The referendum results show that the New Gold shares currently held by UFN will need to be distributed to UFN members either as cash or as shares. To facilitate this process, the follow steps are recommended.

Step 1. UFN will need to contact each community member and draw up three lists. List 1 would be those people who are 19 years or older and wish to have the cash value of their shares as soon as possible. List 2 would be those who are 19 years or older and wish to keep their portion of the shares for future sale. List 3 would be those members who are less than 19 years of age and considered minors. All lists would be in force from the date of the referendum. Step 1 can only be completed internally by UFN as each member will need to be contacted.

Step 2. Establish a brokerage account to manage the sale of shares. The shares would remain in the name of UFN (at least initially) and direction would be given to manage the sale of the shares for those people on List 1 – those who wish to have their cash as soon as possible. These shares would be sold over a period of weeks to optimize their value. As we have discussed previously, all the shares cannot be sold at one time due to volume of sales and the negative impact on price of selling too many shares at the same time. My best guess is that it would take approximately 2 weeks to set up the brokerage, associated bank account and other forms. We should plan on an additional month (minimum) to sell the shares for people who wish to take their cash right away. Consider this example of what this might look like with approximate numbers.

A. Total number of New Gold Shares – 1.5 million
B. Total number of community members – 1,000 (number to be verified)
C. Shares available per community member – A/B = 1500 shares Approximately
D. Number of community members choosing to take cash value of shares as soon as possible - 600
E. Shares to be sold by end of June 2021 – C x D = 900,000
F. Average sales value - $2.20 per share
G. Total sales value of shares sold – E x F = $1,980,000
H. Brokerage commission - 2%
I. Banking and distribution fees - 2%
J. Net value after fees – (100 – H – I) x G = $1,900,800
K. Net value per participating member – J/D = $3,168
L. Cost of fees per participating member – (G – J)/D = $132

Share prices are constantly changing, values indicated in this document are for an example only.

Current Share prices can be found at https://www.google.com/finance/quote/NGD:TSE?sa=X&ved=2ahUKEwjWieHssqX0AhVtJzQIHY8cCHUQ3ecFegQIDxAc

While these are not the exact numbers, my expectation is that each member who choses to have their portion of the shares sold as soon as possible should expect approximately $3000. This money would be delivered to all members choosing this method at the same time. In other words, no member would receive money before all the designated shares are sold. This would avoid any favouritism with respect to who gets money first.

Doggett can help set up the brokerage account and would recommend a new bank account be set up specifically for the transfer of funds back to UFN for distribution. UFN can decide how to manage the distribution of funds as I presume there is a system in place for payments to members – both at the community and living elsewhere.

Doggett and Stephan will discuss with the UFN auditor (Lynn) any possible tax implications for UFN and individual members. Our focus is to determine under which (if any) circumstances UFN is responsible for holding back a portion of the payment for tax purposes. If applicable, this would most likely be the case for those members living offsite.

Note that the fees paid are estimates at this time. I wanted to show the fees per member because I know that question will arise. My main comment here is that these fees will be a lot less per member under this scenario than for any member who wishes to set up their own brokerage account and sell a much smaller number of shares.

Step 3. Following the sales of the first group of shares as described above we can turn our attention to the List 2 – people who want to keep their portion of the shares for future sales. When the list is created, we should let them know that basically nothing will happen with their portion of the shares for the first couple of months as we deal with the shares that must be sold more immediately. This should not be a problem as the members on this list have chosen to keep their shares so they should not be concerned about keeping them for a couple of months.

I see two ways of handling the shares for members on List 2. The first is that each member on the list is given the choice to keep their portion of the remaining shares (1,500) with the existing brokerage account to be sold at their direction. Under this scenario, the individual member would contact UFN office and provide written notification that they would like to sell their 1,500 shares. This would be done under the existing brokerage account, fees would be deducted, and the net value would be distributed to each member. The option should be to sell all of the shares for each person (1,500) at one time rather having to manage the sale of smaller portions at various times. The advantage of this approach is that the members could hold and sell their portion of the shares at any time without the trouble and expense of receiving a split off portion of the shares in their own name and establishing their own brokerage account and paying higher fees for small transactions. The only downside that I can see to this approach is that members might wish to remain more anonymous as to when they sell their shares.

The second approach is to take the portion of the shares related to List 2 and allow these shares to be reissued in the name of individual members on the list. If 200 members are on List 2 and 50 of them decide to go this route, then their portion of shares could be split into individual share certificates of 1,500 shares under the name of each of the individual 50 members. Under this scenario, each member would be required to provide the necessary information – bank account, address, etc – and cover the cost of having the shares reissued in their name. They would then be individually responsible for arranging the safe keeping and eventual sale of the share certificates.

I would expect that most people would choose the easier and less costly method of keeping and selling their shares through the UFN brokerage account at the time of their choosing. Once List 2 is set up, perhaps there could be an annual reminder sent to those people who keep their shares in the UFN brokerage account that the shares are still there and have a value of $X at the time of the notice.

Step 4. List 3 would be for community members of less than 19 years old (minors). Two key issues to consider for minors. First, what is the process of notifying members when they turn 19 that they are entitled to the value of their portion of the New Gold Shares. Presumably, when a member turns 19 he/she is due other benefits so the share notification could happen in conjunction with the set up of other benefits. The second issue is one related to the large gap in ages for the List 3 minors. In my experience, most mining companies are merged or acquired which often leads to the forced sale of shares in the company being acquired. The younger the minors on List 3, the greater chance that New Gold shares no longer exist when they reach 19 years of age. Under these circumstances, the proceeds would need to be invested in a secure investment vehicle such as a GIC until they turn 19.

Births and Deaths

With the referendum date being set as the cut-off for participation in the existing New Gold shares, the following conditions would apply:

1. Any minors born after the date of the referendum are not eligible for a share of the existing New Gold shares.

2. If a person (over 19) dies before receiving shares or proceeds, then the shares/proceeds would be paid to their estate.

3. If a minor dies, their shares should be sold and the proceeds paid to their beneficiaries under an intestacy.