

SUSTAINABILITY REPORT 2011

newgold

GROWING NEW GOLD RESPONSIBLY



QUESTIONS, COMMENTS OR FEEDBACK?

We invite your comments about this report. To learn more, please visit our website www.newgold.com or contact: sustainability@newgold.com

New Gold is an intermediate gold mining company. The Company has a portfolio of three producing assets and three significant development projects. New Gold's most immediate development project, New Afton, is scheduled to begin production in mid-2012 and together with the Mesquite Mine in the United States, the Cerro San Pedro Mine in Mexico and Peak Gold Mines in Australia, the Company is forecasting between 405,000 and 445,000 ounces of gold production in 2012. In addition, New Gold owns 30% of the world-class El Morro Project located in Chile and 100% of the Blackwater Project in Canada.

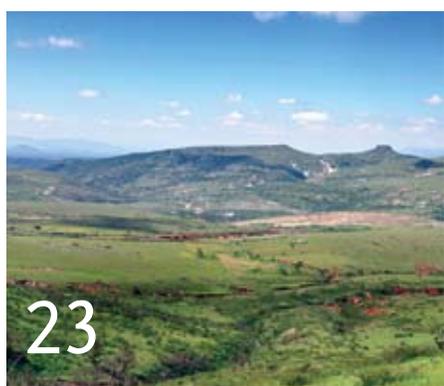


May 2012

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

Unless otherwise noted, tables and figures are a compilation of information from across all sites. Specific mines' programs are described in the text section of this report. While every effort has been made to ensure accuracy of the information presented, please note that all figures are unaudited.

This report includes our major achievements and highlights by our production and development projects in 2011.



CONTENTS

- 2 About This Report**
New Gold proudly presents our fourth annual Sustainability Report.
- 4 Growing Our Properties**
Our three producing mines and our three significant development projects.
- 6 Message from the President and CEO**
A review of our sustainability performance in 2011 and our future goals.
- 8 Scorecard – Measuring Our Progress**
Our performance against 2011 sustainability targets and our new targets for 2012.
- 13 Health, Safety, Environment and Community**
Our approach to health, safety, environment, community, human rights and ethics.
- 17 Growing Our People**
Our performance in occupational health and safety, emergency response, labour practices, and our policies on workplace diversity and non-discrimination.
- 23 Our Environmental Practices and Policies**
Our approach to environmental management and materials stewardship, and our performance in 2011.
- 37 Growing Our Communities**
Our commitment to engagement and interaction with local communities, and our approach to social responsibility.
- 43 In Closing**
- 44 GRI Index**
- 48 Third Party Application Level Check Statement**

ABOUT THIS REPORT

New Gold is proud to present our fourth annual Sustainability Report, a comprehensive resource on our corporate policies and achievements in the areas of health, safety, the environment and social responsibility.

This report includes a compilation of data reported by our production and development projects and highlights our major achievements and challenges in 2011. This is the first Sustainability Report featuring the Blackwater Project in British Columbia (BC), Canada, which we acquired in June 2011. There are no other significant changes from previous reporting periods. While each site has its own policies and procedures and works within local regulations, all follow company-wide principles and commitments regarding sustainability, ethical behaviour and responsible actions.

All New Gold mining operations and the New Afton Project produce their own annual Sustainability Reports that provide in-depth discussion on each site's sustainability performance. They are made available on the New Gold website at www.newgold.com.

As a public company, New Gold's financial results are audited annually and reported on a regular basis. Our Management's Discussion and Analysis and the Annual Financial Review are available on our website and also via SEDAR at www.sedar.com. Less emphasis thus has been placed on economic performance in this report.

Global Reporting Initiative (GRI) Declaration

This report strives for the Global Reporting Initiative (GRI) level B standard (self-declared). The GRI is an independent institution that has developed voluntary guidelines for sustainability reporting. We believe that GRI guidelines help us to maintain a high standard of transparency,

clarity and comparability, and that applying GRI standards demonstrates our commitment to transparent reporting, especially in those categories that are most important to our stakeholders.

This year, we have sought to report fully on 31 GRI 3.1 Performance Indicators, including four GRI Mining and Metals Sector Supplement indicators. A GRI Reference Table is provided at the end of this report, specifying which indicators are reported and where information pertaining to all GRI elements can be found.

An internal assurance process was instituted to confirm adherence to New Gold internal policies and external commitments, and to ensure the reliability of reported information. While we did not seek external assurance for this report, we have engaged with Canadian Business for Social Responsibility (CBSR) to provide a Third Party Application Level Check of our report against GRI requirements. CBSR concurs with our self-declaration that we have achieved a GRI reporting level B.

United Nations Global Compact and Other Standards and Guidelines

New Gold is a signatory to, and business participant member of, the United Nations (UN) Global Compact. The principles of the UN Global Compact guide our corporate policies and principles regarding human rights, labour standards, the environment and anti-corruption, and set the framework for our Code of Conduct.

We are a member of the Mining Association of Canada (MAC) and are working towards alignment with the principles of MAC's Towards Sustainable Mining (TSM) initiative at all our sites. The TSM Guiding Principles demonstrate our sector's commitment to support advocacy, stewardship and collaboration.

For reporting purposes, New Gold applies the greenhouse gas emissions protocols of the World Resources Institute and



“New Gold is committed to long-term, disciplined growth, within the concept of “growing responsibly”. We understand that our success is inextricably linked to, and that our prosperity depends on, the long-term economic, social and environmental sustainability of the communities in which we work and live.”

World Business Council for Sustainable Development. New Gold is a member of CBR, a non-profit, member-led, globally-recognized organizations for corporate social responsibility.

Our Stakeholders

This report is written for New Gold employees and their families, our host communities, our shareholders, legislators and government officials, analysts, suppliers or purchasers from our operations, and the media. Our stakeholder groups also include traditional leaders, civic, special-interest and non-governmental advocacy organizations and other interested parties. These are individuals or organizations that can impact, or are impacted, by our operations and projects.

Every New Gold operation and project uses stakeholder mapping and regular engagement activities to identify and understand external stakeholders and how they are impacted by our work, and strives to understand and address their concerns and interests. Using this information, and based on the different needs and circumstances at each site, we define and implement a specific engagement program to determine priorities, methods and schedules for engagement. We also engage with stakeholders at the corporate level, most notably with and through international organizations and initiatives, joint venture partners and industry associations. We are often approached by individuals and groups regarding the various aspects of our performance corporately or at a particular site. We openly respond to inquiries and requests for information as a means to maintain open dialogue with individual or groups who have interest in our work.

We maintain a dedicated email address for sustainability-related questions and feedback, and we invite comment and suggestions at sustainability@newgold.com.

Report Content

Our determination on materiality is based on feedback from stakeholders, our internal and external commitments, and the understanding of the major social, environmental and economic impacts of our operations and projects.

The main topics and specific issues discussed in this report – Health and Safety, Labour Practices, Environmental Stewardship, and Our Communities (including socio-economic contributions to host communities) – were identified as key interests of our stakeholders through regular engagement activities and from feedback we have received on past reports and our website. With the understanding of our stakeholders' key interests and concerns at each site and at the corporate level, and considering corporate goals as well as our commitment to the United Nations Global Compact, the corporate Health, Safety, Environment and Community (HSEC) management team selected and prioritized the GRI Indicators and specific issues reported this year.

The GRI Reference Table at the end of this report also refers to material information which can be found in other corporate communications such as our financial reports and website.

Through the upcoming development of our social responsibility strategy we will review our process to assess materiality. The corporate HSEC team in collaboration with key internal stakeholders and the corresponding site teams will develop a formal materiality analysis and risk assessment process. This process will be the basis for the development of a framework for addressing material issues and assigning priorities. The future Sustainability Report content (including indicators) will be guided by these material issues and priorities.

MANAGEMENT APPROACH TO SUSTAINABILITY

New Gold aims to develop safe, profitable, environmentally responsible mines while ensuring local communities benefit from our success. To achieve this, we have adopted values that are incorporated in everything we do.

INTEGRITY – Do what's right

- 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

DEVELOP OUR EMPLOYEES – Commitment to personal development

- Everyone will have a development plan
- Access to relevant training
- Regular constructive dialogue on job performance and development

TEAMWORK – Leverage our collective skills

- The whole is greater than the sum of its parts
- Working to common goals
- Trust
- Respect for one another
- Leveraging individual contribution

We work hard to keep our mine workers, contractors and corporate staff safe and healthy. We support them with educational and health benefits, environmental protection and contributions to their communities.

In 2012, we will begin to develop a social responsibility strategy. We will refine our vision, priority and goals.



BLACKWATER – Exploration/Development Project

100% New Gold
 Southwest of Prince George, BC, Canada
 66 employees
 Potential open pit, gold, silver mine



NEW AFTON – Development Project

100% New Gold
 West of Kamloops, BC, Canada
 385 employees
 Underground copper, gold and silver mine
 Start-up scheduled for mid-2012



MESQUITE – Operation

100% New Gold
 Imperial County, CA (Northwest of Yuma, AZ), USA
 279 employees
 Open pit, run-of-mine, heap-leach gold mine
 In production since 2008



CERRO SAN PEDRO – Operation

100% New Gold
 Cerro San Pedro (Northeast of San Luis Potosi), Mexico
 435 employees
 Open pit, run-of-mine, heap-leach gold and silver mine
 In production since 2007

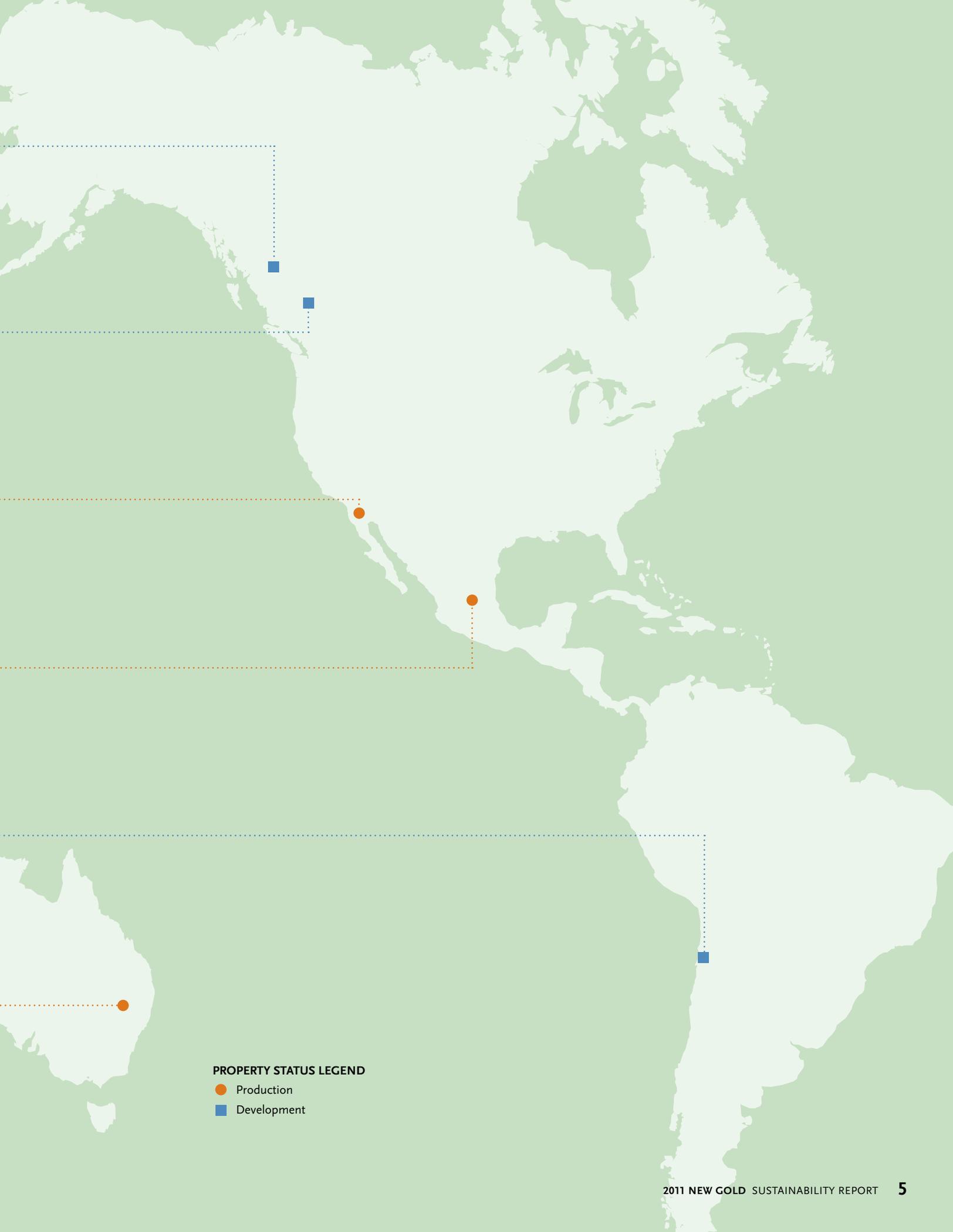


EL MORRO – Development Project

30% New Gold, 70% Goldcorp Inc. (operator)
 East of Vallenar, Northern Chile
 No New Gold employees
 Open pit copper and gold project – in development
 For Corporate Social Responsibility information regarding El Morro, see <http://csr.goldcorp.com>

PEAK GOLD MINES – Operation

100% New Gold
 Cobar, New South Wales, Australia
 297 employees
 Underground gold and copper mine
 In production since 1992



PROPERTY STATUS LEGEND

- Production
- Development



GROWING NEW GOLD RESPONSIBLY

At New Gold, we know that our growth and success depend on the long-term economic, social and environmental sustainability of each of the communities in which we work and live.



“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 continually strive to be welcomed in our host communities, through our contributions to their social and economic growth and our respect for cultural and environmental values. This report demonstrates our commitment to disclosing our challenges as well as our achievements in labour, health and safety, the environment and community relations.

One of the year’s major accomplishments was the formulation of “15 Guiding Principles of Health and Safety, Environment and Community”. These principles establish company-wide guidelines to ensure our business contributes lasting benefits to society by considering the health, safety, social, environmental, ethical and economic implications of our decisions and activities. For details see page 14.

This year we are able to provide four years of metrics, allowing comparison of our performance as the Company has grown.

This year’s reporting standards have ensured consistency across our operations, in greater compliance with the Global Reporting Initiative.

Health and Safety

Throughout the Company we are committed to promoting and protecting the welfare of our employees through safety-first work practices, staff training, and equitable hiring and development practices. In all significant areas our safety records improved in 2011. For more information see page 17. There were no fatalities, and reportable and lost time accident frequencies decreased. We created a new position, Corporate Director of Occupational Health and Safety, with a mandate to define, implement and monitor company-wide systems and standards for accident prevention. We have also committed to achieving certification at all sites under the International Standards Organization (ISO) 14001

environmental management system as well as the Occupational Health and Safety Assessment Series (OHSAS) 18001 health and safety standard.

I would like to recognize two of our operations for their excellent safety records: Cerro San Pedro recorded no lost-time accidents in the past year and New Afton recorded only one. New Afton deserves special mention because it is an underground project where the majority of employees are new to the mining industry.

In last year's report I announced a company-wide safety audit and gap analysis, which was completed in 2011. I also announced that we would standardize our safety practices and procedures across all operations. This continues under our new Director of Occupational Health and Safety.

Environment

We continually seek new strategies to enhance our environmental performance by reducing our carbon footprint and our consumption of energy, water and other resources. We maintain progressive reclamation and re-vegetation activities, including the rehabilitation of historic mining areas. Details on each operation's performance are on page 24 to 35.

As a gold producer, we are always alert to the hazards of cyanide and the need for continuous vigilance in its storage, management and use. I am pleased to report that in 2011 the Mesquite Mine achieved certification with the voluntary and rigorous International Cyanide Management Code (ICMC). We expect that both Cerro San Pedro and Peak Gold Mines will achieve certification by no later than 2013.

In 2011, New Afton made a significant financial contribution to the creation of the Warner Philip Conservation Area in the rolling native grasslands of the Nicola Valley in the Thompson Okanagan Region of British Columbia. The Conservation Area was established under the Nature

Conservancy of Canada through a covenant registered on 260 hectares of the historic Philip Ranch.

In 2011, we acquired the Blackwater Project in British Columbia. We have taken significant steps to ensure this project is developed with high environmental standards and best practices in biodiversity management. We started a cone collection system as part of the Whitebark Pine Management Plan for seedling propagation and re-establishment of this vulnerable species. We also modified the exploration program to protect an adjacent protected area, and established a Northern Caribou Management Plan.

Community

We continue to expend significant resources to maintain and strengthen our community engagement; our progress is described on page 37 to 42. We will advance the Blackwater Project through technical and economic assessment along with a comprehensive permitting process. Central to any approval will be meaningful consultation with the First Nations whose traditional territories overlap the project area or may be impacted by the project. Since our first days at Blackwater, we have been actively engaged with the First Nations. With the lessons learned at our New Afton Project, where we worked with the Tk'emlúps and Skeetchestn Bands to develop a mutually beneficial Participation Agreement, we are now in discussions with the First Nations near Blackwater to establish agreements that will cover many aspects of our relationship, from employment and training, to contracting opportunities, educational programs and more.

At New Afton, we worked with the Tk'emlúps and Skeetchestn Bands to review the Participation Agreement, updated some terms, and mutually signed for an extended duration.

At Cerro San Pedro, we reached clarity on the long-standing, complex land-use dispute. A land use plan for Cerro de San Pedro has been developed through an open and transparent process, designating the land where we may operate to extract resources. In August 2011, we received approval for a new Environmental Impact Statement. This provides legal certainty on the mine's ability to operate continuously.

Our Future

Our goals for the near future – in addition to making progress toward ISO 14001 and OHSAS 18001 certification at all operations, and ICMC certification at Peak and Cerro San Pedro – will be to develop a company-wide social responsibility strategy that includes priorities, goals and evaluation metrics and is aligned with the ISO 26000 (Guidance Standard on Social Responsibility). This strategy will help us focus and improve performance in the medium and long term. As CEO, I remain committed to the ten principles of the UN Global Compact and I look forward to continued improvements to our corporate culture of safety, respect and responsibility to each other, our communities and the environment.

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 them all for our continued high standards of performance.

Sincerely,



Robert Gallagher
President and CEO, New Gold Inc.

MEASURING OUR PROGRESS

	Priorities	Our Target 2011
Corporate Strategy	ECONOMIC	<ul style="list-style-type: none"> • 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.
	POLICY	<ul style="list-style-type: none"> • Continue to demonstrate the application of HSEC policy objectives.
	METRICS	<ul style="list-style-type: none"> • Report on 20 or more GRI performance indicators.
	STANDARDS & GUIDELINES	<ul style="list-style-type: none"> • Continue our commitment to the principles of the UN Global Compact. • Progressively certify operations under the International Cyanide Management Code (ICMC).
Our People	HEALTH & SAFETY	<ul style="list-style-type: none"> • Strive for zero harm. • Identify improvement opportunities via third-party safety assessments.
	EMPLOYMENT	<ul style="list-style-type: none"> • Attract the best, the brightest, and the most qualified candidates.
	TEAMWORK	<ul style="list-style-type: none"> • Continue to reinforce the value of teamwork and personal responsibility for safety and productivity.
Our Communities	ECONOMIC IMPACTS	<ul style="list-style-type: none"> • Broaden economic diversification opportunity through local purchases, educational programs and enterprise initiatives.

We have achieved 13 of the 16 2011 targets. Two targets were partially achieved and one was not achieved. We have set new targets for most priorities and expect that in 2012 our Scorecard categories will be revised.

Our Performance 2011	Our Target 2012
<p>Achieved. Gold production increased by 4,244 ounces to 387,155 in 2011, representing the Company's highest ever annual production. The average realized margin for 2011 was \$1,014 per ounce, up 30% from the 2010 average realized margin of \$776 per ounce.</p> <p>New Afton is on track to start production mid-2012.</p> <p>Blackwater Project acquired in June 2011.</p>	<p>Starting in 2012, our sustainability reporting will focus on economic impacts and will not include targets for corporate economic performance.</p>
<p>Achieved. Application of HSEC policy objectives have been demonstrated in accomplishments discussed throughout this report.</p>	<p>Advance in our commitment to UN Global Compact by developing Human Rights policy.</p>
<p>Partially achieved. An independent review determined that 17 Global Reporting Initiative (GRI) Performance Indicators were fully reported, and 10 were partially reported.</p>	<p>Achieve Level B GRI Reporting.</p>
<p>Achieved. Our UN Global Compact Communication on Progress was submitted.</p> <p>Mesquite achieved ICMC certification. Cerro San Pedro and Peak completed pre-certification audit requirements.</p>	<p>Advance New Gold towards alignment to ISO 26000 (Guidance Standard on Social Responsibility).</p> <p>Progress Cerro San Pedro and Peak towards ICMC certification in 2013.</p>
<p>Partially achieved. Zero harm not achieved.</p> <p>Third party safety assessment completed.</p>	<p>Implement the standard safety system at all sites while achieving a 10% year on year reduction in Total Reportable Injury Frequency Rate and an 85% completion of target leading indicators during the second through fourth quarters of the year.</p>
<p>Achieved. New Afton's training partnership with the BC Aboriginal Mining Training Association resulted in almost 40 Aboriginal people trained for the operation and 80 new hires. In December 2011 New Afton reached 107 Aboriginal employees – more than 25% of employees.</p> <p>At Blackwater, we increased the workforce by 100% since taking ownership of the project.</p>	<p>Implement performance and development plans for 90% of employees.</p>
<p>Achieved. Intra-site meetings facilitate best practice improvement for health and safety, human resources and operational performance.</p> <p>Cerro San Pedro, New Afton and Peak's mine rescue teams were awarded for their competition performance.</p>	<p>Continue to reinforce the value of teamwork and personal responsibility for safety and productivity.</p>
<p>Achieved. New Afton preferentially purchased services from local First Nations bands. In 2011, payments were made to over 20 Secwépemc businesses totalling nearly \$7.0 million.</p> <p>The Cobar Enterprise Facilitation initiative at Peak continued to provide knowledge and support to create new small businesses and expand existing ones.</p>	<p>Develop Cerro San Pedro Sustainable Development Program.</p>

MEASURING OUR PROGRESS (continued)

	Priorities	Our Target 2011
Our Communities	ENGAGEMENT	<ul style="list-style-type: none"> • Prepare and make available sustainability reports from all sites to their local stakeholders. Further promote interactive engagement with all stakeholders.
	COMPLAINTS	<ul style="list-style-type: none"> • Solicit local community feedback to further improve the effectiveness of procedures to receive and address their concerns and suggestions.
Our Environment	INCIDENTS	<ul style="list-style-type: none"> • Continue to reinforce all-incidents reporting and root-cause analysis, to improve environmental awareness and emergency response.
	WATER	<ul style="list-style-type: none"> • Continue to seek water conservation opportunities through improvements in technology and operating practices.
	ENERGY	<ul style="list-style-type: none"> • Continue additional energy efficiency assessment and implementation of practical conservation initiatives.
	GREEN HOUSE GASES (GHG)	<ul style="list-style-type: none"> • Continue assessment with some GHG reduction expected from energy conservation initiatives.
	WASTE MANAGEMENT	<ul style="list-style-type: none"> • Continue to identify opportunities to reduce, reuse and recycle non-process waste streams.
	RECLAMATION	<ul style="list-style-type: none"> • Continue progressive reclamation whenever disturbed land becomes available.

Our Performance 2011	Our Target 2012
<p>● Achieved. Site sustainability reports published by Cerro San Pedro, Mesquite, New Afton and Peak. Community engagement facilitated by public meetings, open houses and newsletters.</p>	<p>Update stakeholder maps of all operations. Develop stakeholder map for Blackwater.</p>
<p>● Achieved. Peak's complaints hot line received no complaints in 2011. Community feedback at Peak's annual community meeting and Open House continue to be very positive. A grievance mechanism established and is operational at Cerro San Pedro.</p>	<p>Formalize external grievance procedures at New Afton and Mesquite.</p>
<p>● Achieved. No major incidents. Moderate incidents declined from four to three spill incidents. Minor incidents increased at New Afton with increased development activity.</p>	<p>Review and update all sites' risk registries.</p>
<p>● Achieved. Investigations at all sites pursued water conservation efficiencies through process improvements and re-use potential. At Cerro San Pedro, over 800 m³ of local domestic wastewater was treated and used for irrigation or by local wildlife using strategically placed watering containers.</p>	<p>Identify targets and build plans into budget cycle for 2013.</p>
<p>● Achieved. Energy conservation projects implemented at Mesquite, Peak and New Afton. Energy audit completed at Cerro San Pedro.</p>	<p>Identify targets and build plans into budget cycle for 2013.</p>
<p>○ Not achieved. We continue to assess opportunities for GHG reductions. However, GHG emissions from direct fuel consumption increased 16.9% due to development activity. Indirect GHG emissions from purchased power increased 2.9%.</p>	<p>Identify targets and build plans into budget cycle for 2013.</p>
<p>● Achieved. Recycling opportunities continued to be identified at all sites. While volume of used oil recycle declined 19.4% from 2010, other non-process materials recycle increased by 36.4% with decreased quantities only experienced at Peak.</p>	<p>Identify targets and build plans into budget cycle for 2013.</p>
<p>● Achieved. Legacy site reclamation performed at Peak and New Afton and planned at Cerro San Pedro. Cerro San Pedro reforested nearly 63 hectares in Monte Caldera, planting over 68,000 plants. The on-site nursery has produced over 135,000 plants of various species.</p>	<p>Continue progressive reclamation whenever disturbed land becomes available.</p>



Peak's Senior Environmental Officer with a Kultarr, a native and endangered species in New South Wales.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

New Gold owns and operates businesses in several countries, each with their own unique cultures. By the nature of our business, our activities have an effect on people, the environment and their communities.



“We have an overriding commitment to sustainable development.”

As stated in our Health, Safety, Environment and Community (HSEC) Policy, we have an overriding commitment to sustainable development. We seek to ensure that our business contributes lasting benefits to society through the consideration of health, safety, social, environmental, ethical and economic aspects in all our decisions and activities.

In this section we discuss our management approach to HSEC and Human Rights and Ethics, and our performance regarding these topics. We also discuss New Gold’s social responsibility governance and compliance with laws and regulations.

At New Gold, our Health, Safety, Environment and Community objectives are guided by our HSEC Policy.

In 2011, we defined 15 HSEC Guiding Principles to provide a risk-based HSEC management system framework. These principles provide a clear direction for the development and application of HSEC management systems at all levels in New Gold. Although HSEC matters are interrelated and co-dependent, we recognize that the skills and processes required to manage issues may vary according to the context. In 2012, we will disseminate the Guiding Principles and plan for

NEW GOLD HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY POLICY

Our corporate responsibility objectives are to:

- operate in a responsible manner
- minimize the environmental impact of our operations
- ensure the health and safety of our employees, contractors and visitors to the workplace
- prevent pollution and practice the progressive rehabilitation of affected areas
- demonstrate our commitment to fostering sustainable communities

To achieve these objectives, every New Gold operation will:

- apply a proactive risk management approach using best practices appropriate to the local conditions and needs that will meet our legal obligations at a minimum
- identify and engage with our stakeholders and work to take their views, customs and culture into account throughout the life cycle of the operation

- 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 Community 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

implementation across the organization and review and update the current HSEC policy, which was created in 2009.

The Guiding Principles of Health and Safety, Environment and Community will provide guidance in these 15 key areas:

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

Management Approach to Human Rights and Ethics

Following the guidance of the UN Global Compact and in observation of the Voluntary Principles on Security and Human Rights, New Gold respects internationally proclaimed human rights, and strives to ensure that we are not complicit in human rights abuses.

For our business, we consider as the key human rights concerns the areas of non-discrimination, freedom of association and collective bargaining, indigenous rights and security practices. We discuss the first two concerns under Labour Practices. Most of our sites are in proximity to, or within indigenous traditional territories and there have been no incidents of violations involving indigenous rights reported.

Since our sites mine, process and store gold, we require security services for the safety of our employees and the public, and for the prevention of theft. A small number of security personnel, often from private security providers, are retained in each operation solely for this purpose. All protection programs are legally established and documented by federal agencies according to their licences, permits or

authorizations. Regular communication takes place between the mine management responsible for security personnel and the local police authorities.

New Gold's Code of Business Conduct and Ethics reflects the principles under which we conduct our business. All employees of New Gold and its subsidiaries must review the Code and confirm compliance annually.

Our corporate Whistleblower Policy provides a confidential email address which any employee can use to communicate a concern or complaint, and expect a timely response, with the assurance that there will be no retribution or negative consequences. The Policy is available on our website at www.newgold.com.

HSEC Governance

The Board of Directors ("Board") has the responsibility for the overall stewardship of the conduct of the business of New Gold and the activities of management. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure that the Company meets its obligations on an ongoing basis and that the Company operates in a reliable and safe manner. In performing its functions, the Board

THE UNITED NATIONS GLOBAL COMPACT

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.

also considers the legitimate interests of its other stakeholders such as employees, customers and impact on local communities. Details on the Board's members and New Gold's governance practices are available on our website.

The Board is responsible for developing appropriate measures for receiving shareholder feedback, and holds an Annual Meeting of Shareholders, during which time is made available for shareholders to direct questions to the Chairman and the President and Chief Executive Officer. Shareholders are also encouraged to contact the Corporate Secretary in writing regarding any feedback or concern they wish to communicate to the Board. In addition, the Investor Relations department manages dialogue with current and prospective shareholders on a regular basis.

The Board's Compensation Committee is responsible for implementing and overseeing human resources and compensation policies and ensures that our executive compensation structure is linked to our social responsibility performance. Performance against annual HSEC targets is considered by the Committee during an annual executive compensation review.

The overall purpose of the Health, Safety, Environment and Corporate Social Responsibility Committee is to review and monitor the health, safety, environmental policies and sustainable development of the Company on behalf of the Board. The Committee may investigate any activity of the Company that relates to sustainable development, impact on local communities, environment, health and safety. The Committee has access to such officers and employees of the Company and to independent consultants and advisors, and to such information respecting the Company as it considers necessary in order to perform its duties and responsibilities.

At the corporate level, the HSEC Department has, to date, had the responsibility for Health, Safety, Environment and Community impacts and initiatives, targets, and performance management. Starting in 2012, a Director of Occupational Health and Safety will take the responsibility for health and safety. Each operation and project is supported by professional staff to enable the operating teams to perform their tasks in a manner that respects the expectations of our investors, local communities, regulators and other stakeholders.

Compliance with Laws and Regulations

In 2011, there were no instances of significant fines or non-monetary sanctions for non-compliance with laws and regulations. Safety citations at the Mesquite Mine ("Mesquite") resulted in about \$22,000 paid in fines in 2011. We have not had any legal actions against the Company for anticompetitive behaviour.

At the Cerro San Pedro Mine ("Cerro San Pedro"), a land use dispute that goes back several years was resolved in 2011. A land use plan for Cerro San Pedro has been developed through an open and transparent process, clearly designating the land that we are entitled to utilize for resource extraction purposes.

NEW GOLD CODE OF BUSINESS CONDUCT AND ETHICS



New Afton's Health and Safety Administrative Assistant. In December 2011, more than 25% of New Afton's employees were Aboriginal.

The Code describes the standards and behaviour New Gold expects of its people, including:

- honest and ethical conduct
- accurate and transparent disclosure
- compliance with applicable laws, rules and regulations

The Code applies to a range of issues relevant to New Gold's business, including:

- conflicts of interest
- confidential information
- use of Company resources
- reporting violations (whistleblowing)

New Gold expects employees to:

- understand the requirements of their position
- comply with the Code and all applicable laws, rules and regulations
- report any violation of the Code
- be accountable for complying with the Code

In the next few years, we will be working towards a comprehensive review of our existing corporate policies and associated compliance programs to ensure these principles are implemented at every operation. Our highest priorities are policies and practices that govern human rights, business ethics and anti-corruption.



A member of the New Gold corporate exploration team at Blackwater. We have increased the workforce by 100% since taking ownership of the project.

GROWING OUR PEOPLE

Our people – both employees and contractors – are our greatest asset and the core of our success. We depend on skilled, hard-working and empowered people to contribute to our business, and in return we seek to maintain a safety-first culture in which everyone is motivated to do the right thing to keep themselves and their colleagues healthy and injury-free.



“We treat people fairly and without discrimination, with full regard for human rights and the principles of the UN Global Compact.”

We also treat people fairly and without discrimination, with full regard for human rights and the principles of the UN Global Compact.

This section discusses New Gold’s performance in occupational health and safety, emergency response, and labour practices, including our policies on workplace diversity and non-discrimination.

Health and Safety Performance

In 2011, an external health and safety audit was conducted by Safety Solutions International (SSI). Its findings and recommendations for improvement have been reviewed, and we are in the process of developing a framework for the implementation of its recommendations

in 2012. An internal website has been created to share HSEC documentation and “best practices” and a Director has been hired to manage the coordination and implementation of the “HSEC Guiding Principles” and the findings of the audit.

The table below lists the safety key performance indicators and provides definitions of terms used. These statistics have been revised from previous years’ reports to meet appropriate industry standards. Lost-Time Injuries (LTI) and Total Reportable Injuries (TRI) increased from 2010 while the corresponding frequency rates (LTIFR and TRIFR) decreased due to an overall increase in the quantity of workers and hours worked in 2011.

Table 1: Operational Safety Statistics⁽¹⁾

Indicators	2011	2010	2009	2008 ⁽²⁾
Lost-Time Injuries (LTI)	16	15	21	17
Fatalities	0	1	0	0
Lost-Time Injury Frequency Rate (LTIFR) ⁽³⁾	0.68	0.85	1.22	0.84
Total Reportable Injuries (TRI)	124	96	80	97
Total Reportable Injury Frequency Rate (TRIFR) ⁽⁴⁾	5.25	5.42	4.66	4.81
Total Number of Employees and Contractors ⁽⁵⁾	2,105	1,463	1,281	1,293

1. Cerro San Pedro and the New Afton Project commenced reporting in October 2008. Mesquite operations commenced reporting in June 2009. The Blackwater Project commenced reporting in August 2011. The 2010 Sustainability Report included data on All Injuries (AI) and All-Injuries Frequency Rate (AIFR). Beginning this year we are reporting the Total Reportable Injuries (TRI) and Total Reportable Injury Frequency Rate (TRIFR) to better align with industry standards. TRI includes LTI, Restricted Duties Injury (RDI), and Medical Treatment Injury (MTI). The term AI and AIFR captures TRI’s plus First Aid incidents.
2. Some of the 2008 previously reported injury statistics were based on erroneous information. These have been corrected in this report. New Gold regrets the error.
3. Lost-Time Injury Frequency Rate (LTIFR) is the number of lost-time injuries per 200,000 hours worked. $(\text{Lost-Time Injuries} \times 200,000 \text{ hours}) \div \text{total hours worked}$.
4. Total Reportable Injuries Frequency Rate (TRIFR) is the number of injuries per 200,000 hours worked. $(\text{Lost-Time Injuries} + \text{Medical Treatment Injuries} + \text{Restricted Duty Injuries}) \times 200,000 \text{ hours} \div \text{total hours worked}$.
5. Includes employees and contractors at all sites and corporate offices as well as corporate exploration team.



Mesquite's Health and Safety Coordinator leads a Mine Safety and Health (MSHA) refresher course.

Mesquite

Mesquite's Health and Wellness programs continue to grow in participation, greatly surpassing regulatory requirements and industry standards. Observation, inspection and auditing systems continue to ensure compliance and continuing improvement allows us to maintain an enviable safety record. While reporting has continued to improve and increase in 2011, incident investigation and remediation has become a key focus. Significant accomplishments for 2011 included the introduction of an innovative wellness project that incorporates metabolic testing and personal training and sit/stand height adjustable ergonomic workstations.

Mesquite commenced Safety Management Systems certification under OHSAS 18001 and implemented an enhanced regulatory compliance program for contractors. We also implemented higher standards for reporting all health and safety key performance indicators.

Cerro San Pedro

Cerro San Pedro is committed to continuous improvement of accident-prevention practices, and as a result the mine is one of the safest in Mexico. To achieve a zero-accident workplace,

we maintain a strict Health and Safety program that applies to all operational staff. Health and Safety procedures, regulations and requirements are embodied in our Integrated Management Policy. The Health and Safety program sets guidelines for Zero Tolerance, Safety Training, Adherence to Standards, Regulations and Safety, and Teamwork. The guidelines are equally enforceable for contractors and employees.

In 2011, Cerro San Pedro completed its pre-audit towards ICMC certification, which will further protect the health and safety of workers.

Peak

At Peak Gold Mines ("Peak"), the Health, Safety & Training Department provides advice, services and support. It is focused on proactive safety measures including hazard reporting, safe-act observations, corrective action completions and training audits. Peak also provided education on occupational injury prevention, such as workstation setup and exercise programs.

We understand we need to improve our health and safety performance at Peak, and in 2011 we continued to develop and improve our health and safety 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.

In 2011, we improved the "Lock Out Tag Out" procedure that adds a level of safety during inspection or maintenance. To facilitate access to physiotherapy, we commissioned a physiotherapist to be available on site three days per week, which means that employees can be treated without a three-hour drive to the office of the nearest practitioner.

New Afton

At the New Afton Project ("New Afton"), the Health & Safety Department provides essential safety training and support to all departments. A formal site risk assessment recognized high-level risks and identified strategies for risk reduction. The focus on near-miss and hazard reporting helped contribute to holding our Total Reportable Injury Frequency Rate to the same level as last year, even while work hours increased by almost a million hours. New Afton's safety commitment was recognized with the "Lowest Lost Time Injuries for a Large Underground Mine" award from the British Columbia Ministry of Mines. A gap audit



Cerro San Pedro provides medical assistance to 10 neighbouring communities. In 2011, there were over 3,000 doctors' visits, a 32% increase from 2010.

was completed against OHSAS 18001 standards and a bench marking audit was completed against the health and safety systems at other New Gold sites.

Blackwater

No Lost Time Injuries were recorded to New Gold employees at the Blackwater Project ("Blackwater"). Four Lost Time Injuries among contractors were recorded in the first two months of activity after we acquired the project. With the implementation of the New Gold system, no other injuries occurred in the remainder of the year. We have developed and implemented a Medical Conditions and Medications tracking system for all onsite employees, and an onsite fitness and wellness program at the exploration camp. All employees and contractors participate in a health, safety, and environmental induction program.

Emergency Response

While every New Gold site manages its own programs, all operate under the guidelines and policies of the Corporate Crisis Management Plan, which meets international standards for Incident Command and Control.

Mesquite

Mesquite maintains a specially trained Mine Emergency Rescue Team, which includes certified Emergency Responders and Emergency Responder Instructors who are trained in the use of Jaws of Life and Self Contained Breathing Apparatus. All employees and contractors are trained in cardiopulmonary resuscitation, automatic external defibrillation and first aid. In 2011, our emergency response capabilities increased to include retrieval and extrication from heavy equipment, light vehicles and debris piles.

Cerro San Pedro

Cerro San Pedro's emergency teams maintain a continuous state of emergency preparedness through ongoing training in first aid, evacuation, control and firefighting. Members from all work areas are trained and drilled in various risk scenarios, so we have the capacity to respond to the circumstances that may arise, including hazardous and waste material handling, spill management, personal injury and disabilities. We maintain good relationships with the local Red Cross, Civil Protection and Fire Department and we run many of our training and refresher courses with their support.

Our medical facilities operate 24/7 with a team of two doctors and four nurses, and we have a fully equipped ambulance on site.

In September 2011, Cerro San Pedro participated for the third time in the National Competition of Mine Rescue Teams organized by the Mexican Chamber of Mines, winning three third-place awards.

Peak

At Peak, two dedicated training officers maintain a high level of emergency preparedness through general and specialist training. The 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.

This year we increased our supply of closed circuit Breathing Apparatus (BioPacks) onsite to 15, which means we have equipment for two rescue teams of six, ready to be deployed at all times. We can also train staff on breathing apparatus without compromising the availability of rescue equipment.



New Afton's team won the 2011 BC Mine Rescue Overall Underground Trophy.

Peak is a major sponsor of the New South Wales Mines Rescue Challenge, which is held every two years. We were well represented in the 2011 competition, with members competing in Underground Search and Rescue, Road Crash Rescue, Ropes Rescue, Multi-Casualty First Aid, Fire Rescue and Leadership. Our team tied for first in the Underground Search and Rescue Event and were awarded the Encouragement Award for Ropes Rescue.

New Afton

New Afton's Emergency Response was enhanced with the addition of a new Fire & Mine Rescue Chief and 18 new team members were certified in Underground Mine Rescue. New surface firefighting equipment was procured and training initiated in surface emergency response. Our team again competed, with good performances, at the annual BC Mine Rescue competition, winning the Overall Underground Mine Rescue Trophy. The competition simulates real-life situations and tests skills in first aid, extrication, firefighting, rope work and general mine rescue knowledge.

Blackwater

At Blackwater, we have established an emergency helicopter landing area and have a site-specific Emergency Response Plan, in which all site personnel have been trained.

Management Approach To Labour Practices

Our Company is the sum total of our employees' strengths. We strive to create a culture of inclusivity and acceptance – of gender, race, cultural background, age and religion – that begins at the top, and carries through hiring, promotion and worker-to-worker relationships. In each of our host communities we are generally recognized as an employer of choice as

a result of our competitive wages and benefits and our policies of recognizing and rewarding employee performance and promoting from within.

Salary reviews are conducted annually at all our operations, except at Peak, where these are conducted twice a year in order to remain competitive in the Australian mining industry employment market. Salary reviews are supported by surveys published in each of our locations by reputable human resources consulting firms, movements in relevant cost of living indices, budget constraints, job performance and years of experience.

Our commitment to fair and equitable labour practices extends through every facet of our operations. We adhere to the labour principles of the UN Global Compact and have identified employee development and teamwork as corporate values. We strive to include all levels of employees in decision-making processes and have never experienced strikes or lockouts at our operations.

The most senior position with operational responsibility for labour aspects at New Gold is our Vice President of Human Resources. He works collaboratively with other departments to support a safe workplace, workplace diversity, equal compensation and fair labour practices.

Training and Development

We strive to have every one of our employees develop a performance and professional development plan with short-term and long-term goals, which are reviewed regularly and assessed yearly. Our employees have access to training opportunities to support their roles and develop their careers. Specialized training is provided to operating personnel and contractors, depending on their job



“We strive to create a culture of inclusivity and acceptance – of gender, race, cultural background, age and religion – that begins at the top, and carries through hiring, promotion and worker-to-worker relationships.”

requirements for skills training, compliance with standards, and safety regulations. Health and safety training is critical in all operations and projects and is reviewed regularly for continuous improvement.

Workplace Diversity, Non-Discrimination and Equity

New Gold does not discriminate on the basis of race, religion, ethnicity, national origin, gender, age, sexual orientation, citizenship, veteran status, marital status or disability. Harassment, including sexual, physical and verbal, is prohibited. Despite our efforts, in 2011, there were two U.S. Equal Employment Opportunity Commission (EEOC) complaints of discrimination at Mesquite. In both cases, investigations followed (first court appearances will occur in 2012) and have been reviewed by management. We take these incidents very seriously. At Mesquite, harassment avoidance training is provided to all employees in leadership positions. Communications materials on our anti-discrimination policy are posted in highly visible areas at the mine site including information on mechanisms for individuals to make complaints internally as well as externally to regulators.

The global mining industry faces significant challenges in increasing the participation of women in its workforce. Historically women have had lower participation rates than men in mining-related education programs and occupations, as well as in executive positions in this sector. New Gold supports gender diversity in the workplace and ensures that gender plays no factor in salary and bonus calculations, but we recognize that this is a challenge for us as well.

The Cerro San Pedro Mine is an example of our efforts to address discrimination, diversity and equity. The operation employs ten people with disabilities, 16 single mothers and 11 seniors. The operation was recognized in 2009 as an “Inclusive Company” by the State Government of San Luis Potosí, and was endorsed as a “Socially Responsible Company” by the Mexican Centre for Philanthropy (CEMEFI) in 2010 and 2011.

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. We do not believe that the right to exercise freedom of association and collective bargaining is at significant risk at any of our sites or within the operations of any of our suppliers. As of December 2011, 300 Cerro San Pedro's employees were covered by a collective bargaining agreement (about 20% of New Gold's employees).



New Afton's First Nations Coordinator leads a presentation about the Participation Agreement during a Board of Directors' visit.

In the community of Monte Caldera, Cerro San Pedro has reforested nearly 63 hectares with nearly 69,000 plants.



OUR ENVIRONMENTAL PRACTICES AND POLICIES

As our projects develop and our mines increase production, we as a corporation inevitably consume more water, energy and other resources. In all our operations we place a high priority on increasing the efficiency of our processes, minimizing our energy consumption, reducing our carbon footprint, reducing our material consumption and minimizing water use as well as recycling or reusing our wastes.



“We apply a precautionary, proactive risk-management approach to safeguarding the environment.”

We take great care to minimize the effect our dust and noise has on our neighbours, and at all times seek to protect the species – plant and animal – that are native to the areas of our operations. When a mine, or section of mined land is no longer used for mining we begin progressive reclamation to restore the disturbed land.

This section describes our approach to environmental management and provides details on the performance of every New Gold mine and development project, from water, energy and waste management, to dust and noise control, and biodiversity management. Our approach to materials stewardship (including cyanide management), closure plans and reclamation activities is also discussed.

Approach to Environmental Management

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. During operations we promote the efficient use of resources, work to minimize environmental impacts and maintain robust monitoring programs, including groundwater and air quality. After mining activities are

complete, our objective is to restore the land to an adequate level of productivity and to support sustainable land use.

We apply a precautionary, proactive risk-management approach to safeguarding the environment. At New Gold, we require our sites to report internally every environmental event that is outside of normal operating procedures, regardless of its magnitude or its regulatory significance. Our HSEC Corporate Reporting Standard includes an Incident Reporting and Ranking Table. Incidents are ranked catastrophic, major, moderate, minor and insignificant based on severity and consequence.

Beginning in 2012, we will implement the HSEC “15 Guiding Principles” to govern decision-making across our operations. Our target is to have each of our operations certified against ISO 14001 by the end of 2013 to ensure that we have adopted a consistent, internationally recognized audited approach to environmental management across our operations. In 2011, Cerro San Pedro was recertified to ISO 14001 for 2011-2014.

Working with the appropriate government agencies, partners and key stakeholders, 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.

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 efficient design, appropriate technologies and employee training, and to conserve as much water as possible through recycling, re-use and treatment.



Environmental staff monitor Peak's water dam fortnightly to ensure it is adequate for recycling.

Table 2: Water Use, All Sites⁽¹⁾

Water Use	2011	2010	2009	2008
Raw process water (cubic metres)	4,607,260⁽²⁾	3,514,884	2,045,615	1,321,583

1. Does not include Blackwater given limitations of 2011 water data collection.

2. Includes 48,820 m³ surface water, 4,113,640 m³ ground water, and 444,800 m³ municipal water and other water utilities. Includes estimated value from New Afton because of a data measuring equipment fault in the first seven months of 2011. Does not include rainwater.

The vast majority of water is sourced from groundwater wells with surface water supply limited to New Afton. Rainwater tends to be scarce at all of our mining operations and its use is limited as evaporation often exceeds precipitation. Water application is required for dust control on the mine haul roads. We apply dust suppressants to the roads to minimize the evaporative loss. The steady increase in water consumption reflects our growing number of properties and the overall increase in ore processing in 2011, particularly at Cerro San Pedro.

Mesquite

We minimize the process evaporative losses through monitoring of solution application and recycling of process solutions. While we are generally successful in our efforts to manage traffic and dust generation, dust suppressants cannot be applied safely on steeper inclines so routine water application is essential. In 2011, approximately 67% of extracted ground water was used for dust control.

Peak

Efficient water management is critical in Peak's semi-arid climate, and stringent water saving and recycling measures are in place. Water is recycled from dewatering

the Peak and New Cobar operations, and stored at Fort Bourke Hill and at a recycled-water dam. The dam, plus a recycled-water overflow dam have a combined capacity of 96,000 m³.

We use recycled water from the dam at an average rate of 301,000 m³ per year, which is approximately 85% of the water pumped from underground. In 2012, we plan to improve our water management with installation of water-flow meters around the site.

Cerro San Pedro

Water usage in 2011 was higher than previous years mainly due to increased mineral processing. Lower levels of rainfall limited our ability to collect it for dust control and process use. An estimated 124,100 m³ of rainwater was available for this use.

In 2011, we made significant investments in improving our mineral recovery processes to reduce our water consumption per tonne of ore processed. Water flows through a closed circuit with no discharges. The only water loss is due to the leach pile retention and the high levels of evaporation in this region. In 2011, over 800 m³ of domestic wastewater was treated and used

for irrigation and for strategically placed drinking sources for local wildlife. We continue to explore alternative solutions for reducing water consumption.

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. No water is discharged from the site. New Afton will be starting operations in 2012, and in 2011, we began an updated review of the water balance, which may help us improve water management efficiency. We also began a review which, when complete, will help us ensure that ground and surface water that are contained onsite will flow toward containment structures and will guide placement of monitoring wells.

Blackwater

At Blackwater, water used for drilling is derived primarily from wells that are drilled as part of the exploration program. In each of the drilling rigs, drilling water is recycled. In 2011, water usage is estimated at 13 m³/day. A drilling program to find and develop groundwater wells for potable water supplies is planned for 2012 to replace the inefficient trucking of water to the site.

Table 3: Process Waste

Waste Types	2011	2010	2009	2008
Waste Rock (000s tonnes)	51,266	52,570	40,408	14,517
Leach Piles – ready for reclamation (tonnes)	0	0	0	0
Tailings (000s tonnes) ⁽¹⁾	734	747	794	769

1. Tailings figures are from Peak only. In 2011 a slight reduction in tailings production is due to a decrease in mill throughput.

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, wood materials, batteries as well as wastewater.

Table 4: Non-Process Waste Recycled

Materials Recycled	2011	2010	2009	2008
Paper, Plastic, Metals and Other (tonnes)	752.4	599.6	686.7	483.0
Oil & Lubricants (000s litres)	527.2	654.2	563.1	245.8

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 in a safe manner in order to access the mineralized ore. It also includes the remnant leach piles that are left after metals extraction has been completed or, in the case of Peak Gold Mines, the tailings that are left 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's 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 closure rehabilitation plans and, as discussed below, practice programs of progressive rehabilitation and reclamation. The only exception is Blackwater, which is still in the exploration phase. A closure plan for Blackwater will be developed as we take this project through the permitting process in the next few years.



Peak has a centrally discharged evaporative tailings storage facility with zero water reclaim.



“Planning for 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.”

Mesquite

Mesquite's recycling program includes scrap metal, calibration check gas cylinders, toner cartridges and batteries, antifreeze, used oil and drained oil filters. In 2011, efforts were advanced for cardboard and office paper recycling.

Cerro San Pedro

Cerro San Pedro's Integrated Management System specifies procedures for responsible waste management, applying Mexican classification standards for hazardous, special handling and solid waste and sanitary waste water. An Environmental Education Program trains staff to increase awareness of environmental issues and Company objectives.

Hazardous waste such as used oil and oil-impregnated solids (rags, trash, filters, soil) are placed in temporary storage for hazardous industrial waste, and then packaged and labelled according to Mexican regulations. An approved firm collects the waste once per 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.

Peak

Peak recycles metals, batteries, oil, some types of grease and e-waste (computers and other electronics), as well as general waste (paper, cardboard, plastic, glass).

In 2011, Peak diverted over 12 tonnes of general waste, over 75 tonnes of scrap steel and nearly one tonne of e-waste that would have otherwise ended up in landfill. During the year, 9.3% of general waste was recycled (excluding steel and e-waste), less than in 2010, due to revised policies regarding underground disposal of waste. Recycling education was improved with staff presentations and new signage around the site. A recycling bin outside the site is provided for employees to bring recyclables from home.

New Afton

New Afton recycles waste wherever possible to minimize consumption and reduce landfill and greenhouse gas generation. Office paper, cardboard, aluminum, plastics and batteries are separated from general waste streams and recycled at a local service provider. During 2011, this was increased to include fluorescent lights and used tires. We recycled approximately 0.6% of general waste, a number that is expected to

increase over time as additional recycling opportunities are identified.

During the year New Afton took possession of a former mining facility of the original Afton Mine, with a mill building, workshop, laboratory, and warehouse/administration area. Upgrading the facility revealed hazardous materials (mercury vapour lamps, suspected PCBs and asbestos) that were disposed of using certified contractors. Tires were excavated during tailings pond improvements and removed for recycling. Any hazardous materials discovered in this process present an opportunity to rid the site of an environmental risk, and will be disposed of by certified contractors.

Blackwater

Blackwater endeavours to reduce consumables and recycle where possible, and maintains recycling stations for paper, plastics, batteries and other commercially recyclable items. Approximately six tonnes of material were trucked to the recycling centre. Hazardous materials are stored, then shipped offsite to a government-approved disposal facility.

Energy Management

At New Gold, we believe that improving the energy efficiency of our operations



Recycling of non-process waste is practiced at all New Gold sites.

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 thermally generated electric power that we purchase to supply our operations.

Our commitment to minimizing GHGs emissions is reflected throughout our operations, from our ongoing efforts to reduce energy consumption of all kinds, to our active reclamation of land. Emission reduction data has thus far not been collected for many of the initiatives New Gold has implemented. We aim to improve our measurement capabilities and to manage an accurate database of GHGs, with a view to identifying viable energy

alternatives to reduce our carbon footprint, and effectively reporting on our achievements.

For the purposes of this report, CO₂ emissions generated by mobile equipment are calculated from diesel fuel, gasoline and propane 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). Diesel emissions reported here include the greenhouse gas component of fuel oil used in ammonium nitrate fuel oil explosives. The CO₂ generated indirectly from purchased energy is calculated using the WRI/WBCSD Greenhouse Gas protocol for Electricity Purchase (Scope 2 Emissions).



A solar-wind hybrid system pilot project is being tested for power generation at Cerro San Pedro.

Table 5: Direct Energy Consumption by Major Sources

Sources	2011	2010	2009	2008
Diesel Consumption (000s litres)	50,215	42,598	32,989	21,279
Gasoline Consumption (000s litres)	596	587	215	211
Propane (tonnes) (includes LP)	656	805	not reported	not reported
Explosives (tonnes)	14,698	10,836	not reported	not reported

Table 6: Indirect Energy Consumption

Indirect Energy	2011	2010	2009	2008
Power Purchased (MWhs)	140,875	120,656	107,241	108,313

The increase in power use in 2011 is due to increased depth of underground mining activity at Peak and increased development activity at New Afton.

Table 7: Greenhouse Gas Emissions

Emissions – as tonnes of CO ₂ ⁽¹⁾	2011	2010	2009	2008
Diesel	134,618	114,231	83,021	57,057
Gasoline	1,374	1,353	497	480
Propane	1,742	2,293	not reported	not reported
Power	82,547	80,229	71,922	55,818

1. Carbon Dioxide equivalent (CO₂-e) emissions reported here may not be consistent with quantities reported by specific sites, since these are guided by regulations within the jurisdictions where we operate and according to their stipulated requirements and protocols.



“At New Gold, we believe that improving the energy efficiency of our operations benefits the environment and brings inherent cost advantages.”



Cerro San Pedro operations at night. In the background, the lights of San Luis Potosí.

Mesquite

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 carbon-reduction projects that were identified in 2010, three were selected and funded for 2011: 1) Large Equipment Energy Efficiency, 2) Solar Campus Research, and 3) Sub-Metering Site Energy Consumption.

Our off-road fleet was equipped with an automated fuel tracking system that was intended to make our operation more efficient and cost-effective by calculating hourly fuel consumption based upon haul profiles, and to introduce operator feedback systems to optimize driving practices. Unfortunately, the technology did not stand up to harsh mine conditions and ultimately proved no better than our manual tracking system.

The solar campus research identified several technologies and led us to commission a feasibility study focusing on installing approximately 200 kW in rooftop photovoltaic panels on a new truck shop and adjacent buildings. The estimated \$1.2 million research project is expected

to be constructed in 2013; it should yield a return on investment of 13% with a payback in less than four years. We have also installed a solar-powered area light in the employee parking lot to evaluate this technology and assess its potential in other areas.

The sub-metering project did not advance, due to technical difficulties in installation of the meters. New office construction utilized solar tubes to bring light into two interior offices.

Cerro San Pedro

At Cerro San Pedro, direct and indirect energy consumption continued to be documented for GHG emissions monitoring. In 2011, an energy audit performed by the company Remote Energy Solutions, provided findings and observations on four main themes: efficiency in diesel consumption, efficiency of pumping system solutions, renewable energy and emissions inventory. These topics are being reviewed while we seek opportunities to reduce energy consumption and GHG emissions.

Peak

At Peak 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.

In 2010, we conducted an external review of the higher-use energy processes, which identified a list of potential energy saving projects. From those projects, in 2011 we implemented Variable Speed Drives for large electric motors, a Flotation Plant upgrade, and the installation of energy efficient lights. We are also providing in-kind support to the Buckwaroon Catchment Landcare Group (BCLG) for the development of the pioneering Biomass Energy Project. The BCLG has investigated the use of waste Invasive Scrub for gasification or pyrolysis (decomposition by heat) power plants to produce electricity and biochar (charcoal created by pyrolysis of biomass).

New Afton

We have employed a full-time Energy Specialist in association with the BC Hydro Power Smart program to implement a Sustainable Energy Management Plan for the mine. The plan will promote a culture of energy efficiency that makes energy management a day-to-day policy and that realizes cost savings and GHG emission reductions. Following the plan, we will



Dust control on heavily traveled mine haul roads at Mesquite.

set up world-class Energy Management Information Systems to guide decision-making and optimize efficiency.

Ongoing projects that began in 2011 include an audit of all fuel usage that will identify opportunities for improvement, a feasibility study on the use of underground compressed air, the installation of an on-demand gas heater at the concrete plant, and a system for recovering compressor heat for use in heating the building.

In a major efficiency retro-fit of the original Afton Mine buildings, inefficient lighting was replaced with high-efficiency lighting including light emitting diode (LED) lighting, programmable lighting control panels and occupancy sensors. As a result of these upgrades, we estimate annual energy consumption in these buildings has been decreased by 200,000 kWhs.

Blackwater

Blackwater currently derives 100% of its energy from diesel generators. To minimize emissions, low sulphur diesel is used and all generators are monitored to ensure emissions equipment is functional. We installed electronic thermostats in all heated buildings to reduce energy consumption. Automatic lights also reduce

overall energy use. We have established a scheduled bus service to and from the site as a means to reduce vehicle emissions.

Dust Control

Dust levels are a significant concern of open-pit mining operations, and all New Gold sites maintain air-monitoring stations that monitor dust levels and composition. Dust control to minimize its emission in and near the sites is managed with water spray application to roadways and the use of dust suppressants such as naturally occurring magnesium chloride to conserve water.

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 2011, our operations remained within permitted air quality limits.

Water is applied every shift on heavily-traveled roads and all operators are encouraged to call for the water truck if they encounter dusty conditions.

Cerro San Pedro

We operate weather stations and monitoring sensors that measure many meteorological conditions including the dust quantity and particulate content. Air

quality in the area of the mine remains consistent with historical observations and seasonal variation.

Peak

Although our Environmental Protection Licence requires dust fallout monitoring on a quarterly basis, our previous monthly monitoring improved our understanding of dust fallout over the year. We now aim for a bi-monthly schedule.

New Afton

As a component of an air quality monitoring program, ambient dust and surrounding vegetation are routinely measured at New Afton. In 2012, exhaust from the mine's workings will also be monitored to ensure that emissions are in compliance with environmental permits.

Dust from mine traffic was identified as an area for improvement, especially during the construction phase. To minimize impacts, a canola-oil based dust suppressant was used in areas of heavy traffic.

Blackwater

Dust can be persistent within newly created trails and roads in the Blackwater exploration site. In order to control road dust, watering trucks are used onsite as appropriate. A new incinerator for

household waste was recently purchased to reduce overall particulate emissions. An ambient air quality monitoring program will be implemented in 2012.

Noise

Noise from mining sites is a health and safety concern as well as a community relations issue. We make efforts to control noise, and whenever we receive a noise complaint every effort is made to address it.

Mesquite

The Mesquite area is virtually uninhabited, except for the mine, and as project activities generally occur 0.8 kilometres or more from the property line, our activities do not approach noise thresholds.

Potential noise effects on mine employees and visitors are prevented through the use of safety equipment and procedures.

Cerro San Pedro

At Cerro San Pedro we monitor noise during the day and at night. In 2011, our measurements confirmed that noise levels were in compliance with official Mexican standard NOM-081-SEMARNAT-1994 regulations.

Peak

In 2011, noise monitoring at Peak was upgraded. Sound and vibration levels are continually monitored, and any noise or vibration that exceeds the defined maximum levels is recorded. Limits are set by the Australian Environmental Protection Authority and our results are reported annually, and we are required to report any breaches of our licence. In 2011, no recorded vibration levels exceeded these limits.

New Afton

With construction progressing rapidly, the underground working areas must be ventilated, and fan noise is a concern. Modelling during pre-feasibility studies has indicated that noise will not be an issue locally. Even with the increase in activity and the start-up of three new ventilation

fans, we received no noise-related complaints in 2011.

Blackwater

The Blackwater area is a remote location. Drilling at the site occurs on a 24-hour-a-day schedule. In order to ensure noise does not disturb workers, the camp dormitories, kitchens and recreational areas are located at a distance from active exploration areas.

Materials Stewardship

The International Council of Mining and Metals (ICMM) defines Materials Stewardship as the process of responsibly providing materials, and supervising material flows in order to create maximum societal value with minimum impact on humans and the environment encompassing both process materials and product stewardship. We are guided by ICMM's extensive work on Materials Stewardship and the understanding that it encompasses both the good management of process materials as well as product stewardship.

At New Gold, our operations include robust practices and systems to ensure that process materials are managed adequately. This is demonstrated through our practices and performance regarding water, waste, energy, and materials management. Two materials critical to our operations are explosives and cyanide. All our operations use explosives, and track their management and usage with care. Three operations (Mesquite, Cerro San Pedro and Peak) consume cyanide, and at those operations its responsible use and management are critical. In 2011, our sites collectively consumed approximately 14,700 tonnes of explosives and 8,800 tonnes of cyanide.

We know that understanding and monitoring the use of our products is an effective form of risk management. The metals we produce in our operations are sold to reputable companies and we

do not identify social or environmental risks associated with these transactions. Nonetheless, we are a committed member of the World Gold Council (WGC) and have supported its efforts to eliminate unethical gold production and to increase transparency of gold mining companies. We are monitoring the development of WGC's Conflict Free Gold Standard and the obligations that its adoption will require in the future.

Cyanide Management

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 (ICMI) as a signatory to the International Cyanide Management Code (ICMC), which is renowned as the international benchmark for transporting, storing and using cyanide.

Under the ICMC, we committed to the certification of our three cyanide-consuming operations within a three-year period. In 2011, Mesquite achieved certification. In 2012 Cerro San Pedro and Peak will continue the progressive implementation of the recommendations of their ICMI pre-certification audits with the aim to achieve certification of both mines in 2013.

Table 8: Wildlife Mortalities from Cyanide Exposure⁽¹⁾

Wildlife	2011	2010	2009	2008
Birds (non-endangered species)	4	0	5	3
Mammals (non-endangered species)	2	0	0	4
Amphibians (non-endangered species)	0	0	0	8
Total	6	0	5	15

1. No mortalities were of at-risk species.

Mesquite

On October 5, 2011, ICMI announced that the Mesquite Mine had been certified under the ICMC. An independent professional third-party auditor evaluated the Mesquite Mine against the ICMI's Verification Protocol and found it in substantial compliance with the Code's Principles and Standards of Practice. Mesquite will become fully certified once it has implemented its Corrective Action Plan and achieved full compliance with the Code. The operation must be re-audited every three years hereafter to evaluate continuing compliance with the Code. In 2011, we had one instance of cyanide-related mortality (a red-tail hawk) following a year without mortalities.

Cerro San Pedro

Cerro San Pedro's audit towards ICMC certification was completed in 2011. Since then, we began addressing the items identified in this process and have made sound progress toward certification. No wildlife mortalities resulting from cyanide exposure were recorded in 2011.

Peak

In 2011, a preliminary audit towards ICMC certification was completed. Regrettably, during the year we recorded five wildlife deaths associated with cyanide exposure (one feral goat, one feral fox and three native ducks) after two years with no mortalities. With the necessary authorizations obtained, we have proceeded with an upgrade of the Tailings Storage Facility (TSF) filter wall, deposition spine and the perimeter bund walls. This project

will provide increased capacity and reduce risks to wildlife by reducing the potential for water to pond on the TSF. To further reduce risk, we are updating the TSF Operating Manual, which covers the management of ponded water containing cyanide, tailings deposition to ensure proper drainage, and delivery line flushing practices.

Biodiversity Management

At New Gold sites, environmental stewardship means more than 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.

In all our sites we have identified different levels of at-risk species. Table 9 lists the at-risk species that have been found at each of our operations, and their at-risk status. Note that no International Union for Conservation of Nature (IUCN) "red list" species has been found at any New Gold operation or project.



Within Mesquite's operating areas, the sensitive and protected species Fairy Duster is salvaged and transplanted into reclaimed areas.



“Environmental stewardship means more than applying restoration practices to lands that are affected by mining. It also means conserving the environment on lands that are undisturbed by operations.”

Table 9: At-Risk Species

Species	Location	IUCN Status ⁽¹⁾	Other Status	Management Plan/Procedures in Place?
Fairy Duster	Mesquite	n/a	California Native Plant Protection Act – Sensitive and Protected species	Yes
Desert tortoise	Mesquite	Vulnerable	USA Endangered Species Act – Threatened and Endangered Species	Yes
Echinocactus platyacanthus	Cerro San Pedro	n/a	Mexican Official Norm of SEMARNAT NOM-059-SEMARNAT-2010 – Protected	Yes
Ferocactus histrix	Cerro San Pedro	n/a	SEMARNAT NOM-059-SEMARNAT-2010 – Protected	Yes
Mammillaria candida (cactus)	Cerro San Pedro	n/a	SEMARNAT NOM-059-SEMARNAT-2010 – Threatened	Yes
Stenocactus coptonogonus	Cerro San Pedro	Least Concern	SEMARNAT NOM-059-SEMARNAT-2010 – Rare	Yes
Pelecophora aselliformis (cactus)	Cerro San Pedro	Least Concern	SEMARNAT NOM-059-SEMARNAT-2010 – Threatened	Yes
Kultarr	Peak	Least Concern	New South Wales Threatened Species Conservation Act – Endangered Species	Yes
Western Toad	New Afton	Vulnerable	British Columbia – Blue List ⁽²⁾ ; Canada Species at Risk Act (SARA) – Special Concern	Yes
Great Basin Spadefoot Toad	New Afton	Least Concern	British Columbia – Blue List; Canada Species at Risk Act (SARA) – Threatened	Yes
Northern Caribou	Blackwater	Least Concern	British Columbia – Blue List; SARA – Threatened	Yes
Whitebark Pine	Blackwater	Vulnerable	British Columbia – Blue List	Yes

1. The IUCN Red List of Threatened Species includes seven categories ranging from *Least Concern* to *Extinct*.
 2. Includes any indigenous species or subspecies considered to be of *Special Concern* (formerly *Vulnerable*) in British Columbia.

Mesquite

At Mesquite, we are protective of the desert environment’s flora and fauna. Among the local flora is the 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. We ensure that before work commences in any new area, a survey is conducted, and if a tortoise is encountered it is relocated off the mine property by a qualified biologist. Two tortoises were relocated off mine property in 2011.

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 cacti – the species typically 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.

During mine construction, we rescued and transplanted a total of 23,330 cacti of rare or at-risk species. 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.

Peak

Peak 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 centuries. We have assumed responsibility for rehabilitating the historic mine sites on our leases and have completed rehabilitation of some of these sites. We are committed to continuous improvement and environmental best practices in managing potential habitat. We maintain fences to exclude livestock and feral herbivores from neighbouring properties, and land disturbance is only carried out when absolutely necessary and after an inspection by the environmental department.



The desert tortoise is a threatened and endangered species which is among the local fauna at Mesquite.

Of our lands, 240 hectares are used for mining purposes, and 760 hectares are actively managed to ensure our land continues to improve in environmental health. Over the year, we removed African Boxthorn plants at New Occidental, trapped goats at Peak and New Cobar, released the Blue Heliotrope Beetle to control Blue Heliotrope near New Cobar, and began a trial of holistic rehabilitation using cattle at New Occidental.

In early 2011, a Kultarr, classified as an endangered species in New South Wales, was found within the Peak site. After consulting a threatened-species expert and doing a habitat assessment, it was found that the likely Kultarr habitat was located away from any mining activities. A Kultarr education program is being developed in conjunction with a local State Government Department, the Western Catchment Management Authority, which will target Peak employees, Cobar schools and the broader Cobar residents.

New Afton

Located approximately ten kilometres west of Kamloops, the project 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 metres 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 that may put these animals at risk have been obtained. During the year both endangered toad species were found on site. Members of the Tk'emlúps First Nation were employed to construct a "toad fence", and although some did not survive, over 300 toads were collected and released. Over the year, foxes and a swan were trapped and relocated by local First Nations members.

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 and several duck and swan nests have been established and monitored. Early results show approximately 30% of the boxes occupied by native species.

New Gold has partnered with the Nature Conservancy of Canada by financially assisting the formation of the Warner Philip Conservation Area, a 260-hectare area located south of Kamloops. We see this project as a biodiversity offset from mine site activities that result in disturbance of former grasslands.

Blackwater

The Blackwater exploration project covers 25,240 hectares in central British Columbia, on the northern flanks of Mt. Davidson in the Nechako Plateau. Even though the project is not located in a protected area, the exploration area is adjacent to a Provincial Ungulate Winter Range (UWR) of about 40 hectares that is protected by Provincial Order.

We have taken significant steps to ensure high environmental standards and best practices in biodiversity management. We have modified the exploration program to protect the adjacent UWR and established a Northern Caribou Management Plan.

The objectives of this plan are to minimize impacts of mineral exploration and predator and human access to Northern Caribou habitat, and to minimize disturbance and displacement of Northern Caribou.

We have also started a cone collection system as part of a Whitebark Pine Management Plan for seedling propagation and re-establishing this vulnerable species.



Peak applies a progressive closure model to historic mine sites on its mining leases.

Reclamation and Closure Planning

New Gold is committed to progressive rehabilitation of disturbed lands as these became available. Our sites all remain active mining operations and therefore land disturbance will continue for varying periods as mining continues. Nevertheless, progressive rehabilitation work continues at all mine sites. Except for the Blackwater Project, all of our sites have closure plans that are regularly reviewed and updated, including reclamation costs.

Table 10: Habitat Restored

	2011	2010	2009	2008
Approximate hectares	84	45	93	113

Mesquite

In 2011, the operation's footprint remained active and concurrent reclamation was limited to 16 hectares of the Rainbow dump adjacent to Highway 78.

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 on a quarterly basis. We are applying the same model for calculating our regulatory obligations, which are now in the form of surety bonds.

Cerro San Pedro

As part of our Mine Closure Plan, we adopt sustainable practices in our use of natural resources, and continue to rescue and relocate affected species. As the operation is in an area of historic mining activities, our Environmental Management System is designed to differentiate between the results of current mining activities and the pre-existing baseline conditions. In

2011, we produced over 135,000 plants in our nursery. In the community of Monte Caldera, nearly 63 hectares were reforested with nearly 69,000 plants. We also excavated and stored 102,202 m³ of topsoil for future reclamation, yielding a cumulative total of close to 488,000 m³ topsoil in 2011.

In 2012, we will begin the planning process associated with a sustainable development plan for Cerro San Pedro, to ensure a sustainable legacy of economic diversification and increased social capital in our host community after mine closure.

Peak

By the terms of our licence, Peak is responsible for the rehabilitation of historic mine sites found on our mining leases including the New Occidental, Chesney, Gladstone, Queen Bee, Silver Peak, Young Australia and Mount Pleasant mines. Peak applies a progressive closure model in which historic areas are rehabilitated in the years leading up to the closure of operational sites. In 2011, we addressed many rehabilitation issues, including removing waste piles, controlling

contaminated water, filling historical mine shafts and making reclamation plantings. These sites are in the early phases of reclamation and we do not consider any areas to be completely restored.

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. We are committed to progressive rehabilitation in which areas that are not required for current or future mining are rehabilitated prior to the mine's closure, and reclamation of disturbed areas proceeds even while operations are continuing elsewhere on site. Our objective in all reclamation activities is to return the land to a productive state similar to that prior to mining.

Our reclamation activities performed during 2011 included: five hectares of disturbed land were reclaimed; approximately three hectares of disturbed land were hydro-seeded with native grass seed; more than a hectare of spotted knapweed was cleared, and we excavated and stored an additional 160,000 m³ of topsoil material and 320,000 m³ of subsoil for future reclamation.

Blackwater

British Columbia's world-class reclamation laws require that all mining operations carry out a program of environmental protection and reclamation to ensure that upon termination of mining, land, watercourses and cultural heritage resources will be returned to a safe and environmentally sound state and to an acceptable end land use. The development of the Blackwater Project includes the development of a Mine Closure Plan as well as the posting of securities that will be held in trust by the Provincial Ministry of Energy and Mines.

Environmental Incidents and Regulatory Compliance

Since New Gold began reporting in 2008, there have been no significant spills and no greater than moderate incidents. In 2011, there were three moderate incidents (down from four in 2010). These included a construction silt spill at Peak, and a pit water spill at New Afton. In addition, a concentrate spill during transport occurred at Peak. Even though this spill occurred offsite and under another party's legal responsibility, we responded promptly, notified the regulator and assisted in planning the clean-up and coordinated reporting. We carried out our own investigation and a major outcome has been additional assurance that contractor fatigue is controlled.

Minor and insignificant consequence incidents at all sites have largely resulted from hydrocarbon spills but also include unsuitable waste disposal and chemical spills. All incidents were dealt with according to regulations, and appropriate corrective actions were taken. There was no threat to any ecosystems or water body. We encourage the reporting of minor and insignificant incidents as a way to identify opportunities for systems and performance improvement.

In 2011, there were no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations. However, some minor instances of regulatory non-compliance did occur. At the Mesquite Mine there were 11 such instances, which were addressed as required by law and did not result in fines.



In 2011, over five hectares of disturbed land were reclaimed at New Afton.



“We encourage the reporting of minor and insignificant incidents as a way to identify opportunities for systems and performance improvement.”

Resident of the Cerro de San Pedro Village. In 2010 and 2011, Cerro San Pedro Mine was accredited as a Socially Responsible Company by the non-profit Mexican Centre for Philanthropy.



GROWING OUR COMMUNITIES

At New Gold we know that only by thoroughly understanding the people of our host communities, 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.



“At New Gold, community engagement begins while a project is still in the development stage, and continues through the mine’s life and after closure.”

We strive to align our goals with the interests of our host communities and we are confident that our sites have no significant potential to negatively impact local communities.

In this section, we discuss our policies and practices for engagement and interaction with local communities, including indigenous communities, our economic impacts and our socio-economic development strategies at each operation and at the corporate level. We also discuss the grievances that were received and how they were addressed.

Management Approach to Social Responsibility

At New Gold, our management approach to social responsibility is guided by our HSEC Policy. In 2012, we will begin developing a corporate-wide social responsibility approach to define priorities, goals and evaluation metrics. This initiative will be complemented by a social performance gap analysis to assess our policies and practices in relation to relevant international standards and guidelines. We will identify areas for improvement and those actions that can be implemented in the short, medium and long term.

We also aim to identify opportunities for strengthening our policies and practices related to assessing any risks that our operations pose to local communities

throughout the mine lifecycle, as well as for engagement, internal social responsibility training and awareness.

Management Approach to Community Engagement

At New Gold, community engagement begins while a project is still in the development stage, and continues through the mine’s life and after closure. 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. 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, to effectively engage and maintain dialogue, maintain a feedback mechanism and report on performance. All of our operations encompass local community engagement, impact assessments and development programs.

New Gold sites share information regarding operations and upcoming activities with local and other stakeholders and groups. We use a variety of communication methods including one-on-one meetings, presentations, 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



Mesquite was one of the sponsors of the 30th annual San Pasqual Valley School District Pow Wow in Winterhaven, California, presented by the Strong Hearts Native Society and the Quechan Nation.

and their priorities and concerns, and to help resolve existing or potential disputes. We encourage community feedback on our activities and aim to have meaningful feedback mechanisms at all sites. We maintain open channels for grievances to be received and addressed.

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. Four of our sites are adjacent to or in indigenous peoples' traditional territories. New Gold has not recorded any incidents of violations involving rights of indigenous peoples at any of our sites.

Mesquite

In 2011, Mesquite maintained and increased open lines of communication with stakeholders. In addition to providing informational programs for community organizations, service clubs, and schools, community presentations were regularly made to maintain a two-way dialogue with our local community stakeholders. We also continued regular contact with federal

and state regulators, regional mining and mineral enthusiasts, and community-based organizations.

A large Quechan community resides within the mine's area of influence. In 2011, Mesquite continued 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.

Cerro San Pedro

Cerro San Pedro maintains a close relationship with the residents of the Municipality of Cerro de San Pedro, which comprises 13 communities and three ejidos (communally owned land holdings) within the mine's sphere of influence. In 2011, we again fulfilled the requirements for accreditation as a Socially Responsible Company by the internationally recognized non-profit Mexican Centre for Philanthropy (CEMEFI), an accreditation that has only been awarded to 18 mines in Mexico. 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)

Our Information Module in the Cerro de San Pedro village provides visitors with information on Cerro de San Pedro's mining past and present, with displays of historical photographs and artifacts as well as current information about the mining operation. It is a popular destination for visitors, thanks to its unique exhibits and guided tours, and its 170-metre high view terrace that overlooks the entire open pit operation. This degree of exposure of a mine at work is very rare in the Mexican mining industry. In 2011, over 1,300 guests visited the Information Module.



Children from the neighbouring village of Potezuelo, during Cerro San Pedro's community Christmas celebrations.

Peak

Peak maintains a strong relationship with the Cobar community. We make employees available to serve as members of the local Fire Brigades and State Emergency Services. Our people play key roles in various local associations, including serving on the boards of Cobar Enterprise Facilitation, the Cobar Business Association, Cobar Water Board and the local Emergency Management Committee. Peak hosts an Annual Community meeting and Open Day at the mine when hundreds of visitors are welcomed.

Peak continues to support the development of local indigenous groups and 2011 saw further progress with the development of the Murdi Paaki Nursery Project. The project is a collaboration with the Murdi Paaki Regional Enterprise Corporation and aims at using plants for rehabilitation of our operation, as well as other mines in the Cobar region, and other landholders seeking plants for land rehabilitation.

New Afton

We actively pursue positive relationships with our neighbouring communities to support community programs, seek opportunities for productive partnerships,

and improve understanding of the ongoing project. In 2011, mine site visits and forums included the Tk'emlúps Indian Band, the Skeetchestn Indian Band, the Ministry of Energy and Mines, the Ministry of Environment, Interior Health and Thomson Rivers University representatives.

The project is located within the asserted traditional territories of the Tk'emlúps and Skeetchestn Bands. These bands are part of the larger cultural group known as the Secwépemc or Shuswap First Nation. In 2011, New Afton's Participation Agreement with Tk'emlúps and Skeetchestn Bands was amended, as anticipated in the original 2008 agreement. This mutually beneficial agreement has been considered a best practice in Canada. New Afton sponsored scholarships for four local First Nations members and continued to provide education and job opportunities for our First Nations partners throughout the year.

Blackwater

In 2011, we began a comprehensive engagement planning process and are working with experienced professionals to meaningfully engage with local communities including First Nations, governments and regulators. Since New Gold took ownership of the project, we

have actively engaged in dialogue with group leaders and representatives, and are working closely with them to ensure that information about the project is made available to all. A project newsletter introducing the company and the project, including information about mineral exploration and mining was created and distributed as one of the first steps to reach out to the greater community and make sure that open lines of communication are established early on. In 2012, we will roll out a significant engagement effort which we believe is essential to the success of this project. As part of the engagement plan, we are opening a local office in Vanderhoof and have developed a project policy that is supportive of local hiring, including First Nations.

Community Development and Economic Impacts

Following the guidance of our HSEC policy, we demonstrate our commitment to sustainability in our surrounding communities. We make significant investments in community infrastructure projects, foster local entrepreneurship, and support diversified local capacity building and economic development to ensure we leave a positive legacy in our host communities.

All New Gold operations and projects preferentially hire locally and engage local services wherever possible as a means to create local direct and indirect economic benefits. Hiring and purchasing local services usually makes good business sense. To open new career opportunities in mining for local community members, we provide apprenticeship training and education opportunities and support training programs locally and regionally. To support local economies, we preferentially source our supplies and services from local companies whenever it is practical to do so.

New Gold has generated direct and indirect economic value in our host communities. In 2011, New Gold paid approximately \$72.5 million in employees' wages and benefits – up from \$60.9 million in 2010. We have also increased expenditures with contractors from \$17.1 million in 2010 to about \$24 million in 2011. Income and mining taxes paid to governments increased from about \$58 million to just over \$91 million. Our royalty payments totalled \$15.7 million, an increase from \$12.1 million in 2010. Payments to capital providers (interest paid and standby fees) in 2011 totalled approximately \$22.8 million. Further information on site-specific economic value generated as well as corporate net earnings and capital expenditures are disclosed in our Financial Review posted on our website.

All New Gold sites actively participate in and support community-building and economic diversification initiatives. We continually seek opportunities to support community organizations and activities with a special focus on encouraging local entrepreneurship to promote diversified, sustainable economic prosperity.

In 2011, our operations, projects and employees contributed to clean-up activities and cultural events, sports events, as well as initiatives to encourage recycling and healthy lifestyles. Our

sponsorships and donations supported education, health and wellness, economic diversification, job creation and food security initiatives. At the corporate level, our Donations and Sponsorships Committee quarterly reviews requests for support and prioritizes health, education and community investments. In 2011, we supported a range of initiatives and organizations such as the Clinton-Giustra Sustainable Growth Initiative and its micro-enterprise initiatives to the National Aboriginal Achievement Foundation, the Heart and Stroke Foundation, and local community programs in Vancouver and Toronto. In 2011, New Gold invested nearly \$3.5 million in community projects, donations and sponsorships.

In 2012, we will increase our focus on community investments that will ensure a legacy of sustainable development in our host communities. The development of a corporate social responsibility strategy will create the opportunity to review priorities and establish short and long-term goals.

Mesquite

In 2011, Mesquite sponsored several community events, with a focus on organized youth sports. In addition, we assisted with a number of classroom-based initiatives, including robotics engineering programs, academic scholarship programs, as well as programs promoting the arts.

One of our most noteworthy achievements in 2011 was the formation of the New Gold – Mesquite Foundation. A registered non-profit organization initially funded by New Gold, the foundation will assist the community by funding projects such as sustainable community projects, science scholarships and educational programs designed to promote small business longevity and diversification. When fully funded, the foundation should continue to benefit the community long after the Mesquite Mine closes.



New Afton made a significant financial contribution to the creation of the Warner Philip Conservation Area, south of Kamloops.

Cerro San Pedro

Every year, the Cerro San Pedro operation makes direct investments in community development. In 2011, our efforts focused on projects and activities associated with health, education, infrastructure, and the promotion of cultural heritage. We coordinate primarily with government authorities on programs and activities that promote sustainable economic alternatives to mining. The objective is to support the municipality and to leverage federal and state infrastructure funding.

In addition, we contributed through the Foundation for Preservation of the Village of Cerro de San Pedro, which directs funds to the most pressing needs, and finances small and promising businesses.

Peak

To support the town of Cobar, we place significant efforts into helping establish a culture and infrastructure that will ensure the town's sustainability after the mine's eventual closure. We have made significant community investments and support the Cobar Enterprise Facilitation initiative, which provides knowledge and support to create new small businesses and expand existing ones. Its Resource Board, on 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 the Cobar Primary Health Centre, establishing the Good Health Program. We were also nominated for our initiatives in local tourism and environmental achievement.

In addition, we were proud to support the Western Heritage Group Inc. in publishing the book *Yamakarra!*, a recollection of Aboriginal life in the plains country of

western New South Wales based on the life story of Liza Kennedy and the Keewong Mob.

New Afton

The New Afton Participation Agreement with local First Nations ensures preferential treatment for business owners from the Skeetchestn and Tk'emlúps Bands and their business partners. We strive to contribute positively to our local communities and provided funding for various sporting, health and community groups as well as scholarships and donations to the Tk'emlúps and Skeetchestn Bands.

Blackwater

Since New Gold acquired the Blackwater Project in June 2011, we have developed a project-specific Community Donation and Sponsorship policy. Its guidelines have been broadly distributed within the local community and we have supported a number of recent community initiatives. In addition, we are working with the BC Aboriginal Mine Training Association and the College of New Caledonia to develop tailored training programs for Aboriginal people and future mine workers. We have worked to maximize local employment and procurement. We will significantly increase our community investment efforts as we continue mineral exploration and ultimately mine development in the area.

Managing Grievances

When disputes arise, New Gold strives to promptly identify the issue and engage in open interactive dialogue with the community. Only through respectful, mutually beneficial dispute resolution can we continue to earn our social licence to operate. We have formal external grievance mechanisms at Peak and Cerro San Pedro. At New Afton, the Participation Agreement Joint Implementation Committee has provided an open forum for dialogue particularly with the local First Nations



Cerro San Pedro employees during a New Gold Family Day; about 570 families participated in 2011.



“Only through respectful, mutually beneficial dispute resolution can we continue to earn our social licence to operate.”



The popular Information Module in the Cerro de San Pedro village celebrates the village's mining past and provides information about our current operations.

and has been effective in identifying and resolving differences.

The following table lists the times that grievance mechanisms were used to address complaints at New Gold sites.

No human rights complaints or grievances relating to land use, customary rights of local communities and indigenous peoples have been filed through our grievance mechanisms to date.

Table 11: Community Grievances⁽¹⁾

Operations	2011	2010
Peak	0	4
Cerro San Pedro ⁽²⁾	2	n/a

1. Formal mechanism for external complaints.

2. Cerro San Pedro received one congratulatory note, four requests for infrastructure funding/donations and one job inquiry filled through its grievance mechanism. These are not included in the table.

Cerro San Pedro

In 2011, we implemented a formal system for receiving suggestions, comments, questions and complaints at Cerro San Pedro. Grievances can be registered in five locations, including the Information Module, community medical clinics and other public locations around the municipality. The objective is to present an inviting location for dropping off complaints and other feedback. In 2011, we received one request for information about health and safety and environmental management at Cerro San Pedro and one complaint about water consumption at the mine site. We followed up on the information request by providing information, and also by offering mine tours to local community members to give them the opportunity to experience the operation, and directly address their concerns. The

complaint about water consumption could not be followed up directly because it was made anonymously, but will be addressed through increased communication regarding water management at the operation.

Peak

Peak strives to be approachable and easy to contact for complaints and other feedback. A 24-hour-a-day Complaints Hotline is advertised in the local newspaper. In 2011, no community complaints were received.



“No human rights complaints or grievances relating to land use, customary rights of local communities and indigenous peoples have been filed through our grievance mechanisms to date.”

IN CLOSING

In this, our fourth annual sustainability report, New Gold is again demonstrating our commitment to open reporting on our HSEC 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 HSEC performance targets for 2012 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 to the most stringent international standards for responsible corporate behaviour. We are guided by the Global Reporting Initiative 3.1 Guidelines and self-declare Level B. In the future, we hope to further improve the scope, depth and transparency of our reporting to meet the expectations of all of our stakeholders.

New Afton's tailings facility is part of a closed circuit water management system.

GRI INDEX

GRI 3.1

Source: Section: Page

1. Strategy and Analysis		
1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy.	Sustainability Report (SR): Message from President and CEO: 6-7
1.2	Description of key impacts, risks and opportunities.	SR: Message from President and CEO: 6-7; Annual Information Form for the Financial Year Ended December 31, 2011 (AIF) (available at www.sedar.com): Risk Factors: 42-52
2. Organizational Profile		
2.1	Name of the organization.	SR: Cover
2.2	Primary brands, products and/or services.	SR: Growing Our Properties: 4-5
2.3	Operational structure including main divisions, operating companies, subsidiaries and joint ventures.	AIF: Corporate Structure: 4
2.4	Location of organization's headquarters.	AIF: Corporate Structure: 4
2.5	Number and name of countries where the organization operates.	SR: Growing Our Properties: 4-5 AIF: Corporate Structure: 4
2.6	Nature of ownership and legal form.	AIF: Corporate Structure: 4
2.7	Markets served including geographic, sectors and customers.	SR: Growing Our Properties: 4-5
2.8	Scale of the organization.	AIF: Description of the Business: 7-9 New Gold Website: www.newgold.com: Properties
2.9	Significant changes during the reporting period regarding the size, structure or ownership.	SR: About This Report: 2 AIF: Recent Acquisitions: 6
2.10	Awards received in the reporting period.	SR: Health and Safety Performance: 18-19 SR: Emergency Response: 19-20
3. Report Parameters		
Report Profile		
3.1	Reporting period (e.g. fiscal/calendar year) for information provided.	SR: About This Report: 2
3.2	Date of most recent previous report.	November 2011
3.3	Reporting cycle.	SR: About This Report: 2
3.4	Contact point for questions regarding the report.	SR: Our Stakeholders: 3
Report Scope and Boundary		
3.5	Process for defining report content.	SR: Our Stakeholders: 3 SR: Report Content: 3
3.6	Boundary of the report (e.g. countries, divisions, JVs).	SR: Growing Our Properties: 4-5
3.7	Limitations on the scope or boundary of report.	SR: Growing Our Properties: 4-5
3.8	Basis for reporting on JVs or others.	SR: Growing Our Properties: 4-5
3.9	Data measurement techniques.	SR: Throughout the Document
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	SR: Health and Safety Performance: 17

GRI Content Index

Source: Section: Page

3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods.	SR: About this Report: 2
3.12	Table identifying the location of the Standard Disclosures in the report.	SR: GRI Index: 44-47

Assurance

3.13	Policy and current practice with regard to seeking external assurance.	SR: GRI Declaration: 2
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4. Governance, Commitments and Engagement

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks.	New Gold website: Corporate Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	AIF: Directors and Officers: 60-65
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent.	AIF: Directors and Officers: 60-65
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	SR: Whistleblower Policy: 15 New Gold website: Corporate Governance
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	SR: HSEC Governance: 15
4.6	Processes in place for the highest governance body to ensure that conflicts of interest are avoided.	New Gold website: Corporate Governance
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	New Gold website: Corporate Governance
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	SR: HSEC Policy: 13 SR: HSEC Guiding Principles: 14 SR: Code of Business Conduct and Ethics: 15
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	New Gold website: Corporate Governance
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	New Gold website: Corporate Governance
4.11	Precautionary Approach.	SR: Our Environmental Practices and Policies: 23

Commitments to External Initiatives

4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	SR: UN Global Compact and Other Standards and Guidelines: 2-3
4.13	Memberships in associations (such as industry associations), and/or national/international advocacy organizations.	SR: UN Global Compact and Other Standards and Guidelines: 2-3 SR: Materials Stewardship: 30
4.14	Stakeholder Engagement.	SR: Our Stakeholders: 3
4.15	Basis for identification and selection of stakeholders with whom to engage.	SR: Our Stakeholders: 3
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	SR: Our Stakeholders: 3 SR: Management Approach to Community Engagement: 37-39

GRI Content Index		Source: Section: Page
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has reported to those key topics and concerns, including through this report.	SR: Our Stakeholders: 3

5. Management Approach and Performance Indicators

ECONOMIC

Management Approach to Economic Performance		SR: Community Development and Economic Impacts: 39-41
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, community investments and payments to capital providers and governments.	SR: Community Development and Economic Impacts: 39-41 AIF: 23; 48-50
EC2	Financial implications and other risks and opportunities for the organization due to climate change.	AIF: Climate Change Risks: 51-52
Aspect: Market Presence		

ENVIRONMENT

Management Approach to Environmental Stewardship		SR: Our Environmental Practices and Policies: 23-24
EN1	Materials used by weight or volume.	SR: Materials Stewardship: 30
Aspect: Energy		
EN3	Direct energy consumption by primary energy source.	SR: Energy Management: 27
EN4	Indirect energy consumption by primary source.	SR: Energy Management: 27
EN6	Initiatives to provide energy efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	SR: Energy Management: 26-29
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	SR: Energy Management: 26-29
Aspect: Water		
EN8	Total water withdrawal by source.	SR: Water Management : 24
Aspect: Biodiversity		
EN11	Location and size of land owned, leased or managed in or adjacent to high biodiversity value habitats.	SR: Biodiversity Management: 33
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	SR: Biodiversity Management: 34
EN13	Habitats protected or restored.	SR: Biodiversity Management: 34
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	SR: Biodiversity Management: 31-34
EN15	IUCN Red Listed Species and national conservation lists.	SR: Biodiversity Management: 31-32
Aspect: Emissions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions.	SR: Energy Management : 27
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	SR: Energy Management : 27-29
EN21	Total water discharge by quality and destination.	SR: Water Management: 24-25
EN22	Total weight of waste by type and disposal method.	SR: Waste Management: 25

GRI Content Index

Source: Section: Page

EN23	Total number and volume of significant spills.	SR: Environmental Incidents and Regulatory Compliance: 35
Aspect: Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	SR: Water Management : 24-25 SR: Waste Management: 25-26 SR: Dust Control: 29-30 SR: Noise: 30
Aspect: Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	SR: Environmental Incidents and Regulatory Compliance: 35
SOCIAL PERFORMANCE INDICATORS		
Management Approach to Labour Practices and Decent Work		SR: Management Approach to Labour Practices: 20-21
Aspect: Employment		
LA4	Percentage of employees covered by collective bargaining agreements.	SR: Collective Bargaining and Freedom of Association: 21
Management Approach to Social Responsibility		SR: Management Approach to Social Responsibility: 37
Aspect: Community		
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.	SR: Growing Our Communities: 37-42
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes.	SR: Compliance with Laws and Regulations: 15
Aspect: Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	SR: Compliance with Laws and Regulations: 15
Management Approach to Human Rights		SR: Management Approach to Human Rights and Ethics: 14
HR4	Total number of incidents of discrimination and actions taken.	SR: Workplace Diversity, Non-Discrimination and Equity: 21
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk.	SR: Collective Bargaining and Freedom of Association: 21
HR9	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	SR: Management Approach to Human Rights and Ethics: 14
Mining and Metal Sector Supplement Indicators		
MM4	Number of strikes or lock-outs exceeding one week's duration, by country.	SR: Management Approach to Labour Practices: 20
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples.	SR: Managing Grievances: 41-42
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local community and indigenous peoples and the outcomes.	SR: Managing Grievances: 41-42
MM11	Programs and progress relating to materials stewardship.	SR: Materials Stewardship: 30

THIRD PARTY APPLICATION LEVEL CHECK STATEMENT

March 30, 2012

Introduction

Canadian Business for Social Responsibility (CBSR) was engaged by New Gold to conduct a Third Party Application Level Check of the organization's self-declared GRI Application Level.

The purpose of the Third Party Application Level Check was to assess the degree to which New Gold met Global Reporting Initiative (GRI) Standard Disclosures including the Profile Disclosures, Performance Indicators, and Mining and Metals Sector Supplement Indicators; confirm its self-declared Application Level (e.g. A, B, C); and provide recommendations on how New Gold can continue to improve its reporting and disclosure.

CBSR's Third Party Application Level Check Methodology

CBSR conducts a Third Party Check of a reporting organization's GRI Content Index and self-declared GRI Application Level with the following steps:

- CBSR checks all references in the GRI Content Index to ensure that the reporting organization complies with the GRI requirements for acceptable cross-references, direct responses, or valid reasons for omission
- CBSR checks every disclosure (Profile Disclosures, Disclosures on Management Approach, Performance Indicators and applicable Sector Supplements) covered in the reporting organization's GRI Content Index to ensure that it has actually been responded to in the report and/or within the accompanying documentation (including online content)
- CBSR confirms whether the reporting organization's self-declared Application Level is valid based upon the checks conducted on the GRI Content Index references and the reported disclosure responses
- CBSR develops a Standard Third Party Application Level Check Statement indicating the confirmation of the reporting organization's self-declared Application Level

Findings and Recommendations

CBSR concurs with New Gold's own assessment that it has achieved GRI reporting level B.

CBSR has provided feedback and recommendations on how New Gold can improve its reporting and disclosure within draft versions of its report.

CBSR's Relationships With New Gold

New Gold was responsible for the preparation of its Sustainability Report, and CBSR's responsibility was to provide an independent review of the report's GRI Content Index.

CBSR was paid by New Gold to conduct this Third Party Application Level Check. In addition, New Gold is a member company of CBSR.

Canadian Business for Social Responsibility

While every effort has been made to ensure accuracy of the information presented, please note that all figures are unaudited.

We welcome input and suggestions on the content of this report.
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