevada. The principal gold deposits and mining operations are located on the southwest and south sides of Crescent Valley, which was formed by basin and range extensional tectonism. Mineralization is sedimentary rock-hosted and consists of micron-sized free gold particles that are disseminated throughout the host rock, commonly in association with secondary silica, iron oxides or pyrite.

Exploration and Development

Approximately 23,000 feet of exploration drilling has been completed in two different drill programs conducted in 1991 and 1996. Gold mineralization encountered both in drilling and in surface sampling is tightly structurally controlled and is confined to narrow shears and fractures developed mainly in the non-reactive cherts and argillites. Future drill programs will test for more extensive bodies of mineralization. Upward migration of gold mineralization from a stockwork system or replacement mineralization of a more reactive host rock at depth could produce the type of anomalous gold concentrations found at the prior drill sites.

The exploration potential in the immediate project areas remains positive. The focus in fiscal 2007 will be to conduct 40,000 feet of additional exploration drilling at the Red Caps property adjoining Barrick Gold's Pipeline projects in the Eureka-Cortez-Battle Mountain Trend, to better

delineate the extent of mineralization at the Red Caps area. The deep hole drilling program involves drilling exploratory holes to a depth of between 1000 ft. and 3000 ft.

Industry Overview

The gold mining and exploration industry has experienced several factors recently that are favorable to Newgold as described below.

The spot market price of an ounce of gold has increased from a low of \$253 in February 2001 to a high of \$730 in May 2006. The price was \$604 as of October 31, 2006. This current price level has made it economically more feasible to produce gold as well as made gold a more attractive investment for many. Newgold is projecting a cash cost per ounce of gold produced in a range of \$170 to \$210. Accordingly, the gross margin per ounce of gold produced per the historical spot market price range above provides significant profit potential if we are successful in identifying and mining gold at Relief Canyon mine.

By industry standards, there are generally four types of mining companies. Newgold is considered an “exploration stage” company. Typically, an exploration stage mining company is focused on exploration to identify new, commercially viable gold deposits.