About New Gold

We are an intermediate gold mining company, with four producing mines and two significant development projects on three continents. In 2012, we produced approximately 412,000 ounces of gold.

Everywhere we operate, we are a significant participant in the local communities and a major economic contributor. We understand that our success and prosperity depend on our ability to earn the welcome of our host communities and regions – a welcome that comes from our demonstrated respect for local culture, care and concern for the environment, and support for the long-term economic well-being of local communities.

We are committed to contributing to sustainable development wherever we operate by acting ethically and with integrity, and by taking responsibility for the impacts of our decisions and actions on communities and the environment. We consistently apply this approach through the mine life cycle, from early exploration, development, and operation, to decommissioning and mine closure.

Table of Contents

1 Message from the President and CEO
2 New Gold Properties
4 Corporate Social Responsibility at New Gold
6 Growing Our People
12 Growing Our Communities
18 Caring for Our Environment
Message from the President and CEO

Growing Responsibly
Responsible development is a philosophy that extends throughout our Company, and guides every decision we make. We are measured by our ability to safeguard the health, safety and welfare of our people. We respect the cultures and values of our host communities, while assisting with the development of sustainable local economies. We are responsible for environmental stewardship over the air, land and water throughout the life cycle of each site, and for reclaiming mined land so that it may be used and enjoyed once mining is complete.

We are committed to disclosing our achievements as well as our challenges and remain committed to the United Nations Global Compact's principles on human rights, labour standards, the environment and anti-corruption.

Our People
Our primary responsibility is always to our people. We are committed to promoting their welfare, developing their careers and protecting their health and safety. I am pleased to report that once again there were no fatalities at any of our operations and that across the Company, our Lost-Time Injury Frequency Rate decreased by approximately 23% and was 66% lower than the average rate for those jurisdictions in which we operate. Our 2012 achievements are attributable to the commitment of our workers and contractors and the introduction of a new Health and Safety Management System.

In 2012, we launched a cross-company, values-based leadership program, designed to develop principled leaders and decision-makers in various levels of the organization. The program continues through 2013.

Our Communities
At New Afton, where we successfully transitioned to an operating mine ahead of schedule in 2012, our Participation Agreement with the Tk'emlúps and Skeetchestn Bands moved into its next phase: New Gold made its first production royalty payments to the bands. The Participation Agreement's effects can be seen throughout the region, where local First Nations businesses provide the mine with a broad range of support services, from construction to catering.

At Blackwater, we finalized two Exploration Agreements, and initiated discussion on a Participation Agreement for the construction, operation and closure phases of the project. Aboriginal people make up over 20% of the Blackwater workforce, very close to New Afton's percentage. Throughout the region, we support economic growth by engaging local suppliers and services. Our efforts at Blackwater and New Afton were recognized with a number of awards, including the British Columbia Mining & Sustainability Award, the Corporate Champion for Aboriginal Business Award, and the Developer of the Year Award.

Outside of British Columbia, our largest community development efforts were at Cerro San Pedro, where we made great strides on a Sustainable Development Program – a strategy for business development and social planning to ensure a sustainable community beyond the life of the mine.

Caring for Our Environment
At New Gold we continually seek new strategies for enhancing our environmental performance, including programs to improve energy efficiency, reduce our carbon footprint and minimize our use of water and other resources. For example, at New Afton, we installed an innovative "smart" Energy Management System.

We made progress toward certifying all our cyanide-using mines to the International Cyanide Management Code. In 2012, Mesquite was fully certified, and we expect Cerro San Pedro and Peak Mines to be fully certified or in substantial compliance by the end of 2013.

No major environmental incidents were reported at any site. At Peak Mines, the New South Wales Environmental Protection Authority investigated a minor tailings spill into a controlled area that occurred in 2011. The spill occurred during renovations to the tailings storage facility. The spill was reported and mitigated, and this will result in a proceeding penalty for an as yet undefined amount.

We continue with progressive reclamation and revegetation activities, including the rehabilitation of historic mining areas for which we have assumed responsibility. After mining activities are complete, our objective is to restore the land to an adequate level of productivity supportive of sustainable land use.

Looking Ahead
For 2013 and beyond, we have set a number of objectives for safety, community engagement and development, and environmental performance.

New Gold management will begin developing an Environmental Management System and a Community Engagement and Development Management System, which will set internal standards with clear, measurable objectives.

Everyone at New Gold has contributed to our efforts in health, safety, environmental stewardship and socio-economic sustainability, and I extend my gratitude to them. I look forward to continuously improving our policies, procedures and performance over the years to come.

Robert Gallagher
President and CEO, New Gold Inc.
New Gold Properties

New Gold operates four producing mines and one major development project. A second development project is operated by a joint development partner. In 2012, our mines produced a total of 411,892 ounces of gold, a 6% increase from 387,155 ounces in 2011.

<table>
<thead>
<tr>
<th>Corporate Offices</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>• 44 employees, 6 contractors</td>
<td>Named one of the “Top Ten Most Sustainable Canadian Mining Companies” Corporate Knights</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Afton</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Operation</strong> (in production since June 2012)</td>
<td>2012 Mining &amp; Sustainability Award, Mining Association of British Columbia and BC Ministry of Energy, Mines and Natural Gas</td>
</tr>
<tr>
<td>• 100% New Gold</td>
<td>2012 Corporate Champion for Aboriginal Business award, Industry Council for Aboriginal Business</td>
</tr>
<tr>
<td>• West of Kamloops, British Columbia (BC), Canada</td>
<td>Viola R. MacMillan Award for excellence in mine development, Prospectors and Developers Association of Canada</td>
</tr>
<tr>
<td>• 469 employees, 29 contractors</td>
<td></td>
</tr>
<tr>
<td>• Underground copper, gold and silver mine</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Mesquite</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Operation</strong> (in production since 2008)</td>
<td>Fully certified under the International Cyanide Management Code</td>
</tr>
<tr>
<td>• 100% New Gold</td>
<td></td>
</tr>
<tr>
<td>• Imperial County, California, USA</td>
<td></td>
</tr>
<tr>
<td>• 274 employees, 5 contractors</td>
<td></td>
</tr>
<tr>
<td>• Open pit, run-of-mine, heap leach gold mine</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Cerro San Pedro</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Operation</strong> (in production since 2007)</td>
<td>“Socially Responsible Company” for the third consecutive year, Mexican Center for Philanthropy</td>
</tr>
<tr>
<td>• 100% New Gold</td>
<td>Recognized by the Ministry of Labour with the nation’s highest safety designation: Empresa Segura (Safe Company)</td>
</tr>
<tr>
<td>• Cerro de San Pedro, Mexico</td>
<td></td>
</tr>
<tr>
<td>• 489 employees, 39 contractors</td>
<td></td>
</tr>
<tr>
<td>• Open pit, run-of-mine, heap leach gold and silver mine</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Peak Mines</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>• <strong>Operation</strong> (in production since 1992)</td>
<td>“Highly Commended” for Environmental Achievement at the Shire of Cobar Business Awards</td>
</tr>
<tr>
<td>• 100% New Gold</td>
<td></td>
</tr>
<tr>
<td>• Shire of Cobar, New South Wales, Australia</td>
<td></td>
</tr>
<tr>
<td>• 320 employees, 19 contractors</td>
<td></td>
</tr>
<tr>
<td>• Underground gold and copper mine</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Blackwater</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Exploration/Development Project</strong></td>
<td>Named “Developer of the Year” and one of the “Province’s most caring” by BC Natural Resource Forum</td>
</tr>
<tr>
<td>• 100% New Gold</td>
<td></td>
</tr>
<tr>
<td>• Southwest of Vanderhoof, BC, Canada</td>
<td></td>
</tr>
<tr>
<td>• 114 employees, 30 contractors</td>
<td></td>
</tr>
<tr>
<td>• Potential open pit, gold and silver mine</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>El Morro</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Development Project</strong></td>
<td>For CSR information regarding El Morro, see <a href="http://csr.goldcorp.com">http://csr.goldcorp.com</a></td>
</tr>
<tr>
<td>• 30% New Gold, 70% Goldcorp Inc. (operator)</td>
<td></td>
</tr>
<tr>
<td>• East of Vallenar, Northern Chile</td>
<td></td>
</tr>
<tr>
<td>• Potential open pit copper and gold mine</td>
<td></td>
</tr>
</tbody>
</table>
New Gold Values

We are a company with a strong set of values and we use these values to guide everything we do.

INTEGRITY
Do what’s right
• Ensure safety in all we do
• Be honest, trustworthy and ethical
• Demonstrate environmental and stakeholder responsibility

CREATIVITY
Lead with innovation
• Seek continuous improvement
• Implement positive change
• Encourage creative thinking
• Be bold – think outside of the box

COMMITMENT
Deliver
• Do what you say you are going to do
• Be accountable, take personal responsibility
• Agree on goals and measure results
• Be persistent in the pursuit of our goals

EMPLOYEE DEVELOPMENT
Commit to personal development
• Ensure a development plan for everyone
• Provide access to relevant training
• Maintain regular constructive dialogue on job performance and development

TEAMWORK
Leverage our collective skills
• Recognize that the whole is greater than the sum of its parts
• Work to common goals
• Maintain trust
• Respect one another
• Leverage individual contributions
Our social responsibility strategy includes commitments to excellence in the management of health, safety, environment, labour practices and community engagement and development through the mine life cycle, from early exploration, development, and operation, to decommissioning and mine closure.

Our directors and senior managers support philanthropic and charitable organizations using their personal resources, and New Gold contributes to all of our host communities through donations and sponsorships to support education, health and wellness, economic diversification, job creation and food security initiatives.

The New Gold Health, Safety, Environment and Corporate Social Responsibility (HSE & CSR) Policy describes our high-level commitments in these areas and is available at www.newgold.com.

Our 15 Health, Safety, Environment and Corporate Social Responsibility Guiding Principles provide a framework for the application of the HSE & CSR Policy and provide clear direction for developing and applying the Company’s HSE & CSR Management Systems at all levels. These systems are intended to provide clear and consistent corporate guidance to sites in relation to the implementation of the HSE & CSR Policy.

In 2012, we were identified as one of the Top Ten Most Sustainable Canadian Mining Companies by Corporate Knights, a Canadian organization which aims to demonstrate how markets can promote social and ecological sustainability.

### Scorecard 1: Corporate Performance

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Target 2012</th>
<th>Performance 2012</th>
<th>Target 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
<td>Report on local economic impacts.</td>
<td>✓ This report includes a discussion of economic impacts in the Growing Our Communities section.</td>
<td>Economic target for 2013 is defined under Local Economic Impacts.</td>
</tr>
<tr>
<td><strong>Policy</strong></td>
<td>Advance in our commitment to the UN Global Compact by developing a human rights policy.</td>
<td>✓ New Gold’s Human Rights and Anti-Corruption Policy was established.</td>
<td>No target defined.</td>
</tr>
<tr>
<td><strong>Standards and Guidelines</strong></td>
<td>Advance New Gold toward alignment to ISO 26000.</td>
<td>✓ In 2012 we initiated an awareness building program with all sites and a gap analysis at the corporate level.</td>
<td>Develop the New Gold Environmental Management System and the Community Engagement and Development Management System in alignment with ISO 14001, ISO 26000 and Towards Sustainable Mining, and initiate implementation of priority elements.</td>
</tr>
</tbody>
</table>

![Great Basin spadefoot toad at New Afton.](image1)

![Mine maintenance mechanics at Mesquite.](image2)
Health, Safety, Environment and Corporate Social Responsibility (HSE & CSR) Policy

Summary of Commitments

Health and Safety
We are committed to promoting and protecting the welfare of our employees through safety-first work practices and providing a healthy workplace. We are committed to leading industry practices and systems in health and safety.

Labour Practices
We are committed to upholding fair employment practices and encouraging a diverse workforce, where people are treated with respect and are supported to realize their full potential.

Community Engagement and Development
We are committed to establishing relationships based on mutual benefit and active engagement with our host communities to contribute to their health and well-being and sustainable development.

Environment
We are committed to preserving the long-term health and viability of the natural environments affected by our operations.

Human Rights and Ethics
As a signatory to the United Nations Global Compact, and in observation of the Voluntary Principles on Security and Human Rights, New Gold is committed to reflecting the Compact’s ten principles relating to human rights, labour, environment and anti-corruption in all of our business operations. In 2012, we adopted our first Human Rights and Anti-Corruption Policy.

Our Code of Business Conduct and Ethics outlines the principles under which we conduct our business. All employees of New Gold and its subsidiaries must review the Code and confirm compliance on an annual basis. Our corporate Whistleblower Policy provides a confidential address, phone number and email address that any employee can use to communicate a concern or complaint with the assurance that there will be a timely response with no retribution or negative consequences.

The Human Rights and Anti-Corruption Policy, the Code of Business Conduct and Ethics and the Whistleblower Policy are available on our website at www.newgold.com.

Compliance with Laws and Regulations
In 2012, there were no instances of significant fines or non-monetary sanctions for non-compliance with laws and regulations. We have not had any legal actions against the Company for anti-competitive behaviour.

At Cerrro San Pedro, the Ejido (communally owned lands) Cerrro de San Pedro filed a request to local agrarian authorities to revoke the temporary occupation agreement for the mine’s use of surface land. After successful negotiations, a new agreement has been signed and the Ejido has withdrawn the request and the case has been closed.

The 15 HSE & CSR Guiding Principles

1. Leadership and accountability
2. Requirements, commitments and document control
3. Risk and change management
4. Planning and measurable goals
5. Awareness, competence and behaviour
6. Health and hygiene
7. Engagement
8. Business conduct, human rights and community
9. Design, construction and commissioning
10. Operations and maintenance
11. Suppliers and contractors
12. Stewardship
13. Incident reporting and investigation
14. Crisis management and emergency response plans
15. Monitoring, audit and review
Growing Our People

New Gold operates in Canada, Mexico, the United States and Australia, and is involved in a joint development project in Chile. Each country and region where New Gold operates is unique, and we strive to respect and support local customs. At the same time, we are rigorous in applying certain universal standards in health and safety, as well as in our human rights and non-discrimination policies.

New Gold’s equal opportunity employment practices are well reflected in its diverse workforce (right: New Afton, below: Mesquite).

Scorecard 2: Health, Safety, Human Rights and Professional Development

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Target 2012</th>
<th>Performance 2012</th>
<th>Target 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Safety</td>
<td>Standardize safety systems across all operations.</td>
<td>A Health and Safety Management System meeting Occupational Health and Safety Assessment Series (OHSAS) 18001 standard and industry best practices was developed, and implementation is ongoing.</td>
<td>Complete the implementation of the Health and Safety Management System standard across all sites.</td>
</tr>
<tr>
<td></td>
<td>Reduce Total Reportable Injury Frequency Rate by 10% year on year.</td>
<td>Total Reportable Injury Frequency Rate was reduced by 6%.</td>
<td>Reduce Lost-Time Injury Frequency Rate by 10% year on year.</td>
</tr>
<tr>
<td></td>
<td>Complete 85% of target lead indicators during the second through the fourth quarters of the year.</td>
<td>85% of all target lead indicators (7) were met or exceeded.</td>
<td>Reduce Total Reportable Injury Frequency Rate by 10% year on year.</td>
</tr>
<tr>
<td>Employment</td>
<td>Implement performance and development plans for 90% of employees.</td>
<td>Performance and development plans were completed for 77% of employees.</td>
<td>Implement performance and development plans for 90% of employees.</td>
</tr>
<tr>
<td>Teamwork</td>
<td>Continue to reinforce the value of teamwork and personal responsibility for safety and productivity.</td>
<td>A leadership development program was launched in 2012 with the first cohort of trainees participating in July 2012.</td>
<td>Complete implementation of leadership training for first line supervisors at our operations.</td>
</tr>
</tbody>
</table>
Health and Safety

Our people are our greatest asset and the core of our success. We depend on skilled, hard-working and empowered employees to contribute to our business. We seek to create a culture in which everyone is motivated to do the right thing in order to keep themselves and their colleagues healthy and injury-free. It is a fundamental principle at New Gold that everyone should return home injury-free after each workday.

In 2012, our Lost-Time Injury Frequency Rate (LTIFR) was down by 23% overall, and down 6% for Total Reportable Injury Frequency Rate (TRIFR). This is, in large part, a result of an initiative under our new Director of Occupational Health and Safety. This initiative is focused on improving lead indicators (injury prevention initiatives such as improvements to training, inspections, safety audits, reporting, etc.).

During 2012, Mesquite showed sustained reductions, quarter by quarter, in both TRIFR (60%) and LTIFR (75%). At New Afton, incident frequency was very low, even though this was the mine’s first year in

CASE STUDY: Cerro San Pedro achieves highest safety recognition

"This is an acknowledgement of our Safety Management System, and of the overall culture of safety that we have created."

– Fernando Velazquez, Health, Safety and Environment Manager, Cerro San Pedro

By nature, mining is a risky enterprise. So when Cerro San Pedro is nationally recognized for its exemplary safety standards, it’s worthy of note. When it happens for three years in a row, it’s even more impressive. In May 2012, the mine was audited again by officials from the Mexican government’s safety program, which is based on international standards such as Occupational Health and Safety Assessment Series (OHSAS) 18001. In June, the Ministry of Labour confirmed that Cerro San Pedro had again achieved Level 3 certification as an Empresa Segura (Safe Company), the highest national standard.

“This is an acknowledgement of our Safety Management System, and of the overall culture of safety that we have created,” said Fernando Velazquez, the Health, Safety and Environment Manager at Cerro San Pedro. “It reassures our employees that their employer is continually improving health and safety standards. And it sends a message to our local communities that there are rigorous health and safety regulations in place.”

New Gold injury frequency rates continue to decline, even as the Company grows.

**Health and Safety Performance**

![Chart](chart.png)

1 Total Reportable Injury Frequency Rate (TRIFR) is the number of injuries per 200,000 hours worked. (Lost-Time Injuries + Medical Treatment Injuries + Restricted Duty Injuries) x 200,000 hours ÷ total hours worked.

2 Lost-Time Injury Frequency Rate (LTIFR) is the number of lost-time injuries per 200,000 hours worked. (Lost-Time Injuries x 200,000 hours) ÷ total hours worked.
Growing Our People

The final construction push at New Afton saw workforce numbers reach an all-time high, and the majority of underground mine workers are new to mining — which are all risk factors. Cerro San Pedro achieved one million hours without a lost-time injury.

In 2012, there were no notable safety citations and fines for infractions were very minor in nature and did not exceed $3,000 across all operations.

Emergency Response

Every New Gold site maintains highly trained and well-equipped emergency response teams, with members from every operational area. All emergency team members receive ongoing training in first aid, evacuation, emergency control and firefighting, as well many other site-specific emergency skills. Teams routinely conduct exercises in a broad range of risk scenarios to maintain a high level of readiness and expertise.

CASE STUDY: Mesquite’s Health and Wellness program takes the holistic view

Mesquite’s Health and Safety Team offers weekly health and wellness checks to operators in the mine, bringing a heightened sense of awareness to employees and their families.

At any gold mine, the subject of Health and Safety might bring to mind heavy equipment and injury prevention. And while that is a serious issue, it’s only one aspect of employee health. Workers at the Mesquite Mine are like people anywhere: their effectiveness on the job is directly related to their overall health and well-being. The mine operates a dedicated Wellness Program, which has been remarkably effective in involving the workforce in lifestyle improvement.

The program runs campaigns encouraging staff to make healthy lifestyle choices. It offers no-cost access to personal trainers and fitness assessments. For desk and workstation staff, task ergonomics are examined. “Biggest Loser” and “Strongest Miner” contests have proven especially popular.

“This program has had a real impact on the overall culture of health and wellness... We’ve had people quit smoking and chewing (tobacco), lose weight and adopt exercise into their everyday life... the feeling of success they gain affects their attitude towards life, work, family – everything.”

— Demetra Johnson,
Health and Safety Coordinator, Mesquite
Labour Practices

In every jurisdiction where we operate, we comply with local labour laws. We also strive to create a culture of inclusivity and acceptance – of race, religion, ethnicity, national origin, gender, age, sexual orientation, citizenship, veteran status, marital status and disability – that begins at the top, and carries through hiring, promotion and worker-to-worker relationships. Our reputation for safety, competitive wages and benefits, opportunities for career advancement, and recognition of employee performance make us an employer of choice, everywhere we operate.

Our commitment to fair and equitable labour practices extends throughout our operations. We adhere to the labour principles of the UN Global Compact and have identified employee development and teamwork as corporate values.

CASE STUDY: Training the next generation in the meaning and objectives of values-based leadership

“In developing ourselves, we develop our business’ is the philosophy behind New Gold’s collaboration on an innovative values-based leadership program.”

– John Marshall, Vice President of Human Resources, New Gold

“In developing ourselves, we develop our business’ is the philosophy behind New Gold’s collaboration with a leading consulting firm and its innovative values-based leadership program. In July 2012, the first cohort of trainees, consisting of superintendents, senior managers and employees with management potential, were launched into the program, which involves a series of intensive workshops. The program requires up to eight months to complete and is intended to create principled leaders and decision-makers.

Through workshops, classroom learning and personal interactions, attendees come to understand the vision and rationale for New Gold’s style of values-based leadership. They improve their communication skills, become skillful at developing and empowering others, and enhance their self-awareness, accountability and business acumen. There are seven cohorts of 14 to 20 participants in the current series of workshops, which are ongoing in 2013.

“This program has given me the opportunity to recognize, reaffirm and live the values that have been part of my life, but that perhaps I forgot or pushed aside at some point,” said Elvia Villegas, Community Relations Coordinator at Cerro San Pedro. “I now recognize that each person around me has something to teach me; it is up to me to be able to learn and put it into practice.”
Training and Development

To help New Gold employees achieve their career objectives, we help them create a performance and professional development plan, with short-term and long-term goals, which is routinely monitored and assessed yearly. We also provide access to training opportunities so employees can build their skills; this includes specialized training for operating personnel and contractors, so that, depending on their job requirements, they can comply with specific standards and safety regulations. Health and safety training is critical in all operations and projects and is reviewed regularly for continuous improvement.

CASE STUDY: Cerro San Pedro workers support colleague through illness

Roberto Rangel (middle) with colleagues at Cerro San Pedro. Roberto has recovered from a kidney transplant and has returned to his original occupation as a truck driver at the mine.

Roberto Rangel’s path to his truck-driving job was not smooth – in fact, if it weren’t for his co-workers and mine management, he might not have it at all. Roberto had a kidney condition that had made working at a mine difficult, yet Cerro San Pedro considered him a solid, reliable worker.

Over time, his illness worsened, and he was moved from one job to another, to accommodate his physical limitations. When, ultimately, a kidney transplant became necessary, the workers of Cerro San Pedro pitched in with time and money. The Company made some funds available for the costly surgery; fundraisers helped cover his bills and volunteers devoted their time to support their colleague.

When eventually he was capable of returning to the job that had been held for him, he was welcomed back to low-stress duties in the plant nursery. His strength grew, and before too long he was judged medically fit and able to get back to what he loves best, driving a truck at the mine.

“This is a tight community, where people help each other in difficult times. The mine strives to do the same, with real support for our workers and their families when illness strikes.”

– Dr. Laura Garcia,
Safety Supervisor, Cerro San Pedro
Growing Our Communities

Our goal is to contribute to increased quality of life and sustainable development within our host communities. To this end, we foster open communication with residents and community leaders, from a project’s earliest development phase through the mine’s life and after closure. We believe that it is important to thoroughly understand the people, their histories and their aspirations, as well as their needs and concerns, so that we can truly engage and help support healthy communities and long-term social, cultural and economic development.

Our economic contributions benefit communities and regions in many forms. There are taxes and royalties, but there is also the impact of the salaries brought home by hundreds of employees and contractors. In addition, whenever it is practical, we strive to source our services and supplies locally. Local communities often benefit from improvements that our operations make to roads, schools, health facilities, power and network infrastructure.

Scorecard 3: Community Engagement and Development

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Target 2012</th>
<th>Performance 2012</th>
<th>Target 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement</td>
<td>Update stakeholder maps¹ of all mine operations. Develop stakeholder map for Blackwater.</td>
<td>All sites created or updated stakeholder maps.</td>
<td>Formalize and implement engagement and communications plan at all sites.</td>
</tr>
<tr>
<td>Feedback and Complaints</td>
<td>Formalize external grievance procedures at New Afton and Mesquite.</td>
<td>Both sites have implemented grievance procedures.</td>
<td>Formalize external grievance procedures at Blackwater project.</td>
</tr>
<tr>
<td>Local Economic Impacts</td>
<td>Develop Cerro San Pedro Sustainable Development Program.</td>
<td>A Community Engagement and Development Manager was hired to develop and manage the Cerro San Pedro Sustainable Development Program. The initial planning phase was completed; the information gathering and analysis phase was initiated and is ongoing.</td>
<td>Continue to implement the Cerro San Pedro Sustainable Development Program. Work with Blackwater Community Liaison Committee to identify opportunities for maximizing local economic impacts.</td>
</tr>
</tbody>
</table>

¹ A stakeholder map is a visual representation of an organization’s stakeholders, their level of interest, relevance and influence.
Community Engagement

At New Gold, community engagement begins while a project is in the exploration and development stage, and continues through the mine’s life and after closure. We foster open communication with residents and community leaders and strive to be a full partner in the long-term sustainability of the communities and regions in which we operate. Our engagement activities are guided by the Mining Association of Canada’s Towards Sustainable Mining (TSM) protocol on outreach performance. TSM guides us to identify our stakeholders, effectively engage and maintain dialogue, maintain a feedback mechanism and report on performance.

Throughout a project’s life cycle, we host meetings with local residents and leaders in order to remain connected to the communities and their priorities and concerns, and to help resolve existing or potential disputes. New Gold sites regularly hold open houses and provide mine tours to a wide variety of educational institutions, regulators, investors and community groups.

CASE STUDY: Supporting a sustainable community in Cobar

“The Cobar Enterprise Facilitation project, partly funded by Peak, has worked to help establish a number of new businesses in the community. The family-run Knight Fabrication was named the Best New Business at the 2012 Great Cobar Business Awards.

“2012 was busy. We had 28 new clients, and 16 new or expanded businesses. We are now accepted as part of the town’s business scene.”

– Mark Workman, Cobar Enterprise Facilitator

For several years, Peak Mines has been investing heavily in the Cobar Enterprise Facilitation, an initiative that helps local people create and/or expand small businesses, with the intention of supporting an economy that will thrive after the mine has closed. For anyone with energy and ideas, the Cobar Enterprise Facilitation can help them identify markets, connect with industry associations, research industry sectors and assist with government regulations.

“2012 was busy. We had 28 new clients, and 16 new or expanded businesses. We are now accepted as part of the town’s business scene. For many people, we are the first choice for assistance. They’re often brimming with ideas, but don’t know how to start,” said Mark Workman, Cobar’s Enterprise Facilitator. “We’ve had clients who have gone from nervously talking about their business idea to employing staff, having sales across the central western region of New South Wales and beyond, and making a tidy profit.”
While all of our sites encompass local community engagement, we recognize that there are challenges in this area, and that there remains work to do. We are addressing these issues through the development of a Community Engagement and Development Management System, which is being designed to improve consistency across our operations.

**Feedback Mechanisms**

We maintain open channels through which complaints and suggestions can be received and addressed. Only through respectful, mutually beneficial dispute resolutions can we maintain our meaningful, trust-based relationships with our local communities and other stakeholders. At the end of 2012, we reached our target of establishing formal external grievance mechanisms at all our operations.

A discussion of the complaints received and processed is presented in New Gold’s full Sustainability Report, available on our website. All complaints filed through our grievance mechanisms in 2012 have been processed and resolved.

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**CASE STUDY: Blackwater’s Community Liaison Committee builds a foundation of trust**

Since acquiring the Blackwater project, New Gold has actively encouraged communication with the community. In 2012, we established an advisory forum, the Community Liaison Committee, to help identify interests and concerns and provide recommendations for developing policies, plans and programs throughout the life of the mine. Its 15 members include local elected officials, economic development officers, school and college representatives, a social service agency and an environmental group.

“The fact that there is a committee at all shows that New Gold is looking at the community’s needs. I think that speaks volumes,” said committee member Brian Frenkel, a Councillor with the District of Vanderhoof. “When New Gold first came to town, they said they wanted to do as much as they could within the community. And they proved that last year. They bought their fuel here and hired a lot of services in Vanderhoof. It had a very positive impact on the community. So now, with this committee, we’re starting to work together on how we look at this project, and how it can benefit all the communities in the area.”

“When New Gold first came to town, they said they wanted to do as much as they could within the community. And they proved that last year.”

– Brian Frenkel, Councillor, District of Vanderhoof
Community Development and Economic Impacts

Our commitment to local socio-economic sustainability is demonstrated in the opportunities we create for local employment, the investments we make in community infrastructure projects, through facilitating local entrepreneurship, as well as capacity building and economic diversification projects.

We preferentially hire locally, and engage local services and suppliers whenever it is practical. This is a powerful tool for creating direct and indirect economic benefits for local communities, and very often, hiring and purchasing locally makes good business sense. For example, at Cerro San Pedro, our safety vests and sun hats are sourced from an independent seamstress living in the village of Cerro de San Pedro. At Blackwater, the boxes we use for storing our core samples were manufactured by a local First Nations business. In 2012, we made the decision to locate the Blackwater project’s Sample Preparation Laboratory in Vanderhoof, which has provided jobs, training, and indirect economic impacts to the town. By working within local communities, we found high-quality products and skilled labour,

CASE STUDY: Corporate donations and sponsorships continue to grow

“One The Donations Committee seeks to maintain a balance among our many objectives. In general, we establish long-term collaborative relationships with deserving associations that share our attitudes, objectives and purpose.”

– Rick Killam,
Director of Environment and Social Responsibility, New Gold

Corporate donations have increased every year since New Gold’s inception. New Gold’s donations policy is well defined. Recipients are non-profit, non-denominational, non-advocacy organizations supporting education, health, and social and community causes. Organizations that have received significant contributions in 2012 include:

- the Pacific Salmon Foundation, an independent organization dedicated to the future of wild Pacific salmon populations in British Columbia and the Yukon Territory
- Indspire (Indigenous Education, Canada’s Future), a national charity focused on supporting and transforming Indigenous education in Canada
- The Nature Conservancy of Canada, Canada’s leading national land conservation organization
- The Clinton Giustra Sustainable Growth Initiative (Canada), a charity whose mission is to alleviate poverty, improve health care, advance education, and improve the environment in developing nations

Said Rick Killam, New Gold’s Director of Environment and Social Responsibility, “The Donations Committee seeks to maintain a balance among our many objectives. In general, we establish long-term collaborative relationships with deserving associations that share our attitudes, objectives and purpose.”

1 Corporate donations do not include the many contributions to community health, education, business development and local infrastructure that are made by each project to their local communities.
Working with Aboriginal Communities

In Canada, we have been recognized for excellence in Aboriginal relations and as an advocate for entrepreneurship and economic development within Aboriginal communities.

Our community development initiatives in Aboriginal communities near Blackwater made great strides in 2012. Two Exploration Agreements were finalized, and we made progress toward a Participation Agreement with one First Nations band. These positive relationships have already facilitated considerable employment and contracting opportunities, including a multimillion-dollar contract to clear the land for our exploration site which is being completed by a local Aboriginal company.

In 2012, the New Afton Mine initiated another significant component of its Participation Agreement: the first production-based royalty payments were paid to the local bands. We believe this form of direct revenue sharing has been critical to the trust-based relationships that we continue to maintain with Aboriginal communities surrounding New Afton.

In 2012, New Afton expenditures with local Aboriginal businesses more than doubled. We made payments of over C$14.5 million to almost 30 Aboriginal businesses, compared to nearly C$7 million to about 20 businesses in 2011. At Blackwater, we made payments of more than C$6 million in Aboriginal contracts. On December 31, 2012, 21% of Blackwater employees and 23% of New Afton employees were Aboriginal.

Education, Training and Development

Education and training of local community members are key to our policy of preferentially hiring locally, and sourcing services and supplies from nearby. In communities where the required skill sets and/or work experience are in short supply, we provide major funding for education and training. We also offer numerous apprenticeship programs to help young workers on their path to a career in mining.

In British Columbia, for example, our support for the Underground Miner Training Program and founding support for the British Columbia Aboriginal Mine Training Association have resulted in many local Aboriginal residents beginning successful careers.

“...This partnership shows how First Nations and the mining industry can work together and find solutions. Our goal is to participate meaningfully in the use of our traditional territory as well as provide training, investment and employment opportunities for our people. This agreement shows a constructive path towards accomplishing those goals.”

– Tk’emlúps Chief Shane Gottfriedson
Caring for Our Environment

At every New Gold site, we take a proactive risk management approach to safeguarding the environment. At every stage of a mine’s life cycle, guided by national and international standards, we apply best practices in environmental management. From the earliest site investigations, we carry out comprehensive environmental studies to establish baseline measurements for flora, fauna, land, air and water. As mining operations proceed, we work to minimize environmental impacts and maintain robust monitoring programs that include groundwater and air quality. We strive to minimize energy and water consumption, and reduce material consumption through recycling and reuse. At all New Gold mines, blast operations are closely monitored for vibration. At Cerro San Pedro, blast operations are also observed by monitors from federal authorities.

All sites must internally report every environmental event that is outside of normal operating procedures, regardless of its magnitude or its regulatory significance. Should any incidents occur, we are committed to prompt reporting and remedial measures to prevent

Scorecard 4: Environmental Performance

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Target 2012</th>
<th>Performance 2012</th>
<th>Target 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incidents</td>
<td>Review and update all sites’ risk registries.</td>
<td>Yes, Environmental risk registries have been revised and updated as part of the ISO 14001 review.</td>
<td>Establish an automated incident recording and tracking system across all sites.</td>
</tr>
<tr>
<td>Water</td>
<td>Identify targets and build plans into budget cycle for 2013.</td>
<td>Yes, Adopted the GRI protocol for monitoring and reporting water recycling and reuse.</td>
<td>Continue to monitor and report water recycling and reuse. Complete evaluation of the pilot project at Cerro San Pedro to utilize treated city water in leach piles as an alternative to groundwater.</td>
</tr>
<tr>
<td>Waste Management</td>
<td>Identify targets and build plans into budget cycle for 2013.</td>
<td>Yes, 2013 target defined.</td>
<td>Increase overall recycling across sites by 10%.</td>
</tr>
<tr>
<td>Reclamation</td>
<td>Continue progressive reclamation.</td>
<td>Yes, Legacy site reclamation performed at Peak Mines and New Afton and planned at Cerro San Pedro.</td>
<td>Complete the restoration of higher-risk historical mine shafts at Peak Mines to a safe, stable and non-polluting state. At Cerro San Pedro, reforest 70 hectares of land at Monte Caldera.</td>
</tr>
</tbody>
</table>

(above) Peak Mine’s Environmental Field Officer inspecting piles of African boxthorn – a Weed of National Significance – for regrowth. In 2012, Peak carried out 25 hectares of boxthorn control with excellent results.
Planning for a mine’s closure begins at the design stage and continues through the mine’s life to ensure the physical and chemical stability of the waste material that will be left behind. New Gold sites practise progressive rehabilitation and reclamation of disturbed land. In 2012, our sites implemented progressive rehabilitation and reclamation of over 95 hectares of land. Each of our mines has obtained approval for their closure rehabilitation plans, which are reviewed and updated regularly.

Among our environmental performance highlights in 2012, New Afton won the Sustainability Award granted by the Mining Association of British Columbia and British Columbia Ministry of Energy, Mines and Natural Gas, and Peak Mines received a “Highly Commended” designation for Environmental Achievement at the Shire of Cobar Business Awards.

Water Management

Water management is a prime concern for any mining or processing operation and for its neighbours. Our objective at every New Gold mine or development property is to minimize water use through recycling, reuse and treatment, applying efficient designs and state of the art technologies. All of our mine sites operate in a closed circuit, with no water discharges to the environment.

At all of our mining operations, rainwater is scarce. Except for New Afton, which sources water from a large surface water supply, New Gold sites source their water from groundwater wells. Most of the water consumed in our sites is used in tailings and the processing of ore. We also require water for dust control on mine haul roads and use dust suppressants to minimize evaporative loss.

We recognize that, corporate-wide, raw water efficiency (raw process water used per amount of ore processed) has declined over the last three years. During 2012, New Afton gathered water for start-up operations, which increased the water consumption at that site. Like Peak Mines, New Afton uses flotation to process ore, which consumes more water than the heap leach processes in place at Cerro San Pedro and Mesquite.

Energy and Emissions Management

We work to minimize greenhouse gas (GHG) emissions throughout our operations, from our ongoing efforts to reduce energy consumption of all kinds, to our active reclamation of land. Significant progress toward reducing energy consumption and increasing energy efficiency in 2012 occurred at New Afton, where a new Energy Management System was implemented in 2012.

Carbon dioxide equivalent (CO₂-e) emissions generated by mobile equipment are calculated from diesel fuel and gasoline consumption using the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) Greenhouse Gas protocol for Direct Emissions (Scope 1 Emissions).

Our calculated greenhouse gas emissions efficiency (total emissions per 1,000 tonnes ore processed, as tonnes of CO₂-e per 1,000 tonnes of ore processed) has slightly improved in the last three years, from 8 tonnes of CO₂-e per 1,000 tonnes of ore processed in 2010 to 7 tonnes of CO₂-e per 1,000 tonnes of ore processed in 2012.
Caring for Our Environment

Materials Stewardship and Cyanide Management

We are guided by the International Council on Mining and Metals’ extensive work on Materials Stewardship. At New Gold, our practices and systems ensure the adequate management of process materials – as is demonstrated in our management of water, waste, energy and materials.

Two materials critical to our operations are explosives and cyanide. All our operations use explosives and track their usage with care. Three operations (Mesquite, Cerro San Pedro and Peak Mines) consume cyanide, and at those operations its responsible use and management are paramount. In 2012, our sites collectively consumed approximately 13,900 tonnes of explosives (ammonium nitrate and ammonium nitrate emulsion) and approximately 9,700 tonnes of sodium cyanide.

CASE STUDY: New Afton moves to ISO 50001 compliant energy management

“Energy Management is not only about efficiency projects, but is what is done by all employees on a day-to-day basis. It is part of what we do at New Gold.”

– Andrew Cooper, Energy Specialist, New Afton

In 2012, New Afton made significant progress toward our vision of sustainable energy management. We installed an innovative energy management information system that will be the backbone of the new ISO 50001 compliant Energy Management System (targeted for completion by the end of 2013). It should help reduce annual energy consumption by 5% to 8%. In the maintenance shop, a new high-efficiency heating system will reduce greenhouse gas emissions by almost 200 tonnes of CO₂ annually (equivalent to removing 36 cars from the road). A major LED lighting upgrade in the basement of the processing plant reduced annual electrical energy and associated maintenance costs by about $24,000. And an energy efficiency study identified annual energy savings of up to $130,000 through relocation and improved control of air compressors – a project that will be completed in 2013.

Non-Process Waste Recycled

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</thead>
<tbody>
<tr>
<td>Paper, Plastic, Metals and Other (tonnes)</td>
<td>300</td>
<td>600</td>
<td>900</td>
<td>1,200</td>
</tr>
<tr>
<td>Oil and Lubricants (000s of litres)</td>
<td>0</td>
<td>200</td>
<td>400</td>
<td>600</td>
</tr>
</tbody>
</table>

Recycling of non-process waste is an essential part of sound environmental management, and is practised at all New Gold sites. In 2012, we recycled approximately 513 tonnes of used tires and increased the recycling of paper, plastic and metals by 60% from approximately 750 tonnes in 2011 to approximately 1,260 tonnes in 2012.
While cyanide has inherent toxic properties, its safe transport, handling, use and destruction are well understood and manageable. All three New Gold operations that use cyanide in the gold extraction process follow procedures that are strictly controlled for the safety of personnel and the environment. In October 2010, New Gold was accepted by the International Cyanide Management Institute as a signatory to the International Cyanide Management Code, the international benchmark for transporting, storing and using cyanide.

Under the Code, we committed to the certification of our three cyanide-consuming operations within a three-year period. In 2011, Mesquite achieved initial certification, and in 2012 received full certification. In 2013, Cerro San Pedro and Peak Mines will proceed to substantial or full certification by meeting the objectives identified in their pre-certification audits.

CASE STUDY: Mesquite certified as fully ICMC compliant

Developed under the auspices of the United Nations Environment Program, the International Cyanide Management Code (ICMC) is a voluntary industry program that promotes the responsible management of cyanide used in gold mining.

In 2012, the Mesquite Mine was certified to the ICMC. Said Mike Worley, Mesquite’s Senior Environmental Coordinator, “The challenge was primarily one of documentation. Our standard practices were already compliant to the majority of the requirements, but the ICMC demands very strict accounting.” The process began in 2011, he explained. “It was mostly a matter of going through our documents and revising them to comply with the wording of the Code.”

In 2011, the mine was found to be in substantial compliance. “We did find one corrective action, a change management process, and once we got that in place we were good to go.” Following a Corrective Action Plan, the mine was audited again in 2012 and certified as fully compliant.

“...The challenge was primarily one of documentation. Our standard practices were already compliant to the majority of the requirements, but the ICMC demands very strict accounting.”

– Mike Worley,
Senior Environmental Coordinator, Mesquite
Caring for Our Environment

Biodiversity Management

At New Gold sites, environmental stewardship means more than just applying restoration practices to lands that are affected by mining to create a habitat conducive to natural biodiversity. It also means conserving the environment on lands that are undisturbed by mining operations. At all our sites we have identified a number of different levels of at-risk species, and have put management plans and/or procedures in place for each one.

CASE STUDY: Cerro San Pedro’s nursery increases production to restore fire damage

Native tree seedlings at the Cerro San Pedro plant nursery. This in-house nursery has produced over 135,000 plants of various species of native pine trees and cacti.

“As of 2012, nearly 40% of that target had been achieved. In 2012 we planted 86,303 plants over 78.46 hectares.”

– Guillermo Velasco, Environmental Coordinator, Cerro San Pedro

For many years, Cerro San Pedro has operated an in-house plant nursery, producing over 135,000 plants of various species. The nursery is the cornerstone of our reforestation and revegetation program, which employs people from several local communities. Our objective is to cover nearly 375 hectares of land while the mine is in operation. In the Cerro de San Pedro municipality, we are returning heavily deforested areas to their former state, planting approximately 1,100 plants per hectare. As of 2012, nearly 40% of that target had been achieved. In 2012 we planted 86,303 plants over 78.46 hectares.

The reforestation program has faced significant challenges, such as an accidental wildfire in 2011 that consumed most of the reforested land. In response, the nursery’s production was increased by more than 60%, and by year-end, much of the burned area had been restored.

Environmental Incidents and Regulatory Compliance

Since New Gold began reporting in 2008, there have been no significant spills and no incidents greater than a “moderate” level. In 2012, there were three moderate incidents, the same number as in 2011, despite the significant increase in activity at New Afton and the Blackwater project. These incidents occurred at New Afton: asbestos-containing material was accidentally disposed in general waste; the sewage treatment plant exceeded permit limits in a routine sample.

These figures include reclamation activities such as seeding, replanting and removal of contaminated material within and outside our properties.

New Gold operations practise progressive rehabilitation of lands affected by its activity as soon as areas become available after operations cease. We also rehabilitate historic mining areas within our leases. In 2012, our sites implemented rehabilitation and reclamation of almost 120 hectares of land.
monitoring (promptly reported to regulators and corrective actions taken); and there was one dust complaint which was classified as a moderate incident because it was received through an Inspection Notice from the BC Mines Inspector. A Ministry-approved dust mitigation plan was implemented and included the use of chemical dust suppressants, enhanced reclamation work, a meteorological station, and third-party review of monitoring results.

At Peak Mines, the New South Wales Environmental Protection Authority investigated a minor tailings spill that occurred in 2011. This spill occurred during renovations to the tailings storage facility, which was redesigned to minimize the risk of wildlife exposure to cyanide. The spill was reported and mitigated. This will result in a proceeding penalty, the amount of which has yet to be determined.

CASE STUDY: Peak Mines reclaims abandoned historic mine shafts

Inspection of one of the historic mine shafts within Peak’s mining leases. In 2012, 49 shafts were inspected for safety and environmental risks and bat habitat. We also evaluated fencing, signage and fill requirements.

Within Peak Mines’ lease area, over 300 long-neglected mine shafts remain as potentially hazardous reminders of the area’s mining history. We have assumed the responsibility for rehabilitating these open shafts, many of which are on publicly accessible land. For several years, we have been identifying these shafts, and assessing the environmental and safety risks they may pose. Some will be filled, while others, which have become environmentally valuable as bat habitat, will be fenced with warning signs.

There are 93 mine shafts listed in our updated database as neither filled nor fenced. In 2012, our reclamation teams inspected 49 for safety and environmental risks and bat habitat, and evaluated fencing, signage or fill requirements. For 2013, plans are in place for restoring the high-risk shafts to a safe, stable and non-polluting state.

<table>
<thead>
<tr>
<th>Location</th>
<th>At-Risk Species¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Afton</td>
<td>2</td>
</tr>
<tr>
<td>Mesquite</td>
<td>2</td>
</tr>
<tr>
<td>Cerro San Pedro</td>
<td>15</td>
</tr>
<tr>
<td>Peak Mines</td>
<td>1</td>
</tr>
<tr>
<td>Blackwater</td>
<td>2</td>
</tr>
</tbody>
</table>

¹ As defined by local legislation and/or the International Union for Conservation of Nature Red List of Threatened Species. Includes flora and fauna.

All New Gold sites have identified different levels of at-risk species. These are managed according to management plans and/or procedures at each site. A list of at-risk species at each site, including risk status, is presented in our complete Sustainability Report, available on our website.
In our fifth year of sustainability reporting, New Gold is again demonstrating our commitment to open reporting of our performance. At New Gold, we view transparency as essential for maintaining trust with our stakeholders, and to upholding our corporate reputation. Our performance targets for 2013 are based on our ongoing drive to improve our performance and on feedback received from stakeholders. These targets are communicated to our employees.

We remain dedicated to stringent international standards for corporate behaviour and reporting.
We invite you to send any questions and comments on this report to sustainability@newgold.com.

In order to encourage responsible paper use, we have included our more comprehensive 2012 Sustainability Report on our website (www.newgold.com) and have printed a limited number of summary reports. This summary report is also available in Spanish. (The English and the Spanish summary reports are also available on our website in PDF format.)