

newgold

SUSTAINABILITY REPORT 2010

**THERE'S MORE**  
TO NEW GOLD THAN GOLD



## THERE'S MORE

Behind every tonne of ore and every ounce of gold we produce, there are New Gold people. Miners, engineers, managers, office workers — nearly 1,500 people, each contributing to their families and communities.

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Gold  
is why our  
company exists,  
but there's far more  
to New Gold  
than gold.

## THERE'S MORE TO OUR PROPERTIES

At New Gold, we understand that our collective success is inextricably linked to, and that our prosperity depends on, the long-term economic, social and environmental sustainability of each of the communities in which we work and live. We work hard to keep our 1420 mine site workers and 43 corporate staff safe, and we support them and their communities with educational and health benefits, environmental protection and contributions to community infrastructure that will provide a legacy of sustainability.

This, our third annual Sustainability Report, is written for shareholders, prospective investors, analysts, government officials, employees and their families, communities, suppliers and other interested parties. It provides information on our company's policies and our measurable achievements in the areas of health and safety, the environment and community engagement, with progress notes from our active production and development projects. While each operation has its own policies and procedures, and works within local regulations, all of our operations follow our company-wide principles and commitments regarding sustainability, ethical behaviour and responsible actions.

**NEW AFTON PROJECT** 100% NEW GOLD  
 WEST OF KAMLOOPS, BC, CANADA  
 EMPLOYEES: 242 CONTRACTORS: 152  
 This development project is nearing commercial production, scheduled for mid-2012. This will be an underground mine producing copper, silver and gold.

**MESQUITE MINE** 100% NEW GOLD  
 SOUTHEAST IMPERIAL VALLEY, CALIFORNIA, USA  
 EMPLOYEES: 262 CONTRACTORS: 12  
 Located in the Mesquite Mining District at the base of the Chocolate Mountains, this is a heap-leach, run-of-mine gold mine, in production since 2008.

**CERRO SAN PEDRO MINE** 100% NEW GOLD  
 CERRO DE SAN PEDRO, MEXICO  
 EMPLOYEES: 403 CONTRACTORS: 42  
 A heap-leach operation producing gold and silver, Cerro San Pedro began production in the first quarter of 2007.

**EL MORRO PROJECT** 30% NEW GOLD  
 EAST OF VALLENAR, NORTHERN CHILE  
 This copper-gold project is in the early stages of development. The project is operated by our joint-venture partner and 70% owner, Goldcorp Inc.

**Property Status Legend**

- Production
- Development
- Feasibility study complete, environmental permit in progress



**PEAK GOLD MINES** 100% NEW GOLD  
**COBAR GOLD FIELD, NEW SOUTH WALES, AUSTRALIA**  
 EMPLOYEES: 284 CONTRACTORS: 23

A gold and copper underground mine, in operation since 1992. In recent years, Peak Gold Mines has been steadily increasing gold production, resources and mine life.

The Amapari Mine in Brazil, which was placed on "care and maintenance" status in January of 2009, was closed and sold in early 2010. It is not included in this report. As a minority partner, the El Morro mine is not discussed at length in this report. For information regarding El Morro's operating company's Corporate Social Responsibility, see: <http://csr.goldcorp.com/>

This report follows the performance criteria of the Global Reporting Initiative G3 Guidelines. New Gold applies the carbon dioxide emissions protocols of the World Resources Institute and World Business Council for Sustainable Development. New Gold is a signatory to, and business participant member of, the United Nations Global Compact, a statement of principles regarding human rights, labour standards, the environment and anti-corruption. New Gold supports the Clinton-Giustra Sustainable Growth Initiative. New Gold is a member of Canadian Business for Social Responsibility, a non-profit, member-led, globally-recognized organisation for corporate social responsibility. See our Corporate Health, Safety and Environment and Sustainability Policy at [www.newgold.com/socialresponsibilities](http://www.newgold.com/socialresponsibilities).

All currency is in United States dollars (USD) unless otherwise noted.

Unless otherwise noted, tables are a compilation of information from across all sites. Specific mines' programs are described in the text section of this report. Data are provided by individual sites, and consolidated by the corporate Environment and Social Responsibility department for inclusion in this report.

## MESSAGE FROM THE PRESIDENT AND CEO

We are committed to promoting and protecting the welfare of our employees through safety-first work practices and workplaces, staff training, and equitable hiring and development practices. We understand that sustainable development extends from environmental stewardship to the development of economic prosperity and the support of local communities and their cultural values. We strive to share the benefits of our activities through the entire life cycle of our mines, and long after their eventual closure.



We hope that the reader will find that this report clearly communicates our performance in the areas of health and safety, fair labour practices, environmental practices and sustainable community-building. It also illustrates our commitment to transparency, in its disclosure of our achievements as well as our challenges, and our objectives for ongoing improvement.

In this year's report we are able to provide three years of metrics, allowing comparison of our performance over time. In coming years we intend to improve our standardization of reporting across our operations internationally, which will allow for improved metrics, guided, as in years past, by the respected international standards of the Global Reporting Initiative.

### HEALTH AND SAFETY

In the spring of 2010 we received distressing news of a truck driving fatality at our Cerro San Pedro mine. I'm certain I speak for everyone at New Gold in extending my personal sympathy and condolences to the driver's family. This incident highlights the need for continued diligence in upholding safe operating practices, every single day.

Throughout the year, we took decisive action to improve safety standards at Cerro San Pedro. Inadequate procedures and reporting came to light, and senior personnel were immediately relieved of their duties. New safety professionals and equipment trainers were brought in, and we instituted new, more rigorous policies and procedures. Records of injury frequencies were reviewed and corrections made to historic information.

Our New Afton project deserves special mention for establishing and maintaining excellent operating practices, even before the project commences full production. As the pace of construction has increased, the site has more than doubled its head-count to over 250 employees plus nearly 200 contractors. Although many of these are young workers who are new to working on mine sites, New Afton did not suffer a single lost-day accident in 2010.

Throughout the company, we strive to learn from the past and maintain our safety focus on the future—improving systems and procedures so that we can keep our people safer and prevent accidents from happening. To this end, we're improving our training and strengthening our reporting systems to ensure that safety training is delivered, and documented, consistently. A major safety objective for 2011 is standardizing our safety practices and procedures across all operations. The first step is a company-wide safety audit and gap analysis, which is well underway.

### COMMUNITY

We are making significant progress in improving our proactive stakeholder outreach activities, to build and maintain meaningful dialogue and improve relationships with community stakeholders.

At Cerro San Pedro, we increased the frequency and size of community meetings. We engaged in extensive discussions on local infrastructure and considered strategies for New Gold to directly contribute to local improvements. We initiated a new level and frequency of dialogue with the state government and

have increased our presence at the municipal level. These efforts, which are related to our recent changes in senior personnel at the mine, represent tangible steps forward, and provide greater transparency to the local communities while providing meaningful input from a range of stakeholders.

In 2008, Peak Gold Mines helped establish the Cobar Enterprise Facilitation, an organisation that assists individuals with entrepreneurial aspirations to achieve their goals, and thus promotes a sustainable community. We continue to support the organisation, and sit on its board. Since its start, 18 small enterprises have opened in Cobar including a florist shop, movie theatre and an adventure tourism enterprise. A total of 51 new jobs have been created.

### ENVIRONMENT

New Gold operations reported no major environmental incidents this year, and we remain vigilant in our policies and practices. 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. We continue with progressive reclamation and re-vegetation activities, including the rehabilitation of historic mining areas for which we have assumed responsibility.

A large percentage of our reclamation work uses plantings from our on-site nurseries where we propagate native species to ensure continuing biodiversity. Recycling is a growing emphasis, and our sites recycle everything from scrap metal and used oil to day-by-day plastic and paper waste.

As construction proceeds on the New Afton project, we have been granted the various water, tailings, and waste permits. In selecting the mine's water source, we consulted closely with the local First Nations, and examined several alternatives before arriving at a mutually satisfactory solution. This consultative process is an example of our commitment to partnering with local communities.



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Australia's extraordinary weather in 2010 was a major factor in a reportable discharge from Peak Gold Mines' tailings storage facility, which occurred during an excessive rainfall event. As a result we are in the process of raising the retaining walls to prevent a recurrence. Other reportable incidents are detailed later in this report.

At Cerro San Pedro, the mine operates in compliance with all environmental laws and regulations. We made significant progress regarding legal challenges that relate primarily to the ambiguity of a land-use regulation. Over recent years the issue has proceeded through the courts while operations have continued under a temporary injunction. We are working diligently with local and federal government groups to establish a long-term solution. The municipality, in a thorough public consultation process, developed a new land-use plan that supports our ongoing mining activities.

#### **LOOKING FORWARD**

Everyone, in every New Gold operation, has contributed to our collective efforts in health, safety, environmental stewardship and socio-economic sustainability, and I extend my gratitude to the employees of New Gold for our continued high standards of performance. Through 2011 and beyond, we will be guided, as always, by the Health, Safety, Environment and Sustainability (HSES) Committee of the Board of Directors.

Our aim is to meet or exceed internationally-recognized standards. To that end in 2010, New Gold was accepted by the International Cyanide Management Institute as a signatory to the International Cyanide Management Code. We will continue our support for the United Nations Global Compact and its principles for human rights, environmental and labour practices and anti-corruption.

As New Gold matures from four previous companies into one, we have made great strides in developing a corporate culture of safety, respect and responsibility to each other, our communities and the environment. I look forward to continually improving our policies, procedures and performance over the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Gallagher', with a long, sweeping horizontal line extending to the right.

Robert Gallagher  
*President and CEO*  
**New Gold Inc.**



In 2008,  
New Afton and the  
Tk'emlups and Skeetchestn  
Bands collaborated on a  
Participation Agreement,  
which guides our policies for  
the Environment, Employment  
& Training, Business  
Opportunities and  
Socio-economic  
benefits.

## THERE'S MORE TO OUR COMMITMENT

Wherever New Gold operates—in all stages of mining activity, from early exploration and planning, to commercial mining operations through to eventual closure—we are committed to excellence in environmental stewardship and the management of our employees' health, safety and overall well-being. In our view, this is the path to building and maintaining an enterprise that is productive and profitable for all stakeholders, over the long term.



### HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABILITY POLICY

As a company, and as individuals, we are committed to these foundational principles, which provide a policy framework for each of our operations as they implement programs and procedures that are appropriate to the local environment, culture, and communities.<sup>1</sup>

#### Our objectives are to:

- ensure the health and safety of employees, contractors and visitors in the workplace
- prevent pollution
- minimize impact that mining operations may cause to the environment
- demonstrate commitment to fostering sustainable communities
- practice the progressive rehabilitation of areas impacted by our activities



**To achieve these objectives we will:**

- apply a proactive risk management approach using best practices appropriate to the local conditions and needs that will meet our legal obligations as a minimum
- identify and engage with our stakeholders and work to take their views, customs and culture into account throughout the life cycle of our operations
- maintain a responsible mine closure plan that considers the future needs of the local communities
- continuously improve our health, safety and environmental systems by establishing and reviewing our objectives and targets through evaluation, auditing and development of performance improvement plans
- educate and train our employees and contractors and inform surrounding communities to promote the application of Health, Safety, Environment and Sustainability principles
- seek and adopt sustainable practices in the use of natural resources taking into consideration the protection of the local and regional biodiversity where we operate
- maximize the reuse of materials and recycling of waste and minimize the use of consumables and raw materials
- promote economic prosperity in our surrounding communities, both during and post mining operations, by fostering local entrepreneurship

We will report openly and regularly to our stakeholders on our progress in meeting these objectives.

<sup>1</sup>For information regarding the makeup and mandate of New Gold's Board of Directors and its Board Health, Safety, Environment and Sustainability Committee, please visit: [www.newgold.com/company/corporategovernance](http://www.newgold.com/company/corporategovernance)

## UNITED NATIONS GLOBAL COMPACT

The UN Global Compact is ten principles, representing core values, that New Gold has chosen to support in all our operations.

### Human Rights

- 1 Businesses should support and respect the protection of internationally proclaimed human rights, and
- 2 make sure that they are not complicit in human rights abuses.

### Labour

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- 4 the elimination of all forms of forced and compulsory labour
- 5 the effective abolition of child labour, and
- 6 the elimination of discrimination in respect of employment and occupation.

### Environment

- 7 Businesses are asked to support a precautionary approach to environmental challenges
- 8 undertake initiatives to promote greater environmental responsibility, and
- 9 encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.



## THERE'S MORE TO OUR PEOPLE

At New Gold, we believe that our people are our most valued assets regardless of gender, race, cultural background, age or religion. We strive to create a culture of inclusivity that begins at the top which is reflected in our hiring, promotion and overall human resource practices. We encourage tolerance and acceptance in worker-to-worker relationships as well. In each of our host communities we are recognized as an employer of choice as a result of our competitive wages, above-average benefits and our policies of recognizing and rewarding employee performance and promoting from within.



Our company is the sum total of our employees' strengths—and it is a company-wide policy to develop their careers and protect their health and safety.

We promote local employment through training and apprenticeship opportunities. We support workplace diversity and fair labour practices at every operation. And we believe that everyone should return home injury-free after their workday. At all of our operations, we strive to foster a safety-committed culture that begins with a strong sense of personal responsibility and extends to the welfare of the entire team. A safe, well-trained workforce is a productive workforce.

While we have had considerable success in achieving and maintaining excellent health and safety statistics, we recognize the human risks that mining operations represent and the need for constant vigilance.



<b>Health and Safety Statistics</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Lost-Time Injuries	15	21*	6
Fatalities	1	0	0
Lost-Time Injury Frequency Rate***	0.85	1.22*	0.37
All-Injuries Frequency Rate***	5.42**	4.66*	3.73
Total Number of Employees and Contractors	1463	1281	1293
Turnover (%):	10	12	15

\* Some of the 2009 previously reported injury statistics were based on erroneous information. These statistics have been corrected in this report. New Gold regrets the error.

\*\* The All-Injuries Frequency Rate has increased, while Lost-Time Injuries have declined. This arises from people with recordable injuries who were still able to work (e.g. with limited duties or performing alternate tasks). The number of people who required medical treatment intervention (MTI) has remained reasonably constant over the last two years. In 2011, an audit is planned at all sites to improve the standardization of health and safety systems and programs.

\*\*\*Lost-Time Injury Frequency Rate (LTIFR) is the number of lost-time injuries per 200,000 hours worked.  $(\text{Lost-Time Injuries} \times 200,000) \div \text{total hours worked}$   
 All-Injuries Frequency Rate (AIFR) is the number of injuries per 200,000 hours worked.  $(\text{Lost-Time Injuries} + \text{Medical Treatment Injuries} + \text{Restricted Duty Injuries}) \div \text{total hours worked} \times 200,000$

## STAFF DEVELOPMENT

### Mesquite

The Mesquite Mine is a key economic engine in a region that is affected by a challenging economy. We are an equal opportunity employer, which is reflected in a culturally and ethnically diverse workforce. An ongoing challenge for the operation is the need to staff a mine in a primarily agricultural region. The success of our staff development efforts is reflected in our production statistics as well as our accomplishments in health and safety

In 2010 Mesquite's workforce increased by approximately 10%. The mine now employs 262 full-time staff and 12 contract employees.

### Cerro San Pedro

Cerro San Pedro's workforce comprises 403 employees and 42 contractors. We employ a team of mine-operations training specialists who run education and training programs for all operating personnel and contractors, including:

- education (training and skills)
- compliance with standards
- integrated safety regulations
- encouragement of teamwork

- establishment of guidelines for contractors
- development and application of integrated procedures

### Peak Gold Mines

At Peak Gold Mines, we manage 284 full-time staff and 23 contractors. All our staff participate in biannual Performance Effectiveness Reviews, which involve career development plans, provision of education assistance and succession planning.

In consultation with the Cobar High School, we identified that our successful "direct placement" of Year 10 and 11 apprentices was contributing to a decline in the number of students remaining through graduation. To combat this, we collaborated with the school and government to establish a school-based apprenticeship and training system which allows part-time employment and requires Year 12 completion. However, all selected students ultimately found permanent (direct placement) apprenticeships elsewhere, and we were forced to re-evaluate our position and offer direct placement, or risk losing future tradespeople. For 2011, we were able to secure four apprenticeship positions.

We also support university students and graduates. In 2010, we hosted five students from Australian universities and provided them with an in-depth understanding of the mining industry. In addition, we offer a program that offers graduates work opportunities at various New Gold sites on a rotation basis to provide students with international experience.

### **New Afton**

New Afton's philosophy is to promote an environment where people are engaged and have a say in their workplace, resulting in safe, happy and productive employees. Every employee is encouraged to have a Personal Development Plan, with short-term and long-term goals, that can be used by supervisors to inform training and education opportunities.

In 2010, training opportunities were plentiful as we roughly doubled the operation's staff. An Underground Miner Training program improved the success rate and safety of new miners. Through the British Columbia Aboriginal Mine Training Association (BCAMTA) (of which New Gold is a founding member) we have hired and trained 39 aboriginal employees. The majority of participants were hired for the Underground Mine Training program and are now employed as underground miners. We worked with a number of aboriginal employment and training services to help us attract candidates and continue to encourage their success.

We also contributed to a local initiative with the development and delivery of two levels of Heavy Equipment courses. Participants trained at our mine site and were educated by trainers from Thompson Rivers University. The 2011 course is already heavily subscribed by the local and Northern BC First Nations bands.

### **WORKPLACE DIVERSITY, NON-DISCRIMINATION AND EQUITY**

Our policy, which guides all operations, is not to discriminate on the basis of race, religion, ethnicity, national origin, colour, gender, age, sexual orientation, citizenship, veteran status, marital status or disability. Harassment, including sexual, physical and verbal, is prohibited.

We strictly prohibit child labour, as well as forced or compulsory labour, and no such incidents were reported at any New Gold operation. Some policies and site-specific notes:

### **Non-Discrimination and Diversity**

At Cerro San Pedro, our preferential hiring of persons with special needs gained us recognition as an inclusive company from the state government of San Luis Potosi.

At New Afton, there was one allegation of racial discrimination in 2010. An alleged comment, by a contract employee, was investigated and as a result the contractor's President sent a letter of apology to the First Nations, which also reaffirmed the contractor's anti-discrimination policy.

### **Collective Bargaining and Freedom of Association**

At all New Gold operations, workers enjoy the right to freedom of association as provided by applicable labour law. At Cerro San Pedro, mine workers are required to be members of their local union association.

### **Community Inclusion**

When the New Afton mine is in active production, the Joint Participation Agreement with the Tk'emlups and Skeetchestn First Nations will support education, jobs and contracting opportunities and provide revenue sharing.

## **HEALTH AND SAFETY**

### **Mesquite**

- accident and injury frequency have decreased significantly since 2007, when mining operations restarted
- wellness checks were introduced in the employees' work area
- an Employee Awards Program was instituted to recognize excellence in regulatory compliance, health and wellness, injury prevention and attendance

### **Cerro San Pedro**

- in 2010, a tragic truck-driving fatality occurred at our Cerro San Pedro operation. We extend our deepest sympathies to the family and friends of our employee, and we have conducted a thorough assessment of the causing factors in order to prevent future incidents
- the Safety Committee was established in 2010, with a mandate that includes integrated participation at all levels of the company. From September to year-end, five internal safety inspections



With a dedicated Health, Safety and Training Department, in 2010 we made positive strides in building a team-oriented safety culture.

were made and 80% of their findings resulted in corrective actions

### Peak Gold Mines

- we continue to develop and improve our systems, promoting a culture of safety through team and individual behaviours, supported by formal training in investigation and analysis and safety and risk perception coaching programs
- our Health, Safety & Training Department provides advice, services and support to all. It is focused on proactive safety measures including hazard reporting, safe-act observations, corrective action completions and training audits
- our Lost-Time Injury performance has been consistent for seven years. While All-Injury frequency has increased the injuries have been less serious overall, with less time lost

### New Afton

- with a dedicated Health, Safety and Training Department we made positive strides in building a team-oriented safety culture. Among the year's achievements: a formal site risk assessment was completed, high-level risks were recognized and actions to reduce risk were identified. Proactive "near-miss" reporting increased and more emphasis was placed on hazard reporting
- as a result of our 2009 safety performance, we received a Notable Achievement in Safety award from the John T. Ryan Committee of the Canadian Institute of Mining and Metallurgy for mining in British Columbia
- the All-Injury Frequency rate increased from 3.18 to 4.92, however, we reduced the Lost-Time Injury rate to zero with no lost-time injuries recorded for the year
- 2010's safety training programs included fall prevention, awareness, firefighting, ergonomics and body positioning as well as rigging training. Some training involved the use of equipment simulators to further reduce risk.

## EMERGENCY RESPONSE

### Mesquite

- we continue to maintain a specially-trained Mine Emergency Rescue Team (MERT), which includes certified Emergency Responders and Emergency Responder Instructors, who are

trained in the use of Jaws of Life and Self Contained Breathing Apparatus (SCBA)

- the entire workforce has been trained in cardiopulmonary resuscitation (CPR), automatic external defibrillation and first aid

### Cerro San Pedro

- our emergency and first-aid teams participate in a continuous training process, which integrates members from all work areas and provides the capacity to respond to the various circumstances that may arise, including hazardous and waste material handling, spill management and the handling of personal injuries
- in September 2010, the mine hosted the XI National Competition of Mine Rescue Teams organized by the Mexican Chamber of Mines (CAMIMEX). Cerro San Pedro won two first-place prizes for CPR and Best Practice

### Peak Gold Mines

- two dedicated training officers support a wide range of general and specialist training programs
- our programs range from site access inductions, hazard identification and risk assessment, to industrial and occupational first aid, confined space entry, basic firefighting, computer skills and various equipment operation certifications
- in 2010, dozens of mine employees were trained and safety certified in various specialties including Metalliferous Mining-Underground Safety, Mine Emergency Response Rescue, Processing-Metalliferous Mines, Laboratory Skills, OHS Committee Training and High Voltage Switching
- the mine was represented in the 2010 Victorian Mines Rescue Competition

### New Afton

- Emergency Response team capacity was increased (to 32 members from 20) and we provided three BC Mine Rescue courses for new team members including the five-day BC Basic Mine Rescue course which covers rescue breathing apparatus, rope rescue, firefighting and more. Training sessions were held throughout the year
- the team again competed, with good performances, at the annual BC Mine Rescue competition in Fernie, BC. The competition simulates real-life situations and tests skills in first aid, extrication, firefighting, rope work and general mine rescue knowledge

### LABOUR PRACTICES

At New Gold, our commitment to fair and equitable labour practices extends throughout every facet of our operations. We adhere to, and go beyond, the labour principles of the United Nations Global Compact. We preferentially hire locally and engage local services. We maintain diverse workplaces where health and safety are a priority. We strive to include all levels of employees in decision-making processes. Our Whistleblower Policy allows any employee to communicate a concern or complaint without fear of retribution or negative consequences, and to expect a timely response.

## THERE'S MORE TO TRAINING LOCAL COMMUNITIES

In many cases, our safety-first culture begins before a new worker's first day on the job. Through our Underground Miner Training Program, and our founding support for the British Columbia Aboriginal Mine Training Association, we are introducing young workers from local communities to safe, rewarding careers in mining.

New Gold consistently strives to make a positive contribution to the communities in which we operate. At our New Afton operation 39 employees have graduated from the BCAMTA program, most of whom are now working underground.



## THERE'S MORE TO OUR COMMUNITIES

At New Gold, we foster open communication with local 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. Only by thoroughly understanding the people, their histories, and their needs and plans, can we engage in a meaningful development process that will contribute to their cultural and economic health and welfare.



Community engagement begins while a project is still in the development stage, and continues through the mine's life and after closure. New Gold employees actively participate in community organisations. At community gatherings and events, information regarding upcoming activities is disseminated in presentation, newsletters and reports. Throughout a project's life cycle, we regularly 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. Community feedback on our activities is encouraged.

<b>Community Expenditure (%)*</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Local	22	17	22
Regional	52	47	44

\*The total spent on salaries, wages, services and community support in the proximity to, and the near-area influence of, the mining operation. Expressed as a percentage of the total operating cost.

<b>Community Grievances*</b>	<b>4</b>	<b>20</b>	<b>16</b>

\*The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.

Our stakeholder groups include employees and their families; communities and people affected by our operations; all levels of government authority; traditional leaders; civic, special-interest and non-governmental advocacy organisations (NGOs); those who supply or purchase from our operations; shareholders; media; joint venture partners and industry associations.



## COMMUNITY ENGAGEMENT

### Mesquite

At Mesquite, we maintain open lines of communication with all area stakeholders. In 2010, our engagement efforts included:

- presentations to community organisations, service clubs and schools
- participation in community gatherings and events
- taking every opportunity to interact with federal and state regulators, regional mining and mineral enthusiasts and community-based organisations
- improving communications with schools and educational organisations, and working to meet the needs of California, Imperial County and tribal-based school districts

### Cerro San Pedro

At Cerro San Pedro, our close relationship continues with the residents of the municipality of Cerro de San Pedro, which comprises eleven communities, as well as the community-owned land holders (ejidos) within the project's sphere of influence.

In 2010, the operation was accredited a Socially Responsible Company by the non-profit Mexican Centre for Philanthropy (CEMEFI). To achieve this recognition, we met specified criteria in four areas of corporate social responsibility:

1. Life quality in the workplace (health and safety, training, diversity, work and family balance, human resources management)
2. Links with the community (communication on corporate social responsibility, civic responsibility, social investment and social balance)
3. Care and preservation of the environment (policy, investment, training, communications, resources management and transport impact mitigation)
4. Business ethics (human rights and dignity, corporate governance, stakeholder engagement, ethical commitment, fairness and inclusiveness, transparency, strategic alignment, combat of corruption, responsible publicity and communication)

### Peak Gold Mines

We maintain strong relationships with the Cobar community through an annual community meeting and an Open Day at the mine when hundreds of visitors are welcomed. The feedback from these interactions is overwhelmingly positive.

We support local emergency services by making employees available for service as members of the local Fire Brigades and State Emergency Services. Our people serve key roles in various local associations: Peak Gold staff members are on the boards of Cobar Enterprise Facilitation, the Cobar Business Association, Cobar Water Board and the local Emergency Management Committee.

### New Afton

We actively pursue positive relationships with our neighbouring communities and seek out opportunities for productive partnerships. Some of our efforts in 2010 included:

- mine visits and forums provided to various groups, including First Nations groups, local neighbours, the Kamloops fire department, RCMP and Paramedics
- an Open Day attended by 272 family members of workers featured exhibits and stalls from departments such as geology, engineering and environment. Suppliers and contractors were presented. The First Nations exhibit was one of the most popular featuring arts and crafts and a historical background on local First Nations bands and the region

## INDIGENOUS COMMUNITIES

Wherever our operations interact with indigenous peoples, we endeavour to understand and respect traditional values, customs and culture. We take meaningful action to serve their development needs and priorities through collaborative agreements aimed at creating jobs, training and lasting socio-economic benefits.

### Mesquite

Approximately 3,000 members of the Quechan tribe reside within the mine's area of influence.

We continue our outreach activities to build relations and gain trust, focusing on education and health initiatives, which include after-

school activities for students to promote personal wellness, nutrition and physical exercise.

### Peak Gold Mines

The local peoples are the Murdi Paaki. In cooperation with the Murdi Paaki Regional Enterprise Corporation we are supporting an indigenous-operated nursery project for indigenous trees, shrubs, herbs and other plants. The plants will be used for rehabilitation of our operation, as well as other mines in the Cobar region, and other landholders seeking plants for land rehabilitation.

### New Afton

The project is located within the asserted traditional territories of the Tk'emlups and Skeetchestn Bands which are part of the larger cultural group known as the Secwepemc or Shuswap First Nation. Following extensive consultation with the two bands, a groundbreaking Participation Agreement was formed. This legally binding document was signed in 2008 and guides the way we do business at New Afton. The agreement focuses on the environment (land and water use, and protection of cultural/heritage values); employment and training (preferential hiring/promotions for band members, training and education opportunities); business opportunities (preferential contracts and joint venturing); and the socio-economic (compensation and royalties). The Participation Agreement has brought about many benefits, including:

- the mine's workforce is now 20% First Nations, nearly one-quarter of which are from the two local bands
- over US\$2.7 million in spending during 2010 has gone to Shuswap First Nations' businesses
- dozens of First Nations people have received training through the BCAMTA, and many have been hired
- bands have been awarded direct contracts for services including concrete aggregates, environmental monitoring, janitorial services, catering, fencing, maintenance and catering
- bands have embarked on joint-venture opportunities including site security
- annual post-secondary scholarships have been awarded to several band members for programs such as Helicopter Pilot licensing, Business Administration studies, Masters in Education

and other university studies. These scholarships were awarded in 2010, all of which is in addition to the terms of the Participation Agreement

- sponsorships in 2010 also included contributions to each band for Pow Wow and other celebrations

### COMMUNITY DEVELOPMENT

We continually seek opportunities to support community organisations and activities with a special focus on encouraging local entrepreneurship to promote diversified, sustainable economic prosperity.

#### Mesquite

Unemployment is in the 30% range around Mesquite and we have sought to assist the region's economic diversification and help boost a severely depressed area. To these ends, we engaged and assisted with sponsorship of a series of economic development and business attraction efforts aimed at bringing new industry to the area. Efforts focused on renewable energy companies (wind, solar, geothermal), as well as manufacturing, logistics and international trade, agrotechnology and agribusiness.

We also participate in, and contribute to a number of community organisations with, sponsorships and volunteering in several community organisations to provide after-school education and homework help, educational scholarships, industrial and technical education and small business seminars. These organisations included Boys & Girls Clubs, the Salvation Army, Chambers of Commerce, the Veterans Employment Committee, a number of state and local economic development committees and councils and advisory boards for college/technical preparation and Applied Sciences.

For Mesquite in 2010, the event that overshadowed all others was the 7.2 magnitude earthquake that struck the region in April. Although the mine was unaffected the company and our employees quickly rallied—even though many of our people and their homes were directly affected—and organized an emergency food drive. Employees donated over 20,000 pounds of food, clothes, blankets and other items. These were routed through community organisations such as the Imperial Valley Food Bank and the Centre for Family Solutions for prompt distribution to those most affected.



Last year, the New Afton operation directed over US\$2.7 million in spending to Shuswap First Nations' businesses. The bands have been contracted for many essential services, from maintenance to supplying concrete aggregates to catering.

### Cerro San Pedro

Every year, the Cerro San Pedro operation invests directly in community development. In 2010, we donated 100 ounces of gold and 5,000 ounces of silver (approximately US\$220,000 or 25% of the municipal budget) to the Municipality of Cerro de San Pedro. This contribution advances the Municipal Development Plan and triggers federal and state funding.

In addition, we contributed through the Foundation for Preservation of the Village of Cerro de San Pedro AC, which directs funds to the most pressing needs, and finances small and promising businesses. Our support is behind these programs and more:

- free transportation to and from school for children in remote communities. Computer equipment and a satellite connection have been provided and four media classrooms are fully operational to serve more than 600 students. A primary school classroom was constructed in Planta del Carmen
- in coordination with the Municipal Government, many roads have been and continue to be paved including the main access road to Cerro de San Pedro. Restoration work continued on the historic St. Peter the Apostle Church and a new chapel was constructed in Planta del Carmen
- free medical consultations were provided in ten communities including Cerro de San Pedro. Two doctors regularly visited the communities and also gave talks on disease prevention and family planning. In total, more than 2,300 consultations were provided
- other sponsored activities included artists' exhibitions, theatrical productions, fiestas and recreational events in promotion of local culture and traditions

### Peak Gold Mines

At Peak Gold Mines, we recognize the importance of the town of Cobar's ongoing viability even after the mine's eventual closure. We believe that it is the responsibility of all stakeholders to establish the culture and infrastructure that will ensure the town's sustainability. Over US\$19.7 million, excluding salaries, was spent locally in Cobar while the majority of our operating expenditures (approximately US\$140 million, including salaries of \$28 million and royalties of \$5.7 million) was spent within the state of New South Wales.

We continued our support for the Cobar Enterprise Facilitation initiative which provides knowledge and support to create new businesses and expand existing ones. Its Resource Board, in which we participate, offers entrepreneurial advice that has contributed to local business' effectiveness and profitability.

The Cobar Business Association awarded us Certificates of Excellence for establishing the Sustainable Apprentice & Trainee Strategy, and in collaboration with Cobar Primary Health Centre, establishing the Good Health Program. We were also nominated for our initiatives in tourism and environmental achievement.

### New Afton

At New Afton, we endeavour to use local suppliers and contractors for goods and services wherever possible and spent the majority of our operating expenditures (nearly \$100 million including salaries and insurance) within British Columbia. We strive to contribute positively to the communities in which we operate, and provided CA\$100,000 in funding for various sporting, health and community groups as well as scholarships and donations to the two local First Nations bands.

### DISPUTE RESOLUTION

When disputes arise, we strive for prompt identification of the issue followed by open dialogue and interactive engagement. Only through a respectful, mutually-beneficial resolution of disputes can we continue to earn and keep our social license to operate within a community.

### Mesquite

One external complaint was received regarding dust. This occurred during a power outage when water pumping capacity for road dust control was constrained. Procedures have been reviewed to ensure an acceptably high standard of dust management.

### Cerro San Pedro

In 2010, through a series of community meetings, steps were taken to implement a practical mechanism to receive and respond to suggestions, comments, questions and complaints. Close ties exist between the company, the authorities, and community members and leaders, but this mechanism (which results from an independent consultant's survey) provides an opportunity to improve our channels of communication.

Legal challenges, primarily related to a land-use dispute, have proceeded through the courts, while operations have continued under a temporary injunction. Opposition comes from a group of mainly non-resident individuals, and became a judicial matter in 2009. We are currently working on a long-term solution with local and federal government groups. In a thorough public consultation process, the municipality has developed a land-use plan that unambiguously supports our ongoing mining activities.

**Peak Gold Mines**

A 24-hour-a-day Complaints Hotline is advertised in the local newspaper. In early 2010, three noise complaints were received that related to drilling operations at Great Cobar and we engaged with the complainants to find a suitable solution. To minimize noise, a noise barrier was constructed from shipping containers.

**New Afton**

No complaints regarding the operations at New Afton were received during 2010.

THERE'S MORE TO  
**COMMUNITY  
SUPPORT**

Since we helped establish the Cobar Enterprise Facilitation initiative, 18 small enterprises have opened for business including a florist shop, movie theatre and an adventure tourism enterprise. So far, 51 new jobs have been created.

Near the Peak Gold Mines operation, the town of Cobar, NSW, is an historical mining town with a population of over 5,000. The Cobar Enterprise Facilitation initiative is an example of our commitment to community building beyond the mine itself. The organisation helps people achieve their goals of starting up a business for themselves, and expanding existing businesses. The objective is to help the community diversify and solidify its economic base. Peak Gold Mines was a founder of the initiative and several staff are currently members of the initiative's board.



## THERE'S MORE TO OUR ENVIRONMENTAL POLICIES

At every stage of the mining life cycle, New Gold's operations 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. After mining activities are complete, our objective is to restore the land to a level of productivity similar to its pre-mining capacity.



We take a proactive risk-management approach to safeguarding the environment guided by high international and national standards. Working with the appropriate government agencies, we ensure that our activities meet or exceed their requirements. Should any incidents occur, we are committed to prompt reporting and remedial measures to prevent or minimize environmental impacts. All incident reporting is encouraged as a key factor in monitoring and management for continuing improvement.

In all our operations we place a high priority on minimizing our energy consumption, reducing our carbon footprint, reducing our material consumption and minimizing water use (through efficiency, reuse and recycling).



## REGULATORY COMPLIANCE

Reportable Incidents†	2010	2009	2008
	7	2	2

In 2010, seven non-compliant incidents were recorded. At New Afton in April, one minor non-compliance (related to drill site reclamation) was detected, reported, and immediately resolved with guidance from the local regulatory authority. At Mesquite in March, after a site inspection by Imperial County Air Pollution Control District, four minor Notices to Comply were issued and resolved. In April, the California Department of Toxic Substances Control performed an inspection of our Accidental Release Program (cyanide system) which resulted in the issue and resolution of one minor non-compliance order. At Peak Gold Mines, an effluent release from the tailing storage facility occurred during a November storm, which was reported to the New South Wales Department of Environment, Climate Change and Water.

### Mesquite

- the number of internally recorded incidents dropped to 23 (from 26 in 2009), and the incident severity declined
- no cyanide-related wildlife mortalities were reported (down from 5 in 2009)
- one environmental complaint was received (down from 3 in 2009) for excessive dust during a power outage. The power outage lasted nearly two days but caused no environmental incidents, a testament to good design and effective emergency backup systems

### New Afton

- the number of internally recorded incidents increased to 17 (up from 9 in 2009); all were low-to-minor consequence. Most were minor fuel and oil spills below external reporting thresholds
- proactive monitoring programs ensure air, soil and water quality in the vicinity of our operations and identify and protect native wildlife and plant species

## Peak Gold Mines

- the number of internally recorded incidents decreased to 32 (from 50 in 2009). These included noise complaints, waste management issues and minor hydrocarbon spills

## WATER USAGE

Water consumption	2010	2009	2008
process (cubic metres)	3,514,884	2,045,615	1,321,583

Responsible water use and management is encouraged through such measures as efficient use, recycling, treatment and conservation. The increase in consumption is due to the addition of the Mesquite mine which joined New Gold in June of 2009. This is its first full year of reporting.

### Mesquite

Water is predominantly used for dust control on the mine haul roads and for makeup water in the process due to water retained in the leach piles and some evaporative losses. To minimize water use, dust suppressants are applied to roads on a quarterly basis. While we are generally successful in our efforts to manage traffic and reduce dust, dust suppressants cannot be used safely on steeper inclines so routine water application is essential.

- approximately 66% of extracted ground water was used for dust control (down from 75% in 2009, likely due to 2010's above-average precipitation)
- evaporative losses in the process are minimized through monitoring of solution application and recycling of process solutions
- 21,378,661 m<sup>3</sup> of process solution was recycled, as compared to 540,456 m<sup>3</sup> of makeup water (512,594 m<sup>3</sup> in 2009), or 2.5 % of total recycled solution
- in 2010, the entire water supply system was approved as a certified community water system

†At New Gold, we require all sites to report every environmental event that is outside of normal operating procedures, regardless of its magnitude. Some minor incidents are reported internally only, while others may be significant enough to be reported to regulators, but still may have little adverse environmental impact. New Gold's HSES Corporate Reporting Standard includes an Incident Reporting and Ranking Table with categories from Insignificant to Catastrophic, based on severity and consequence.

### Cerro San Pedro

Cerro San Pedro continues to investigate options for reducing the water volume withdrawn from the aquifer:

- leach solution storage ponds have been adapted to enable the capture and use of rainwater for process use. Rainwater can be captured in an adapted pond that was installed for leach solution storage and surge capacity. In 2009, some 8,000 m<sup>3</sup> were collected. However in 2010, no rainwater was available for capture. The process operates as a closed circuit without discharge
- a domestic wastewater treatment plant was authorized and built. Over the year, more than 820 m<sup>3</sup> were treated. With the treatment plant in operation we have complete recirculation of all available water in use at the operation. Treated water is used for nursery and green area irrigation

### Peak Gold Mines

As a result of the last decade's drought conditions in western New South Wales, Peak Gold Mines implemented stringent water saving and recycling measures.

- all mine water is pumped into a recycled-water dam which has the capacity to store nearly 350 thousand m<sup>3</sup> of recycled and storm water. Even though our water allocation has returned to 100%, the recycling efforts have continued
- in 2010, 405,260 m<sup>3</sup> of raw water was used, just over 40% of the annual allocation
- we investigated feasible alternatives to increase the Peak Tailings Storage Facility capacity. The facility was originally commissioned in 1992 when processing began, and greater capacity is necessary to accommodate the mine's expected life to 2017 and beyond. As a result, the water management structures will be enlarged within the existing footprint to allow an increase in tailings storage capacity

### New Afton

In the mine's semi-arid climate, water management and conservation are essential and we strive to minimize the water drawn from Lake Kamloops through recycling and reuse, and by preventing water discharge from the site. Hydrogeological testing has determined

that ground and surface water are contained on-site and flow toward the New Afton pit or other containment structures. This ensures that water remains on the site and that downstream impacts are unlikely.

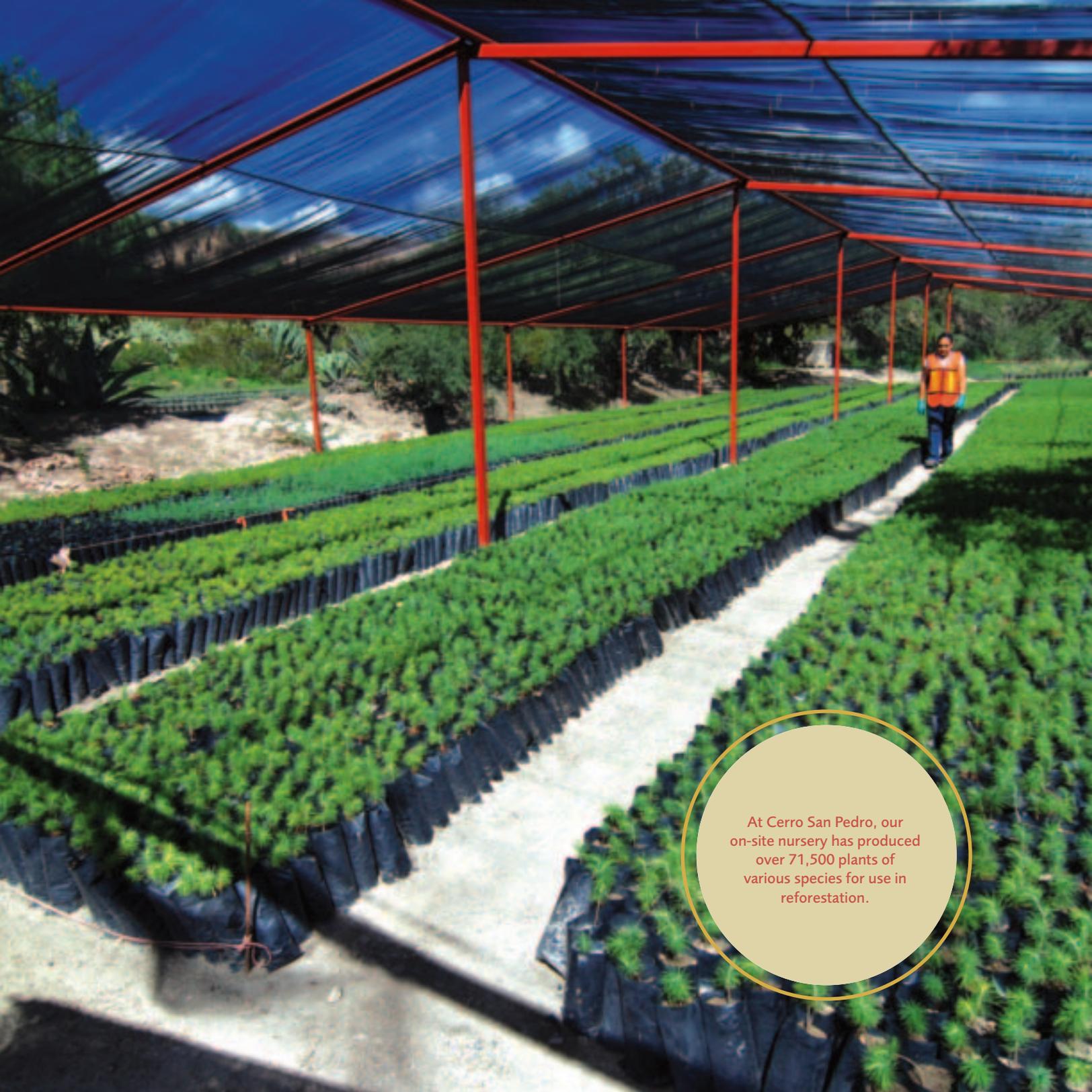
Water quality is monitored on an ongoing basis, on-site and at the residences of downstream users, and results have remained consistent with baseline measurements. On a quarterly basis, well water is measured for a suite of parameters and a report is provided comparing the results with appropriate guidelines:

- in 2010, we received our Conditional Water Licence from the Ministry of Environment's Water Stewardship Division following consultation with First Nations and neighbouring stakeholders. The licence provides for the mine's water needs while we continue to identify efficiencies to reduce our fresh water requirement
- in 2010, we received an Effluent Permit from the Ministry of Environment which is required under the BC Environmental Management Act. The permit specifies conditions of authorized discharges, operational requirements and sampling requirements
- we also participated in an industry study to develop additional water quality guidelines to protect aquatic systems and users

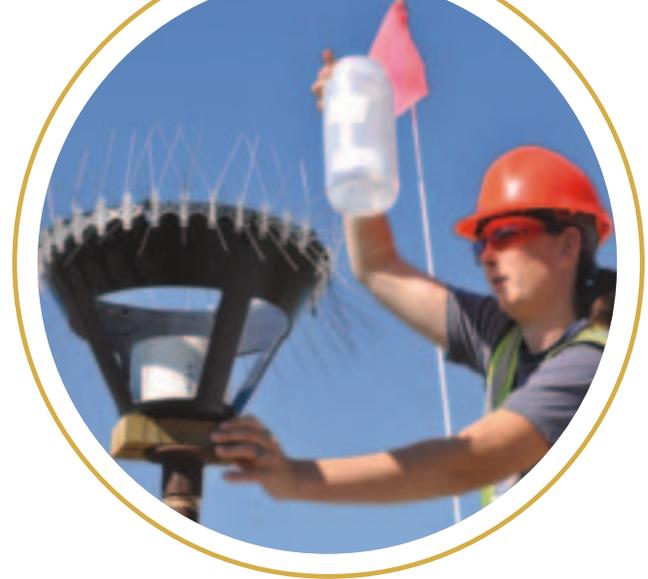
### IMPROVING ENERGY EFFICIENCY AND REDUCING OUR CARBON FOOTPRINT

At New Gold, we believe that improving the energy efficiency of our operations benefits the environment and brings inherent cost advantages. We recognize that our activities result in the emission of greenhouse gases (GHGs)—from the mobile equipment required to operate a mine, for example, and from the thermally-generated electric power that we purchase to supply our operations.

Our objective is to improve our measurement capabilities and to manage an accurate database of these and other sources of GHGs with a view to identifying viable energy alternatives and offsets that can reduce our carbon footprint.



At Cerro San Pedro, our on-site nursery has produced over 71,500 plants of various species for use in reforestation.



<b>Direct Energy Consumption</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Diesel Consumption (000s litres)	42,598	32,989	21,279
Gasoline Consumption (000s litres)	587	215	211
Propane (tonnes)	805	not reported	not reported
Explosives (tonnes)	10,836	not reported	not reported

<b>Indirect Energy Consumption</b>			
Power Purchased (MWh):	120,656	107,241	108,313

<b>Greenhouse Gas Emissions</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Diesel (as tonnes of CO <sub>2</sub> )	114,231	83,021	57,057
Gasoline (as tonnes of CO <sub>2</sub> )	1,353	497	480
Propane (as tonnes of CO <sub>2</sub> )	2,293	not reported	not reported
Power (as tonnes of CO <sub>2</sub> )	80,229	71,922	55,818

Increased energy consumption and GHG emissions are due to the addition of the Mesquite Mine which joined New Gold in June of 2009. This is its first full year of reporting. CO<sub>2</sub> emissions generated by mobile equipment are calculated from diesel fuel, gasoline and propane consumption using the WRI/WBCSD Greenhouse Gas protocol for Direct Emissions (Scope 1 Emissions). Diesel emissions reported above include the greenhouse gas component of fuel oil used in ANFO explosives. CO<sub>2</sub> generated indirectly from purchased energy is calculated using the WRI/WBCSD Greenhouse Gas protocol for Electricity Purchase (Scope 2 Emissions).

### Mesquite

In early 2009, Mesquite's energy consumption was audited and its GHG emissions qualitatively measured. The audit identified opportunities for innovative energy-saving projects some of which were further evaluated:

- we evaluated technologies for micro-hydro energy production from solutions returning from the heap leach piles. We determined that while the technologies have improved, this project is not yet economically feasible
- we evaluated replacing the original plant's water boiler and carbon kiln with more energy-efficient equipment. This will yield a positive return and the equipment will be replaced when the timing is appropriate

To ensure that our carbon footprint is calculated using the best available technology, we have evaluated various models, public and proprietary, and have selected the one with the greatest technical credibility.

Of several innovative projects that were identified, three were selected and funded: 1) Large Equipment Energy Efficiency, 2) Solar Campus Research and 3) Sub-Metering Site Energy Consumption.

### Cerro San Pedro

At CSP, direct and indirect energy consumption continued to be documented for GHG emissions monitoring. In 2010, planning was



progressed for energy consumption assessment and conservation opportunity identification.

#### Peak Gold Mines

At Peak Gold Mines we are committed to accurately measuring carbon emissions, reporting emissions through the Australian Government's National Greenhouse and Energy Reporting System and sustainability reporting and identifying feasible ways to reduce energy consumption and carbon emissions.

- we monitor our operation's energy consumption continually. Our power consumption per tonne of ore milled has declined from 2008, but has remained consistent since 2009
- in support of our commitment to energy efficiency and reducing GHG emissions, an energy-use audit was conducted in 2010, with several recommendations to be assessed further in 2011

#### New Afton

New Afton is committed to minimizing impacts on regional air quality. Since the project is in the construction phase, our efforts to minimize GHG emissions are focused on the procurement stage so that energy efficiency is considered as equipment is purchased:

- baseline monitoring as part of the regulatory approval process established pre-operation air quality that can be compared against future routine monitoring results

- in 2010, we received an air discharge permit, which specifies the operational requirements for those features of the mine that may affect air quality. The permit also specifies the air quality sampling (the number, type and location of samples) that will be required during operations
- in 2010, we joined the BC Hydro Power Smart program which seeks to identify areas where energy-saving improvements can be made

#### OTHER AIR EMISSIONS

Dust levels are a specific air-quality aspect of open-pit mining operations and all New Gold operations maintain air-monitoring stations that monitor the levels and composition of dust.

#### Mesquite

Dust is monitored on a monthly basis and the results reported quarterly. Dust monitors are located at points north, south, east and west, near the perimeter of mining activities. In 2010, our operations remained within permitted air quality limits.

Over the year, several dust suppressants were evaluated. The current product is naturally-occurring magnesium chloride which is applied on active, flat-lying, high-use roads property-wide.

Minor modifications to the storm water diversion around the Rainbow pit were made to help reduce blowing wind and dust and

shield part of the pit from the highway. Despite these and other efforts, one dust-related complaint was received (down from three complaints in 2009).

### **Cerro San Pedro**

Monitoring results indicate that air quality in the area of the mine was consistent with historical observations. Elevated values recorded in the first quarter of the year were associated with dry weather.

### **Peak Gold Mines**

In 2009, the operation began monthly dust monitoring (exceeding the license requirement for quarterly monitoring) to improve the database and our understanding of seasonal dust patterns. We moved to the routine use of a natural dust suppressant, magnesium chloride, for more effective dust control and water conservation. No dust-related complaints were received during 2010.

### **New Afton**

Dust from mine traffic was identified as an area for improvement, especially during the construction phase. To minimize impacts, a water truck was used in high-dust areas to reduce emissions with water spray, and environmentally-safe magnesium chloride dust suppressant was used in areas of heavy traffic.

Ambient dust has been monitored for a number of years, and in 2011, the exhaust from the mine's workings will also be monitored to ensure that emissions are in compliance with environmental permitting.

## **NOISE POLLUTION**

### **New Afton**

With construction progressing rapidly the underground working areas must be ventilated. To ensure that ventilation noise is within compliance guidelines and does not pose issues with neighbours, we have engaged noise-modelling consultants to guide the design of the ventilation fans.

### **Peak Gold Mines**

Vibrations—from blasting and general mining—are limited by the operation's Environmental Protection Licence, and maintained well below a level that might cause damage to buildings or infrastructure. Our levels are continually monitored, and any noise or vibration that exceeds the defined maximum levels is recorded. In 2010, no

vibration levels (including overpressure) were reported as exceeding the requirements defined by the Licence. As a requirement of our development approval, noise levels are monitored at the nearest residences to our operations. The noise limits are set by the Australian Environmental Protection Authority (EPA) and results are reported annually to all regulators.

In 2010, we received three noise complaints regarding an exploration drill rig at Great Cobar and night-time monitoring revealed that the licensed noise limits may have been exceeded. The rig was shut down at night until the noise issue was resolved: a larger muffler was fitted to the rig and a noise barrier created from shipping containers. Subsequent noise monitoring confirmed that the noise level had decreased sufficiently to continue night drilling.

## **WASTE MANAGEMENT**

As with any mining activity, New Gold's operations generate waste materials. Process waste includes the non-mineralized rock that must be removed and disposed safely in order to access the mineralized ore. It also includes remnant leach piles after gold and silver extraction has completed or, in the case of Peak Gold Mines, the tailings after gold and copper mineral concentrate has been obtained. Planning for a mine's closure—which is an essential part of every mining operation—begins at the design stage and continues through the mine life to ensure the physical and chemical stability of the waste material that will be left behind. Each of our properties has obtained approval for their rehabilitation plans and, as discussed below, practice programs of progressive rehabilitation and reclamation.

Recycling of non-process waste is another essential part of good environmental management and is practiced at all New Gold sites. Typically, recycled materials include scrap metal, used oil, plastics, aluminum, cardboard, batteries as well as wastewater.

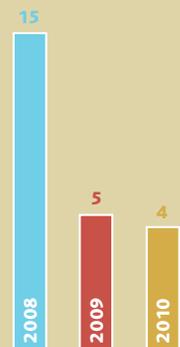
<b>Process Waste</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Waste Rock (000s tonnes)	52,570	40,408	14,517
Leach Piles – to reclaim (tonnes)	0	0	0
Tailings (000s tonnes)	747	794	769

Currently, all leach piles remain in productive use.

## COMMITTED TO REDUCING WILDLIFE MORTALITIES

With the 2009 shutdown, and 2010 sale of our Amapari mine in Brazil, wildlife mortalities have decreased significantly. Zero mortality occurred in 2010 as a result of cyanide exposure. Four wildlife mortalities occurred due to other causes. All wildlife mortalities were non-endangered species (as identified by national legislation and the International Union for the Conservation of Nature).

Cyanide management is an issue of critical importance in our three cyanide-using operations. Continued diligence has resulted in the steady decrease in wildlife mortality due to contact with cyanide. As part of our commitment as new signatories to the International Cyanide Management Code, we will certify our cyanide-using operations within the next three years.



WILDLIFE MORTALITIES



<b>Non-Process Waste Recycled</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Paper, Plastic, Metals (tonnes)	599.6	686.7	483
Oil & Lubricants (000s litres)	654.2	563.1	245.8

### Mesquite

Mesquite's Waste Management Plan, which was initiated in 2009, was finalized in 2010. The recycling program includes scrap metal, calibration check gas cylinders, toner cartridges and batteries, antifreeze, used oil and drained oil filters.

### Cerro San Pedro

At Cerro San Pedro, hazardous waste such as used oil and oil-impregnated solids (rags, trash, filters, soil) are placed in temporary storage for hazardous industrial waste, and packaged and labelled according to Mexican regulations. An approved firm collects the waste once a week, and is responsible for sending it to treatment and recycling as appropriate. Cerro San Pedro also recycles significant quantities of plastic, polyethylene, cardboard, aluminum and metal scrap. The site achieved a 25% reduction in municipal solid waste generation compared to 2009.

### Peak Gold Mines

In 2009 and 2010, Peak Gold Mines changed the way waste streams are handled, and recycled waste steel and other metals, batteries, oil, some types of grease and e-waste (computers and other

electronics). In addition, the operation's paper, cardboard, plastic, glass and metals are recycled using a local recycling service provider. In 2010, Peak Gold Mines diverted 17.8 tonnes of waste (19% of the operation's total waste) that would otherwise have ended up in landfill.

### New Afton

New Afton is committed to recycling waste wherever possible. In 2010, office paper, cardboard, aluminum, plastics and batteries were separated from general waste streams and recycled at a local service provider. Plans for 2011 include expanding the recycling practices to the wider site, and finding a viable waste stream for fluorescent lights and printer cartridges.

### CYANIDE MANAGEMENT

While cyanide has inherent toxic properties, its safe transport, handling, use and destruction are well understood and manageable. All New Gold mining operations use cyanide in the gold extraction process, following 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 (ICMC), which is renowned as the international benchmark for transporting, storing and using cyanide. For more information, visit the Institute's website at [www.cyanidecode.org](http://www.cyanidecode.org). Under the ICMC, New Gold has committed to the certification of its three cyanide-consuming operations within a three-year period.



<b>Wildlife mortalities from cyanide exposure</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Birds (non-endangered species)	0	5	3
Mammals (non-endangered species)	0	0	4
Amphibians (non-endangered species)	0	0	8

### **Cerro San Pedro**

In 2010, Cerro de San Pedro conducted audits to monitor our environmental management system and maintain our ISO 14001:2004 certification. Preparatory work began for an application for ICMC certification.

Four wildlife deaths were recorded in 2010. A squirrel and a chimionera viper were found deceased alongside a construction road, and a gray fox and a Mexican mud turtle who accessed the storage pond area as a result of a faulty fence closure were drowned. Cyanide exposure was not the cause of death, and none of these species is considered "threatened." To prevent future incidents, protective measures and monitoring procedures were revised.

### **Mesquite**

The Mesquite mine has undergone a gap audit review comparing its performance to the ICMC, ISO 14001 and OHSAS 18001. In 2011, Mesquite will pursue certification under the ICMC, and will seek other internationally recognized standards in the future. In 2010, as a result of proactive operating practices and the continued vigilance

of our employees and supervisors, we experienced no wildlife mortalities related to cyanide use (down from five bird mortalities in 2009).

### **Peak Gold Mines**

Peak Gold Mines is committed to the ICMC certification of its operation. Wildlife safety is a high priority for the ICMC, and in recent years we have reduced wildlife deaths to zero at our Tailings Storage Facility through improved diligence in managing and controlling certain discharges that previously attracted wildlife. In both 2009 and 2010, no wildlife deaths occurred.

### **BIODIVERSITY**

At New Gold sites, environmental stewardship also means conserving the environment on those lands that are undisturbed by mining operations. On the lands that are affected by mining, restoration practices will be applied to create a habitat conducive to natural biodiversity.

### **Mesquite**

At the Mesquite mine, we are protective of the desert environment's flora and fauna. Among the local flora is Fairy Duster, a native species that is considered sensitive and protected under the California Native Plant Protection Act. Within our active operating areas, Fairy Duster is salvaged and transplanted into reclaimed areas.

Among local fauna, the desert tortoise is a federally-listed threatened and endangered species. Accordingly, specially-designed tortoise fencing surrounds our entire property. Since 1985, more than 100 tortoises have been relocated from the mine site. Before work commences in any new area, a survey is conducted, and in April after a 7.2 magnitude earthquake had occurred, and for the first time since 2007, a tortoise was encountered within the fenced project area. It was relocated off the mine property by a qualified biologist.

### Cerro San Pedro

The Cerro San Pedro operation is located within the boundaries of the central plateau and the foothills of the Sierra Madre Oriental. The area is characterized by alluvial valleys and low hills. Vegetation is predominantly thorny bush composed mainly of shrubs, agaves, yucca or palms, and cactus—the typical species seen in arid and semi-arid regions of Mexico. Since this vegetation does not support large fauna, only birds and small mammals such as coyotes, foxes, rabbits, squirrels, kangaroo rats, voles, and reptiles such as rattlesnakes are found.

As part of Cerro San Pedro's biodiversity program, native flora and fauna are monitored to verify, among other parameters, the survival of transplanted plants, the relocation of slow-moving animal species, plant production and reforestation and the potential effects of change of land use due to the mine's activities. During the operating period to date, 90% of rescued plants have survived.

### Peak Gold Mines

Peak Gold Mines is located in western New South Wales in gently undulating, semi-arid country that was extensively cleared and mined in the late 19th and early 20th century. Peak Gold Mines has assumed responsibility for rehabilitating the historic mine sites on our leases and has completed rehabilitation of some of these sites.

The initial Environmental Impact Assessment found no evidence of critical habitat for threatened species on-site. At Peak Gold Mines,

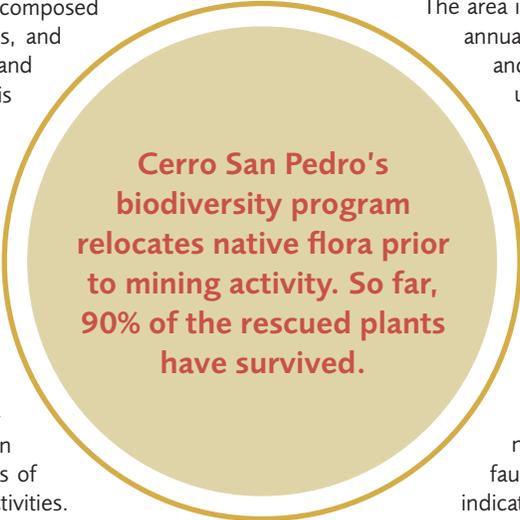
we are committed to continuous improvement and environmental best practice in managing potential habitat. According to the Threatened Species Conservation Act 1995, threats to endangered species come from introduced herbivores and predators. Therefore, measures to control goat, rabbit, fox and cat populations are carried out on all sites. We maintain fences to exclude livestock from neighbouring properties, and land clearing is only carried out when absolutely necessary and after an inspection by the environmental department.

### New Afton

Located approximately 10 km west of Kamloops, the operation is in the rain shadow of the British Columbia Coastal Mountains. The area is very dry, with around 280 mm of rainfall annually. The mine site is 701 m above sea level and lies within an area of hilly country mainly used for grazing. Despite a high level of previous disturbance from historical mining activities, we have surveyed and monitored the site for its ability to maintain species richness as shown in baseline studies, through all stages of development and through to eventual closure.

Given its previous disturbances, no sensitive zones remain in the area. As no runoff leaves the site, the mine does not impact any off-site biodiversity. The fauna includes two at-risk species of toad (as indicated by Provincial or Federal databases), the Western Toad and the Great Basin Spadefoot. Approvals for relocation and removal from areas which may put these animals at risk have been obtained. During the year both endangered toad species were found on site, at which point work was halted and the toads were relocated.

We are trying to encourage the return of wildlife to areas that have been degraded by historical mining. Fifty-eight nesting boxes for birds and bats have been established which will be monitored to gauge the success of the program and to ensure they're not used by invasive or pest species. Preliminary results are encouraging with approximately 50% of the boxes occupied by native species.



**Cerro San Pedro's biodiversity program relocates native flora prior to mining activity. So far, 90% of the rescued plants have survived.**

A vibrant green tree frog is perched on a palm frond, facing left. The frog's body is a bright, uniform green, with a white stripe running along its side. The palm frond it sits on is a lighter shade of green, with distinct parallel veins. The background is a dark, blurred green, suggesting a dense forest or jungle environment. In the upper right corner, there is a circular callout box with a gold border and a light beige background, containing text in a reddish-brown font.

At Peak Gold Mines,  
threats to endangered  
species come from introduced  
herbivores and predators. To  
protect vulnerable species,  
we have installed fences  
and implemented other  
protective measures.



**ARCHAEOLOGY**

**New Afton**

As part of our commitment to "doing what's right," we are keen to identify, catalogue and preserve any artefacts discovered in what was traditional First Nations hunting territory. In 2010, four inspections were carried out seeking archeological evidence as well as potential wildlife habitats in areas that were to be disturbed during construction. Three rock fragments were found in an area that was not required for construction. They were small splinters of dacite, a rock not found locally, probably a result of sharpening stone tools in the area. The fragments were recorded and left in-situ.

**RECLAMATION**

<b>Habitat Restored (hectares)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	45	93	113

As responsible mining operators several of New Gold's sites, including Peak Gold Mines and New Afton, are undertaking the assessment and rehabilitation of land disturbed by historic mining in their project areas. The sale of the Amapari mine in Brazil in early 2010 is reflected in the decreased area of surface reclamation activity.

**Mesquite**

In 2010, the operation's footprint remained active and concurrent reclamation was limited to six hectares. Plans for 2011 include concurrent reclamation of a portion of the Rainbow dump adjacent to Highway 78. As of December 2010, the area of surface disturbance was 1,442.8 hectares.

At Mesquite we continue to update our closure plan and its underlying costs. We are applying the best available industry practices, and have retained a California Professional Engineer who has specialized in this area. As required by accounting practices, we are utilizing this expertise to update the closure costs for our Asset Retirement Obligations. We are applying the same model for calculating our regulatory obligations, which are now in the form of surety bonds. We have proposed to increase the regulatory obligation to accommodate approved expansion to the pit and heap leach piles.

**Cerro San Pedro**

At Cerro San Pedro and its surrounding area, the soil still shows the effects of historic mining activities, as was established by baseline soil and sediment studies prior to the commencement of mining activities. At year-end, the area of surface disturbance was 284.3 hectares. The operation's Environmental Management System is designed to differentiate between the results of current mining activities, and the pre-existing baseline conditions. During the year, 35,691 m<sup>3</sup> of topsoil were recovered and stored, to yield a total accumulation at year-end of 385,884 m<sup>3</sup> for eventual use in site reclamation. To date, more than 23,300 cactus plants of five species listed under environmental protection by the Mexican government have been rescued and relocated to the botanical garden and nursery. These plants will be monitored until their eventual relocation as part of the reclamation program. Our on-site nursery produced over 71,500 plants of different species, for use in reforestation. In 2010,



33 hectares in the community of Monte Caldera were reforested with 33,600 plants.

#### **Peak Gold Mines**

At Peak Gold Mines, five hectares of disturbed area were rehabilitated. Rehabilitation of the tailings dam is underway and we are determining the most efficient, sustainable cover system. Work in 2010 continued research studies of deep-rooted native perennial plants to form the cover system. At year-end, the area of surface disturbance was 189.8 hectares.

Peak Gold Mines has moved toward a progressive closure model which will focus on rehabilitating historic areas in the years leading up to the closure of operational sites. We have assumed responsibility for rehabilitating the historic mine sites found on our mining leases including the New Occidental, Chesney, Gladstone, Queen Bee, Tharsus, Young Australia and Mount Pleasant mines. We recently expanded our environmental team which will provide additional resources for the rehabilitation of these historic mines in 2011.

Our closure plan will be reviewed independently in 2011 to ensure that the rehabilitation provisions are sufficient. This will provide assurance that sufficient funds will be available for rehabilitation.

#### **New Afton**

As the holder of the mining lease, New Afton is obliged to reclaim areas that were not rehabilitated completely following previous

mining activity. At year-end, the area of surface disturbance was 168.4 hectares.

We are committed to progressive rehabilitation which means that areas that are not required for current or future mining use will be rehabilitated prior to the mine's closure and reclamation of disturbed areas will proceed even while operations are continuing elsewhere on site. In all our reclamation activities the aim is to return the land to a productive state similar to that prior to mining. The main reclamation activities performed during 2010 were:

- seeding of 1.2 hectares of disturbed land (mainly from buried services installation)
- clearing of 750 m<sup>2</sup> of knapweed (a noxious local weed)
- felling of approximately 1 hectare of dead timber that was near the surface infrastructure. The trees had died from an infestation of tussock moth and the timber was donated to the Skeetchestn Indian Band Reserve's elderly, to heat their homes

Diligence in closure planning is important as the environmental criteria must be agreed upon by traditional owners, regulators and relevant interest groups. As negotiated in the First Nations Participation Agreement, plants of cultural significance will form part of the rehabilitation planning. As the land lies within an Agricultural Land Reserve it is likely to become grazing land, but this will be subject to consultation with First Nations and regulators.

## THERE'S MORE TO OUR FUTURE

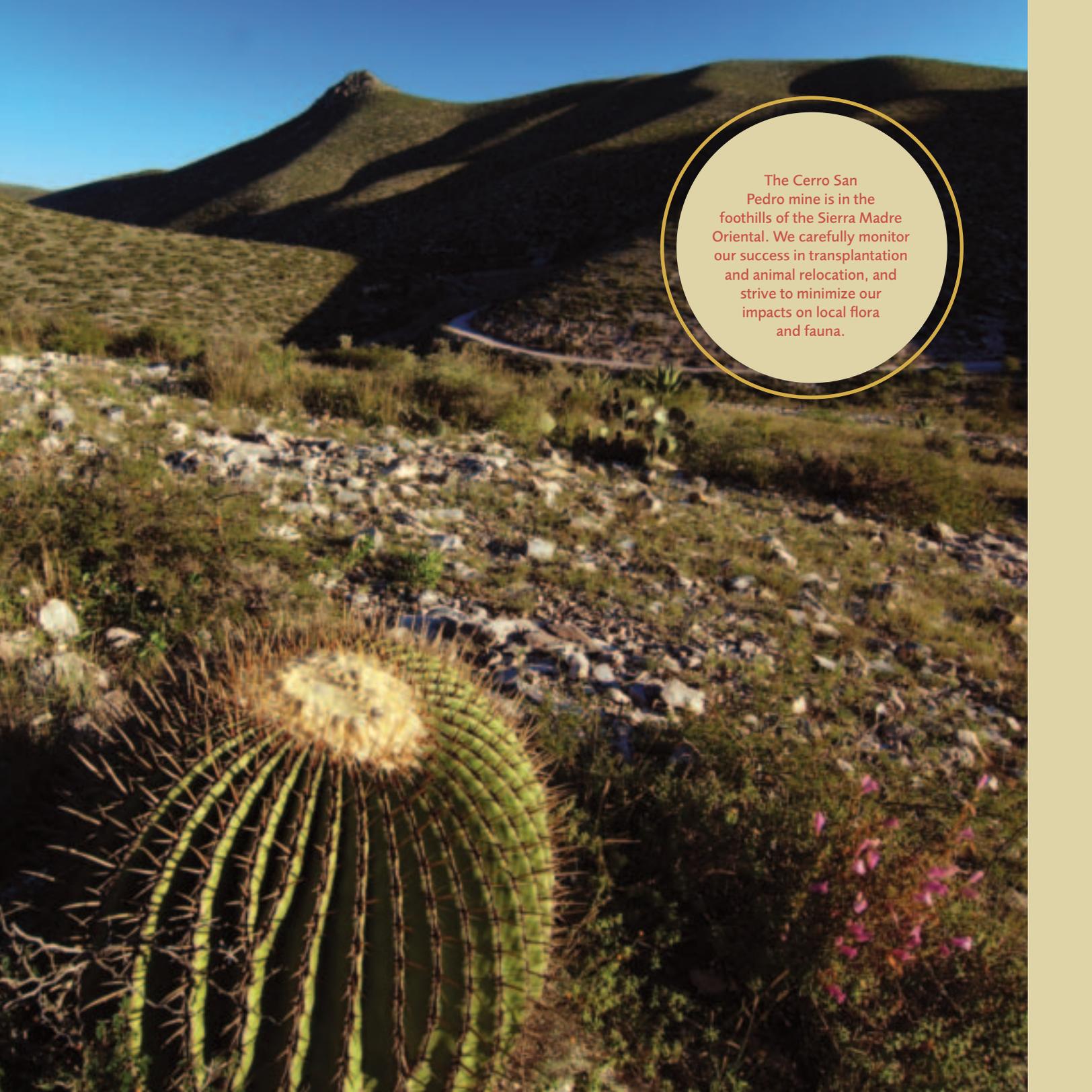
In this, our third annual sustainability report, New Gold is again demonstrating our commitment to open reporting on our HSES performance. At New Gold, we view transparency as the prerequisite for maintaining trust with our various stakeholders, and essential to our reputation as a good corporate citizen. Our HSES performance targets for 2011 are based on stakeholder feedback with respect to key issues and a continued attempt to improve performance. These targets are communicated to all employees, in their new-employee training, or in an annual refresher course.



As in past years, we are dedicated to conforming with the most stringent international standards for responsible corporate behaviour. We are guided by the Global Reporting Initiative G3 Guidelines. This year the evaluation process has been conducted by self-assessment. In the future, we will work to continually improve the scope, depth and transparency of our reporting, and to obtain external assurance of our performance.

The following tables below provide a clear, at-a-glance measure of our performance in meeting our previously-stated objectives, and a statement of our intentions for the future.





The Cerro San Pedro mine is in the foothills of the Sierra Madre Oriental. We carefully monitor our success in transplantation and animal relocation, and strive to minimize our impacts on local flora and fauna.

# MEASURING OUR PROGRESS

PROGRESS  
CATEGORY

OUR  
TARGET  
2010

CORPORATE  
STRATEGY

ECONOMIC

Build the company through responsible organic growth and value-enhancing external development.

POLICY

Demonstrate progress in implementing the HSES Policy adopted March 2009.

METRICS

Report on 20 or more GRI performance indicators.

STANDARDS & GUIDELINES

Continue our commitment to the principles of the UN Global Compact. Progressively adopt international guidelines such as the International Cyanide Management Code.

OUR  
PEOPLE

HEALTH & SAFETY

Strive for zero harm. Implement health and safety management standards at all sites.

EMPLOYMENT

Continue to be a recognized employer of choice in all regions.

TEAMWORK

Continue our commitment to training and feedback to reinforce teamwork, safety and productivity.

OUR  
COMMUNITIES

ECONOMIC DIVERSIFICATION

Expand upon Enterprise Facilitation and local entrepreneurship initiatives.

ENGAGEMENT

Continue to assess and improve programs of transparent and proactive communication with all stakeholders.

COMPLAINTS

Work with local communities to improve procedures for addressing local community concerns.

OUR  
ENVIRONMENT

INCIDENTS

Continue our environmental awareness and emergency response training.

WATER

Continue our commitment to water efficiency investigation and conservation practices.

ENERGY

Continue our energy efficiency assessment and our implementation of conservation initiatives.

GREENHOUSE GASES

Encourage innovative carbon reduction strategies and research.

WASTE MANAGEMENT

Strive for 100% recycling for recyclable waste streams.

RECLAMATION

Continue progressive reclamation whenever disturbed land becomes available.

\* New Gold Inc. 2009 Sustainability Report Connected, Analysis & Recommendations; Canadian Business for Social Responsibility. 2011

## OUR PERFORMANCE 2010

At our three operating mines, gold production increased and costs were reduced, which helps generate cash flow to fund future growth. Our two development projects, New Afton and El Morro, saw significant progress.

As documented, all sites performed to meet the policy principles concerning workplace health and safety, environmental responsibility and community sustainability.

Partially achieved. An independent review determined that 19 GRI Performance Indicators were fully met.\*

Achieved.  
The UN Global Compact principles were adopted and the Communication on Progress submitted.  
Became signatory to the International Cyanide Management Code.

Zero harm not achieved.  
Health and safety management review completed at all sites.

Increased the number of workforce employees and contractors as New Afton development progressed.  
Overall turnover declined.

New and improved training programs promoted a culture of safety through team-oriented and individual behaviour.

Partially achieved.  
Enterprise Facilitation at Cobar NSW achieved 18 new business starts (to year-end 2010).

Site sustainability reports were prepared and distributed by Cerro San Pedro, Mesquite and Peak mines. Ongoing community involvement was encouraged through meetings, volunteer participation and mine visits.

Formalized feedback is in place at Peak, New Afton and now at Cerro San Pedro. At Mesquite proactive community engagement is ongoing.

"All-incidents" reporting is in place, to facilitate root-cause analysis and performance improvement. (see Table, p.23)

Improved water control and use of dust suppressants. Cerro San Pedro domestic water treatment plant was commissioned. (p.23)

Energy audit results are being addressed at Cerro San Pedro and Peak. New Afton identified energy design improvements. (p.26)

As this was the first full-year accounting that included the Mesquite mine, total greenhouse gas emissions increased. An energy audit identified carbon-reduction opportunities. (p.26)

Significant recycling and waste reduction improvement achieved. (p.28)

In progress. 45 hectares were reclaimed. (p.34)

## OUR TARGET 2011

Continue to increase gold production and improve margins. Advance New Afton towards production in mid-2012. Continue to evaluate and act upon strategic acquisition opportunities.

Continue to demonstrate the application of HSES policy principles.

Report on 20 or more GRI performance indicators.

Continue our commitment to the principles of the UN Global Compact. Progressively certify operations under the International Cyanide Management Code.

Strive for zero harm.  
Third-party safety assessment will identify improvement opportunities.

Attract the best, the brightest, and the most qualified candidates... as always.

Continue to reinforce the value of teamwork and personal responsibility for safety and productivity.

Broaden economic diversification opportunity through local purchases, educational programs and enterprise initiatives.

Prepare and make available sustainability reports from all sites to their local stakeholders. Further promote interactive engagement with all stakeholders.

Solicit local community feedback to further improve the effectiveness of procedures to receive and address their concerns and suggestions.

Continue to reinforce all-incidents reporting and root-cause analysis, to improve environmental awareness and emergency response.

Continue to seek water conservation opportunities through improvements in technology and operating practices.

Additional energy efficiency assessment and implementation of practical conservation initiatives.

Continue assessment with some GHG reduction expected from energy conservation initiatives.

Continue to identify opportunities to reduce, reuse and recycle non-process waste streams.

Continue progressive reclamation whenever disturbed land becomes available.



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**New Gold Inc. is an intermediate gold producer with a complementary portfolio of global assets in the United States, Mexico, Australia, Canada and Chile.**

New Gold focuses on the following objectives to achieve its growth strategy:

- delivering on operational targets (safety, cost, production, environment, and social responsibility)
- maintaining a strong financial position
- internal growth through project development and continuous improvement of our existing operations
- external growth through additional value enhancing merger and acquisition opportunities

New Gold is working towards maximizing shareholder value through diversified production, maintaining a reduced risk profile and enhancing growth potential. The board of directors, management and the employees of New Gold Inc. are committed to achieving this in a socially responsible and sustainable manner.

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