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NEWGOLD INC
Form 10KSB/A
June 05, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
AMENDMENT NO. 1

For the Fiscal Year Ended
January 31, 2005

Commission File Number
0-20722

NEWGOLD INC.

Delaware

16-1400479

(State of Incorporation)

(I.R.S. Employer Identification)

Principal Executive Offices:
400 Capitol Mall, Suite 900
Sacramento, CA 95814
Telephone: (916) 449-3913

Securities registered pursuant to Section 12(b) of the Exchange Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|---------------------|---|
| None | None |

Securities registered pursuant to Section 12(g) of the Exchange Act:

| Title of Each Class | |
|---------------------|-------------------|
| Common Stock | \$0.001 Par Value |

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The issuer's revenues for its most recent fiscal year were \$0.

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As of April 15, 2005, the aggregate value of the voting stock held by non-affiliates of the Registrant, computed by reference to the average of the bid and ask price on such date was approximately \$9,738,000 based upon the closing price of \$0.24/share.

As of April 15, 2005, the Registrant had outstanding 48,777,842 shares of common stock.

Transitional Small Business Disclosure Format: Yes [] No [X]

DOCUMENTS INCORPORATED BY REFERENCE

Certain exhibits required by Item 13 have been incorporated by reference from Newgold's previously filed Form 8-K's, Form 10-QSB and Form 10-KSB.

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Explanatory Note

This amendment on Form 10-KSB/A (the 2005 Form 10-KSB/A) amends the annual report on Form 10-KSB of Newgold, Inc. (the "Company") for the year ended January 31, 2005 (the 2005 Form 10-KSB), which was originally filed on May 2, 2005. This Amendment No. 1 to the 2005 Form 10-KSB/A is being filed for the purpose of identifying the Company as a Development Stage Company by amending certain portions of the Management's Discussion and Analysis or Plan of Operations and expanded disclosure appearing in the Company's financial statements.

As required by Rule 12b-15 of the Securities Exchange Act of 1934, set forth in their entirety are Item 6 (Management's Discussion and Analysis or Plan of Operation), Item 7 (Financial Statements) and Item 13 (Exhibits).

As part of this amendment, the Company is also filing new certifications from its chief executive officer and chief financial officer (Exhibits 31.1, 31.2, and 32.1).

No attempt has been made in this Form 10-KSB/A to update other disclosures presented in the 2005 Form 10-KSB. Consequently, except for the adjustments described above, this Amendment No. 1 to the 2005 Form 10-KSB/A does not reflect events occurring after May 2, 2005, the date of the original filing of the Company's 2005 Form 10-KSB, or modify or update those disclosures that may have been affected by subsequent events. Accordingly, this Amendment No. 1 to the 2005 Form 10-KSB/A should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the 2005 Form 10-KSB.

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TABLE OF CONTENTS

| | PAGE OF REPORT ----- |
|---|----------------------------|
| PART II..... | 1 |
| ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION..... | 1 |
| ITEM 7. FINANCIAL STATEMENTS..... | 9 |
| PART III..... | 10 |
| ITEM 13. EXHIBITS..... | 10 |
| SIGNATURES..... | 11 |

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ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

For more detailed financial information, please refer to the audited January 31, 2005 Financial Statements included in this Form 10-KSB.

CAUTION ABOUT FORWARD-LOOKING STATEMENTS

This Form 10-KSB includes "forward-looking" statements about future financial results, future business changes and other events that haven't yet occurred. For example, statements like we "expect," we "anticipate" or we "believe" are forward-looking statements. Investors should be aware that actual results may differ materially from our expressed expectations because of risks and uncertainties about the future. We do not undertake to update the information in this Form 10-KSB if any forward-looking statement later turns out to be inaccurate. Details about risks affecting various aspects of Newgold's business are discussed throughout this Form 10-KSB and should be considered carefully. For purposes of the discussion in this Item 6, Newgold, Inc. may be referred to as "we" or "us."

We are a development stage company and an investment in, or ownership position in our common stock is inherently risky. Some of these risks pertain to our business in general, and others are risks which would only affect our common stock. The price of our common stock could decline and/or remain adversely affected due to any of these risks and investors could lose all or part of an investment in our company as a result of any of these risks coming to pass. Readers of this Report should, in addition to considering these risks carefully, refer to the other information contained in this Report, including disclosure in our financial statements and all related notes, for a full description of our business. When we say that something could or will have a material adverse effect on it, we mean that it could or will have one or more of these effects.

PLAN OF OPERATION FOR THE NEXT TWELVE MONTHS

Certain key factors that have affected our financial and operating results in the past will affect our future financial and operating results. These include, but are not limited to the following:

- o Gold prices, and to a lesser extent, silver prices;
- o Current gold deposits under our control at the Relief Canyon Mine are estimated by us (based on past exploration by Newgold and work done by others).

Our properties now include 78 unpatented mining claims contained in about 1000 acres.

Our operating plan is to place our mining claims into profitable production by the end of fiscal 2006, and use the net proceeds from these operations to fund ongoing exploration

and development of our property holdings. Through the use of joint ventures, royalties and partnerships, we intend to progressively

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enlarge the scope and scale of the mining and processing operations, thereby increasing both our annual revenues and ultimately our net profits. Our objective is to achieve annual growth rates in revenue and net profits for the foreseeable future;

- o We expect to make capital expenditures in fiscal year 2006 of between \$2.5 million and \$4 million, including costs related to the resumption of mine operations and production at the Relief Canyon mine.
- o Due to the strengthening of the gold market, and consistent with our exploration growth strategy, we expect exploration, research and development expenditures in 2005 will total between \$500,000 and \$1 million.
- o Additional funding or the utilization of other venture partners will be required for mining operations, exploration, research, development and operating expenses. In the past we have been dependent on the funding from the private placement of our securities as well as loans from related parties as the sole sources of capital to fund operations.

RESULTS OF OPERATION

We have only recently resumed business operations after having been inactive from July 2001 until February 2003. Consequently, we are in the process of reinstating our business and mining operations, the results of operations for the last two fiscal years will likely not be indicative of Newgold's current and future operations. As a development stage company with an unproven business strategy, we may not be able to achieve positive cash flows and our limited history of operations makes evaluation of our business and prospects difficult. Therefore, the current management discussion and analysis should be read from the context of Newgold's recent resumption of its mining business.

Operating Results for the Fiscal Years Ended January 31, 2005 and 2004

Although we commenced efforts to re-establish our mining business early in fiscal year 2004, no mining operations had commenced and no revenues had been recognized during the fiscal years 2004 and 2005. We were inactive during fiscal year 2003 and, as a result, generated no revenues from operations. We hope to be able to commence generating revenues from mining operations during the 2006 fiscal year. We have granted a 4% net smelting return royalty to a third party which has been recorded as an \$800,000 deferred option income.

In fiscal year 2005 we spent \$28,433 on exploration expenses related to the Relief Canyon mining property. This compares to exploration expenses of \$37,916 expended during fiscal 2004. These expenses relate primarily to maintenance and retention costs required to maintain Newgold's mining claims. We incurred operating expenses of \$353,972 during fiscal year 2005. Of this amount, \$220,000 reflects officer compensation and related payroll taxes during the year, \$33,510 reflect payroll penalties and \$89,900 reflect fees for outside professional services. During fiscal year 2004 we incurred operating expenses of \$306,477 of which \$220,000 reflects officer compensation and related payroll taxes during the year,

\$32,259 reflect payroll penalties and \$28,805 reflect fees for outside professional services. It is anticipated that both exploration costs and operating expenses will increase significantly as we resume our mining

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operations and exploration program.

We incurred interest expense of \$614,672 during fiscal year 2005 which compares to interest expenses of \$136,493 incurred during fiscal year 2004. Although the amount of loans outstanding during fiscal 2005 increased slightly, the overall interest rate on such borrowing decreased. The increase in interest expense during fiscal year 2005 was primarily due to the increase in accretion of warrants issued in October 2004 as a debt discount.

Our total net loss for fiscal year 2005 increased to \$1,278,140 compared to a net loss of \$470,823 incurred for fiscal year 2004. The larger net loss in fiscal year 2005 reflects the substantial increase in operating expenses and interest expense and a lack of revenues recognized during fiscal year 2005.

LIQUIDITY AND CAPITAL RESOURCES

We have incurred significant operating losses since inception which has resulted in an accumulated deficit of \$16,385,303 as of the end of fiscal year 2005. At January 31, 2005, we had cash of \$16,730 and a net working capital deficit of \$3,828,226. Since the resumption of our business in February 2003, we have been dependent on borrowed or invested funds in order to finance Newgold's ongoing operations. As of January 31, 2005, we had \$1,006,088 of outstanding notes payable which reflects a significant decrease compared to notes payable of \$1,581,721 outstanding as of January 31, 2004.

During fiscal year 2005, we borrowed an additional \$41,797 from Newgold's President and Chief Executive Officer at an interest rate of 8% per year and is due January 31, 2006. This amount increased our total indebtedness to Newgold's President to \$1,422,587. Of this amount, \$1,402,742 which had been in default was converted into a convertible note payable at a rate of 8% per year due September 30, 2005. Also during fiscal year 2005, the Chief Financial Officer converted \$209,251 of accrued payroll and other amounts owed to him into a convertible note payable at a rate of 8% per year. The convertible note is due September 30, 2005. Principal and interest due four other individuals are due on demand of the holders.

Subsequent to the fiscal year end, we secured \$75,000 of new equity capital through the sale of 500,000 shares of Newgold common stock and the issuance of warrants to purchase up to an additional 500,000 shares of Newgold's common stock exercisable at \$0.30 per share.

By attempting to resume mining operations, we will require approximately \$3 million to \$5 million in additional working capital above the current working capital deficiency to bring the mine into full production. It is our intention to pursue several possible funding opportunities including the sale of

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additional securities or the incurring of additional debt.

Due to our continuing losses from our business operations, the independent auditor's report includes a "going concern" explanation relating to the fact that Newgold's continuation is dependent upon obtaining additional working capital either through significantly increasing revenues or through outside financing.

As of January 31, 2005, we were in default on two promissory notes due to unrelated parties in the principal amounts of \$19,844 and \$176,500.

Due to our limited cash flow, operating losses and limited assets, it is unlikely that we could obtain financing through commercial or banking sources. Consequently, we are dependent on continuous cash infusions from our major stockholders or other outside sources in order to fund our current operations. If these investors were unwilling or unable to provide necessary working capital to us, we would probably not be able to commence or sustain our operations. There is no written agreement or contractual obligation which would require our investors to fund Newgold's operations up to a certain amount or indeed continue to finance Newgold's operations at all.

While we believe Newgold has sufficient capital to fund its current administrative expenses, we will need to raise additional capital to continue to develop, promote and conduct its mining operations. Such additional capital may be raised through public or private financing as well as borrowing from other sources. To date, Newgold's President has paid substantially all of its expenses since restarting its business in February 2003. Although we believe that these creditors and investors will continue to fund our expenses based upon their significant debt or equity interest in Newgold, there is no assurance that such investors will continue to pay our expenses. If adequate funds are not otherwise available, we would not be able to sustain mining operations.

CRITICAL ACCOUNTING POLICIES

Newgold's discussion and analysis of its financial conditions and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of financial statements require managers to make estimates and disclosures on the date of the financial statements. On an on-going basis, Newgold evaluates its estimates, including, but not limited to, those related to revenue recognition. Newgold uses authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates. Newgold believes that the following critical accounting policies affect its more significant judgments and estimates in the preparation of its consolidated financial statements.

Development Stage Company

Effective January 1, 1995 (date of inception), the Company is considered a development stage Company as defined in SFAS No. 7. The Company's development

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stage activities consist of the development of several mining properties located in Nevada. Sources of financing for these development stage activities have been primarily debt and equity financing. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Valuation of long-lived assets

Long-lived assets, consisting primarily of property and equipment, patents and trademarks, and goodwill, comprise a significant portion of Newgold's total assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Recoverability of assets is measured by a comparison of the carrying value of an asset to the future net cash flows expected to be generated by those assets. The cash flow projections are based on historical experience, management's view of growth rates within the industry, and the anticipated future economic environment.

Factors Newgold considers important that could trigger a review for impairment include the following:

- (a) significant underperformance relative to expected historical or projected future operating results,
- (b) significant changes in the manner of its use of the acquired assets or the strategy of its overall business, and
- (c) significant negative industry or economic trends.

When Newgold determines that the carrying value of long-lived assets and related goodwill and enterprise-level goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, it measures any impairment based on a projected discounted cash flow method using a discount rate determined by its management to be commensurate with the risk inherent in its current business model.

Deferred Reclamation Costs

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which established a uniform methodology for accounting for estimated reclamation and abandonment costs. The statement was adopted February 1, 2003. The reclamation costs will be allocated to expense over the life of the related assets and will be adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

Prior to adoption of SFAS No. 143, estimated future reclamation costs were based principally on legal and regulatory requirements. Such costs related to active mines were accrued and charged over the expected operating lives of the mines using the UOP method based on proven and probable reserves. Future remediation costs for inactive mines were accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred at a site.

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Such cost estimates included, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines were reflected in earnings in the period an estimate was revised.

Exploration Costs

Exploration costs are expensed as incurred. All costs related to property acquisitions are capitalized.

Mine Development Costs

Mine development costs consist of all costs associated with bringing mines into production, to develop new ore bodies and to develop mine areas substantially in advance of current production. The decision to develop a mine is based on assessment of the commercial viability of the property and the availability of financing. Once the decision to proceed to development is made, development and other expenditures relating to the project will be deferred and carried at cost with the intention that these will be depleted by charges against earnings from future mining operations. No depreciation will be charged against the property until commercial production commences. After a mine has been brought into commercial production, any additional work on that property will be expensed as incurred, except for large development programs, which will be deferred and depleted.

Reclamation Costs

Reclamation costs and related accrued liabilities, which are based on Newgold's interpretation of current environmental and regulatory requirements, are accrued and expensed, upon determination.

Based on current environmental regulations and known reclamation requirements, management has included its best estimates of these obligations in its reclamation accruals. However, it is reasonably possible that Newgold's best estimates of its ultimate reclamation liabilities could change as a result of changes in regulations or cost estimates.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs". SFAS No. 151 amends the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) under the guidance in ARB No. 43, Chapter 4, "Inventory Pricing". Paragraph

5 of ARB No. 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . ." This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal

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capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not expect adoption of SFAS No. 151 to have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions". The FASB issued this Statement as a result of the guidance provided in AICPA Statement of Position (SOP) 04-2, "Accounting for Real Estate Time-Sharing Transactions". SOP 04-2 applies to all real estate time-sharing transactions. Among other items, the SOP provides guidance on the recording of credit losses and the treatment of selling costs, but does not change the revenue recognition guidance in SFAS No. 66, "Accounting for Sales of Real Estate", for real estate time-sharing transactions. SFAS No. 152 amends Statement No. 66 to reference the guidance provided in SOP 04-2. SFAS No. 152 also amends SFAS No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects", to state that SOP 04-2 provides the relevant guidance on accounting for incidental operations and costs related to the sale of real estate time-sharing transactions. SFAS No. 152 is effective for years beginning after June 15, 2005, with restatements of previously issued financial statements prohibited. This statement is not applicable to the Company.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets," an amendment to Opinion No. 29, "Accounting for Nonmonetary Transactions". Statement No. 153 eliminates certain differences in the guidance in Opinion No. 29 as compared to the guidance contained in standards issued by the International Accounting Standards Board. The amendment to Opinion No. 29 eliminates the fair value exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. Such an exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in periods beginning after December 16, 2004. Management does not expect adoption of SFAS No. 153 to have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment". SFAS 123(R) amends SFAS No. 123, "Accounting for Stock-Based Compensation", and APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) requires that the cost of share-based payment transactions (including those with employees and non-employees) be recognized in the financial statements. SFAS No. 123(R) applies to all share-based payment transactions in which an entity acquires goods or services by issuing (or offering to issue) its shares, share options, or other equity instruments (except for those held by an ESOP) or by

incurring liabilities (1) in amounts based (even in part) on the price of the entity's shares or other equity instruments, or (2) that require (or may require) settlement by the issuance of an entity's shares or other equity instruments. This statement is effective (1) for public companies qualifying as SEC small business issuers, as of the first interim period or fiscal year beginning after December 15, 2005, or (2) for all other public companies, as of the first interim period or fiscal year beginning after June 15, 2005, or (3) for all nonpublic entities, as of the first fiscal year beginning after December

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15, 2005. Management is currently assessing the effect of SFAS No. 123(R) on the Company's financial statement. On April 14, 2005, the Securities and Exchange Commission amended the compliance dates to allow companies to implement Statement No. 123R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005, or Dec. 15, 2005 for small business issuers.

Effective for reporting periods beginning after April 29, 2004, the Emerging Issues Task Force (EITF) released Issue 04-2, "Whether Mineral Rights are Tangible or Intangible Assets." The consensus was that mineral rights acquired on a business combination are tangible assets and should be recorded as a separate component of property, plant and equipment either on the face of the financial statements or in the notes. The Company will comply with the Issue in the future as required.

Effective for reporting periods beginning after March 31, 2004, the EITF released Issue No. 04-3, "Mining Assets: Impairment and Business Combinations." The EITF reached consensus that an entity should include value beyond proven and probable reserves in the value allocated to mining assets in a purchase price allocation to the extent a market participant would include such value in determining the fair market value of the asset. The EITF also reached consensus that an entity should include the effects of anticipated changes in market prices of minerals when determining the fair market value of mining assets in a purchase price equation in a manner consistent with expectations of the marketplace.

Effective for reporting periods beginning after December 15, 2005, the EITF released Issue No. 04-6, "Accounting For Stripping Costs Incurred During Production In The Mining Industry." The EITF reached a consensus of accounting for "stripping cost", the cost of removing overburden (material overlying a mineral deposit that must be removed prior to mining) and waste materials, during the production phase and determined that such costs are considered variable production costs and thus should be included in the cost of inventory produced during the period in which the stripping costs are incurred. The consensus applies to only entities involved in finding and removing wasting natural resources. As such, this statement is not applicable to the Company.

ITEM 7. FINANCIAL STATEMENTS

NEWGOLD, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JANUARY 31, 2005 AND 2004

INDEX TO FINANCIAL STATEMENTS

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| | |
|---|------|
| REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM | F-1 |
| Balance Sheet | F-2 |
| Statements of Operations | F-3 |
| Statements of Comprehensive Loss | F-4 |
| Statements of Shareholders' Deficit | F-5 |
| Statements of Cash Flows | F-8 |
| Notes to Financial Statements | F-12 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Newgold, Inc.
(A Development Stage Company)
Sacramento, California

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We have audited the balance sheet of Newgold, Inc. (a development stage company) (the "Company") as of January 31, 2005, and the related statements of operations, comprehensive loss, shareholders' deficit and cash flows for each of the two years in the period ended January 31, 2005 and the period from January 1, 1995 to January 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2006, and the results of its operations and its cash flows for each of the two years in the period ended January 31, 2005 and the period from January 1, 1995 to January 31, 2005 in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, during the year ended January 31, 2005, the Company incurred a net loss of \$1,278,140 and had negative cash flows from its operations of \$353,201. In addition, the Company had an accumulated shareholders' deficit of \$16,385,303 at January 31, 2005 and a shareholders' deficit of \$4,114,280 at January 31, 2005. These factors, among others, as discussed in Note 2 to the financial statements, raise substantial doubts about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP
Los Angeles, California
April 15, 2005

F-1

NEWGOLD, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET
JANUARY 31, 2005

ASSETS

CURRENT ASSETS

| | | |
|----------------|----|--------|
| Cash | \$ | 16,730 |
| Travel advance | | 2,000 |

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| | | |
|--|----------------|--------------|
| NET SALES | \$ - | \$ - |
| COST OF GOODS SOLD | 28,433 | 37,916 |
| GROSS (LOSS) | (28,433) | (37,916) |
| OPERATING EXPENSES | (353,972) | (306,477) |
| LOSS FROM OPERATIONS | (382,405) | (344,393) |
| OTHER INCOME (EXPENSE) | | |
| Interest income | | 10,063 |
| Dividend income | - | - |
| Other income | - | - |
| Interest expense | (614,672) | (136,493) |
| Loss on sale of marketable securities | (281,063) | - |
| Bad debt expense | - | - |
| Loss on disposal of plant, property and equipment | - | - |
| Loss on disposal of bond | - | - |
| Total other expense | (895,735) | (126,430) |
| NET LOSS | \$ (1,278,140) | \$ (470,823) |
| BASIC AND DILUTED LOSS PER SHARE | \$ (0.03) | \$ (0.01) |
| BASIC AND DILUTED WEIGHTED-AVERAGE SHARES OUTSTANDING | 47,644,745 | 47,595,763 |

F-3

The accompanying notes are an integral part of these financial statements

NEWGOLD, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED JANUARY 31, 2005 AND 2004
AND FOR THE PERIOD FROM JANUARY 1, 1995 TO JANUARY 31, 2005

For the Years Ended January 31,

2005 2004

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| | | |
|---|----------------|--------------|
| NET LOSS | \$ (1,278,140) | \$ (470,823) |
| OTHER COMPREHENSIVE LOSS | | |
| Unrealized loss from marketable securities | - | (204,820) |
| SALE OF SECURITIES WITH PREVIOUS UNREALIZED HOLDING LOSS | 204,820 | - |
| | ----- | ----- |
| COMPREHENSIVE LOSS | \$ (1,073,320) | \$ (675,643) |
| | ===== | ===== |

F-4

The accompanying notes are an integral part of these financial statements

NEWGOLD, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED JANUARY 31, 2005 AND 2004
AND FOR THE PERIOD FROM JANUARY 1, 1995 TO JANUARY 31, 2005

| Common Stock | | Additional | Othe |
|--------------|--------|--------------------|------------|
| Shares | Amount | Paid in Capital | preh (L |
| ----- | ----- | ----- | ----- |

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| | | | |
|--|------------|----------|-----------|
| Balance December 31, 1994 | 6,768,358 | \$ 6,768 | - |
| Net loss | | | |
| ----- | | | |
| Balance December 31, 1995 | 6,768,358 | 6,768 | - |
| Shares issued to creditors and shareholders of Warehouse Auto Centers, Inc. | 305,709 | 306 | 305,403 |
| Shares issued to investors and underwriters | 5,135,130 | 5,135 | 4,701,835 |
| Shares issued to purchase Washington Gulch | 3,800,000 | 3,800 | 177,200 |
| Shares issued in exchange for net profits interest | 1,431,642 | 1,432 | 440,605 |
| Shares issued to others | 21,000 | 221 | 220,779 |
| Shares issued to Repadre | 100,000 | 100 | 99,900 |
| Shares issued to repurchase 50% interest in Relief Canyon | 1,000,000 | 1,000 | 999,000 |
| Net loss for the period January 1, 1996 to January 31, 1997 | | | |
| ----- | | | |
| Balance January 31, 1997 | 18,761,839 | 18,762 | 6,944,722 |
| Shares issued to Warehouse Auto Centers, Inc. shareholders subsequently cancelled | (25,242) | (25) | (25,217) |
| Shares issued to others | 12,500 | 13 | 4,987 |
| Additional shares issued to investors and underwriters for delay in share trading | 513,514 | 513 | 204,487 |

F-5

The accompanying notes are an integral part of these financial statements

NEWGOLD, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED JANUARY 31, 2005 AND 2004
AND FOR THE PERIOD FROM JANUARY 1, 1995 TO JANUARY 31, 2005

| | | | |
|--------------------------|------------|--------|-----------|
| Shares issued to Repadre | 200,000 | 200 | 199,800 |
| Net loss | | | |
| ----- | | | |
| Balance January 31, 1998 | 19,462,611 | 19,463 | 7,328,779 |

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| | | | |
|--|------------|--------|------------|
| Shares issued in exchange for rent | 15,000 | 15 | 5,985 |
| Shares issued to IBK | 5,616,977 | 5,617 | 542,383 |
| Shares issued in exchange for property | 150,000 | 150 | 55,350 |
| Net loss | | | |
| ----- | | | |
| Balance January 31, 1999 | 25,244,588 | 25,245 | 7,932,497 |
| Three-for-two stock split | 12,672,441 | 12,671 | (12,671) |
| Shares issued in exchange for debt conversion | 3,205,674 | 3,206 | 1,279,065 |
| Net loss | | | |
| ----- | | | |
| Balance January 31, 2000 | 41,122,703 | 41,122 | 9,198,891 |
| Shares issued for cash | 1,796,000 | 1,796 | 663,204 |
| Additional shares issued for delay in registration | 239,200 | 239 | (239) |
| Shares issued for offering costs | 120,000 | 120 | (60,120) |
| Shares issued for legal settlement | 1,000,000 | 1,000 | 649,000 |
| Shares issued for services | 78,271 | 78 | 69,922 |
| Net loss | | | |
| ----- | | | |
| Balance January 31, 2001 | 44,356,174 | 44,356 | 10,520,657 |
| Shares issued for cash | 2,500,000 | 2,500 | 147,500 |
| Warrants issued with debt | | | 20,000 |
| ----- | | | |

F-6

The accompanying notes are an integral part of these financial statements

NEWGOLD, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED JANUARY 31, 2005 AND 2004
AND FOR THE PERIOD FROM JANUARY 1, 1995 TO JANUARY 31, 2005

| | | | |
|---|------------|--------|------------|
| Net loss | | | |
| ----- | | | |
| Balance January 31, 2002 | 46,856,174 | 46,856 | 10,688,157 |
| Shares issued upon exercise of warrants | 550,000 | 550 | 54,450 |

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| | | | | |
|---|------------|--------|------------|-----|
| Offering costs | | | (1,467) | |
| Warrants issued with debt | | | 13,574 | |
| Net loss | | | | |
| ----- | | | | |
| Balance January 31, 2003 | 47,406,174 | 47,406 | 10,754,714 | |
| Shares issued upon exercise of warrants | 200,000 | 200 | 19,800 | |
| Warrants issued with debt | | | 63,918 | |
| Other comprehensive loss | | | | (2) |
| Net loss | | | | |
| ----- | | | | |
| Balance January 31, 2004 | 47,606,174 | 47,606 | 10,838,432 | (2) |
| Shares issued for cash | 671,667 | 672 | 100,078 | |
| Offering costs | | | (124,337) | |
| Warrants issued with common stock | | | 124,337 | |
| Warrants issued with debt | | | 1,284,234 | |
| Sale of marketable securities | | | | 2 |
| Net loss | | | | |
| ----- | | | | |
| Balance January 31, 2005 | 48,277,841 | 48,278 | 12,222,744 | |

F-7

The accompanying notes are an integral part of these financial statements

NEWGOLD, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2005 AND 2004
AND FOR THE PERIOD FROM JANUARY 1, 1995 TO JANUARY 31, 2005

| | | |
|--------------------------------------|---------------------------|-----|
| | For the Years Ended Janua | |
| | 2005 | 200 |
| ----- | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | (\$1,278,140) | (\$ |

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| | |
|---|---------|
| Adjustments to reconcile net loss to net cash used in operating activities | |
| Accretion of warrants issued as a debt discount | 443,682 |
| Accretion of beneficial conversion | 35,823 |
| Loss on sale of marketable securities | 281,063 |
| Depreciation and amortization | - |
| Loss on disposal of property, plant and equipment | - |
| Impairment in value of property, plant and equipment | - |
| Loss on disposal of bond | - |
| Impairment in value of Relief Canyon Mine | - |
| Impairment in value of joint investments | - |
| Bad debt | - |
| Assigned value of stock and warrants exchanged for services | - |
| Gain on write off of note payable | - |

F-8

The accompanying notes are an integral part of these financial statements

NEWGOLD, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2005 AND 2004
AND FOR THE PERIOD FROM JANUARY 1, 1995 TO JANUARY 31, 2005

| | |
|----------------------------|--------|
| Judgment loss accrued | - |
| (Increase) decrease in | |
| Employee receivable | 2,000 |
| Deposits | 45,000 |
| Deferred reclamation costs | - |
| Prepaid expenses | - |
| Reclamation bonds | - |
| Other assets | - |

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| | | |
|---|-----------|----|
| Proceeds from notes payable | 251,043 | |
| Principal repayments of notes payable | (21,953) | |
| Repayment of advances to affiliate | - | |
| Deferred revenue | - | |
| Net cash provided by financing activities | 329,840 | |
| Net increase in cash | 10,763 | |
| CASH, BEGINNING OF YEAR | 5,967 | |
| CASH, END OF YEAR | \$ 16,730 | \$ |

F-10

The accompanying notes are an integral part of these financial statements

SUPPLEMENTAL CASH FLOW INFORMATION FOR THE YEARS ENDED JANUARY 31, 2005 AND 2004 AND JANUARY 1, 1995 THROUGH JANUARY 31, 2005 AS FOLLOWS:

| | For the Years Ended Janua | |
|----------------------------|---------------------------|------|
| | 2005 | 2004 |
| Cash paid for interest | \$ - | \$ |
| Cash paid for income taxes | \$ - | \$ |

F-11

The accompanying notes are an integral part of these financial statements

NOTE 1 - ORGANIZATION AND LINE OF BUSINESS

NEWGOLD, Inc. ("the Company") has been in the business of acquiring, exploring, developing, and producing gold properties. The Company had rights to mine properties in Nevada and Montana. Its primary focus was on the Relief Canyon Mine located near Lovelock, Nevada, where it has performed development and exploratory drilling and was in the process of obtaining permits to allow operation of the Relief Canyon Mine. In December 1997, the Company placed the Relief Canyon Mine on care and maintenance status. The Company also conducted exploration at its Washington Gulch Mine property in Montana.

In February 2000 the Company began to implement an entirely new business model of investing in Internet companies. Due to the deterioration of the investment market for these types of companies later in 2000, the Company abandoned this investment strategy. From mid-2001 until the beginning of 2003 Newgold was essentially inactive, only continuing with some of the care and maintenance at Relief Canyon, as provided for by a non-affiliate company owned by the Chairman and CEO of Newgold.

Merger

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In November 1996, Newgold, Inc. of Nevada (Old Newgold) was merged into Warehouse Auto Centers, Inc. (WAC), a public company, which had previously filed an involuntary petition under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Western District of New York. Pursuant to the plan of reorganization and merger (the Plan), (i) WAC which was the surviving corporation for legal purposes, changed its name to Newgold Inc. (the Company), (ii) the outstanding shares of Old Newgold were converted into the right to receive an aggregate of 12,000,000 shares or approximately 69% of the post merger outstanding common stock of the Company, (iii) each outstanding share of WAC was converted into the right to receive 1/65 share of the common stock of the Company, for an aggregate of 51,034 shares or less than 1% of the post merger outstanding common stock, (iv) unsecured trade debts and other unsecured pre-petition liabilities were paid in full via the issuance of one share of the Company's stock, for each \$42 of debt, for an aggregate of 63,374 shares or less than 1% of the post merger outstanding common stock, and (v) post petition creditors received 1 share of stock for each \$1 of debt, for an aggregate of 191,301 shares or approximately 1% of the post merger outstanding common stock. The Plan also required an amendment to the Company's capital structure to increase the number of shares authorized to 50,000,000 and to reduce the corresponding par value to \$.001.

In connection with the Plan, the Company raised \$4,707,000 of cash through the issuance of convertible debtor certificates. Shortly after confirmation of the Plan, the debtor certificates were exchanged for 5,135,130 shares of common stock (including 428,130 shares issued in lieu of paying cash for underwriter's fees) representing approximately 29% of the post merger outstanding common stock. An additional bonus of 513,514 shares was issued to investors and underwriters during the year ended January 31, 1998 for delay in the effective date of the Company's stock trading.

For accounting purposes, Old Newgold has been treated as the acquirer (reverse acquisition). Accordingly, the historical financial statements prior to November 21, 1996 are those of Old Newgold. There were no assets or liabilities acquired in this transaction and there is no impact on the statement of operations.

F-12

NOTE 2 - GOING CONCERN

These financial statements have been prepared on a going concern basis. However, during the year ended January 31, 2005 and 2004 and the period from January 1, 1995 to January 31, 2005 the Company incurred a net loss of \$1,278,140, \$470,823 and \$15,443,509, respectively and had negative cash flows from operations of \$353,201. In addition, the Company had an accumulated shareholders' deficit of \$4,114,280 and was in the development stage since inception and through January 31, 2005. The Company's ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time. Since inception, the Company has satisfied its capital needs by issuing equity securities.

Management plans to continue to provide for its capital needs during the year ended January 31, 2006 by issuing equity securities or incurring additional debt financing, with the proceeds to be used to re-establish mining operations at Relief Canyon as well as improve its working capital position. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary

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should the Company be unable to continue as a going concern.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Development Stage Company

Effective January 1, 1995 (date of inception), the Company is considered a development stage Company as defined in SFAS No. 7. The Company's development stage activities consist of the development of several mining properties located in Nevada. Sources of financing for these development stage activities have been primarily debt and equity financing. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Marketable Securities Available for Sale

Investments in equity securities are classified as available-for-sale. Securities classified as available for sale are marked to market at each period end. Changes in value on such securities are recorded as a component of Other comprehensive income (loss). If declines in value are deemed other than temporary, losses are reflected in Net income (loss).

Property and Equipment

Depreciation, depletion and amortization of mining properties, mine development costs and major plant facilities will be computed principally by the units-of-production method based on estimated proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of ore which can be economically recovered in the future from known mineral deposits. Such estimates are based on current and projected costs and prices. Other equipment is depreciated using the straight-line method principally over the estimated useful life of seven years.

F-13

Deferred Reclamation Costs

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which established a uniform methodology for accounting for estimated reclamation and abandonment costs. The statement was adopted February 1, 2003. The reclamation costs will be allocated to expense over the life of the related assets and will be adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

Prior to adoption of SFAS No. 143, estimated future reclamation costs were based principally on legal and regulatory requirements. Such costs related to active mines were accrued and charged over the expected operating lives of the mines using the UOP method based on proven and probable reserves. Future remediation costs for inactive mines were accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred at a site. Such cost estimates included, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines were reflected in earnings in the period an

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estimate was revised.

Exploration Costs

Exploration costs are expensed as incurred. All costs related to property acquisitions are capitalized.

Mine Development Costs

Mine development costs consist of all costs associated with bringing mines into production, to develop new ore bodies and to develop mine areas substantially in advance of current production. The decision to develop a mine is based on assessment of the commercial viability of the property and the availability of financing. Once the decision to proceed to development is made, development and other expenditures relating to the project will be deferred and carried at cost with the intention that these will be depleted by charges against earnings from future mining operations. No depreciation will be charged against the property until commercial production commences. After a mine has been brought into commercial production, any additional work on that property will be expensed as incurred, except for large development programs, which will be deferred and depleted.

Financing Costs

Financing costs, including interest, are capitalized when they arise from indebtedness incurred to finance development and construction activities on properties that are not yet subject to depreciation or depletion. Financing costs are charged against earnings from the time that mining operations commence. Capitalization is based upon the actual interest on debt specifically incurred or on the average borrowing rate for all other debt except where shares are issued to fund the cost of the project.

Depreciation, Depletion and Amortization

Assets other than mining properties and mineral rights are depreciated using the straight-line method over their estimated useful lives. Capitalized development costs are amortized on the units of production method considering proven and probable reserves. Depreciation and depletion rates are subject to periodic review to ensure that asset costs are amortized over their useful lives.

F-14

Impairment

Mining projects and properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If estimated future cash flows expected to result from the use of the mining project or property and its eventual disposition are less than the carrying amount, impairment is recognized based on the estimated fair market value of the mining project or property. Fair value generally is based on the present value of estimated future net cash flows for each mining project or property, calculated using estimates of proven and probable minable reserves, geological resources, future prices, operating costs, capital requirements and reclamation costs. A provision for impairment in valuation of development costs and property, plant and equipment amounted to \$800,000 for the year ended January 31, 2002 and was charged to operating expense. After these adjustments all development costs and property, plant and equipment have been fully written off.

Management's estimates of future cash flows are subject to risks and

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uncertainties. Therefore, it is reasonably possible that changes could occur which may affect the recoverability of the Company's investment in mineral properties.

Risks Associated with Gold Mining

The business of gold mining is subject to certain types of risks, including environmental hazards, industrial accidents, and theft. Prior to suspending operations, the Company carried insurance against certain property damage loss (including business interruption) and comprehensive general liability insurance. While the Company maintained 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. The Company has not obtained environmental liability insurance because such coverage is not considered by management to be cost effective. The Company currently carries no insurance on any of its properties due to the current status of the mine and the Company's current financial condition.

Reclamation Costs

Reclamation costs and related accrued liabilities, which are based on the Company's interpretation of current environmental and regulatory requirements, are accrued and expensed, upon determination.

Based on current environmental regulations and known reclamation requirements, management has included its best estimates of these obligations in its reclamation accruals. However, it is reasonably possible that the Company's best estimates of its ultimate reclamation liabilities could change as a result of changes in regulations or cost estimates.

Revenue Recognition

Revenues will be recognized when deliveries of gold are made, title and risk of loss passes to the buyer and collectibility is reasonably assured. Deferred revenue represents non-refundable cash received in exchange for royalties on net smelter returns on the Relief Canyon Mine. Deferred revenue will be amortized to earnings based on estimated production in accordance with the royalty agreement.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents and accounts payable - trade. The carrying amounts for these financial instruments approximate fair value due to their short maturities.

F-15

Comprehensive Income

The Company utilizes SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting comprehensive income and its components in a financial statement. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. Examples of items to be included in comprehensive income, which are excluded from net income, include foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains and losses on available-for-sale marketable securities. Comprehensive income is presented in the Company's financial statements since the Company did have unrealized gain (loss) of from changes in equity from available-for-sale marketable securities.

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Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," defines a fair value based method of accounting for stock-based compensation. However, SFAS No. 123 allows an entity to continue to measure compensation cost related to stock and stock options issued to employees using the intrinsic method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Entities electing to remain with the accounting method of APB No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value method of accounting defined in SFAS No. 123 had been applied. The Company has elected to account for its stock-based compensation to employees using the intrinsic value method under APB No. 25. There were no stock options granted or outstanding for the years ended January 31, 2005 and 2004.

Income Taxes

The Company accounts for income taxes under the liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

As of January 31, 2005, the deferred tax assets related to the Company's net operating loss carry-forwards are fully reserved. Due to the provisions of Internal Revenue Code Section 338, the Company may not have any net operating loss carry-forwards available to offset financial statement or tax return taxable income in future periods as a result of a change in control involving 50 percentage points or more of the issued and outstanding securities of the Company.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Loss Per Share

The Company utilizes SFAS No. 128, "Earnings per Share." Basic loss per share is computed by dividing loss available to common shareholders by the weighted-average number of common

F-16

shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Common equivalent shares are excluded from the computation if their effect is anti-dilutive.

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The following common stock equivalents were excluded from the calculation of diluted loss per share since their effect would have been anti-dilutive:

| | 2005 | 2004 |
|----------|------------|-----------|
| Warrants | 11,724,583 | 3,718,229 |

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The Company places its cash and cash equivalents with high credit, quality financial institutions. At times, such cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation insurance limit of \$100,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Recent Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs". SFAS No. 151 amends the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) under the guidance in ARB No. 43, Chapter 4, "Inventory Pricing". Paragraph 5 of ARB No. 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . ." This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not expect adoption of SFAS No. 151 to have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions". The FASB issued this Statement as a result of the guidance provided in AICPA Statement of Position (SOP) 04-2, "Accounting for Real Estate Time-Sharing Transactions". SOP 04-2 applies to all real estate time-sharing transactions. Among other items, the SOP provides guidance on the recording of credit losses and the treatment of selling costs, but does not change the revenue recognition guidance in SFAS No. 66, "Accounting for Sales of Real Estate", for real estate time-sharing transactions. SFAS No. 152 amends Statement No. 66 to reference the guidance provided in SOP 04-2. SFAS No. 152 also amends SFAS No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects", to state that SOP 04-2 provides the relevant guidance on accounting for incidental operations and costs related to the sale of real estate time-sharing transactions. SFAS No. 152 is effective for years beginning after June 15, 2005, with restatements of previously issued financial statements prohibited. This statement is not applicable to the Company.

F-17

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets," an amendment to Opinion No. 29, "Accounting for Nonmonetary Transactions". Statement No. 153 eliminates certain differences in the guidance in Opinion No. 29 as compared to the guidance contained in

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standards issued by the International Accounting Standards Board. The amendment to Opinion No. 29 eliminates the fair value exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. Such an exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in periods beginning after December 16, 2004. Management does not expect adoption of SFAS No. 153 to have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment". SFAS 123(R) amends SFAS No. 123, "Accounting for Stock-Based Compensation", and APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) requires that the cost of share-based payment transactions (including those with employees and non-employees) be recognized in the financial statements. SFAS No. 123(R) applies to all share-based payment transactions in which an entity acquires goods or services by issuing (or offering to issue) its shares, share options, or other equity instruments (except for those held by an ESOP) or by incurring liabilities (1) in amounts based (even in part) on the price of the entity's shares or other equity instruments, or (2) that require (or may require) settlement by the issuance of an entity's shares or other equity instruments. This statement is effective (1) for public companies qualifying as SEC small business issuers, as of the first interim period or fiscal year beginning after December 15, 2005, or (2) for all other public companies, as of the first interim period or fiscal year beginning after June 15, 2005, or (3) for all nonpublic entities, as of the first fiscal year beginning after December 15, 2005. Management is currently assessing the effect of SFAS No. 123(R) on the Company's financial statement. On April 14, 2005, the Securities and Exchange Commission amended the compliance dates to allow companies to implement Statement No. 123R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005, or Dec. 15, 2005 for small business issuers.

Effective for reporting periods beginning after April 29, 2004, the Emerging Issues Task Force (EITF) released Issue 04-2, "Whether Mineral Rights are Tangible or Intangible Assets." The consensus was that mineral rights acquired on a business combination are tangible assets and should be recorded as a separate component of property, plant and equipment either on the face of the financial statements or in the notes. The Company will comply with the Issue in the future as required.

Effective for reporting periods beginning after March 31, 2004, the EITF released Issue No. 04-3, "Mining Assets: Impairment and Business Combinations." The EITF reached consensus that an entity should include value beyond proven and probable reserves in the value allocated to mining assets in a purchase price allocation to the extent a market participant would include such value in determining the fair market value of the asset. The EITF also reached consensus that an entity should include the effects of anticipated changes in market prices of minerals when determining the fair market value of mining assets in a purchase price equation in a manner consistent with expectations of the marketplace.

F-18

Effective for reporting periods beginning after December 15, 2005, the EITF released Issue No. 04-6, "Accounting For Stripping Costs Incurred During Production In The Mining Industry." The EITF reached a consensus of accounting for "stripping cost", the cost of removing overburden (material

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overlying a mineral deposit that must be removed prior to mining) and waste materials, during the production phase and determined that such costs are considered variable production costs and thus should be included in the cost of inventory produced during the period in which the stripping costs are incurred. The consensus applies to only entities involved in finding and removing wasting natural resources. As such, this statement is not applicable to the Company.

NOTE 4 - MARKETABLE SECURITIES AVAILABLE FOR SALE

At January 31, 2005 the Company held no marketable securities available for sales. During the year ended January 31, 2004, unrealized holding losses of \$204,820 were recorded in Other comprehensive loss to reflect the market value decrease during the period. In October 2004 the Company sold all of its investment in marketable securities. This resulted in net proceeds of \$34,124 and a recognized loss of sale of \$281,063.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at January 31, 2005 was recorded at no value. The Company had previously determined that the value of its fixed assets at the Relief Canyon Mine were permanently impaired and wrote off assets with a basis of \$800,000. If the Company can reestablish mining operations at Relief Canyon it is possible that some of these assets could be utilized in such operations.

A summary of property, plant and equipment was as follows:

| | Buildings | Machinery & Equipment | Development Costs | Capitalized Interest | To |
|--------------------|------------|-----------------------------|----------------------|-------------------------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Relief Canyon Mine | \$ 215,510 | \$ 277,307 | \$ 261,742 | \$ 45,441 | \$ 80 |

All office furniture and equipment has been fully depreciated as of January 31, 2005.

NOTE 6 - RECLAMATION ASSET AND OBLIGATION

Effective February 1, 2003, the Company became subject to and adopted SFAS No. 143, Accounting for Asset Retirement Obligations, which establishes a uniform methodology for accounting for estimated reclamation and abandoned costs. As of January 31, 2003, the Company had recognized a reclamation liability of \$513,946 representing the net present value of the estimated reclamation costs related to the Relief Canyon property given its current condition of being inactive and in a care and maintenance status. No additional liability was recorded through January 31, 2003 since the property was not in production and existing generally accepted accounting principles did not provide for the recognition of addition liability under those circumstances. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Fair value is determined by estimating the retirement obligations in the period the asset is first placed in service or acquired and then adjusted for

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the amount of estimated inflation and market risk contingencies to the projected settlement date of the liability. The result is then discounted to a present value from the projected settlement date to the date the asset was first placed in service or acquired. The present value of the asset retirement obligation is recorded as an additional property cost and as an asset retirement liability. When and if the Relief Canyon property is placed back into an exploration, development, or operating status then the amortization of the additional property cost (using the units of production method) will be included in depreciation expense and the accretion of the discounted liability will be recorded as a separate operating expense in the Company's statement of operations with a corresponding increase in the reclamation liability. On this basis, due to the current liability classification of the asset retirement obligation the Company has not recorded any additional results due to the adoption of SFAS 143 and therefore, there are no additional results to be reported for a cumulative effect of the change in this accounting principle during the year ended January 31, 2004. Since the Relief Canyon property was not in production prior to January 31, 2003, no depreciation of the reclamation asset has been considered pursuant to the adoption of SFAS No. 143 for the period from January 1, 1995 through January 31, 2003.

There would have been no pro forma impact on the year ended January 31, 2004 as a result of the application of SFAS No. 143 with no changes to the reclamation obligation recognized prior to the application of SFAS No. 143 related to the Relief Canyon property through January 31, 2004.

NOTE 7 - NOTES PAYABLE TO RELATED PARTIES AND INDIVIDUALS

Unsecured notes payable to individuals and related parties consist of the following at January 31, 2005:

Loans from officers:

Convertible notes payable \$ 1,611,993

The notes bear interest at 8% per year.

In October 2004, the Company consolidated the amounts owed to the Chief Executive Officer and the Chief Financial Officer referred to in Note 10 (excluding accrued interest payable) into new convertible notes payable due September 30, 2005. The notes and any interest accrued on the new notes are convertible into common shares of the Company at a conversion price of \$0.15 per share. In connection with the loans, warrants to purchase 5,798,140 and 1,395,007 shares of common stock have been issued to the Chief Executive Officer and the Chief Financial Officer, respectively.

Term notes payable \$ 19,844

The notes bear interest at 8% per year.

The notes are due January 31, 2006. The Company is in default with respect to these loans. In connection with the loans, warrants to purchase 141,540 shares of common stock have been issued. The warrants have been valued using the Black-Scholes option pricing model (see Note 7). The warrants were issued at \$0.15 per share and expire in five years from the date of issuance.

Loan from individual. \$ 176,500

The note bears interest at 8% per year.

The note is currently due. The Company is in default with respect to this loan.

Other non-interest bearing advances 47,038

Unamortized warrant expense (849,288)

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F-20

Total notes payable to individuals and related parties \$ 1,006,088
=====

Interest expense was \$614,672, \$136,493 and \$1,467,690 for 2005 and 2004, and the period from January 1, 1995 to January 31, 2005, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Except for the advance royalty and rent payments noted below, the Company is not obligated under any capital leases or non-cancelable operating lease with initial or remaining lease terms in excess of one year as of January 31, 2005. However, minimum annual royalty payments are required to retain the lease rights to the Company's properties.

Relief Canyon Mine -----

The Company purchased the Relief Canyon Mine from J.D. Welsh Associates (Welsh) in January 1995. The mine consisted of 39 claims and a lease for access to an additional 800 acres contiguous to the claims. During 1997, the Company staked an additional 402 claims. Subsequent to January 31, 1998, the Company reduced the total claims to 50 (approximately 1,000 acres). The annual payment to maintain these claims is \$5,000. As part of the original purchase of Relief Canyon Mine, Welsh assigned the lease from Santa Fe Gold Corporation (Santa Fe) to the Company. The lease granted Santa Fe the sole right of approval of transfer to any subsequent owner of the Relief Canyon Mine. Santa Fe had accepted lease and minimum royalty payments from the Company, but has declined to approve the transfer. Due to Welsh's inability to transfer the Santa Fe lease, the original purchase price of \$500,000 for Relief Canyon Mine was reduced by \$50,000 in 1996 to \$450,000.

Subsequent to January 31, 1998, the lease was terminated by Santa Fe. Management believes loss of the Santa Fe lease will have no material adverse affect on the remaining operations of the mine operation or the financial position of the Company.

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.

Litigation -----

On February 4, 2000, a complaint was filed against the Company by Sun G. Wong in the Superior Court of Sacramento County, California (Case No. 00AS00690). In the complaint, Mr. Wong claims that he was held liable as a guarantor of Newgold in a claim brought by Don Christianson in a breach of contract action against Newgold. Despite the fact that Newgold settled the action with Mr. Christianson through the issuance of 350,000 shares of Newgold common stock, Mr. Wong, nevertheless, paid \$60,000 to a third party claiming to hold Mr. Christianson's judgment pursuant to Mr. Wong's guaranty agreement. Similarly, Mr. Wong alleges that he was held liable as a guarantor for a debt of \$200,000 owed by Newgold to Roger Primm with regard to money borrowed by Newgold. Mr. Primm filed suit against the

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Company which was settled through the issuance of 300,000 shares of Newgold common stock. Nevertheless, Mr. Wong alleges that he remains liable to a third party claiming to hold Mr. Primm's judgment for up to \$200,000 pursuant to his guaranty of such debt of Mr. Primm.

F-21

On December 29, 2000, the superior court entered a default judgment against Newgold in the amount of \$400,553 with regard to the Christianson judgment and an additional \$212,500 in regard to the Primm judgment against Mr. Wong. The Company believes that Mr. Wong was not obligated to pay any sums pursuant to his guarantees with regard to the Christianson and Primm judgments against Newgold and, as a result, Mr. Wong should not have any recourse against the Company for reimbursement. Should Mr. Wong seek to assert these judgments against the Company, the Company cannot predict the outcome of any such action or the amount of expenses that would be ultimately incurred in defending any such claims. The Company is currently negotiating a settlement with Mr. Wong; however there is no assurance that an acceptable settlement will be consummated.

The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate dispositions of these matters will not have a material adverse effect on the Company's financial position, results or operations or liquidity.

NOTE 9 - SHAREHOLDERS' DEFICIT

The following common stock transactions occurred during the period from January 1, 1995 to January 31, 2005:

Common Stock

In January 1996 3,800,000 shares were issued for the purchase of rights to the Washington Gulch property. The site was acquired from a former officer of the Company. The property consists of a mill site located in Montana. The value of the common stock issued on the property was recorded at the cash value of the net monetary assets received which amounted to \$181,000.

In June, 1996 the Company exchanged several "net profits interests" for shares of common stock of the Company. A net profit interest is a royalty based on the profit remaining after recapture of certain operating, capital and other costs as defined by agreement. Net profits interests sold for \$442,037 were repurchased for 1,431,642 shares of common stock.

In October 1996 the Company issued 1,000,000 shares, valued at \$1 per share, to Casmyn Corp. as partial consideration for the repurchase of their 50% interest in the Relief Canyon Mine.

In November 1996, the Company sold 100,000 shares in exchange for \$100,000 in cash to Repadre Capital Corporation.

In November 1996, Newgold, Inc. of Nevada (Old Newgold) was merged into Warehouse Auto Centers, Inc. (WAC), a public company, which had previously filed an involuntary petition under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Western District of New York. Pursuant to the plan of reorganization and merger (the Plan), (i) WAC which was the surviving corporation for legal purposes, changed its name to Newgold, Inc. (the Company), (ii) the outstanding shares of Old Newgold were converted into the right to receive an aggregate of 12,000,000 shares or approximately 69% of the post merger outstanding common stock of the Company, (iii) each outstanding share of WAC was

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converted into the right to receive 1/65 share of the common stock of the Company, for an

F-22

aggregate of 51,034 shares or less than 1% of the post merger outstanding common stock, (iv) unsecured trade debts and other unsecured pre-petition liabilities were paid in full via the issuance of one share of the Company's stock for each \$42 of debt, for an aggregate of 63,374 shares or less than 1% of the post merger outstanding common stock, and (v) post petition 1 share of stock for each \$1 of debt, for an aggregate of 191,301 shares or approximately 1% of the post merger outstanding common stock. The Plan also required an amendment to the Company's capital structure to increase the number of shares authorized to 50,000,000 and to reduce the corresponding par value to \$.001.

In connection with the Plan, the Company raised \$4,707,000 of cash through the issuance of convertible debtor certificates. Shortly after confirmation of the Plan, the debtor certificates were exchanged for 5,135,130 shares of common stock (including 428,130 shares issued in lieu of paying cash for underwriter's fees) of the Company representing approximately 29% of the post merger outstanding common stock.

In the bankruptcy reorganization of WAC, all creditors were issued stock in settlement of accounts payable. During fiscal 1998 post petition creditors had the option of receiving cash in lieu of stock. Five creditors returned 25,242 shares to the Company, resulting in a charge to stockholders' deficit of \$25,242.

In May 1997, the Company issued 12,500 shares to a note holder in payment of a \$5,000 note, which had originally been issued in exchange for an agreement to defer filing a judgment for collection of the \$200,000 note.

The Company's stock was approved by NASD for trading on July 7, 1997. On May 27, 1997, the investors in the WAC bankruptcy reorganization, which had been approved by the court on November 21, 1996, were issued a ten-percent bonus of 470,700 shares for the delay in trading. An additional 42,814 shares issued to the investment bankers for a total of 513,514 shares. A total of \$205,000 was credited to stockholders' deficit for the transaction.

In October 1997 Repadre Capital Corp. exercised warrants to purchase 200,000 shares 1997 at \$1.00 per share.

The employment contract for the corporate counsel stipulated the Company would pay the rent for a law office. In March 1998, the Company issued 15,000 shares in lieu of cash for six months rent. General and administrative expense was charged \$6,000 for the rent. The corporate counsel's office was subsequently relocated to the Company's headquarters.

In April 1998, the Company closed a Regulation S offering for 5,480,000 shares to raise \$548,000 at \$.10 per share. In connection with this offering 136,977 shares were issued as commission to brokers.

As an alternative to gold mining, the Board of Directors approved an exploration program for a calcium bentonite mine located in southern California. In payment of a purchase option on the mine, the Company issued 150,000 shares of stock to the mine owner in May 1998. The Company charged \$55,500 to exploration expense for the option. After completing the due diligence on the mine property, the Company abandoned development of the mine in August 1998.

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F-23

On June 8, 1999 the Board of Directors approved a three-for-two stock split, effected in the form of a 50% stock dividend, payable to stockholders of record on June 10, 1999.

In January 2000 the Board of Directors, agreed that various creditors of the Company would settle their debt through conversion of the debt into equity by issuing stock at a price of \$0.40 per share. In total, \$1,282,271 of debt was converted into 3,205,674 shares of stock. \$477,977 or 1,194,943 shares were for amounts owed to the Chairman of the Company; \$328,733 or 821,833 shares were for amounts owed to two directors and \$475,561 or 1,188,898 shares were for amounts owed to other shareholders.

In February 2000, the Company closed a private placement offering of 1,196,000 shares to raise \$598,000 at \$.50 per share. Additionally, a warrant was issued with each share to purchase an additional share of common stock at \$1 per share. The warrants expired four years from the original date of closing. In connection with this offering \$60,000 were paid as commission to brokers in the form of 120,000 shares of common stock and were accounted for as offering costs. Due to the registration of the shares not being completed, as a penalty the Company issued an additional 239,200 to the investors in August 2000.

In April 2000, the Company issued 78,271 shares of common stock in exchange for services related to an Internet interview and broadcast with the Chairman and Chief Executive Officer of the Company..

In April 2000, a \$200,000 note payable and a \$250,000 judgment payable were settled and paid off in full by a shareholder of the company. The total balances due including interest and legal fees had grown to approximately \$650,000 at the time of settlement. The shareholder has received an additional 1,000,000 shares of stock as reimbursement for the payment of these amounts on behalf of the Company.

In October 2000 the Company issued 600,000 shares of common stock to an investor for \$67,000.

In February 2001 the Company issued 2,500,000 shares of common stock to an investor for \$150,000.

In January 2003 warrants to purchase 550,000 shares of common stock were exercised at a price of \$0.10 per share. The original exercise price was \$1.00 however the investors and the Company renegotiated the exercise price to \$0.10 per share.

In February 2003 warrants to purchase 200,000 shares of common stock were exercised at a price of \$0.10 per share. The original exercise price was \$1.00 however the investor and the Company renegotiated the exercise price to \$0.10 per share.

In January 2005 the Company issued 671,667 shares of commons stock at a price of \$0.15 per share to four investors for total proceeds of \$100,750. Additionally, 671,667 warrants to purchase common stock at a price of \$0.30 per share were issued to the investors. The warrants expire three years from the date of issuance.

Warrants

F-24

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The Company has issued common stock warrants to two officers of the Company as part of certain financing transactions (see Note 6). Newgold has also issued warrants as part of the issuance of common stock (see this Note 8).

The fair market value of these warrants issued during the years ended January 31, 2005 and 2004 was determined to be \$1,176,766 and \$63,919, respectively, and was calculated under the Black-Scholes option pricing model with the following assumptions used:

| | 2005 | 2004 |
|-------------------------|------------|---------|
| | ----- | ----- |
| Expected life | 5 years | 5 years |
| Risk free interest rate | 3.3%-3.71% | 3.16% |
| Volatility | 348% | 400% |
| Expected dividend yield | None | None |

The fair value of these warrants is being amortized to interest expense over one year, the original life of the loans. Total amortization expense for the years ended January 31, 2005 and 2004 and the period from January 1, 1995 to January 31, 2005 was approximately \$443,682, \$22,800, and \$496,615, respectively.

The following table presents warrant activity through January 31, 2005:

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| | Number of Shares | Weighted Average Exercise Price |
|---|------------------|------------------------------------|
| Outstanding at January 31, 2000 | - | \$ - |
| Granted | 3,746,000 | 0.55 |
| Exercised | - | - |
| Canceled or expired | - | - |
| ----- | | |
| Outstanding at January 31, 2001 and 2002 | 3,746,000 | 0.55 |
| Granted | 452,463 | 0.15 |
| Exercised | (550,000) | (0.10) |
| Canceled or expired | - | - |
| ----- | | |
| Outstanding at January 31, 2003 | 3,648,463 | 0.43 |
| Granted | 1,265,766 | 0.15 |
| Exercised | (200,000) | (0.10) |
| Canceled or expired | (996,000) | (1.00) |
| ----- | | |
| Outstanding at January 31, 2004 | 3,718,229 | 0.15 |
| Granted | 8,006,354 | 0.16 |
| Exercised | - | - |
| Canceled or expired | - | - |
| ----- | | |
| Outstanding at January 31, 2005 | 11,724,583 | \$ 0.16 |
| ===== | | |
| Exercisable at January 31, 2005 | 11,724,583 | \$ 0.16 |
| ----- | | |
| Weighted average remaining contractual term | 47 months | |

NOTE 10 - INCOME TAXES

As of January 31, 2005, the Company had net operating loss carry-forwards of approximately \$10,263,063 available to reduce future Federal taxable income which, if not used, will expire at various dates through January 31, 2025. Due to changes in the ownership of the Company, the utilization of these loss carry-forwards may be subject to substantial annual limitations. Deferred tax assets (liabilities) are comprised of the following at January 31, 2005:

| | |
|-----------------------------------|--------------|
| Deferred Tax Assets | |
| Net Operating Loss Carry-forwards | \$ 4,396,555 |
| Accrued Interest Payable | 178,633 |
| Accrued Payroll Tax | 139,586 |
| Accrued Payroll | 2,843 |
| Amortization Diff Book/Tax | 212,890 |
| Accrued Accounts Payable | 88,250 |
| Capital Loss Difference | 120,416 |
| Other | 272 |
| Less valuation allowance | (4,778,925) |
| ----- | |
| Total Deferred Tax Assets | 360,520 |
| ----- | |
| Deferred Tax Liability | |
| State Taxes | (360,520) |
| ----- | |
| Total Deferred Tax Liabilities | (360,520) |

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NET DEFERRED TAX ASSETS

 \$ -
 =====

F-26

The net change in the total valuation allowance for the year ended January 31, 2005 was \$174,971. The valuation allowance is provided to reduce the deferred tax asset to a level which, more likely than not, will be realized.

The expected Federal income tax benefit, computed based on the Company's pre-tax losses at January 31, 2005 and the statutory Federal income tax rate, is reconciled to the actual tax benefit reflected in the accompanying financial statements as follows:

| | |
|---|------------|
| Expected tax benefit at statutory rates | \$ 283,437 |
| Decrease resulting from valuation allowance for benefits from net operating loss carry-forwards and other | (283,437) |
| | ----- |
| TOTAL | \$ - |
| | ===== |

Previous to June 21, 1996, the stockholder of the Company elected under Internal Revenue Code Section 1362 to have the Company taxed as an S Corporation. As such, all Federal and substantially all State income tax attributes passed through the Company directly to the stockholder until that date.

NOTE 11 - RELATED PARTY TRANSACTIONS

Loans from officers

 During the year ended January 31, 2005, the Chief Executive Officer and Chairman of the Company, loaned the Company an aggregate of \$41,797 and was repaid \$21,953. As of January 31, 2005 the net principal balance owing to him was \$1,422,587 and accrued interest payable was \$446,193. See Note 6.

During the year ended January 31, 2005, the Chief Financial Officer and Secretary of the Company, loaned the Company an aggregate of \$209,251. As of January 31, 2005 the net principal balance owing to him was \$209,251 and accrued interest payable was \$5,720. See Note 5.

Accrued Payroll and Expenses Owed to Officers

 As of January 31, 2005 the Company owed the Chief Financial Officer and Secretary of the Company \$93,500 for back wages and \$6,000 for accrued expenses.

NOTE 12 - SUBSEQUENT EVENTS

In February 2005 the Company issued 500,000 shares of common stock at a price of \$0.15 per share to an investor for total proceeds of \$75,000. Additionally, 500,000 warrants to purchase common stock at a price of \$0.30 per share were issued to the investor. The warrants expire three years from the date of issuance.

On March 29, 2005 a Special Meeting of Shareholders of the Company was held for the purpose of amending the Articles of Incorporation to affect an increase in the authorized shares of common stock issuable to 250,000,000

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shares. At the meeting the proposal was approved by the shareholders, with a total of 31,392,611 shares voting in favor of the amendment, 411,711 voting against the amendment and 10,207 shares abstained from voting.

F-27

On May 18, 2004 Paul Ngoyi filed a petition for involuntary bankruptcy against Newgold (Case No. BK-N-0451511). Mr. Ngoyi claims to be the holder of both the Christiansen and Primm judgments against Newgold and is claiming that Newgold cannot pay such judgments because it is insolvent. Newgold maintains that Mr. Ngoyi's claims are invalid as the two judgments were previously satisfied and that Newgold is not insolvent. A pre-trial hearing was held on April 4, 2005 at which time Newgold prevailed in having Mr. Ngoyi's petition dismissed. An order of dismissal is expected to be issued shortly.

F-28

PART III

ITEM 13. EXHIBITS

| | |
|-----------------|---|
| Exhibit 2.1(4) | Plan of Reorganization and Merger Agreement, dated as of July 23, 1999, between the Registrant and Business Web, Inc. |
| Exhibit 2.2(6) | First Amendment to Plan of Reorganization and Merger Agreement, dated as of October 31, 1999, between the Registrant and Business Web, Inc. |
| Exhibit 2.3(7) | Termination Agreement, dated as of December 27, 1999, between the Registrant and Business Web, Inc. |
| Exhibit 3.1(2) | Certificate of Incorporation of the Registrant. |
| Exhibit 3.2(1) | Certificate of Amendment to Certificate of Incorporation of the Registrant. |
| Exhibit 3.3(2) | Bylaws of the Registrant. |
| Exhibit 10.1(3) | Promissory Note between Newgold and A. Scott Dockter, dated April 2, 1997, for the principal amount of \$100,000. |
| Exhibit 10.2(3) | Promissory Note between Newgold and A. Scott Dockter, dated April 17, 1997, for the principal amount of \$50,000. |
| Exhibit 10.3(3) | Promissory Note between Newgold and A. Scott Dockter, dated April 30, 1997, for the principal amount of \$20,000. |
| Exhibit 10.4(3) | Promissory Note between Newgold and A. Scott Dockter, dated May 30, 1997, for the principal amount of \$35,000 |
| Exhibit 10.5(5) | Promissory Note between Newgold and A. Scott Dockter, dated December 24, 1998, for the principal amount of \$24,000. |
| Exhibit 10.6(7) | Warrant to Purchase shares of Common Stock of Business Web, Inc. |
| Exhibit 14(7) | Code of Business Conduct and Ethics. |
| Exhibit 31.1* | Certification by CEO pursuant to Sections 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 31.2* | Certification by CFO pursuant to Sections 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32* | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

-
- (1) Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended January 31, 1996 filed with the omission on January 22, 1997.
 - (2) Incorporated by reference to the Registrant's Registration Statement on Form SB-2 (File No. 33-49920) filed with the Commission on October 14, 1993.
 - (3) Incorporated by reference to Registrant's Annual Report on Form 10-KSB for the fiscal year ended January 31, 1997 filed with the Commission on June 30, 1997.
 - (4) Incorporated by reference to Registrant's Annual Report on Form 10-KSB for the fiscal year ended January 31, 1999 filed with the Commission on October 1, 1999.
 - (5) Incorporated by reference to Registrant's First Amendment to Annual Report on Form 10-KSB for the fiscal year ended January 31, 1999, filed with the Commission on October 20, 1999.
 - (6) Incorporated by reference to Registrant's Form 8-K filed with the Commission on November 2, 1999. (7) Incorporated by reference to Registrant's Annual Report on Form 10-KSB for the fiscal year ended January 31, 2000 filed with the Commission on May 17, 2000.

* Exhibits filed with this Amendment No. 1 to Form 10-KSB/A for the fiscal

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year end of January 31, 2005.

10

SIGNATURES

In accordance with Section 13 or 15 (d) of the Exchange Act, the registrant caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEWGOLD, INC.

Date: June 2, 2006

By: /s/ A. SCOTT DOCKTER

A. Scott Dockter
President and Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| SIGNATURE | TITLE | DATE |
|---|--|--------------|
| /s/ A. SCOTT DOCKTER ----- A. Scott Dockter | Chairman of the Board and President | June 2, 2006 |
| /s/ JAMES W. KLUBER ----- James W. Kluber | Director, Secretary and Chief Financial Officer (Principal Financial and Accounting Officer) | June 2, 2006 |

