

January 12, 2015

Al Hoffman, Chief Inspector
c/o Heather Narynski and/or George Warnock
Ministry of Energy and Mines
6th Floor, 1810 Blanshard St
Victoria, BC V8W 9N3

Dear Mr. Hoffman:

Re: Afton TSF – CDA Classification Review

KGHM Ajax Mining Inc. retained Knight Peisold to review and define appropriate dam classifications for the Afton Tailings Storage Facility (TSF) East and West Dams. The facility has been in care and maintenance since 1997 and is planned to be reclaimed in the near future. In 2011, New Gold began operation of the New Afton underground mine to the East of the Afton TSF.

The Dam break inundation study completed in December 2014 shows potential impacts to the New Gold operations should the East Dam fail. However, due to the condition of the facility and a large historic Mine Rock Storage Facility buttress, the probability of failure is highly unlikely. As a result of the New Gold operation, Knight Peisold recommends that the dam classification rating for the East Dam be altered during the period of time New Gold is operating, to a 'Very High' classification. Post closure of the New Afton mine, it is recommended that the classification be reduced to 'Significant'. The West Dam classification of 'Extreme' is recommended to remain the same. Further details are attached in the memo provided.

Please do not hesitate to contact me if you have any questions regarding the operation, maintenance and monitoring of our tailings facilities.

Sincerely,



Kate Parsons, P.Eng.
Environmental Manager, KGHM Ajax Mining Inc.

Encl:

- 1) Memorandum, December 12, 2014, Knight Peisold, Afton TSF – CDA Classification Review.