U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

o Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934
or
ý Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2012 Commission File Number 001-31722

New Gold Inc.
(Exact name of Registrant as specified in its charter)

British Columbia	**1000**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Suite 1800 Two Bentall Centre, 555 Burrard Street
Vancouver, British Columbia, Canada V7X 1M9
(604) 696-4100
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue, New York, NY 10011
(212) 894-8940
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange On Which Registered:
Common Shares, no par value	**NYSE MKT LLC**

Securities registered pursuant to Section 12(g) of the Act: **None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**
For annual reports, indicate by check mark the information filed with this form:
ý Annual Information Form ý Audited Annual Financial Statements
Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

At **December 31, 2012**, the Registrant had outstanding 476,002,911 common shares without par value.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
ý Yes o No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). o Yes o No

DOCUMENTS INCORPORATED BY REFERENCE

The Annual Information Form (“AIF”) of New Gold Inc. (the “Registrant”, “New Gold” or the “Company”) for the fiscal year ended December 31, 2012 is filed as Exhibit 1 to this annual report on Form 40-F.

The audited consolidated financial statements of the Company for the years ended December 31, 2012 and 2011, including the related auditor reports, are filed as Exhibit 2 to this annual report on Form 40-F.

The Company’s management’s discussion and analysis (“MD&A”) for the year ended December 31, 2012 is filed as Exhibit 3 to this annual report on Form 40-F.

EXPLANATORY NOTE

The Company is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Exchange Act on Form 40-F. The Company is a “foreign private issuer” as defined in Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Accordingly, the Company’s equity securities are exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 under the Exchange Act.

The Company is permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare the documents incorporated by reference in this annual report on Form 40-F in accordance with Canadian disclosure requirements, which are different from those of the United States.

Information concerning the properties and operations of New Gold has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" used in this annual report on Form 40-F and the documents incorporated by reference (“Annual Report”) are Canadian mining terms as defined in accordance with NI 43-101 under guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council on December 11, 2005. While the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian regulations, they are not defined terms under standards of the United States Securities and Exchange Commission (“Commission”). Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve calculation is made. As such, certain information contained in this Annual Report concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the United States Securities and Exchange Commission. An "Inferred Mineral Resource" has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. Readers are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into Mineral Reserves. Readers are also cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists, or is economically or legally mineable. In addition, the definitions of "Proven Mineral Reserves" and "Probable Mineral Reserves" under CIM standards differ in certain respects from the standards of the Commission.

The Company prepares its financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), and they may be subject to Canadian auditing and auditor independence standards. Accordingly, the financial statements of the Company included in this Annual Report may not be comparable to financial statements of United States companies.

Unless otherwise indicated, all dollar amounts are reported in U.S. dollars.

FORWARD LOOKING STATEMENTS

This Annual Report contains “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", “projects”, “potential”, "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", “should”, "might" or "will be taken", "occur" or "be achieved" or the negative connotation. All such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond New Gold's ability to control or predict. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such factors include, without limitation: significant capital requirements; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia, Mexico and Chile; price volatility in the spot and forward markets for commodities; impact of any hedging activities, including margin limits and margin calls; discrepancies between actual and estimated production, between actual and estimated reserves and resources and between actual and estimated metallurgical recoveries; changes in international, national and local government legislation in Canada, the United States, Australia, Mexico and Chile or any other country in which New Gold currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which New Gold does or may carry on business; the speculative nature of mineral exploration and development, including the risks of obtaining and maintaining the validity and enforceability of the necessary licenses and permits and complying with the permitting requirements of each jurisdiction that New Gold operates, including, but not limited to obtaining the necessary permits for the Blackwater project, in Mexico where the Cerro San Pedro mine has a history of ongoing legal challenges related to our EIS and Chile where the courts have temporarily suspended the approval of the environmental permit for the El Morro project; the lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law; the uncertainties inherent to current and future legal challenges the company is or may become a party to; diminishing quantities or grades of reserves; competition; loss of key employees; additional funding requirements; actual results of current exploration or reclamation activities; uncertainties inherent to economic studies in respect of the PEA for the Blackwater project; changes in project parameters as plans continue to be refined; accidents; labour disputes; defective title to mineral claims or property or contests over claims to mineral properties. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance or inability to obtain insurance to cover these risks) as well as "Risk Factors" discussed in the Company’s Annual Information Form filed as Exhibit 1 to this Annual Report.

Although the Company has attempted to identify important factors that would cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All of the forward-looking statements contained in this Annual Report and any documents incorporated by reference are qualified by these cautionary statements. Readers should not place undue reliance on forward-looking statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise, except in accordance with applicable securities laws.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2012. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as at December 31, 2012 the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files or submits under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable time periods specified by the Commission rules and forms and to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d—15(f) under the Exchange Act for the year ended December 31, 2012. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2012, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2012 has been audited by Deloitte LLP, the Company's independent registered chartered accountants. As stated in their report immediately preceding the Company's audited consolidated financial statements for the years ended December 31, 2012 and 2011, filed as Exhibit 2 to this Annual Report, Deloitte LLP expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

The reports immediately preceding the Company's audited consolidated financial statements for the years ended December 31, 2012 and 2011 are filed as Exhibit 2 to this Annual Report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fiscal year ended December 31, 2012, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATIONS ON DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

AUDIT COMMITTEE IDENTIFICATION AND FINANCIAL EXPERT

The Company has an Audit Committee established by the Board of Directors for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company, in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are James Estey (Chair), David Emerson and Martyn Konig. Each of Mr. Estey, Mr. Emerson and Mr. Konig is "independent" as that term is defined under the rules of the NYSE MKT LLC.

The Board has determined that James Estey and David Emerson are each an "Audit Committee Financial Expert" as that term is defined under Section 407 of the Sarbanes-Oxley Act of 2002 and paragraph (8) of General Instruction B. of Form 40-F.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information provided under the headings "Pre-Approval Policies and Procedures" (page 62) and "External Auditor Service Fees (By Category)" (page 62) contained in the Company's Annual Information Form is incorporated by reference.

CODE OF ETHICS

In connection with a comprehensive review of the Company's corporate governance policies, on August 13, 2008, the Board of Directors of the Company (the "Board") approved the adoption of a code of business conduct and ethics ("Code"). The Code has been reviewed and updated annually since its adoption, with the most recent review by the Board on February 28, 2013. The Code is applicable to all directors, officers and employees of the Company, including its Chief Executive Officer, Chief Financial Officer and principal accounting officer. The Code was adopted to, among other things, update and clarify the duties, obligations and responsibilities that are imposed upon the persons subject to its provisions. Additionally, on July 8, 2008, as amended and/or ratified on November 24, 2008, March 12, 2009, March 4, 2010, March 3, 2011, March 1, 2012 and February 28, 2013, the Board approved the adoption of a Whistleblower Policy ("Whistleblower Policy"), which outlines the principles and commitments that the Company has made with respect to the treatment of complaints by its personnel. Copies of the Code and the Whistleblower Policy are available on the Company's website at www.newgold.com.

There were no waivers of the Code in the past fiscal year.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

U.S. dollars in thousands as of December 31, 2012		**Payments due by period**			
Contractual obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Long-term debt	800,000	0	0	0	800,000
Interest payable on long-term debt	470,000	52,250	104,500	104,500	208,750
Operating Leases and Other Commitments	136,297	103,371	31,139	949	837
Asset retirement obligations	92,019	3,261	3,085	5,857	79,816
Total contractual obligations	$1,498,316	158,882	138,724	111,306	1,089,403

MINE SAFETY DISCLOSURE

The Company's subsidiary, Western Mesquite Mines, Inc., is the operator of the Mesquite Mine located in southern California. The information concerning mine safety violations and other regulatory matters required by Section1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 16 of General Instruction B to Form 40-F in respect of the Mesquite Mine is filed as Exhibit 4 to this Annual Report.

NYSE MKT LLC CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE MKT LLC ("NYSE MKT"). Section 110 of the NYSE MKT company guide permits NYSE MKT to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE MKT listing criteria, and to grant exemptions from NYSE MKT listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE MKT standards is contained on the Company's website at www.newgold.com.

UNDERTAKINGS

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company has filed with the Commission an amendment dated January 21, 2010 to the written consent to service of process and power of attorney on Form F-X. Any change to the name or address of the Company's agent for service shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Company.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

NEW GOLD INC.

By: */s/ Brian Penny*
Name: Brian Penny
Title: Chief Financial Officer

Date: March 27, 2013

EXHIBIT INDEX

The following documents are being filed with the Commission as exhibits to this annual report on Form 40-F.

Exhibit	Description
1.	Annual Information Form for the year ended December 31, 2012
2.	Audited Consolidated Financial Statements for the years ended December 31, 2012 and 2011, including the reports of the auditor with respect thereto
3.	Management's Discussion and Analysis for the year ended December 31, 2012
4.	Report on Mine Safety as required by section 13 of the Exchange Act
5.	Certification of Chief Executive Officer as Required by Rule 13a-14(a) under the Exchange Act
6.	Certification of Chief Financial Officer as Required by Rule 13a-14(a) under the Exchange Act
7.	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
8.	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
9.	Consent of Deloitte LLP
10.	Consent of Herbert E. Welhener
11.	Consent of Bruno Borntraeger
12.	Consent of Ignacy (Tony) Lipiec
13.	Consent of Ramon Mendoza Reyes
14.	Consent of Neil N. Gow
15.	Consent of A. Paul Hampton
16.	Consent of Roscoe Postle Associates Inc.
17.	Consent of David Rennie
18.	Consent of Dennis Bergen
19.	Consent of Kevin Scott
20.	Consent of Richard Lambert
21.	Consent of Holger Krutzelmann
22.	Consent of Christopher Moreton
23.	Consent of Wayne Valliant
24.	Consent of Ronald G. Simpson
25.	Consent of GeoSim Services Inc.
26.	Consent of Mark Petersen
27.	Consent of Lee P. Gochnour
28.	Consent of Ian T. Blakley

newgold™

Annual Information Form for the Financial Year Ended December 31, 2012

March 27, 2013



New Gold Inc.
Annual Information Form
For the Financial Year Ended December 31, 2012

Table of Contents

CORPORATE STRUCTURE	**4**
GENERAL DEVELOPMENT OF THE BUSINESS	**5**
Developments - Projects and Mines	**5**
Developments - Financial	**6**
Developments - Acquisitions and Dispositions	**6**
Developments - Corporate Governance	**7**
DESCRIPTION OF THE BUSINESS	**8**
Specialized Skills and Knowledge	**8**
Principal Products	**8**
Competitive Conditions	**8**
Operations	**8**
Technical Information	**10**
Summary of Mineral Reserve and Mineral Resource Estimates	**10**
MINERAL PROPERTIES	**15**
NEW AFTON MINE, CANADA	**15**
CERRO SAN PEDRO MINE, MEXICO	**19**
MESQUITE MINE, UNITED STATES	**23**
PEAK GOLD MINES, AUSTRALIA	**27**
BLACKWATER PROJECT, CANADA	**31**
EL MORRO PROJECT, CHILE	**36**
RISK FACTORS	**42**
NOTES	**52**
DIVIDENDS	**53**
DESCRIPTION OF CAPITAL STRUCTURE	**53**
MARKET FOR SECURITIES	**55**
DIRECTORS AND OFFICERS	**57**
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	**63**
INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS	**63**
TRANSFER AGENT AND REGISTRAR	**64**
MATERIAL CONTRACTS	**64**
INTERESTS OF EXPERTS	**65**
SCHEDULE “A” AUDIT COMMITTEE CHARTER	**A-1**

SCHEDULE “B” DEFINITIONS **B-1**

SCHEDULE “C” ABBREVIATIONS AND MEASUREMENT CONVERSION **C-1**

SCHEDULE “D” CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION **D-1**

Annual Information Form

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2012

All information in this annual information form ("Annual Information Form") is as at December 31, 2012 unless otherwise indicated.

Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this Annual Information Form, including any information relating to New Gold's future financial or operating performance may be deemed "forward looking". All statements in this Annual Information Form, other than statements of historical fact, that address events or developments that New Gold expects to occur, are "forward-looking statements". Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "projects", "potential", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative connotation. All such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond New Gold's ability to control or predict. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such factors include, without limitation: significant capital requirements; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia, Mexico and Chile; price volatility in the spot and forward markets for commodities; impact of any hedging activities, including margin limits and margin calls; discrepancies between actual and estimated production, between actual and estimated Reserves and Resources and between actual and estimated metallurgical recoveries; changes in international, national and local government legislation in Canada, the United States, Australia, Mexico and Chile or any other country in which New Gold currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which New Gold does or may carry on business; the speculative nature of mineral exploration and development, including the risks of obtaining and maintaining the validity and enforceability of the necessary licenses and permits and complying with the permitting requirements of each jurisdiction that New Gold operates, including, but not limited to: in Canada, obtaining the necessary permits for the Blackwater project; in Mexico, where the Cerro San Pedro mine has a history of ongoing legal challenges related to our EIS; and in Chile, where the courts have temporarily suspended the approval of the environmental permit for the El Morro project; the lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law; the uncertainties inherent to current and future legal challenges the Company is or may become a party to; diminishing quantities or grades of Reserves; competition; loss of key employees; additional funding requirements; actual results of current exploration or reclamation activities; uncertainties inherent to economic studies in respect of the PEA for the Blackwater project; changes in project parameters as plans continue to be refined; accidents; labour disputes; defective title to mineral claims or property or contests over claims to mineral properties. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance or inability to obtain insurance to cover these risks) as well as "Risk Factors" included in New Gold's disclosure documents filed on and available at www.sedar.com.

Forward-looking statements are not guarantees of future performance, and actual results and future events could materially differ from those anticipated in such statements. All of the forward-looking statements contained in this Annual Information Form are qualified by these cautionary statements. New Gold expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except in accordance with applicable securities laws.

Most of the financial information in this Annual Information Form is taken from New Gold's audited consolidated financial statements for the year ended December 31, 2012 (a copy of which is available under the Company's profile on SEDAR at www.sedar.com). Readers should refer to such financial statements for additional information.

Concerning Estimates of Mineral Reserves and Measured, Indicated and Inferred Mineral Resources

Information concerning the properties and operations discussed in this Annual Information Form has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" used in this Annual Information Form are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 ("NI 43-101") under guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council on December 11, 2005. While the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian regulations, they are not defined terms under standards of the United States Securities and Exchange Commission. Under United States standards, mineralization may not be classified as a "Reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the Reserve calculation is made.

As such, certain information contained in this Annual Information Form concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the United States Securities and Exchange Commission. An "Inferred Mineral Resource" has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. Readers are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into Mineral Reserves. Readers are also cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists, or is economically or legally mineable. In addition, the definitions of "probable Mineral Reserves" and "Probable Mineral Reserves" under CIM standards differ in certain respects from the standards of the United States Securities and Exchange Commission.

Total Cash Costs per Gold Ounce

"Total cash costs per gold ounce" is a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. New Gold reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. The measure, along with sales, is considered to be a key indicator of a company's ability to generate operating earnings and cash flow from its mining operations.

Total cash costs figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is the accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Total cash costs include mine site operating costs such as mining, processing, administration, royalties and production taxes, realized gains and losses on fuel contracts, but is exclusive of amortization, reclamation, capital and exploration costs and net of by-product sales. Total cash costs are then divided by gold ounces sold to arrive at the total cash costs per ounce sold.

Total cash costs are intended to provide additional information only and do not have any standardized definition under IFRS; they should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate these measures differently.

Additional Cautionary Note for Preliminary Economic Assessment

This note regarding the preliminary economic assessment ("PEA") is in addition to cautionary language already included in this Annual Information Form as required under NI 43-101. The Blackwater project PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA based on these Mineral Resources will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. This Annual Information Form includes information on New Gold's PEA with respect to the Blackwater project, which was outlined in the PEA Technical Report filed on October 10, 2012. New Gold has, since the date of the PEA, completed a non-material update of the Mineral Resource estimate for the Blackwater project. Although the PEA represents useful, accurate and reliable information based on the information available at the time of its publication, and provides an important indicator as to the economic potential of the Blackwater project, the PEA is based on Mineral Resource estimates with an effective date of July 27, 2012, which do not reflect drilling conducted since that date, and the PEA does not reflect the latest Mineral Resource estimate included in this Annual Information Form. Certain assumptions used in the PEA, some of which relate to the July 27, 2012 Mineral Resource estimate, may have changed from those used for the new Mineral Resource estimate, causing a variation of parameters. Moreover, the updated Mineral Resource estimate may impact how New Gold intends to develop the deposit, including pit outlines, production rates and mine life.

Currency Presentation and Exchange Rate Information

This Annual Information Form contains references to United States dollars, Canadian dollars and Australian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars. Canadian dollars are referred to as "Canadian dollars" or "C$" and Australian dollars are referred to as "Australian dollars" or "A$". See Schedule D of this Annual Information Form for applicable exchange rate information.

Technical Information

The scientific and technical information in this Annual Information Form has been reviewed and approved by Mark Petersen, a Qualified Person under NI 43-101 and an officer of New Gold. Mr. Petersen is not "independent" of New Gold within the meaning of NI 43-101.

Additional Information

Additional information about the Company, including, without limitation, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans may be found in the Management Information Circular of the Company filed for its most recent annual meeting of shareholders and other continuous disclosure documents of the Company filed on SEDAR. Additional financial information is provided in the Company's audited consolidated financial statements and the Management's Discussion and Analysis ("MD&A") for the financial year ended December 31, 2012. These documents and other information about the Company are available through the Company's profile on SEDAR at www.sedar.com.

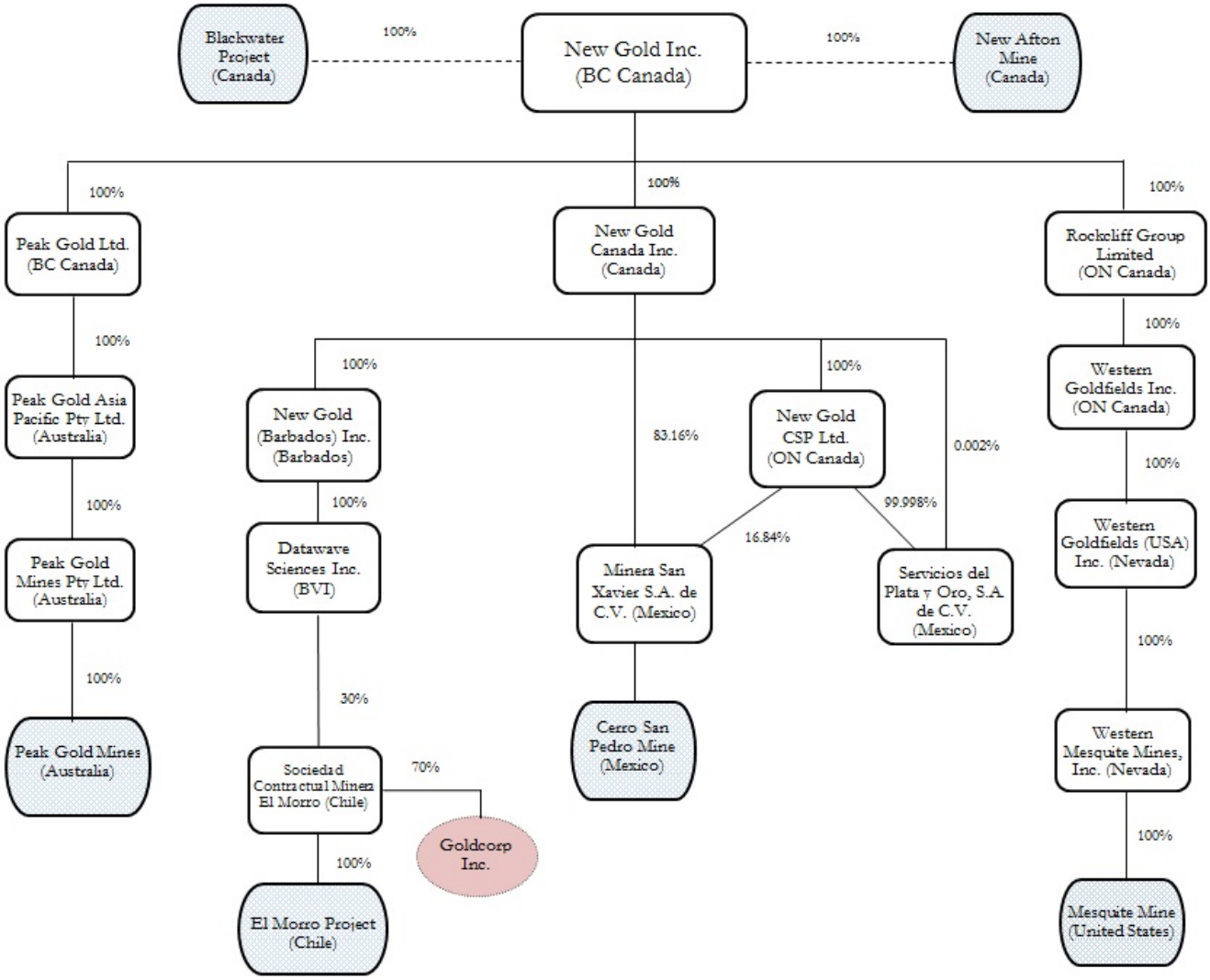
CORPORATE STRUCTURE

The Company was incorporated on January 31, 1980 as DRC Resources Corporation under the *Company Act* (British Columbia) and was transitioned on May 10, 2005 under the *Business Corporations Act* (British Columbia) ("Act"). On May 4, 2005, the shareholders of the Company passed a special resolution to remove the pre-existing company provisions and to adopt new articles. On June 1, 2005 the Company changed its name to New Gold Inc. Effective January 1, 2012, New Gold completed an amalgamation with its wholly-owned subsidiaries Silver Quest Resources Ltd., Geo Minerals Ltd. and Richfield Ventures Corp. under the Act. The amalgamated Company continues as New Gold Inc.

The head and registered office of the Company is Suite 1800, Two Bentall Centre, 555 Burrard Street, Vancouver, British Columbia V7X 1M9, Canada. The Company also has an office at Suite 3120, 200 Bay Street, Toronto, Ontario, M5J 2J4, Canada.

The following chart illustrates the Company's principal subsidiaries (collectively, the "Subsidiaries"), together with the governing law of each subsidiary and the percentage of voting securities beneficially owned or over which control or direction is exercised by the Company, as well as the Company's mines and development projects.

In this Annual Information Form, except as otherwise required by the context, reference to "New Gold" or the "Company" means, collectively, New Gold Inc. and the Subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

New Gold is an intermediate gold mining company engaged in the acquisition, exploration, development and operation of mineral properties. New Gold currently has the following material mines and development projects which are described in detail in the "Mineral Properties" section of this Annual Information Form:

- 100% interest in the New Afton copper-gold mine British Columbia, Canada ("New Afton Mine")
- 100% interest in the Mesquite gold mine in California, United States ("Mesquite Mine")
- 100% interest in the Cerro San Pedro gold-silver mine in San Luis Potosi, Mexico ("Cerro San Pedro Mine")
- 100% interest in the Peak gold-copper mines in New South Wales, Australia ("Peak Gold Mines")
- 100% interest in the Blackwater gold project in British Columbia, Canada ("Blackwater Project")
- 30% interest in the El Morro copper-gold project in the Atacama Region, Chile ("El Morro Project")

New Gold has been a natural resource exploration and development company engaged in the acquisition, exploration and development of natural resource properties since 1980. An important aspect of New Gold's business strategy is the pursuit of disciplined growth through mergers and acquisitions. The Company's current structure arose through two accretive business combinations in mid-2008 and mid-2009, respectively. Since the middle of 2009, New Gold has been successful in enhancing the value of its portfolio of assets, while also continuously looking for compelling external growth opportunities. The Company's focus is primarily on adding assets in jurisdictions where it already has an established presence and where the asset has the potential to provide New Gold shareholders with meaningful gold production, cash flow and exploration potential, all while ensuring that any potential acquisition is accretive on key "per share" metrics. Part of the Company's strategy is also to maintain a strong financial position by continuously reviewing strategic alternatives for its assets with the view of maximizing shareholder value. In short, New Gold strives to pursue corporate development initiatives that will leave the Company and its shareholders in a fundamentally stronger position than it is today.

Developments - Projects and Mines

New Afton Mine

In June 2012, the New Afton Mine successfully achieved production start-up. This was followed by the New Afton mill achieving its designed capacity of 11,000 tonnes per day on July 31, 2012, ahead of its August 2012 target. New Afton's successful start-up was the culmination of many years of dedicated exploration, development and project execution.

Blackwater Project

On September 20, 2012, New Gold announced the release of its Preliminary Economic Assessment ("PEA") for the Blackwater Project which outlined the parameters of a conventional truck and shovel open pit mine with a 60,000 tonne per day processing plant that had the potential to produce an average of over 500,000 ounces of gold per year. The completion of the PEA was an important milestone in the continued development of the Blackwater Project. Since the PEA, the Blackwater team has continued to refine and optimize the Project development plan with various trade-off studies and will continue to do so throughout 2013. The PEA is preliminary in nature, includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA based on these Mineral Resources will be realised. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

El Morro Project

On June 27, 2012, all claims made in a lawsuit against the Company, and affiliated subsidiaries, by Barrick Gold Corporation were dismissed. The lawsuit was related to the exercise, in early 2010, of a right of first refusal and agreement with Goldcorp Inc. ("Goldcorp") relating to the El Morro Project. Barrick did not appeal the decision.

New Gold holds a fully carried 30% interest in the El Morro Project, with the remaining 70% held by Goldcorp, the project developer and operator. Activity at the El Morro Project has been limited due to the temporary suspension of the project's environmental permit by the Chilean Supreme Court. The suspension is pending the resolution by the Chilean Environmental Permitting Authority ("Servicio de Evaluación Ambiental" or "SEA") of certain deficiencies in consultation asserted by a group of indigenous people whose claims were supported by the Chilean court. In June 2012, SEA initiated the administrative process to address the deficiencies identified by the Chilean court. It is anticipated the consultation process could be completed by the end of 2013. During the period of temporary suspension, Goldcorp's is supporting the advancement of the consultation process, evaluating potential future exploration targets and optimizing project economics including sourcing of a long-term power supply.

Cerro San Pedro Mine

In March 2011, the municipality of Cerro de San Pedro approved a new municipal land use plan, after public consultation, which clearly designates the area of the Cerro San Pedro Mine for mining. New Gold believes this plan resolves any ambiguity regarding the land use in the area in which the Cerro San Pedro Mine is located, and which has had a history of ongoing legal challenges related to the environmental authorization ("EIS") for the Mine. In April 2011, a request was filed for a new EIS based on the new Municipal Plan and on August 5, 2011 a new EIS was granted.

Developments - Financial

The Company completed two private placements in 2012.

On April 5, 2012, the Company completed a private placement of $300 million aggregate principal amount of 7.0% Senior Notes due 2020. The net proceeds of the placement were used to fund the redemption of the Company's 10.0% Senior Secured Notes effective May 7, 2012, and for general corporate purposes. On November 14, 2012, the Company completed a second private placement of $500 million aggregate principal amount of 6.25% Senior Notes due 2022.

On November 20, 2012 New Gold redeemed all of its outstanding 5% subordinated convertible debentures due June 28, 2014. The aggregate principal amount of the debentures was C$55 million. As a result of conversions and the early redemption, New Gold eliminated the requirement to repay C$55 million in debt in mid-2014, as well as the interest payments that would have been incurred in the period between redemption and June 28, 2014.

On February 28, 2013, New Gold agreed to an extension of its $150 million revolving credit facility ("Facility") with a syndicate of banks to December 14, 2014. Other amendments include a reduction in fees and the use of net debt, rather than total debt, as a measure of leverage for the purpose of covenant tests. Under the Facility, the lenders continue to hold a first ranking lien on the present and future property of the Mesquite Mine, Cerro San Pedro Mine and Peak Gold Mines, subject to permitted encumbrances. The Facility provides New Gold with additional liquidity supplementing the Company's already strong cash position.

Developments - Acquisitions and Dispositions

The Company completed three separate acquisitions during 2011, each relating to its Blackwater Project.

On June 1, 2011, the Company acquired all of the outstanding shares of Richfield Ventures Corp. ("Richfield") through a plan of arrangement, pursuant to which Richfield shareholders received 0.9217 of a common share of New Gold and nominal cash consideration for each Richfield share held. New Gold issued 48.6 million common shares under the arrangement. Following completion of the arrangement, New Gold added the Blackwater Project to its portfolio of assets.

On December 21, 2011, the Company acquired all of the outstanding shares of Geo Minerals Ltd. (“Geo”) which had additional landholdings in the Blackwater Project area. The transaction was a plan of arrangement under which shareholders of Geo (including holders of options and warrants) received total cash consideration of $22.0 million for their Geo shares. Following New Gold’s acquisition of Geo’s cash balance at closing of the Geo Arrangement, the net cash payment made by New Gold in respect of the arrangement was $18.0 million.

On December 23, 2011, the Company acquired Silver Quest Resources Ltd. (“Silver Quest”) which held a 25% interest in a portion of the mineral claims at the Blackwater Project as well as the Capoose property which is located near the Blackwater Project and covers approximately 410 square kilometres of land. The transaction was a plan of arrangement under which the shareholders of Silver Quest (including holders of options) received 0.09 of a common share of New Gold and nominal cash consideration for each Silver Quest share held. New Gold issued 10.5 million common shares to former Silver Quest shareholders under the arrangement.

New Gold did not file a Form 51-201F4 (“Business Acquisition Report”) in respect of its acquisitions of Richfield, Geo or Silver Quest.

On April 13, 2010 the Company sold its Amapari Mine, located in Brazil, to Beadell Resources Ltd, (“Beadell”), with New Gold receiving $37.0 million in cash and 115 million Beadell shares. In December 2010, New Gold sold its Beadell shares for $58.4 million.

Developments - Corporate Governance

On March 23, 2012 New Gold adopted a shareholder rights plan (“Plan”) to provide the Board of directors with more time to consider alternatives in the event of a takeover bid for the common shares of New Gold. The record date for the distribution of the rights to shareholders was April 2, 2012. The Plan was ratified by shareholders on May 2, 2012.

DESCRIPTION OF THE BUSINESS

The Company's operating assets consist of the New Afton Mine in Canada, the Cerro San Pedro Mine in Mexico the Mesquite Mine in the United States and the Peak Gold Mines in Australia. Significant development projects include the Blackwater Project in Canada and a 30% interest in the El Morro Project in Chile.

New Gold is working towards maximizing shareholder value through diversified production, maintaining a reduced risk profile and enhancing growth potential in a safe and an environmentally and socially responsible manner.

Refer to the Company's MD&A for the year ended December 31, 2012, available under the Company's profile on SEDAR at www.sedar.com for a detailed description of the Company's business, including each of its operating segments. In addition to information set out elsewhere in this Annual Information Form, the following information applies to each of the Company's reportable operating segments.

Specialized Skills and Knowledge

All aspects of New Gold's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, mine planning, engineering, construction, regulatory compliance and accounting. New Gold has found that it can locate and retain employees and contractors with such skills and knowledge.

Principal Products

The Company's principal products are gold, silver and copper. There are worldwide gold, silver and copper markets into which the Company can sell and, as a result, the Company is not dependent on a particular purchaser with regard to the sale of the gold, silver and copper which it produces.

Competitive Conditions

The precious and base mineral exploration and mining business is competitive. The Company competes with numerous other companies and individuals in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire mineral properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for development or mineral exploration.

Operations

Mineral Reserves and Mineral Resources

The Company has the following Mineral Reserves: gold at the Mesquite Mine; gold and silver at the Cerro San Pedro Mine; gold and copper at the Peak Gold Mines and the El Morro Project; gold, silver and copper at the New Afton Mine; and gold and silver at the Blackwater Project. See "Summary of Mineral Reserve and Mineral Resource Estimates".

Foreign Operations

The Company currently owns 100% of the Cerro San Pedro Mine in Mexico, 100% of the Mesquite Mine in the United States, 100% of the Peak Gold Mines in Australia and 30% of the El Morro Project in Chile as its foreign operations. Any changes in regulations or shifts in political attitudes in these foreign jurisdictions are beyond the control of the Company and may adversely affect its business. Future development and operations may be affected in varying degrees by such factors as government regulations (or changes to such regulations) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people and mine safety. The effect of these factors cannot be accurately predicted. See "Risk Factors – Foreign Operations".

Employees

As at December 31, 2012, the Company had the following employees and contractors:

Location	Full-Time	Contractors
Vancouver Office	22	2
Toronto Office	22	4
Corporate Exploration Team	11	-
Mesquite Mine	274	5
Cerro San Pedro Mine*	489	39
Peak Gold Mines	320	19
New Afton Mine	469	29
Blackwater Project	114	30
El Morro Project	-	-
	1,721	**128**

* As at December 31, 2012, 300 employees at the Cerro San Pedro Mine belonged to a union .

Environmental Protection and Social and Environmental Policies

The Company's mining, exploration and development activities are subject to various federal, provincial, state and municipal laws and regulations relating to the protection of the environment, including requirements for closure and reclamation of mining properties. In all jurisdictions where New Gold operates, specific statutory and regulatory requirements and standards must be met throughout the exploration, development and operations stages of a mining property with regard to air quality, water quality, fisheries and wildlife protection, solid and hazardous waste management and disposal, noise, land use and reclamation. Details and quantification of New Gold reclamation and closure costs obligations are set out in Note 15 of the Company's audited consolidated financial statements for the year ended December 31, 2012.

Management does not believe that the financial and operational effect of environmental protection requirements on the capital expenditures and earnings of each mineral property are significant, as estimated the undiscounted closure cost for all properties is $92 million. This amount does not, and should not, impact the Company's competitive position in the current or future financial years.

New Gold is committed to excellence in the management of health, safety, environment and corporate social responsibility ("HSE & CSR"). The Company has implemented an HSE & CSR policy and has also adopted 15 HSE CSR guiding principles to provide a framework for that policy. New Gold considers HSE & CSR a key driver to achieving a productive and profitable business that provides a positive contribution toward sustainable development for present and future generations. The HSE & CSR policy identifies actions to be taken by the Company to achieve its objectives, including continuously improving the management systems. Resources are focused to achieve shareholder profitability in all operations while maintaining New Gold's commitment to fostering sustainable communities and to encourage and maintain transparent and open engagement with local communities.

The HSE & CSR guiding principles specifically address 15 areas, including leadership and accountability, as well as commitments and controls. The HSE & CSR guiding principles also have an internal validation model including annual self-assessments, annual performance improvement plans and external audits every three years. All employees and contractors are responsible for incorporating into their planning and work the actions necessary to fulfill the HSE & CSR guiding principles.

Technical Information

CIM Standards Definitions

The estimated Mineral Reserve and Mineral Resource for the New Afton Mine, the Cerro San Pedro Mine, the Mesquite Mine, Peak Gold Mines , the Blackwater Project and the El Morro Project have been calculated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") - Definitions Adopted by CIM Council on December 11, 2005 (the "CIM Standards"). The CIM Standards Definitions used in this Annual Information Form are set out in the attached Schedule B.

Abbreviations and Technical Terms

Unless otherwise defined, abbreviations used in this Annual Information Form are set out in the attached Schedule C and technical terms used are defined in Schedule B.

Summary of Mineral Reserve and Mineral Resource Estimates

On February 5, 2013, the Company reported consolidated Mineral Reserve and Resource estimates for its mines and development projects as at December 31, 2012. A consolidated summary of total gold, silver and copper contained within New Gold's global Mineral Reserves and Resources is set out in the table below.

The Company's Mineral Reserve and Resource estimates have been compiled by Mark Petersen, a Qualified Person under NI 43-101 and an officer of New Gold, based on estimates prepared under the direction of Qualified Persons under NI 43-101. See - "Mineral Properties".

New Gold Mineral Reserves and Resources Summary as at December 31, 2012

	Contained Metals		
	Gold Koz	**Silver Koz**	**Copper Mlbs**
Mineral Reserves			
Proven	2,744	12,110	1,185
Probable	5,008	19,146	2,097
Total Proven & Probable	7,752	31,256	3,282
Mineral Resources			
Measured	6,789	37,470	2,076
Indicated	14,613	94,377	1,986
Total Measured & Indicated	21,403	131,847	4,061
Inferred	4,383	84,620	1,114

Notes to the Mineral Reserve and Resource estimates are provided on pages 13 and 14 of this Annual Information Form.

[Remainder of Page Intentionally Blank]

Mineral Reserves

Mineral Reserve estimates for the Mesquite Mine, Cerro San Pedro Mine, Peak Gold Mines, New Afton Mine and El Morro Project as at December 31, 2012, are presented in the table below.

Mineral Reserve Estimates – as at December 31, 2012

		Metal Grade			Contained Metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
Mesquite Mine							
Proven	13,14 0	0.68	-	-	287	-	-
Probable	114,40 9	0.56	-	-	2,055	-	-
Mesquite Proven & Probable	127,54 9	0.57	-	-	2,342	-	-
Cerro San Pedro Mine							
Proven	21,10 0	0.52	17.1	-	353	11,600	-
Probable	26,40 0	0.48	17.4	-	407	14,800	-
CSP Proven & Probable	47,50 0	0.50	17.3	-	760	26,400	-
Peak Gold Mines							
Proven	2,10 9	5.89	7.5	1.08	399	510	50
Probable	2,11 8	3.82	6.8	1.18	260	466	55
Peak Proven & Probable	4,22 7	3.82	6.84	1.13	659	976	105
New Afton Mine							
Proven	-	-	-	-	-	-	-
Probable	52,50 0	0.65	2.3	0.93	1,100	3,880	1,080
New Afton Proven & Probable	52,50 0	0.65	2.3	0.93	1,100	3,880	1,080
El Morro Project		*100% Basis*				*30% Basis*	
Proven	307,94 9	0.57	-	0.56	1,705	-	1,135
Probable	335,15 2	0.37	-	0.44	1,186	-	962
El Morro Proven & Probable	643,10 1	0.47	-	0.49	2,891	-	2,097

Notes to the Mineral Reserve estimates are provided on pages 13 and 14 of this Annual Information Form.

Mineral Resources

Mineral Resource estimates for the Mesquite Mine, Cerro San Pedro Mine, Peak Gold Mines, New Afton Mine and El Morro Project inclusive of Mineral Reserves, as well as Mineral Resource estimates for the Blackwater Project, as at December 31, 2012, are presented in the tables below.

[Remainder of Page Intentionally Blank]

Measured and Indicated Mineral Resource Estimates (Inclusive of Reserves) as at December 31, 2012

		Metal Grade			Contained Metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
Mesquite Mine							
Measured - oxide	19,100	0.51	-	-	313	-	-
Indicated - oxide	274,100	0.38	-	-	3,349	-	-
Mesquite Measured & Indicated - oxide	293,200	0.39	-	-	3,662	-	-
Measured – non-oxide	4,900	0.88	-	-	139	-	-
Indicated – non-oxide	96,000	0.61	-	-	1,883	-	-
Mesquite Measured & Indicated – non-oxide	100,900	0.62	-	-	2,022	-	-
Mesquite Measured & Indicated	394,100	0.45	-	-	5,684	-	-
Cerro San Pedro Mine							
Measured – open pit oxide	27,100	0.34	15	-	303	13,100	-
Indicated – open pit oxide	49,000	0.24	13	-	380	20,480	-
CSP Measured & Indicated – open pit oxide	76,100	0.28	13.7	-	683	33,580	-
Measured – open pit sulphide	15,200	0.47	11.9	-	229	5,800	-
Indicated – open pit sulphide	60,400	0.41	9.6	-	791	18,600	-
CSP Measured & Indicated – open pit sulphide	75,600	0.42	10.1	-	1,020	24,400	-
CSP Measured & Indicated	151,700	0.35	11.9		1,703	57,980	
Peak Gold Mines							
Measured	2,700	5.74	7.5	1.05	494	650	62
Indicated	3,200	3.75	6.8	1.19	386	700	84
Peak Measured & Indicated	5,900	4.66	7.1	1.13	880	1,350	146
New Afton Mine							
A&B Zones							
Measured	33,500	0.86	2.9	1.18	929	3,160	873
Indicated	45,900	0.67	2.4	0.89	984	3,530	896
A&B Zone Measured & Indicated	79,400	0.75	2.6	1.01	1,913	6,690	1,769
C-Zone							
Measured	400	0.6	1.3	0.73	8	20	6
Indicated	2,900	0.63	1.3	0.68	58	120	43
C-Zone M&I	3,300	0.62	1.3	0.68	66	140	49
New Afton Measured & Indicated	82,700	0.74	2.6	1	1,979	6,830	1,818
Blackwater Project							
Measured	88,188	0.94	5.2	-	2,670	14,740	-
Indicated	207,958	0.81	6.2	-	5,400	41,450	-
Blackwater Measured & Indicated	296,146	0.85	5.9	-	8,070	56,190	-
Capoose Property							
Indicated	14,200	0.43	20.8	-	196	9,497	-
El Morro Project		*100% basis*				*30% basis*	
Measured - open pit	307,949	0.57	-	0.56	1,705	-	1,135
Indicated – open pit	335,152	0.37	-	0.44	1,186	-	962
El Morro Measured & Indicated – open pit	643,101	0.47	-	0.49	2,891	-	2,097

Notes to the Mineral Resource estimates are provided on pages 13 and 14 of this Annual Information Form.

Inferred Mineral Resource Estimates as at December 31, 2012

	Metal grade				Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
Mesquite Mine							
Oxides	35,200	0.33	-	-	373	-	-
Non oxide	15,700	0.55	-	-	278	-	-
Mesquite Inferred	50,900	0.40	-	-	651	-	-
Cerro San Pedro Mine							
Oxides	53,400	0.17	9.0	-	300	15,400	-
Sulphides	50,500	0.34	8.5	-	550	13,800	-
CSP Inferred	103,900	0.25	8.8	-	850	29,200	-
Peak Gold Mines	1,700	2.64	4.8	1.13	144	261	42
New Afton Mine							
A&B - Zone	14,900	0.45	2.0	0.65	216	940	212
C-Zone	13,600	0.70	1.5	0.76	307	670	228
New Afton Inferred	28,400	0.57	1.8	0.70	523	1,610	440
Blackwater Project	16,585	0.58	10.8	-	310	5,760	-
Capoose Property	64,070	0.29	23.2	-	595	47,789	-
		100% Basis				30% Basis	
El Morro Project	137,555	0.99	-	0.70	1,310	-	632

Notes to the Inferred Mineral Resource estimates are provided on pages 13 and 14 of this Annual Information Form.

Notes to Mineral Reserve and Resource Estimates

Measured and Indicated Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability as defined by a technical Feasibility Study. New Gold reports its Measured and Indicated Mineral Resources inclusive of its Mineral Reserves. Inferred Mineral Resources are not known with the same degree of certainty as Measured and Indicated Resources, do not have demonstrated economic viability, and are exclusive of Mineral Reserves. Mineral Reserves have been estimated and reported in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") definition standards and guidelines and NI 43-101.

1. Mineral Reserves for the Company's mineral properties have been calculated based on the following metal prices and lower cut-off criteria:

	Gold US$/oz	Silver US$/oz	Copper US$/lb	Lower cutoff
Mesquite Mine	$1,300	-	-	0.21 g/t Au – Oxide Reserves 0.41 g/t Au – Non-oxide Reserves
Cerro San Pedro Mine	$1,300	$24.00	-	US$4.33/t NSR
Peak Gold Mines	$1,300	$24.00	$3.00	A$120 - 253/t NSR
New Afton Mine	$1,300	$24.00	$3.00	US$24/t NSR
El Morro Project	$1,350	-	$3.00	0.20% CuEq

2. Mineral Resources for the Company's mineral properties have been calculated based on the following metal prices and lower cut-off criteria:

	Gold US$/oz	Silver US$/oz	Copper US$/lb	Lower cut-off
Mesquite Mine	$1,400	-	-	0.12 g/t Au – Oxide Resources 0.24 g/t Au – Non-oxide Resources
Cerro San Pedro Mine	$1,400	$28.00	-	0.10 g/t AuEq – Open pit oxide Resources 0.40 g/t AuEq – Open pit sulphide Resources
Peak Gold Mines	$1,400	$28.00	$3.25	A$97 - 137/t marginal NSR
New Afton Mine	$1,400	$28.00	$3.25	0.40% CuEq
El Morro Project	$1,500	-	$3.50	0.15% CuEq – Meas'd & Ind'cd o/p Resources 0.20% CuEq – Inferred u/g Resources
Blackwater Project	$1,400	-	-	0.40 g/t AuEq
Capoose Property	$1,400	-	-	0.40 g/t AuEq

Mineral Resources have been estimated and reported in accordance with CIM definition standards and guidelines and NI 43-101.

3. Mineral Resources are classified as Measured, Indicated and Inferred Resources and are reported based on technical and economic parameters consistent with the methods most suitable for their potential commercial exploitation. Where different mining and/or processing methods might be applied to different portions of a Mineral Resource, the designators 'open pit' and 'underground' have been applied to indicate envisioned mining method. Likewise the designators 'oxide', 'non-oxide' and 'sulphide' have been applied to indicate the type of mineralization as it relates to appropriate mineral processing method and expected payable metal recoveries. The estimates of Mineral Reserves and Mineral Resources may be mutually affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other relevant issues. Additional details regarding Mineral Reserve and Resource estimates, classification and reporting parameters for each of New Gold's mineral properties are provided in the respective NI 43-101 Technical Reports which are available on SEDAR.

4. Qualified Person: New Gold's Mineral Reserve and Resource statements have been reviewed and approved by Mark Petersen, a Qualified Person under NI 43-101 and employee of New Gold.

[Remainder of Page Intentionally Blank]

MINERAL PROPERTIES

NEW AFTON MINE, CANADA

The following disclosure relating to the New Afton Mine is based, in part, on information derived from the technical report entitled "Technical Report on the New Afton Mine, British Columbia, Canada", dated December 31, 2009 ("New Afton Report"). The New Afton Report is available for review under the Company's profile on SEDAR at www.sedar.com. The following disclosure has been updated to include information about the New Afton Mine subsequent to the New Afton Report. See "Interests of Experts" for details of the Qualified Persons who prepared the New Afton Report.

Project Description, Location, Access and Other Information

The New Afton Mine is located approximately 350 kilometres northeast of Vancouver in the south-central interior of British Columbia. The property is 10 kilometres from the regional hub of Kamloops and is easily accessible by paved road.

The New Afton Mine occupies the site of the historic Afton Mine, a previous operation of Teck Resources Limited ("Teck"), and includes an open pit, underground workings, historic support facilities, a new concentrator, surface support facilities, and recently constructed tailings facility. The New Afton deposit extends to the southwest from immediately beneath the Afton Mine open pit. On July 31, 2012, the New Afton Mine achieved commercial production, followed by full production, defined as 100% of the 11,000 tonnes per day mill capacity in a consecutive 30 day period, on September 21, 2012. During the fourth quarter of 2012 the mill throughput averaged approximately 11,700 tonnes per day.

The Company's holdings in the mine area comprise the Afton Group and the Ajax Group. The New Afton deposit lies within the Afton Group. The New Afton Mine permit area consists of 28 mineral claims and a mining lease issued by the Ministry of Energy, Mines and Petroleum Resources on November 29, 2006 (the "Afton Mining Lease"). The total area of the claims and the mining lease is 12,698 hectares.

The Company holds surface rights on approximately 1,619 hectares surrounding the New Afton Mine. Reclamation permits covering the existing pits, plant facility and tailings pond, issued by the British Columbia Ministry of Energy and Mines, are held in the name of the previous owner, Teck.

Two First Nations, the Tk'emlúps te Secwépemc and the Skeetchestn Indian Band (the "Bands"), have asserted aboriginal rights and interests in the Mine area. A formal agreement between the Bands and New Gold dated March 20, 2008, and amended March 30, 2011 (the "Participation Agreement") provides the Bands' consent to the New Afton Mine and agreement not to challenge before a court of law any New Gold interests or permits related to the mine. New Gold undertakes to provide the Bands with certain economic and social benefits including preferential hiring, education, training and business opportunities.

In accordance with the Participation Agreement, New Gold is obligated to pay into a socioeconomic trust created for the benefit of Band members. The Company paid C$612,914 in fulfilment of this commitment during 2012. Furthermore, each year in which commercial production occurs at the mine, an amount of 0.5% of net smelter returns ("NSR"), or a minimum of C$250,000 a year, shall be paid by New Gold to the trust, with the minimum payment to be increased to C$500,000 for a given year if copper prices in that year exceed C$2.50 a pound. After the costs of developing, permitting, constructing, and equipping the mine have been recovered by New Gold, the payment to the trust will increase to the greater of C$1,000,000 a year, or 1% of NSR in that year. If copper prices exceed C$2.50 per pound in a given year, this payment will increase to 1.5% of NSR for that year, and if copper prices exceed C$3.00 per pound in a given year, this payment will increase to 2% of NSR for that year.

The New Afton Mine is located in the rain shadow of the Coast Mountains with average precipitation of 257 millimetres per year (of which 175 millimetres is rainfall). The Mine has a continental, semi-arid climate, with light winter snow and infrequent rain during the spring and fall. Summer temperatures can reach 38 degrees Celsius and winter temperatures are generally at or near freezing. The Mine's landscape is characterized by hilly terrain and dispersed, small water bodies with a surface elevation of 700 metres above sea level. Vegetation at the Mine consists of scrub, open grasslands and sparse coniferous forests.

History

The first significant mining-related activity in the Afton area commenced in 1970, when drilling by Afton Mines Ltd. intercepted 52 metres of 0.4% copper in what ultimately became the Afton deposit. During the next three years, over 45,700 metres of drilling was carried out by a number of operators.

Teck and Iso Mines Ltd. acquired the Afton property in 1973, and initiated engineering and metallurgical studies. Production commenced at the Afton open pit mine in late 1977. Mining took place at the Afton, Crescent, Pothook, and Ajax pits. The mine closed in 1997.

In 1999, the Company acquired an option on the property, staked additional claims, and carried out surface drilling in the New Afton deposit. In 2001, the Company completed a scoping study followed by further definition drilling. An advanced scoping study was completed in 2004.

The Company commissioned a Feasibility Study in 2005. The study, completed in 2007, contemplated a block cave mine and conventional grinding/flotation mill operation with a daily throughput of 11,000 tonnes.

Geological Setting and Mineralization

The Afton deposits are copper-gold: silica-saturated, alkalic porphyry systems situated within the Iron Mask batholith complex. The Iron Mask complex is part of the Paleozoic island-arc assemblage known as the Quesnel Terrane. Regional-scale fault zones are believed to be the principal control to intrusion of the batholithic rocks and the mineralization processes in the New Afton area.

The hypogene mineralization at New Afton is dominated by fine-grained disseminated chalcopyrite. In weathered portions of the deposit, the chalcopyrite has been altered to bornite and chalcocite and, in the most intensely oxidized areas, native copper. Native gold is rare. Gold and silver reportedly occur as electrum grains within the chalcopyrite and bornite.

The bulk of the deposit occupies a large tabular mass measuring 900 metres long by approximately 100 metres wide spanning a vertical distance of approximately 350 metres. The zone dips vertically to steeply south-southeast and plunges southwest.

Faulting after the mineralizing event has reshuffled portions of the deposit in a manner not fully understood, resulting in truncation and displacement of the mineralized zone along a hanging wall fault. The ground conditions in the vicinity of the fault are poor, hampering efforts to drill through it. As a result, drill information on the hanging wall side of the fault is limited.

Exploration and Drilling

In November 2004, an underground access portal was excavated in the former Afton open pit and a ramp driven 2,200 metres to provide access for underground sampling, infill drilling, and further exploration drilling.

In late 2005, New Gold contracted 1,323 line-kilometres of airborne electromagnetic surveying of the Afton and Ajax claims. Tensor Magnetotelluric, DC Resistivity and Induced Polarization (“IP”) surveys totalling 34.5 line–kilometres were completed in 2008.

In addition to the work at Afton, New Gold has carried out relatively small exploration programs around the Ajax Group, located approximately seven kilometres to the southeast of the Afton pit. The results of these programs are described in the New Afton Report.

All drilling completed at the New Afton Mine as at the date of the New Afton Report has been diamond core drilling, conducted in a series of programs from 2000 to 2008. The details regarding specific Resource definition drilling programs conducted during this period are available in the New Afton Report.

The Mineral Resource estimate contained in the New Afton Report is based on 140,490 metres of diamond drilling from 366 core holes, along with 53 percussion holes totalling 4,386 metres. According to the New Afton Report, the drilling and core handling protocols are consistent with common industry practice and are appropriate. The updated Mineral Resource estimate effective December 31, 2012 includes additional drilling conducted during 2012 and is based on 143,086 metres of diamond drilling from 373 core holes.

In 2011, the Company completed an airborne geophysical survey of its mineral claim holdings as they extend northwest from the New Afton Mine. The results of this work will be used to support ongoing exploration of the New Afton district in the future.

With the New Afton Mine in production, the Company's exploration team is now able to drill the C-Zone block of mineralization that lies below and adjacent to the New Afton B-Zone Reserve block. During 2012, a total of 13,895 metres in 26 holes was drilled to expand the C-Zone Resource. This total represents approximately 35% of the currently planned C-Zone exploration program. The program is scheduled for completion at the end of 2013, after which further exploration infill drilling may be conducted to upgrade the Resource to Measured and Indicated classification status. Additionally, a surface drilling program totalling 3,177 metres in 8 holes was completed in an area adjacent to the B-Zone Reserve to upgrade Inferred Resources to Measured and Indicated status. Total surface and underground exploration during 2012 amounted to 17,072 metres in 34 holes. Seven of these 34 holes have been incorporated into the updated Mineral Resource and Reserve estimates as of December 31, 2012.

A total of 40,000 metres of drilling is targeted at New Afton for 2013, with 30,000 metres focused on the C-Zone, 5,000 metres targeting continued Reserve replacement, and 5,000 metres testing regional targets on the Company's land package.

Sampling and Analysis

Sampling protocols have varied among the different drill campaigns. Sampling intervals were predominantly two to three metres during 2000-2003 and two metres in subsequent programs. Routine insertion of blanks and standards into the sample stream has been conducted since 2005. A program of randomly selected check samples during the 2000-2003 drilling correlated well with originals.

Sample preparation has been conducted according to accepted industry practice. All analytical work has been conducted by Eco Tech Laboratories Ltd. ("Eco Tech") of Kamloops, British Columbia. Analytical procedures for samples collected during the 2000-2003 drilling programs included conventional fire assay with an AA or ICP finish for gold and palladium, and AA for copper and silver. During 2005 and subsequent drill programs, copper and silver assays were determined using standard acid digestion followed by AA. Gold and palladium were determined using fire assay followed by an AA finish.

Starting in early 2007, New Gold began to build a database of potentially deleterious elements via ICP analysis of every fifth sample. As stated in the New Afton Report, the data quality was considered adequate for Resource estimation of contained gold, silver and copper as defined under NI 43-101 and the present protocols for data acquisition and management reasonable. Estimates of the deleterious elements have been incorporated into the New Afton Mineral Resource block model so that the impact of any potential smelting penalties has been accounted for in the Mineral Reserve estimate and life-of-mine plan.

Mineral Resource and Mineral Reserve Estimates

The updated New Afton Mineral Resources and Reserves estimated effective December 31, 2012, are summarized in the "Measured and Indicated Mineral Resource Estimates (Inclusive of Reserves) as at December 31, 2012" and "Inferred Mineral Resource Estimates as at December 31, 2012" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources". The New Afton Mineral Reserves are summarized in the "Mineral Reserve Estimates – as at December 31, 2012" table. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves". The Mineral Resource estimates are based on the block model prepared by the authors of the New Afton Report and the Mineral Reserves were prepared by the Company and reviewed by the authors of the New Afton Report.

The authors of the New Afton Report prepared an independent audit of an updated Mineral Resource block model prepared by the Company in 2010. The 2010 New Afton Mineral Resource Estimate was based on a copper-equivalent cut-off of 0.4%, as supported by the financial model for the mine at that time.

Concerns regarding the approach taken to determine the Mineral Resource were identified by Roscoe Postle Associates Inc. ("RPA") in the New Afton Report. Uncertainties in the interpretation of mineralized zone boundaries resulted in the use of a grade shell approach to grade interpolation. RPA recommend replacing the grade shell with wireframes based on geological characteristics. RPA also found the assay database for deleterious elements insufficiently robust for block modeling purposes and recommended additional analysis to determine deleterious elements.

Mining Operations

Mining Methods

The New Afton deposit is a block cave mining operation designed to produce 4 Mtpa of copper-gold ore for processing in a flotation plant. The deposit has been partitioned into three zones. The two nearest the surface are expected to cave readily and are providing the initial mine production. The third deeper block may require underground development in advance of cave mining.

Each block has (or will have) an undercut and extraction level. Ore is hauled to ore passes and dropped to a tramming level for transport to the crusher. Ore from the deeper block will be hauled by 50-tonne truck to the crusher level. From the crusher, the ore will be conveyed to the mill via a 4.5 kilometre long conveyor system.

Waste mined as part of development activities is transported to surface in a campaign and then deposited in a different area than the ore via the use of a plow. This material is then trucked to the bottom of the Afton open pit. Between 5% and 10% of the mined rock is treated in this manner.

Recovery Methods

The New Afton mill is designed to process 11,000 tpd (4 Mtpa) of ore, recovering copper, gold, and silver. The mill processes a blend of primary, transition and supergene ores using conventional crushing, grinding, and concentration processes. Mineral separation is by gravity concentration and differential flotation of the copper bearing minerals. Life-of-mine recoveries are expected to total 88% for copper, 87% for gold and 75% for silver. Tailings are deposited in a tailings storage facility using a conventional tailings facility design.

Markets and Contracts

The New Afton Mine's principal commodities are copper concentrates containing copper, gold and silver. Off take agreements are in place for 100% of projected concentrates over the next several years. Concentrates are dried to approximately 7% moisture and then trucked to the port of North Vancouver where they are stored in a third party concentrate shed and then shipped in bulk carriers in lots varying from 5,000 to 15,000 tonnes.

Environmental Conditions

On October 31, 2007, the Ministry of Energy, Mines and Petroleum Resources issued Mine Permit M229 approving the work system and reclamation program for the New Afton Mine. The Mine Permit obligates New Gold to post reclamation security of C$9.5 million in total. As at December 31, 2012 the Company has posted this in the form of an irrevocable standby letter of credit. The undiscounted closure cost liability as at December 31, 2012 is estimated to be $13.8 million. New Gold expects to incur this obligation between 2013 and 2029.

The site is considered a zero discharge facility with regards to liquid effluents. All waste waters are either deposited in tailings area and recycled to the processing plant or treated offsite.

Tax Regime

The taxes applicable to the New Afton Mine include the British Columbia provincial income tax at a rate of 10% and Canadian federal income tax at a rate of 15%. The New Afton Mine is also subject to British Columbia mineral taxes as legislated by the *Mineral Tax Act* (British Columbia). The British Columbia mineral taxes are essentially a two tier tax with companies initially subject to net proceeds of tax of 2%, eventually transitioning to net revenue tax of 13% with a corresponding credit for the next proceeds tax. In February 2013, British Columbia announced an increase in the provincial income tax rate to 11%, commencing April 1, 2013.

Economic Analysis

The New Afton Mine started commercial production on August 1, 2012 and has a current projected life of 14 years based on current Reserves.

During 2012, the New Afton Mine produced 36,807 ounces gold at total cash costs per ounce sold, net of by-product sales, of negative $1,043 per ounce. The New Afton Mine is expected to produce 75,000 to 85,000 ounces of gold in 2013 at total cash costs per ounce sold, net of by-product sales, of negative $1,410 to negative $1,390 per ounce.

Exploration and Development

With the New Afton Mine in production, our exploration team is now able to drill the C-Zone block of mineralization that lies below and adjacent to the New Afton B-Zone Reserve block, in an effort to add to the New Afton Mine's projected 12-year life. A total of 40,000 metres of drilling is targeted at New Afton for 2013, with 30,000 metres focused on the C-Zone, 5,000 metres targeting continued Reserve replacement and 5,000 metres testing regional targets on the Company's land package.

CERRO SAN PEDRO MINE, MEXICO

The following disclosure relating to the Cerro San Pedro Mine is based, in part, on information derived from the amended technical report entitled "Technical Report on the Cerro San Pedro Mine, San Luis Potosí, Mexico" dated February 16, 2010 and amended March 22, 2010 ("CSP Report"). The CSP Report is available for review under the Company's profile on SEDAR at www.sedar.com. The following disclosure has been updated to include information about the Cerro San Pedro Mine subsequent to the CSP Report. See "Interests of Experts" for details of the Qualified Persons who prepared the CSP Report and approved the following disclosure.

Project Description, Location, Access and Other Information

The Cerro San Pedro Mine is an open-pit gold and silver heap-leach operation located in central Mexico in the state of San Luis Potosí, approximately 400 kilometres north of Mexico City and 14 kilometres east of the city of San Luis Potosí. The property is easily accessible via federal highway and secondary road. Resources are available 20 kilometres away in San Luis Potosí. The mine is operated by the Company's wholly owned subsidiary, Minera San Xavier, S.A. de C.V. ("MSX").

The mineral rights at the Cerro San Pedro Mine consist of 17 mineral concessions covering an area of 7,969 hectares. The mineral concessions begin to expire in December 2036 through October 2062.

All property of the Cerro San Pedro Mine is subject to a first ranking lien in favour of the lenders under the Facility (see "General Development of the Business" for more information). The sole outstanding royalty is a 1.95% gross value royalty owned by Franco-Nevada Corporation ("Franco-Nevada").

The surface rights to the Cerro San Pedro Mine are controlled by private parties and ejidos (communal agrarian entities). The Company holds a Temporary Occupancy and Right of Way Authorization for land belonging to ejido Cerro San Pedro, ejido Cuesta de Campa, and ejido Palma de la Cruz, providing surface rights access over the life of the mine.

The Company was issued an Environmental Authorization ("EIS") for the Cerro San Pedro Mine by Secretaria de Medio Ambiente y Recursos Naturales ("SEMARNAT"), the Mexican environmental regulatory agency, in February 1999. The EIS was the primary federal permit required for the approval of the proposed mine. The 1999 EIS was nullified and a new one was issued in 2006 following an action brought by a group opposing the Cerro San Pedro Mine. See "Legal Proceedings and Regulatory Actions" for further details. Operations in early 2010 were also briefly disrupted by a delay in the renewal of a required permit to use explosives.

In August 2011, SEMARNAT approved a new EIS for Cerro San Pedro Mine. Consistent with Mexican regulations, the EIS includes a number of conditions to be monitored and fulfilled through the continued operation and eventual closure of the mine. The current mine plan anticipates completion of active mining in 2016.

The Cerro San Pedro Mine's climate is semi-arid, with an average temperature of 21 degrees Celsius during summer and 7.4 degrees Celsius during winter. Average precipitation is 350 millimetres per year. The mine is located within the Sierra de Cerro San Pedro which is characterized by moderate to rugged relief with elevations of between 1,800 to 2,300 metres above sea level. The vegetation at the mine consists of various shrubs, mesquite and cactus.

History

Significant historical mineral production from the Cerro San Pedro district occurred during the Spanish Colonial era and during the period 1930-1948 when American Smelting and Refining Company ("Asarco") produced gold, silver, zinc, lead and copper from the La Victoria and Barreno properties.

The 1970s brought renewed interest in the district with exploration campaigns by Geocon, Inc., Bear Creek Mining Company ("Bear Creek"), Compañía Fresnillo ("Fresnillo") and ultimately MSX.

In 1998, MSX executed a 50:50 joint venture agreement with Cambior, Inc. ("Cambior"), which ultimately sold its interest in the property to Glamis Gold Ltd ("Glamis"). In November 2000, Glamis completed a feasibility study for the project which serves as the basis for current operations. In 2003, Metallica acquired Glamis' 50% interest in the project.

Construction of the Cerro San Pedro Mine began in 2004 and commercial production commenced on May 1, 2007. New Gold acquired the Mine in 2008 as a result of its business combination with Metallica Resources.

Geological Setting and Mineralization

The Cerro San Pedro mining district is located within the Parras Nappe section of the Eastern Sierra Madre fold belt. The local stratigraphic section is dominated by Cretaceous age limestone.

The Cerro San Pedro deposit is characterized by an upper zone of gold-silver mineralization associated with secondary limonitic iron oxides and a lower zone of gold-silver-zinc-lead sulphide mineralization hosted by a late Cretaceous to early Tertiary age monzodiorite porphyry. The porphyry intrudes Cretaceous limestones subjected to Laramide folding and faulting. The San Pedro porphyry, as presently defined, is an elongate, wedge-shaped body (1.5 kilometres to 2.0 kilometres long by 200 metres to over 400 metres thick) emplaced along a westerly-dipping system of thrust faults. The complex deformational history of the district is believed to be the primary factor behind the localization of the mineralization.

Both the upper oxide and lower sulphide assemblages occur within a well-developed system of stockwork fracturing and veining in the San Pedro porphyry and along faults and joint sets that extend into the surrounding limestone. The majority of the current Mineral Resource and Reserves are contained within the upper oxide portion of the Cerro San Pedro deposit. A deeper assemblage of higher grade gold, silver, zinc and lead bearing massive sulphide mineralization has been mined previously from underground and was the focus of exploration efforts at Cerro San Pedro in 2012.

Exploration and Drilling

The historic Cerro San Pedro drill hole database includes results from four drilling campaigns by four companies (Bear Creek, Fresnillo, MSX-Metallica, and MSX under the Cambior-Metallica joint venture), covering the period 1982 through 1998. The historic data comprise 94 core holes and 177 RC holes totalling 16,180 metres and 42,659 metres respectively. Nearly all of these holes (56,612 metres in 266 holes) were drilled by MSX and its immediate predecessor, Minera Metallica Limitada, during the period 1995 through 2002.

The database for the current Resource/Reserve estimate includes gold and silver assay results for approximately 284 drill holes totalling 75,003 metres. The area defined by the Mineral Resource estimate typically has been drilled on 50 metre centers. The current open pit Mineral Reserve generally has been drilled at a spacing approaching 25 metres.

During the period 2008 through 2010, MSX completed 24,178 metres of core drilling in 42 holes and 1,511 metres of RC drilling in seven holes as part of the Cerro San Pedro Sulphide drilling project to explore the gold, silver, zinc and lead sulphide mineralization as it extends beneath the Cerro San Pedro pit toward the historic Asarco mine area. Holes typically have been drilled on 50 to 100 metre centers. The heterogeneous nature of the mineralization has made it difficult to ascertain the true thickness and orientation of mineralization.

During 2011 and 2012, MSX continued the Cerro San Pedro sulphide drilling project. During 2011 MSX drilled 21,000 metres, in 30 core holes and during 2012, MSX completed 26,380 metres of core drilling in 44 holes and conducted further metallurgical flotation test work. Based on results to date the Company does not intend to proceed with any further exploration or development work on the Cerro San Pedro sulphide project at this time.

Sampling and Analysis

The MSX sampling procedure for core holes drilled prior to 2008 generally involved systematic sampling at two metre intervals. In subsequent drilling, this was increased to three metres in un-mineralized rock and decreased to intervals ranging from 0.5 to 1.0 metres in mineralized rock. The abundance of historic mine workings and related collapse voids in the upper parts of the San Pedro deposit sometimes caused sample recovery problems but the Company made every effort to minimize this by drilling wet, using additives, and employing a center-return hammer bit where appropriate.

Samples from all MSX drilling campaigns were prepared and analyzed in accordance with accepted industry practice. Bondar-Clegg was the laboratory of record for MSX drilling programs prior to 2008. ALS Chemex and SGS Laboratories prepared and analyzed the samples collected during the 2008-2009 drilling program.

The Bondar-Clegg assay procedure involved a standard gold-silver fire assay with an AA finish. Samples reporting above certain limits were re-analyzed for cyanide-soluble gold and were re-assayed with a gravimetric finish. The ALS Chemex assay procedure was a fire assay with AA finish. Silver assays were completed using a 4-acid digest method. Analyses reporting above certain limits were re-analyzed with a gravimetric finish.

During 2008-2012 all exploration drill hole samples were subjected to gold fire assay and multi-element inductively coupled plasma (“ICP”) analysis for silver, zinc and lead, as well as other elements. Analyses were performed by SGS Mineral Services (“SGS”), an independent analytical service provider in Durango, Mexico. Additionally, in the fall of 2009, 1,544 pulps from historic drilling in sulphide or mixed sulphide-oxide zones of significant length were submitted to SGS for multi-element analysis in order to provide additional multi-element data for Resource modeling and estimation.

Quality control techniques employed during MSX drilling programs have included internal checks by Bondar-Clegg and re-assays by umpire laboratories. For samples collected in 1995 and 1996, the data from the principal and umpire laboratory showed a marked difference for silver assays. The authors of the CSP Report suggested that further review of the discrepancy be undertaken.

The authors of the CSP Report reviewed the data collected as at December 2009, believed it to be free of significant errors, and were satisfied with the adequacy of the sample preparation, security and analytical procedures.

The Company’s Cerro San Pedro Sulphide project maintains a QA/QC program using industry best practices that are consistent with the QA/QC protocols in use at all of its exploration and development projects. Key elements of the Company’s QA/QC program include chain of custody of samples, regular insertion of certified reference standards and blanks, and duplicate check assays. Drill core is halved and shipped in sealed bags to an independent analytical service provider in Durango, Mexico.

Refer to the CSP Report for specifics of the quality control and data verification programs. As stated in the CSP Report, the data quality was considered adequate for Resource estimation as defined under NI 43-101 and the present protocols for data acquisition and management reasonable.

Mineral Resource and Mineral Reserve Estimates

The Cerro San Pedro Mineral Resources effective December 31, 2012, are summarized in the "Measured and Indicated Mineral Resource Estimates (Inclusive of Reserves) as at December 31, 2012" and "Inferred Mineral Resource Estimates as at December 31, 2012" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources".

The CSP Mineral Reserves, effective December 31, 2012, are summarized in the "Mineral Reserve Statement – as at December 31, 2012" table. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves".

Mining Operations

Mining Methods

The Cerro San Pedro Mine is an operating open pit mine. Ore is processed by heap leaching in a Merrill-Crowe circuit that recovers both gold and silver. In 2012, mine production was a nominal 84,000 tonnes per day of total material, including a nominal 45,000 tonnes per day of ore. Mining is performed through a conventional truck/loader open pit mining method with equipment provided by a mine contractor. Run of mine ore is hauled directly to the leach pad for processing. Rock below the cut-off grades is deposited in areas adjacent to the mine.

Recovery Methods

Precious metal extraction is by heap leach. At the leach pad, a weak cyanide solution is applied to dissolve the gold and silver. Lime is added to the ore to ensure a basic leach solution so that the precious metals remain soluble. The leach solution is distributed over the leach pads using the drip method which saves water. The pregnant solution is collected in the Merrill-Crowe plant where zinc is added to precipitate gold and silver. The precipitate is collected and sent to a furnace where impurities are removed and doré bars poured. Current life-of-mine recovery is estimated to be 54% gold and 20% silver. Silver is slower leaching than gold and, on the termination of mining activities, the leach pads will continue to operate for a number of years recovering silver from leach pad inventory.

Markets and Contracts

Doré is shipped from site to major refiners where the silver and gold are further refined to bullion. Gold is sold to bullion banks or gold trading counterparties either at the time that unrefined doré leaves site, with advance cash payment financed via an adjustment to the spot price, or sold on the spot market when outturned at the refinery.

Environmental Conditions

In March 2008, the Mexican federal environmental enforcement agency, La Procuraduria Federal de Proteccion al Ambiente ("PROFEPA") conducted a complete review of the CSP Mine and issued a report that MSX was in substantial compliance with the terms of the EIS. The site is considered a zero discharge site for liquid effluent.

The schedule for completing the closure activities is dictated by the Environmental Authorization; specifically, the site reclamation must be completed within four years of final processing however this may be extended if the residual leaching and recovery of silver remains economic for longer. MSX is required to post reclamation security of approximately $18.4 million with SEMARNAT under the general law for ecological balance and environmental protection. As at December 31, 2012, the Company has posted this in the form of an irrevocable standby letter of credit. Total undiscounted closure cost liability as at December 31, 2012 is estimated to be $19.8 million. New Gold expects to incur this obligation between 2013 and 2024.

Tax Regime

Mine revenues are subject to Mexican income taxes at a statutory rate of 30%, which is scheduled to fall to 29% in 2014 and 28% in 2015.

Economic Analysis

The Cerro San Pedro Mine is projected to conclude mining operations in 2016 based on current Reserves, followed by several years of residual leaching.

During 2012, the Cerro San Pedro Mine produced 137,555 ounces of gold and 1,938,506 ounces of silver at total cash costs net of by-product sales of $233 per ounce. The Cerro San Pedro Mine is expected to produce 140,000 to 150,000 ounces of gold and 1.4 to 1.6 million ounces of silver in 2013 at total cash costs per ounce sold, net of by-product sales, of $375 to $395 per ounce. Total cash costs assume a $30 per ounce silver price and foreign exchange rate of 13.00 Mexican pesos to one United States dollar.

Exploration and Development

During 2012, the Company completed 44 core holes totalling approximately 26,380 metres as part of its Cerro San Pedro Sulphide project. Based on results to date, the Company does not intend to proceed with any further exploration or development work on the Cerro San Pedro sulphide project at this time.

MESQUITE MINE, UNITED STATES

The following disclosure relating to the Mesquite Mine is based, in part, on information derived from the technical report entitled "Technical Report on the Mesquite Mine, Brawley, California, U.S.A.", dated February 26, 2010 ("Mesquite Report"). The Mesquite Report is available for review under the Company's profile on SEDAR at www.sedar.com. The following disclosure has been updated to include information about the Mesquite Mine subsequent to the date of the Mesquite Report. See "Interests of Experts" for details of the Qualified Persons who prepared the Mesquite Report and approved the following disclosure.

Project Description, Location, Access and Other Information

The Mesquite Mine is located in Imperial County, in southern California, United States, 39 kilometres (24 miles) north of the border with Mexico and 26 kilometres (16 miles) west of the border with Arizona. Access to the property is via good quality paved roads. Local resources are available in the towns of Brawley, California and Yuma, Arizona, at distances from the mine of 56 kilometres (35 miles) and 84 kilometres (52 miles) respectively.

The Company became the owner of the Mesquite Mine in 2009 following the Western Goldfields Business Combination. The mine is operated by the Company's wholly owned subsidiary, Western Mesquite Mines, Inc. ("WMMI").

Currently, the major assets and facilities associated with the Mesquite Mine are:

- Mineral Resources and Reserves in the Cholla Big Chief, Rainbow, Vista and North Big Chief deposits;
- the physical plant site including heap leach pads, process plant, workshops, warehouses, administration buildings, and dry facilities;
- facilities providing basic infrastructure to the mine, including electric power, heat, water treatment and supply, and sewage treatment;
- mine infrastructure including open pits, ramps, maintenance shops, and mobile equipment fleet.

The mineral rights at the Mesquite Mine cover a total area of approximately 2,156 hectares (5,328 acres). They include 212 unpatented and 53 patented mining lode claims, 122 patented and 97 unpatented mill site claims, 266.3 hectares (658 acres) of California state leased land.

All of the present and future property of the Mesquite Mine is subject to a first ranking lien in favour of the lenders under the Facility (see the "General Development of the Business" section for more information).

In November 2003, Western Goldfields ("WGI") acquired the Mesquite Mine from Newmont Mining Corporation ("Newmont"). Under the terms of the agreement, WGI assumed the environmental reclamation and closure liability at the Mesquite Mine along with liability for production royalties ranging from 2% to 6.8% depending on the location. Newmont's 2% net smelter royalty on newly mined ore from the project was transferred to Franco-Nevada in 2007. The majority of material planned for future mining at Mesquite will be subject only to the 2% net smelter return royalty held by Franco-Nevada.

In 1993, Hospah Coal Company ("Hospah"), a subsidiary of Newmont, entered into a Mineral Lease and Landfill Agreement (the "Landfill Agreement") with Hanson Resource Company (now the Los Angeles County Sanitation District ("LACSD")). LACSD has constructed a landfill facility adjacent to and overlying portions of the existing Mesquite Mine property. Under the Landfill Agreement, WMMI retains the right to conduct mining and processing activities anywhere within the Mesquite property for an initial period expiring in 2024, with automatic extensions until 2078. LACSD has the right to utilize portions of the overburden stockpiles and spent ore from the leach pads for landfill cover and other general purposes. Additional details of the Landfill Agreement are available in the Mesquite Report.

WMMI pays a 4% - 6% net smelter royalty (depending on the relevant gold price) to the California State Lands Commission on production from certain California State leased lands under a Mineral Extraction Lease between WMMI and the California State Lands Commission.

Mesquite's climate is arid, with high temperatures in summer and an average annual temperature of 73 degrees Fahrenheit (22.7 degrees Celsius). The Mine is located southwest of the Chocolate Mountains at an elevation of between 600 to 1,000 feet (183 to 305 metres) above sea level. The Mesquite Mine is on an alluvial fan that slopes gently from the northeast to the southwest. Its vegetation consists of sparse desert vegetation, including creosote bush, brittle brush, barrel cactus and cholla cactus.

History

Gold was discovered at Mesquite around 1876. Gold Fields Mining Corporation ("Gold Fields") began a commercial heap leach gold operation at Mesquite in March 1986. Santa Fe Pacific Gold Corporation ("Santa Fe") acquired the mine from Gold Fields in 1993. Newmont acquired the Mesquite Mine in 1997 via its acquisition of Santa Fe, and mined the deposit through May 2001 when a slope failure in the Big Chief pit and the low price of gold caused the existing Reserves to be uneconomic.

The Mesquite Mine received regulatory approval to begin mining operations anew on July 2, 2007. Commercial production recommenced in January 2008. In June 2009, following the Western Goldfields Business Combination, New Gold became the operator.

Geological Setting and Mineralization

The Mesquite District lies on the southwest flank of the Chocolate Mountains in amphibolite-grade metamorphic rocks of the upper plate of the Vincent-Chocolate Mountain Thrust. These upper plate rocks represent a fragment of Precambrian and Mesozoic continental crust of extremely complex history.

The Mesquite Mine comprises two sub-parallel, Oligocene-age ore bodies: Big Chief – Vista and Rainbow. Gold mineralization is hosted by Mesozoic gneisses that are intruded by biotite/muscovite rich granites. The district is covered by a thin veneer (0-90 metres) of Tertiary and Quaternary sediments. Gold mineralization is bound by post-mineral faulting related to the Neogene San Andreas fault system.

The gold mineralization at Mesquite was deposited in an epithermal setting, within 150 to 300 metres (500 feet to 1,000 feet) of the surface. The bulk of the economically attractive mineralization occurs as disseminations and veins in the gneisses. The majority of the veining is controlled by moderate to steeply dipping faults. Two types of gold mineralization are dominant: pods of mineralization of limited extent at fault intersections and mineralized trends along faults. Gold occurs at Mesquite as native gold ranging in size from very coarse to submicron disseminations. Silver-free native gold is the most common type in the oxidized zone. A second type of gold is silver-bearing coarse gold typically found in the unoxidized zone. Test work on unoxidized ore indicates that 65% to 78% of the gold is liberated free milling gold, 13% is associated with refractory sulphide minerals, and the remainder is associated with iron oxides and carbonates.

Exploration and Drilling

Most of the exploration work conducted at Mesquite pre-dates New Gold's ownership and occurred as drilling. The Mesquite Mine historical database represents approximately 880,000 metres or 2.9 million feet of drilling in 6,478 drill holes, most of which are RC holes. A total of 103 holes in the database are diamond ("core") drill holes. Most of the drill holes are vertical and have not been subjected to down hole surveys. In general, the disseminated mineralization appears to be flat-lying or slightly dipping. Consequently, the vertical drilling provides a reasonable estimate of the true mineralization thickness.

Gold Fields conducted the majority of the drilling on the property. Additional details on its drilling methods and results are chronicled in the Mesquite Report. New Gold believes that Santa Fe and Newmont also carried out drill campaigns but no documentation of those campaigns is available.

Subsequent to the completion of the Mesquite Report in July 2010, New Gold commenced an exploration drilling program to test for potential extensions to the sulphide portion of the Mineral Resource beneath the Mineral Reserve pit. The program consisted of 37 holes totalling 11,079 metres (36,350 feet) of combined core and RC drilling. The results of the drilling program indicate that the potential to expand the sulphide Resource is insufficient to warrant further exploration. As a result of the 2010 drilling program, an additional 1.1 million ounces were added to the Mesquite oxide Resource base.

Sampling and Analysis

The majority of drilling conducted at Mesquite was conducted before New Gold assumed ownership and, in the case of the Santa Fe and Newmont programs, sampling methods were not documented. However, New Gold believes that there are no indications of deficiencies in sampling method or sample recovery that would impact the reliability of results. Furthermore, it is the authors' opinion, as stated in the Mesquite Report, that the historic sampling method and approach are appropriate for Mineral Resource estimation, an assertion supported by the fact that the Mineral Resource estimates reconcile reasonably well with actual production.

RC sampling conducted during New Gold's 2010 drilling program was completed using water injection methods as required by California environmental regulations. Sampling of both RC cuttings and core was carried out at nominal one and a half metre (five foot) intervals. The sample was split to create a duplicate sample. One set of samples was shipped offsite to an independent laboratory for sample preparation and gold analysis and the duplicate was stored for future reference and analyses.

Core and RC drilling samples collected during New Gold's 2010 exploration program were analyzed for gold via fire assay with an atomic absorption ("AA") finish and were also analyzed for cyanide-soluble gold. A pulp from each sample is stored in the core storage facility at the Mesquite Mine site.

The Company's 2010 exploration program included a quality assurance/quality control ("QA/QC") program at the Mesquite Mine using industry best practices that are consistent with the QA/QC protocols in use at all of its exploration and development projects. Key elements of the Company's QA/QC program include chain of custody of samples, regular insertion of certified reference standards and blanks, and duplicate check assays. Drill core is halved and shipped in sealed bags to an independent analytical service provider in Reno, Nevada.

Refer to the Mesquite Report for specifics of the quality control and data verification programs. As stated in the Mesquite Report, the data quality was considered adequate for Resource estimation as defined under NI 43-101 and the present protocols for data acquisition and management reasonable.

Mineral Resource and Mineral Reserve Estimates

The Mesquite Mineral Resources effective December 31, 2012, are summarized in the "Measured and Indicated Mineral Resource Estimates (Inclusive of Reserves) as at December 31, 2012" and "Inferred Mineral Resource Estimates as at December 31, 2012" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources".

The Mesquite Mineral Reserves, effective December 31, 2012, are summarized in the “Mineral Reserve Estimates – as at December 31, 2012” table. See “Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves”.

Mining Operations

Mining Methods

The Mesquite Mine is an operating open pit mine. Mining is performed using a conventional truck/shovel open-pit mining method. Due to the nature of the ore body, different open pits are in operations which include Big Chief, Vista and Rainbow. Run-of-mine ore is hauled directly to the leach pad for processing. Mine production in 2012 was a nominal 126,000 tonnes per day on average of total material, including a nominal 40,000 tonnes per day of ore that was hauled to the leach pad. Rock not containing economically recoverable metal is deposited in areas as close as possible to the mining area and may even be placed in mined out pits.

Recovery Methods

Mineral processing is by heap leach using a sodium cyanide solution and in a carbon-in-column circuit assaying approximately 92% gold. Lime is added to the ore to ensure a basic pH which ensures that the gold remains soluble and does not precipitate. The leach solution is distributed over the leach pads using the drip method which saves water. Process recoveries are determined by oxidation of the ore type. Ultimate gold recovered for the mine Reserves and life-of-mine production plan are based on 75% recovery of the oxide ores and gravels and 35% recovery of the non-oxide ores.

Markets and Contracts

Doré is shipped from site to major refiners where the gold and silver are further refined to bullion. Gold is sold to bullion banks or gold trading counterparties either at the time that unrefined doré leaves site, with advance cash payment financed via an adjustment to the spot price, or sold on the spot market when outturned at the refinery.

Environmental Conditions

There are no notable environmental conditions affecting mining operations, and WMMI is in compliance with all permits. WMMI is required to post reclamation security of $4.4 million for reclamation with Imperial County, California as lead agency under the California Surface Mining and Reclamation Act, $9.0 million for closure with Imperial County, California as lead agency under the California Surface Mining and Reclamation Act, and $0.1 million for pit backfill with the California State Lands Commission under a public/private land lease agreement. At December 31, 2012 the Company has posted this security the form of bonds posted through a surety underwriter. Total undiscounted closure cost liability as at December 31, 2012 is estimated at $12.6 million excluding salvage value of the assets. New Gold expects to incur this obligation between 2013 and 2028.

Tax Regime

The applicable U.S. federal income tax rates on taxable income are 35% and California State income taxes are 8.8% yielding a combined income tax burden of 40.7%.

Economic Analysis

The Mesquite Mine is projected to operate through 2021 based on current Reserves, followed by several years of residual leaching. During 2012, Mesquite produced 142,008 ounces gold at total cash costs of $690 per ounce. The Mesquite Mine is expected to produce 130,000 to 140,000 ounces of gold in 2013 at total cash costs of $830 to $850 per ounce.

Exploration and Development

No noteworthy exploration or development is planned in 2013.

PEAK GOLD MINES, AUSTRALIA

The following disclosure relating to the Peak Gold Mines is based, in part, on information derived from the technical report entitled "Technical Report on the Peak Gold Mines, New South Wales, Australia," dated March 25, 2013 ("Peak Report"). The Peak Report is available for review under New Gold's profile on SEDAR at www.sedar.com. The following disclosure has been updated to include information about the Peak Mines subsequent to the Peak Report. See "Interests of Experts" for details of the Qualified Persons who prepared the Peak Report and approved the following disclosure.

Project Description, Location, Access and Other Information

Peak Gold Mines, operated by New Gold's subsidiary, Peak Gold Mines Pty Ltd ("PGM"), is located within the Cobar mining district approximately 8 kilometers south of the town of Cobar in New South Wales, Australia. Regional road access to Cobar is provided by an all-weather highway (Mitchell Highway No. 32) connecting Sydney and Adelaide. A regional airport provides service to Cobar and the flight duration from Sydney to Cobar is approximately two hours. Cobar has a population of approximately 3,800 people, with an additional 900 people in the surrounding local area, and is well serviced by local shopping, banking, accommodation, and supplies. The Peak Gold Mines comprise five commercially active mines and a copper-gold processing plant. The deposits, all currently mined from underground extend along a 10 kilometre trend informally referred to as the Peak Mine Corridor. The five operating mines include, from north to south, New Cobar, Chesney, New Occidental, Peak, and Perseverance. . The New Occidental, Peak, and Perseverance ore bodies are accessed via a shaft and surface decline located at the Peak site. The New Cobar and Chesney ore bodies are accessed via a decline near the base of the New Cobar open pit. The Peak site hosts the processing facility and administration buildings.

Peak Gold Mines' mineral rights consist of approximately 104,859 hectares of mining leases and exploration licenses, including 32,470 hectares subject to option agreements. The exclusively owned rights include four consolidated mining leases covering the Tharsis to the Peak Gold Mines area, the Coronation-Beechworth area and the Queen Bee area; plus, a mining lease, a mining purposes lease, and four exploration licenses. Two of the exploration licenses held under option agreements with Zintoba Pty Ltd. on exploration lease EL 5982, for which PGM maintains a 75% interest, and with Lydail Pty Ltd. on exploration lease EL 6127, for which PGM maintains a 51% interest.

Peak Gold Mines is a party to a Native Title determination application filed in the Federal Court in Sydney, Australia by the Ngemba, Ngiyampaa, Wangaaypuwan, and Wayliwan Peoples. The claim is made over an area that includes Peak Gold Mines' tenements. Typically, such claims are determined without a trial; they are either dismissed, or a consent determination is negotiated by the parties to the claim. Peak Gold Mines is a party in the proceedings to participate in negotiations with respect to any final determination.

All property of Peak Gold Mines is subject to a first ranking lien in favour of the lenders under the Facility (see "General Development of the Business" for more information). Peak Gold Mines is required to pay a production royalty to the Australian Department of Primary Industries. The net effective rate is 3% of metal sales value.

Cobar's climate is semi-arid, with an average maximum high temperature of 39 degrees Celsius during the summer and an average minimum low of 2 degrees Celsius during the winter. In years of normal rainfall, average precipitation is approximately 390 millimetres per year. The landscape is predominantly flat, composed of sandy plains with minor undulations. The mine is named after the "Peak," a small conical hill 324.3 metres above sea level, with the Peak deposit located at its southern base. The vegetation at the mine consists largely of semi-arid low woodland, with minor seasonal creeks and rivers lined by taller eucalypt species.

History

There has been sporadic gold and copper mining in the Cobar mining district since the 1870s. The district was historically better known for its copper deposits and was one of Australia's main sources of copper at the turn of the 20th Century. Notable gold mining activity before the mid-1900s was limited to the New Occidental mine, which produced 700,000 ounces between 1935 and 1952.

Various companies conducted exploration in the district from the late 1940s to late 1970s with no significant success. In early 1980, Rio Tinto plc acquired the leases containing the New Occidental, New Cobar and Chesney mines, and in 1981, the Peak gold deposit was discovered. Between 1982 and 1985, a total of 30,840 metres was drilled to delineate the Peak deposit, and a Pre-Feasibility Study was prepared in October 1985. Peak Gold Mines Pty Ltd. ("PGM"), a subsidiary of Rio Tinto plc, was formed in 1987 to develop the deposit, and commercial production commenced at the Peak Gold Mines in 1992.

Subsequent exploration and investigations led to further development. In July 2000, the New Occidental deposit was approved for renewed development, and in December 2001, development of the Perseverance deposit was approved. A trial open pit, the New Cobar mine, was developed in 1998 and operated from 2001 until 2005. In 2005, a decline was completed from the New Cobar open pit to access Reserves beneath the pit.

On June 30, 2008, New Gold Inc. (NGI), Metallica Resources Inc. (Metallica), and Peak Gold Ltd. (Peak Gold) completed a business combination and asset acquisition with New Gold Inc. (New Gold) as the surviving company.

Geological Setting and Mineralization

The Cobar mining district, referred to locally as the Gold Field ("CGF"), is defined as a 10-kilometre north-trending belt of historical gold mines located east of Cobar, extending from the Peak and Perseverance mines , south-southeast of Cobar, to the Tharsis workings, north of Cobar. The CGF is located on the eastern margin of the Early Devonian (402 million to 385 million years ago) Cobar Basin, which lies within the northern part of the Central Belt of the Lachlan Orogen, and is marked by increased folding and faulting along a zone referred to as the Rookery Fault system. It is to the west of this that the majority of the Cobar mineral field deposits occur.

PGM's mines occupy a 10 kilometre section of the regional Rookery Fault shear zone along the eastern margin of the Cobar sedimentary basin, referred to informally as the "Peak mine corridor". The mineral deposits occur within high strain zones of structurally deformation. Deformation is characterized by intensely cleaved zones, shears and faults that comprise part of the regional scale Rookery Fault system. Individual deposits have characteristically steep-dipping pipe-like geometries with uniformly short strike lengths (less than 300 metres), narrow widths (10 to 30 metres), but extensive vertical dimensions. For example, the Peak and Perseverance deposits extend over vertical extents of 500 to 700 metres, and the New Occidental mineralization has been traced from surface down to 1,200 metres below surface. The Chesney and New Cobar deposits extend over a shorter vertical range as they are currently defined, however, all of the deposits remain open at depth. Mineralization in all of the deposits is typically polymetallic, ranging from gold-copper-lead-zinc at Peak and Perseverance to gold-copper at New Cobar, New Occidental and Chesney. The gold mineralization occurs as discrete lenses within the broader envelopes of base metal mineralization.

Exploration and Drilling

Mining and exploration have been conducted in the CGF since the late 1800s. Exploration techniques have included geologic mapping, geochemical and geophysical surveys, and surface and underground drilling. The Peak Gold Mines' Geology Department hosts a large library of technical documents, including underground survey data, production records, and drill hole data. Specifics on Peak Gold Mines Pty Ltd.'s historical exploration programs dating back to 2000 can be found in the Peak Report.

During 2012, total underground drilling at Peak Mines included 55,324 metres of exploration and delineation drilling in 325 holes around three of the five mines. Results were incorporated into the Company's updated Mineral Resource estimate for 2012. Exploration activities more than replaced Reserves mined during the year. Additionally in 2012, PGM completed 10,429 metres of surface drilling in 28 holes drilled on multiple targets within the greater region.

All drilling is performed by independent contractors under PGM's direct supervision. The reader is referred to the Peak Report for specific drilling procedures. All near-mine drill-hole collars are surveyed by the mine surveyors. Underground drill holes are subject to down hole surveys as drilling progresses.

Sampling and Analysis

Records of sampling and analysis methods employed during pre-1980 drilling campaigns are not readily available. The reader is referred to the Peak Report for specifics on sampling and analysis during post-1980 historical drill campaigns.

All Mineral Resource delineation and Reserves definition is based on diamond bit core drilling. PGM currently samples all core at nominal one metre intervals. PGM utilizes a combination of core drilling and reverse circulation ("RC") drilling for earlier stage exploration campaigns. RC holes are sampled using face-sampling hammers to minimize sample contamination from drill hole walls. An RC sample may ultimately comprise a one, two or four metre composite, depending on the resolution required. The authors of the Peak Report consider the core and RC sampling methods reasonable for the style of mineralization and consider the samples representative and free of sampling-introduced bias.

All samples are stored securely on-site in a secure shed, which is behind an electronic gate manned by security personnel 24 hours a day. Samples are collected daily by SGS Cobar, an independent ISO certified assaying laboratory, and are submitted for preparation and analysis according to accepted industry standards. The remaining pulps are returned to PGM for storage.

All drill samples are analyzed for gold, copper, lead, zinc, silver and bismuth. For gold and base metals assaying, current site QA/QC practices include routine use of: certified standards and blanks; replicate and duplicate samples; laboratory standards and blanks; calibration of density recording equipment; umpire laboratories; check assays; and field duplicates. Data are automatically subjected to QA/QC validation, as part of the drilling database loading process, and flagged if outside acceptable limits.

Mineral Resource and Mineral Reserve Estimates

The updated Peak Gold Mines Mineral Resource estimate as of December 31, 2012, is summarized in the "Measured and Indicated Mineral Resource estimates (inclusive of Reserves) as of December 31, 2012", and "Inferred Mineral Resource estimates as of December 31, 2012," tables. See "Summary of Mineral Reserve and Mineral Resource estimates."

The updated Peak Gold Mines Mineral Reserve estimate as of December 31, 2012, is summarized in the "Mineral Reserve estimates as of December 31, 2012" tables. See "Summary of Mineral Reserve and Mineral Resource estimates."

Mining Operations

Mining operations at Peak Gold Mines comprise five distinct underground zones and the ore stockpiled from the completed open pit operation at New Cobar. Current mining is from zones contiguous with, or near, mined out areas. Production operations have been underway at Peak since 1992, at Perseverance since 2003, at New Cobar underground since 2005, at Chesney since 2009, and at New Occidental since 2011.

Mining Methods

At Peak, the mining is done by bench stoping. At New Occidental, the selection of conventional long-hole open stoping is most suitable. And, at Perseverance, New Cobar and Chesney a combination of bench stoping and open stoping is utilized. Underground development is carried out using standard electric-hydraulic twin-boom jumbo drills with emulsion for blasting. Drifts are driven along strike in the ore on each level, a slot is developed and ore is blasted into the void. Ore is extracted and waste rock is used to backfill the void.

Footwall or hanging wall drives are developed in ore bodies of long strike lengths and widths greater than eight metres. Waste rock is introduced to the mined out section for stability and to reduce the need for pillars. Cemented rock fill has been incorporated at PGM specifically for use at Perseverance to increase stope stability and maximize ore recovery.

Recovery Methods

Ore from Perseverance and New Occidental is crushed underground and hoisted to a surface stockpile via the Peak mine shaft. It is discharged onto a surface stockpile from where it is reclaimed via feeders under the stockpile and fed to the SAG (semi-autogenous grinding) mill feed conveyor. Ore from New Cobar and Chesney is screened and then hauled to a ROM (run-of-mine) pad stockpile. It is reclaimed by a front-end loader and fed via a hopper onto the SAG mill feed conveyor.

Gold, silver, and copper are recovered in a gravity circuit with Knelson concentrators, further concentrated in an intensive leach reactor, then electrowon, and recovered as a copper concentrate in a conventional flotation circuit. The flotation concentrate is thickened, dewatered and stockpiled before transporting to a third party smelter located offshore. A second method of gold and silver recovery is by cyanidation leaching of the flotation tailings in a tank leach circuit whereby gold is dissolved and adsorbed onto activated carbon, then electrowon. The resulting sludge is smelted in a gas-fired furnace to produce gold doré bars along with the Knelson concentrate product. For accounting purposes, the dry sludges from the gravity and carbon-in-leach circuits are smelted individually. Copper concentrate is not treated at the PGM site but sold and refined by the purchaser. Metal recoveries are approximately 91% and 90% for gold and copper, respectively.

Markets and Contracts

Gold, copper, and silver markets are mature global markets with reputable smelters and refiners located through the world. Gold and silver are principal metals traded at a spot price for immediate delivery, while copper is traded on the London Metal Exchange (LME) and has total price transparency.

In 2012, operations at the Peak Mine produced 89,000 ounces of gold, 12.9 million pounds of copper, and 99,000 ounces of silver. Most of PGM's copper concentrate is currently sold to one customer under an agreement which has a term expiring at the end of 2014. The copper concentrate contains copper, gold and silver. Gold doré is refined under a contract with one customer.

Environmental Conditions

PGM has a responsibility under state law to rehabilitate areas of historic and current mining activities on its leases to an agreed end land use. A closure plan is updated yearly. PGM is required to post reclamation security of A$10.2 million with the New South Wales Department of Primary Industries. As at December 31, 2012, the Company has posted this in the form of an irrevocable standby letter of credit. Total undiscounted closure cost liability as of December 31, 2012 is estimated to be $30.8 million. The Company expects to incur this obligation between 2013 and 2023.

Tax Regime

Taxes levied on the proceeds of PGM operations include: Australian federal income taxes at a 30% rate, after eligible deductions; New South Wales state tax at 3% of gross revenue, before treatment charges and all other costs.

Economic analysis

The projected life of the Peak Gold Mines extends beyond 2019 based on Measured and Indicated Resources, inclusive of Reserves.

Exploration and Development

Exploration during 2012 concentrated on increasing the Mineral Resources at Perseverance, New Cobar and Chesney and on the identification and preliminary drill testing of earlier stage targets identified along the Rookery fault trend.

Going forward, exploration at PGM will continue to involve a combination of near mine exploration and resource development around the known ore bodies along the Peak mine corridor and earlier stage exploration toward new discoveries on PGM's mineral tenure along the regional scale Rookery Fault trend, The Company's 2013 annual exploration expenditure at PGM is expected to involve approximately $ 5 million in capitalized exploration and $5 million in expensed exploration.

BLACKWATER PROJECT, CANADA

The following disclosure relating to the Blackwater Project is based, in part, on information derived from the technical report entitled "Blackwater Project, British Columbia, NI 43-101 Technical Report on Preliminary Economic Assessment," dated August 28, 2012 ("PEA"). The PEA is available for review under the Company's profile on SEDAR at www.sedar.com. The following disclosure has been updated to include information about the Blackwater Project subsequent to the PEA. See "Interests of Experts" for details of the Qualified Persons who prepared the Blackwater PEA and approved the following disclosure.

The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves and there is no certainty that the PEA based on these Mineral Resources will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Project Description, Location, Access and Other Information

The Blackwater Project is located in central British Columbia, approximately 112 kilometres southwest of Vanderhoof and 446 kilometres northeast of Vancouver. The project site is readily accessible by forest service and mine road. Driving time from Vanderhoof to the property is about 2.5 hours. Helicopter access is available from bases in Vanderhoof, Quesnel, or Prince George.

The project area was initially explored by Granges Inc. ("Granges") from 1973. In 2005, Silver Quest Resources Inc. ("Silver Quest") acquired an interest in the project, and Richfield Ventures Corp. ("Richfield") joint ventured into the project in 2009. In 2011, New Gold acquired Richfield and Silver Quest, and a third company, Geo Minerals Ltd., to consolidate the land holdings in the project area.

The project consists of 69 mineral claims, covering an area of 27,175 hectares. To keep claims in good standing a minimum value of work or cash-in-lieu is required annually. The required payment to maintain a mineral claim for an anniversary year is double the value of exploration and development that would be required to maintain the claim.

New Gold has made contact with First Nations groups who have interests in the project area, and the Company is engaged in ongoing consultation with Provincial and Federal ministries and agencies about research, design, permits, and environmental assessment questions and issues as they arise.

The deposit is located on the north slope of Mt. Davidson, and the proposed project infrastructure will be sited predominantly in the Davidson Creek watershed. The climate in the project area is sub-continental, characterized by brief warm summers and long cold winters resulting from the influence of cold arctic air. The climate is also influenced by moisture-laden weather systems moving east by way of the low Kitimat Ranges. Temperatures range from a minimum of -40°C in winter to a maximum of 32°C in summer. The elevation of the property ranges from just over 1,000 m in low-lying areas northeast of the proposed mine site to 1,800 metres at the summit of Mt. Davidson on the southwest side of the property. Outcrop on the property is limited. Most of the area is covered with thick glacial deposits of 2 metres or more, except for the upper 150 metres of Mt. Davidson. The slopes of Mt. Davidson are covered by till and colluvium, but the claim area is underlain by lodgement and melt-out till deposits. Ice flow directions determined from glacial fluting are northeast

Property agreements

As a result of the Company's acquisitions of Richfield and Geo Minerals, the Company has inherited the terms of the following agreements.

New Gold, through Richfield, acquired a 100% interest in mineral claim 515809 ("Dave Claim") in 2010 from Jane Roderick, Rebekah Antkow, David Rozek, Benjamin Rozek, and John Blackwell. The optionors retained a 2.5% NSR. New Gold has purchased 1% of the Dave Claims NSR royalty for C$1,000,000, and a 1.5% NSR royalty remains. The claim covers a portion of the Blackwater deposit.

New Gold, through Richfield, acquired a 100% interest in mineral claim 515810 (“Jarrit Claim”) in 2010 from Jane Roderick, Rebekah Antkow, David Rozek, and Benjamin Rozek. The optionors retained a 2% NSR royalty. New Gold has purchased 1% point of the Jarrit Claims NSR royalty for C$1,200,000, and a 1% NSR royalty remains. The claim covers a portion of the Blackwater deposit.

In January 2011, Richfield acquired an option to earn a 100% interest in mineral claims, 637203, 637205, and 637206 (“JR Claims”), from the same optionors as the Jarrit Claim. The option has been exercised by New Gold and the optionors retain a 3% NSR royalty. New Gold may purchase 2% points of the JR Claims NSR royalty for C$1,000,000 at any time, such that a 1% NSR royalty will remain.

New Gold, through Geo Minerals, acquired a 100% interest in mineral claim 835014 from Paul Saulnier. Saulnier retained a 2% NSR royalty. New Gold may purchase a portion of the NSR royalty for C$1,000,000, such that a 1% NSR royalty will remain.

Environmental liabilities and permits

A reclamation plan for the exploration activities was prepared to accompany the Notice of Work and Reclamation application to the BC Ministry of Energy and Mines. The main reclamation objective is to return the site to a state similar to its pre-disturbance appearance and functionality. The reclamation plan addresses drilling, geophysical surveys, access to site, and the camp and camp services, and proposes a series of measures that include removing buildings, machinery, debris, or contaminated soils; re-establishing natural landscapes; and deactivating roads and trails.

History

Mineralization on the property was discovered in 1973 during a regional silt geochemical survey by Granges. The survey located anomalous zinc and other metals in stream sediments east and north of the project area. Between 1973 and 1985 a range of ground and airborne geophysical and geochemical surveys was conducted to locate and delimit mineralization.

Drilling began in 1985 and continued to 1994 completing a total of 6,300 metres in 75 holes. A further 1,333 metres of drilling in seven holes was completed in the winter of 2005-06. The focus of the work during this period was on high-grade vein deposits, which at the time were considered the only known gold-silver targets in the Nechako Plateau.

Richfield began work on the project in 2009 when the company recognized the bulk gold potential on the property. In 2009, Richfield optioned mineral claims 509273, 509274, and 509275 (the “Davidson Claims”) from Silver Quest and the Dave Claim and Jarrit Claim from the Rozek family. Richfield subsequently completed all of the earn-in requirements for these agreements, resulting in its holding a 75% interest in the Davidson Claims and 100% interests in each of the Dave and Jarrit Claims.

In June 2011, New Gold acquired all of the issued and outstanding common shares of Richfield pursuant to a court-approved plan of arrangement. In December 2011, New Gold acquired all of the issued and outstanding common shares of Geo Minerals and Silver Quest. New Gold subsequently amalgamated with Richfield, Geo Minerals and Silver Quest effective January 1, 2012 and became the direct operator of the project.

Geological Setting and Mineralization

The project is underlain by rocks of the Stikine Terrane within an uplifted block termed the Nechako uplift. The Nechako Plateau is an area of moderate relief between the Skeena Arch and the Stikine and Cache Creek Terrane contact. The southern Nechako Plateau near the Blackwater property is underlain by Late Triassic to Middle Jurassic island and continental arc assemblages and epicontinental sedimentary strata near the project, the volcaniclastic Hazelton Group represents the Stikine Terrane. The Hazelton Group has a lower unit of felsic tuffs and sediments, named the Entiako Formation, and an upper unit of felsic to mafic volcanic flows and volcaniclastic and sedimentary rocks, termed the Naglico Formation. Rocks of the Stikine Terrane in the southern Nechako Plateau are overlain by post-accretion Upper Jurassic volcaniclastic, sedimentary, and mafic to felsic volcanic rocks of the Bowser Lake Group. The Hazelton and Bowser Lake groups in the area are collectively intruded by Late Cretaceous granitic to granodioritic plutons (e.g., Capoose batholith) exposed within the Nechako uplift.

The project site is underlain by intercalated volcanic and volcaniclastic felsic to intermediate lapilli and ash tuff, volcanic breccias, and andesitic flows. These strata form a local wedge of laterally discontinuous strata. The Blackwater wedge is thought to dip generally northwest and is of limited aerial extent. On the west the Blackwater wedge is faulted against younger massive felsic volcanic rocks of the Ootsa Lake Group. The fault is a north-trending, presumed steep-dipping structure. A similar relationship exists on the north side, where Blackwater host rocks are also juxtaposed next to Ootsa Lake Group strata across an east-northeast-trending fault.

Core drilling has defined a continuous zone of +0.2 g/t Au equivalent mineralization that extends at least 1,250 m along its longest dimension east-west and at least 1,000 m north-south. The thickness of the zone ranges up to 600 m. In general, all rocks at Blackwater are mineralized, whether as trace pyrite-pyrrhotite-sphalerite in outboard andesite flows and volcaniclastics, or as gold-bearing polymetallic sulphide mineralization within the fragmental unit of the deposit.

Exploration and Drilling

Eagle Mapping Ltd. (“Eagle”) generated detailed topography in August 2010 from an aerial survey flown on July 7 of the same year. Topography was generated at 2 metre contour intervals over an area of 5 square kilometres and at 5 metre contours over an area of 56 square kilometres. Eagle performed an aerial light detection and ranging (LiDAR) survey of the project area on August 8 and 9, 2011. Although the area of interest (AOI) for this survey was 412 square kilometres in size, the survey actually covered approximately 500 kilometres to buffer the true AOI for quality assurance purposes.

New Gold has not conducted any geologic mapping or systematic surface geochemical sampling at the property. The Resource area has no significant outcrop. Results from recent drilling by Richfield and New Gold indicate areas of thin overburden cover near the centre of the deposit that may support mapping using shallow trenches.

During 2010, Richfield contracted Quantec Geoscience Ltd. (“Quantec”) of Toronto to conduct a Titan 24 DC resistivity and IP chargeability geophysical survey. The objective of the study was to determine the relationship between IP chargeability and resistivity and zones of known gold mineralization within the Mineral Resource area to aid in geologic interpretation and drill targeting. The survey was carried out along five 3.5 kilometre long north-south lines spaced 400 metres apart with 100 metres dipole length. In October 2011, Quantec carried out a second-phase survey, consisting of eleven 2 kilometre north-south lines with 50 metre dipole length, on behalf of New Gold.

Selected drill samples have been sent for polished section petrographic analysis. In 2009 and 2010, sample suites were selected for the purposes of understanding the nature of the host volcanic and volcaniclastic rocks, and the gold and silver mineralization. Sample descriptions were performed by Vancouver Petrographics Ltd. In 2009, Eco Tech Laboratories (“Eco Tech”) performed whole-rock lithogeochemical analyses with the aim of constraining the geochemical fingerprint of the host volcanic rocks by providing insight into the tectonic affinity, geochemical classification, and petrological evolution.

Between 1981 and 1986, Granges drilled four diamond drill core holes for a total 311 metres. The helicopter-supported winkie drill had difficulty with the ground conditions, and some holes did not reach target depths. Drilling focused on northern parts of the property. Results of this early drilling, including drill logs, assays, and core, have not been located. During the 1986 season, 34 RC drill holes were completed for a total of 1,524 metres. As with data for the earlier drilling, and despite thorough search, the drill logs and assays could not be located. During 1987, 23 diamond drill core holes (2,617.13 m) were completed on the gold and silver zones located over what is now recognized to be the northern portion of the Mineral Resource area. Drill logs and assay data were filed for assessment and drill core is stored on the property. Richfield re-logged the core and reviewed the data. In 1992, 788.5 metres drilled in five core holes focused mainly southwest of the gold zone and on the Dave Claim. Logs and assays were filed for assessment and core is stored on the property. Richfield also re-logged this core in 2010. Five core holes were drilled in 1994 for a total 761.68 metres. The data were filed for assessment, and the core stored. Richfield reviewed the data and re-logged the core. Silver Quest drilled five holes in 2005 for a total of 938.65 metres and another two holes in early 2006 for a total of 393.97 metres. The holes were widely dispersed. The later drilling focused on the Quest Zone (holes DAV 05-02, DAV 06-06, and DAV 06-07). Cumulative drilling to the end of 2006 was 5,810.79 metres in 44 holes.

A total of 449 core drill holes (168,276 metres) have been drilled in the project area between 2009 and May 2012. Of this total, 134 were completed by Richfield, and 315 by New Gold. An additional 34 RC holes were completed by Granges; however the precise locations of these drill holes are uncertain. Of these, 451 holes have been drilled since the start of 2009, including 437 holes drilled to delineate the Blackwater Mineral Resource, seven holes drilled for metallurgical testing in 2011, and five geotechnical holes completed in 2012. Excluding the 32 holes for which results had not been received at the date of database close-out, a total of 417 holes totalling 147,619 m were used to support the grade estimations. Data from the remaining holes were used in the density and lithologic modelling. Due to lack of QA/QC and accurate survey information, holes drilled before 2009 were not used for statistical analysis or grade estimation of the PEA Mineral Resource, but were used in forming the lithological wire frame construction.

Drilling on the project is ongoing. From the PEA Resource cut-off to September 30, 2012, 466 additional holes and 119,274 metres of drilling were completed and the results incorporated into the Company's December 31, 2012 Mineral Resource update. An additional 13,861 metres in 58 holes was drilled through to December 31, 2012 and will be incorporated into a final Mineral Resource estimate, which will serve as the basis for the Blackwater Feasibility Study.

Total year-end Resource delineation and infill drilling to December 31, 2012 is 206,450 metres in 716 holes. In addition the Company drilled 12,036 metres in 54 holes for project engineering studies and 40,921 metres in 104 holes to test the mineral potential in areas selected for future operations facilities and infrastructure.

Sampling and Analysis

Drill core is transported in core boxes from the drill site to camp by four-wheel drive vehicle and logged in a specially built core handling facility, where sampling for analysis is done systematically on 1 metres sample composites. Intervals are measured and marked on the core boxes, where sample tags are stapled at the beginning of each interval. A diamond saw is used to split the core in half lengthwise. One half of the core is placed in a standard heavy poly sample bag identified with a re-printed sample tag in a zip-lock baggy, and the poly bag is closed with a zip tie. The remaining half core is kept for reference in the core box and stored at the project camp site. Certified reference standards, blanks, and duplicates are inserted into the sample stream, and four sample bags are then placed into a larger rice bag labelled with the sample ID numbers and sealed with a numbered banker's security tag. Between preparation and shipment, a period of up to four days, the rice bags containing the samples are stored in a secure area behind the core cutting area.

Eco Tech, the primary analytical laboratory used by Richfield, had ISO 9001:2008 certification. Eco Tech, located in Kamloops, BC, was acquired by ALS Minerals ("ALS") during 2011. ALS, which has been used as the primary analytical laboratory since July 2011, is ISO 9001:2008 accredited, and has ISO/IEC 17025:2005 accreditations.

Quality assurance / quality control ("QA/QC") protocols for the Richfield work included the insertion of certified reference material ("CRM"), a blank, and a quarter-hole duplicate into every set of 30 samples. The CRMs were produced by CDN Resource Laboratories Ltd. ("CDN Resources"), an independent laboratory in Langley, BC. In the New Gold QA/QC programs, one CRM standard is inserted every 20 samples, and one blank is inserted every 30 samples. As of October 2011, quarter-core field duplicates are no longer inserted. The reference standards acquired from CDN Resources were used until the end of 2011 and were phased out of the program by February 2012. Since then, CRMs are sourced from WCM Minerals, a division of WCM Sales Ltd. in Burnaby, B.C., and Geostats Pty, in WA, Australia.

Metallurgical Testing

Blackwater metallurgical testing programs were conducted on samples taken from site inventory of drill core generated in the exploration drilling program (2009–2011) and from four drill holes (2011) completed specifically to generate fresh core for metallurgical testwork. Compositing was based on oxidation state, rock type, and average gold and silver grades.

The main objectives of the metallurgical testing programs were to characterize the mineralization styles physically and chemically and to determine the amenability of the gold mineralization to gravity separation, flotation, and cyanidation. Results from these tests have been used as the basis for flowsheet development, process selection, and recovery forecast outlined in the Blackwater Report. The overall metallurgical program, which incorporates testwork from six laboratory locations in Canada and the USA, includes comminution, leaching, gravity, flotation, rheology, dewatering, and environmental characterization.

The PEA metallurgical test program was designed to provide information to assess the viability and advantages of four process options: whole ore leach ("WOL"); flotation, concentrate regrind, and leach; hybrid - flotation with concentrate leach for sulphide mineralized material and WOL for oxide and transition material; and heap leach

Comprehensive comminution data, which include Bond ball and rod mill work indices, abrasion indices, and JK breakage parameters, were produced during three programs: NGD004, NGD006 and NGD013. Within these programs, 94 SMC tests have been completed to provide the SAG mill breakage parameters, along with 98 Bond ball mill work indices and 20 Bond low energy impact crushing work indices. Data indicate that Blackwater material is hard, based on the JK Tech global database of material breakage characteristics, with oxide and transition material somewhat softer than the sulphide material.

Gravity concentration using a centrifugal concentration device was performed ahead of flotation in program RVC002 and ahead of whole ore leach in programs NGD007 and NGD008.

With the exception of the high-grade sample tested in the RVC001-Inspectorate program, all Blackwater sulphide samples leached with relatively consistent kinetics, with an average extraction of 86.5% in 24 hours and a plateau average extraction of 87.7% at 48 hours. Extraction results by oxidation state showed that higher extractions and faster kinetics were associated with oxide samples. Overall results also indicated that gold leached well in the levels of oxygen provided in the standard bottle roll procedure, which includes air sparging during conditioning.

Several series of testwork were completed, including flotation (with and without gravity pre-treatment), flotation concentrate regrinding, and subsequent leaching. For the flotation stage the work incorporated process variables of grind size, flotation time, and reagent scheme, and for the concentrate leach stage process variables of regrind size, leach time, cyanide concentration, and pulp density.

The testwork results were used to determine the relationship between oxidation state and recovery and to project the life-of-mine average metallurgical recoveries for whole ore leach of 87% gold recovery and 53% silver recovery.

Mineral Resource and Mineral Reserve Estimates

The Blackwater Project Mineral Resource estimate, effective December 31, 2012, is summarized in the "Measured and Indicated Mineral Resource estimates (inclusive of Reserves) as of December 31, 2012" and "Inferred Mineral Resource estimates as of December 31, 2012" tables.

The total sample database for the project contains results from 495 core holes totalling 166,163 metres drilled between 1987 and May 14, 2012. Of these, 451 holes have been drilled since the start of 2009, including 437 holes drilled to delineate the Blackwater Mineral Resource, seven holes drilled for metallurgical testing in 2011, and five geotechnical holes completed in 2012. Excluding the 32 holes for which results had not been received at the date of database close-out, a total of 417 holes totalling 147,619 m were used to support the grade estimations. Data from the remaining holes were used in the density and lithologic modelling. Due to lack of QA/QC and accurate survey information, holes drilled before 2009 were not used for statistical analysis or grade estimation of the PEA Mineral Resource, but were used in forming the lithological wire frame construction. Drilling is ongoing on the deposit.

Mining Operations

The results of the economic analyses discussed in this section represent forward-looking information as defined under Canadian securities law. The results depend on inputs that are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those presented here. Information that is forward-looking includes but is not limited to: the proposed mine production plan, project development schedules, projected recovery rates, infrastructure construction costs and proposed operating costs and assumptions that an economic analysis will be approved by Provincial and Federal authorities.

Mining Methods

The Blackwater deposit is being designed as a conventional open pit mining operation. Blackwater will use conventional mineral processing equipment to produce doré. The plant design is based on conventional technology and proven equipment, and the process design is based on metallurgical test work and is appropriate to the grind, flotation and recovery characteristics defined for the different mineralization types.

Recovery Methods

It is anticipated that mine feed will be delivered to a primary crusher that feeds a whole ore leach ("WOL") gold-silver recovery plant, with a milling rate of 60,000 metric tonnes per day (t/d), or 21.9 Mt per year (Mt/a).

Markets and Contracts

The Gold market is a mature global market, with reputable smelters and refiners located throughout the world. There are no smelting and refining contracts currently in place for the Blackwater Project.

Environmental conditions

New Gold is currently required to post reclamation security totalling approximately C$1.2 million in respect of security deposits for the Project's Mines Act Permit, gravel pit project and the adjacent Capoose property. As at December 31, 2012 the Company has posted this in the form of an irrevocable standby letter of credit. The undiscounted reclamation liability for the Project, as at December 31, 2012, was $14.9 million.

Tax Regime

The taxes applicable to the Blackwater Project include the British Columbia provincial income tax at a rate of 10.0% and Canadian federal income tax at a rate of 15%. The Blackwater Project is also subject to British Columbia mineral taxes as legislated by the *Mineral Tax Act* (British Columbia). The British Columbia mineral taxes are essentially a two tier tax with companies initially subject to net proceeds of tax of 2%, eventually transitioning to net revenue tax of 13% with a corresponding credit for the next proceeds tax. In February 2013, British Columbia announced an increase in the provincial income tax rate to 11%, commencing April 1, 2013.

Exploration and Development

Within the Blackwater deposit, potential exists to expand the known mineralization along the western and northwestern margins. Drilling at Blackwater is ongoing. From the PEA Resource cut-off date up, to September 14, 2012, an additional 377 holes and 100,363 metres of drilling has been completed. A review of the drill data available as of August 28, 2012, was performed to compare the results with the block model. Visual inspection of the drill holes against the block model indicated the results were generally consistent with the current interpretations as used in the model.

Elsewhere within the project area, surface geochemical sampling and exploration drilling have recently identified an area of favourable alteration and mineralization approximately 2.0 to 2.5 kilometres northwest of the Blackwater deposit.

Activity at the Blackwater Project in 2013 is expected to include further camp and infrastructure upgrades, ongoing consultation with local First Nations, continuation of the environmental assessment process. The Company is targeting completion of a Feasibility Study and Environmental Assessment Certificate Application for Blackwater in late 2013.

EL MORRO PROJECT, CHILE

The following disclosure relating to the El Morro Project is based, in part, on information derived from the technical report entitled "Technical Report for the El Morro Project, Region III, Chile," dated March 26, 2012 ("El Morro Report"). The El Morro Report is available for review under the Company's profile on SEDAR at www.sedar.com. See "Interests of Experts" for details of the Qualified Persons who prepared the El Morro Report and approved the following disclosure.

New Gold's 30% interest in the El Morro Project is held through its subsidiary Datawave Sciences Inc. ("Datawave").

Project Description, Location, Access and Other Information

The El Morro Project is a copper-gold development project located in Region III of northern Chile approximately 660 kilometres north of Santiago. The site covers 417 square kilometres, with the mine and plant operation proposed to be located 4,000 metres above sea level and the construction and operations camp at 3,680 metres above sea level. The site is accessible from the Chilean city of Vallenar via 129 kilometres of paved and unpaved roads. Resources and mining expertise are available in Vallenar and other cities in Region III. Goldcorp Inc. ("Goldcorp") is the project operator with a 70% interest in the project. New Gold holds the remaining 30% interest.

The El Morro Project comprises three centers of porphyry style copper-gold mineralization (the La Fortuna, El Negro and El Morro areas). Our 30% share of annual production is projected to be over 90 thousand ounces gold and 85 million pounds copper. No assurance can be given that such milestones will be met or production levels achieved.

The mine development plan contemplates: a new access route from the Pan American Highway; a new power substation with overhead transmission lines to the mine; and a concentrate filtration plant and seawater desalination plant to supply water to the mine, both adjacent to a port approximately 200 kilometres from the mine. Total capital required to achieve commercial production at the mine (100% basis) is estimated at approximately $3.9 billion.

The El Morro Project is located in a high altitude Cordilleran desert environment in the southern part of the Atacama Desert region and is devoid of any significant vegetation. The project's average monthly temperatures range from 0.4 degrees Celsius in July to 7.3 degrees Celsius in January. Annual precipitation is approximately 214 millimetres, occurring primarily as snow during the Andean winter months.

Mineral property summary

The El Morro Project comprises three mining exploration concessions (two of which are in process), 176 development concessions and 313 mining development concessions in process, all of which are under Goldcorp's protection and maintenance.

A portion of the El Morro Project is subject to a 2% NSR royalty which may be payable to two third-parties once production begins.

New Gold also holds a 30% interest in a 2% NSR in respect of any mining that occurs on certain mining exploitation concessions covering a combined area of 1,849 hectares of the El Morro Project. The remaining 70% interest in the NSR royalty is held by Xstrata Copper Chile S.A. ("Xstrata Chile").

Under Chilean law, sufficient title to develop a mining project consists of having easement rights and/or rights of way over the surface properties where the project pit and facilities will be emplaced. The surface rights for the on-site portion of the El Morro Project are owned principally by the Los Huasco Altinos Community, a grazing and livestock cooperative and Hacienda Jarilla. Strategic access to these properties has been partially secured through a judicial mining easement. Linear and other off-site infrastructure such as a concentrate pipeline, power lines, aqueducts, concentrate filtering and desalination plants are spread over properties where easement rights are partially secured.

Liens and litigation

Goldcorp is responsible for funding New Gold's share of development and construction capital for the El Morro Project (estimated at approximately $1.2 billion) under a carried funding loan to be repaid from project cash flows on completion of development and construction. At December 31, 2012, the outstanding carried funding loan balance was $65.2 million, including accrued interest.

During 2010, Barrick Gold Corp. ("Barrick") filed a lawsuit against New Gold, Goldcorp and Xstrata Chile and affiliated subsidiaries, disputing the legality of Goldcorp's acquisition of its 70% interest in the El Morro Project. On June 27, 2012, the Ontario Superior Court of Justice dismissed Barrick's claim. Based on the decision, the El Morro transaction between New Gold and Goldcorp, which closed on February 16, 2010, will stand. The period in which Barrick could have appealed this decision has expired. New Gold holds a fully carried 30 percent interest in the El Morro project and Goldcorp, the project developer and operator, holds the remaining 70 percent. Subsequent to the trial, the Company was awarded a $3.0 million dollar reimbursement of legal fees paid related to the claim.

Environmental requirements and liabilities

The Chilean Environmental Permitting Authority (the "Servicio de Evaluacion Ambiental" or "SEA") approved the El Morro Project's environmental permit in March 2011. A constitutional action was later filed against SEA in May 2011 by the Comunidad Agrícola Los Huasco Altinos ("CAHA") seeking annulment of the environmental permit. El Morro, the Chilean company jointly held by us and Goldcorp and which owns and operates the El Morro Project, participated in the legal proceedings as an interested party and beneficiary of the environmental permit. In February 2012, the Court of Appeals of Antofagasta ruled against approval of the environmental permit, for the primary reason that SEA had not adequately consulted or compensated the indigenous people that form the CAHA. SEA and El Morro appealed the ruling, however the ruling was confirmed by the Supreme Court of Chile on April 27, 2012. On June 22, 2012, SEA initiated the administrative process to address the deficiencies identified by the Chilean Court.

History

Small scale mining activity in the immediate vicinity of the El Morro Project dates back to at least 1931, based on a report that mentions the abandoned Piuquenes (now El Morro), La Fortuna, Potrerillo and Cantarito copper and gold vein mines. In 1964, the Cayo Ardiles family claimed the Santa Julia rights at La Fortuna, and in 1984 Rene Martin and Osvaldo Frias claimed the Cantarito (95 ha) and Tronquito (65 ha) properties periphera to the Santa Julia rights. In 1987-1988, Leonel Polgatti and Compania Minera del Pacifico conducted geological and geochemical exploration for precious metal epithermal deposits at Piuquenes (El Morro) and La Fortuna.

During the period 1992-1994, BHP Billiton Limited ("BHP"), acquired mining claims surrounding the Santa Julia and Cantarito-Tronquitos properties. BHP conducted geophysics, geochemistry, geologic mapping and both RC and core drilling on its properties. At La Fortuna, 3,567 metres were drilled. At Cantarito and El Negro, 1,376 metres and 100 metres were drilled, respectively. The mineralization at La Fortuna as the structurally controlled, high-sulphidation portion of a porphyry copper-gold system. An estimated Resource was identified but the project was shelved for failing to meet BHP's deposit size and grade objectives.

In 1997, Minera Metallica Limitada optioned the El Morro property from BHP and in 1999 signed a joint venture agreement with Noranda Chile Ltda. ("Noranda"), ultimately reducing Metallica's interest to 30%. Noranda's activities at the El Morro Project were built on by successor companies Falconbridge Ltd. ("Falconbridge") and Xstrata Chile. In 2009, New Gold entered into a plan of arrangement with Metallica and subsequently purchased Xstrata Chile's 70% share of the property after exercise of a right of first refusal. New Gold subsequently sold the 70% interest to Goldcorp in February 2010, leaving the Company with its current 30% interest.

Geological Setting and Mineralization

The El Morro Project is located along the southernmost extension of the Eocene-Oligocene porphyry copper belt of northern Chile, host to some of Chile's most prolific mining districts. The project is within a 16 kilometre wide graben structure containing Paleozoic to Permian—Triassic basement rocks. The western edge of the graben occupies the southern extension of the Domeyko fault system, the main controlling structural feature for the porphyry copper belt. Basement rocks within the graben are principally covered by Mesozoic and Cenozoic stratified sedimentary and volcanic rocks. At El Morro, these units are intruded by a cluster of calc-alkalic granodioritic to dioritic porphyry stocks and dikes emplaced at the intersection of two regional fault systems. Younger Tertiary age post-mineral volcanic rocks and gravels locally overlie older rocks and may conceal additional prospective porphyry centers.

Three "belts" of eastward younging Eocene-Oligocene intrusives occur in the El Morro district. The central group is a cluster of variably altered porphyritic stocks, dykes and sills associated with the altered/mineralized zones of El Negro, La Fortuna, Cantaritos and El Morro. To date, Mineral Resources have been defined in the La Fortuna and the namesake El Morro areas.

La Fortuna is a typical copper-gold porphyry deposit. Mineralization occurs within and around a vertical cylinder-shaped igneous intrusive body of granodioritic to dioritic composition emplaced at a major fault intersection within the older volcanic and sedimentary rocks. Copper-gold mineralization occurs as stockwork veins containing pyrite, magnetite and variable amounts of copper-bearing sulphide minerals (chalcopyrite, bornite, and chalcocite). Molybdenum content is negligible.

The La Fortuna ore body is columnar in shape and open at depth. Overall dimensions are 800 metres by 600 metres by at least 1000 metres. The deposit comprises an upper oxidized zone of barren to weak “leached” copper-gold mineralization, an intermediate zone of secondarily enriched copper sulphides (“supergene blanket”) and associated gold mineralization, and a deep zone of primary “hypogene” copper-gold sulphides. Potentially economic portions of the La Fortuna Mineral Resource occur entirely within the secondary supergene and primary hypogene sulphide zones.

Exploration and Drilling

In 1997, Metallica optioned BHP’s El Morro properties and claimed adjacent exploration ground to the west in the namesake El Morro area. From 1997 to 1999, Metallica conducted general reconnaissance, geochemical and geophysical studies, and drilled 18 RC and core holes totalling 3,713 metres in the project area. The work identified a zone of prospective secondary enriched copper sulphide in the namesake El Morro area.

In September 1999, Metallica entered a joint venture with Noranda. Noranda conducted diamond drilling on 200 metre centers in the namesake El Morro area to further delineate the mineralized zone discovered by Metallica. Although a few minor intrusive dikes were intersected during drilling, all mineralization encountered in the area to date is hosted within volcanosedimentary country rocks which are believed to overlie a buried porphyry intrusive source for the mineralization.

Attention turned to the La Fortuna area where reconnaissance drilling in 2000 confirmed the presence of a well mineralized copper and gold-bearing porphyry intrusive. Exploration during the period 2000-2006 resulted in 146 holes totalling 60,000metres at La Fortuna, 14 holes totalling 4,043 metres drilled at El Morro, 26 holes totalling 6,651 metres at El Negro, and two holes totalling 634 metres at Cerro Colorado. Additionally, magnetic and electrical IP-Resistivity geophysical surveys and geochemical soil sampling and chip sampling were conducted over all mineralized areas providing further support for continued exploration in the future.

Exploration concluded in 2007 with a 14-hole infill drilling program to upgrade a portion of the La Fortuna Mineral Resource to “measured” classification status and improve the quality of the Mineral Reserve and mine plan within the open pit design.

The central sulphide portion of the deposit, drilled on a 55 by 55 metre grid, approximates the portion of the Mineral Resource classified as “Measured”. Its dimensions are roughly 450 metres east-west by 650 metres north-south by 450 metres deep. It is surrounded by a 200 metre wide ring, drilled on nominal 100 to 150 metre spacing, approximating the “Indicated” portion of the Resource.

The sulphide mineralization within the secondary enrichment zone (supergene blanket) and the underlying primary hypogene zone compose the bulk of the copper-gold Resource and are well delineated by drilling to a depth of approximately 600 metres. Deeper portions of the copper-gold Resource, occurring entirely in primary hypogene mineralization, have been only partially delineated. Nine deep holes drilled in October and November of 2006 show copper and gold grades increasing at deeper levels with no indication of diminishing grade at the bottom of the holes.

All exploration programs conducted at El Morro during the period 1997 through 2006 was conducted under the direction of experienced employees of the various operating companies described. The work was performed by the combined efforts of Company technical personnel or by independent contractors operating under the direct supervision of the latter.

Sampling and Analysis

Resource estimates for the La Fortuna deposit principally derive from Noranda-Falconbridge diamond drill programs where core was sampled at two metre intervals and drilling was otherwise conducted according to standard industry practices. A portion of the remaining core was preserved for reference in offsite storage facilities. Samples were always attended or locked in the on-site sample dispatch facility. There was no formal sample security program established for El Morro drilling programs due to the remote nature of the site and the low gold grades.

Density samples were systematically collected from drill core beginning in 2002. The density data represent the major lithologies, mineralization types and alteration units present at La Fortuna and provide good spatial coverage throughout the La Fortuna Mineral Resource.

Several primary assay laboratories have been used for routine analyses over the project history. From 1997 onwards these comprised Actlabs S.A. (Coquimbo and La Serena, Chile), Bondar Clegg (Coquimbo) and ACME Analytical Laboratorios S.A. (Santiago).

Samples were prepared according to standard industry practice. Additional information on sample preparation is available in the El Morro Report as well as El Morro technical reports previously published. Analytical techniques during early programs comprised geochemical analysis for copper and molybdenum and fire assay with an AA finish for gold. Beginning in 2005, copper, silver and molybdenum were analyzed by four-acid digest -AA techniques. Gold was analyzed via fire assay with an AA finish. From February 2006, analysis for arsenic was routinely included.

Neither the Metallica nor the BHP drilling programs included quality assurance/quality control samples. These programs were conducted before the discovery of the La Fortuna deposit by Noranda. According to the results of the QA/QC programs, the sample preparation and assaying have acceptable precision and no apparent bias. The QA/QC program methodology and results have been checked and validated by internal and external reviews. The authors of the El Morro Report, believe the assays from the drilling program and the associated QA/QC procedures, which included the regular insertion of blind reference standards and blanks, meet the standards required for Reserve and Resource calculations for a feasibility level study.

A number of data verification programs and audits have been undertaken over the project history, including: multiple assay database audits; a downhole survey database audit; and an independent review by AMEC assessing the ability of the proposed database to support feasibility-level studies. These programs indicate that the assay database is capable of supporting the Mineral Resource and Mineral Reserve estimations.

Mineral Resource and Mineral Reserve Estimates

The updated El Morro Project Mineral Resource and Reserve estimates as of December 31, 2012 are summarized in the “Measured and Indicated Mineral Resource estimates (inclusive of Reserves) as of December 31, 2012,” “Inferred Mineral Resource estimates as of December 31, 2012” and “Mineral Reserve estimates as of December 31, 2012” tables, respectively. See “Summary of Mineral Reserve and Mineral Resource estimates.”

The Mineral Resource estimate is supported by 214 diamond and 67 RC drill holes totalling 101,957 metres. Pit optimization is based on a cut-off at $2.75 per pound copper and $1,200 per troy ounce gold. The corresponding cut-off grade is approximately 0.20% copper.

Mining Operations

The El Morro Project will be developed as an open pit mine truck and shovel operation, supplying material for crushing and processing in a copper flotation mill producing a copper-gold concentrate. Planned production is approximately 90 thousand tonnes of ore per day, equating to an annual average production of approximately 486 thousand dry tonnes per year of copper concentrate containing over 300 million pounds of copper and 300 thousand ounces of gold on a 100% project basis. No assurance can be given that such production levels will be achieved.

Mining methods

Open pit mining is expected to be carried out with haul trucks and a combination of rope and electric shovels, excavators, and large front-end loaders. The mine is planned to be constructed with 15 metre benches, ramp and step-out widths of 38 metres, and with about 180 metres between ramps. The primary crusher should be situated adjacent to the pit rim. Crushed ore should be transferred to the concentrator by conveyor. The main waste rock facility is to be located to the south of the open pit. The tailings storage facility is planned to be located to the south and west of the open pit and downstream of the main waste rock facility.

Recovery methods

There are five distinct ore types identified at the El Morro Project. Copper and gold will be recovered via flotation. Average projected rates of recovery are approximately 85% copper and 67% gold.

The proposed plant design is conventional for the copper industry, and uses some of the largest processing machinery currently available. Plant design includes a crushing plant, SAG circuit, pebble crusher, rougher flotation and regrind circuit, and cleaner and scavenger flotation banks.

Concentrate will be transferred via pipeline to a concentrate filter plant located at the port facility about 200 kilometres from site. Tailings from the plant will be thickened, and gravity-fed to the tailings storage facility.

Markets and contracts

Gold and copper markets are mature global markets with reputable smelters and refiners located throughout the world. There are no smelting and refining contracts currently in place for the El Morro Project.

Environmental conditions

Total closure costs at the El Morro Project are estimated to be in the range of $25 million net of the salvage value of the assets. Chile does not require reclamation and closure bonding. The El Morro Project has been designed to satisfy applicable international requirements, but further review will be required as the El Morro Project moves forward and activities and estimates will need to be adjusted to account for actual site conditions at closure.

Tax Regime

The principal corporate taxes levied in Chile are a general income tax and a value-added tax (VAT). The economic model assumes income taxes at the Chilean tax rate of 17% of net income and no VAT, as it is assumed that the mine owners would be exempt as exporters.

In 2010, Chile introduced new legislation that increased the mining tax rate for large mines from a 5% fixed rate to a progressive tax regime with rates ranging from 5% to 14% depending on the mining operating profit margin in a given taxation year. The mining operating profit margin is defined as the taxable income of the operation divided by the gross mining revenue of the operation. During 2011, Goldcorp filed a new D.L. 600 application that provides fiscal stability to both Goldcorp and the Company. The D.L. 600 also prevents the new legislation from applying to the El Morro Project for the first 15 years of production.

Mine life analysis

The El Morro mine is expected to have a base 17 year mine life. Life of mine cash costs are expected to be approximately negative ($700) per ounce of gold on a copper by-product basis and approximately $550 per ounce of gold and $1.45 per pound of copper on a co-product basis.

Exploration and Development

On receiving the Supreme Court's decision against approval of the environment permit, El Morro immediately suspended all project field work being executed under the terms of the environmental permit. During the period of temporary suspension, Goldcorp, the project developer and operator, is focusing on supporting the advancement of the consultation process, evaluating potential future exploration targets and optimizing project economics including sourcing of a long-term power supply.

RISK FACTORS

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in the forward-looking information relating to the Company.

The following risk factors should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business. Any of the following risks could have a material adverse effect on the Company, its business and future prospects. In addition, other risks and uncertainties not presently known by management of the Company could impair the Company, its business and prospects in the future.

Changes in Metal Prices

The Company's earnings and cash flows are subject to risk due to fluctuations in the market price of gold, silver and copper. World gold prices have historically fluctuated widely. World gold prices are affected by numerous factors beyond the Company's control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations;
- global or regional political or economic crises;
- the relative strength of the U.S. dollar and other currencies;
- expectations with respect to the rate of inflation;
- interest rates;
- purchases and sales of gold by central banks and other large holders, including speculators;
- demand for jewelry containing gold; and
- investment activity, including speculation, in gold as a commodity.

The price of gold was $1,664 per ounce as at December 31, 2012, a 5.7% increase compared to December 30, 2011. Future metal price declines could cause continued development of, and commercial production from, the Company's properties to be uneconomic. Depending on the price of gold, copper and silver, the Company's cash flow from mining operations may be insufficient to meet its operating needs, and as a result we could be forced to discontinue production and could lose our interest in, or be forced to sell, some or all of our properties. Reserve calculations and mine plans using significantly lower gold, silver, copper and other metal prices could result in significant reductions in Mineral Reserve and Resource estimates and revisions in the Company's life-of-mine plans, which in turn could result in material write-downs of our investments in mining properties and increased depletion, reclamation and closure charges. In addition, metal price fluctuations create adjustments to the provisional prices of sales made in previous periods that have not yet been subject to final pricing, and these adjustments could have an adverse impact on the Company's financial results and financial condition. Any of these factors could result in a material adverse effect on the Company's results of operations and financial condition.

In addition to adversely affecting the Company's Reserve and Resource estimates and our financial condition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays and/or may interrupt operations until the reassessment can be completed, which may have a material adverse effect on the Company's results of operations and financial condition.

As part of the business combination between the Company and Western Goldfields Inc. in mid-2009, the Company acquired gold contracts that require us to sell the gold subject to such contracts at a price of $801 per ounce. On May 27, 2009, the Company assumed liability for gold forward sales contracts for 374 thousand ounces of gold at such price.

As at December 31, 2012, the remaining gold contracts are for a total of 132 thousand ounces with a commitment to deliver 5.5 thousand ounces per month for 24 months, with the last commitment deliverable in December 2014.

From time to time the Company engages in commodity hedging transactions intended to reduce the risk associated with fluctuations in commodity prices, but there is no assurance that any such commodity-hedging transactions designed to reduce the risk associated with fluctuations in metal prices will be successful. Hedging may not protect adequately against declines in the price of the hedged metal. Furthermore, although hedging may protect the Company from a decline in the price of the metal being hedged, it may also prevent us from benefiting from price increases.

Foreign Operations

The Company's mining operations are currently conducted in the United States, Mexico, Australia and Canada, and we have development projects underway in Canada and Chile. As a result of our activities in multiple jurisdictions we are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary for each country and include, but are not limited to: fluctuations in currency exchange rates; high rates of inflation; labour unrest; environmental controls and permitting; restrictions on the use of land and natural resources; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; corruption; unstable legal systems; changes in taxation policies; changes in mining policies; restrictions on foreign exchange and repatriation; changing political conditions, social unrest, currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction; and other risks arising out of foreign sovereignty issues.

Changes, if any, in mining or investment policies or shifts in political attitude in these countries could adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by:

- government regulations including, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety; and

- the lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Furthermore, in the event of a dispute arising from our activities, the Company may be subject to the exclusive jurisdiction of courts outside of North America or may not be successful in subjecting persons to the jurisdiction of courts in North America, either of which could unexpectedly and adversely affect the outcome of a dispute.

Government Regulation

The mining, processing, development and exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have an adverse effect on the Company's financial position and results of operations. Any such amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation, could have a material adverse impact on the Company, such as increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties, or could require abandonment or delays in the development of new mining properties. Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against the Company, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. For example, the Company could be forced to compensate those suffering loss or damage by reason of our mining activities and could face civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such regulatory or judicial action could materially increase the Company's operating costs and delay or curtail the Company's operations.

Permitting

The Company's operations in the United States, Mexico, Australia and Canada and our development projects in Canada and Chile are subject to receiving and maintaining licences, permits and approvals from appropriate governmental authorities. There have in the past been challenges to our permits that were temporarily successful and delays in the renewal of certain permits. There is no assurance that delays will not occur in connection with obtaining necessary renewals of such authorizations for our existing operations, additional licences, permits and approvals for future operations, or additional licences, permits and approvals associated with new legislation. Before any development on any of our properties, the Company must receive licences, permits and approvals from appropriate governmental authorities. There can be no assurance that the Company will receive or continue to hold all authorizations necessary to develop or continue operating at any particular property. An inability to conduct our mining operations pursuant to applicable authorizations would materially reduce our production and cash flow and could undermine our profitability.

The Chilean Environmental Permitting Authority ("Servicio de Evaluación Ambiental" or "SEA") approved the El Morro Project's environmental permit in March 2011. However, a constitutional action was filed against the SEA in May 2011 by the Comunidad Agricola Los Huasco Altinos ("CAHA") seeking annulment of the environmental permit. Sociedad Contractual Mineral El Morro ("El Morro"), the Chilean company jointly held by the Company and Goldcorp, which owns and operates the El Morro Project, participated in the legal proceedings as an interested party and beneficiary of the environmental permit. In February 2012, the Court of Appeals of Antofagasta ruled against approval of the environmental permit, for the primary reason that the SEA had not adequately consulted or compensated the indigenous people that form the CAHA. SEA and El Morro appealed the ruling; however, the ruling was confirmed by the Supreme Court of Chile on April 27, 2012. Based on the Supreme Court's decision, El Morro immediately suspended all project field work being executed under the terms of the environmental permit. On June 22, 2012, SEA initiated the administrative process to address the deficiencies identified by the Chilean Court. However, despite these and other steps taken, the environmental permit may not be approved, or may not be approved in a timely manner or on acceptable terms, which could result in a material delay in the development of the El Morro Project and/or additional costs to complete such development, any of which could adversely affect our future cash flows, results of operations or financial condition.

In addition, there have been a number of challenges relating to our environmental impact statement ("EIS") for the Cerro San Pedro Mine. While a new EIS was granted for Cerro San Pedro Mine in August 2011, it is subject to a number of ongoing conditions and there is a lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law.

El Morro Development Risk

The El Morro Project is in its development phase and subject to numerous risks including, but not limited to, obtaining permits required to commence construction, changes in environmental or other government regulations and financing risks. In particular, the El Morro Project's environmental permit has not been approved and is currently being disputed. See "Permitting" above. There can be no assurance that the development of the El Morro Project will continue in accordance with current expectations or at all.

Exploration, Development and Operating Risk

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, silver and copper including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, fire, metal loses, periodic interruption due to inclement or hazardous weather conditions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although we believe that appropriate precautions to mitigate risk are taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

Although the Company's activities are primarily directed towards mining operations and the development of mineral deposits, our activities also include the exploration for and development of mineral deposits.

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company or any of our partners will result in a profitable commercial mining operation.

Mining, processing, development and exploration activities depend, to our degree or another on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, or government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Whether a mineral deposit will be commercially viable depends on a number of factors, including but not limited to: the particular attributes of the deposit, such as size, grade, metallurgy and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company being unable to receive an adequate return on invested capital.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

The figures for Mineral Reserves and Mineral Resources contained in this Annual Information Form are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves could be mined or processed profitably. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the Mineral Reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold, silver or copper recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in gold and copper prices, results of drilling, metallurgical testing and production and the evaluation of mine plans after the date of any estimate may require revision of such estimate. The volume and grade of Reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of Mineral Reserves and Mineral Resources, or of the Company's ability to extract these Mineral Reserves, could have a material adverse effect on the Company's results of operations and financial condition.

Uncertainty Relating to Inferred Mineral Resources

Inferred Mineral Resources are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Proven and Probable Mineral Reserves as a result of continued exploration.

Blackwater Project Development Risk

The preliminary economic assessment ("PEA") for the Blackwater Project is preliminary in nature and includes Indicated and Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA will be realized. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.

The PEA for the Blackwater Project is an early stage estimate that does not have sufficient certainty to constitute a pre-feasibility study or a feasibility study. We have not completed pre-feasibility or feasibility level work and analysis that would allow us to declare Proven or Probable Mineral Reserves at the Blackwater Project, and no assurance can be given that we will ever be in a position to declare a Proven or Probable Mineral Reserves at the Blackwater Project. In particular, the PEA for the Blackwater Project contains our estimated capital costs and operating costs which are based on anticipated tonnage and grades of metal to be mined and processed, the expected recovery rates and other factors, none of which has been completed to date to a pre-feasibility study or a feasibility study level. Whether we complete a feasibility study on the Blackwater Project, and thereby delineate Proven or Probable Mineral Reserves, depends on a number of factors, including:

- the particular attributes of the deposit (including its size, grade, geological formation and proximity to infrastructure);
- metal prices, which are highly cyclical;
- government regulations (including regulations relating to taxes, royalties, land tenure, land use and permitting); and
- environmental protection considerations.

We cannot determine at this time whether any of our estimates will ultimately be correct or that the Blackwater Project will prove to be economically viable. Therefore, it is possible that Mineral Reserves will never be identified at the Blackwater Project, which would inhibit our ability to develop the Blackwater Project into a commercial mining operation, and in turn would have a material adverse effect on our results of operations and financial condition.

Need for Additional Mineral Reserves and Mineral Resources

Because mines have limited lives based on Proven and Probable Mineral Reserves, we must continually replace and expand our Mineral Reserves and Mineral Resources. The life-of-mine estimates included in this Annual Information Form for each of our operating mines are based on our best estimate given the information available to us. These estimates may not be correct. The Company's ability to maintain or increase its annual production of gold, silver and copper depends in significant part on its ability to find and/or acquire new Mineral Reserves and Mineral Resources and bring new mines into production, and to expand Mineral Reserves and Mineral Resources at existing mines.

The Company's Mineral Reserves and Mineral Resources and the corresponding grades are estimates, and such estimated Reserves, Resources and grades may not prove accurate and the indicated level of gold, silver and/or copper or any other mineral may never be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted, and any material inaccuracy in the estimated Reserves, Resources, grade or stripping ratio at our properties may affect the economic viability of the Company's properties.

Aboriginal Title Claims and Rights

Governments in many jurisdictions must consult with Aboriginal peoples with respect to grants of mineral rights and the issuance or amendment of project authorizations. Consultation and other rights of Aboriginal people may require accommodations, including undertakings regarding employment, royalty payments and other matters. This may affect our ability to acquire within a reasonable time frame effective mineral titles, permits or licenses in these jurisdictions, including in some parts of Canada, the United States, Australia and Chile in which Aboriginal title or other rights are claimed, and may affect the timetable and costs of development of mineral properties in these jurisdictions. The risk of unforeseen Aboriginal title claims also could affect existing operations as well as development projects. These legal requirements may also affect our ability to expand or transfer existing operations or to develop new projects.

Acquisition and Integration Strategy

As part of New Gold's business strategy, we have sought and will continue to seek new operating and development opportunities in the mining industry. In pursuit of such opportunities, we may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into New Gold. The Company cannot assure that we can complete any acquisition or business arrangement that we pursue, or are pursuing, on favourable terms, if at all, or that any acquisitions or business arrangements completed will ultimately benefit our business. Further, any acquisition the Company makes will require a significant amount of time and attention of our management, as well as resources that otherwise could be spent on the operation and development of our existing business.

Any future acquisitions would be accompanied by risks, such as a significant decline in the relevant metal price after the Company commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of our ongoing business; the inability of management to realize anticipated synergies and maximize the Company's financial and strategic position; the failure to maintain uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; and the potential for unknown or unanticipated liabilities associated with acquired assets and businesses, including tax, environmental or other liabilities. There can be no assurance that any business or assets acquired in the future will prove to be profitable, that we will be able to integrate the acquired businesses or assets successfully or that it will identify all potential liabilities during the course of due diligence. Any of these factors could have a material adverse effect on our business, expansion, results of operations and financial condition.

Exploration and Development

The exploration and development of natural resources involve a high degree of risk and few properties which are explored are ultimately developed into producing properties. Although the Mineral Resource and Reserve figures have been carefully prepared and reviewed, these amounts are estimates only, and no assurance can be given that an identified Mineral Resource will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays and/or may interrupt operations until the reassessment can be completed, which may have a material adverse effect on the Company's results of operations and financial condition.

Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in Reserves or Resources, grades, dilution estimates or recovery rates may affect the economic viability of a project.

The estimated Mineral Reserves and Mineral Resources described in this Annual Information Form should not be interpreted as assurances of mine life or of the profitability of future operations. The long-term profitability of the Company's operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish Mineral Resources through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

Reclamation Costs

The Company's operations are subject to reclamation plans that establish our obligations to reclaim properties after minerals have been mined from a site. These obligations represent significant future costs for the Company. As at December 31, 2012, the total estimated undiscounted reclamation liability for New Gold's mines was approximately $92 million. Reclamation bonds or other forms of financial assurance are often required to secure reclamation activities. Governing authorities require companies to periodically recalculate the amount of a reclamation bond and may require bond amounts to be increased. It may be necessary to revise the planned reclamation expenditures and the operating plan for a mine in order to fund an increase to a reclamation bond. Reclamation bonds represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine operation. The actual costs of reclamation set out in mine plans are estimates only and may not represent the actual amounts that will be required to complete all reclamation activity. If actual costs are significantly higher than the Company's estimates, then our results from operations and financial position could be materially adversely affected.

Foreign Currency Exchange Rates

New Gold's assets are located in Mexico, Australia, Canada and Chile, as well as in the United States. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk the Company faces can be categorized as follows:

- *transaction exposure*: our operations sell commodities and incur costs in different currencies. This creates exposure at the operational level, which may affect its profitability as exchange rates fluctuate;

- *exposure to currency risk*: we are exposed to currency risk through a portion of the following assets and liabilities denominated in currencies other than the U.S. dollar: cash and cash equivalents, investments, trade and other receivables, reclamation deposits, trade and other payables, reclamation and closure cost obligations and long-term debt; and

- *translation exposure*: our functional and reporting currency is U.S. dollars. On July 31, 2012, following the declaration of commercial production at the New Afton Mine, we changed the functional currency of the New Afton Mine and Blackwater Project from Canadian dollars to U.S. dollars (although many of our operating expenses at the New Afton Mine and Blackwater Project continue to be incurred in Canadian dollars). Certain of our operations have assets and liabilities denominated in currencies other than the U.S. dollar, with translation foreign exchange gains and losses included from these balances in the determination of profit or loss. Therefore, exchange rate movements in the Mexican peso, Australian dollar, Canadian dollar and Chilean peso can have a significant impact on the Company's consolidated operating results.

As a result, fluctuations in currency exchange rates could significantly affect our business, financial condition, results of operations and liquidity.

Global Financial Conditions

Global financial conditions have been subject to continued volatility. Government debt and the risk of sovereign defaults in many countries have been causing significant uncertainties in the markets. High levels of volatility and market turmoil could adversely impact commodity prices, exchange rates and interest rates and have a detrimental effect on the Company's business.

Taxation

We have operations and conducts business in a number of different jurisdictions and we are subject to the taxation laws of each such jurisdiction. These taxation laws are complicated and subject to change, as well as review and assessment in the ordinary course. Any such changes in taxation law or reviews and assessments could result in higher taxes being payable by the Company, which could adversely affect our profitability. Taxes may also adversely affect the Company's ability to repatriate earnings and otherwise deploy its assets.

Financing Risks

The Company's mining, processing, development and exploration activities may require additional external financing. Failure to obtain sufficient financing could result in the delay or indefinite postponement of exploration, development or production on any or all of our projects. The cost and terms of such financing may significantly reduce the expected benefits from new developments and/or render such developments uneconomic. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable.

Joint Projects

The Company holds a 30% interest in the El Morro Project, with Goldcorp holding the remaining 70% interest, and may enter into similar partnerships or joint ventures in the future with other third parties. There are a variety of risks associated with joint projects, including, without limitation:

- disagreement with a counterparty about how to develop, operate or finance a project;
- that a counterparty may at any time have economic or business interests or goals that are, or become, inconsistent with the Company's business interests or goals;
- that a counterparty may not comply with the agreement;
- the possibility that a counterparty might become bankrupt;
- that a counterparty may be in a position to take action contrary to the Company's instructions, requests, policies, objectives or interests;
- possible litigation with a counterparty about joint venture matters;
- the Company's inability to exert control over decisions relating to a joint venture in which it does not hold a controlling interest, such as the El Morro Project; and
- the possibility that the Company may not be able to sell its interest in a joint venture if it wants to exit the joint venture.

These risks could result in legal liability or affect the Company's ability to develop or operate a joint project, either of which could have a material adverse effect on its future growth, results of operations and financial position.

Infrastructure and supply of goods and services

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, community, government or other interference in the maintenance or provision of such infrastructure could adversely affect our operations, financial condition and results of operations.

Disruptions in the supply of products or services required for our activities could also adversely affect our operation, financial condition and results of operations. In particular, due to the limited number of suppliers of sodium cyanide in each jurisdiction in which the Company operates, a delay in supply, a force majure event or a breach of contract by one of the Company's sodium cyanide suppliers could result in delays in processing times which may adversely affect operations results.

Operation and production costs

Mining operations and facilities are intensive users of electricity and carbon-based fuels. Energy prices can be affected by numerous factors beyond the Company's control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices for which the Company is not hedged could materially adversely affect its operations results and financial condition.

The Company's production costs are also affected by the prices of commodities it consumes or uses in our operations, such as lime, sodium cyanide and explosives. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside our control. Increases in the price for materials consumed in our mining and production activities could materially adversely affect our operations results and financial condition.

Environmental Risks

The Company is subject to environmental regulation in the United States, Mexico, Australia and Canada where we operate, as well as in Canada and Chile with respect to our development properties. In addition, the Company will be subject to environmental regulation in any other jurisdictions in which we may operate or have development properties. These regulations mandate, among other things, the maintenance of air and water quality standards, land use standards and land reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid, liquid and hazardous waste.

Environmental legislation is evolving in a manner which will require, in certain jurisdictions, stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. No certainty exists that future changes in environmental regulation, if any, will not adversely affect the Company's operations or development properties. Environmental hazards may exist on the Company's properties which are unknown to management at present and which have been caused by previous owners or operators of the properties.

New Gold may also acquire properties with known or undiscovered environmental risks. Any indemnification from the entity from which the Company acquires such properties may not be adequate to pay all the fines, penalties and costs (such as clean-up and restoration costs) incurred related to such properties. Production at New Gold's mines involves the use of various chemicals, including certain chemicals that are designated as hazardous substances, including sodium cyanide. Some of our properties have also been used for mining and related operations for many years before we acquired them and were acquired as is or with assumed environmental liabilities from previous owners or operators. The Company has been required to address contamination at its properties in the past and may need to continue to do so in the future, either for existing environmental conditions or for leaks or discharges that may arise from its ongoing operations or other contingencies including a recent Australian Environment Protection Authority investigation at Peak Gold Mines relating to a discharge that occurred in November and December 2011. Contamination from hazardous substances, either at the Company's own properties or other locations for which it may be responsible, may subject us to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources. The occurrence of any of these adverse events could have a material adverse effect on the Company's future growth, results of operations and financial position.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent that such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing our mining operations or from proceeding with planned exploration or development of mineral properties.

Failure by the Company to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of our mining operations or its exploration or development of mineral properties and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Production at certain of the Company's mines involves the use of sodium cyanide which is a toxic material. Should sodium cyanide leak or otherwise be discharged from the containment system, we may become subject to liability for cleanup work that may not be insured. While appropriate steps will be taken to prevent discharges of pollutants into the ground water and the environment, the Company may become subject to liability for hazards against which we may not be insured against and such liability could be material.

Insurance and Uninsured Risks

Our business is subject to a number of risks and hazards generally including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena, such as inclement weather conditions, floods, hurricanes and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to our properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although we maintain insurance to protect against certain risks in such amounts as we consider being reasonable, our insurance will not cover all the potential risks associated with a mining company's operations. We may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration and production is not generally available to us or to other companies in the mining industry on acceptable terms. We might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect on our financial performance and results of operations.

Climate Change Risks

Many governments are moving to enact climate change legislation and treaties at the international, national, state, provincial and local levels. Where legislation already exists, regulations relating to emission levels and energy efficiency are becoming more stringent. Some of the costs associated with meeting more stringent regulations can be offset by increased energy efficiency and technological innovation. However, if the current regulatory trend continues, meeting more stringent regulations is anticipated to result in increased costs.

Sea level rise: Our operations are not directly threatened by current predictions of sea level rise. All of our operations are located inland at elevations from 100 metres to 4,000 metres above sea level. However, changes in sea levels could affect ocean transportation and shipping facilities, which are used to transport supplies, equipment and personnel to the Company's operations and products from those operations to world markets.

Extreme weather events: Extreme weather events (such as increased frequency or intensity of hurricanes, increased snow pack, prolonged drought) have the potential to disrupt operations at our mines. Where appropriate, our facilities have developed emergency plans for managing extreme weather conditions; however, extended disruptions to supply lines due to extreme weather could result in production interruptions.

Labour and Employment Matters

We have approximately 300 employees that belong to a union at the Cerro San Pedro Mine. Relations between us and our employees may be impacted by changes in the scheme of labour relations, which may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business. Negotiations for a new collective agreement at the Cerro San Pedro Mine were successfully completed in January 2013. Adverse changes in the schemes of labour relations in different jurisdictions or in the relationship between us and our employees may have a material adverse effect on our business, results of operations and financial condition.

Litigation and Dispute Resolution

We may be subject to legal claims, with and without merit. Defense and settlement costs may be substantial, event with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on our future cash flows, results of operations of financial condition.

Title to Some of the Company's Mineral Properties may be Challenged or Defective

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of such properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interest, including prior unregistered liens, agreements, transfers or claims, including aboriginal land claims, and title may be affected by, among other things, undetected defects. As a result, we may be constrained in our ability to operate our properties or unable to enforce our rights with respect to our properties. An impairment to or defect in our title to our properties could have a material adverse effect on our business, financial condition or results of operations.

Competition

The mining industry is competitive in all of its phases. New Gold faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than we do. As a result of this competition, we may be unable to maintain or acquire attractive mining properties on acceptable terms or at all. Consequently, our revenues, operations and financial condition could be materially adversely affected.

Retention of Key Personnel

The Company's business is dependent on retaining the services of a number of key personnel of the appropriate calibre as the business develops. Our success is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management, and the loss of one or more of such persons could have a materially adverse effect on the Company. The Company does not maintain any key man insurance with respect to any of its officers or directors.

In addition, the conduct of the Company's operations is dependent on access to skilled labour. Access to skilled labour may prove particularly challenging where our mining operations are conducted in remote locations. Shortages of suitably qualified personnel could have a material adverse effect on our business, cash flows and results of operations.

Conflicts of Interest

Certain of our directors and officers also serve as directors and/or officers of other companies involved in natural resource exploration and development, and consequently there exists the possibility for such directors and officers to have interests that conflict with our interests. Situations may arise in connection with potential investments where the other interests of the Company's directors conflict with its interests. As such, conflicts of interest may arise that may influence these persons in evaluating possible acquisitions or in generally acting on our behalf, as they may pursue opportunities that would then be unavailable to us. In the event that our directors are subject to conflicts of interest, there may be a material adverse effect on our business.

NOTES

7.00% Senior Notes due 2020

In April 2012, the Company issued an aggregate principal amount of $300 million 7.00% senior notes maturing on April 15, 2020 ("2020 Notes"). The 2020 Notes were issued pursuant to an indenture dated April 5, 2012, between the Company and Computershare Trust Company, N.A., as trustee ("2020 Notes Indenture"). The 2020 Notes are direct, senior obligations of the Company and are not secured by any mortgage, pledge or charge.

Interest on the 2020 Notes is payable in arrears in equal semi-annual installments on April 15 and October 15 each year. On or after April 15, 2016, the Company has the option to redeem the 2020 Notes at a price ranging from 103.5% to 100% of face value, with the rate decreasing based on the length of time the 2020 Notes are outstanding, and prior to April 15, 2016, the Company may redeem the 2020 Notes at 100% of face value plus a "make whole" premium.

The 2020 Indenture provides that in the event of a change of control of the Company, as defined therein, each holder of the 2020 Notes will have the right to cause the Company to repurchase some or all of its 2020 Notes at 101% of their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date. In addition, the 2020 Indenture requires the Company to comply with certain reporting and other covenants.

6.25% Senior Notes due 2022

In November 2012, the Company issued an aggregate principal amount of $500 million 6.25% senior notes maturing on November 15, 2022 ("2022 Notes"). The 2022 Notes were issued pursuant to an indenture dated November 14, 2012, between the Company and Computershare Trust Company, N.A., as trustee ("2022 Notes Indenture"). The 2022 Notes are direct, senior obligations of the Company and are not secured by any mortgage, pledge or charge.

Interest on the 2022 Notes is payable in arrears in equal semi-annual installments on May 15 and November 15 each year. On or after November 15, 2017, the Company has the option to redeem the 2022 Notes at a price ranging from 103.125% to 100% of face value, with the rate decreasing based on the length of time the 2022 Notes are outstanding, and prior to November 15, 2017, the Company may redeem the 2022 Notes at 100% of face value plus a "make whole" premium.

The 2022 Indenture provides that in the event of a change of control of the Company, as defined therein, each holder of the 2022 Notes will have the right to cause the Company to repurchase some or all of its 2022 Notes at 101% of their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date. In addition, the 2022 Indenture requires the Company to comply with certain reporting and other covenants.

DIVIDENDS

To date, New Gold has not paid dividends on its shares. The Company currently intends to retain future earnings, if any, for use in its business and does not, at this time, anticipate paying dividends on its shares. Any determination to pay any future dividends will remain at the discretion of the Company's board of directors and will be made taking into account its financial condition and other factors deemed relevant by the board.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Company is authorized to issue an unlimited number of common shares without par value, of which 476,867,422 common shares were issued and outstanding at March 26, 2013. Holders of common shares are entitled to receive notice of any meetings of shareholders of the Company, to attend and to cast one vote per common share at all such meetings. Holders of common shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the common shares entitled to vote in any election of directors may elect all directors standing for election.

Holders of common shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Company's board of directors at its discretion from funds legally available therefore and, on the liquidation, dissolution or winding up of the Company, are entitled to receive on a pro-rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of common shares with respect to dividends or liquidation. The common shares do not carry any pre-emptive, subscription, redemption or conversion rights.

The Company also has options, warrants and notes outstanding. See the notes to the Company's audited consolidated financial statements for the year ended December 31, 2012 for additional information regarding the Company's convertible securities.

On March 23, 2012 New Gold adopted a shareholder rights plan ("Plan") to provide the Board of directors with more time to consider alternatives in the event of a takeover bid for the common shares of New Gold. A copy of the Plan is available under the Company's profile on SEDAR at www.sedar.com. The record date for the distribution of the rights to shareholders was April 2, 2012 and the Plan was ratified by shareholders on May 2, 2012.

Ratings

Below are the ratings for New Gold's corporate debt as at December 31, 2012:

- Standard & Poor's Ratings Services: BB- (Recovery Rating: 3)
- Moody's Investors Service: B2 (LGD4)

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities; an indication of the likelihood of repayment for an issue of securities; and an indication of the capacity and willingness of the issuer to meet its financial obligations in accordance with the terms of those securities. Credit ratings are not assurances of credit quality or exact measures of the likelihood of default.

Standard & Poor's Ratings Services ("S&P") credit ratings are on a rating scale ranging from AAA to D, which represents the range from highest to lowest quality. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the major rating categories. S&P's rating is a forward looking opinion about credit risk and assesses the credit quality of the individual debt issue and the relative likelihood that the issuer may default. The BB- rating is ranked seventh out of S&P's twelve major rating categories. According to the S&P rating system, debt securities rated BB- are less vulnerable in the near-term but face major ongoing uncertainties to adverse business, financial and economic conditions. In addition S&P's uses a scale of 1+ to 6 for recovery ratings, which represent the range, from high to low, of the percentage of principal and unpaid accrued interest that an investor may expect to receive in the case of default. A "3" recovery rating ranks fourth out of S&P's seven recovery rating categories, and indicates S&P's expectation of meaningful (50% -70%) recovery in a default scenario.

Moody's Investors Service ("Moody's") credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality. The generic rating classifications from Aa through Caa may be modified by the numerical modifiers 1, 2 and 3. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic category. According to Moody's, a rating of B2 is the sixth highest of nine major categories. Obligations rated B2 are considered speculative and subject to high credit risk. In addition, Moody's uses a loss given default ("LGD") assessment scale of 1 to 6, which represents Moody's opinion about expected loss, given default on fixed income obligations, expressed as a percent of principal and accrued interest at the resolution of the default. A LGD4 ranks fourth out of Moody's six LGD assessment categories, and indicates a ≥50% to >70% difference between value received at default resolution and principal outstanding and accrued interest due at resolution.

The credit ratings for New Gold's corporate debt are based on, among other things, information furnished to the above ratings agencies by the Company and information obtained by the ratings agencies from publicly available sources. The credit ratings are not recommendations to buy, sell or securities since such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. Credit ratings given to New Gold's corporate debt may not reflect the potential impact of all risks on the value of debt instruments, including risks related to market or other factors discussed in this Annual Information Form. See also "Risk Factors".

MARKET FOR SECURITIES

Trading Price and Volume

Common Shares

The common shares of the Company are listed and posted for trading on the TSX and the NYSE MKT in each case under the symbol "NGD". The following table contains information relating to the trading of the common shares in Canadian dollars on the TSX for the months indicated.

2012	High (C$)	Low (C$)	Volume
January	12.12	9.95	28,863,016
February	12.41	10.99	27,767,494
March	11.78	9.01	62,152,540
April	10.22	8.82	24,648,277
May	9.48	7.20	31,427,806
June	10.70	9.29	34,268,658
July	10.58	9.19	19,267,429
August	11.26	9.63	27,824,582
September	12.50	10.63	42,209,412
October	12.38	11.13	24,783,162
November	11.85	9.51	35,430,777
December	11.16	10.10	20,029,284

The price of the common shares as quoted by the TSX at the close of business on December 30, 2012, the last trading day prior to year end was C$11.01 and on March 26, 2013 was C$9.29.

Series A Warrants

The Company's Series A Warrants are listed and posted for trading on the TSX under the symbol "NGD.WT.A". Holders are entitled to purchase one common share for C$15.00 for each warrant held. These warrants expire June 28, 2017. As at March 26, 2013 there were 27,849,865 Series A Warrants outstanding. The following table contains information relating to the trading of the Company's Series A Warrants in Canadian dollars on the TSX for the months indicated.

2012	High (C$)	Low (C$)	Volume
January	4.29	3.30	876,032
February	4.23	3.72	714,501
March	3.94	3.10	535,090
April	3.54	2.97	384,586
May	3.20	2.22	999,321
June	3.39	2.92	392,509
July	3.34	2.75	459,107
August	3.30	2.90	1,127,276

2012	High (C$)	Low (C$)	Volume
September	3.85	3.02	1,170,085
October	3.70	3.14	683,306
November	3.37	2.53	967,328
December	2.93	2.52	943,642

The price of the Series A Warrants as quoted by the TSX at the close of business on December 30, 2012, the last trading day prior to year end was C$2.87 and on March 26, 2013 was C$2.05.

[Remainder of Page Internationally Blank]

DIRECTORS AND OFFICERS

The names, positions or offices held with the Company, province/state and country of residence, and principal occupation of the directors and executive officers of the Company as at March 26, 2013 are set out below. In addition, the principal occupations of each of the Company's directors and executive officers within the past five years are disclosed in their biographies.

As at March 26, 2013, directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 13,470,919 common shares of the Company, representing approximately 2.8% of its issued and outstanding shares.

The term of each director of the Company expires at the annual general meeting of shareholders, where they can be nominated for re-election. The Company's officer hold their office at the discretion of the board, but typically on an annual basis, after the annual general meeting, the directors pass resolutions to appoint officers and committees.

DAVID EMERSON
British Columbia, Canada
Director since:
July 1, 2012
Independent

David Emerson P.C., OBC is a Corporate Director, Public Policy Advisor and serves as a senior advisor to CAI Managers, a private equity fund. He has served as a minister in the Government of Canada including Minister of Foreign Affairs, Minister of International Trade and Minister of Industry. He has also held a number of senior positions in the public service in British Columbia. In the private sector, he was President and CEO of Canfor Corporation, President and CEO of the Vancouver International Airport Authority and Chairman and CEO of Canadian Western Bank. Mr. Emerson serves on the boards of directors of Finning International Inc., Stantec Inc. and is Chair of Maple Leaf Foods Inc. In addition, Mr. Emerson is Co-chair, Prime Minister's Advisory Committee on the Public Service. Mr. Emerson is a recipient of the Order of British Columbia and the Peter Lougheed Award of Excellence in Public Policy. Mr. Emerson holds bachelors and masters degrees in economics from the University of Alberta and a doctorate in Economics from Queen's University. Mr. Emerson's principal occupation is as a corporate director and public policy advisor.

JAMES ESTEY
Ontario, Canada
Director since:
July 8, 2008
Independent

James Estey is the retired Chairman of UBS Securities Canada Inc. and has over 30 years of experience in the financial markets. Mr. Estey joined Alfred Bunting and Company as an institutional equity salesperson in 1980 after working at A.E. Ames & Co. for seven years. In 1994, Mr. Estey became the head of the Canadian Equities business, and in 2002 he was appointed President and Chief Executive Officer of UBS Securities Canada. In January 2008, Mr. Estey assumed the role of Chairman. He serves on the boards of Range Royalty Management Ltd. and Gibson Energy Inc. He also serves on the boards of The Estey Centre for Law and Economics in International Trade and St. Clements School and is on the Advisory Board of the Edwards School of Business. Mr. Estey's principal occupation is as a Corporate Director.

ROBERT GALLAGHER
British Columbia, Canada
Director since:
June 30, 2008
Non-Independent

Robert Gallagher's principal occupation is President and Chief Executive Officer of New Gold. Mr. Gallagher has worked in the mining industry for over 35 years and spent 15 years with Placer Dome Inc. and from August 2000 to December 2007 with Newmont Mining Corporation, most recently as Vice President, Operations, Asia Pacific. Before the June 2008 business combination of Peak Gold, Metallica and New Gold, Mr. Gallagher was the President and Chief Executive Officer of Peak Gold from February 2008.

VAHAN KOLOLIAN
Ontario, Canada
Director since:
June 1, 2009
Independent

Vahan Kololian is the founder and Managing Partner of TerraNova Partners LP, which invests in the industrial, services and resource sectors. Mr. Kololian started his career in investment banking in 1980 with Burns Fry Limited (now BMO Nesbitt Burns). From 1990 to 2000, he was co-founder and President of Polar Capital Corporation and from 2002 to 2011, he was Chairman of KK Precision Inc., a private engineering and manufacturing company. Mr. Kololian also serves on the board of Manicouagan Minerals Inc., a public mineral exploration company. Mr. Kololian holds BA and LL.B. degrees. Mr. Kololian is also co-founder and Chairman of the Mosaic Institute, whose purpose is to bring together and promote dialogue among Canadians of differing ethnicities whose homelands are in conflict with one another. Mr. Kololian's principal occupation is Managing Partner of TerraNova Partners LP.

MARTYN KONIG
Jersey, British Isles
Director since:
June 1, 2009
Independent

Martyn Konig has over 30 years of experience in investment banking and the commodity markets as well as extensive experience in the natural resource sector. Mr. Konig's principal occupation is Chief Investment Officer for T Wealth Management SA, the private family office for partners and senior management of the Trafigura Group. Mr. Konig was Executive Chairman and President of European Goldfields Limited until its acquisition by Eldorado Gold Corp. in February 2012 and was Chief Executive Officer of the Blackfish Capital Group from 2005 until August 2009. Mr. Konig was a main Board Director of NM Rothschild and Sons Ltd. for 15 years and held senior positions at Goldman Sachs and UBS. Mr. Konig is a Barrister and Fellow of the Chartered Institute of Bankers.

PIERRE LASSONDE
Ontario, Canada
Director since:
June 30, 2008
Independent

Pierre Lassonde is the Chairman of Franco-Nevada Corporation. He formerly served as President of Newmont Mining Corporation from 2002 to 2006 and resigned as a director and Vice Chairman of Newmont effective as a November 30, 2007. Previously Mr. Lassonde served as a director and President (1982 to 2002) and Co-Chief Executive Officer (1999 to 2002) of Franco-Nevada Corporation. Mr. Lassonde's principal occupation is Chairman of Franco-Nevada Corporation.

RANDALL OLIPHANT
Ontario, Canada
Director since:
June 1, 2009
Non-Independent

Randall Oliphant's principal occupation is Executive Chairman of New Gold. Mr. Oliphant is on the Advisory Board of Metalmark Capital LLC (formerly Morgan Stanley Capital Partners), and serves on the boards of WesternZagros Resources Ltd. and Franco-Nevada Corporation. Since 2003, Mr. Oliphant has served on the boards of a number of public and private companies and not-for-profit organizations. From 1999 to 2003, he was the President and Chief Executive Officer of Barrick Gold Corporation. From 2006 to 2009, he was Chairman of Western Goldfields Inc. Until the spring of 2011 he was also President and Chief Executive Officer of Silver Bear Resources Inc. of which he remains a director. Mr. Oliphant is a Chartered Accountant.

RAYMOND THRELKELD
North Carolina, United States
Director since:
June 1, 2009
Independent

Raymond Threlkeld has over 32 years of mineral industry experience. Mr. Threlkeld's principal occupation is President and Chief Executive Officer of Rainy River Resources Ltd. From 2005 to 2009, Mr. Threlkeld was the Chief Operating Officer of Silver Bear Resources Inc. From 2006 to 2009, he was the President and Chief Executive Officer of Western Goldfields Inc. From 1996 to 2005 Mr. Threlkeld held various senior management positions in precious metal mine development with Barrick Gold Corporation and Coeur d'Alene Mines Corporation including the development of the Pierina Mine in Peru, the Bulyanhulu Mine in Tanzania and the Veladero Mine in Argentina. Mr. Threlkeld has had exploration acquisition success in the Western United States in addition to his management and project development experience.

BRIAN PENNY Ontario, Canada Executive Vice President and Chief Financial Officer	Mr. Penny has over 25 years' experience in mine finance and accounting. He has been the Executive Vice President and Chief Financial Officer of the Company since June 2009. He was the Chief Financial Officer of Western Goldfields from 2006 to 2009. From 2005 to spring 2012, Mr. Penny was also the Chief Financial Officer of Silver Bear Resources Inc. From 2004, Mr. Penny was a Director of and chaired the Audit Committee of Equinox Minerals Limited until the acquisition of the company by Barrick in 2012. Mr. Penny was the Chief Financial Officer of Kinross Gold Corporation 1993 – 2004. Mr. Penny is a Certified Management Accountant. Mr. Penny's principal occupation is Executive Vice President and Chief Financial Officer of New Gold.
JOHN MARSHALL British Columbia, Canada Vice President, Human Resources	Mr. Marshall has over 23 years' experience in human resources spanning the energy, semiconductor and banking industries. He was previously the Director of Worldwide Human Resource Operations for PMC-Sierra Inc. where he managed human resources operations for employees in over 10 countries. Prior to PMC-Sierra, Mr. Marshall held various human resources roles at Duke Energy, Westcoast Energy and NatWest Group plc. Mr. Marshall's principal occupation is Vice President, Human Resources of New Gold.
ERNEST MAST British Columbia, Canada Vice President Operations	Ernie has over 23 years' experience in mining throughout the Americas. Most recently, Ernie was President and Chief Executive Officer of Minera Panama, a subsidiary of Inmet Mining Corporation, where he headed up Inmet's major development project in Panama. Prior to working with Inmet, Ernie worked with Xstrata and its preceding companies for 20 years in various positions including President and General Manager of the Falcondo operations in the Dominican Republic. Ernie holds Bachelor's and Master's degrees in Metallurgical Engineering and is a registered Professional Engineer. Mr. Mast's principle occupation is Vice President, Operations of New Gold.
MARK PETERSEN Colorado, United States Vice President, Exploration	Mr. Petersen is an economic geologist with over 28 years' mining industry experience in the Americas. Previously, Mr. Petersen held the position of Vice President of Exploration for Metallica Resources Inc., where he was responsible for leading the exploration and development of the Cerro San Pedro project in Mexico, acting as the company's technical liaison for the El Morro joint venture project in Chile, developing and managing a portfolio of earlier stage exploration projects in Chile, Brazil, and Alaska, and directing generative exploration work throughout the Americas. Prior to his term with Metallica, Mr. Petersen held positions as an exploration geologist with Lac Minerals Inc. and predecessor companies Bond Gold Inc. and St. Joe Gold Inc. Mr. Petersen's principal occupation is Vice President, Exploration of New Gold.
HANNES PORTMANN Ontario, Canada Vice President, Corporate Development	Mr. Portmann has been working with mining companies in a financial capacity since his career began. Before joining Western Goldfields in 2008 he was part of the Merrill Lynch Investment Banking Mining Group, where he worked in an advisory role on merger and acquisition mandates as well as equity and debt offerings. Previously, Mr. Portmann held roles in both the assurance and advisory practices of PricewaterhouseCoopers LLP. Mr. Portmann holds a Bachelor of Science in Mining Engineering from Queen's University, a Masters of Management and Professional Accounting from the Rotman School of Management, University of Toronto and is a Canadian Chartered Accountant. Mr. Portmann's principal occupation is Vice President, Corporate Development of New Gold.

SUSAN TOEWS British Columbia, Canada Vice President, Legal Affairs and Corporate Secretary	Ms. Toews has over 18 years' corporate, securities legal experience and was previously Corporate Secretary of Peak Gold Ltd. She was also previously General Counsel at egX Canada, an emerging marketplace working toward the securitization of real estate assets and Senior Legal Counsel with the British Columbia Securities Commission (BCSC). She was the BCSC representative on the Canadian Securities Administrators committee that developed the national rule on disclosure of corporate governance, corporate governance guidelines and the national rule on auditor oversight. Ms. Toews holds a Bachelor of Arts (Hons.) from the University of Victoria, and a Bachelor of Laws from the University of Saskatchewan. Ms. Toews principal occupation is Vice President, Legal Affairs and Corporate Secretary of New Gold.

Standing Committees of the Board

There are currently four standing committees of the Board: the Audit Committee, the Compensation Committee; the Corporate Governance and Nominating Committee, and the Health, Safety, Environment and Corporate Social Responsibility Committee. The following table identifies the members of each of these Committees:

Board Committee	Committee Members	Status
Audit Committee	James Estey (Chair)	Independent
	David Emerson	Independent
	Martyn Konig	Independent
Compensation Committee	Martyn Konig (Chair)	Independent
	James Estey	Independent
	Pierre Lassonde	Independent
Corporate Governance and Nominating Committee	David Emerson (Chair)	Independent
	Vahan Kololian	Independent
	Pierre Lassonde	Independent
Health, Safety, Environment and Corporate Social Responsibility Committee	Raymond Threlkeld (Chair)	Independent
	Vahan Kololian	Independent
	Martyn Konig	Independent

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, or within 10 years prior to the date of this Annual Information Form has been, a director, chief executive officer or chief financial officer of any company (including New Gold) that (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, (i) is, or within 10 years prior to the date of this Annual Information Form has been, a director or executive officer of any company (including New Gold) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Kololian who was a board member (but had previously resigned from the board) of a business services company that filed for voluntary bankruptcy on or about June 23, 2010; or (ii) has, within 10 years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain directors and officers the Company also serve as directors or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Randall Oliphant and Pierre Lassonde are currently directors of Franco-Nevada Corporation which holds a royalty interest in New Gold's Mesquite Mine and Cerro San Pedro Mine. The Company has adopted a Code of Business Conduct and Ethics that addresses potential conflicts of interest.

Audit Committee

Audit Committee Charter

The Company's Audit Committee Charter is set out in full in Schedule "A".

Composition of the Audit Committee

The following directors are members of the Audit Committee as at March 26, 2013:

James Estey (Chair)	Independent (1)	Financially literate (2)
David Emerson	Independent (1)	Financially literate (2)
Martyn Konig	Independent (1)	Financially literate (2)

(1) A member of an Audit Committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Board of Directors, reasonably interfere with the exercise of the member's independent judgment.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

The education and experience of each Audit Committee member relevant to the performance of his responsibilities as a member of the Audit Committee is described below:

James Estey,the Chairman of the Audit Committee, has over 30 years of experience in the financial markets. Mr. Estey joined Alfred Bunting and Company as an institutional equity salesperson in 1980 after working at A.E. Ames & Co. for seven years. In 1994, Mr. Estey became the head of the Canadian Equities business, and in 2002 he was appointed President and Chief Executive Officer of UBS Securities Canada. In January 2008, Mr. Estey assumed the role of Chairman. He serves on the boards of Range Royalty Management Ltd. and Gibson Energy Inc. He also serves on the boards of The Estey Centre for Law and Economics in International Trade and St. Clements School and is on the Advisory Board of the Edwards School of Business.

David Emerson P.C., OBC is a Corporate Director, Public Policy Advisor and serves as a senior advisor to CAI Managers, a private equity fund. He has served as a minister in the Government of Canada including Minister of Foreign Affairs, Minister of International Trade and Minister of Industry. He has also held a number of senior positions in the public service in British Columbia. In the private sector, he was President and CEO of Canfor Corporation, President and CEO of the Vancouver International Airport Authority and Chairman and CEO of Canadian Western Bank. Mr. Emerson serves on the boards of directors of Finning International Inc., Stantec Inc. and is Chair of Maple Leaf Foods Inc. In addition, Mr. Emerson is Co-chair, Prime Minister's Advisory Committee on the Public Service. Mr. Emerson is a recipient of the Order of British Columbia and the Peter Lougheed Award of Excellence in Public Policy. Mr. Emerson holds bachelors and masters degrees in economics from the University of Alberta and a doctorate in Economics from Queen's University.

Martyn Konig has over 30 years of experience in investment banking and the commodity markets as well as extensive experience in the natural resource sector. Mr. Konig is Chief Investment Officer for T Wealth Management SA, the private family office for partners and senior management of the Trafigura Group. Mr. Konig was Executive Chairman and President of European Goldfields Limited until its acquisition by Eldorado Gold Corp. in February 2012 and was Chief Executive Officer of the Blackfish Capital Group from 2005 until August 2009. Mr. Konig was a main Board Director of NM Rothschild and Sons Ltd. for 15 years and held senior positions at Goldman Sachs and UBS. Mr. Konig is a Barrister and Fellow of the Chartered Institute of Bankers.

Pre-Approval Policies and Procedures

The Committee is responsible for the pre-approval of all audit, audit-related and non-audit services provided by the independent auditor. The Chair of the Committee is responsible for proper implementation of and compliance with this policy. In accordance with this policy, 100% of external auditor services described below were pre-approved by the Audit Committee. The Committee has delegated to the Chair the authority to pre-approve proposals for non-audit related services to be provided by the Company's auditors up to a value of C$100,000, and to report any such approvals to the Committee as a whole at the next Committee meeting.

External Auditor Service Fees (by category)

The aggregate fees billed by the Company's external auditors in each of the last two fiscal years are as follows:

Financial Years Ending December 31	Audit Fees[1]	Audit Related Fees [2]	Tax Fees [3]	All Other Fees [4]
2012	C$1,974,978	C$210,000	C$75,456	nil
2011	C$1,782,600	C$386,450	C$118,151	nil

(1) The aggregate fees billed for the performance of the audit or review of the Company's financial statements.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees".

(3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

(4) The aggregate fees billed for services other than as set out under Audit Fees, Audit Related Fees, or Tax Fees.

Deloitte LLP are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of these actions. New Gold does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason therein, will have a material effect on its financial condition or future results of operations. Legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings or other regulatory actions are described below.

The Chilean Environmental Permitting Authority ("Servicio de Evaluación Ambiental" or "SEA") approved the El Morro Project's environmental permit in March 2011. However, a constitutional action was filed against the SEA in May 2011 by the Comunidad Agricola Los Huasco Altinos ("CAHA") seeking annulment of the environmental permit. Sociedad Contractual Mineral El Morro ("El Morro"), the Chilean company jointly held by the Company and Goldcorp, which owns and operates the El Morro Project, participated in the legal proceedings as an interested party and beneficiary of the environmental permit. In February 2012, the Court of Appeals of Antofagasta ruled against approval of the environmental permit, for the primary reason that the SEA had not adequately consulted or compensated the indigenous people that form the CAHA. SEA and El Morro appealed the ruling; however, the ruling was confirmed by the Supreme Court of Chile on April 27, 2012. Based on the Supreme Court's decision, El Morro immediately suspended all project field work being executed under the terms of the environmental permit. On June 22, 2012, SEA initiated the administrative process to address the deficiencies identified by the Chilean Court. It is anticipated the consultation process could be completed by late 2013. During the period of temporary suspension, Goldcorp's focus in on supporting the advancement of the consultation process, evaluating potential future exploration targets and optimizing project economics including sourcing a long-term power supply.

New Gold owns 100% of the Cerro San Pedro Mine through the Mexican Company, MSX. In March 2011, the municipality of Cerro De San Pedro approved a new municipal land use plan, after public consultation, which clearly designates the area of the Cerro San Pedro Mine for mining. New Gold believes this plan resolves any ambiguity regarding land use in the area in which the Cerro San Pedro Mine is located, and which has had a history of ongoing legal challenges related to the environmental authorization ("EIS") for the Mine. In April 2011, MSX filed a request for a new EIS based on the New Municipal Plan and on August 5, 2011 a new EIS was granted by SEMARNAT.

On January 13, 2010, the Company received a Statement of Claim filed by Barrick Gold Corporation in the Ontario Superior Court of Justice, against the Company, Goldcorp Inc. and affiliated subsidiaries. A Fresh Amended Statement of Claim was received in August 2010 which included Xstrata Copper Chile S.A. and its affiliated subsidiaries as defendants. The claim related to the exercise by Datawave Sciences Inc., a wholly owned subsidiary of the Company, of its right of first refusal with respect to the El Morro Project. A trial took place over approximately eight weeks in June 2011 and October 2011, with written closing arguments exchanged in December 2011 and January 2012, and oral closing arguments completed in early February 2012. The trial judge's decision on all issues was publicly released on June 27, 2012. All claims made by Barrick were dismissed, affirming the defendants' position that the exercise of the right of first refusal was valid. Barrick did not appeal the decision.

INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS

Other than as described in this Annual Information Form, since January 1, 2009 no director, executive officer or 10% shareholder of the Company or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Company or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. Transfers may be effected and registration facilities are maintained at each of the following offices: (i) 510 Burrard Street, Vancouver, British Columbia, V6C 2T5; and (ii) 100 University Avenue, Toronto, Ontario, M5J 2Y1.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Company has not entered into any material contracts during the most recently completed financial year or prior financial year which are still in force and effect and which may reasonably be regarded as presently material other than as set out below:

- Acquisition and Funding Agreement dated January 6, 2010 between New Gold Inc., Datawave Sciences Inc., Inversiones El Morro Limitada and Goldcorp Inc.
- Credit Agreement dated December 14, 2010, as subsequently amended on March 23, 2012, August 14, 2012, November 8, 2012, February 28, 2013 and March 8, 2013, between Peak Gold Ltd., Metallica Resources Inc. and Western Goldfields Inc. (as Borrowers) and New Gold Inc. (as Guarantor) and Scotia Capital (as Joint Lead Arranger and Joint Book Runner) and The Bank of Nova Scotia (as Administrative Agent) and Commonwealth Bank of Australia (as Joint Lead Arranger, Joint Book Runner and Syndication Agent) and Unicredit Bank AG (as Documentation Agent) and The Bank of Nova Scotia, Commonwealth Bank of Australia, Unicredit Bank AG, Royal Bank of Canada and JPMorgan Chase Bank, N.A. (as Lenders) described under the heading "General Development of the Business - Developments - Financial".
- Purchase Agreement between New Gold Inc. and J.P. Morgan Securities LLC dated April 2, 2012 relating to the 7.00% Senior Notes.
- Indenture dated as of April 5, 2012 among New Gold Inc., the guarantors named on the signature pages and Computershare Trust Company, N.A., as trustee 7.00% Senior Notes due 2020
- Purchase Agreement between New Gold Inc. and J.P. Morgan Securities LLC dated November14, 2012 relating to the 6.25% Senior Notes.
- Indenture dated as of November 14, 2012 among New Gold Inc., the guarantors named on the signature pages and Computershare Trust Company, N.A., as trustee 6.25% Senior Notes due 2020

[Remainder of Page Internationally Blank]

INTERESTS OF EXPERTS

The following table sets out the individuals who were the Qualified Persons as defined by NI 43-101 in connection with the technical reports for the Company's mines and development projects on a property material to the Company set out opposite their name(s). Each of the technical reports listed below are available under the Company's profile on SEDAR at www.sedar.com and a summary of the reports is contained in this Annual Information Form under "Description of the Business – Mineral Properties".

Mineral Property and Title of Technical Report	Qualified Person(s)
Mesquite Mine Technical Report on the Mesquite Mine, Brawley, California dated February 26, 2010	Mr. Wayne W. Valliant, P. Geo., and Principal Geologist for Roscoe Postle Associates, Inc. (formerly Scott Wilson Roscoe Postle Associates, Inc.)
	Mr. Holger Krutzelmann, P. Eng. and Principal Metallurgist for Roscoe Postle Associates, Inc. (formerly Scott Wilson Roscoe Postle Associates, Inc.)
	Mr. Richard J. Lambert, P.E., and Principal Mining Engineer of RPA (USA) Ltd (formerly Roscoe Postle Associates, Inc.)
Cerro San Pedro Mine Technical Report on the Cerro San Pedro Mine, San Luis Potosí, Mexico dated February 16, 2010 and amended March 22, 2010	Mr. Holger Krutzelmann, P. Eng. and Principal Metallurgist for Roscoe Postle Associates, Inc. (formerly Scott Wilson Roscoe Postle Associates, Inc.)
	Mr. Christopher Moreton, Ph.D. and P. Geo., and Senior Consulting Geologist for Roscoe Postle Associates, Inc. (formerly Scott Wilson Roscoe Postle Associates, Inc.)
	Mr. Richard J. Lambert, P.E., and Principal Mining Engineer of RPA (USA) Ltd (formerly Roscoe Postle Associates, Inc.)
Peak Gold Mines Technical Report on Peak Gold Mines, New South Wales, Australia, dated March 25, 2013	Mr. Richard J. Lambert, P.E., and Principal Mining Engineer of RPA (USA) Ltd
	Mr. Ian T. Blakley, P.Geo. and Principal Geologist and Vice-President and General Manager of RPA UK Ltd
New Afton Mine Technical Report on the New Afton Project, British Columbia, Canada, dated December 31, 2009	Mr. David Rennie, P. Eng., and Principal Geologist for Roscoe Postle Associates, Inc. (formerly Scott Wilson Roscoe Postle Associates, Inc.)
	Mr. R. Dennis Bergen, P. Eng., and Associate Principal Mining Engineer for Roscoe Postle Associates, Inc. (formerly Scott Wilson Roscoe Postle Associates, Inc.)
	Mr. Kevin C. Scott, P. Eng, formerly Principal Metallurgist for Roscoe Postle Associates, Inc. (formerly Scott Wilson Roscoe Postle Associates, Inc.)

Mineral Property and Title of Technical Report	Qualified Person(s)
Blackwater Project Technical Report on Preliminary Economic Assessment for the Blackwater Project, dated August 28, 2012	Mr. Ronald G. Simpson, P Geo., and Professional Geoscientist for GeoSim Services Inc.
	Mr. Herbert E. Welhener, MMSA – QPM, and Principle Mining Engineer for Independent Mining Consultants Inc.
	Mr. Bruno Borntraeger, P. Eng., and Specialist Engineer/Project Manager for Knight Piésold Ltd.
	Mr. Ignacy (Tony) Lipiec, P. Eng, and Professional Manager for AMEC Americas Limited.
	Mr. Ramon Mendoza Reyes, P Eng., and Principle Mining Engineer for AMEC Americas Limited.
El Morro Project Technical Report on the El Morro Project, Region III, Chile, dated March 26, 2012	Mr. Richard J. Lambert, P.E., and Principal Mining Consultant for Roscoe Postle Associates, Inc.
	Mr. Neil N. Gow, P. Geo, and an Associate Consulting Geologist for Roscoe Postle Associates, Inc.
	Mr. A. Paul Hampton, P. Eng. and an Associate Consulting Geologist for Roscoe Postle Associates, Inc.
	Mr. Lee P. Gochnour, MMSA QP, and an Environmental Scientist for Roscoe Postle Associates, Inc.

Mark Petersen, Vice President, Exploration, New Gold Inc., who is a Qualified Person as defined by NI 43-101, has reviewed and approved the technical disclosure contained in this Annual Information Form, including New Gold's Mineral Reserve and Mineral Resource Estimates as at December 31, 2012.

Other than Mr. Petersen, who is an employee of the Company, none of the Qualified Persons held any securities of the Company or of any associate or affiliate of the Company when they prepared the reports referred to above or following the preparation of such reports.

At no time has Mr. Petersen held an interest in the Company's securities representing more than 1% of the Company's issued and outstanding common shares.

None of the Qualified Persons listed above received any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such reports.

Other than Mr. Petersen, who is an employee of the Company, none of the aforementioned firms or persons, nor any directors, officers or employees of such firms, are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

[Remainder of Page Internationally Blank]

SCHEDULE "A"
AUDIT COMMITTEE CHARTER



Audit Committee Charter ("Charter")

1. Purpose and Authority

The Audit Committee ("Committee") is a committee of the Board of Directors ("the Board"). Its primary function shall be to assist the Board in fulfilling its oversight responsibilities with respect to accounting and financial reporting processes, the integrity of the financial statements of New Gold Inc. (the "Company"), compliance with legal and regulatory requirements, the overall adequacy and maintenance of the systems of internal controls that management has established and the overall responsibility for the Company's external and internal audit processes including the external auditors qualifications, independence and performance.

The Committee shall have the authority and funding to retain independent legal, accounting and other consultants to advise the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any advisers employed by the Committee and to the independent auditor employed by the Company for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities, the Committee shall maintain an open communication between the Company's external auditor and the Board.

The responsibilities of a member of the Committee shall be in addition to such member's duties as a member of the Board.

The Committee has the duty to review and ensure that the Company's financial disclosures are complete, accurate, are in accordance with generally accepted accounting principles and fairly present the financial position and risks of the organization. The Committee should, where it deems appropriate, resolve disagreements, if any, between management and the external auditor, and review compliance with laws and regulations and the Company's own policies.

The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Company as it deems advisable.

2. Membership and Composition

The Committee shall consist of at least three independent Directors who shall serve on behalf of the Board. The members shall be appointed annually by the Board and shall meet the independence, financial literacy and experience requirements of the applicable exchanges, *National Instrument 52-110,* the *U.S. Sarbanes-Oxley Act of 2002* and other regulatory agencies as required.

Financial literacy requires that all members of the Committee shall have the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements. At least one member of the Committee shall be able to analyze and interpret a full set of financial statements, including the notes attached, in accordance with Canadian generally accepted accounting principles and at

least one member of the Committee shall qualify and be designated as the Audit Committee Financial Expert as determined in the judgment of the Board with reference to applicable law and stock exchange rules.

A majority of Members will constitute a quorum for a meeting of the Committee.

The Board will appoint one Member to act as the Chair of the Committee. In his or her absence, the Committee may appoint another person provided a quorum is present. The Chair will appoint a Secretary of the meeting, who need not be a member of the committee and who will maintain the minutes of the meeting.

3. Meetings

At the request of the external auditor, the Chair of the Board, the Chief Executive Officer or the Chief Financial Officer of the Company or any member of the Committee, the Chair will convene a meeting of the Committee. In advance of every meeting of the Committee, the Chair, with the assistance of the Chief Financial Officer, will ensure that the agenda and meeting materials are distributed in a timely manner.

The Committee shall meet regularly and at least on a quarterly basis.

The Committee shall hold in camera sessions after each regularly scheduled meeting (or as otherwise may be required) without the presence of management at each meeting.

4. Duties and Responsibilities

The Committee shall take charge of all responsibilities imparted on an audit committee of the Company, as they may apply from time to time, under the *British Columbia Business Corporations Act, National Instrument 52-110*, the *U.S. Sarbanes Oxley Act* and stock exchange rules. The duties and responsibilities of the Committee include the following:

4.1 Financial Reporting and Disclosure

a. Review and discuss with management and the external auditor at the completion of the annual examination:

   i. the Company's audited financial statements and related notes;

   ii. the external auditor's audit of the financial statements and their report;

   iii. any significant changes required in the external auditor's audit plan;

   iv. any serious difficulties or disputes with management encountered during the course of the audit; and

   v. other matters related to the conduct of the audit, which are to be communicated to the Committee under International Financial Reporting Standards.

b. Review and discuss with management and the external auditor at the completion of any review engagement or other examination, the Company's quarterly financial statements.

c. Review, discuss with management the annual reports, the quarterly reports, the Management Discussion and Analysis ("MD&A"), Annual Information Form, 40-F, prospectus, financial press releases and other disclosures and, if thought advisable, recommend the acceptance of such documents to the Board for approval.

d. Review and discuss with management any guidance being provided to shareholders on the expected future results and financial performance of the Company and provide their recommendations on such documents to the Board.

e. Inquire of the auditors the quality and acceptability of the Company's accounting principles, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.

f. Review the Company's compliance with any policies and reports received from regulators. Discuss with management and the independent auditor the effect on the Company's financial statements of significant regulatory initiatives.

g. Meet with the external auditor and management in separate executive sessions, as necessary or appropriate, to discuss any matters that the Committee or any of these groups believe should be discussed privately with the Audit Committee.

h. Ensure that management has the proper and adequate system and procedures are in place for the review of the Company's financial statements, financial reports and other financial information including all Company disclosure of financial information extracted or derived from the Company's financial statements, and that they satisfy all legal and regulatory requirements. The Audit Committee shall periodically assess the adequacy of such procedures.

i. Review with the Company's counsel, management and the independent auditors any legal or regulatory matter, including reports or correspondence, which could have a material impact on the Company's financial statements or compliance policies.

j. Based on discussions with the independent auditor concerning the audit, the financial statement review and such other matters as the Committee deems appropriate, recommend to the Board the filing of the audited annual and unaudited quarterly financial statements and MD&A on SEDAR and the inclusion of the audited financial statements in the Annual Report on Form 40-F.

4.2 External Auditor

a. Be responsible for the recommendation to Board and the shareholders for the appointment of the Company's independent auditor and for the compensation, retention and oversight of the work of the independent auditor employed by the Company. The independent auditor shall report directly to the Committee. The Audit Committee shall be responsible to resolve any disagreements between management and the auditors regarding financial reporting.

b. Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.

c. Approve the external auditor to be nominated, the cost of their services and review the performance of the auditor, including the lead partner of the external auditor.

d. Confirm with the external auditor and receive written confirmation at least once per year as to the external auditor's internal processes and quality control and disclosure of any investigations or government enquiries, reviews or investigations of the external auditor.

e. Take reasonable steps to confirm at least annually the independence of the external auditor, which shall include:

    i. ensuring receipt from the external auditor of a formal written statement delineating all relationships between the external auditor and the Company, consistent with International Financial Reporting Standards, and determine that they satisfy the requirements of all applicable securities legislation including the U.S. Securities and Exchange Commission Independence Standards Board Standard No. 1,

    ii. considering and discussing with the external auditor any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the external auditor, and

iii. approve in advance any audit or permissible non-audit related services provided by the auditor to the Company with a view to ensuring independence of the auditor, and in accordance with any applicable regulatory requirements, including the requirements of all applicable securities regulations with respect to approval of non-audit related serviced performed by the auditor.

f. Confirm that the lead audit partner for the Company's auditors has not performed audit services for the Company for more than five previous fiscal years, and otherwise ensure the rotation of the lead partner and other partners in accordance with all applicable securities laws.

g. Review and approve the Company's hiring policies regarding partners, employees and former employees of the present and former independent auditors of the Company.

4.3 Internal Controls and Audit

a. Review and assess the adequacy and effectiveness of the Company's systems of internal and management information systems through discussion with management and the external auditor to ensure that the Company maintains appropriate systems, is able to assess the pertinent risks of the Company and that the risk of a material misstatement in the financial disclosures can be detected.

b. Assess the requirement for the appointment of an internal auditor for the Company.

c. Inquire of management and the external auditor about the systems of internal controls that management and the Board of Directors have established and the effectiveness of those systems. In addition, inquire of management and the external auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.

d. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process required under applicable Canadian and United States security regulations. Review any significant deficiencies in the design and operation of disclosure controls and procedures and any fraud involving management or other employees who have a significant role in the Company's internal controls.

4.4 General

a. Conduct an ongoing review of any transaction now in effect, and review and approve in advance any proposed transaction, that could be within the scope of "related party transactions" as such term is defined in the applicable securities regulations, and establish appropriate procedures to receive material information about and prior notice of any such transaction.

b. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

c. The Committee shall have the power to conduct or authorize investigations into any matter within the scope of this Charter. It may request any officer or employee of the Company, its external legal counsel or external auditor to attend a meeting of the Committee or to meet with any member(s) of the Committee.

d. Review the qualifications of the accounting and financial personnel.

e. Perform any other activities consistent with this Charter, the Company's Articles and governing law, as the Committee or the Board deems necessary or appropriate.

4.5 Oversight Function

While the Committee has the responsibilities and powers set out in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate or are in accordance with the International Financial Reporting Standards (IFRS) and applicable rules and regulations. These are the responsibilities of management and the external auditors. The Committee, the Chair and any Members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.

5. Chair of the Committee

The Chair of the Committee:

a. provides leadership to the Committee with respect to its functions as described in this Charter and as otherwise may be appropriate, including overseeing the logistics of the operations of the Committee;

b. chairs meetings of the Committee, unless not present, including in camera sessions, and reports to the Board of Directors following each meeting of the Committee on the findings, activities and any recommendations of the Committee;

c. ensures that the Committee meets on a regular basis and at least quarterly;

d. in consultation with the Chair of the Board and the Committee members, establishes a calendar for holding meetings of the Committee;

e. establishes the agenda for each meeting of the Committee, with input from other Committee members, the Chair of the Board, and any other parties as applicable;

f. acts as liaison and maintains communication with the Chair of the Board and the Board to optimize and co-ordinate input from Board members, and to optimize the effectiveness of the Committee. This includes reporting to the full Board on all proceedings and deliberations of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Committee considers advisable;

g. reports annually to the Board on the role of the Committee and the effectiveness of the Committee role in contributing to the objectives and responsibilities of the Board as a whole;

h. ensures that the members of the Committee understand and discharge their duties and obligations;

i. fosters ethical and responsible decision making by the Committee and its individual members;

j. together with the Corporate Governance and Nominating Committee, oversees the structure, composition, membership and activities delegated to the Committee from time to time;

k. ensures that resources and expertise are available to the Committee so that it may conduct its work effectively and efficiently and pre-approves work to be done for the Committee by consultants;

l. facilitates effective communication between members of the Committee and management;

m. addresses all concerns communicated to him under the Company's Whistleblower Policy and Code of Ethics;

n. performs such other duties and responsibilities as may be delegated to the Chair by the Board of Directors from time to time.

The Charter will be reviewed annually to reassess its adequacy and any recommended changes will be submitted to the Board for approval.

Last reviewed and approved by the Board on February 28, 2013.

SCHEDULE "B"
DEFINITIONS

Unless otherwise defined, technical terms used in this Annual Information Form have the following meanings. CIM Standards Definitions are marked with an asterisk (*).

Term	Definition
atomic absorption (AA)	A spectroanalytical procedure for the quantitative determination of chemical elements employing the absorption of optical radiation (light) by free atoms in the gaseous state.
alluvial	Material which has been placed by the action of surface water.
alteration	Change in the mineralogical composition of a rock, typically brought about by the action of hydrothermal solutions.
amphibolite	A metamorphic rock consisting mainly of a amphibole and some plagioclase.
andesite	An extrusive igneous, volcanic rock of intermediate composition, with aphanitic to porphyritic texture.
arsenopyrite	The most common arsenic mineral and principal ore of arsenic; occurs in many sulphide ore deposits, particularly those containing lead, silver and gold .
assay	Analysis to determine the amount or proportion of the element of interest contained within a sample.
ball mill	A horizontal rotating steel cylinder which grinds ore to fine particles. The grinding is carried out by the pounding and rolling of a charge of steel balls carried within the cylinder.
batholith	A very large igneous intrusion extending deep in the earth's crust.
block cave	Used to mine massive, steeply-dipping ore bodies. An undercut with haulage access is driven under the ore body, with "drawbells" excavated between the top of the haulage level and the bottom of the undercut. The drawbells serve as a place for caving rock to fall into. The ore body is drilled and blasted above the undercut, and the ore is removed via the haulage access.
block model	A three-dimensional model that forms the basic framework of a mineral resource estimate.
bornite	A brittle reddish-brown crystalline mineral with an iridescent purple tarnish, consisting of a sulphide of copper and iron.
breccia	A coarse-grained clastic rock, composed of angular broken rock fragments held together by a mineral cement or in a fine-grained matrix; it differs from conglomerate in that the fragments have sharp edges and unworn corners.
bullion	Gold or silver in bulk before coining, or valued by weight.
by-product	A secondary metal or mineral product that is recovered along with the primary metal or mineral product during the ore concentration process.
Cache Creek Terrane	A geologic terrane in British Columbia and southern Yukon, Canada. It consists of volcanics, carbonate rocks, coarse clastic rocks and small amounts of ultramafic rock, chert and argillite.
calc-alkalic	Rocks are rich in alkaline earths (magnesia and calcium oxide) and alkali metals and make up a major part of the crust of the earth's continents.
carbon-in-leach (CIL)	A process step wherein granular activated carbon particles much larger than the ground ore particles are introduced into the ore pulp. Cyanide leaching and precious metals adsorption onto the activated carbon occurs simultaneously. The loaded activated carbon is mechanically screened to separate it from the barren pulp, processed to remove the precious metals and finally prepared for reuse.
Cenozoic	The current and most recent of the three Phanerozoic geological eras, following the Mesozoic Era and covering the period from about 65 million years ago to the present.

Term	Definition
center-return hammer	A type of reverse circulation drilling bit and pneumatic hammer system that collects the sampled material at the operating face of the drill bit.
chalcocite	A dark gray mineral that is an important ore of copper.
chalcopyrite	A copper mineral composed of copper, iron and sulphur. It tarnishes easily; going from bronze or brassy yellow to yellowish or grayish brown, has a dark streak, and is lighter in weight and harder than gold.
colluvium	Loose, unconsolidated sediments that have been deposited at the base of hillslopes by either rain-wash, sheet wash, slow continuous downslope creep, or a variable combination of these processes.
comminution	The action of reducing an ore by crushing and grinding to minute particles or fragments.
concentrate	A processing product containing the valuable ore mineral from which most of the waste mineral has been eliminated.
conventional rotary	A drilling method that produces rock chips similar to reverse circulation except that the sample is collected using a single-walled drill pipe. Air or water circulates down through the center of the drill pipe and returns chips to the surface around the outside of the pipe.
core drilling	Drilling method that uses a rotating barrel and an annular-shaped, diamond-impregnated rock-cutting bit to produce cylindrical rock cores and lift them to the surface to be examined.
Cretaceous	A geologic period and system from circa 145 to 66 million years ago. The Cretaceous follows the Jurassic period and is followed by the Paleogene period of the Cenozoic era. It is the last period of the Mesozoic Era, and, spanning 80 million years, the longest period of the Phanerozoic Eon.
crushing	Breaking of ore into smaller and more uniform fragments to be then fed to grinding mills or to a leach pad.
crust	The outermost solid shell of a rocky planet, which is chemically distinct from the underlying mantle.
cut-off grade	The minimum metal grade at which a tonne of rock can be processed on an economic basis.
cyanidation	A method of extracting exposed gold or silver grains from crushed or ground ore by dissolving the contained gold and silver in a weak cyanide solution.
direct current (DC) resistivity	Observation of electric fields caused by current introduced into the ground as a means of studying earth resistivity in geophysical exploration. Resistivity is the property of a material that resists the flow of electrical current.
decline	A downward inclined underground tunnel.
deformation	Change in the form or in the dimensions of a body produced by stress.
Devonian	A geologic period and system of the Paleozoic Era spanning from the end of the Silurian Period, about 419 million years ago, to the beginning of the Carboniferous Period, about 359 million years ago
differential flotation	Process of separation of a complex ore into two or more mineral components and gangue by flotation.
dike	A discordant tabular body of igneous rock that, when molten, was injected into a fissure that cuts across the structure of the adjacent country rocks and which usually has a high angle of dip.
dilution	The effect of waste or low-grade ore being included unavoidably in the mine ore, lowering the recovered grade.
diorite	A grey to dark grey intermediate intrusive igneous rock composed principally of plagioclase feldspar (typically andesine), biotite, hornblende, and/or pyroxene.
doré	Unrefined gold and silver bullion bars, which will be further refined to almost pure metal.
drift	A horizontal tunnel generally driven within or alongside an ore body and aligned parallel to the long dimension of the ore.

Term	Definition
easement	An incorporeal right, distinct from the ownership of the soil, consisting of a liberty, privilege, or use of another's land without profit or compensation; a right-of-way.
ejido	In Mexico, a piece of land farmed communally under a system supported by the state.
electromagnetic survey	Using a geophysical method of measuring electromagnetic waves in a specific area of the earth's surface.
electrowinning	Recovery of a metal from a solution by means of electro-chemical processes.
Eocene	A major division of the geologic timescale and the second epoch of the Paleogene Period in the Cenozoic Era. The Eocene spans the time from the end of the Palaeocene Epoch to the beginning of the Oligocene Epoch. The start of the Eocene is marked by the emergence of the first modern mammals.
epithermal	A hydrothermal mineral deposit formed within about one kilometre of the Earth's surface and in the temperature range of 50 to 200 degrees Celsius, occurring mainly as veins.
fault	A fracture in the earth's crust accompanied by a displacement of one side of the fracture with respect to the other and in a direction parallel to the fracture .
feasibility study	A comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of realistically assumed mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable).
felsic	Silicate minerals, magma, and rocks which are enriched in the lighter elements such as silicon, oxygen, aluminium, sodium, and potassium.
fire assay	Analysis to determine the amount or proportion of the element of interest contained within a sample alloy by removal of other metals. Also known as gravimetric analysis.
flotation	A separation process in which valuable mineral particles are induced to become attached to bubbles and float, while the non-valuable minerals sink.
formation	Unit of sedimentary rock of characteristic composition or genesis.
geophysical survey	Exploration activity mapping an area showing the physics of the earth.
grade	The amount of metal in each tonne of ore, expressed as grams per tonne for precious metals.
granite	A very hard, granular, crystalline, igneous rock consisting mainly of quartz, mica, and feldspar and often used as a building stone.
granodiorite	A coarse-grained, plutonic rock containing quartz and plagioclase, between granite and diorite in composition.
gravity recovery circuit	Equipment used within a plant to recover gold from the ore using the difference in specific gravity between the gold and the host rock.
grinding (milling)	Powdering or pulverising of ore, by pressure or abrasion, to liberate valuable minerals for further metallurgical processing.
heap leaching	A process whereby gold is extracted by "heaping" broken ore on sloping impermeable pads and repeatedly spraying the heaps with a weak cyanide solution which dissolves the gold content. The gold-laden solution is collected for gold recovery.
hectares	A metric unit of area measuring 100 metres by 100 metres.
hedging	Taking a buy or sell position in a futures market opposite to a position held in the cash market to minimize the risk of financial loss from an adverse price change.

Term	Definition
HQ	A diamond drill core measuring 2.5 inches in diameter (6.35 centimetres).
hypogene	Producing or occurring under the surface of the earth.
Indicated Mineral Resource*	The part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
inductively-coupled plasma (ICP)	Analytical technique whereby a sample is diluted and shaken, then aspirated into a high energy argon plasma where it is vaporized. The amount of light measured by the ICP for the characteristic elemental wavelengths is converted to elemental concentrations parts per million (ppm).
induced polarization (IP)	A surface-based geophysical survey method used in mineral exploration.
Inferred Mineral Resource*	The part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
infill	The collection of additional samples between existing samples, used to provide greater geological detail and to provide more closely-spaced assay data.
intrusive	Igneous rock which, while molten, penetrated into or between other rocks and solidified before reaching the surface.
lode	A mineral deposit, consisting of a zone of veins, veinlets or disseminations, in consolidated rock as opposed to a placer deposit.
long-hole open stoping	A method of underground mining involving the drilling of holes up to 30 metres or longer into an ore-bearing zone and then blasting a slice of rock which falls into an open space. The broken rock is extracted and the resulting open chamber may or may not be filled with supporting material.
low-grade	Descriptive of ores relatively poor in the metal they are mined for; lean ore.
mafic	A group of dark-colored minerals, composed chiefly of magnesium and iron, that occur in igneous rocks.
Measured Mineral Resource*	The part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
metamorphism	The process by which the form or structure of rocks is changed by heat and pressure.
mill	A processing facility where ore is finely ground and then undergoes physical or chemical treatment to extract the valuable metals. Also, the device used to perform grinding (milling).
mineral claim / property / concession	Authorizes the holder to prospect and mine for minerals and to carry out works in connection with prospecting and mining.
Mineral Reserve*	The economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Term	Definition
Mineral Resource*	A concentration or occurrence of diamonds, natural, solid, inorganic or natural fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
muscovite	A phyllosilicate mineral of aluminium and potassium. It has a highly-perfect basal cleavage yielding very thin sheets, which are often highly elastic.
net cash costs	A non-GAAP financial measure calculating the costs of production, at site level, per unit of output. Includes operational costs, such as transport, refining, administration, and royalties.
net smelter return (NSR)	A type of royalty payment where the royalty owner receives a fixed percentage of the revenues of a property or operation.
NI 43-101	Canadian National Instrument NI 43-101 - A strict guideline for how public companies in Canada can disclose scientific and technical information about mineral projects.
offtake agreement	A contractual agreement for one party to supply another with a product within certain conditions such as purity, timing, and volume. It obligates the off-taker to accept the product regardless of market conditions.
open-pit mine	A mine where materials are removed entirely from a working that is open to the surface.
ore	Rock, generally containing metallic or non-metallic minerals, which can be mined and processed at a profit.
outcrop	A rock formation that is visible on the surface.
oxidation	Reaction of a material with an oxidizer such as pure oxygen or air in order to alter the state of the material.
oxide ore	Mineralized rock in which some of the original minerals have been oxidized. Oxidation tends to make the ore more amenable to cyanide solutions so that minute particles of gold will be readily dissolved.
Paleozoic	An era of geologic time that includes the Cambrian, Ordovician, Silurian, Devonian, Mississippian, Pennsylvanian and Permian periods and is characterized by the appearance of marine invertebrates, primitive fishes, land plants and primitive reptiles.
preliminary economic assessment (PEA)	A study, other than a pre-feasibility study or feasibility study, which includes an economic analysis of the potential viability of mineral resources. The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves and there is no certainty that the PEA based on these Mineral Resources will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
porphyry	A variety of igneous rock consisting of large-grained crystals, such as feldspar or quartz, dispersed in a fine-grained feldspathic matrix or groundmass.
pre-feasibility study	Preliminary assessment of project viability that usually takes place in the identification stage of the project cycle. Pre-feasibility studies generally cover the same subjects as feasibility studies, but in much less detail.
Probable Mineral Reserve*	The economically mineable part of an Indicated Mineral Resource and, in some circumstances, a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
Proven Mineral Reserve*	The economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Term	Definition
pyrite	A yellow iron sulphide mineral, normally of little value. It is sometimes referred to as “fool’s gold.”
pyroclastic	Rocks produced by explosive or aerial ejection of ash, fragments, and glassy material from a volcanic vent.
pyrrhotite	A brownish yellow iron sulphide mineral.
Qualified Person*	an individual who is an engineer or geoscientist with at least five years’ experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; has experience relevant to the subject matter of the mineral project and the technical report; and is a member or licensee in good standing of a professional association.
quality assurance and quality control (QA/QC)	The process of measuring and assuring product quality to meet consumer expectations.
reclamation	The restoration of a site after mining or exploration activity is completed.
reclamation and closure costs	The cost of reclamation plus other costs, including without limitation certain personnel costs, insurance, property holding costs such as taxes, rental and claim fees, and community programs associated with closing an operating mine.
recovered grade	Actual metal grade realized by the metallurgical process and treatment or ore, based on actual experience or laboratory testing.
recovery	A term used in process metallurgy to indicate the proportion of valuable material obtained in the processing of an ore. It is generally stated as a percentage of valuable metal in the ore that is recovered compared to the total valuable metal present in the ore.
refining	The final stage of metal production in which impurities are removed from the molten metal.
refractory material	Mineralized material in which the metal is not amenable to recovery by conventional cyanide methods without any pre-treatment.
reverse circulation	A drilling method that uses a rotating cutting bit within a double-walled drill pipe and produces rock chips rather than core. Air or water is circulated down to the bit between the inner and outer wall of the drill pipe. The chips are forced to the surface through the centre of the drill pipe and are collected, examined and assayed.
run-of-mine	Ore in its natural, unprocessed state; pertaining to ore just as it is mined.
sample	A small portion of rock, or a mineral deposit, taken so that the metal content can be determined by assaying.
scoping study	A technical and economic study conducted to investigate the approximate economics and viability of various development options for the mining and treatment of a mineral deposit.
sedimentary rocks	Secondary rocks formed from material derived from other rocks and laid down under water. Examples are limestone, shale and sandstone.
semi-autogenous (SAG) mill	A steel cylinder with steel balls into which run-of-mine material is fed. The ore is ground with the action of large lumps of rock and steel balls.
shaft	A vertical passageway to an underground mine for ventilation, moving personnel, equipment, supplies and material including ore and waste rock.
shear zone	A geological term used to describe a geological area in which shearing has occurred on a large scale.
silica	The dioxide of silicon occurring in crystalline, amorphous, and impure forms (as in quartz, opal, and sand respectively). Used to manufacture a wide variety of materials, especially glass and concrete.
sphalerite	A zinc mineral which is composed of zinc and sulphur.

Term	Definition
stock	A magma that has intruded into pre-existing rock in a columnar shape, typically a kilometre or more in diameter.
stockpile	Broken ore heaped on the surface, pending treatment or shipment.
stockwork	A mineral deposit consisting of a three-dimensional network of planar to irregular veinlets closely enough spaced that the whole mass can be mined.
tailings	The material that remains after all metals considered economic have been removed from ore during milling.
tailings storage facility	A natural or man-made confined area suitable for depositing the material that remains after the treatment of ore.
terrane	Area of land of a particular character, e.g., mountainous, swampy.
tonne	Metric unit of mass equaling 1,000 kilograms or 2,240 pounds. Called a "long ton."
ton	Unit of weight equaling 2,000 pounds. Called a "short ton."
total cash costs	A non-GAAP financial measure calculated by dividing all of the costs absorbed into inventory by applicable ounces sold.
tuff	Rock composed of fine volcanic ash.
vein	A fissure, fault or crack in a rock filled by minerals that have traveled upwards from some deep source.
volcanics	A general collective term for extrusive igneous and pyroclastic material and rocks.

SCHEDULE "C"
ABBREVIATIONS AND MEASUREMENT CONVERSION

Unless otherwise defined, abbreviations used in this Annual Information Form have the following meanings:

m	micron
AA	Atomic Absorption
Ag	Silver
Au	Gold
°C	degree Celsius
°F	degree Fahrenheit
Doré	Semi-pure alloy of gold and silver, usually created at a mine site, which is transported to a precious metals refinery for further purification.
mg	microgram
cm	centimetre
cm^2	square centimetre
Cu	Copper
ft	foot
g	gram
G	giga (billion)
Gwh	gigawatt-hour
HQ	diamond drill core measuring 6.35 cm in diameter
hr *or* h	hour
ha	hectare
ICP	Induction Coupled Plasmaspectrometry
in	inch
J	joule
K	kilo (thousand)
kg	kilogram
km	kilometre
km^2	kilometres squared
L	litre
lb	pound
m	metre
m^2	metres squared
M	mega (million)
mm	millimetre
MW	megawatt
MWh	megawatt-hour
NQ	diamond drill core measuring 4.76 cm in diameter
opt, oz/st	ounce per short ton
oz	Troy ounce/ounce (31.1035g)
Pb	Lead
PQ	diamond drill core measuring 8.5 cm in diameter
RC	reverse circulation
RL	relative elevation
s	second
st	short ton (one short ton equals 0.907 metric tonnes)
stpa	short ton per year
stpd	short ton per day
t	metric tonne (one metric tonne equals 1.102 short tons)
tpa/tpy	metric tonne per year
tpd	metric tonne per day
V	volt
W	watt
yd	yard
Zn	Zinc

The following table lists Imperial measurements and their equivalent value under the Metric system:

Imperial	Converts to	Metric
1 in	=	2.54 cm
1 ft (12 in)	=	0.3048 m
1 yd (3ft)	=	0.9144 m
1 mile (1760 yd)	=	1.6093 km
1 square in (in2)	=	6.4516 cm^2
1 square ft (ft^2)	=	0.0929 m^2
1 square yd (yd^2)	=	0.8361 m^2
1 acre (4840 yd^2)	=	4046.9 m^2
1 square mile (640 acres)	=	2.59 km^2
short ton	=	0.907 metric tonnes

SCHEDULE "D"
CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

The high, low, average and closing exchange rates for Canadian dollars in terms of the United States dollar (noon) for each of the three years ended December 31, 2012, 2011 and 2010, as quoted by the Bank of Canada, were as follows:

	2012	2011	2010
High	1.0418	1.0604	1.0778
Low	0.9710	0.9449	0.9946
Average [(1)]	0.9996	0.9891	1.0299
Closing	0.9949	1.0170	0.9946

[(1)] Calculated as an average of the daily noon rates for each period.

On March 26, 2013, the noon exchange rate for Canadian dollars in terms of the United States dollar, as quoted by the Bank of Canada, was US$1 = C$1.0166 and C$1= US$0.9837.

Gold, Silver and Copper Prices

Gold Prices

The high, low, average and closing afternoon fixing gold prices per troy ounce for each of the three years ended December 31, 2012, 2011 and 2010, as quoted by the London Bullion Market Association, were as follows:

	2012 ($)	2011 ($)	2010 ($)
High	1,792	1,895	1,421
Low	1,540	1,319	1,058
Average	1,669	1,572	1,225
Closing	1,658	1,531	1,406

On March 26, 2013, the closing afternoon fixing gold price per troy ounce, as quoted on the London Bullion Market Association, was $1,598.

Silver Prices

The high, low, average and closing silver prices per troy ounce for each of the three years ended December 31, 2012, 2011 and 2010, as quoted by the London Bullion Market Association, were as follows:

	2012 ($)	2011 ($)	2010 ($)
High	37.23	48.70	30.70
Low	26.67	26.16	15.14
Average	31.15	35.12	20.16
Closing	29.95	28.18	30.63

On March 26, 2013, the closing silver price per troy ounce, as quoted on the London Bullion Market Association, was $28.83.

Copper Prices

The high, low, average and closing official cash settlement copper prices per pound for each of the three years ended December 31, 2012, 2011 and 2010, as quoted by the London Metal Exchange, were as follows:

	2012 ($)	2011 ($)	2010 ($)
High	3.96	4.62	4.42
Low	3.30	3.05	2.76
Average	3.61	4.00	3.42
Closing	3.59	3.44	4.42

On March 26, 2013, the closing official cash settlement copper price per pound, as quoted on the London Metal Exchange, was $3.46.

newgold™

Consolidated Financial Statements

As at and for the year ended December 31, 2012



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements, the notes thereto and other financial information contained in the Management Discussion and Analysis have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of New Gold Inc. The financial information presented elsewhere in the Management Discussion and Analysis is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgment of management.

In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review financial reporting issues.

The consolidated financial statements have been audited by Deloitte LLP, the Company's independent registered chartered accountants, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States).

(Signed) Robert Gallagher

Robert Gallagher
Chief Executive Officer

(Signed) Brian Penny

Brian Penny
Executive Vice-President and
Chief Financial Officer

Toronto, Canada
February 28, 2013

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d—15(f) under the Exchange Act as of December 31, 2012. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2012, the Company's internal control over financial reporting is effective based on those criteria. There are no material weaknesses that have been identified by management.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2012 has been audited by Deloitte LLP, the Company's independent registered chartered accountants, as stated in their report immediately preceding the Company's audited consolidated financial statements for the year ended December 31, 2012.

(Signed) Robert Gallagher

Robert Gallagher
Chief Executive Officer

(Signed) Brian Penny

Brian Penny
Executive Vice-President and
Chief Financial Officer

Toronto, Canada
February 28, 2013

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of
New Gold Inc.

We have audited the internal control over financial reporting of New Gold Inc. and subsidiaries (the "Company") as at December 31, 2012, based on the criteria established *in Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2012 of the Company and our report dated February 28, 2013 expressed an unqualified opinion on those financial statements.

"Deloitte LLP"

Independent Registered Chartered Accountants
Licensed Public Accountants

February 28, 2013
Toronto, Canada

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of
New Gold Inc.

We have audited the accompanying consolidated financial statements of New Gold Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter
We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2013 on internal control over financial reporting expressed an unqualified opinion on the Company's internal control over financial reporting.

"Deloitte LLP"

Independent Registered Chartered Accountants
Licensed Public Accountants

February 28, 2013
Toronto, Canada

TABLE OF CONTENTS

FINANCIAL STATEMENTS

1 CONSOLIDATED INCOME STATEMENTS

2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

5 CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO THE FINANCIAL STATEMENTS

6 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

6 2. SIGNIFICANT ACCOUNTING POLICIES

13 3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

16 4. FUTURE CHANGES IN ACCOUNTING POLICIES

17 5. ASSET ACQUISITIONS

18 6. EXPENSES

20 7. TRADE AND OTHER RECEIVABLES

21 8. TRADE AND OTHER PAYABLES

21 9. INVENTORIES

22 10. MINING INTERESTS

23 11. LONG-TERM DEBT

25 12. DERIVATIVE INSTRUMENTS

27 13. SHARE CAPITAL

31 14. INCOME AND MINING TAXES

33 15. RECLAMATION AND CLOSURE COST OBLIGATIONS

34 16. SUPPLEMENTAL CASH FLOW INFORMATION

34 17. SEGMENTED INFORMATION

36 18. CAPITAL RISK MANAGEMENT

37 19. FINANCIAL RISK MANAGEMENT

40 20. FAIR VALUE MEASUREMENT

43 21. PROVISIONS

43 22. OPERATING LEASES

44 23. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

44 24. COMMITMENTS AND CONTINGENCIES

45 25. SUBSEQUENT EVENT

45 26. COMPARATIVE FIGURES

CONSOLIDATED INCOME STATEMENTS

(In millions of U.S. dollars, except per share amounts)	Note	Years ended December 31 $ 2012	 $ 2011
Revenues		**791.3**	695.9
Operating expenses	6	**344.3**	303.8
Depreciation and depletion		**116.4**	76.9
Earnings from mine operations		**330.6**	315.2
Corporate administration		**25.2**	26.1
Share-based payment expenses	13	**10.9**	11.3
Exploration and business development		**20.6**	10.0
Income from operations		**273.9**	267.8
Finance income	6	**1.4**	3.6
Finance costs	6	**(16.4)**	(5.1)
Other gains (losses)	6	**19.9**	(7.9)
Earnings before taxes		**278.8**	258.4
Income tax expense	14	**(79.8)**	(79.4)
Net earnings		**199.0**	179.0
Earnings per share			
Basic	13	**0.43**	0.42
Diluted	13	**0.42**	0.40
Weighted average number of shares outstanding (*in millions)*			
Basic	13	**463.4**	429.6
Diluted	13	**468.4**	441.0

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of U.S. dollars)	Note	Years ended December 31 $ 2012	$ 2011
Net earnings		**199.0**	179.0
Other comprehensive (loss) income			
Unrealized losses on mark-to-market of gold contracts	12	**(23.8)**	(32.1)
Realized losses on settlement of gold contracts	12	**47.9**	41.7
Unrealized losses on available-for-sale securities (net of tax)		**(0.8)**	(1.9)
Foreign currency translation adjustment		**22.5**	(38.4)
Deferred Income tax related to gold contracts	12	**(9.9)**	(3.8)
Total other comprehensive income (loss)		**35.9**	(34.5)
Total comprehensive income		**234.9**	144.5

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of U.S. dollars)	Note	As at December 31 $ 2012	$ 2011
Assets			
Current assets			
Cash and cash equivalents		**687.8**	309.4
Trade and other receivables	7	**46.9**	37.6
Inventories	9	**163.3**	106.5
Current income tax receivable		**6.6**	-
Prepaid expenses and other		**12.9**	7.9
Total current assets		**917.5**	461.4
Investments		**1.0**	1.8
Non-current inventories	9	**32.4**	20.3
Mining interests	10	**3,134.9**	2,695.3
Deferred tax assets	14	**194.1**	156.2
Non-current non-hedged derivative asset	12	**-**	18.8
Reclamation deposits and other		**3.8**	14.9
Total assets		**4,283.7**	3,368.7
Liabilities and equity			
Current liabilities			
Trade and other payables	8	**120.7**	100.3
Current tax liabilities		**-**	20.5
Current derivative liabilities	12	**56.4**	49.2
Current non-hedged derivative liabilities	12	**-**	53.3
Total current liabilities		**177.1**	223.3
Reclamation and closure cost obligations	15	**68.5**	50.7
Provisions	21	**9.5**	12.6
Non-current derivative liabilities	12	**54.1**	92.4
Non-current non-hedged derivative liabilities	12	**80.3**	114.3
Long-term debt	11	**847.8**	251.7
Deferred tax liabilities	14	**322.9**	294.3
Deferred benefit	11	**46.3**	46.3
Other		**0.7**	0.7
Total liabilities		**1,607.2**	1,086.3
Equity			
Common shares	13	**2,618.4**	2,464.0
Contributed surplus		**85.2**	80.4
Other reserves		**(50.5)**	(86.4)
Retained earnings (deficit)		**23.4**	(175.6)
Total equity		**2,676.5**	2,282.4
Total liabilities and equity		**4,283.7**	3,368.7

Approved and authorized by the Board on February 28, 2013

"Robert Gallagher"
Robert Gallagher, Director

"James Estey"
James Estey, Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of U.S. dollars)	Note	Years ended December 31 $ 2012	 $ 2011
Common shares			
Balance, beginning of year		**2,464.0**	1,845.9
Shares issued for acquisition of Richfield	5, 13	**-**	487.9
Shares issued for acquisition of Silver Quest	5, 13	**-**	105.8
Shares issued for exercise of options	13	**11.6**	24.3
Shares issued for exercise of warrants	13	**75.5**	0.1
Shares issued for the conversion of convertible debentures	13	**67.3**	-
Balance, end of year		**2,618.4**	2,464.0
Contributed surplus			
Balance, beginning of year		**80.4**	81.2
Exercise of options		**(3.7)**	(8.0)
Equity settled share-based payments		**8.5**	7.2
Balance, end of year		**85.2**	80.4
Other reserves			
Balance, beginning of year		**(86.4)**	(51.9)
Foreign currency translation adjustment		**22.5**	(38.4)
Change in fair value of available-for-sale investments		**(0.8)**	(1.9)
Change in fair value of hedging instruments (net of tax)		**14.2**	5.8
Balance, end of year		**(50.5)**	(86.4)
Retained earnings (deficit)			
Balance, beginning of year		**(175.6)**	(354.6)
Net earnings		**199.0**	179.0
Balance, end of year		**23.4**	(175.6)
Total equity		**2,676.5**	2,282.4

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of U.S. dollars)	Note	Years ended December 31 $ 2012	 $ 2011
Operating activities			
Net earnings		**199.0**	179.0
Adjustments for:			
Realized gains on gold contracts		**(9.9)**	(8.8)
Realized and unrealized foreign exchange losses (gains)	6	**1.3**	(7.1)
Realized and unrealized gains on investments	6	**-**	(1.3)
Realized and unrealized (gains) losses on non-hedged derivatives	6	**(61.1)**	7.2
Unrealized losses on concentrate contracts		**2.4**	-
Reclamation and closure costs paid	15	**(8.0)**	-
Loss on redemption of Senior Secured Notes	6	**31.8**	-
Loss on disposal of assets	6	**3.3**	0.5
Depreciation and depletion		**116.2**	76.2
Equity-settled share-based payment expense	13	**8.5**	7.2
Unrealized losses on cash flow hedging items	6	**2.9**	6.6
Income tax expense		**79.8**	79.4
Finance income		**(1.4)**	(3.6)
Finance costs		**16.4**	5.1
		381.2	340.4
Change in non-cash operating working capital	16	**(44.8)**	(12.5)
Cash generated from operations		**336.4**	327.9
Income taxes paid		**(100.6)**	(98.4)
Net cash generated from operations		**235.8**	229.5
Investing activities			
Mining interests		**(516.0)**	(413.6)
Proceeds received from sale of pre-commercial production inventory		**14.5**	-
Purchase of additional Blackwater mining claims		**(6.0)**	-
Receipt of reclamation deposits		**8.9**	8.4
Cash acquired in asset acquisition, net transaction costs - Richfield		**-**	18.7
Asset acquisition costs, net of cash received - Silver Quest		**-**	(8.0)
Asset acquisition costs, net of cash received - Geo Minerals		**-**	(18.1)
Purchase of available-for-sale securities		**-**	(3.7)
Proceeds from sale of investments		**-**	8.9
Interest received		**1.1**	3.2
Proceeds from disposal of assets		**-**	0.8
Cash used in investing activities		**(497.5)**	(403.4)
Financing activities			
Issuance of common shares on exercise of options and warrants	13	**75.4**	16.5
Redemption of Senior Secured Notes		**(197.6)**	-
Proceeds from issuance of Senior Unsecured Notes		**800.0**	-
Financing initiation costs		**(17.9)**	-
Interest paid		**(20.0)**	(21.9)
Cash generated by (used by) financing activities		**639.9**	(5.4)
Effect of exchange rate changes on cash and cash equivalents		**0.2**	(2.1)
Increase (decrease) in cash and cash equivalents		**378.4**	(181.4)
Cash and cash equivalents, beginning of the year		**309.4**	490.8
Cash and cash equivalents, end of the year		**687.8**	309.4
Cash and cash equivalents are comprised of:			
Cash		**277.5**	179.0
Short-term money market instruments		**410.3**	130.4
		687.8	309.4

See accompanying notes to the consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

New Gold Inc. (the "Company") and its subsidiaries are gold producers engaged in gold mining and related activities including acquisition, exploration, extraction, processing and reclamation. The Company's assets are comprised of the Mesquite Mine in the United States ("U.S."), the Cerro San Pedro Mine in Mexico, the Peak Gold Mines in Australia, and the New Afton Mine in Canada. Significant projects include the Blackwater development project in Canada and a 30% interest in the El Morro copper-gold development project in Chile.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the Toronto Stock Exchange and the NYSE MKT under the symbol NGD.

The Company's registered office is located at 1800 – 555 Burrard Street, Vancouver, British Columbia, V7X 1M9, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"), referred to as IFRS.

These consolidated financial statements were approved by the Board of Directors of the Company on February 28, 2013.

(b) Basis of preparation
The consolidated financial statements have been prepared on the historical cost basis except for the following, which are measured at fair value:

- Derivative financial instruments;
- Financial instruments at fair value through profit and loss; and
- Available-for-sale securities.

(c) Basis of preparation
Subsidiaries
These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ("Subsidiaries"). Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. The financial statements of subsidiaries are included in the consolidated financial statements.

Associates
Associates are those entities in which the Company has significant influence over the financial and operating policies but not control and that is not a subsidiary. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. The Company's share of net assets and net earnings or loss is accounted for in the consolidated financial statements using the equity method.

The principal subsidiaries and associates of the Company are as follows:

Name of subsidiary/associate	Principal activity	Method of accounting	Country of incorporation and operation	Interest December 31 2012	Interest December 31 2011
Metallica Resources Inc.	Holding company	Consolidated	Canada	100%	100%
Minera Metallica Resources Chile Ltd.	Mining	Consolidated	Chile	100%	100%
Minera San Xavier S.A. de C.V.	Mining	Consolidated	Mexico	100%	100%
Peak Gold Mines Pty Ltd	Mining	Consolidated	Australia	100%	100%
Inversiones El Morro Limitada	Holding company	Consolidated	Chile	100%	100%
Sociedad Contractual Minera El Morro	Mining	Equity	Chile	30%	30%
Western Goldfields (USA) Inc.	Holding company	Consolidated	USA	100%	100%

(d) Business combinations

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the Company and its shareholders in the form of improved earnings, lower costs or other economic benefits. A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs, have the ability to create outputs that provide a return to the Company and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs, but can be integrated with the inputs and processes of the Company to create outputs. When acquiring a set of activities or assets in the exploration and development stage, which may not have outputs, the Company considers other factors to determine whether the set of activities or assets is a business. Those factors include, but are not limited to, whether the set of activities or assets:

- has begun planned principal activities;
- has employees, intellectual property and other inputs and processes that could be applied to those inputs;
- is pursuing a plan to produce outputs; and
- will be able to obtain access to customers that will purchase the outputs.

Not all of the above factors need to be present for a particular integrated set of activities or assets in the exploration and development stage to qualify as a business.

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at 100% of their acquisition-date fair values. The acquisition date is the date the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. The Company considers all relevant facts and circumstances in determining the acquisition date.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, the liabilities, including contingent consideration, incurred and payable by the Company to former owners of the acquiree and the equity interests issued by the Company. The measurement date for equity interests issued by the Company is the acquisition date.

Acquisition-related costs, other than costs to issue debt or equity securities, of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred. The costs to issue equity securities of the Company as consideration for the acquisition are reduced from share capital as share issue costs.

It generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

- The identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree;
- The consideration transferred in exchange for interest in the acquiree;
- In a business combination achieved in stages, the equity interest in the acquiree previously held by the acquirer; and
- The resulting goodwill or gain on a bargain purchase.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable and shall not exceed one year from the acquisition date.

Asset acquisitions

The Company accounts for the purchase of assets and assumption of liabilities as an acquisition of net assets. The transactions do not qualify as a business combination under IFRS 3R *Business Combinations,* as the significant inputs and processes that constitute a business are not identified. Therefore the transactions were treated as asset acquisitions. The purchase consideration has been allocated to the fair value of the assets acquired and liabilities assumed based on management's best estimates and available information at the time of the acquisition.

(e) Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the date of acquisition to be cash equivalents. These highly liquid investments only comprise short-term Canadian and United States government treasury bills and other evidences of indebtedness and treasury bills of the Canadian provinces with a minimum credit rating of R-1 mid from the Dominion Bond Rating Service ("DBRS") or an equivalent rating from Standard & Poor's and Moody's. In addition, the Company invests in bankers' acceptances and other evidences of indebtedness of certain financial institutions, including Canadian banks.

(f) Inventories

Finished goods, work-in-process, heap leach ore and stockpiled ore are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert the inventories into saleable form.

The recovery of gold and silver from certain ores is achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution which dissolves the gold contained ore. The resulting "pregnant" solution is further processed in a plant where the gold is recovered. For accounting purposes, costs are added to ore on leach pads for current mining and leaching costs, including applicable depreciation, depletion and amortization relating to mining interests. Costs are removed from ore on leach pads as ounces of gold and silver are recovered based on the average cost per recoverable ounce on the leach pad.

Estimates of recoverable gold and silver on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tonnes added to the leach pads), the grade of ore placed on the leach pads (based on assay data), and a recovery percentage (based on ore type). Although the quantities of recoverable gold and silver placed on each leach pad are reconciled by comparing the grades of ore placed on the leach pad to the quantities actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. The recovery of gold and silver from the leach pad is not known until the leaching process has concluded. In the event that the Company determines, based on engineering estimates, that a quantity of gold contained in ore on leach pads is to be recovered over a period exceeding twelve months, that portion is classified as long-term.

Work-in-process inventory represents materials that are currently in the process of being converted into finished goods. The average production cost of finished goods represents the average cost of work-in-process inventories incurred prior to the refining process, plus applicable refining, selling, shipping costs and associated royalties.

Supplies are valued at the lower of average cost and net realizable value.

(g) Mining interests

Mining interests represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures related to advanced exploration arising from property acquisitions. Capitalized costs are depreciated and depleted using either a unit-of-production method over the estimated economic life of the mine to which they relate, or for plant and equipment, using the straight-line method over their estimated useful lives, if shorter than the mine life.

Mining properties

The costs associated with mining properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired.

Mining properties include costs directly attributable to bringing a mineral asset into the state where it is capable of operating in the manner intended by management. The determination of development costs to be capitalized during the production stage of a mine operation requires the use of judgment and estimates.

The value associated with resources and exploration potential is the value beyond proven and probable reserves assigned through acquisition. The resource value represents the property interests that are believed to potentially contain economic mineralized material such as inferred material within pits; Measured, Indicated, and Inferred Resources with insufficient drill spacing to qualify as Proven and Probable Reserves; and Inferred Resources in close proximity to Proven and Probable Reserves. Exploration potential represents the estimated mineralized material contained within (i) areas adjacent to existing Reserves and mineralization located within the immediate mine area; (ii) areas outside of immediate mine areas that are not part of Measured, Indicated, or Inferred Resources; and (iii) greenfields exploration potential that is not associated with any other production, development, or exploration stage property, as described above. At least annually or when otherwise appropriate, and subsequent to its review and evaluation for impairment, value from the non-depletable category is transferred to the depletable category as a result of an analysis of the conversion of resources or exploration potential into reserves.

The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons. The estimation of recoverable reserves will be impacted by forecast commodity prices, exchange rates, production costs and recoveries amongst other factors. Changes in the reserve or resource estimates may impact the carrying value of assets and depreciation and impairment charges recorded in the income statement.

A mining property is considered to be capable of operating in a manner intended by management when it commences commercial production. Upon commencement of commercial production, a mining property is depreciated on a unit-of-production method. Unit-of-production depletion rates are determined based on the estimate recoverable Proven and Probable Mineral Reserves at the mine.

Costs related to property acquisitions are capitalized until the viability of the mineral property is determined. When it is determined that a property is not economically recoverable the capitalized costs are written off.

Exploration and evaluation
Exploration and evaluation costs are expensed until the probability that future economic benefits will flow to the entity and the asset cost or value can be measured reliably. Management uses the following criteria to determine the economic recoverability and probability of future economic benefits:

- The Company controls access to the benefit;
- Internal project economics are beneficial to the Company;
- The project is technically feasible; and
- Costs can be reliably measured.

Further development expenditures are capitalized to the property.

Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are exploration expenditures and are expensed as incurred to the date of establishing that property costs are economically recoverable. Further development expenditures, subsequent to the establishment of economic recoverability, are capitalized to the property.

Property, plant and equipment
Plant and equipment consists of buildings and fixtures, surface and underground fixed and mobile equipment.

Depreciation rates of major categories of asset costs
Mining assets are depleted using a unit-of-production method based on the estimated economically recoverable reserves to which they relate. Plant and equipment is depreciated using the straight-line method over their estimated useful lives, or the remaining life of the mine if shorter.

	Estimated useful life
Building	15 – 50
Plant and machinery	3 – 20
Office equipment	5 – 10
Vehicles	5 – 7
Computer equipment	3 - 5

Capitalized borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized until such time as the assets are substantially ready for their intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of interest rates applicable to relevant general borrowings of the Company during the period, to a maximum of actual borrowing costs incurred. Capitalization of interest is suspended during extended periods in which active development is interrupted.

Commencement of commercial production
There are a number of factors the Company considers when determining if conditions exist for the commencement of commercial production of an operating mine. Management examines the following when making that judgment:

- All major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed;
- The completion of a reasonable period of testing of the mine plant and equipment;
- The mine or mill has reached a pre-determined percentage of design capacity; and
- The ability to sustain ongoing production of ore.

The list is not exhaustive and each specific circumstance is taken into account before making the decision.

Derecognition
Upon sale or abandonment the cost of the property and equipment, and related accumulated depreciation or depletion, are removed from the accounts and any gains or losses thereon are recognized in net earnings.

(h) Impairment of long-lived assets
The Company reviews and evaluates its mining interests for indicators of impairment at the end of each reporting period. Impairment assessments are conducted at the level of cash-generating units (“CGU”). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, with each operating mine, development and exploration project representing a separate CGU. If an indication of impairment exists, the recoverable amount of the CGU is estimated. An impairment loss is recognized when the carrying amount of the CGU is in excess of its recoverable amount.

The recoverable amount of a mine site is the greater of its fair value less costs to sell and value in use. In determining the recoverable amounts of the Company's mine sites, the Company uses the fair value less costs to sell as this will generally be greater than or equal to the value in use. When there is no binding sales agreement, fair value less costs to sell is estimated as the discounted future after-tax cash flows expected to be derived from a mine site, less an amount for costs to sell estimated based on similar past transactions. When discounting estimated future cash flows, the Company uses an after-tax discount rate that would approximate what market participants would assign. Estimated cash flows are based on expected future production, metal selling prices, operating costs and capital costs. If the recoverable amount of a mine site is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The carrying amount of each mine site includes the carrying amounts of mining properties, plant and equipment, goodwill and related deferred tax balances. Impairment losses are recognized as other operating expenses in the period they are incurred. The allocation of an impairment loss, if any, for a particular mine site to its mining properties and plant and equipment is based on the relative book values of these assets at the date of impairment. When an impairment loss reverses in a subsequent period, the carrying amount of the related asset is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset previously. Reversals of impairment losses are recognized in net earnings in the period the reversals occur.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for a long-lived asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU. A reversal of an impairment loss is recognized up to the lesser of the recoverable amount or the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the CGU in prior years.

(i) Reclamation and closure cost obligations

The Company's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company has recorded a liability and corresponding asset for the estimated future cost of reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs, discounted to net present value. Such estimates are, however, subject to change based on negotiations with regulatory authorities, changes in laws and regulations or changes to market inputs to the decommissioning model.

The present value of estimated costs is recorded in the period in which the asset is installed or the environment is disturbed and a reasonable estimate of future costs and discount rates can be made. The provision is discounted using a risk-free rate and estimates of future cash flows are adjusted to reflect risk.

After the initial measurement, the obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized in finance costs, whereas increases and decreases due to changes in the estimated future cash flows are capitalized and depreciated over the life of the related asset unless the amount deducted from the cost exceeds the carrying value of the asset, in which case the excess is recorded in net earnings. Actual costs incurred upon settlement of the site restoration obligation are charged against the provision to the extent the provision was established for those costs. Upon settlement of the liability, a gain or loss may be recorded in net earnings.

(j) Income taxes

The income tax expense or benefit for the period consists of two components: current and deferred.

Current Tax

The tax currently payable is based on taxable earnings for the year. Taxable earnings differs from earnings before taxes due to items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date in each of the jurisdictions and includes any adjustments for taxes payable or recovery in respect of prior periods.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the corresponding tax bases used in the computation of taxable net earnings. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are generally recorded for all taxable temporary differences. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable earnings will be available against which those deductible temporary difference can be utilized. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and where the Company has the legal right and intent to offset.

The Company records foreign exchange gains and losses representing the impacts of movements in foreign exchange rates on the tax bases of non-monetary assets and liabilities which are denominated in foreign currencies. Foreign exchange gains and losses relating to deferred income taxes are included within foreign exchange gains in the Consolidated Statement of Earnings.

Current and deferred tax for the year
Current and deferred tax are recognized in net earnings except when they arise as a result of items recognized in other comprehensive income or directly in equity in the current or prior periods, in which case the related current and deferred income taxes are also recognized in other comprehensive income or directly in equity, respectively.

Government assistance and tax credits
Any federal or provincial tax credits received by the Company, with respect to exploration or development work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which the credits related. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments as well as reasonable assurance that the Company will comply with the conditions associated to them and that the grants will be received.

(k) Foreign currency translation
The individual financial statements of each Subsidiary or Associate are presented in the currency of the primary economic environment in which that entity operates (its functional currency). The functional currency of the Company and the presentation currency of the consolidated financial statements is the United States Dollar (“U.S. dollar”).

Management determines the functional currency by examining the primary economic environment of each operating mine, development and exploration project. The Company considers the following factors in determining its functional currency:

- The main influences of sales prices for goods and the country whose competitive forces and regulations mainly determine the sales price;
- The currency that mainly influences labour, material and other costs of providing goods;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

When preparing the consolidated financial statements of the Company, the Company translates non-U.S. dollar balances into U.S. dollars as follows:

- Mining interest and equity method investments using historical exchange rates;
- Financial instruments measured at fair value through profit and loss using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in net earnings;
- Available-for-sale securities using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in other comprehensive income;
- Deferred tax assets and liabilities using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in net earnings;
- Other assets and liabilities using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in net earnings;
- Income and expenses using the average exchange rate for the period, except for expenses that relate to non-monetary assets and liabilities measured at historical rates, which are translated using the same historical rate as the associated non-monetary assets and liabilities

(l) Earnings per share
Earnings per share calculations are based on the weighted average number of common shares and common shares equivalents issued and outstanding during the year. Diluted earnings per share are calculated using the treasury stock method and if converted method, as applicable, which requires the calculation of diluted earnings per share by assuming that outstanding stock options, warrants and convertible debentures with an average market price that exceeds the average exercise prices of the options and warrants for the period, are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common share for the period.

(m) Revenue recognition
Revenue from the sale of metals and metals in concentrate is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Revenue from the sale of metals in concentrate may be subject to adjustment upon final settlement of estimated metal prices, weights and assays. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded on final settlement. Refining and treatment charges are netted against revenue for sales of metal concentrate.

(n) Share-based payments

The Company maintains a Restricted Share Unit ("RSU") plan and stock option plan for employees as well as a Deferred Share Unit ("DSU") plan for directors.

Cash-settled transactions, RSUs and DSUs, are initially measured at fair value and recognized as an obligation at the grant date. The liabilities are re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in net earnings. The Company values the liabilities based on the change in the Company's share price. RSU liabilities are included in provisions on the balance sheet, and changes in the fair value of the liabilities are recorded in the income statement.

Equity-settled transactions with employees are measured by reference to the fair value at the grant date. Fair value is determined using a Black-Scholes option pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the expected average life of the options. The Company believes this model adequately captures the substantive features of the option awards and is appropriate to calculate their fair values. The fair value determined at grant date is recognized over the vesting period in accordance with vesting terms and conditions, with a corresponding increase to contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met.

(o) Non-derivative financial assets

The Company recognizes all financial assets initially at fair value and classifies them into one of the following four categories: held-to-maturity, available-for-sale ("AFS"), loans and receivables, or fair value through profit or loss ("FVTPL"). Financial assets held to maturity and loans and receivables are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net earnings.

The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) is based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Company is the last bid price of the day.

The Company has classified cash and cash equivalents, trade receivables and reclamation deposits as loans and receivables. Investments are classified as AFS.

Transaction costs related to financial assets classified as FVTPL are recognized immediately into net earnings. For financial instruments assets classified as other than as FVTPL, transaction costs are included in the initial carrying value of the instrument.

(p) Non-derivative financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net earnings. Other financial liabilities including borrowings are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost.

Trade and other payables, short-term borrowings and long-term debt are classified as other financial liabilities. Provisions related to the RSU plan have been classified as FVTPL.

Transaction costs related to financial liabilities classified as FVTPL are recognized immediately into income. For financial liabilities classified other than as FVTPL, transaction costs are included in the initial carrying value of the instrument.

(q) Derivative instruments, including hedge accounting

Derivative instruments, including embedded derivatives, are recorded at fair values on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recorded in net earnings.

The Company has entered into arrangements for the sale of gold. The Company has designated this derivative as a cash flow hedge. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and risk management objective and strategy for understanding the hedge. In addition, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective.

Gains and losses for the effective portion of the hedging instruments are included in other comprehensive income. Gains and losses for any ineffective portion of hedging instruments are included in net earnings. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to net earnings in the period when the hedged items is recognized in profit or loss in the same line of the income statement.

Certain products are "provisionally priced", whereby the selling price is subject to final adjustment up to 150 days after delivery to the customer. The final price is based on the market price at the relevant quotation point stipulated in the contract. As is customary in the industry, revenue on

provisionally priced sales is recognised based on estimates of the fair value of the consideration receivable based on relevant forward market prices. At each reporting date, provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as gold and copper, for which there exists active and freely traded commodity markets. The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue.

In order to mitigate a portion of the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales, the Company has entered into cash settled derivative copper contracts to swap future contracted monthly average metal prices for fixed metal prices. At each reporting date, these copper swap agreements are marked to market based on corresponding forward copper prices. The marking to market of copper swap agreements is recorded as an adjustment to sales revenue.

The Company's share purchase warrants with Canadian dollar exercise prices are derivative liabilities and accordingly, they are recorded at fair value at each reporting period, with the gains or losses recorded in profit or loss for the period.

(r) Trade and other receivables
Trade and other receivables are carried at amortized cost less impairment. Trade and other receivables are written off as they are determined to be uncollectible.

(s) Leases
Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Changes in accounting policies
The following accounting standards are effective and implemented as of January 1, 2012.

Financial instruments
In October 2010, the International Accounting Standards Board ("IASB") issued amendments to IFRS 7 – *Financial Instruments: Disclosures* ("IFRS 7") that enhance the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier application permitted. The implementation of IFRS 7 did not have a material impact on the Company's consolidated financial statements.

Income taxes
In December 2010, the IASB issued an amendment to IAS 12 – *Income Taxes* ("IAS 12") that addresses the determination of the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier application permitted. The implementation of IAS 12 did not have a material impact on the Company's consolidated financial statements.

3. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about the future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Critical judgements in the application of accounting policies

(i) Commencement of commercial production
Prior to the period when a mine has reached management's intended operating levels, costs incurred as part of the development of the related mining property are capitalized and any mineral sales during the commissioning period are offset against the costs capitalized. The Company defines the commencement of commercial production as the date that a mine has achieved a consistent level of production. Depletion of capitalized costs for mining properties begins when operating levels intended by management have been reached.

There are a number of factors the Company considers when determining if conditions exist for the commencement of commercial production of an operating mine. Management examines the following when making that judgment:

· All major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed;
· The completion of a reasonable period of testing of the mine plant and equipment;
· The mine or mill has reached a pre-determined percentage of design capacity; and
· The ability to sustain ongoing production of ore.

The list is not exhaustive and each specific circumstance is taken into account before making the decision.

Effective July 31, 2012, management determined that the New Afton Mine reached the commercial production levels. The Company defines the point where a development project becomes an operating mine as 60% average mill capacity for a consecutive 30 day period. Upon declaring commercial production at the New Afton Mine, the Company transferred the capitalized cost of the mineral property from non-depletable assets to depletable assets, and began depleting the assets on a unit of production method. The Company ceased capitalization of interest to the mine as it was no longer a qualifying asset.

In September 2012, the Company recorded the first concentrate sale of the mine. A portion of the sale related to material produced prior to commercial production and recorded as a credit to the cost of the project.

(ii) Functional currency

The functional currency for each of the Company's subsidiaries and equity investments is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity as the U.S. dollar. Determination of the functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determines the primary economic environment.

As of July 31, 2012 the Company applied the change in functional currency to the New Afton Mine and to Blackwater on a prospective basis. The Company translated all items into the new functional currency using the exchange rate as at July 31, 2012. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously recognized in other comprehensive income are not reclassified from equity to net earnings until the disposal of the operation.

New Afton

The Company re-assessed the functional currency at the New Afton Mine, as the mine commenced commercial production and moved from a development project to an operating mine on July 31, 2012. The Company defines commercial production as reaching an average of 60% mill capacity for a consecutive 30 day period. The New Afton Mine began earning revenue which is denominated in U.S. dollars. The change in circumstance required the Company to change the functional currency of the mine from the Canadian dollar to the U.S. dollar.

Blackwater

The Company re-assessed the functional currency of the Blackwater development project ("Blackwater"). Blackwater is funded from the net earnings of the Company's operating mines which are denominated in U.S. dollars, and was amalgamated into Corporate on January 1, 2012 which has a U.S. dollar functional currency as well. The Company changed the functional currency at Blackwater to U.S. dollars, as financing will be denominated in such.

(iii) Determination of economic viability

Management has determined that exploratory drilling, evaluation, development and related costs incurred on the Blackwater development project have future economic benefits and are economically recoverable. In making this judgement, management has assessed various criteria including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise, existing permits and life of mine plans.

(iv) Carrying value of assets and impairment charges

In determining whether the impairment of the carrying value of an asset is necessary, management first determines whether there are external or internal indicators that would signal the need to test for impairment. These indicators consist of but are not limited to the prolonged significant decline in commodity prices, unfavourable changes to the legal environment in which the entity operate and evidence of long term reduced production of the asset. If an impairment indicator is identified the Company compares the carrying value of the asset against the higher of the recoverable amount or fair value less cost to sell. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. During the year ended December 31, 2012, the Company identified no indicators that led to additional impairment analysis.

(v) Determination of Cash Generating Unit ("CGU")
In determining a CGU, management had to examine the smallest identifiable group of assets that generates cash inflows that are largely independent on cash inflows from other assets or groups of assets. The Company has determined that each mine site and development project qualify as an individual CGU. Each of these assets generate cash inflows that are independent of the other assets and therefore qualify as an individual asset for impairment testing purposes.

(b) Key sources of estimation uncertainty in the application of accounting policies

(i) Revenue recognition
Revenue from sales of concentrate is recorded when the rights and rewards of ownership pass to the buyer. Variations between the prices set in the contracts and final settlement prices may be caused by changes in the market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each reporting period until final settlement occurs, with changes in the fair value being recorded as revenue. For changes in metal quantities upon receipt of new information and assays, the provisional sales quantities are adjusted as well.

(ii) Inventory valuation
Management values inventory at the average production costs or net realizable value ("NRV"). Average production costs include expenditures incurred and depreciation and depletion of assets used in mining and processing activities that are deferred and accumulated as the cost of ore in stockpiles, ore on leach pad, work-in-process and finished metals inventories. The allocation of costs to ore in stockpiles, ore on leach pads and in-process inventories and the determination of NRV involve the use of estimates. Costs are removed from the leach pad based on the average cost per recoverable ounce of gold on the leach pad as gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly from the estimates.

(iii) Mineral reserves
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous estimates in determining the mineral reserves and estimates. Such estimation is a subjective process, and the accuracy of any mineral reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

(iv) Estimated recoverable ounces
The carrying amounts of the Company's mining properties are depleted based on recoverable ounces. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Company's mine plans and changes in metal price forecasts can result in a change to future depletion rates.

(v) Deferred income taxes
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The Company considers tax planning opportunities that are within the Company's control, are feasible and implementable without significant obstacles. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax asset recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

(vi) Reclamation and closure cost obligations
The Company's provision for reclamation and closure cost obligations represent management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company. At December 31, 2012, the carrying amount of the Company's provision for reclamation and closure cost obligations was $71.8 million (2011 - $55.0 million).

4. FUTURE CHANGES IN ACCOUNTING POLICIES

Accounting standards effective January 1, 2013

(a) Consolidation

In May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* ("IFRS 10"), which supersedes Standing Interpretations Committee standards ("SIC") 12 and the requirements relating to consolidated financial statements in IAS 27 – *Consolidated and Separate Financial Statements* ("IAS 27"). IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. IFRS 10 establishes control as the basis for an investor to consolidate its investees; it defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. In addition, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities* ("IFRS 12") which combines and enhances the disclosure requirements for the Company's subsidiaries, joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include reporting on the nature of risks associated with the Company's interests in other entities, and the effects of those interests on the Company's consolidated financial statements. Concurrently with the issuance of IFRS 10, IAS 27 and IAS 28 – *Investments in Associates* ("IAS 28") were revised and reissued as IAS 27 – *Separate Financial Statements* and IAS 28 – *Investments in Associates and Joint Ventures* to align with the new consolidation guidance. The Company has evaluated the above standards and determined that they do not have a material impact on the consolidated financial statements.

(b) Joint arrangements

In May 2011, the IASB issued IFRS 11 – *Joint Arrangements* ("IFRS 11"), which supersedes IAS 31 – *Interests in Joint Ventures* and SIC 13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method. The Company has evaluated IFRS 11 and determined that it does not have a material impact on the consolidated financial statements.

(c) Fair value measurement

In May 2011, as a result of the convergence project undertaken by the IASB and the U.S. Financial Accounting Standards Board, to develop common requirements for measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13 – *Fair Value Measurement* ("IFRS 13"). IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRS that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Company has evaluated IFRS 13 and determined that it does not have a material impact on the consolidated financial statements.

(d) Financial statement presentation

In June 2011, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* ("IAS 1") that require an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company has evaluated the amendments to IAS 1 and determined that they do not have a material impact on the consolidated financial statements.

(e) Stripping costs in the production phase of a mine

In October 2011, the IASB issued IFRIC 20 – *Stripping Costs in the Production Phase of a Mine* ("IFRIC 20"). IFRIC 20 clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted and includes guidance on transition for pre-existing stripping assets. The Company has evaluated IFRIC 20 and the implementation of the standard is consistent with current practice.

Accounting standards anticipated to be effective January 1, 2015

Financial instruments

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9 – *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for

financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. On July 22, 2011, the IASB agreed to defer the mandatory effective date of IFRS 9 from annual periods beginning on or after January 1, 2013 (with earlier application permitted) to annual periods beginning on or after January 1, 2015 (with earlier application still permitted). The IASB proposed the deferral of IFRS 9 in an exposure draft with a 60-day comment period which ended on October 21, 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

5. ASSET ACQUISITIONS

The Company had no asset acquisitions in 2012; however, there were three asset acquisitions that occurred in 2011:

- Richfield Ventures Corp.;
- Geo Minerals Ltd.; and
- Silver Quest Resources Ltd.

These acquisitions have been accounted for as a purchase of assets and assumption of liabilities by the Company. The transactions do not qualify as a business combination under IFRS 3R *Business Combinations*, as the significant inputs and processes that constitute a business were not identified. Therefore the transactions were treated as asset acquisitions. The purchase considerations have been allocated to the fair value of the assets acquired and liabilities assumed based on management's best estimate and available information at the time of acquisition.

(a) Richfield Ventures Corp.
On April 4, 2011, the Company announced that it had entered into a definitive agreement whereby the Company would acquire, through a plan of arrangement, all of the outstanding common shares of Richfield Ventures Corp. ("Richfield"). Under the terms of the arrangement, each Richfield shareholder received 0.9217 of a New Gold share and a nominal cash payment of C$0.0001 for each Richfield share held. The acquisition was granted final court approval on May 31, 2011. The effective date of the arrangement was June 1, 2011.

The Company issued 48,611,979 common shares to Richfield shareholders that were valued at C$9.75 per share. The value per share was determined using the June 1, 2011 opening share price of New Gold.

The allocation of the purchase price based on the consideration paid and on Richfield net assets acquired as at June 1, 2011 is as follows:

	$
Issuance of New Gold shares (48,611,979 common shares)	487.9
Acquisition costs	5.8
Purchase consideration	493.7
Net assets acquired	
Net working capital (including cash of $24.4)	21.3
Plant and equipment	2.6
Blackwater project	465.3
Deferred tax asset	4.2
Other assets	0.3
	493.7

(b) Geo Minerals Ltd.
On October 17, 2011, the Company announced that it had entered into a definitive agreement whereby the Company would acquire, through a plan of arrangement, all of the outstanding common shares of Geo Minerals Ltd. ("Geo Minerals"). Under the terms of the arrangement, each Geo Mineral shareholder received C$0.16 for each share held. The arrangement was granted final court approval on December 16, 2011. The effective date of the arrangement was December 21, 2011. The purchase of Geo Minerals consolidated land ownership in the Blackwater project.

The allocation of the purchase price based on the consideration paid and on Geo Minerals net assets acquired as at December 21, 2011 is as follows:

	$
Cash consideration	21.2
Acquisition costs	0.3
Purchase consideration	21.5
Net assets acquired	
Net working capital (including cash of $3.5)	3.3
Mineral interest	18.1
Other assets	0.1
	21.5

(c) Silver Quest Resources Ltd.

On November 23, 2011, the Company announced that it had entered into a definitive agreement whereby the Company would acquire, through a plan of arrangement, all of the outstanding common shares of Silver Quest Resources Ltd. ("Silver Quest"). Under the terms of the arrangement, each Silver Quest shareholder received 0.09 of a New Gold share and a nominal cash payment of C$0.0001 for each Silver Quest share held. The Company further agreed to additional cash consideration of $5.3 million to fund the spun out entity, Independence Gold Corp. The arrangement was granted final court approval on December 16, 2011. The effective date of the arrangement was December 23, 2011. The purchase of Silver Quest further consolidated land ownership in the Blackwater project.

The Company issued 10,512,496 common shares to Silver Quest shareholders that were valued at C$10.27 per share. The value per share was determined using the December 23, 2011 opening share price of New Gold.

The allocation of the purchase price based on the consideration paid and on Silver Quest net assets acquired as at December 23, 2011 is as follows:

	$
Issuance of New Gold shares (10,512,496 common shares)	105.8
Cash consideration	5.3
Acquisition costs	2.6
Purchase consideration	113.7
Net assets acquired	
Net working capital (including cash of $nil)	0.2
Mineral interest	114.4
Other net liabilities	(0.9)
	113.7

6. EXPENSES

(a) Operating expenses by nature

Operating expenses by nature for the years ended December 31, are as follows:

	$	$
	2012	2011
Raw materials and consumables	**145.9**	133.0
Salaries and employee benefits	**105.2**	72.5
Repairs and maintenance	**25.5**	19.9
Contractors	**35.2**	24.1
Royalties	**18.2**	15.7
Shipping costs	**1.0**	0.6
Change in inventories and work-in-progress	**(34.0)**	(14.5)
Operating leases	**31.7**	32.4
General and administrative	**14.6**	17.9
Other	**1.0**	2.2
	344.3	303.8

(b) Finance costs and income

Finance costs and income for the years ended December 31, are as follows:

	$ 2012	$ 2011
Finance costs		
Interest on senior unsecured notes	**20.1**	-
Interest on senior secured notes	**7.0**	19.7
Interest on convertible debentures	**5.0**	5.9
Other interest	**2.1**	1.2
Unwinding of the discount on decommisioning obligations (Note 15)	**1.3**	1.6
Other finance costs	**4.7**	2.4
	40.2	30.8
Less: amounts included in cost of qualifying assets	**(23.8)**	(25.7)
	16.4	5.1

	$ 2012	$ 2011
Finance income		
Interest income	**1.4**	3.6

(c) Other gains and losses

The following table summarizes other gains and (losses) for the years ended December 31:

		$ 2012	$ 2011
Loss on redemption of Senior Secured Notes	i	**(31.8)**	-
Gain on fair value through profit or loss financial assets		**-**	1.3
Ineffectiveness on hedging instruments	ii	**(2.9)**	(6.6)
Realized and unrealized gain (loss) on non-hedged derivatives	iii	**61.1**	(7.3)
(Loss) gain on foreign exchange		**(1.3)**	7.1
Loss on disposal of assets		**(3.3)**	(0.5)
Other		**(1.9)**	(1.9)
		19.9	(7.9)

(i) Loss on redemption of Senior Secured Notes

The Company redeemed the Senior Secured Notes (the "Notes"), as described in Note 11 (c) in whole on May 7, 2012 (the "redemption date"). The Notes had a face value of $188.2 million (C$187.0 million) and a fair value of $181.2 million (C$180.0 million) on the redemption date. Embedded in the Notes was an early redemption option that had a fair value of $15.4 million on the redemption date. This option allowed the Company to redeem the Notes at a premium of 105% of face value. On the redemption date, the Company paid the premium of $9.4 million, as well recognized a non-cash loss of $7.0 million of accelerated accretion on the Notes and a non-cash loss on the early redemption option of $15.4 million.

(ii) Ineffectiveness on hedging instruments

The Company has gold forward sales contracts that commenced in July 2008 representing a commitment of 5,500 ounces per month ending in December 2014 (as described in Note 12 (a)). The effective portion of gold contracts is recorded in other comprehensive income until the forecasted gold sale impacts earnings. The ineffective portion is recorded in net earnings in the current period. The ineffective portion has resulted in a loss of $2.9 million for the year ended December 31, 2012 (2011 – loss of $6.6 million).

(iii) Fair value loss on non-hedged derivatives

The following table presents realized and unrealized gains and (losses) on non-hedged derivatives for the years ended December 31:

	$ 2012	$ 2011
Realized and unrealized (loss) gain on embedded derivative in senior secured notes	**(3.7)**	11.1
Realized and unrealized gain on equity conversion option on debentures	**6.2**	5.1
Realized and unrealized gain (loss) on share purchase warrants	**58.6**	(23.5)
	61.1	(7.3)

Embedded derivative in Senior Secured Notes
The Company had the right to redeem the Notes, as described in Note 11 (c) in whole or in part at any time prior to June 27, 2017 at a price ranging from 120% to 100% (decreasing based on the length of time the Notes are outstanding) of the principal amount of the Notes to be redeemed. The notes were redeemed on May 7, 2012 with a redemption price of 105%. The early redemption feature in the Notes qualified as an embedded derivative and was bifurcated for reporting purposes. At December 31, 2012 the fair value of the non-hedged derivative asset was $nil (2011 – $18.8 million). The fair value of the embedded derivative resulted in a loss of $3.7 million for the year ended December 31, 2012 (2011 – gain of $11.1 million).

Equity conversion Option on Convertible Debentures
The Company gave notice that it intended to redeem the debentures early as described in Note 11 (d) since its share price traded at a 25% premium to the C$9.35 per share conversion price for a period of 30 days on a volume weighted average basis. The conversion period concluded on November 20, 2012.

The Debentures were classified as compound financial instruments for accounting purposes because of the holder conversion option. The conversion option was treated as a derivative liability measured at fair value on initial recognition, and was subsequently re-measured at fair value at the end of each reporting period. Unrealized and realized gains or losses are recognized in net earnings. The Company fair valued the conversion option to the redemption date and recognized a gain of $6.2 million for the year ended December 31, 2012 (2011 – unrealized gain of $5.1 million). At December 31, 2012 the fair value of the conversion option was $nil (2011 – 24.0 million).

Share purchase warrants
The Company has outstanding share purchase warrants ("Warrants"), as described in Note 12 (b) as of December 31, 2012. The Warrants have an exercise price denominated in a currency other than the Company's functional currency and are classified as a derivative liability. The Warrants are measured at fair value on initial recognition, and subsequently re-measured at fair value at the end of each reporting period. Realized and unrealized gains or losses are recognized in net earnings.

During the year ended December 31, 2012 the Company had Series B expired and Series C warrants exercised and based on re-measurement of the liability to the date of common share issuance or expiry recognized a gain of $46.6 million in net earnings.

The following table presents the realized and unrealized gains and (losses) for the years ended December 31:

	$	$
	2012	2011
Realized gain on fair value of derivative liability		
New Gold Series B	**3.3**	-
New Gold Series C	**43.3**	-
	46.6	-
Unrealized gain on fair value of derivative liability		
New Gold Series A	**11.0**	(14.8)
New Gold Series B	-	16.0
New Gold Series C	-	(24.7)
Silver Quest Warrants - A	-	-
Silver Quest Warrants - B	**0.3**	-
Silver Quest Warrants - C	**0.4**	-
Silver Quest Warrants - D	**0.3**	-
	12.0	(23.5)
	58.6	(23.5)

7. TRADE AND OTHER RECEIVABLES

	Years ended December 31	
	$	$
	2012	2011
Trade receivables	**11.1**	6.7
Sales tax receivable	**33.9**	29.2
Copper swap (Note 12)	**(0.9)**	-
Other	**2.8**	1.7
	46.9	37.6

8. TRADE AND OTHER PAYABLES

	Years ended December 31 $ 2012	 $ 2011
Trade payables	**34.3**	27.0
Interest payable	**8.4**	-
Accruals	**74.7**	69.0
Current portion of decommissioning obligations (Note 15)	**3.3**	4.3
	120.7	100.3

9. INVENTORIES

The amount of inventories recognized in operating expenses for the year ended December 31, 2012 was $326.1 million (2011 – $288.1 million). There were no write-downs or reversals of write-downs during the year. Heap leach inventories of $32.4 million (December 31, 2011 – $20.3 million) are expected to be recovered after one year.

The Company transferred $13.7 million of stockpile ore and $13.3 million of supplies from the mining interest value of the New Afton Mine to inventory on July 31, 2012 upon declaring commercial production.

10. MINING INTERESTS

	Mining properties					
	Depletable $	Non depletable $	Plant & equipment $	Construction in progress $	Exploration & evaluation $	Total $
Cost						
As at December 31, 2010	549.9	964.1	438.8	15.6	9.7	1,978.1
Additions	45.5	796.8	150.9	71.4	-	1,064.6
Disposals/write-offs	-	-	(4.3)	-	-	(4.3)
Transfers	14.5	-	41.5	(56.0)	-	-
Foreign exchange translation	-	(32.5)	(14.1)	-	-	(46.6)
As at December 31, 2011	609.9	1,728.4	612.8	31.0	9.7	2,991.8
Additions	28.6	320.5	116.0	135.5	-	600.6
Disposals/write-offs	(0.1)	-	(15.8)	-	-	(15.9)
Transfers	791.7	(742.8)	41.1	(117.0)	-	(27.0)
Pre-commerical production revenue	-	(14.5)	-	-	-	(14.5)
Foreign exchange translation	10.6	7.4	3.3	-	-	21.3
As at December 31, 2012	**1,440.7**	**1,299.0**	**757.4**	**49.5**	**9.7**	**3,556.3**
Accumulated depreciation						
As at December 31, 2010	113.5	-	97.4	-	-	210.9
Depreciation for the period	48.6	-	40.7	-	-	89.3
Disposals	-	-	(3.0)	-	-	(3.0)
Foreign exchange translation	-	-	(0.7)	-	-	(0.7)
As at December 31, 2011	162.1	-	134.4	-	-	296.5
Depreciation for the period	81.3	-	55.6	-	-	136.9
Disposals	-	-	(12.5)	-	-	(12.5)
Foreign exchange translation	-	-	0.5	-	-	0.5
As at December 31, 2012	**243.4**	**-**	**178.0**	**-**	**-**	**421.4**
Carrying amount						
As at December 31, 2011	447.8	1,728.4	478.4	31.0	9.7	2,695.3
As at December 31, 2012	**1,197.3**	**1,299.0**	**579.4**	**49.5**	**9.7**	**3,134.9**

The Company capitalized interest of $23.8 million for the year ended December 31, 2012 (2011 – $25.7 million) to qualifying development projects. The Company used a capitalization rate of 7.1% during the year ended December 31, 2012 to determine the amount of general borrowing costs eligible for capitalization to qualifying development projects.

Effective July 31, 2012, the Company declared the commencement of commercial production at the New Afton mine and mill. The Company transferred the $734.1 million to the depletable category net of pre-commercial production revenues of $14.5 million related to concentrate in stock at July 31, 2012 and $27.0 million to current assets.

A summary of carrying amount by property as at December 31, 2012 is as follows:

	Mining properties				
	Depletable $	Non depletable $	Plant & equipment $	Construction in Progress $	December 31 2012 $
Mesquite Mine	169.9	30.6	91.1	1.1	**292.7**
Cerro San Pedro Mine	170.6	70.7	70.9	4.4	**316.6**
Peak Gold Mines	103.4	49.0	87.6	10.2	**250.2**
New Afton Mine	753.4	-	302.9	9.6	**1,065.9**
El Morro Project	-	423.2	-	-	**423.2**
Blackwater Project	-	725.5	23.5	24.2	**773.2**
Other Projects	-	9.7	-	-	**9.7**
Corporate	-	-	3.4	-	**3.4**
	1,197.3	**1,308.7**	**579.4**	**49.5**	**3,134.9**

A summary of carrying amount by property is as at December 31, 2011 is as follows:

	Mining properties				
	Depletable $	Non depletable $	Plant & equipment $	Construction in Progress $	December 31 2011 $
Mesquite Mine	172.2	30.8	100.0	1.2	304.2
Cerro San Pedro Mine	182.3	77.9	76.6	5.3	342.1
Peak Gold Mines	93.3	47.9	58.9	24.5	224.6
New Afton Project	-	586.6	217.4	-	804.0
El Morro Project	-	390.3	-	-	390.3
Blackwater Project	-	594.9	23.7	-	618.6
Other Projects	-	9.7	-	-	9.7
Corporate	-	-	1.8	-	1.8
	447.8	1,738.1	478.4	31.0	2,695.3

11. LONG-TERM DEBT

Long-term debt consists of the following as at December 31.

		$	$
		2012	2011
Senior Unsecured Notes - due April 15, 2020	a	**292.5**	-
Senior Unsecured Notes - due November 15, 2022	b	**490.1**	-
Senior Secured Notes	c	-	176.6
Subordinated convertible debentures	d	-	44.9
El Morro project funding loan	e	**65.2**	30.2
Revolving credit facility	f	-	-
		847.8	251.7

(a) Senior Unsecured Notes – due April 15, 2020
On April 5, 2012, the Company issued $300.0 million of Senior Unsecured Notes ("2020 Unsecured Notes"). As at December 31, 2012 the face value was $300.0 million. The 2020 Unsecured Notes are denominated in U.S. dollars, mature and become due and payable on April 15, 2020, and bear interest at the rate of 7% per annum. Interest is payable in arrears in equal semi-annual installments on April 15 and October 15 in each year. The Company used the net proceeds of the 2020 Unsecured Notes to fund the redemption of the Senior Secured Notes, as described in Note 11 (c) and for general corporate purposes.

The Company incurred transaction costs of $8.0 million which have been offset against the carrying amount of the 2020 Unsecured Notes and will be amortized using the effective interest rate method.

(b) Senior Unsecured Notes – due November 15, 2022
On November 15, 2012, the Company issued $500.0 million of Senior Unsecured Notes ("2022 Unsecured Notes"). As at December 31, 2012 the face value was $500.0 million. The 2022 Unsecured Notes are denominated in U.S. dollars, mature and become due and payable on November 15, 2022, and bear interest at the rate of 6.25% per annum. Interest is payable in arrears in equal semi-annual installments on May 15 and November 15 in each year.

The Company incurred transaction costs of $9.9 million which have been offset against the carrying amount of the 2022 Unsecured Notes and will be amortized using the effective interest rate method.

(c) Senior Secured Notes
On May 7, 2012, the Company redeemed the Senior Secured Notes. On the redemption date the face value of the Senior Secured Notes was $188.2 million (C$187.0 million) and the carrying value was $181.2 million (C$180.0 million). Embedded in the Senior Secured Notes was an early redemption option that had a fair value of $15.4 million on the redemption date. This option allowed the Company to redeem the Senior Secured Notes at 105% of face value. On the redemption date, the redemption premium was $9.4 million, and the Company recognized $7.0 million of accelerated accretion on the Senior Secured Notes. The Company incurred a loss of $31.8 million on the transaction that was recorded in net earnings during the year ended December 31, 2012.

The Company paid $197.6 million to redeem the notes consisting of $188.2 million (C$187.0 million) of principal and $9.4 million of redemption premium on May 7, 2012 in addition to accrued interest up to the redemption date of $6.2 million.

(d) Subordinated convertible debentures

On October 11, 2012, New Gold issued a notice of redemption providing for the redemption of the convertible debentures (the "Debentures") for shares on November 20, 2012 ("Redemption date"). On the Redemption date the Debentures had a face value of $55.2 million (C$55.0 million) and a carrying value of $48.6 million (C$48.2 million). The holders had the option to convert the Debentures prior to the Redemption date at a conversion price of C$9.35.

The Debentures were classified as compound financial instruments for accounting purposes because of the holder conversion option. The conversion option was treated as a derivative liability due to the shares being issuable in a currency other than the Company's functional currency and was measured at fair value on initial recognition, and was subsequently re-measured at fair value at the end of each period with the unrealized gain or loss being recognized in net earnings. The Company fair valued the conversion option to the redemption date and recognized a gain of $6.2 million for the year ended December 31, 2012 (2011 – unrealized gain of $5.1 million).

During the period from October 11, 2012 to the Redemption date, registered holders of the Debentures converted their Debentures by dividing the principal amount by the conversion price of C$9.35. No fractional Common Shares were issued and in lieu, and the cash equivalent was paid to the holder.

On the Redemption date, the Company issued to the remaining registered holders of the Debentures, for each C$1,000 principal amount of Debentures held, that number of common shares ("Common Shares") obtained by dividing such principal amount by 95% of the Current Market Price of the Common Shares on the Redemption date. No fractional Common Shares were issued and in lieu, the cash equivalent was paid on the Redemption date. The Current Market Price is defined as the weighted average trading price per Common Share on the Toronto Stock Exchange for the 30 consecutive trading days ending five trading days before the Redemption Date. Accrued interest of $1.1 million was paid. The Company issued 5.9 million common shares in full satisfaction of the Debentures.

(e) El Morro project funding loan

The Company owns a 30% interest in the El Morro project which is a development copper-gold project located in the Atacama region of north-central Chile. Goldcorp Inc. ("Goldcorp") holds the remaining 70% interest in the project after completion of the Acquisition and Funding Agreement (the "Agreement") with the Company on February 16, 2010.

As part of the Agreement the Company received $50.0 million from Goldcorp. The Company has recorded the $50.0 million, net of $3.7 million of transaction costs, as a deferred benefit which will be amortized into net earnings at the commencement of commercial production over the life of the amended shareholder's agreement.

Goldcorp has agreed to fund 100% of the Company's El Morro funding commitments until commencement of commercial production. These amounts, plus interest, will be repaid out of 80% of the Company's distributions once El Morro is in production.

The interest rate on the Company's share of the capital funded by Goldcorp is 4.58%. As at December 31, 2012, the outstanding loan balance was $65.2 million including accrued interest (2011 - $30.2 million). For the year ended December 31, 2012, non-cash investing activities were $33.0 million (2011 – $21.3 million) excluding accrued interest, and represent the Company's share of contributions to the El Morro project funded by Goldcorp. The loan is secured against all rights and interests of the Company's El Morro subsidiaries, including a pledge of the El Morro shares, which means recourse is limited to the Company's investment in El Morro.

(f) Revolving credit facility

On December 14, 2010, the Company entered into an agreement for a $150.0 million revolving credit facility ("Facility") with a syndicate of banks. The amount of the Facility will be reduced by $50.0 million if the Cerro San Pedro Mine is not operational for 45 consecutive days due to any injunction, order, judgment or other determination of an official body in Mexico as a result of any disputes before an official body in Mexico with jurisdiction to settle such a dispute. However, the full $50.0 million of credit will be reinstated if operations at the Cerro San Pedro Mine resume in accordance with the mine plan for 45 consecutive days and no similar disruption event occurs during this period. The Facility is for general corporate purposes, including acquisitions. The Facility, which is secured on the Company's Mesquite, Cerro San Pedro and Peak assets and a pledge of certain subsidiaries shares, has a term of three years with annual extensions permitted. The Facility contains various covenants customary for a loan facility of this nature, including limits on indebtedness, asset sales and liens. Significant financial covenants are as follows:

	Financial covenant	2012	2011
Min. tangible net worth ($1.38 billion + 25% of positive quarterly net income)	>$1.46 billion	$3.05 billion	$2.66 billion
Minimum interest coverage ratio (EBITDA to interest)	>4.0:1.0	13.2 : 1	17.5 : 1
Maximum leverage ratio (debt to EBITDA)	<3.0:1.0	2.0 : 1	0.5 : 1

The interest margin on drawings under the Facility ranges from 2.00% to 4.25% over LIBOR, the Prime Rate or the Base Rate, based on the Company's debt to EBITDA ratio and the currency and type of credit selected by the Company. The standby fees on undrawn amounts under the Facility range between 0.75% and 1.06% depending on the Company's debt to EBITDA ratio. Based on the Company's debt to EBITDA ratio, the rate is 0.75% as at December 31, 2012.

As at December 31, 2012, the Company has not drawn any funds under the Facility, however the Facility has been used to issue letters of credit of A$10.2 million for Peak Gold Mines' reclamation bond for the State of New South Wales, C$9.5 million for New Afton's commitment to B.C. Hydro for power and transmission construction work (the B.C. Hydro letter of credit will be released over time as New Afton consumes and pays for power in the early period of operations), C$9.5 million for New Afton's reclamation requirements, C$1.2 million for Blackwater's reclamation requirements and $18.4 million relating to environmental and reclamation requirements at Cerro San Pedro. The annual fees are 2.05% of the value of the outstanding letters of credit. On February 28, 2013, New Gold agreed to an extension of its $150 million revolving credit facility with a syndicate of banks to December 14, 2014. Other amendments include a reduction in fees and the use of net debt, rather than total debt, as a measure of leverage for the purpose of covenant tests.

12. DERIVATIVE INSTRUMENTS

The following tables summarize derivative liabilities designated as hedging instruments as at December 31:

	$ 2012	$ 2011
Gold contracts	**110.5**	141.6
Less: current derivative liabilities	**(56.4)**	(49.2)
Non-current derivative liabilities	**54.1**	92.4

Realized gains (losses) on derivatives not in a hedging relationship are recorded in other gains and losses. Unrealized and realized non-hedged derivative gains (losses) on concentrate sales are classified as revenue. For the year ended December 31, 2012 the Company recorded a loss of $2.4 million (2011 - $nil). Realized gains (losses) on derivatives in a qualifying hedge relationship are classified as revenue for gold hedging contracts.

As at December 31, 2012, the Company had a mark-to-market loss of $0.9 million on copper swaps outstanding to manage the risk related to provisionally-priced copper concentrate sales. The notional amount of copper underlying the swaps outstanding was 9,361 tonnes, with settlement periods ranging from December 2012 to May 2013.

The following table summarizes realized and unrealized non-hedged derivative gains (losses) for the years ended December 31:

	$ 2012	$ 2011
Share purchase warrants	**58.6**	(23.5)
Conversion option on convertible debentures	**6.2**	5.1
Prepayment option on Senior Secured Notes	**(3.7)**	11.1
	61.1	(7.3)

The following table summarizes derivative gains (losses) in other comprehensive income for the years ended December 31:

	$ 2012	$ 2011
Effective portion of change in fair value of hedging instruments		
Gold hedging contracts - unrealized	**(23.8)**	(32.1)
Gold hedging contracts - realized	**47.9**	41.7
Deferred income tax	**(9.9)**	(3.8)
	14.2	5.8

An unrealized derivative loss of $2.9 million (2011 – $6.6 million) relating to the ineffective portion of the change in fair value of hedging instruments was recorded in net earnings for the year ended December 31, 2012.

The net amount of existing gains (losses) arising from the unrealized fair value of the Company's gold hedging contracts, which are derivatives that are designated as cash flow hedges and are reported in other comprehensive income, would be reclassified to net earnings as contracts are settled on a monthly basis. The amount of such reclassification would be dependent upon fair values and amounts of the contracts settled. At December 31, 2012, the Company's estimate of the net amount of existing derivative losses arising from the unrealized fair value of derivatives designated as cash flow hedges, which are reported in other comprehensive income and are expected to be reclassified to net earnings in the next 12 months, excluding tax effects, is $45.3 million for the gold hedging contracts.

(a) Gold hedging contracts

Under a term loan facility the Company retired on February 26, 2010, the Mesquite Mine was required to enter into a gold hedging program. The Company settles these contracts, at the Company's option, by physical delivery of gold or on a net financial settlement basis. At December 31, 2012, the Company had gold forward sales contracts for 132,000 ounces of gold at a price of $801 per ounce at a remaining commitment of 5,500 ounces per month for 24 months.

On July 1, 2009, the Company's gold hedging contracts were designated as cash flow hedges. Prospective and retrospective hedge effectiveness is assessed on these hedges using a hypothetical derivative method. The hypothetical derivative assessment involves comparing the effect of changes in gold spot and forward prices each period on the changes in fair value of both the actual and hypothetical derivative. The effective portion of the gold contracts is recorded in other comprehensive income until the forecasted gold sale impacts earnings. Where applicable, the fair value of the derivative has been adjusted to account for the Company's credit risk.

(b) Share purchase warrants

The following table summarizes information about outstanding share purchase warrants as at December 31, 2012.

Warrant Series	Number of warrants	Common shares issuable	Exercise price	Expiry date
	(000s)	(000s)	C$	
New Gold Series A	27,850	27,850	15.00	June 28, 2017
Silver Quest Warrants - B	122	122	10.22	January 19, 2013
Silver Quest Warrants - C	148	148	11.56	January 20, 2013
Silver Quest Warrants - D	126	126	11.56	January 29, 2013
	28,246	28,246		

The warrants are classified as a non-hedged derivative liability recorded as a FVTPL liability due to the currency of the warrants. The warrants are priced in Canadian dollars, which is not the functional currency of the Company. Therefore the warrants are fair valued using the market price with gains or losses recorded in net earnings.

On April 3, 2012 the New Gold Series B warrants expired. The New Gold Series B warrants had an exercise price of C$15.00 and the Company had 217.5 million warrants outstanding which were issuable to 21.8 million common shares. The expired warrants resulted in a gain of $3.3 million recorded in net earnings for the year ended December 31, 2012.

On November 28, 2012 the New Gold Series C warrants were exercised. The New Gold Series C warrants had an exercise price of C$9.00 and the Company had 73.8 million warrants outstanding which were issuable to 7.4 million common shares. The holders of the warrants exercised them into 7.4 million common shares. The New Gold Series C warrants fair valuing resulted in a gain of $43.3 million recorded in net earnings up to the exercise date for the year ended December 31, 2012. The fair value of the warrants at the point of exercise was $8.2 million and the Company received cash of $67.0 million.

The Company acquired $1.0 million (C$1.0 million) of private placement warrants in the Silver Quest asset acquisition transaction (Note 5 (c)) on December 23, 2011. The warrants have an exercise price denominated in a currency other than the Company's functional currency and are classified as a derivative liability. The warrants are exercisable into the Company's common stock. The share purchase warrants had a fair value of $nil as at December 31, 2012 (2011 - $1.0 million). The change in fair value resulted in an unrealized gain of $1.0 million for the year ended December 31, 2012 (2011 - $nil). During January 2013 the Silver Quest warrants expired. Of the 0.4 million warrants that the Company held at December 31, 2012, only a nominal amount were exercised with the rest expiring.

(c) Non-current non-hedged derivative asset and liabilities classified as FVTPL assets and liabilities

The following table summarizes FVTPL assets and liabilities for the years ended December 31.

	$ 2012	$ 2011
Non-current non-hedged derivative asset:		
Prepayment option on Notes	-	18.8
Non-current non-hedged derivative liabilities:		
Conversion option on Debentures	-	24.0
Warrants	80.3	143.6
	80.3	167.6
Less: current non-hedged derivative liabilities	-	(53.3)
Non-current non-hedged derivative liabilities	80.3	114.3

13. SHARE CAPITAL

At December 31, 2012, the Company had unlimited authorized common shares and 476.0 million common shares outstanding.

(a) No par value common shares issued

		Number of shares (000s)	$
Balance - December 31, 2010		399,042	1,845.9
Acquisition of Richfield		48,612	487.9
Acquisition of Silver Quest		10,512	105.8
Exercise of options		3,187	24.3
Exercise of warrants		5	0.1
Balance - December 31, 2011		461,358	2,464.0
Exercise of options	**i**	**1,339**	**11.6**
Exercise of warrants	**ii**	**7,434**	**75.5**
Conversion of debentures	**iii**	**5,872**	**67.3**
Balance - December, 2012		**476,003**	**2,618.4**

(i) Exercise of options
During the year ended December 31, 2012, the Company issued 1.3 million common shares pursuant to the exercise of stock options (2011 – 3.2 million). The Company received proceeds of $7.9 million (2011 - $16.4 million) from these exercises and transferred $3.7 million (2011 - $8.0 million) from contributed surplus.

(ii) Exercise of warrants
During the year ended December 31, 2012, the Company issued 7.4 million common shares pursuant to the exercise of share purchase warrants. The Company received proceeds of $67.0 million from these exercise of New Gold Series C warrants and transferred $8.2 million to equity. In addition, the Company received proceeds of $0.5 million and transferred $0.3 million to equity related to Silver Quest warrants A.

(iii) Conversion of debentures
During the year ended December 31, 2012, the Company issued 5.9 million common shares pursuant to the conversion of the Convertible Debentures ("Debentures"). The Company announced the redemption of the Debentures on October 11, 2012 as its share price traded at a 25% premium to the C$9.35 per share conversion price for a period of 30 consecutive days on a volume weighted average basis. The redemption period concluded on November 20, 2012 ("Redemption Date") and any remaining non-converted Debentures were converted to common shares by dividing the C$1000 principal amount of each Debenture by 95% of the Current Market Price of the common shares on the Redemption Date. The Current Market Price was defined as the weighted average trading price per common share on the Toronto Stock Exchange for the 30 consecutive trading days ending five trading days before the Redemption Date. The Company issued 5.9 million common shares in full satisfaction of the Debentures.

(b) Share-based payment expenses
The following table summarizes share-based payment expenses for the years ended December 31.

		$ 2012	$ 2011
Stock option expense	i	**8.5**	7.2
Share award unit expense	ii	**1.9**	3.9
Deferred share award unit expense	iii	**0.5**	0.2
		10.9	11.3

(i) Stock options
Under the Company's Stock Option Plan ("Plan"), the maximum number of shares reserved for exercise of all options granted by the Company may not exceed 5% of the Company's shares issued and outstanding at the time the options are granted. The exercise price of each option granted under the Plan is the five day volume weighted average share price preceding the grant date. Options granted under the Plan expire no later than the 5th anniversary of the date the options were granted and vesting provisions for issued options are determined at the discretion of the Board, although the Company has a practice of not having options vest earlier than 12 months. Options granted under the Plan can be settled for cash or equity. The Company has incorporated an estimated forfeiture rate for stock options that will not vest.

The following table presents the changes in the stock option plan for the year ended December 31, 2012.

	Number of options (000s)	Weighted avg exercise price C$
Balance - December 31, 2010	12,248	4.50
Granted	1,815	8.03
Exercised	(3,187)	5.01
Expired	(183)	11.00
Forfeited	(413)	5.17
Balance - December 31, 2011	10,280	4.83
Granted	**2,160**	**11.46**
Exercised	**(1,339)**	**5.92**
Expired	**(56)**	**6.62**
Forfeited	**(106)**	**7.98**
Balance -December 31, 2012	**10,939**	**5.96**

For the year ended December 31, 2012 the Company granted 2.2 million stock options (2011 – 1.8 million). The weighted average fair value of the stock options granted during the year ended December 31, 2012 was C$5.07 (2011 – C$4.53). Options were priced using a Black-Scholes option-pricing model. Volatility is measured as the annualized standard deviation of stock price returns, based on historical movements of the Company's share price and those of a number of peer companies. The grant date fair value will be amortized as part of compensation expense over the vesting period.

The Company had the following weighted average assumptions in the Black-Scholes option-pricing model for the year ended December 31.

	2012	2011
Grant price	C$11.61	C$8.03
Expected dividend yield	0.0%	0.0%
Expected volatility	60.0%	69.0%
Risk-free interest rate	0.70%	1.72%
Expected life of options	3.7 years	4.5 years

At December 31, 2012 the Company had 7.2 million stock options that were exercisable with a weighted average exercise price of C$4.10 (2011 – 5.8 million with a weighted average exercise price of C$4.32). For the year ended December 31, 2012, the weighted average share price on the date of exercise was C$10.46 (2011 – C$10.73). The options vest one third a year over a three year period beginning on the first anniversary of the grant date.

The following table summarizes information about the stock options outstanding at December 31, 2012.

	Options outstanding			Options exercisable		
Exercise prices C$	Weighted avg remaining contractual life (years)	Number of options outstanding (000s)	Weighted avg exercise price C$	Weighted avg remaining contractual life (years)	Number of options exercisbale (000s)	Weighted avg exercise price C$
0.74 - 0.99	1.08	500	0.85	1.08	500	0.85
1.00 - 1.99	0.90	275	1.75	0.90	275	1.75
2.00 - 2.99	2.70	933	2.58	2.70	933	2.58
3.00 - 3.99	3.16	2,930	3.22	3.16	2,930	3.22
4.00 - 4.99	4.07	1,220	4.39	4.07	755	4.39
5.00 - 5.99	2.52	255	5.80	2.52	175	5.79
6.00 - 6.99	0.20	260	6.22	0.20	260	6.22
7.00 - 7.99	3.55	2,070	7.72	2.31	1,140	7.76
8.00 - 8.99	4.63	273	8.70	4.86	100	8.84
9.00 - 9.99	2.92	112	9.59	2.27	50	9.59
10.00 - 10.99	4.65	345	10.34	4.83	12	10.43
11.00 - 11.99	4.11	1,691	11.87	-	-	-
12.00 - 12.22	3.86	75	12.22	3.86	25	12.22
	3.29	**10,939**	**5.96**	**2.72**	**7,155**	**4.10**

At December 31, 2012, the intrinsic value of the stock options outstanding was $57.2 million (2011 - $55.1 million) and the intrinsic value of the stock options that were exercisable was $49.8 million (2011 - $34.8 million). For the year ended December 31, 2012, the intrinsic value of the stock options exercised was $6.1 million (2011 - $17.8 million).

For the year ended December 31, 2012 the Company recorded $8.5 million (2011 - $7.2 million) as share-based compensation expense and recorded this amount in contributed surplus. At December 31, 2012, the total value of the non-vested stock options that remain to be expensed is $7.0 million (2011 - $4.6 million). It is expected that this amount shall be included in the determination of net earnings over the next 1.5 years.

(ii) Share award units

In 2009, the Company established a share award unit plan as part of its long-term incentive program. Each share award unit allows the recipient, subject to certain plan restrictions, to receive cash on the entitlement date equal to the Company's volume weighted average share price on the TSX for the five days prior to the anniversary date. One-third of the share awards units vest annually on the anniversary of the grant date. As the Company is required to settle this award in cash, it will record an accrued liability and record a corresponding compensation expense. The share award unit is a financial instrument that will be fair valued at each reporting date based on the five day volume weighted average price of the Company's common shares. The changes in fair value will be included in the compensation expense for that period.

The following table presents the changes to the share award unit plan for the year ended December 31, 2012.

	Number of units (000s)
Balance - December 31, 2010	758
Granted	1,049
Settled	(652)
Forfeited	(127)
Balance - December 31, 2011	1,028
Granted	**437**
Settled	**(692)**
Forfeited	**(163)**
Balance -December 31, 2012	**610**

The Company issued 0.4 million share award units in 2012. At December 31, 2012, there were 0.6 million non-vested share awards outstanding (2011 – 1.0 million). Including the fair value adjustment for the share award units previously issued, the Company recorded $6.0 million as compensation expense for the year ended December 31, 2012 (2011 - $8.6 million). For the year ended December 31, 2012 the Company capitalized $1.2 million (2011 - $1.5 million) for recipients working at the Company's development projects and included $2.9 million (2011 – $3.2 million) as operating expenses as it relates to producing mine site employees. The total value of the non-vested share award units that remains to be expensed is $2.9 million (2011 - $10.2 million). It is expected that this amount will be included in the determination of net income over the next 1.7 years.

(iii) Deferred share units

In 2010, the Company established a director deferred share unit ("DSU") plan for the purposes of strengthening the alignment of interests between eligible Directors of the Company and shareholders by linking a portion of the annual director compensation to the future value of the Company's common shares.

A Director is only entitled to payment in respect of the DSUs granted to him or her when the director ceases to be a director of the Company for any reason. On termination, the Company shall redeem each DSU held by the Director for payment in cash, being the product of: (i) the number of DSUs held by the Director on ceasing to be a director and (ii) the greater of either: (a) the weighted average trading price; or (b) the average of daily high and low board lot trading prices of the common shares, on the TSX for the five consecutive days immediately prior to the date of termination.

The following table presents the changes to the deferred share award unit plan for the year ended December 31, 2012.

	Number of units (000s)
Balance - December 31, 2010	29
Granted	22
Exercised	(4)
Balance - December 31, 2011	47
Granted	**45**
Exercised	**(13)**
Balance -December 31, 2012	**79**

Including the fair value adjustment for the share award units previously issued, the Company recorded $0.5 million as compensation expense for the year ended December 31, 2012 (2011 - $0.2 million).

(c) Earnings per share

The following table sets out the computation of diluted earnings per share for the years ended December 31.

The following table lists the equity securities excluded from the computation of diluted earnings per share. The securities were excluded as the exercise prices relating to the particular security exceed the average market price of the Company's common shares of C$10.47 year ended December 31, 2012 (2011 – C$10.50), or the inclusion of the equity securities had an anti-dilutive effect on net earnings.

	(000s)	(000s)
	2012	2011
Stock options	**1,776**	185
Warrants	**28,124**	49,600

14. INCOME AND MINING TAXES

The composition of income tax expense between current tax and deferred tax for the years ended December 31.

	$ 2012	$ 2011
Current income and mining tax expense (recovery)		
Canada	**2.7**	4.6
Australia	**5.7**	12.8
Mexico	**57.1**	58.9
United States	**10.9**	14.8
Other	**(5.2)**	-
	71.2	91.1
Deferred income and mining tax expense (recovery)		
Canada	**(1.8)**	2.5
Australia	**6.9**	1.8
Mexico	**(9.4)**	(15.4)
United States	**3.7**	(0.6)
Other	**9.2**	-
	8.6	(11.7)
Income tax expense	**79.8**	79.4

Effective January 1, 2012, the Canadian federal corporate tax rate decreased from 16.5% to 15%. On June 20, 2012 the Ontario budget proposals were enacted and the previously announced reductions in the Ontario corporate tax rate to 10.0% were frozen to 11.5%. This resulted in an effective tax rate of 25.1% instead of a rate of 25.0%.

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before taxes. The differences result from the following items for the years ended December 31.

	$ 2012	$ 2011
Earnings before taxes	**278.8**	258.4
Canadian federal and provincial income tax rates	**25.1%**	26.5%
Income tax expense based on above rates	**70.0**	68.5
Increase (decrease) due to:		
Non-taxable income	**(28.3)**	(15.3)
Non-deductible expenditures	**9.2**	13.5
Different statutory tax rates on earnings of foreign subsidiaries	**20.1**	19.9
Adjustment of prior year provision to statutory tax returns	**8.0**	(3.5)
BC mining tax	**(7.1)**	-
Release of Chilean provision	**(5.0)**	-
Withholding tax	**2.0**	-
Benefit of losses not recognized in the year	**0.2**	-
Rate change in the year	**9.4**	-
Other	**1.3**	(3.7)
	79.8	79.4

On September 27, 2012 the Chilean government substantively enacted an increase in the Chilean Category 1 income tax rate from 18.5% to 20% that is effective from January 1, 2012. The tax rate was scheduled to revert to 17% in 2013 after being temporarily increased. The increase in the tax rate resulted in a re-measurement of relevant deferred tax balances during the year.

At December 31, 2012, management revised the estimates related to the expectations of future taxable income for BC Mineral tax purposes for both the New Afton Mine and the Blackwater development project. This resulted in a $7.1 million reduction in income tax expense for the year

ended December 31, 2012 upon recording the net deferred tax assets, in respect of the anticipated recovery of the 2% advance tax. The benefit of these tax assets had not been previously recognized due to uncertainty regarding realization thereof.

The following is the analysis of the deferred tax assets and liabilities presented in the consolidated statements of financial position as at December 31.

	$	$
	2012	2011
Deferred tax assets		
Unused non-capital losses	**37.7**	33.8
Investment tax credits / Government assistance	**52.3**	28.7
Alternative minimum tax credits and state taxes	**14.8**	15.5
Derivative instruments / Hedging	**45.0**	57.7
Decommissioning obligations	**20.9**	6.5
Accrued liabilities and provisions	**8.0**	11.1
Other	**15.4**	2.9
	194.1	156.2
Deferred tax liabilities		
Mining interests	**(254.0)**	(273.0)
Property, plant and equipment	**(56.9)**	(17.2)
Other	**(12.0)**	(4.1)
	(322.9)	(294.3)
Deferred income tax liabilities, net	**(128.8)**	(138.1)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

The movement in the net deferred tax liabilities as at December 31 was:

	$	$
	2012	2011
Balance at the beginning of the year	**(138.1)**	(169.1)
Recognized in net earnings	**(8.6)**	11.7
Recognized in other comprehensive income	**(9.9)**	(3.8)
Recognized as reduction in mineral properties	**24.0**	23.7
Recognized as foreign exchange	**5.3**	-
Other	**(1.5)**	(0.6)
	(128.8)	(138.1)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The group did not recognize deferred tax assets on the following losses by country:

- Canadian income tax losses of $9.0 million expire between 2014 to 2032;
- Canadian capital loss carry forwards of $6.6 million with no expiry date;
- United States loss carry forwards of $4.9 million expire between 2021 to 2028; and
- Other loss carry forwards of $0.6 million with varying expiry dates.

In addition to the above, the group did not recognize deferred tax assets of $0.4 million (2011 - $1.8 million) on other temporary differences. The Company has $117.1 million (2011 - $171.1 million) of temporary differences associated with investment in subsidiaries of which deferred tax liabilities have not been recognized.

15. RECLAMATION AND CLOSURE COST OBLIGATIONS

Changes to the reclamation and closure cost obligations are as follows:

	Mesquite Mine $	Cerro San Pedro Mine $	Peak Gold Mines $	New Afton Mine $	Blackwater Project $	Total $
Balance, December 31, 2010	8.5	8.9	14.4	3.7	-	35.5
Reclamation expenditures	(0.1)	-	(0.5)	-	-	(0.6)
Unwinding of discount	0.4	0.2	0.9	0.1	-	1.6
Revisions to expected cash flows	1.7	8.7	2.7	6.1	0.3	19.5
Foreign exchange movement	-	(1.0)	0.1	(0.1)	-	(1.0)
Balance, December 31, 2011	10.5	16.8	17.6	9.8	0.3	55.0
Less: current portion of closure costs	1.6	1.0	0.5	1.2	-	4.3
Non current portion of closure costs	8.9	15.8	17.1	8.6	0.3	50.7
Balance, December 31, 2011	10.5	16.8	17.6	9.8	0.3	55.0
Reclamation expenditures	(7.7)	-	-	(0.3)	-	**(8.0)**
Unwinding of discount	0.2	0.3	0.6	0.2	-	**1.3**
Revisions to expected cash flows	8.4	0.3	4.6	0.4	8.4	**22.1**
Foreign exchange movement	-	1.3	(0.2)	0.3	-	**1.4**
Balance, December 31, 2012	**11.4**	**18.7**	**22.6**	**10.4**	**8.7**	**71.8**
Less: current portion	0.7	0.2	1.2	1.2	-	**3.3**
Non current portion of closure costs	**10.7**	**18.5**	**21.4**	**9.2**	**8.7**	**68.5**

Each period the Company reviews cost estimates and other assumptions used in the valuation of the obligations at each of its mining properties and development property to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the obligation. The fair values of the obligations are measured by discounting the expected cash flows using a discount factor that reflects the credit-adjusted risk-free rate of interest. The Company prepares estimates of the timing and amount of expected cash flows when an obligation is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in reserves and a corresponding change in the life-of-mine plan; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. When expected cash flows increase, the revised cash flows are discounted using a current discount factor whereas when expected cash flows decrease the reduced cash flows are discounted using a historic discount factor, and then in both cases any change in the fair value of the obligation is recorded. The fair value of an obligation is recorded when it is incurred.

For the year ended December 31, 2012, the Company updated the reclamation and closure cost obligations for each of its mine sites. The impact of these assessments was an increase of $22.1 million, most of which related to changes in future reclamation activities at Mesquite and Blackwater. At Mesquite, estimated cash flows increased as a result of an update to the permanent buttress design. The cost of completing this work was incurred in 2012. At Blackwater, estimated reclamation costs were updated based on the increased area of surface disturbance as the Company continues to explore the site.

The majority of the expenditures are expected to occur between 2013 and 2036. The discount rates used in estimating the site reclamation and closure cost obligations were between 1.2% and 3.1% for the year ended December 31, 2012 (December 31, 2011 – 1.3% and 3.6%), and the inflation rate used was between 2.0% and 4.2% for the year ended December 31, 2012 (December 31, 2011 – 2.0% and 4.3%).

Regulatory authorities in certain jurisdictions require that security be provided to cover the estimated reclamation and remediation obligations. As at December 31, 2012, letters of credit totaling $39.8 million (December 31, 2011 - $18.6 million) had been issued to various regulatory agencies to satisfy financial assurance requirements for this purpose. The letters of credit are secured by the revolving credit facility (Note 11 (f)), and the annual fees are 2.05% of the value of the outstanding letters of credit. With respect to Mesquite Mine, in the second half of 2011, the Company entered into an agreement with HCC Surety Group to use surety bonds to replace a bonding program managed by AIG. During the first half of 2012, the obligees released the original bonds, and as a result, in June 2012, Chartis (formerly AIG) released to the Company $8.9 million in reimbursement account funds held as part of the original program.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the year ended December 31.

	$ 2012	$ 2011
Operating activities:		
Change in non-cash working capital		
Trade and other receivables	**(3.7)**	(6.7)
Inventories	**(34.0)**	(16.6)
Prepaid expenses and other	**(3.6)**	11.9
Trade and other payables	**(3.5)**	(1.1)
	(44.8)	(12.5)

17. SEGMENTED INFORMATION

(a) Segment revenues and results

The Company manages its reportable operating segments by operating mines, development projects and exploration projects. The results from operations for these reportable operating segments are summarized for the year ended December 31.

							2012
	Mesquite Mine $	Cerro San Pedro Mine $	Peak Gold Mines $	New Afton Mine $	Corporate $	Other[1] $	Total $
Revenues[2]	190.7	282.2	191.1	127.3	-	-	791.3
Operating expenses	97.4	91.1	109.5	46.3	-	-	344.3
Depreciation and depletion	25.7	32.9	22.8	35.0	-	-	116.4
Earnings from mine operations	67.6	158.2	58.8	46.0	-	-	330.6
Corporate administration	-	-	-	-	25.2	-	25.2
Share-based payment expenses	-	-	-	-	10.9	-	10.9
Exploration and business development	-	5.1	5.9	4.5	1.3	3.8	20.6
Income from operations	67.6	153.1	52.9	41.5	(37.4)	(3.8)	273.9
Finance income	-	-	0.4	0.1	0.9	-	1.4
Finance costs	(0.3)	(0.4)	(0.8)	(0.5)	(12.2)	(2.2)	(16.4)
Other (losses) gains							
Redemption loss - Senior Secured Notes	-	-	-	-	(31.8)	-	(31.8)
Gain on non-hedged derivatives	-	-	-	-	61.1	-	61.1
Other	(4.9)	(1.5)	0.8	(4.3)	(1.5)	2.0	(9.4)
Earnings (loss) before taxes	62.4	151.2	53.3	36.8	(20.9)	(4.0)	278.8
Income tax (expense) recovery	(14.6)	(47.7)	(12.6)	(3.9)	4.4	(5.4)	(79.8)
Net earnings (loss)	47.8	103.5	40.7	32.9	(16.5)	(9.4)	199.0

1. Other includes balances relating to the exploration properties that have no revenues or operating costs.
2. Segmented revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year.

							2011
	Mesquite Mine $	Cerro San Pedro Mine $	Peak Gold Mines $	New Afton Mine $	Corporate $	Other[1] $	Total $
Revenues[2]	209.1	294.2	192.6	-	-	-	695.9
Operating expenses	103.3	89.1	111.4	-	-	-	303.8
Depreciation and depletion	26.1	32.4	18.4	-	-	-	76.9
Earnings from mine operations	79.7	172.7	62.8	-	-	-	315.2
Corporate administration	-	-	-	-	26.1	-	26.1
Share-based payment expenses	-	-	-	-	11.3	-	11.3
Exploration and business development	-	3.7	4.2	-	0.1	2.0	10.0
Income from operations	79.7	169.0	58.6	-	(37.5)	(2.0)	267.8
Finance income	0.1	0.1	0.3	0.2	2.8	0.1	3.6
Finance costs	(0.4)	(0.3)	(1.2)	(0.1)	(2.4)	(0.7)	(5.1)
Other (losses) gains	(10.3)	1.4	2.2	1.1	(1.3)	(1.0)	(7.9)
Earnings (loss) before taxes	69.1	170.2	59.9	1.2	(38.4)	(3.6)	258.4
Income tax (expense) recovery	(14.0)	(43.3)	(14.6)	(0.3)	(5.7)	(1.5)	(79.4)
Net earnings (loss)	55.1	126.9	45.3	0.9	(44.1)	(5.1)	179.0

1. Other includes balances relating to the exploration properties that have no revenues or operating costs.
2. Segmented revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period.

(b) Segment assets and liabilities

The following tables present the segmented assets and liabilities for the years ended December 31.

	2012		2011	
	Total assets $	Total liabilities $	Total assets $	Total liabilities $
Mesquite Mine	**471.7**	**238.2**	542.3	273.7
Cerro San Pedro Mine	**415.5**	**150.1**	496.2	166.9
Peak Gold Mines	**324.9**	**89.3**	293.7	79.1
New Afton Mine	**1,181.4**	**76.0**	895.1	310.4
El Morro Project	**423.2**	**136.6**	390.3	96.5
Blackwater Project	**804.8**	**34.0**	626.7	5.7
Other[1]	**662.2**	**883.0**	124.4	154.0
	4,283.7	**1,607.2**	3,368.7	1,086.3

1. Other includes corporate balances and exploration properties.

The Company accounts for its investment in the El Morro project using equity method accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss after the date of acquisition. The amount recorded in net earnings for the year ended December 31, 2012 related to the El Morro project is $nil (2011 – $nil).

(c) Geographical information

The Company operates in five principal geographical areas - Canada (country of domicile), the United States, Mexico, Australia and Chile. The Company's revenue from continuing operations by location of operations and information about the Company's non-current assets by location of assets are detailed below.

	Revenues [1]		Non-current assets [2]	
			December 31	December 31
	2012	2011	2012	2011
	$	$	$	$
United States	**190.7**	209.1	**292.8**	324.5
Mexico	**282.2**	294.2	**349.1**	342.2
Australia	**191.1**	192.6	**250.2**	224.6
Canada	**127.3**	-	**1,842.4**	1,424.4
Chile	**-**	-	**432.8**	399.9
	791.3	695.9	**3,167.3**	2,715.6

1. Presented based on the location in which the sale originated.
2. Non-current assets exclude financial instruments (investments, reclamation deposits and other) and deferred tax assets.

(d) Information about major customers

The following table presents sales to individual customers exceeding 10% of annual sales for the following periods. The following four customers represent 74% (2011– 73%) of the Company's concentrate and doré sales revenue as at December 31, 2012.

			$
Customer	Reporting segment	2012	2011
1	Cerro San Pedro Mine [1]	**164.2**	249.3
	Mesquite Mine [1]	**130.1**	137.6
2	Cerro San Pedro Mine	**116.9**	45.0
3	Peak Gold Mines	**91.0**	-
4	Peak Gold Mines	**84.7**	74.8
Total		**586.9**	506.7
% of total metal sales		**74%**	73%

1. Mesquite Mine and Cerro San Pedro Mine both sell to the same customer.

The Company is not economically dependent on a limited number of customers for the sale of its product because gold can be sold through numerous commodity market traders worldwide. Refer to Note 19 (a) for further discussion on the Company's exposure to Credit Risk.

18. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

In the management of capital, the Company includes the components of equity, long-term debt, net of cash and cash equivalents, and investments.

Capital, as defined above is summarized in the following table.

	$	$
	December 31	December 31
	2012	2011
Equity	**2,676.5**	2,282.4
Long-term debt	**847.8**	251.7
	3,524.3	2,534.1
Cash and cash equivalents	**(687.8)**	(309.4)
Investments	**(1.0)**	(1.8)
	2,835.5	2,222.9

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, restructure or issue new debt, acquire or dispose of assets or sell its investments.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual budget and quarterly updated forecasts are approved by the Board of Directors. The Company's investment policy is to invest its surplus funds in permitted investments consisting of treasury bills, bonds, notes and other evidences of indebtedness of Canada, the U.S. or any of the Canadian Provinces with a minimum credit rating of R-1 mid from the Dominion Bond Rating Service ("DBRS") or an equivalent rating from Standard & Poor's and Moody's and with maturities of twelve months or less at the original date of acquisition. In addition, the Company is permitted to invest in bankers' acceptances and other evidences of indebtedness of certain financial institutions. At all times, more than 25% of the aggregate amount of permitted investments must be invested in treasury bills, bonds, notes and other indebtedness of Canada or Provinces with a minimum credit rating of R-1 mid from DBRS. All investments must have a maximum term to maturity of twelve months and the average term will generally range from seven days to 90 days. Under the policy, the Company is not permitted to make investments in ABCP or auction rate securities.

19. FINANCIAL RISK MANAGEMENT

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Company's financial assets are primarily composed of cash and cash equivalents, investments and trade and other receivables. Credit risk is primarily associated with trade and other receivables and investments; however, it also arises on cash and cash equivalents. To mitigate exposure to credit risk, the Company has established policies to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable credit worthiness, and to ensure liquidity of available funds.

The Company closely monitors its financial assets and does not have any significant concentration of credit risk. The Company sells its gold exclusively to large international organizations with strong credit ratings. The historical level of customer defaults is minimal and, as a result, the credit risk associated with gold and copper concentrate trade receivables at December 31, 2012 is not considered to be high.

The Company's maximum exposure to credit risk at December 31 is as follows:

	$ December 31 2012	$ December 31 2011
Cash and cash equivalents	**687.8**	309.4
Trade receivables	**46.9**	37.6
Reclamation deposits	-	10.0
	734.7	357.0

The aging of accounts receivable at December 31 is as follows:

	0-30 days $	31-60 days $	61-90 days $	91-120 days $	Over 120 days $	**2012 Total $**	2011 Total $
Mesquite Mine	0.9	-	-	-	-	**0.9**	0.4
Cerro San Pedro Mine	2.6	-	0.3	-	1.8	**4.7**	4.7
Peak Mines	5.5	-	-	-	-	**5.5**	5.6
New Afton	1.8	3.6	4.8	11.3	-	**21.5**	16.2
Blackwater	0.6	0.9	2.0	3.0	6.6	**13.1**	6.8
Corporate	1.2	-	-	-	-	**1.2**	3.9
	12.6	4.5	7.1	14.3	8.4	**46.9**	37.6

A significant portion of the Company's cash and cash equivalents is held in large Canadian financial institutions. Short-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks with high investment-grade ratings and the governments of Canada and the U.S.

The Company employs a restrictive investment policy as detailed in the capital risk management section, which is described in Note 18 to our audited consolidated financial statements for the year ended December 31, 2012.

The Company is not economically dependent on a limited number of customers for the sale of its gold because gold can be sold through numerous commodity market traders worldwide.

The Company sells its copper concentrate production from the New Afton mine to four different customers under off-take contracts. The Company sells its copper concentrate production from Peak Mines to one customer under an off-take contract. While there are alternative customers in the market, loss of this customer or unexpected termination of the off-take contract could have a material adverse effect on the Company's results of operations, financial condition and cash flows.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 18.

The following are the contractual maturities of debt commitments. The amounts presented represent the future undiscounted principal and interest cash flows and therefore do not equate to the carrying amounts on the consolidated statements of financial position.

	Less than 1 year $	1-3 years $	4-5 years $	After 5 years $	**2012 Total $**	2011 Total $
Trade and other payables	114.2	6.5	-	-	**120.7**	100.4
Long-term debt	-	-	-	800.0	**800.0**	238.0
Interest payable on long-term debt	52.3	104.5	104.5	208.8	**470.1**	107.9
Copper swap contracts	0.9	-	-	-	**0.9**	-
Gold contracts	58.0	58.7	-	-	**116.7**	154.5
	225.4	169.7	104.5	1,008.8	**1,508.4**	600.8

Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is continuing to review expenditures in order to ensure adequate liquidity and flexibility to support its growth strategy while maintaining production levels at its current operations. A period of continuous low gold and copper prices may necessitate the deferral of capital expenditures which may impact production from mining operations. These statements are based on the current financial position of the Company and are subject to change if any acquisitions or external growth opportunities are realized.

(c) Currency risk

The Company operates in Canada, Australia, Mexico, Chile and the United States. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk for the Company can be categorized as follows:

(i) Exposure to currency risk

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the U.S. dollar: cash and cash equivalents, investments, accounts receivable, reclamation deposits, accounts payable and accruals, reclamation and closure cost obligations and long-term debt. The currencies of the Company's financial instruments and other foreign currency denominated liabilities, based on notional amounts, were as follows:

	December 31, 2012			
	Canadian dollar	Australian dollar	Mexican peso	Chilean peso
Cash and cash equivalents	**19.6**	**10.2**	**0.3**	-
Trade and other receivables	**35.9**	**2.1**	**4.7**	-
Trade and other payables	**(70.8)**	**(18.4)**	**(16.3)**	-
Reclamation and closure cost obligations	**(17.9)**	**(21.4)**	**(18.4)**	-
Warrants	**(80.3)**	-	-	-
Share award units	**(4.0)**	-	-	-
Gross balance sheet exposure	**(117.5)**	**(27.5)**	**(29.7)**	-

	December 31, 2011			
	Canadian dollar	Australian dollar	Mexican peso	Chilean peso
Cash and cash equivalents	75.3	20.8	2.3	-
Trade and other receivables	27.0	1.2	4.7	-
Prepayment options	18.8	-	-	-
Trade and other payables	(46.5)	(22.3)	(33.9)	-
Reclamation and closure cost obligations	(8.6)	(17.1)	(15.8)	-
Warrants	(143.6)	-	-	-
Conversion option on convertible debt	(24.0)	-	-	-
Share award units	(5.3)	-	-	-
Long-term debt	(221.5)	-	-	-
Gross balance sheet exposure	(328.4)	(17.4)	(42.7)	-

(ii) Translation exposure

The Company's functional and reporting currency is U.S. dollars. The Company's operations translate their operating results from the host currency to U.S. dollars. Therefore, exchange rate movements in the Canadian dollar, Australian dollar, Mexican peso and Chilean peso can have a significant impact on the Company's consolidated operating results. A 10% strengthening (weakening) of the U.S. dollar against the following currencies would have decreased (increased) the Company's net loss from the financial instruments presented by the amounts shown below.

	$ December 31 2012	$ December 31 2011
Canadian dollar	(11.8)	(32.8)
Australian dollar	(2.7)	(1.7)
Mexican peso	(2.9)	(4.3)
Chilean peso	-	-
	(17.4)	(38.8)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's outstanding debt obligations are fixed; therefore, there is no exposure to changes in market interest rates. The revolving credit facility interest is variable; however the facility is undrawn as at December 31, 2012.

The Company is exposed to interest rate risk on its short-term investments which are included in cash and cash equivalents. The short-term investment interest earned is based on prevailing one to 90 days money market interest rates which may fluctuate. A 1.0% change in the interest rate would result in an annual difference of approximately $7.0 million in interest earned by the Company. The Company has not entered into any derivative contracts to manage this risk. Where possible and depending on market conditions, the Company follows the policy of issuing fixed interest rate debt to avoid future fluctuations in its debt service costs.

(e) Price risk

The Company's earnings and cash flows are subject to price risk due to fluctuations in the market price of gold, silver and copper. World gold prices have historically fluctuated widely and are affected by numerous factors beyond our control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations;
- global or regional political or economic crises;
- the relative strength of the U.S. dollar and other currencies;
- expectations with respect to the rate of inflation;
- interest rates;
- purchases and sales of gold by central banks and other holders;
- demand for jewelry containing gold; and
- investment activity, including speculation, in gold as a commodity.

The Company acquired gold contracts which mitigate the effects of price changes. The Company designated these contracts as an accounting cash flow hedge effective July 1, 2009 as described in Note 12 (a). At December 31, 2012 the Company had remaining gold forward sales contracts for 132,000 ounces of gold at a price of $801 per ounce at a remaining commitment of 5,500 ounces per month for 24 months.

For the year ended December 31, 2012, the Company's revenues and cash flows were impacted by gold prices in the range of $1,556 to $1,785 per ounce, and by copper prices in the range of $3.32 to $3.81 per pound. There is a time lag between the shipment of gold and copper and final pricing, and changes in pricing can significantly impact the Company's revenue and working capital position. As at December 31, 2012, working capital includes unpriced gold and copper concentrate receivables totalling 32,726 ounces of gold and 27.2 million pounds of copper. A $100 change in gold price per ounce would have an impact of $3.3 million on the Company's working capital. A $0.10 change in copper price per pound

would have an impact of $2.7 million on the Company's working capital position.

The Company is also subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. The Company's production costs are also affected by the prices of commodities it consumes or uses in its operations, such as lime, reagents and explosives. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside the Company's control. The Company has no fuel hedge contracts at this time.

The Company is also subject to price risk for changes in the Company's common stock price per share. The Company has implemented, as part of its long-term incentive plan, a share award unit plan that the Company is required to satisfy in cash upon vesting. The amount of cash the Company will be required to expend is dependent upon the price per common share at the time of vesting. The Company considers this plan a financial liability and is required to fair value the outstanding liability with the resulting changes included in compensation expense each period.

An increase in gold, copper and silver prices would increase the Company's net earnings whereas an increase in fuel or share unit award prices would decrease the Company's net earnings. A 10% change in commodity prices would impact the Company's net earnings before taxes and other comprehensive income before taxes as follows:

	Years ended December 31			
	2012	2012	2011	2011
	Net earnings $	Other Compre-hensive Income $	Net earnings $	Other Compre-hensive Income $
Gold price	**61.3**	**21.1**	57.2	28.4
Copper price	**12.7**	-	5.8	-
Silver price	**5.9**	-	7.1	-
Fuel price	**6.1**	-	4.9	-
Warrants	**8.0**	-	14.4	-
Conversion option on convertible debt	-	-	4.4	-
Share award units	**0.4**	-	0.5	-
Total price risk exposure	**94.4**	**21.1**	94.3	28.4

20. FAIR VALUE MEASUREMENT

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

The Company's financial assets and liabilities are classified and measured as follows:

				December 31, 2012	
	$	$	$	$	$
	Loans and receivables at amortized cost	Designated as Fair value through profit/loss	Available for sale at fair value	Financial liabilities at amortized cost	Total
Financial assets					
Cash and cash equivalents	687.8	-	-	-	**687.8**
Trade and other receivables	46.9	-	-	-	**46.9**
Investments	-	-	1.0	-	**1.0**
Financial liabilities					
Trade and other payables	-	-	-	120.7	**120.7**
Long-term debt	-	-	-	847.8	**847.8**
Gold contracts	-	110.5	-	-	**110.5**
Copper swap contracts	-	0.9	-	-	**0.9**
Warrants	-	80.3	-	-	**80.3**
Share award units	-	4.0	-	-	**4.0**

				December 31, 2011	
	$	$	$	$	$
	Loans and receivables at amortized cost	Designated as Fair value through profit/loss	Available for sale at fair value	Financial liabilities at amortized cost	Total
Financial assets					
Cash and cash equivalents	309.4	-	-	-	**309.4**
Trade and other receivables	37.6	-	-	-	**37.6**
Investments	-	-	1.8	-	**1.8**
Prepayment option	-	18.8	-	-	**18.8**
Reclamation deposit	10.0	-	-	-	**10.0**
Financial liabilities					
Trade and other payables	-	-	-	100.3	**100.3**
Long-term debt	-	-	-	251.7	**251.7**
Gold contracts	-	141.6	-	-	**141.6**
Warrants	-	143.6	-	-	**143.6**
Conversion option	-	24.0	-	-	**24.0**
Share award units	-	5.3	-	-	**5.3**

The carrying values and fair values of the Company's financial instruments for the years ended December 31 are as follows.

	2012 $	2012 $	2011 $	2011 $
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	687.8	687.8	309.4	309.4
Trade and other receivables	46.9	46.9	37.6	37.6
Investments	1.0	1.0	1.8	1.8
Prepayment option	-	-	18.8	18.8
Reclamation deposit	-	-	10.0	10.0
Financial liabilities				
Trade and other payables	120.7	120.7	100.3	100.3
Long-term debt	847.8	902.9	251.7	292.3
Copper swap contracts	0.9	0.9	-	-
Gold contracts	110.5	110.5	141.6	141.6
Warrants	80.3	80.3	143.6	143.6
Conversion option	-	-	24.0	24.0
Share award units	4.0	4.0	5.3	5.3

The Company has certain financial assets and liabilities that are held at fair value. The investments and the gold contracts are presented at fair value at each reporting date using appropriate valuation methodology. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The following table summarizes information relating to the fair value determination of the Company's financial instruments which are measured at fair value on a recurring basis:

			December 31, 2012
	$	$	$
Asset (Liability)	Level 1	Level 2	Level 3
Investments	**1.0**	-	-
Warrants	**(80.3)**	-	-
Share award units	**(4.0)**	-	-
Copper swap contracts	-	**(0.9)**	-
Gold contracts	-	**(110.5)**	-

			December 31, 2011
	$	$	$
Asset (Liability)	Level 1	Level 2	Level 3
Investments	1.8	-	-
Warrants	(143.6)	-	-
Share award units	(5.3)	-	-
Gold contracts	-	(141.6)	-
Prepayment on Notes	-	18.8	-
Conversion option on Debentures	-	-	(24.0)

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2012 and 2011.

Valuation methodologies for Level 2 and 3 financial assets and liabilities

Gold contracts
The Company's current derivative liabilities include commodity forward contracts for a portion of the Company's gold sales. The fair value of the forward contracts is calculated using discounted contractual cash flows based on quoted forward curves and discount rates incorporating LIBOR and the Company's appropriate interest rate spread.

Copper swap contracts
The fair value of the copper swaps is calculated using the mark-to-market forward prices of LME copper based on the applicable settlement dates of the outstanding swap contracts.

Prepayment option on Senior Secured Notes
The fair value of the prepayment option is calculated using a swaption model which utilizes market derived inputs. The prepayment feature is set up as an option on an interest rate swap, which is effectively what the Company considers when determining whether to exercise the option. By exercising, the Company can refinance by exchanging fixed payments of 10% per annum for floating payments based on the market risk-free yield curve plus the Company's appropriate interest rate spread.

Conversion on Debentures
The Debentures were redeemed on November 20, 2012 as per Note 11 (d). The conversion option is classified as a non-current non-hedged derivative liability as described in Note 6 (c) with changes in fair value recorded in other gains and losses. The fair value of the financial instrument is measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market activity in the same instrument and are not based on observable market data and are thus classified as Level 3.

	Conversion option
Balance, December 31, 2010	29.4
Non-hedged derivative gain	(5.1)
Foreign exchange gain	(0.3)
Balance, December 31, 2011	24.0
Non-hedged derivative gain	**(6.2)**
Conversion of debentures	**(17.5)**
Foreign exchange gain	**(0.3)**
Balance, December 31, 2012	-

The conversion option was calculated using a Black-Scholes pricing model. The principal assumption in the valuation of the conversion option relates to the value attributed to the volatility input used in the Black-Scholes pricing model. The volatility is measured as the annualized standard deviation of stock price returns, based on the average historical movements of the Company's share price and those of a number of peer companies. The following table presents a change of 10% in the principal assumption of these fair values to identify an alternative assumption in net earnings for the year ended December 31, 2012.

	2012		2011	
	Favourable	Unfavourable	Favourable	Unfavourable
Conversion option	-	-	3.4	(3.2)

21. PROVISIONS

In addition to the environmental rehabilitation provision in Note 15, the following table presents changes in provisions relating to share award units and employee benefits for the year ended December 31, 2012.

	Share award units $	Employee benefits $	Total $
Balance, December 31, 2010	3.3	5.9	9.2
Additional provisions recognized	8.6	4.7	13.3
Used during the year	(6.4)	(3.4)	(9.8)
Foreign exchange	(0.2)	-	(0.2)
Balance, December 31, 2011	5.3	7.2	12.5
Additional provisions recognized	**6.0**	**1.4**	**7.4**
Used during the year	**(7.5)**	-	**(7.5)**
Foreign exchange	**0.2**	**0.1**	**0.3**
	4.0	**8.7**	**12.7**
Less: current portion	**3.2**	-	**3.2**
	0.8	**8.7**	**9.5**

22. OPERATING LEASES

Non-cancellable operating lease rentals are payable for the years ended December 31, as follows:

	$	$
	2012	2011
Less than 1 year	**16.0**	15.4
Between 1 and 5 years	**32.9**	58.6
More than 5 years	**-**	-
	48.9	74.0

The Company leases a number of offices and mobile equipment fleet at the Cerro San Pedro Mine. The leases typically run for a period of 1 to 5 years, with an option to review the lease after that date.

For the year ended December 31, 2012, an amount of $31.7 million was recognized as an expense in profit or loss in respect of operating leases (2011 - $32.4 million). There was no contingent rent or sublease revenue recognized during the period ended December 31, 2012, or for the comparative period in 2011.

23. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel during the years ended December 31 was as follows:

	$ 2012	$ 2011
Short-term benefits	**5.6**	4.9
Post-employment benefits	**0.1**	0.1
Other long-term benefits	**7.5**	8.0
Share-based payments	**1.9**	2.0
Termination benefits	**-**	1.3
	15.1	16.3

Short-term benefits include salaries, bonuses payable within twelve months of the balance sheet date and other annual employee benefits.

The remuneration of key executives is determined by the compensation committee having regard to the performance of individuals and market trends

24. COMMITMENTS AND CONTINGENCIES

Certain conditions may exist at the date the financial statements are issued which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. In assessing loss contingencies related to legal proceedings that are pending against the Company or un-asserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. If the assessment of a contingency suggests that a loss is probable, and the amount can be reliably estimated, then a loss is recorded. When a contingent loss is not probable but is reasonably possible, or is probable but the amount of loss cannot be reliably estimated then details of the contingent loss are disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed. Legal fees incurred in connection with pending legal proceedings are expensed as incurred.

(a) The Company has entered into a number of contractual commitments related to equipment orders to purchase long lead items or critical pieces of mining equipment. At December 31, 2012, these commitments totalled $87.4 million (2011 – $135.5 million), all of which are expected to fall due over the next 12 months.

(b) The Chilean Environmental Permitting Authority ("Servicio de Evaluación Ambiental" or "SEA") approved the El Morro project's environmental permit in March 2011. A constitutional action was filed against the SEA in May 2011 by the Comunidad Agricola Los Huasco Altinos ("CAHA") seeking annulment of the environmental permit. Sociedad Contractual Mineral El Morro ("El Morro"), the Chilean company jointly held by the Company and Goldcorp and which owns and operates the El Morro project, participated in the legal proceedings as an interested party and beneficiary of the environmental permit. In February 2012, the Court of Appeals of Antofagasta ruled against approval of the environmental permit, for the primary reason that the SEA had not adequately consulted or compensated the indigenous people that form the CAHA. SEA and El Morro appealed the ruling; however, the ruling was confirmed by the Supreme Court of Chile on April 27, 2012. Based on the Supreme Court's announcement, El Morro immediately suspended all project field work being executed under the terms of the environmental permit. On June 22, 2012, SEA initiated the administrative process to address the deficiencies identified by the Chilean Court. It is anticipated the consultation process could be completed by late 2013. During the period of temporary suspension, Goldcorp's focus is on supporting the advancement of the consultation process, evaluating potential future exploration targets and optimizing project economics including sourcing a long-term power supply.

(c) In March 2012, the municipality of Cerro de San Pedro approved a new municipal land use plan, after public consultation, which clearly designates the area of the Cerro San Pedro mine for mining. New Gold believes this plan resolves any ambiguity regarding the land use in the area in which Cerro San Pedro is located, and which has had a history of ongoing legal challenges related to the environmental authorization ("EIS") for the mine. In April 2011, a request was filed for a new EIS based on the new Municipal Plan and on August 5, 2011 a new EIS was granted. The 2011 EIS contains conditions which must be complied with and the work to fulfill these conditions is ongoing.

25. SUBSEQUENT EVENT

On February 28, 2013, New Gold agreed to an extension of its $150 million revolving credit facility with a syndicate of banks to December 14, 2014. Other amendments include a reduction in fees and the use of net debt, rather than total debt, as a measure of leverage for the purpose of covenant tests.

26. COMPARATIVE FIGURES

Comparative figures have been adjusted to correspond to the current year presentation.

On the consolidated statement of financial position deferred tax assets and liabilities, which were previously shown on a net basis, are now presented on a gross basis. For the year ended December 31, 2011, the reclassification from deferred tax liabilities to deferred tax assets amounts to $147.3 million.

newgold™

Management's Discussion and Analysis

For the year ended December 31, 2012



Management's Discussion and Analysis
For the year ended December 31, 2012
New Gold Inc.

TABLE OF CONTENTS

1 EXECUTIVE SUMMARY
2 FINANCIAL AND OPERATING HIGHLIGHTS
3 Financial highlights
4 Operating highlights
5 Development and exploration highlights
5 Corporate developments
6 OUTLOOK FOR 2013
8 BUSINESS OVERVIEW AND STRATEGY
9 New Gold's business
9 New Gold's strategy
11 Key performance drivers
13 Economic outlook
14 CORPORATE SOCIAL RESPONSIBILITY
15 FINANCIAL AND OPERATING RESULTS
15 Summary of annual financial and operating results
18 Summary of quarterly financial and operating results
22 Review of operating mines
30 DEVELOPMENT AND EXPLORATION REVIEW
32 MINERAL RESERVES AND RESOURCES UPDATE
33 FINANCIAL CONDITION REVIEW
33 Balance sheet review
35 Liquidity and cash flow
36 Commitments
36 Contingencies
36 Contractual obligations
37 Related party transactions
37 Off-balance sheet arrangements
37 Subsequent events
37 Outstanding shares
37 NON-GAAP FINANCIAL PERFORMANCE MEASURES
40 ENTERPRISE RISK MANAGEMENT
40 General risks
40 Financial risk management
44 CRITICAL ACCOUNTING POLICIES, ESTIMATES AND ACCOUNTING CHANGES
48 CONTROLS AND PROCEDURES
49 CAUTIONARY NOTES

Management's Discussion and Analysis

For the year ended December 31, 2012

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of New Gold Inc. and its subsidiaries ("New Gold" or the "Company"), including its predecessor entities. This MD&A should be read in conjunction with New Gold's audited consolidated financial statements for the years ended December 31, 2012 and 2011 and related notes which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains forward-looking statements that are subject to risk factors set out in a cautionary note contained in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements. All figures are in ***United States dollars*** *and tabular amounts are in millions, unless otherwise noted. This MD&A has been prepared as at February 28, 2013. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.*

EXECUTIVE SUMMARY

New Gold is an intermediate gold producer with operating mines in Canada, Mexico, the United States and Australia and development projects in Canada and Chile. With a strong liquidity position, simplified balance sheet and an experienced management and Board of Directors, the Company has a solid platform to continue to execute its growth strategy. The New Afton Mine in Canada ("New Afton"), the Cerro San Pedro Mine in Mexico ("Cerro San Pedro"), and Mesquite Mine in the United States ("Mesquite") and the Peak Mines in Australia ("Peak Mines") once again achieved targeted production levels with 411,892 ounces of gold production in 2012. In addition, New Gold owns the Blackwater project located in Canada ("Blackwater") and 30% of the world-class El Morro project located in Chile ("El Morro").

New Gold's production costs remain very competitive when compared to the broader gold mining industry and provide the Company with strong margins. In 2012, New Gold's total cash costs were within the Company's guidance range at $421 per ounce of gold sold. At an average realized gold price[(1)] of $1,551 per ounce, this resulted in a margin [(1)] per ounce of $1,130. New Gold has been able to maintain its costs well below the industry average as the Company also produces silver and copper as by-product metals, which have historically moved in line with, and acted as an offset to, some of the input cost pressures faced by the mining industry.

New Gold continues to build on its successful portfolio which now consists of four operating mines and two development projects, all located in jurisdictions that are generally considered favourable to mining activities. On July 31, 2012, New Afton declared commercial production ahead of the August target. New Afton then reached full production on September 21, 2012, over one month ahead of the November 2012 target. The fourth quarter of 2012 financial results reflect the first full quarter of commercial production at New Afton, contributing to the Company's highest ever quarterly net cash generated from operating activities of $106.2 million and lowest ever quarterly cash costs of $254 per gold ounce sold.

In September, the Company also announced the Preliminary Economic Assessment ("PEA") for the Blackwater project located in British Columbia, Canada. Over its mine life, Blackwater is estimated to produce an annual average of over 500,000 ounces of gold and approximately two million ounces of silver at total cash costs well below the current industry average. The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA based on these Mineral Resources will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

During the year, the Company reached its highest cash balance in its history, after closing two private offerings of senior unsecured notes ("Senior Unsecured Notes") for a total aggregate principal amount of $800.0 million, none of which is due until 2020. Through the redemption of the Company's senior secured notes ("Senior Secured Notes") and convertible debentures ("Debentures") as well as the exercise of warrants in November, New Gold has simplified its capital structure. The Company is in a strong financial position, with forecasted free cash flow generation from its four producing assets expected to further enhance New Gold's financial flexibility in 2013 and beyond.

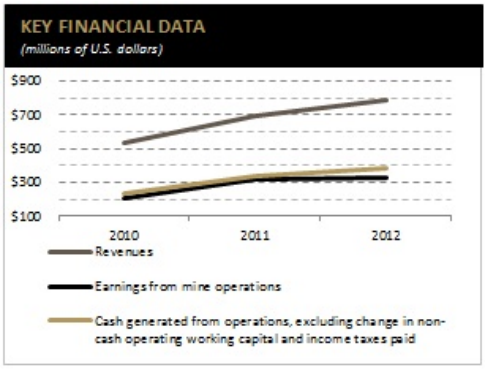
1. We use certain non-GAAP financial performance measures throughout our MD&A. For a detailed description of each of the non-GAAP measures used in this MD&A, please see the discussion under "Non-GAAP Financial Performance Measures" of this MD&A.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended December 31		For the years ended December 31		
(in millions of U.S. dollars, except where noted)	2012	2011	2012	2011	2010
Operating information:					
Gold (ounces):					
Produced [1]	112,883	100,671	411,892	387,155	382,911
Sold [1]	109,766	99,612	395,535	391,890	369,077
Silver (ounces):					
Produced [1]	401,276	453,024	1,938,506	1,989,333	2,188,235
Sold [1]	419,998	440,024	1,926,137	2,007,801	2,143,721
Copper (thousands of pounds):					
Produced [1]	20,920	3,297	42,820	12,715	15,340
Sold [1]	19,758	2,917	35,613	15,316	14,050
Average realized price [2]:					
Gold ($/ounce)	1,578	1,549	1,551	1,460	1,194
Silver ($/ounce)	32.46	31.26	30.78	35.15	21.40
Copper ($/pound)	3.52	3.56	3.56	3.78	3.48
Total cash costs per gold ounce sold [2] [3]	254	553	421	446	418
Average realized margin [2] ($/ounce)	1,324	996	1,130	1,014	776
Measured and Indicated Resources [4] as at December 31					
Gold (thousands of ounces)	21,403	18,797	21,403	18,797	13,060
Silver (thousands of ounces)	131,847	115,268	131,847	115,268	83,514
Copper (millions of pounds)	4,061	3,946	4,061	3,946	3,538
Financial Information:					
Revenues	250.9	177.3	791.3	695.9	530.5
Earnings from mine operations	99.2	74.9	330.6	315.2	204.3
Net earnings from continuing operations	123.9	35.0	199.0	179.0	57.3
Net earnings	123.9	35.0	199.0	179.0	47.5
Adjusted net earnings [2]	49.7	42.2	183.5	187.8	115.7
Cash generated from operations	131.1	87.1	336.4	327.9	228.4
Net cash generated from continuing operations	106.2	65.8	235.8	229.5	186.5
Capital expenditures	118.0	158.5	516.0	413.6	134.1
Total assets	4,283.7	3,368.7	4,283.7	3,368.7	2,429.2
Cash and cash equivalents	687.8	309.4	687.8	309.4	490.8
Long-term debt	847.8	251.7	847.8	251.7	229.9
Share Data:					
Earnings per share from continuing operations:					
Basic	0.26	0.08	0.43	0.42	0.15
Diluted	0.26	0.07	0.42	0.40	0.15
Adjusted net earnings per basic share [2]	0.11	0.09	0.40	0.44	0.30
Share price as at December 31 (TSX – Canadian dollars)	11.01	10.28	11.01	10. 28	9.68
Weighted average outstanding shares (basic) (millions)	468	452	463	430	391

1. Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable. Additionally, in the current year, 3,039 ounces of gold and 2.7 million pounds of copper which were produced by New Afton in its pre-production period were applied to the capital cost of the project and are therefore not reflected in ounces and pounds sold.
2. We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs per gold ounce sold, average realized price, average realized margin, operating margin, adjusted net earnings, adjusted net earnings per share and cash generated from operations, excluding working capital changes and income taxes paid, are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the “Non-GAAP Financial Performance Measures” section of this MD&A.
3. The calculation of total cash costs per gold ounce sold is net of by-product silver and copper revenues. If silver and copper revenues were treated as co-products, co-product total cash costs for the three months ended December 31, 2012 would be $680 per ounce of gold (2011 - $684), $13.50 per ounce of silver (2011 - $13.86); and $1.62 per pound of copper (2011 - $1.90). For the year ended December 31, 2012, co-product cash costs would be $679 per ounce of gold (2011 - $628), $13.36 per ounce of silver (2011 - $14.99); and $1.72 per pound of copper (2011 - $1.90). The 2011 comparative figures have been adjusted to correspond to the current presentation.
4. Calculated in accordance with National Instrument 43-101 as required by Canadian securities regulatory authorities. For a breakdown of Reserves and Resources by category and additional information relating to Reserves and Resources and related key assumptions and parameters, see our Mineral Reserve and Resource Statement in our news release “New Gold 2012 Operational Results Extend History of Delivering on Guidance and 2013 Outlook Provides Gold Production Growth at Significantly Lower Costs”, filed on and dated February 5, 2013 on www.sedar.com. The scientific and technical information in this MD&A has been reviewed and approved by Mark Petersen, a Qualified Person under National Instrument 43-101 and an employee of the Company.

FINANCIAL HIGHLIGHTS



• ***Revenues were $791.3 million for the full year of 2012, an increase of 14% over $695.9 million in the prior year.*** The increase was driven primarily by higher sales of gold and copper compared to the prior year, positively impacted by five months of commercial production at New Afton. The benefit from increased sales volume was coupled with the increase in the average realized price of gold. The average realized price for the full year of 2012 of $1,551 per ounce of gold compared favourably to $1,460 per ounce in the prior year. In contrast, the average realized price of silver and copper decreased from $35.15 per ounce of silver and $3.78 per pound of copper in 2011 to $30.78 per ounce of silver and $3.56 per pound of copper in 2012. Revenues were $250.9 million for the fourth quarter of 2012, an increase of 42% compared to $177.3 million in the same period in 2011.

• ***Earnings from mine operations were $330.6 million for the full year of 2012 compared to $315.2 million in 2011.*** The increase in earnings from mine operations is attributed primarily to higher gold and copper production and related sales from New Afton, as well as higher commodity prices for gold. Earnings from mine operations were $99.2 million in the fourth quarter of 2012 relative to $74.9 million in the same prior year period.

• ***Net earnings from continuing operations were $199.0 million or $0.43 per basic share compared to $179.0 million or $0.42 per basic share in 2011.*** This increase is primarily due to higher earnings from mine operations, as well as the impact of non-operating "Other gains and losses", where a gain of $19.9 million was recorded for the full year of 2012 relative to a loss of $7.9 million in 2011. This gain includes a non-cash gain on non-hedged derivatives of $61.1 million, partly offset by a loss of $31.8 million related to the redemption of the 10% Senior Secured Notes, for which there is no prior year comparative. The $31.8 million loss consists of a cash redemption premium of $9.4 million, with the balance of the loss representing non-cash adjustments for writing down the related prepayment embedded derivative asset and remaining accretion. Net earnings from continuing operations for the fourth quarter of 2012 were $123.9 million or $0.26 per basic share, compared to $35.0 million or $0.08 per basic share in the same period in 2011.

• ***Adjusted net earnings from continuing operations for the full year of 2012 were $183.5 million or $0.40 per basic share, compared to $187.8 million or $0.44 per basic share in the prior year period.*** Adjusted net earnings for 2012 was impacted by a combination of a $39.5 million increase in depreciation and depletion expense, a $10.6 million increase in exploration as a result of continued success at Blackwater and New Afton, as well as an $11.3 million increase in interest expense. For the fourth quarter of 2012, adjusted net earnings were $49.7 million or $0.11 per basic share, relative to $42.2 million or $0.09 per basic share in the prior year period.

• ***Cash generated from operations excluding working capital changes and income taxes paid*** [(2)] ***for the full year of 2012 was $381.2 millio compared to $340.4 million in 2011.*** Pre-tax cash generated from operations in 2012 was $336.4 million, which included a $44.8 million working capital use of cash. This compares to a use of cash from change in working capital of $12.5 million in the prior year, where pre-tax cash generated from operations was $327.9 million. Relative working capital movements resulted in a $32.3 million negative impact when comparing pre-tax cash generated from operations in 2012 to 2011. The increase in working capital results primarily from an inventory build-up at Peak Mines and smelter receivables at New Afton. Additionally, 2012 cash generated from operations was impacted by $12.1 million cash tax payment that was related to Cerro San Pedro's 2011 taxes payable and $7.7 million in reclamation expenditures at Mesquite that will now not be required at the end of the mine life. Net cash generated from operations for 2012 was $235.8 million, compared to $229.5 million in the prior year. The 2012 figure was impacted by the above items, the majority of which impacted the first nine months of the year and are not expected to be reoccuring. For the fourth quarter of 2012, cash generated from operations, excluding working capital changes and income taxes paid, was $128.0 million compared to $84.6 million in the same period in 2011.

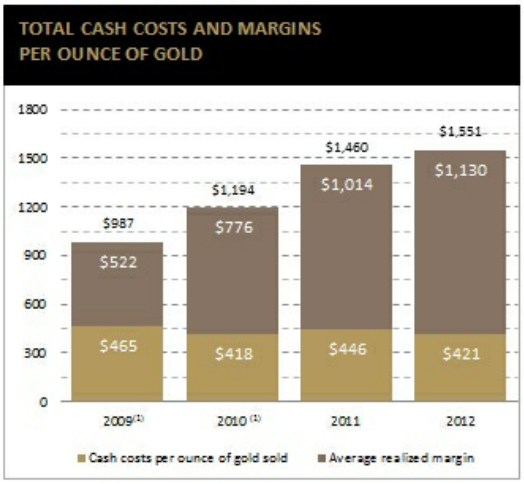
• ***Net cash generated from operations was $106.2 million for the fourth quarter of 2012, an increase of 61% relative to the prior year period of $65.8 million.*** This reflects the impact of the first full quarter of commercial production at New Afton.

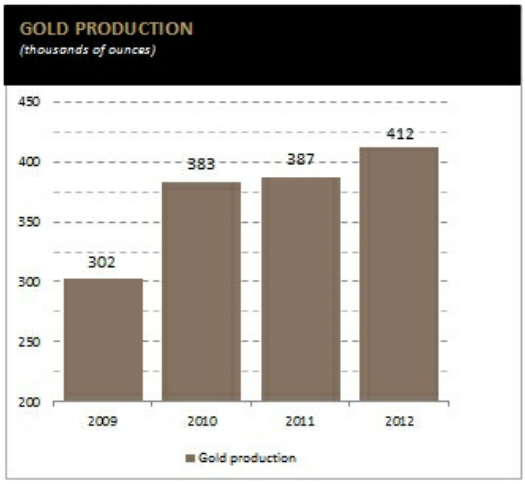
• ***Cash and cash equivalents were $687.8 million at December 31, 2012 compared to $309.4 million at December 31, 2011.*** This increase is primarily a result of the issuance of the Senior Unsecured Notes for a total aggregate principal of $800.0 million, none of which is due until 2020. Through the redemption of the Company's Senior Secured Notes and Debentures as well as the exercise of warrants in November, New Gold has simplified its capital structure.

---

2. We use certain non-GAAP financial performance measures throughout our MD&A. For a detailed description of each of the non-GAAP measures used in this MD&A, please see the discussion under "Non-GAAP Financial Performance Measures" of this MD&A.

OPERATING HIGHLIGHTS





1. The 2010 comparative cash costs per ounce have been adjusted to be consistent with the 2012 and 2011 methodology which capitalizes property,
   plant and equipment components in accordance with IFRS. The 2009 comparative cash costs per ounce figures have been prepared in accordance
   with Canadian Generally Accepted Accounting Principles ("CGAAP").

• ***Gold production was 411,892 ounces in 2012, an increase of 6% compared to 387,155 ounces in 2011 .*** The increase was primarily driven by the start of commercial production at New Afton on July 31, 2012 where 36,807 ounces were produced in the year. Peak Mines also increased gold production by 12% relative to the prior year due to improved grades and recoveries. Gold production for the quarter was 112,883 ounces, an increase of 12% compared to 100,671 ounces in the same prior year period.

• ***Copper production was 42.8 million pounds in 2012, an increase of 237% compared to 12.7 million pounds in 2011.*** This increase was due to the combination of a successful New Afton start-up and a 12% increase in copper production at Peak Mines. Copper production for the fourth quarter of 2012 was 20.9 million pounds, compared to 3.3 million pounds in 2011.

• ***Gold sales were 395,535 ounces during the full year of 2012 compared to 391,890 ounces in the prior year.*** This increase is a result of higher production. However, the full extent of the increased production level is not reflected in the number of ounces sold as a portion of the New Afton production related to its pre-production period, and was therefore applied to the capital cost of the project instead of revenues. Specifically, of the total 36,807 ounces produced at New Afton in the year, only 29,735 ounces were recognized as sales ounces, while 3,039 gold ounces were produced in the pre-commercial production period. The remainder of the difference between New Afton's production and sales figures relates to an increase in gold concentrate inventory and smelter deductions. Peak Mines also increased its gold in concentrate as high gold grade production in the final two weeks of December remained in inventory. Gold sales in the fourth quarter were 109,766 ounces, up 10% from 99,612 ounces in the same period in 2011.

• ***Total cash costs per ounce sold, net of by-product sales, were $421 per ounce for the full year of 2012 compared to $446 per ounce in 2011.*** This decrease is primarily the result of higher by-product revenues due to higher copper sales volumes, offset by a reduction in silver sales volumes and average realized prices for both silver and copper. The higher by-product sales revenues more than compensated for the continued cost pressures at the operating sites.

• ***Total cash costs per ounce sold for the fourth quarter of 2012, net of by-product sales, were $254 per ounce compared to $553 per ounce in the same period in 2011.*** This represented the lowest quarterly cash costs in the Company's history. The reduction of $299 per ounce relative to the same prior year period was primarily driven by the impact of New Afton successfully achieving full production.

• ***The average realized margin for the full year of 2012 was $1,130 per ounce, up 11% from the prior period average realized margin of $1,014 per ounce.*** This increase is a result of lower cash costs per ounce sold in 2012, together with a higher average realized price per gold ounce, which increased to $1,551 per ounce in 2012 relative to $1,460 per ounce in 2011. The average realized margin was $1,324 per ounce for the fourth quarter of 2012, compared to $996 in the same prior year period.

DEVELOPMENT AND EXPLORATION HIGHLIGHTS

- ***On July 31, 2012, New Afton reached commercial production, defined as an average of 60% of mill capacity over a 30-day period. New Afton subsequently reached full production on September 21, 2012, defined as an average of 100% of mill capacity over a 30-day period, over one month ahead of the November 2012 target.*** The average daily milling rate during the fourth quarter was 11,706 dry metric tonnes (DMT) per day, or 106% of the 11,000 DMT per day nameplate capacity. New Afton completed 54 drawbells by December 31, 2012, ahead of the targeted 48 drawbells.

- ***Through exploration efforts at New Afton, the mine life was extended by two years, from 12 to 14 years.***

- ***At Blackwater, exploration activity for the full year of 2012 included a total of over 270,000 metres drilled. New Gold was successful in growing the Blackwater Measured and Indicated gold mineral resource to 8.1 million ounces from 5.4 million ounces at the end of 2011.*** The results of this work will be incorporated into a feasibility study scheduled for completion in late 2013.

- ***New Gold has increased its consolidated Measured and Indicated gold Resources (inclusive of Reserves) to 21.4 million ounces at December 31, 2012, compared to 18.8 million ounces at December 31, 2011.*** The increase was driven primarily by ounces added through a combination of exploration drilling at Blackwater and Peak Mines coupled with the positive impact of higher metal prices on updated Mineral Resource estimates. The majority of the mineralization at Blackwater was upgraded to the Measured and Indicated Resource categories. Proven and Probable gold Reserves ended the year at 7.7 million ounces, relative to 7.9 million ounces at December 31, 2011.

CORPORATE DEVELOPMENTS

The Company continues to place great emphasis on the pursuit of disciplined growth both through organic initiatives and potential mergers and acquisitions. The Company came together through two accretive business combinations in mid-2008 and mid-2009. Since the middle of 2009, New Gold has been successful in enhancing the value of its portfolio of assets, while also continuously looking for compelling external growth opportunities. The Company continues to evaluate assets in favourable jurisdictions and where the asset has the potential to provide New Gold shareholders with meaningful gold production, cash flow and exploration potential, all while ensuring that any potential acquisition is accretive on key per share metrics. The Company strives to maintain a strong financial position by continually reviewing strategic alternatives with the view to maximizing shareholder value. In short, New Gold strives to pursue corporate development initiatives that will leave the Company and its shareholders in a fundamentally stronger position.

- ***At Blackwater, the PEA, 43-101 Technical Report and Project Description for Blackwater were completed in the third quarter of 2012.*** The PEA demonstrated robust economics for a conventional truck and shovel open pit mining operation with a 60,000 tonnes per day processing facility to recover gold and silver by whole ore leach technology. A number of potential project opportunities were identified to further improve project economics and to reduce project risk and will be investigated through trade-off studies to be completed through 2013. Refer to the 'Development and Exploration Review' section for details. The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA based on these Mineral Resources will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

- ***At El Morro, led by New Gold's 70% partner Goldcorp Inc. ("Goldcorp"), activities are focused on supporting the advancement of the consultation process with the Comunidad Agricola Los Huasco Altinos ("CAHA"), evaluating potential future exploration targets and optimizing project economics including sourcing a long-term power supply.*** Project field work has been temporarily suspended pending the resolution by the Chilean Environmental Permitting Authority (the "Servicio de Evaluación Ambiental" or "SEA") of certain deficiencies in consultation asserted by the CAHA. Refer to the 'Development and Exploration Review' section for further details.

- ***In June 2012, the Ontario Superior Court of Justice released its decision regarding the ownership interests in El Morro.*** All claims made in a lawsuit against the Company and affiliated subsidiaries by Barrick Gold Corporation ("Barrick") related to the exercise of the right of first refusal on El Morro were dismissed. Barrick did not appeal the decision. The decision confirmed that New Gold and Goldcorp will continue as partners in the El Morro project.

OUTLOOK FOR 2013

New Gold is pleased to provide guidance for 2013 as follows:

2013 PRODUCTION AND COST GUIDANCE

	Gold	Silver	Copper	Total cash costs
	(thousands of ounces)	*(millions of ounces)*	*(millions of pounds)*	*(per ounce)*
Mesquite	130 - 140	-	-	$830 - $850
Cerro San Pedro	140 - 150	1.4 - 1.6	-	$375 - $395
Peak Mines	95 - 105	-	12 - 14	$670 - $690
New Afton	75 - 85	-	66 - 74	$(1,410) - $(1,390)
Total	**440-480**	**1.4 - 1.6**	**78 - 88**	**$265 - $285**

Production

New Gold's four operating assets are expected to continue their strong performance with targeted gold production of 440,000 to 480,000 ounces in 2013, an approximate increase of 12% over 2012 production.

New Gold also produces silver and copper as by-product metals at certain of its operations. At Cerro San Pedro, the Company anticipates silver production to decrease to 1.4 to 1.6 million ounces due to the planned processing of lower silver grades as a result of mine sequencing. This silver by-product will help offset a meaningful portion of the mine's operating costs. At the Peak Mines and New Afton, the Company produces copper which, similar to silver, provides an effective offset to the Company's input costs. With 2013 benefitting from a full year of production at New Afton, New Gold expects a doubling of total copper production, from 43 million pounds in 2012 to a forecasted 78 to 88 million pounds in 2013.

Total Cash Costs

The Company's total cash costs have declined since its three-way business combination in mid-2008. The decrease in costs has been a result of increased gold production, increased silver and copper production at Cerro San Pedro, Peak Mines and New Afton, respectively, as well as increased prices of silver and copper. Looking forward to 2013, the trend of declining costs is expected to continue as a full year of production at New Afton should help move the Company's costs lower to the $265 to $285 per ounce range – well below the industry average.

Assumptions used in the 2013 guidance include gold, silver and copper prices of $1,600 per ounce, $30.00 per ounce and $3.50 per pound, respectively, and Canadian dollar, Australian dollar and Mexican peso exchange rates of $1.00, $1.00 and $13.00 to the U.S. dollar, respectively. The diesel price assumed for 2013 is $3.70 per gallon, which reflects recent prices being paid.

Depreciation and Depletion

Depreciation and depletion expense is expected to increase by approximately 75% reflecting increased production, mostly as a result of New Afton being in its first full year of production.

Exploration

With the ongoing exploration projects at Blackwater, New Afton and Peak Mines, 2013 should be another active year for New Gold's exploration teams. The Company looks forward to continuing its evaluation of Blackwater, further drilling the upside potential from the "C-Zone" at New Afton, and identifying opportunities to further extend the mine life at the Peak Mines. In total, New Gold has budgeted approximately $50 million for exploration in 2013 with approximately half of this allocated to Blackwater. Of the total exploration spend, approximately $20 million is expected to be capitalized with the remaining $30 million being expensed.

Corporate Administration and Share-based Payment Expense

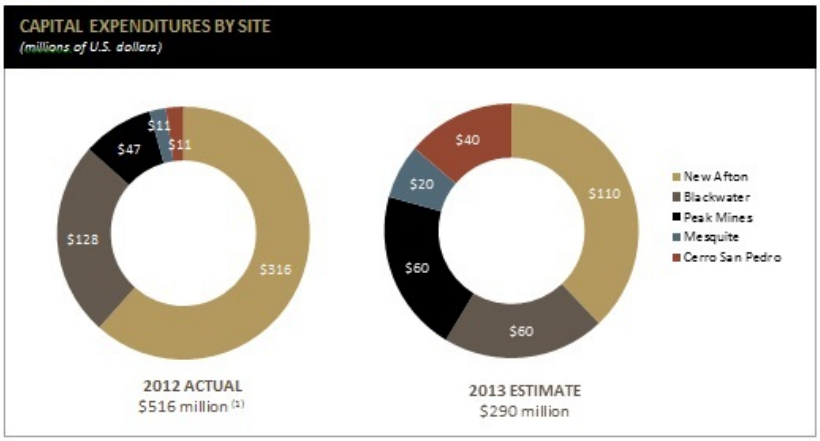
Total costs related to corporate administration and share-based payment expense is expected to increase by approximately $6 million in 2013. Part of the increase is a result of the Company receiving in 2012 a reimbursement of legal fees of $3.1 million in relation to the claim over El Morro.

Finance Costs

An increase in finance costs is expected in 2013. The total finance cost related to the aggregate $800 million Senior Unsecured Notes and our credit facility is expected to be approximately $54 million. As New Afton is no longer a qualifying development asset to capitalize finance costs to, a greater proportion of the finance cost, or approximately $36 million, will be classified to finance expense on the income statement, with the balance of finance cost capitalized to Blackwater.

Capital Expenditures

Capital expenditures are budgeted to be approximately $290 million in 2013, considerably lower than 2012 capital expenditures of $516 million. The decrease relates primarily to New Afton, as the operation has now reached full commercial production.



1. Includes approximately $3 million of corporate capital expenditures not presented in the graph above.

Capital expenditures in 2013 will still include considerable investment for future production, particularly at New Afton, Blackwater and Cerro San Pedro. Of the total of approximately $110 million budgeted capital expenditures for New Afton, $90 million is attributable to the continued cave and drawbell development. The number of drawbells built in 2014 and beyond will significantly decrease and the annual capital expenditures should continue to decrease.

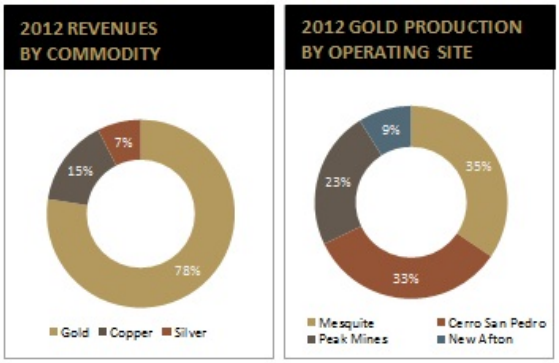
Capital spending at Blackwater is also budgeted to decrease, from its 2012 level of $128 million to a forecast of approximately $60 million, with $45 million related to feasibility study, permitting and camp facilities, with the remaining $15 million of capitalized exploration expenditures. This excludes any interest that will be capitalized to Blackwater.

The remaining $120 million relates to other capital projects at the operating sites. In addition to its standard annual capital expenditures, Cerro San Pedro will spend approximately $30 million related to capitalized stripping of a Phase 5 pit wall pushback and the mine's final leach pad expansion.

Refer to the Outlook sections in the 'Financial and Operating Results – Review of operating mines' section for further details.

BUSINESS OVERVIEW AND STRATEGY

NEW GOLD'S BUSINESS



New Gold is an intermediate gold producer with a portfolio of assets in the United States, Mexico, Australia, Canada and Chile. The Company's operating assets consist of the Mesquite gold mine in the United States, the Cerro San Pedro gold-silver mine in Mexico, the New Afton gold-copper mine in Canada, and the Peak gold-copper mines in Australia. Significant exploration and development projects include the Blackwater project in Canada and the 30% interest in the El Morro project in Chile. New Gold has an objective of continuing to grow, both organically and through value-enhancing or accretive acquisitions, to further establish itself as the industry leading intermediate gold producer.

New Gold's operating portfolio is diverse both geographically and in the range of commodities that its operations produce. The group of assets has demonstrated a history of meeting guidance from a production and cost standpoint. The consolidated cash costs figure is below industry average and the portfolio provides a strong operating cash flow as the foundation for internally funding continuing exploration and development projects.



1. Represents New Gold's attributable share of Reserves and Resources.
2. Proven and Probable Reserves and Measured, Indicated and Inferred Resources above are calculated as at December 31, 2012 in accordance with National Instrument 43-101 as required by Canadian securities regulatory authorities. For a breakdown of Reserves and Resources by category and additional information relating to Reserves and Resources and related key assumptions and parameters, see our Mineral Reserve and Resource Statement in our news release "New Gold 2012 Operational Results Extend History of Delivering on Guidance and 2013 Outlook Provides Gold Production Growth at Significantly Lower Costs", filed on and dated February 5, 2013 on www.sedar.com. The scientific and technical information in this MD&A has been reviewed and approved by Mark Petersen, a Qualified Person under National Instrument 43-101 and an employee of the Company.

NEW GOLD'S STRATEGY

Our primary focus is the exploration, development and operation of our portfolio of gold assets. We currently have an established foundation with our four producing assets providing us with the cash flow that should position us to grow the business organically as we further explore and develop our two large, exciting projects. As we deliver on, what we believe is, an industry-leading organic growth profile, we intend to remain focused on the following key components of the strategy that has helped New Gold become a leading intermediate producer.

Operational execution

With a track record of meeting annual operating guidance for four consecutive years, New Gold ended the year 2012 with a 14% revenue increase, from $695.9 million in 2011 to $791.3 million in the current year. Operating margin[3] for the year ended December 31, 2012 also increased by 14% to $447.0 million from $392.1 million in the full year of 2011. In addition to the strength of the operating portfolio, our development teams successfully kept New Afton on time for the targeted mid-2012 production start.

Maintaining a strong financial position

Our objective is to maintain a strong balance sheet and sufficient financial flexibility to internally fund our two development projects. As at December 31, 2012, we had $687.8 million in cash and cash equivalents. For the year ended December 31, 2012, the Company generated $235.8 million in cash flow from continuing operations. This amount is expected to increase in 2013 with a full year of production at New Afton. With our current cash balance, the prevailing strength of commodity prices and New Afton adding further cash flow from a full year of production, we believe we are well positioned to fund the exploration and development of our growth pipeline.

Enhancing value

New Gold has an established track record of enhancing the value of its portfolio of assets. This has been a particular focus since mid-2009 when New Gold and Western Goldfields merged to create a fully funded, growth-oriented Company. Since that time, the research analysts that cover New Gold have steadily increased the net asset values they ascribe to the Company's assets. New Gold will continue to look for opportunities to increase the value of each of its operations organically.

Disciplined growth

Since the middle of 2008, New Gold has grown through the combination of largely single asset companies. Importantly, in each instance, the addition of a new company or asset has further strengthened New Gold. The experience of the management team and board of directors has allowed New Gold to be opportunistic in its corporate development initiatives, positioning the Company as an industry leader.

ABILITY TO EXECUTE ON STRATEGY

Our ability to execute on our strategy comes from the strength of: our experienced management team, board of directors and skilled workforce, track record of delivering on expectations, portfolio of assets in favourable jurisdictions, pipeline of world-class development projects, strong financial position and commitment to corporate social responsibility.

---

3. We use certain non-GAAP financial performance measures throughout our MD&A. For a detailed description of each of the non-GAAP measures used in this MD&A, please see the discussion under "Non-GAAP Financial Performance Measures" of this MD&A.

Experienced management team with a proven industry track record

We have a seasoned and experienced management team with extensive mining sector knowledge and a successful track record of identifying and developing mines. Our Executive Chairman, Randall Oliphant, Chief Executive Officer, Robert Gallagher, and Chief Financial Officer, Brian Penny all have significant experience in leading successful mining companies. Our Board of Directors provides further stewardship and includes individuals with a breadth of sector knowledge that provides New Gold with a distinct competitive advantage.

Leading mid-tier producer with track record of delivering on expectations

New Gold has a portfolio of mines that have consistently met or exceeded Company guidance. In 2012, we met our guidance for the fourth consecutive year, producing 411,892 ounces of gold at cash costs of $421 per ounce of gold sold. 2013 guidance has been established at 440,000 to 480,000 ounces of gold at total cash costs of $265 to $285 per ounce. New Gold's cash costs continue to be well below the industry average.

Geographically diverse operations in favourable jurisdictions

We have a diverse portfolio of assets in the United States, Mexico, Australia, Canada and Chile. The Company's operating assets consist of the Mesquite Mine in the United States, the Cerro San Pedro Mine in Mexico, the New Afton Mine in Canada, and the Peak Mines in Australia. Significant development projects include the Blackwater project in Canada and a 30% interest in the El Morro project in Chile. The countries in which we operate have been assigned investment grade sovereign credit ratings by Moody's Investors Service, Inc., Fitch Ratings Inc. and Standard & Poor's Ratings Services. In 2012, 24% of our revenue was generated from the United States, 36% from Mexico, 24% from Australia and 16% from Canada.

Pipeline of world-class development projects

In addition to our operating mines, we have inherent development potential that should significantly enhance our production base and growth profile. As at December 31, 2012, Blackwater contains Measured and Indicated gold Resources of 8.1 million ounces and Inferred gold Resources of 0.3 million ounces and is expected to produce 507,000 ounces of gold per year commencing in 2017. El Morro provides New Gold with 2.9 million ounces of Proven and Probable gold and 2.1 billion pounds of Proven and Probable copper Reserves. The capital for El Morro is fully funded by our 70% partner, Goldcorp. Once in production, our 30% share of production is expected to be approximately 90,000 ounces of gold and 85 million pounds of copper per year.

Strong financial performance with a solid balance sheet

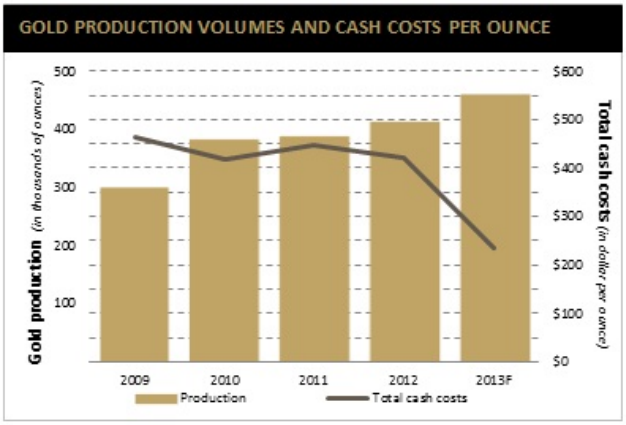
For the year ended December 31, 2012, New Gold generated revenue of $791.3 million, up 14% from $695.9 in 2011. Operating margin also increased 14%, from $392.1 in 2011 to $447.0 in 2012. Cash and cash equivalents totalled $687.8 million with additional financial flexibility from the $100 million undrawn component of our credit facility at December 31, 2012. The Company has long-term debt outstanding of $847.8 million with the full $800 million of Senior Unsecured Notes due after 2020.

Commitment to corporate social responsibility

We understand that our collective success is linked to our ability to operate in a socially responsible manner. New Gold is committed to promoting and protecting the welfare of our employees through safety-first work practices and workplaces, staff training, and equitable hiring and development practices. We understand that sustainable development extends from environmental stewardship to the development of economic prosperity and the support of local communities and their cultural values. We strive to share the benefits of our activities through the entire life cycle of our mines, and long after their eventual closure.

KEY PERFORMANCE DRIVERS

There are a range of key performance drivers that are critical to the successful implementation of New Gold's strategy and the achievement of its goals. The key internal drivers are production volumes and costs. The key external drivers are spot prices of gold, silver and copper, as well as foreign exchange rates.



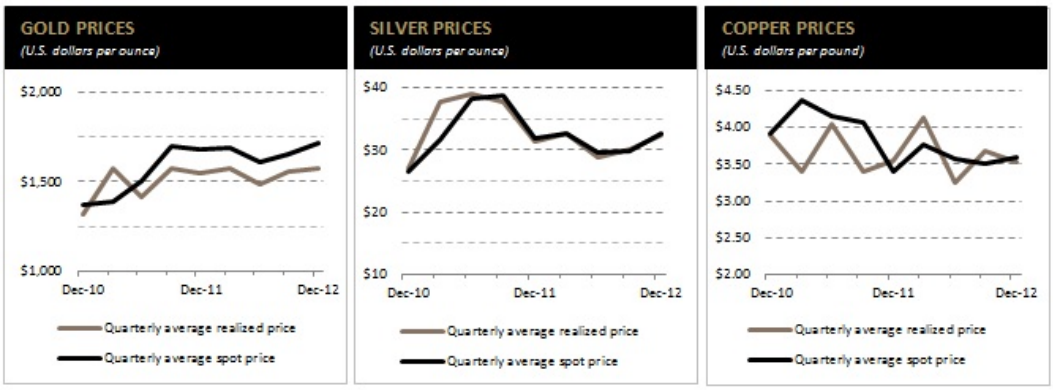
Production Volumes and Costs

New Gold has demonstrated a history of achieving guidance with respect to production volumes and costs. New Gold's portfolio of operating mines achieved another solid production quarter, with 112,883 ounces of gold production in the fourth quarter of 2012, driving the Company's full year 2012 gold production to 411,892 ounces. With the operating production base and the incremental production growth from New Afton's commercial production start, the Company once again delivered on its production guidance of 405,000 to 445,000 ounces of gold for the year.

Full year 2012 total cash costs per ounce sold, net of by-products sales, of $421 were in line with the Company's cost guidance for the year of $410 to $430 per ounce, and well below the industry average. Total cash costs per ounce of gold sold for the fourth quarter of 2012 were $254 per ounce.

New Gold's outlook is to increase gold production in 2013 by approximately 12% and total cash costs per ounce sold are forecast to decrease by approximately $145 per ounce compared to the 2012 level.

Commodity Prices



Gold prices

The price of gold is the largest single factor affecting New Gold's profitability and operating cash flows. As such, the current and future financial performance of the Company will be closely related to the prevailing price of gold.

The gold price ended the year 8% higher than at the start of the 2012, with the result that gold has now been on an uninterrupted bull run for twelve consecutive years. In spite of this, and given the loose monetary environment and considerable economic volatility, gold arguably underperformed the expectations that were in place at the start of the year. However, the majority of analysts remain optimistic in their views on gold for 2013. Economic concerns remain, particularly in the United States and Europe, and it appears unlikely that monetary policy will tighten in the near future, with the result that real interest rates are expected to remain in negative territory for some time. There are also some emerging concerns that easing by the Federal Reserve and other central banks has the potential to feed into inflation once the pace of economic recovery starts to increase, all of which should be positive factors for the gold price.

For the full year 2012, New Gold achieved an average realized gold price of $1,551 per ounce (including monthly deliveries of 5,500 ounces of gold hedged at Mesquite at $801 per ounce) which was 7% below the average London PM fix gold price of $1,668 per ounce. During the fourth quarter of 2012, New Gold had an average realized gold price of $1,578 per ounce (including monthly deliveries of 5,500 ounces of gold hedged at Mesquite at $801 per ounce) which was 8% below the average London PM fix gold price of $1,717 per ounce.

Copper and silver prices

Copper experienced some volatility during 2012 but ended the year positively with a 5% increase from the close of 2011. The overall trend has been encouraging and copper has continued to perform well during the early part of 2013. Copper London Metals Exchange spot prices increased from $3.43 per pound at December 31, 2011 to $3.59 per pound at December 31, 2012. The copper London Metals Exchange price averaged $3.61 per pound during the year compared to $4.00 per pound in 2011. These compare to New Gold average copper realized prices of $3.56 and $3.78 per pound for the full years of 2012 and 2011, respectively. This average realized copper price of $3.56 for the year is slightly below the yearly average London Metals Exchange spot price of $3.61 per pound. This is because in the first half of 2012, New Gold's average realized price for copper was impacted by downward adjustments of provisionally priced shipments for which four-month forward pricing was elected. To address this, New Gold entered into copper swap agreements to effectively fix the copper price at shipment date, thus reducing the volatility of realized copper prices during the provisional period.

The price for silver increased to $29.95 at the end of 2012, compared to $28.18 at December 31, 2011. For the full year of 2012, New Gold had average realized prices of $30.78 and $35.15 per ounce for the full years of 2012 and 2011, respectively.

Foreign Exchange Rates

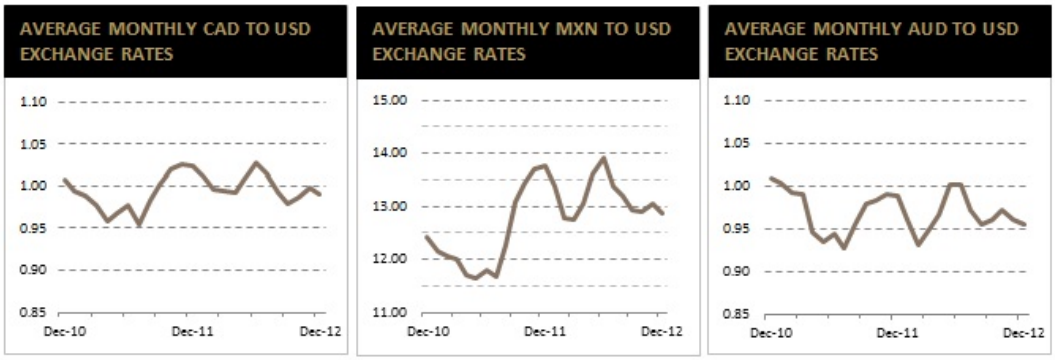
The Company operates in Canada, Mexico, the United States, Australia and Chile. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars.

New Gold's operating results and cash flows are influenced by changes in various exchange rates against the U.S. dollar. We have exposure to the Canadian dollar through New Afton and Blackwater, as well as due to corporate administration costs. We also have exposure to the Mexican peso through Cerro San Pedro, and to the Australian dollar through our Peak Mines operations.

The Canadian dollar traded on either side of the U.S. dollar through the year, and averaged slightly above parity, which had some impact on Canadian dollar-denominated capital expenditures and corporate costs when translated into U.S. dollars.

The Mexican peso ended 2012 at a stronger level than it started versus the U.S. dollar, but it was weaker on average through the year than in 2011. A significant proportion of costs at Cerro San Pedro are incurred in U.S. dollars, and as such movement in the Mexican peso exchange rate was not a significant driver of U.S. dollar-denominated costs.

The Australian dollar traded spent most of the year trading at a premium to the U.S. dollar, which affected costs at the Peak Mines operations when translated from Australian to U.S. dollars. Copper price movements through the year helped to offset this impact to some extent. The correlation between the copper price and the Australian dollar historically has provided as a natural economic hedge over the long term.



For an analysis of the impact of foreign exchange fluctuations on operating costs in 2012 relative to 2011, refer to the 'Review of Operating Mines' sections for Cerro San Pedro and Peak Mines for details. As 2012 was New Afton's first year of production, there are no comparative 2011 figures.

ECONOMIC OUTLOOK

In 2012, governments and central banks continued to try to steer a path back to recovery and growth with mixed success. Many risk assets performed strongly, especially equities, with the MSCI All Country World Index climbing over 13% by the end of the year. Government bonds recovered well, even those in distressed Eurozone countries who were eventually granted some relief by the bond market as yields fell back to more manageable levels.

Economic recovery was less encouraging, with the majority of developed nations experiencing sluggish growth and many fundamental structural questions remaining unanswered, not least in the U.S. where political divisions continue to block efforts to arrive at a sustainable long-term fiscal compromise. As a result, the Federal Reserve and its international counterparts have kept monetary policy at historically loose levels, which should bode well for gold.

Economic events can have significant effects on the gold price, via currency rate fluctuations, the relative strength of the U.S. dollar, supply of and demand for gold and macroeconomic factors such as the level of interest rates and inflation expectations. Management anticipates that the long term economic environment is likely to remain positive with respect to precious metals and for gold in particular, and believes the prospects for the business are favourable. The Company has not hedged foreign exchange rates and metal prices with the exception of the gold hedge mandated by Mesquite's 2008 project financing. New Gold's growth plan is focused on organic and acquisition-led growth, and the Company plans to remain flexible in the current environment to be able to respond to opportunities as they arise.

CORPORATE SOCIAL RESPONSIBILITY

New Gold is committed to excellence in corporate social responsibility. We consider our ability to make a lasting and positive contribution toward sustainable development through the protection of the health and well-being of our people and our host communities, environmental stewardship and community engagement and development, a key driver to achieving a productive and profitable business.

As a partner of the United Nations Global Compact, New Gold's policies and practices are guided by its principles on Human Rights, Labour, Environment and Anti-corruption. As a member of the Mining Association of Canada ("MAC"), our Canadian operations adhere closely to the principles of MAC's Towards Sustainable Mining program.

New Gold's corporate social responsibility objectives include promoting and protecting the welfare of our employees through safety-first work practices, upholding fair employment practices and encouraging a diverse workforce, where people are treated with respect and are supported to realize their full potential. At New Gold, we believe that our people are our most valued assets regardless of gender, race, cultural background, age or religion. We strive to create a culture of inclusiveness that begins at the top and which is reflected in our hiring, promotion and overall human resources practices. We encourage tolerance and acceptance in worker-to-worker relationships. In each of our host communities we are recognized as an employer of choice as a result of our competitive wages, competitive benefits and our policies of recognizing and rewarding employee performance and promoting from within.

We are committed to preserving the long-term health and viability of the natural environments affected by our operations. Wherever New Gold operates – in all stages of mining activity, from early exploration and planning, to commercial mining operations through to eventual closure – we are committed to excellence in environmental 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. We implement progressive reclamation and re-vegetation activities throughout the life of our operations. After mining activities are complete, our objective is to restore the land to a level of productivity equivalent to its pre-mining capacity. 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 are committed to establishing relationships based on mutual benefit and active participation with our host communities to contribute to healthy communities and sustainable community development. Wherever our operations interact with indigenous peoples, we endeavor 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. 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. We believe that only by thoroughly understanding the people, their histories, and their needs and plans, can we engage in a meaningful development process that will contribute to their cultural and economic health and welfare.

Environmental Highlights of 2012

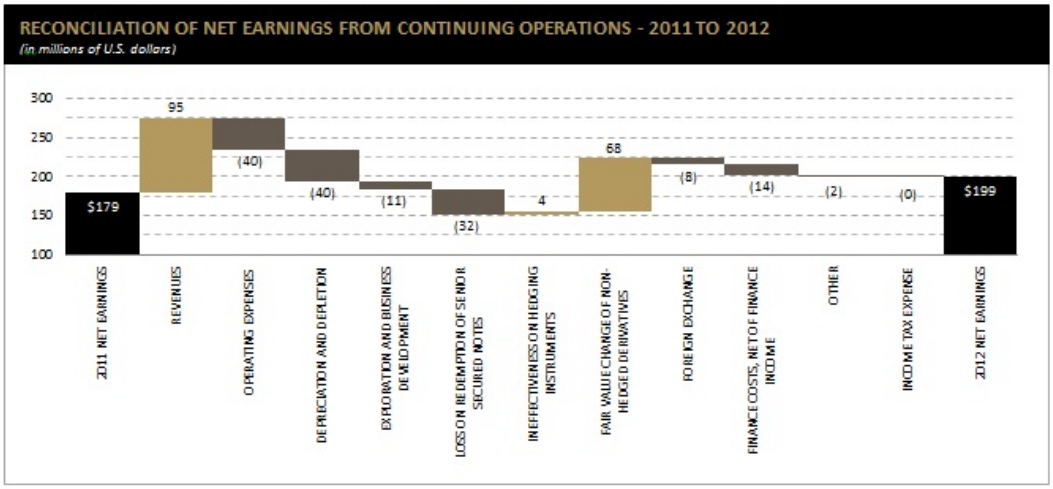
- Our operations reported no major environmental incidents.
- New Gold was listed as one of the 2012 Top Ten Most Sustainable Canadian Mining Companies by Corporate Knights.
- New Afton Mine won the Sustainability Award awarded by the Mining Association of British Columbia and British Columbia Ministry of Energy Mines and Natural Gas.
- Peak Mines received a "Highly Commended" designation for Environmental Achievement at the Shire of Cobar Business Awards.

Community Highlights of 2012

- New Afton won the 2012 Industry Council for Aboriginal Business Recognition – Corporate Champion for Aboriginal Business Award.
- Cerro de San Pedro was accredited, for the third consecutive time, as Socially Responsible Company by the Mexican Centre for Philanthropy (SEMEFI)
- New Gold received the Developer of the Year award and was named one of the "Province's Most Caring" at the British Columbia Natural Resource Forum for work done at the Blackwater project.
- New Gold was selected to receive the 2013 Prospectors and Developers Association of Canada Viola R. MacMillan Award for its leadership and excellence in bringing New Afton to production.

FINANCIAL AND OPERATING RESULTS

SUMMARY OF ANNUAL FINANCIAL AND OPERATING RESULTS



Production

The 6% year-over-year increase in gold production during 2012, from 387,155 ounces in 2011 to 411,892 ounces in 2012, was primarily attributable to the production start at New Afton. A 12% increase in gold production at the Peak Mines during the year, due to improved grades and recoveries, was offset by production declines at Mesquite and Cerro San Pedro resulting from lower grades being placed on the leach pads as planned due to mine sequencing. Copper production increased from 12.7 to 42.8 million pounds in 2012, representing a 237% increase over 2011. The increase was due to the combination of the successful New Afton start-up and the 12% increase in copper production at the Peak Mines. Silver production at Cerro San Pedro remained broadly consistent during the year, with 1,938,506 ounces in 2012 relative to 1,989,333 ounces in 2011.

Revenues

Revenues for the full year of 2012 increased to $791.3 million when compared to $695.9 million in the prior year due primarily to the increased gold and copper sales volume resulting from New Afton's start of production. Sales from copper production at New Afton amounted to 22.6 million pounds during 2012 for which there is no prior year comparative. Gold ounces sold also increased, from 391,890 ounces in 2011 to 395,535 ounces for the current year. In addition to increased sales volume, revenues were up this year as a result of higher gold prices, with New Gold realizing an average gold price of $1,551 per ounce for the year, compared to $1,460 per ounce in 2011. These benefits were slightly offset by the decrease in the average realized price of copper and silver. The average realized price of copper and silver decreased from $3.78 per pound of copper and $35.15 per ounce of silver in the prior year to $3.56 per pound of copper and $30.78 per ounce of silver, respectively, negatively impacting revenue.

Operating expenses

Operating expenses increased from $303.8 million in the full year of 2011 to $344.3 million in 2012. The increase in operating costs is consistent with the increased gold and copper sales volumes. Additionally, the operating sites have generally experienced inflationary pressures on input costs consistent with the broader industry.

Depreciation and depletion

Depreciation and depletion for the year ended December 31, 2012 was $116.4 million compared to $76.9 million for the prior year. Depreciation and depletion for New Afton was $35.0 million representing the start of depletion of the initial capital cost and other depletable assets.

Earnings from mine operations

For the year ended December 31, 2012, New Gold had earnings from mine operations of $330.6 million compared to $315.2 million in the prior year.

Corporate administration costs
Corporate administration costs were $25.2 million for the year ended December 31, 2012 compared to $26.1 million incurred in the prior year. The current year includes a $3.1 million reimbursement of legal fees paid in prior years related to the claim over El Morro.

Share-based compensation expenses
Share-based compensation costs were $10.9 million and $11.3 million in the years ended December 31, 2012 and 2011, respectively.

Exploration and business development
Exploration costs were $20.6 million in 2012, compared with $10.0 million for the prior year. In addition to moderate increases at Peak Mines and Cerro San Pedro, New Afton and Blackwater incurred $4.5 and $3.0 million in exploration expense for the year, respectively, compared to nil in the prior period. At New Afton, the "C-Zone" exploration program began in mid-2012. A total of 16,998 metres in 34 holes was completed during the third and fourth quarters of 2012 with the objective of adding to the mineral resource immediately at the base of the current reserve block and further delineating the "C-Zone" which lies below and to the side of the current New Afton reserve. At Blackwater, the expensed component of exploration expenditures relates to the Capoose property and other regional reconnaissance work.

Hedging
For the year ended December 31, 2012, Mesquite recorded realized losses of $47.9 million against its revenues for settlement of gold hedge contracts totalling 66,000 ounces. As a result of the increase in the spot price of gold from $1,531 per ounce to $1,658 per ounce between December 31, 2011 and December 31, 2012, Mesquite recognized $23.8 million of pre-tax unrealized losses in the mark-to-market of remaining contracts within other comprehensive income.

Other gains and losses
The following other gains and losses are all added back for the purposes of adjusted net earnings:

Non-hedged derivatives
For the year ended December 31, 2012, the Company recorded a gain of $61.1 million compared to a loss of $7.3 million in the prior year relating to the share purchase warrants, the equity conversion option on the Debentures and the embedded derivative on the Senior Secured Notes.

As the share purchase warrants are denominated in Canadian dollars, but the Company's functional currency is the U.S. dollar, it is a requirement under IFRS to account for them as a liability. The fair value of this liability is assessed at each reporting period. As the traded value of the New Gold share purchase warrants increases or decreases, a related loss or gain on the mark-to-market of the liability is reflected on the financial statements. A mark to market gain of $58.6 million was recorded in 2012 relative to a loss of $23.5 million in the prior year period. The current year gain relates primarily to the New Gold Series C warrants that were exercised on November 28, 2012. In advance of the exercise, the traded value of the warrants decreased resulting in a reduction of the derivative liability on mark-to-market of $43.3 million.

The Company recorded a realized gain of $6.2 million relating to the equity conversion option of the Debentures when these were redeemed during the fourth quarter of 2012. This realized gain compares to a mark-to-market unrealized gain of $5.1 million for the year 2011.

With respect to the year ended December 31, 2011, the Company recorded a gain of $11.1 million on the change in fair value of the early redemption option embedded in the Company's previously held Senior Secured Notes. The Senior Secured Notes were redeemed in the second quarter of 2012, at which point the Company recorded a realized loss of $3.7 million on the embedded derivative.

Loss on Redemption of Senior Secured Notes
On April 5, 2012, the Company issued $300.0 million of Senior Unsecured Notes, which mature on April 15, 2020 and incur interest at 7.0% payable semi-annually. On May 7, 2012, $197.6 million of the proceeds were used to redeem the Company's existing 10% Senior Secured Notes (including outstanding interest at the date of redemption). A loss of $31.8 million was recorded in respect of the redemption which consisted of a cash redemption premium of $9.4 million, with the balance of the loss representing non-cash adjustments for writing down the related prepayment embedded derivative asset and remaining accretion. Embedded in the Senior Secured Notes was an early redemption option that had a fair value of $15.4 million on the redemption date, which was written off. This option allowed the Company to redeem the Senior Secured Notes at a premium of 105% of face value. As well, the difference between the face value and book value of the debt, or $7.0 million, was fully accreted. There is no prior year comparative for this loss. With respect to 2011, the early redemption option was fair valued at December 31, 2011, giving rise to a gain of $11.1 million in that year.

Gains on fair value through profit and loss ("FVTPL") financial assets
The Company recognized a gain on FVTPL financial assets of nil in the year ended December 31, 2012 compared to $1.3 million in the same prior year period. The 2011 gain pertains to the asset backed notes that were sold in that year.

Foreign exchange
The Company recognized a foreign exchange loss of $1.3 million for the year ended December 31, 2012 compared to a gain of $7.1 million in the prior year. Foreign exchange gains and losses arise due to the fact that the Company operates in Canada, Australia, Mexico, Chile and the United States and, as a result, has foreign currency exposure with respect to items not denominated in U.S. dollars.

Ineffectiveness of hedge instruments
For the year ended December 31, 2012, a loss of $2.9 million was recorded reflecting the ineffective portion of the gold hedge. This compares to a loss of $6.6 million in the prior year.

Income tax
Income and mining tax expense in the full year of 2012 was $79.8 million compared to $79.4 million in prior year, reflecting an effective tax rate of 29% for the full year of 2012 compared to 31% in 2011. The current year expense includes an additional tax expense of $9.4 million recorded in the third quarter of 2012 as a result of the Chilean government substantively enacting on September 27, 2012, an increase in the Chilean Category 1 income tax rate from 18.5% to 20% that is effective from Jan 1, 2012. The tax rate was scheduled to revert to 17% in 2013 after being temporarily increased; therefore, the recognized loss relates to the differential between the 17% and 20%. The increase in the tax rate resulted in a re-measurement of relevant deferred tax balances during the quarter.

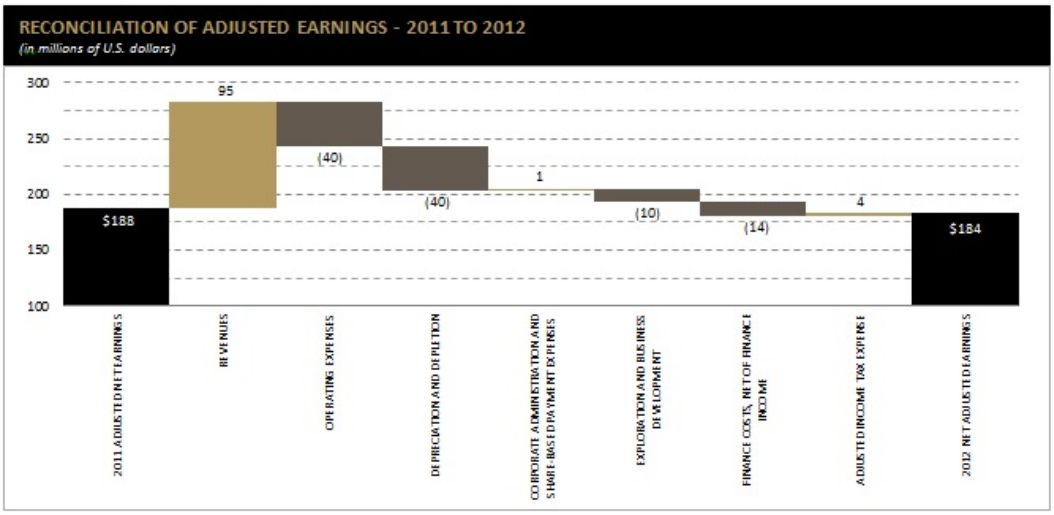
In the fourth quarter of 2012, management revised its estimates related to the expectations of future taxable income for British Columbia Mineral tax purposes for both the New Afton and Blackwater mines as the mines were expected to reach payout. This resulted in a $7.1 million reduction in income and mining tax expense for the year ended December 31, 2012 upon recording the net deferred tax assets. The benefit of these tax assets had not been previously recognized due to uncertainty regarding realization thereof.

The remainder of the increase in the income tax expense relates to the tax impact of other gains and losses.

On an adjusted net earnings basis, the adjusted effective tax rates were 29% and 29% for the years ended December 31, 2012 and 2011, respectively. This reflects the relatively consistent mix of jurisdictions in which we operate where statutory tax rates have not changed materially quarter over quarter, except for Chile. This increase in the Chilean Category 1 tax rate was excluded for purposes of the calculation of the adjusted tax expense for 2012. The adjusted effective tax rates also exclude the impact of changes in the recognition of deferred tax assets, specifically fair value changes in share purchase warrants and convertible debentures, as well as the impact of adjustments to uncertain tax positions.

Net earnings from continuing operations
For the year ended December 31, 2012, New Gold had net earnings from continuing operations of $199.0 million, or $0.43 per basic share. This compares to $179.0 million or $0.42 per basic share in the prior year. This increase is primarily a result of increased revenues driven by New Afton's start of production in the year and a higher average realized gold price, partly offset by related operating and depreciation expenses. Net earnings were also impacted by a combination of a $39.5 million increase in depreciation and depletion expense, a $10.6 million increase in exploration as a result of continued success at Blackwater and New Afton, as well as an $11.3 million increase in interest expense. Other notable factors include the $61.1 million gain on non-hedged derivatives, driven by the change in fair value of New Gold share purchase warrants, partly offset by the $31.8 million loss on redemption of New Gold's Senior Secured Notes during the second quarter of 2012, as well as the impact of the increase in the Chilean Category 1 income tax rate.

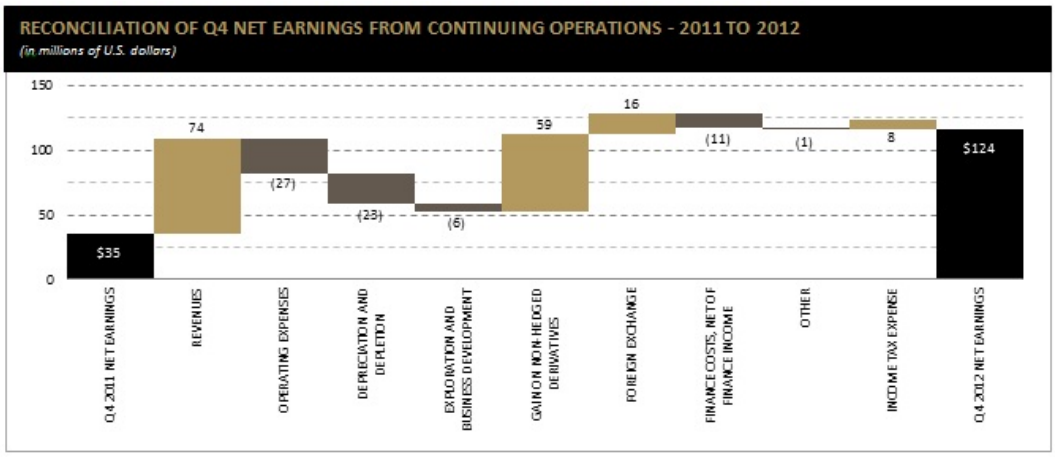
Adjusted net earnings
For the year ended December 31, 2012, adjusted net earnings from continuing operations were $183.5 million or $0.40 per basic share, which decreased from $187.8 million or $0.44 per basic share in the prior year. Adjusted net earnings are primarily impacted by the increase in non-cash depreciation and depletion expense which is caused by the addition of New Afton initial capital to the depletable asset base.



Net earnings have been adjusted, including the associated tax impact, for the group of costs in “Other gains and losses” on the condensed consolidated income statement. Key entries in this grouping are the fair value changes for share purchase warrants and convertible debt. Additionally, foreign exchange gain or loss and other non-recurring items are adjusted, particularly the loss on redemption of the Senior Secured Notes. Adjusting for these items provides an additional measure to evaluate the underlying operating performance of the Company as a whole for the reporting periods presented. The current period tax is adjusted for the impact of the increase in the Category 1 income tax in Chile. The prior period tax is also adjusted for the foreign exchange impact of deferred tax on non-monetary assets.

See “Non-GAAP Financial Performance Measures” for reconciliation of net earnings to adjusted net earnings.

SUMMARY OF QUARTERLY FINANCIAL AND OPERATING RESULTS



Production

Driven by a full quarter of production from New Afton, New Gold’s consolidated gold production during the fourth quarter increased by 12% over the fourth quarter of 2011, with 112,883 ounces in 2012 compared to 100,671 ounces in 2011. Beyond the contribution from New Afton, which was still in the development stage during the fourth quarter of 2011, increased gold production at the Peak Mines partially offset decreases at Mesquite and Cerro San Pedro. Increased gold production at Peak Mines, when compared to the same period of the prior year, was a result of realizing anticipated higher gold grades and continued recovery improvements in the mill circuit.

New Gold's consolidated copper production during the fourth quarter increased to 20.9 million pounds from 3.3 million pounds in the same period of the prior year. The increase was largely attributable to a full quarter of production from New Afton, though Peak Mines also increased copper production by 9% during the quarter. The increased production at Peak Mines was due to a combination of increased ore tonnes milled and continued recovery improvements, which were partially offset by lower copper grades. Silver production at Cerro San Pedro remained broadly consistent during the quarter with 401,276 ounces in 2012 relative to 453,024 ounces in 2011.

Revenues
Revenues were $250.9 million for the fourth quarter of 2012, an increase of 42% compared to $177.3 million in the same period in 2011. The $73.6 million revenue increase is driven primarily by higher gold and copper sales volumes relative to the same prior year period. Gold sales in the fourth quarter of 2012 were 109,766 ounces, relative to 99,612 ounces in the fourth quarter of 2011. Sales of silver decreased to 419,998 ounces from 440,024 ounces in the same prior year period. Copper sales were 19.8 million pounds, relative to 2.9 million pounds in the same prior year period as this quarter represented New Afton's first full quarter of commercial production. These increases in sales volumes were coupled with higher average realized prices for gold and silver. Average realized prices increased to $1,578 per ounce of gold and $32.46 per ounce of silver in the fourth quarter of 2012, compared to $1,549 and $31.26 per ounce, respectively, in the same prior year period. Average realized price for copper decreased from $3.56 in the fourth quarter of 2011 to $3.52 in 2012.

Operating expenses
Operating expenses increased from $78.6 million in the fourth quarter of 2011 to $105.2 million in 2012, impacted largely by New Afton's first full quarter of commercial production. Operating costs for New Afton in the fourth quarter of 2012 were $33.0 million for which there is no prior year comparative.

Depreciation and depletion
Depreciation and depletion for the quarter ended December 31, 2012 was $46.5 million compared to $23.8 million for the same prior year period as increased production impacted the units of production depreciation methodology. Depreciation and depletion for New Afton was $25.0 million, representing the first full quarter of depletion of the initial capital cost and other depletable assets.

Earnings from mine operations
For the quarter ended December 31, 2012, New Gold had earnings from mine operations of $99.2 million compared with $74.9 million in the same prior year period.

Corporate administration costs
Corporate administration costs were $9.0 million in the fourth quarter of 2012 compared to $8.9 million incurred in the same prior year period.

Share-based compensation costs
Share-based compensation costs were $2.3 million and $2.1 million in the fourth quarters of 2012 and 2011, respectively.

Exploration and business development
Exploration costs were $8.6 million in the fourth quarter of 2012 compared with $2.3 million for the same prior year period. New Afton and Blackwater incurred $3.5 and $3.0 million in exploration expense for the quarter, respectively, compared to $nil in the prior period. At New Afton, the "C-Zone" exploration program continued in the fourth quarter of 2012, with the objective of adding to the mineral resource immediately at the base of the current reserve block and further delineating the "C-Zone" which lies below and to the side of the current New Afton reserve. At Blackwater, the expensed component of exploration relates to the Capoose property and other regional reconnaissance.

Hedging
For the quarter ended December 31, 2012, Mesquite had realized losses of $12.2 million within revenues for settlement of gold hedge contracts during the quarter totalling 16,500 ounces. As a result of the decrease in the spot price of gold from $1,776 per ounce to $1,658 per ounce between September 30, 2012 and December 31, 2012, Mesquite recognized $13.4 million of pre-tax unrealized gains in the mark-to-market of remaining contracts within other comprehensive income.

Other gains and losses
The following other gains and losses are all added back for the purposes of adjusted net earnings:

Non-hedged derivatives
For the quarter ended December 31, 2012, the Company recorded a gain of $70.2 million compared to a gain of $11.1 million in the same prior year quarter relating to the share purchase warrants, the equity conversion option on the Debentures and the embedded derivative on the Senior Secured Notes.

As the share purchase warrants are denominated in Canadian dollars, but the Company's functional currency is the U.S. dollar, it is a requirement under IFRS to account for them as a liability. The fair value of this liability is assessed at each reporting period. As the traded value of the New Gold share purchase warrants increases or decreases, a related loss or gain on the mark-to-market of the liability is reflected on the financial statements. A gain of $59.4 million was recorded in 2012 relative to a gain of $7.3 million in the prior year period. The current quarter gain relates primarily to the New Gold Series C warrants that were exercised on November 28, 2012. In advance of the exercise, the traded value of the warrants decreased resulting in a reduction of the derivative liability on mark to market of $38.6 million.

The Company recorded a realized gain of $10.8 million relating to the equity conversion option of the Debentures when these were redeemed during the fourth quarter of 2012. This compares to a mark-to-market unrealized gain of $3.2 million for the same period in 2011.

With respect to the year ended December 31, 2011, the Company recorded a gain of $0.7 million on the change in fair value of the early redemption option embedded in the Company's previously held Senior Secured Notes. As the Senior Secured Notes were redeemed in the second quarter of 2012, there are is current quarter comparative figure.

Foreign exchange
The Company recognized a foreign exchange gain of $3.4 million for the quarter ended December 31, 2012 compared to a loss of $12.9 million in the same prior year quarter. Foreign exchange gains and losses arise due to the fact that the Company operates in Canada, Australia, Mexico, Chile and the United States and, as a result, has foreign currency exposure with respect to items not denominated in U.S. dollars.

Ineffectiveness of hedge instruments
For the quarter ended December 31, 2012, a loss of $1.3 million was recorded reflecting the ineffective portion of the gold hedge. This compares to a loss of $2.4 million for the same prior year period.

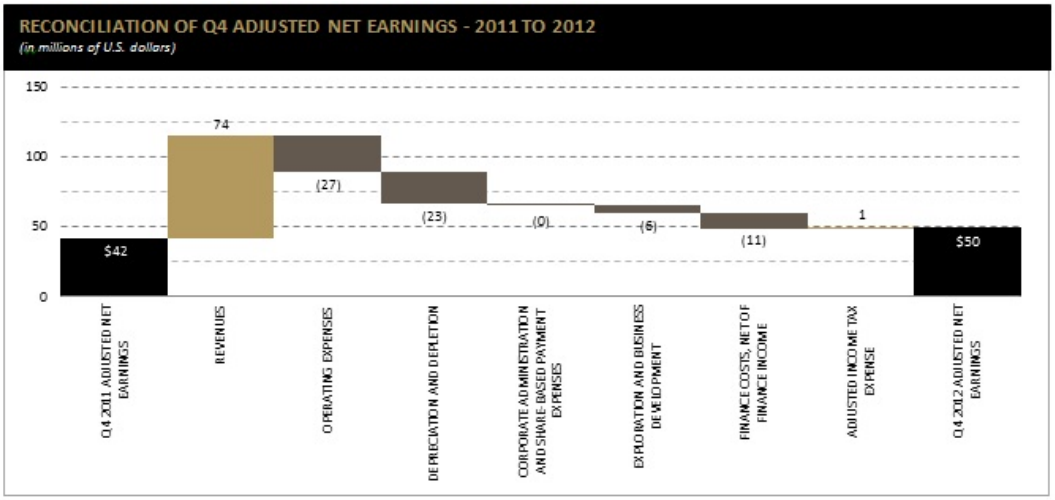
Income tax
Income and mining tax expense in the fourth quarter of 2012 was $13.9 million compared to $22.1 million in the same prior year period, reflecting an effective tax rate of 10% for the fourth quarter of 2012 compared to 39% in 2011. In the fourth quarter of 2012, management revised its estimates related to the expectations of future taxable income for British Columbia Mineral tax purposes for both the New Afton and Blackwater mines as the mines were expected to reach payout. This resulted in a $7.1 million reduction in income and mining tax expense for the year ended December 31, 2012 upon recording the net deferred tax assets. The benefit of these tax assets had not been previously recognized due to uncertainty regarding realization thereof. The remainder of the increase in the income tax expense relates to the tax impact of other gains and losses.

On an adjusted net earnings basis, the adjusted effective tax rate in the fourth quarter was 27% compared to 31% in the same prior year period. The adjusted effective tax rates exclude the impact of changes in the recognition of deferred tax assets, specifically fair value changes in share purchase warrants and convertible debentures, as well as the impact of adjustments to uncertain tax positions.

Net earnings from continuing operations
For the quarter ended December 31, 2012, New Gold had net earnings from continuing operations of $123.9 million, or $0.26 per basic share. This compares with net earnings from continuing operations of $35.0 million, or $0.08 per basic share in the same prior year period. This increase is primarily a result of increased earnings from mine operations, as well the $70.2 million gain on non-hedge derivatives.

Adjusted net earnings

For the three-month period ended December 31, 2012, adjusted net earnings from continuing operations were $49.7 million or $0.11 per basic share, an increase from $42.2 million or $0.09 per basic share in the prior year period.



Net earnings have been adjusted, including the associated tax impact, for the group of costs in "Other gains and losses" on the condensed consolidated income statement. Key entries in this grouping are the fair value changes for share purchase warrants and convertible debt. Additionally, foreign exchange gain or loss and other non-recurring items are adjusted, particularly the loss on redemption of the Senior Secured Notes. Adjusting for these items provides an additional measure to evaluate the underlying operating performance of the Company as a whole for the reporting periods presented. The prior period tax is also adjusted for the foreign exchange impact of deferred tax on non-monetary assets.

See "Non-GAAP Financial Performance Measures" for reconciliation of net earnings to adjusted net earnings.

Quarterly financial and operating information
Selected financial and operating information for the current and previous quarters is as follows:

QUARTERLY FINANCIAL AND OPERATING INFORMATION

(in millions of U.S. dollars, except per share amounts and where noted)	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Gold sales (ounces)	109,766	95,166	96,928	93,676	99,612	93,028	95,039	104,211	116,964
Revenues	250.9	195.5	176.1	168.8	177.6	175.5	171.6	171.2	189.4
Net earnings (loss) from continuing operations	123.9	17.8	23.7	33.5	35.0	40.7	78.6	24.7	25.6
Per share:									
Basic	0.26	0.04	0.05	0.07	0.08	0.09	0.19	0.06	0.07
Diluted	0.26	0.03	0.05	0.07	0.07	0.09	0.16	0.06	0.06
Net earnings (loss)	123.9	17.8	23.7	33.5	35.0	40.7	78.6	24.7	25.6
Per share:									
Basic	0.26	0.04	0.05	0.07	0.08	0.09	0.19	0.06	0.07
Diluted	0.26	0.03	0.05	0.07	0.07	0.09	0.16	0.06	0.06
Adjusted net earnings	49.7	42.6	45.8	44.2	42.2	49.5	49.8	47.9	57.0
Per share:									
Basic	0.11	0.09	0.10	0.10	0.09	0.11	0.12	0.12	0.15
Diluted	0.11	0.09	0.10	0.09	0.09	0.11	0.12	0.12	0.14

REVIEW OF OPERATING MINES

NEW AFTON MINE, BRITISH COLUMBIA, CANADA

The New Afton gold-copper project is located in Kamloops, British Columbia, Canada. The project is a large underground copper-gold deposit. New Afton's property package consists of the nine square kilometre Afton mining lease which centers on the New Afton copper-gold mine as well as 115 square kilometres of exploration licenses covering multiple mineral prospects within the historic Iron Mask mining district. At December 31, 2012, the deposit had 1.1 million ounces of Proven and Probable gold and 1.1 billion pounds of Proven and Probable copper Reserves, with 2.0 million ounces of Measured and Indicated gold Resources, inclusive of Reserves, and 1.8 billion pounds of Measured and Indicated copper Resources, inclusive of Reserves.

A summary of New Afton's operating results is provided below:

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	2012	2011	2012	2011	2010
Operating information [1]**:**					
Ore mined (thousands of tonnes)	532	-	813	-	-
Ore processed (thousands of tonnes)	1,077	-	1,970	-	-
Average grade:					
Gold (grams/tonne)	0.77	-	0.73	-	-
Copper (%)	0.84	-	0.79	-	-
Recovery rate (%):					
Gold	83.9	-	80.1	-	-
Copper	84.9	-	83.5	-	-
Gold (ounces)					
Produced [2]	22,793	-	36,807	-	-
Sold [2]	23,126	-	29,735	-	-
Copper (thousands of pounds)					
Produced [2]	17,335	-	28,459	-	-
Sold [2]	16,781	-	22,623	-	-
Average realized price [3]:					
Gold ($/ounce)	1,653	-	1,681	-	-
Copper ($/pound)	3.53	-	3.58	-	-
Total cash costs per gold ounce sold [3][4]	(1,067)	-	(1,043)	-	-
Financial Information [1]**:**					
Revenues	95.3	-	127.3	-	-
Earnings from mine operations	37.6	-	46.0	-	-
Capital expenditures [5]	48.6	108.5	302.0	290.6	85.9

1. There are no comparatives for 2011 and 2010 as New Afton reached commercial production on July 31, 2012.
2. Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.
3. We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs per gold ounce sold, average realized price, average realized margin, adjusted net earnings, adjusted net earnings per share and cash generated from operations, excluding working capital changes and income taxes paid are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.
4. The calculation of total cash costs per ounce of gold is net of by-product copper revenue. If copper revenues were treated as a co-product, the average total cash costs at New Afton for the three months ended December 31, 2012 would be $601 per ounce of gold and $1.28 per pound of copper. For the year ended December 31, 2012, the total cash costs would be $656 per ounce of gold and $1.40 per pound of copper.
5. Net of proceeds received from sale of pre-commercial production inventory of $14.5 million for the full year 2012 and $6.9 million for the fourth quarter of 2012.

Annual and Quarterly Operating Results

After starting production on June 28, 2012, New Afton successfully achieved commercial production, ahead of schedule, on July 31, 2012. Commercial production is defined as 30 days of operation at an average of 60% of the 11,000 tonne per day design capacity, or 6,600 tonnes per day. New Afton achieved an additional milestone on September 21, 2012 as the mill achieved a 30-day average at the design capacity of 11,000 tonnes per day. This milestone was achieved over one month ahead of its November target. Overall, the mill throughput advanced steadily from the achievement of commercial production, ultimately averaging 11,700 tonnes per day during the fourth quarter of 2012.

Grades during the first six months of production at New Afton averaged 0.73 grams per tonne gold and 0.78 percent copper. During the start-up phase of the mill, the Company processed a combination of ore from the surface stockpile as well as from underground. The ore processed during the start-up phase was generally below New Afton's overall average reserve grade. As planned, the gold and copper grades increased in the fourth quarter as the mill reached design throughput, averaging 0.77 grams per tonne gold and 0.84 percent copper. Importantly, the gold and copper grades of ore being processed from the block cave are reconciling favourably with the block model.

Recoveries in the first six months of production have been in line with the Company's forecasts averaging 79% for gold and 85% for copper. With the addition of a Knelson concentrator and flash flotation units in September, recoveries continued to increase. Recoveries for gold and copper averaged 84% and 85% during the fourth quarter and continue to move towards their anticipated run rate levels of 88 to 90%.

New Afton finished 2012 having completed the development of 54 drawbells versus a target for the year of 48.

Production
New Afton produced a total of 36,807 ounces of gold and 22.6 million pounds of copper in the year 2012. Of this total, 3,039 ounces of gold and 2.7 million pounds of copper were produced in the pre-commercial period, and were therefore applied to the capital cost of the project when sold, rather than being recognized in sales ounces and revenues.

In the fourth quarter of 2012, New Afton's first full quarter of commercial production, 22,793 ounces of gold and 17.3 million pounds of copper were produced.

Revenue
Revenues for the year were $127.3 million. Although total sales for the year were $141.8 million, $14.5 million of this amount was applied to reduce the capital cost of the New Afton project as it consisted of the concentrate produced in the pre-production period up to July 31, 2012. The average realized gold price for the year was $1,681 per ounce of gold and $3.58 per pound of copper. These compare well to the London PM fix gold price of $1,551 per ounce of gold and to the London Metals Exchange copper price of $3.56 per pound.

For the fourth quarter of 2012, revenues were of $95.3 million, as a result of average realized prices of $1,653 per ounce of gold and $3.53 per pound of copper. This is slightly lower than the average London PM fix gold price $1,717 for the fourth quarter of 2012. The average London Metals Exchange copper price was $3.59 for the fourth quarter of 2012.

Total cash costs
Total cash costs per ounce of gold sold, net of by-product sales, were negative $1,043 per ounce for the year 2012, and negative $1,067 per ounce for the fourth quarter of 2012.

Earnings from mine operations
New Afton contributed $46.0 million to the Company's earnings from mine operations, of which $37.6 million were earned in the fourth quarter of 2012, New Afton's first full quarter of commercial production.

Capital expenditures

Capital expenditures for the full year of 2012 totalled $302.0 million, net of the $14.5 million proceeds from sale of pre-commercial production inventory. Comparatively, capital expenditures for the full year of 2011 amounted to $290.6 million. For the fourth quarter of 2012, capital expenditures, net of $6.9 million of proceeds from sales of pre-commercial production inventory, totalled $48.6 million. This compares to $108.5 million for the same prior year period. Capital expenditures were significantly reduced in the second half of 2012 as New Afton entered into commercial production and reduced its development capital spend.

Exploration Project Review

In July 2012, New Gold initiated an underground exploration drilling program to test the potential to expand the "C-Zone" mineral resource located below the Main "B-Zone" mineral reserve currently being mined. During 2012, a total of 13,895 meters in 26 holes was drilled to expand the C-Zone resource. This total represents approximately 35% of the currently planned C-Zone exploration program. The program is scheduled for completion at the end of 2013, after which further exploration infill drilling may be conducted to upgrade the resource to measured and indicated classification status. Additionally, a surface drilling program totaling 3,177 meters in 8 holes was completed in an area adjacent to the B-Zone reserve to upgrade inferred resources to measured and indicated status. Total surface and underground exploration during 2012 amounted to 17,072 meters in 34 holes. Seven of these 34 holes have been incorporated into the updated mineral resource and reserve estimates as of December 31, 2012.

During the fourth quarter of 2012, a total of 8,497 meters in 10 underground holes was completed in the C-Zone, and 1,896 meters in four surface holes was completed in the B-Zone. Results of this drilling will be incorporated into future resource estimates.

Outlook

New Afton is forecast to produce 75,000 to 85,000 ounces of gold and 66 to 74 million pounds of copper in 2013 at total cash costs per ounce sold, ne of by-product sales, of negative $1,410 to negative $1,390 per ounce. New Afton's 2013 co-product costs are forecast to be $570 to $590 per ounce of gold and $1.20 to $1.30 per pound of copper. New Afton's capital estimate is approximately $110 million. Approximately $90 million of the 2013 budgeted capital relates to underground development and the completion of approximately 35 drawbells to provide additional flexibility and ore access points. Though some underground and drawbell development is planned to occur on an annual basis going forward, the work scheduled for 2013 should position the operation to see a marked year-over-year decline in capital costs over the mine's now 14 year life.

Another initiative being pursued at New Afton during 2013 will be the evaluation of opportunities to increase the mining and milling rate beyond the current nameplate capacity of 11,000 tonnes per day, targeting an increase in throughput to an average of 12,000 tonnes per day, or a 9% increase over the design rate, by the end of 2013. In order to assess the operation's potential to go even further beyond this rate, New Afton will evaluate which elements of the operation, if any, would represent bottlenecks in reaching a throughput above 12,000 tonnes per day.

CERRO SAN PEDRO MINE, SAN LUIS POTOSÍ, MEXICO

AT-A-GLANCE

2012 Production:
GOLD: 137,555 OUNCES
SILVER: 1.9 MILLION OUNCES
TOTAL CASH COSTS/oz: $232

2013 Production Targets:
GOLD: 140,000 TO 150,000 OUNCES
SILVER: 1.4 TO 1.6 MILLION OUNCES
TOTAL CASH COSTS/oz: $375 to $395

The Cerro San Pedro Mine is located in the state of San Luis Potosí in central Mexico, approximately 20 kilometres east of the city of San Luis Potosí. The project property is a gold-silver, open pit, run-of-mine heap leach. At December 31, 2012, the mine had 0.8 million ounces of Proven and Probable gold Reserves and 26.4 million ounces of Proven and Probable silver Reserves, with 1.7 million ounces of Measured and Indicated gold Resources, inclusive of Reserves, and 58.0 million ounces of Measured and Indicated silver Resources, inclusive of Reserves.

Cerro San Pedro achieved ISO 14001 certification of its environmental management system and has a record of compliance with Mexican and international environmental standards.

A summary of Cerro San Pedro's operating results is provided below:

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	2012	2011	2012	2011	2010
Operating information:					
Ore mined (thousands of tonnes)	4,889	4,435	16,531	16,763	10,790
Waste mined (thousands of tonnes)	2,244	4,449	14,374	16,513	16,580
Ratio of waste to ore	0.46	1.00	0.87	0.99	1.54
Ore to leach pad (thousands of tonnes)	4,889	4,435	16,531	16,763	10,790
Average grade:					
Gold (grams/tonne)	0.37	0.43	0.47	0.48	0.62
Silver (grams/tonne)	12.82	25.38	21.43	24.24	37.84
Gold (ounces)					
Produced [1] [2]	32,143	34,145	137,555	143,747	118,708
Sold [1]	31,193	33,284	134,040	142,985	114,713
Silver (ounces)					
Produced [1] [2]	401,276	453,024	1,938,506	1,989,333	2,188,235
Sold [1]	419,998	440,024	1,926,137	2,007,801	2,143,721
Average realized price [3]:					
Gold ($/ounce)	1,711	1,673	1,664	1,564	1,262
Silver ($/ounce)	32.46	31.26	30.78	35.15	21.40
Total cash costs per gold ounce sold [3][4]	320	253	232	115	230
Financial Information:					
Revenues	66.9	69.5	282.2	294.2	190.5
Earnings from mine operations	35.7	37.6	158.2	172.7	83.6
Capital expenditures	3.6	1.8	11.4	7.4	9.7

1. Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory adjustments, where applicable.
2. Tonnes of ore processed each period does not necessarily correspond to ounces produced during the period, as there is a time delay between placing tonnes on the leach pad and pouring ounces of gold.
3. We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs per gold ounce sold, average realized price, average realized margin, operating margin, adjusted net earnings, adjusted net earnings per share and cash generated from operations, excluding working capital changes and income taxes paid, are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Performance Measures" section of this MD&A.

4. The calculation of total cash costs per ounce of gold is net of by-product silver revenue. If the silver revenues were treated as a co-product, the average total cash costs at Cerro San Pedro for the three months ended December 31, 2012, would be $603 per ounce of gold (2011 - $534) and $11.44 per ounce of silver (2011 - $9.98). For the year ended December 31, 2012, average total cash costs would be $533 per ounce of gold (2011 - $463) and $9.86 per ounce of silver (2011 - $10.40).

Annual and Fourth Quarter Operating Results

Production

Gold production for the year ended December 31, 2012 was 137,555 ounces compared to 143,747 ounces produced in the same period in 2011. The decrease in the production level reflects minor reductions in both ore tonnes placed on the leach pad and gold grades. Silver production was consistent with 1,938,506 ounces produced in the year ended December 31, 2012 compared to 1,989,333 ounces in the same prior year period.

For the fourth quarter of 2012, gold production was 32,143 ounces compared to 34,145 ounces produced in the same period in 2011. This reflects a decrease in the average gold grade, partly offset by higher tonnes placed on the leach pad. Silver production for the quarter was 401,276 ounces compared to 453,024 ounces produced in the same period in 2011. The decrease in silver production reflects lower silver grade ore placed on the pad in the fourth quarter of 2012 relative to the same prior year period, in line with mine sequencing.

Revenue

Revenue for the year ended December 31, 2012 was $282.2 million compared to $294.2 million in the prior year due to lower gold and silver sales volumes, as well as a lower average silver realized price. This was partially offset by a higher average realized gold price. The average realized gold price during the full years of 2012 and 2011 were $1,664 and $1,564 per ounce, respectively, which compare well to the average London PM fix gold price of $1,668 and $1,568 per ounce, respectively. The average realized silver price per ounce during the full years of 2012 and 2011 were $30.78 and $35.15, respectively, which also correlate to the average London fix silver price of $31.15 and $35.10 per ounce, respectively.

For the quarter ended December 31, 2012, revenue was $66.9 million compared to $69.5 million in the same prior year period, due primarily to lower ounces of gold and silver sold, partly offset by higher average realized prices for both metals. The average realized gold price during the fourth quarters of 2012 and 2011 were $1,711 and $1,673 per ounce, respectively. The average realized silver price per ounce during the fourth quarters of 2012 and 2011 were $32.46 and $31.26 per ounce, respectively. Gold sales for the fourth quarter of 2012 were 31,193 ounces relative to 33,284 ounces in the same prior year period. Silver sales also decreased, from 440,024 ounces in the fourth quarter of 2011 to 419,998 ounces in the same period in 2012.

Total cash costs

Total cash costs per ounce of gold sold for the year ended December 31, 2012 were $232 per ounce compared to $115 per ounce in the prior year. The increase in total cash costs when compared to the same period of 2011 is primarily driven by lower average silver realized price and lower silver sales volume, negatively impacting by-product revenue.

Total cash costs per ounce of gold sold for the quarter ended December 31, 2012 were $320 per ounce compared to $253 per ounce in the same prior year quarter.

Earnings from mine operations

Cerro San Pedro generated $158.2 million in earnings from mine operations in the full year of 2012 compared to $172.7 million in the same prior year period.

For the quarter ended December 31, 2012, earnings from mine operations were $35.7 million compared to $37.6 million in the same period of the prior year.

Capital expenditures

Capital expenditures totalled $11.4 million and $7.4 million for the years ended December 31, 2012 and 2011, respectively. For the quarters ended December 31, 2012 and 2011, capital expenditures totalled $3.6 million and $1.8 million, respectively.

Impact of Foreign Exchange on Operations

Cerro San Pedro was impacted by changes in the value of the Mexican peso against the U.S. dollar. The value of the Mexican peso weakened from an average of 12.43 to the U.S. dollar in the full year of 2011 compared to 13.16 to the U.S. dollar in 2012. This had a positive impact of approximately $23 per ounce of gold sold.

With respect to the fourth quarter of 2012, the value of the Mexican peso increased from an average of 13.64 to the U.S. dollar in the 2011 to 12.94 to the U.S. dollar in 2012. This had a negative impact of approximately $23 per ounce of gold sold, which further contributed to the impact of the other factors described above.

Outlook

Cerro San Pedro is forecast to produce 140,000 to 150,000 ounces of gold and 1.4 to 1.6 million ounces of silver in 2013 at total cash costs per ounce sold, net of by-product sales, of $375 to $395 per ounce. The increase in gold production is driven by increased gold grades more than offsetting an expected decrease in tonnes processed. Silver production is expected to decline due to a combination of lower tonnes processed and planned mining of lower silver grades. The projected increase in total cash costs from 2012 to 2013 is primarily attributable to lower silver by-product revenue. The 2013 estimated capital spend at Cerro San Pedro is approximately $40 million, of which $30 million relates to capitalized stripping of a major pushback and the mine's final leach pad expansion. Cerro San Pedro's life of mine plan indicates a steady and significant reduction in annual capital costs over the remainder of the mine life.

MESQUITE MINE, CALIFORNIA, USA

AT-A-GLANCE

2012 Production:
GOLD: 142,008 OUNCES
TOTAL CASH COSTS/oz: $690

2013 Production Targets:
GOLD: 130,000 TO 140,000 OUNCES
TOTAL CASH COSTS/oz: $830 to $850

The Company's Mesquite Mine is located in Imperial County, California, approximately 70 kilometres northwest of Yuma, Arizona and 230 kilometres east of San Diego, California. It is an open pit, run-of-mine heap leach operation. The mine was operated between 1985 – 2001 by Goldfields Mining Corporation, subsequently Santa Fe Minerals Corporation, and finally Newmont Mining Corporation with Western Goldfields Inc. acquiring the mine in 2003. New Gold acquired the Mesquite Mine as part of the business combination with Western Goldfields Inc. in mid-2009. The mine resumed production in 2008. At December 31, 2012, the mine had 2.3 million ounces of Proven and Probable gold Reserves and 5.7 million ounces of Measured and Indicated gold Resources, inclusive of Reserves.

A summary of Mesquite's operating results is provided below:

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	2012	2011	2012	2011	2010
Operating information:					
Ore mined (thousands of tonnes)	3,221	3,870	14,503	11,733	11,327
Waste mined (thousands of tonnes)	8,075	5,350	31,164	34,240	35,990
Ratio of waste to ore	2.51	1.38	2.15	2.92	3.18
Ore to leach pad (thousands of tonnes)	3,221	3,870	14,503	11,733	11,327
Average grade:					
Gold (grams/tonne)	0.40	0.50	0.46	0.57	0.62
Gold (ounces)					
Produced (1) (2)	29,162	43,630	142,008	158,004	169,023
Sold (1)	29,708	43,717	142,491	161,214	169,571
Average realized price (3):					
Gold ($/ounce) (4)	1,287	1,398	1,338	1,297	1,117
Total cash costs per gold ounce sold (3)	787	691	690	645	575
Financial Information:					
Revenues	38.3	61.1	190.7	209.1	189.4
Earnings from mine operations	9.3	22.0	67.6	79.7	61.1
Capital expenditures	4.1	9.3	10.9	18.5	9.0

1. Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.
2. Tonnes of ore processed each period does not necessarily correspond to ounces produced during the period, as there is a time delay between placing tonnes on the leach pad and pouring ounces of gold.
3. We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs per gold ounce sold, average realized price, average realized margin, operating margin, adjusted net earnings, adjusted net earnings per share and cash generated from operations, excluding working capital changes and income taxes paid, are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.
4. Average realized price per gold ounce for Mesquite includes realized gains and losses from gold hedge settlements.

Annual and Fourth Quarter Operating Results

Production

Gold production for the year ended December 31, 2012 was 142,008 ounces compared to 158,004 ounces produced in the full year of 2011. Production was lower in 2012, as expected, due to the mine plan moving through a phase of ore that was below reserve grade. The lower grade ore was partially offset by an increase in ore tonnes placed on the leach pad in the full year of 2012 compared to the same period in 2011. Gold production for the quarter ended December 31, 2012 was 29,162 ounces compared to 43,630 ounces produced in the same period in 2011, again due to lower grade ore being placed, consistent with the mine plan.

Revenue
Revenue for the year ended December 31, 2012 was $190.7 million compared to $209.1 million in the same period last year due to lower ounces sold, consistent with the production decrease. The average realized gold price during the year ended December 31, 2012 of $1,338 per ounce, including hedged gold ounce settlements at $801 per ounce, was lower than the average London PM fix gold price of $1,668 per ounce. In the same period in 2011, Mesquite recognized an average realized gold price of $1,297 per ounce of gold sold, which compared to the 2011 average London PM fix gold price of $1,568 per ounce.

Revenue for the quarter ended December 31, 2012 was $38.3 million compared to $61.1 million in the same period last year due to negative variance in both volume and price. Gold ounces sold in the fourth quarter of 2012 were 29,708 ounces relative to 43,717 ounces in the prior year period, representing a point when Mesquite was mining above reserve grade ore. The average realized gold price during the fourth quarter of 2012 of $1,287 per ounce, including hedged gold ounce settlements at $801 per ounce, compared to $1,398 per ounce of gold sold in the same prior year period.

Total cash costs
Total cash costs per ounce of gold sold for the year ended December 31, 2012 were $690 per ounce compared to $645 per ounce in the same prior year period. The processing of lower grade ores and increased diesel prices led to this moderate increase in total cash costs when compared to 2011.

Total cash costs per ounce of gold sold for the quarter ended December 31, 2012 were $787 per ounce, compared to $691 per ounce in the same prior year period, for reasons consistent with the full year.

Earnings from mine operations
As a result of a lower average realized gold price and fewer ounces sold, Mesquite generated $67.6 million in earnings from mine operations compared to $79.7 million of earnings from mine operations during the full year of 2011.

For the fourth quarter of 2012, Mesquite generated $9.3 million in earnings from mine operations compared to $22.0 million in 2011.

Capital expenditures
Capital expenditures totalled $10.9 million for the year ended December 31, 2012, compared to $18.5 million in the same prior year period. The decrease is due to the fact that 2011, Mesquite purchased two haul trucks, and scheduled cyclical engine and wheel motor replacements for a large portion of the fleet. These replacements returned to a more normalized level and no haul trucks were purchased in 2012.

Capital expenditures totalled $4.1 million and $9.3 million, respectively, for the quarters ended December 31, 2012 and 2011.

Outlook
Mesquite is forecast to produce 130,000 to 140,000 ounces of gold in 2013 at total cash costs per ounce sold of $830 to $850 per ounce. Mining is scheduled to remain in a portion of the pit that has average grades below that of Mesquite's global reserve grade, resulting in an expected modest decrease in production. The combination of this lower production base and a diesel price assumption that is 8% higher than the 2012 average price paid results in guidance for total cash costs increasing from 2012 levels. Based on the Company's longer term plans, it is expected that after 2013, Mesquite's production should increase to historical levels with a commensurate decrease in costs. Mesquite's 2013 estimated capital spend is approximately $20 million, of which $7 million is for the purchase of two new trucks that should facilitate production increases in the coming years.

PEAK MINES, NEW SOUTH WALES, AUSTRALIA



The Company's Peak Mines gold-copper mining operation is an underground mine/mill operation located in the Cobar Mineral Field near Cobar, New South Wales, Australia. Peak Mines was built by Rio Tinto Plc. and commenced production in 1992. At December 31, 2012, the mine had 0.6 million ounces of Proven and Probable gold Reserves and 101 million pounds of Proven and Probable copper Reserves, with 0.9 million ounces of Measured and Indicated gold Resources, inclusive of Reserve, and 146 million pounds of Measured and Indicated copper Resources, inclusive of Reserves. Peak Mines has continually proven its ability to replace annual depletion with new resources.

A summary of Peak Mines' operating results is provided below:

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	2012	2011	2012	2011	2010
Operating information:					
Ore mined (thousands of tonnes)	205	191	786	755	740
Ore processed (thousands of tonnes)	209	215	778	783	775
Average grade:					
Gold (grams/tonne)	4.59	4.12	4.18	3.94	4.23
Copper (%)	0.85	0.92	0.97	0.93	1.01
Recovery rate (%):					
Gold	93.3	90.8	91.3	88.8	90.4
Copper	91.5	85.1	86.0	82.0	88.8
Gold (ounces)					
Produced [1]	28,785	22,896	95,522	85,404	95,180
Sold [1]	25,739	22,611	89,269	87,691	84,793
Copper (thousands of pounds)					
Produced [1]	3,585	3,297	14,361	12,715	15,340
Sold [1]	2,977	2,917	12,990	15,316	14,050
Average realized price [2]:					
Gold ($/ounce)	1,687	1,656	1,677	1,591	1,257
Copper ($/pound)	3.47	3.56	3.51	3.78	3.48
Total cash costs per gold ounce sold [2][3]	743	726	764	618	361
Financial Information:					
Revenues	50.4	47.0	191.1	192.6	150.6
Earnings from mine operations	16.6	15.6	58.8	62.8	59.6
Capital expenditures	13.1	15.1	46.8	50.3	29.1

1. Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.
2. We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs per gold ounce sold, average realized price, average realized margin, adjusted net earnings, adjusted net earnings per share and cash generated from operations, excluding working capital changes and income taxes paid are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.
3. The calculation of total cash costs per ounce of gold is net of by-product copper revenue. If copper revenues were treated as a co-product, the average total cash costs at Peak Mines for the three months ended December 31, 2012 would be $906 per ounce of gold (2011 - $915) and $2.16 per pound of copper (2011 - $2.24). For the year ended December 31, 2012, the total cash costs would be $967 per ounce of gold (2011 - $894) and $2.21 per pound of copper (2011 - $2.31). The 2011 comparative figures have been adjusted to correspond to the current presentation.

Annual and Fourth Quarter Operating Results

Production

Peak Mines produced 95,522 ounces of gold and 14.4 million pounds of copper during the full year of 2012 compared to 85,404 ounces of gold and 12.7 million pounds of copper for the same prior year period. Gold and copper production increased in 2012 through a combination of higher grades and continued increases in mill recoveries for both metals.

For the fourth quarter of 2012, Peak Mines produced 28,785 ounces of gold and 3.6 million pounds of copper compared to 22,896 ounces of gold and 3.3 million pounds of copper for the same prior year period. Gold production was impacted by higher grade and recovery rates in the fourth quarter of 2012 relative to the prior year period, partially offset by fewer ore tonnes processed.

Revenue
Revenue for the year ended December 31, 2012 was $191.1 million compared to $192.6 million in 2011. Although Peak Mines sold more gold ounces at a higher average realized price, these benefits were offset by a decrease in both copper sales volume and average realized price relative to 2011. Gold ounces sold increased from 87,691 in 2011 to 89,269 in the current year. Average realized gold price was $1,677 per ounce compared to $1,591 per ounce in the same prior year period. This compares to the average London PM fix gold price of $1,668 and $1,568 per ounce for the full year of 2012 and 2011, respectively. Copper pounds sold of 13.0 million pounds compared to 15.3 million pounds in the prior year. The prior year copper sales included a liquidation of copper concentrate inventory that had built up in 2010. Additionally, at the tail-end of 2012, some high grade concentrate was left in inventory causing sales to be less than production in the year. Copper prices were of $3.51 per pound compared to $3.78 per pound in the prior year. The average London Metals Exchange copper price was $3.61 for the year ended December 31, 2012, and $4.00 for 2011.

Revenue for the fourth quarter of 2012 was $50.4 million, 7% higher than in the same period in 2011 as sales volumes for both gold and copper were higher than in the fourth quarter of 2011. The benefit from these was compounded by an increase in average realized gold price of $1,687 per ounce compared to $1,656 per ounce; however, this revenue impact was partly offset by average realized copper prices of $3.47 per pound in the fourth quarter of 2012 compared to $3.56 per pound in the same prior year period.

Total cash costs
Total cash costs per ounce of gold sold, net of by-product sales, for the year ended December 31, 2012 were $764 compared to $618 in the same period of 2011. The increase in total cash costs when comparing 2012 with 2011 was due to a combination of lower by-product revenues, the appreciation of the Australian dollar and general cost pressures in Australia.

Total cash costs per ounce of gold sold for the quarter were $743 compared to $726 in the same period of 2011.

Earnings from mine operations
Peak Mines generated $58.8 million in earnings from operations during the full year of 2012 compared to $62.8 million in the same prior year period.

For the fourth quarter of 2012, the higher sales volume and average realized price of gold resulted in Peak Mines generating $16.6 million in earnings from operations during the fourth quarter of 2012 compared to $15.6 million in the same prior year period.

Capital expenditures
Capital expenditures totalled $46.8 million and $50.3 million for the years ended December 31, 2012 and 2011, respectively. Capital expenditures in 2012 were primarily associated with mine development, loader and truck purchases and capitalized exploration. For the fourth quarters of 2012 and 2011, capital expenditures totalled $13.1 million and $15.1 million, respectively.

Impact of Foreign Exchange on Operations
Peak Mines' operations continue to be impacted by fluctuations in the valuation of the Australian dollar against the U.S. dollar. The value of the Australian dollar in the full year of 2012 averaged 0.97 to the U.S. dollar compared to 0.98 in the same period in 2011 resulting in a negative impact on cash costs of $4 per gold ounce sold.

The value of the Australian dollar in the fourth quarter of 2012 averaged 0.96 against the U.S. dollar compared to 0.99 in the fourth quarter of 2011 resulting in a negative impact on cash costs of $34 per gold ounce sold.

Exploration Project Review
For the full year 2012, total underground drilling at Peak Mines included 55,324 metres in 325 holes. Total surface drilling for the year is 10,429 metres in 28 holes. Additionally, the Company's regional targeting initiative continued with the completion of geochemical sampling and geophysical surveys within the Cobar mineral field.

During the fourth quarter of 2012, the Company conducted 20,142 metres of underground exploration and delineation diamond drilling to expand and further delineate additional mineral resources and reserves at its Peak Mines operations. Approximately 50% of this total was drilled in the Perseverance deposit, 25% in the Chesney deposit, and 25% in the New Cobar deposit. Surface exploration during the reporting period included a total of 1,358 metres of diamond and reverse circulation drilling. All of this was completed along the Rookery Fault regional trend and in the Norma Vale area located to the southwest.

Outlook
Peak Mines is forecast to produce 95,000 to 105,000 ounces of gold and 12 to 14 million pounds of copper in 2013 at total cash costs per ounce sold, net of by-product sales, of $670 to $690 per ounce. Peak Mines is targeting a further increase in gold production with copper production expected to remain consistent with that of 2012. The increase in gold production is driven by an expected increase in ore tonnes processed. At the same time, total cash costs per ounce sold, net of by-product sales, are expected to decrease when compared to 2012. This anticipated decrease in costs is attributable to a combination of higher gold production, a lower foreign exchange rate assumption, versus the average exchange rate in 2012, and a partial abatement of certain inflationary pressures in Australia resulting from the cancellation, delay or scaling back of various large projects in the sector. Peak Mines' 2013 capital estimate of approximately $60 million is consistent with prior years and includes approximately $30 million of underground development and capitalized exploration in an effort to continue Peak Mines' long history of reserve and resource replacement.

DEVELOPMENT AND EXPLORATION REVIEW

BLACKWATER PROJECT, BRITISH COLUMBIA, CANADA

Blackwater is a bulk-tonnage gold project located approximately 160 kilometres southwest of Prince George, a city of approximately 80,000, in central British Columbia, Canada, where New Gold already has an established presence through its New Afton mine. The project area covers over 1,000km^2 and is located near infrastructure. As at December 31, 2012, Blackwater had a Measured and Indicated Mineral Resource estimate of 8.1 million ounces of Indicated gold Resources and an additional 0.3 million ounces of Inferred gold Resources. New Gold also owns a 100% interest in the Capoose property, located adjacent to Blackwater. As at December 31, 2012 the Capoose property has an estimated Mineral Resource separate from the Blackwater deposit, with an Indicated Mineral Resource of 0.2 million ounces of gold and 9.5 million ounces of silver. The Inferred Resource is 0.6 million ounces of gold and 47.8 million ounces of silver.

Project Review
Project spending at Blackwater, including exploration and infrastructure-related expenditures, for the full year of 2012 was $134.2 million, of which $41.6 million was incurred in the fourth quarter of 2012. The year-to-date figure is inclusive of $6.0 million for the purchase of the Auro properties in March 2012. New Gold's land position in the Blackwater area is now approximately 1,000 km^2.

Exploration activity at Blackwater for the full year of 2012 included a total of 270,301 metres drilled. This total included 206,450 metres in 716 holes for resource delineation and infill drilling, 12,036 metres in 54 holes for project engineering studies and 40,921 metres in 104 holes to test the mineral potential of areas selected for future operations facilities and infrastructure. Exploration continued at a rapid pace during the fourth quarter, which included the completion of 121 holes totalling 29,987 metres as part of a program to convert a portion of the Indicated Mineral Resource noted above to Measured classification status. Additionally, 13,412 metres over 34 holes were completed to test the mineral potential of proposed operations facilities and infrastructure sites during the quarter. The results of this work will be incorporated into a Feasibility Study for Blackwater scheduled for completion in late 2013. Other exploration activities during the fourth quarter included the consolidation and interpretation of results from the 2012 drilling and reconnaissance programs such as 10,894 metres in 22 holes of exploration drilling at the Capoose property, and the Company's greater property position to identify prospective targets warranting further exploration in 2013. Five drills were active at Blackwater at the close of 2012.

Preliminary Economic Assessment
On September 20, 2012, New Gold announced the release of its PEA for Blackwater. Over the initial 15 years of its mine life, Blackwater is estimated to produce an annual average of 507,000 ounces of gold and 2,039,000 ounces of silver at total cash costs per ounce sold, net of by-product sales, of $536 per ounce.

PEA highlights include:

- Conventional truck and shovel open pit mine with 60,000 tonne per day ("tpd") whole ore leach process plant
- Start of production targeted for 2017
- Development capital costs of $1.8 billion inclusive of 24 percent, or $346 million, contingency

The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA based on these Mineral Resources will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The completion of a positive PEA was an important milestone in the continued development of Blackwater. Blackwater's initial budgeted exploration primarily related to the planned 198,000 metre resource delineation and infill program being completed to support a feasibility study for the project. During the fourth quarter of 2012, New Gold completed the delineation and infill program as well as additional exploration and development drilling, bringing the total amount of exploration and development drilling in the Blackwater area to over 270,000 metres during 2012.

Other highlights for Blackwater in 2012 include:

- Initiation of provincial and federal environmental process and completion of environmental baseline work
- Signing of two exploration agreements with First Nations and subsequent approval of multi-year area based exploration permit
- Opening of regional office and sample preparation lab in Vanderhoof, British Columbia
- Confirmed point of access for connection to British Columbia hydro power

Outlook
During 2013, New Gold plans to spend approximately $60 million at Blackwater, including $45 million for the completion of the feasibility study, progression of the permitting and operation and development of camp infrastructure. The remaining $15 million is related to capitalized exploration and evaluation. Beyond 2013, subject to the completion of a positive feasibility study and board approval, New Gold looks forward to the following targeted key activities:

- First quarter 2014 - Commence detailed engineering and procurement of long lead items
- Second half of 2014 - Receipt of Provincial and Federal Environmental Assessment approvals
- First half of 2015 - Receipt of construction-related approvals
- Early 2015 - Commence construction activities
- 2017 - Begin production

EL MORRO PROJECT, ATACAMA REGION, CHILE

El Morro is an advanced stage gold-copper development project located in north-central Chile, Atacama Region, approximately 80 kilometres east of the city of Vallenar. El Morro is a world-class project with low expected cash costs and great organic growth potential. As at December 31 2012, attributable to New Gold's 30% share of the project are Proven and Probable gold Reserves of 2.9 million ounces and Proven and Probable copper Reserves of 2.1 billion pounds. Measured and Indicated Resources, inclusive of Reserves, are 2.9 million ounces and 2.1 billion pounds of gold and copper, respectively. The El Morro and La Fortuna deposits represent the two principal zones of gold-copper mineralization that have been identified to date. Future exploration efforts will also test the potential bulk-mineable gold and copper production below the bottom of the current La Fortuna open pit.

On March 16, 2011, Chilean authorities approved the Environmental Impact Assessment. A feasibility study update was completed by Goldcorp in the fourth quarter of 2011, which estimated total development capital of $3.9 billion (100% basis). Under the terms of New Gold's agreement with Goldcorp, Goldcorp is responsible for funding New Gold's 30% share of capital costs, or approximately $1.2 billion. Goldcorp is the project developer and operator and holds the remaining 70% interest. In June 2012, the Ontario Superior Court of Justice released its decision regarding ownership interests in El Morro. The Court's decision confirmed that New Gold and Goldcorp will continue as partners in El Morro. The Court dismissed Barrick's attempt to claim it should have been New Gold's partner. Based on the decision, the transaction between New Gold and Goldcorp, which closed on February 16, 2010, remains in force. New Gold holds a fully carried 30% interest in El Morro and Goldcorp, the project developer and operator, holds the remaining 70%. Certain of the key terms under the El Morro shareholders' agreement include:

- Goldcorp carries New Gold's full 30 percent share of the project's capital costs. The development capital costs, on a 100 percent basis, were most recently estimated at the end of 2011 at $3.9 billion
- After the start of production, New Gold retains 20 percent of its 30 percent of cash flow with the remaining 80 percent going towards the carried funding and accumulated interest
- The interest rate on the carried funding has been fixed at 4.58%
- Goldcorp is obligated to pay New Gold a penalty payment of $1.5 million per month should Goldcorp not start construction within 60 days of the receipt of requisite permits and approvals

In January of 2012, Goldcorp's Board officially approved commencement of construction of El Morro. However, project field work has been temporarily suspended following the April 27, 2012 ruling by the Supreme Court of Chile against approval of El Morro's environmental permit. Based on the Supreme Court's announcement, El Morro suspended all project field work being executed under the terms of the environmental permit. Activities not subject to the environmental permit, including detailed engineering, design work and architectural planning, continue. Goldcorp is working closely with the Chilean Environmental Permitting Authority ("Servicio de Evalucion Ambiental" or "SEA") to address any perceived deficiencies in respect of the environmental permit. Goldcorp is also focused on obtaining the project permits and optimizing project economics including sourcing of a long-term power supply. See the "Contingencies" section of this MD&A for more details. See "Contingencies – El Morro" for more information.

Pursuant to the above agreement, New Gold has drawn down $65.2 million of carried funding at December 31, 2012. New Gold had no cash outlay in 2012.

MINERAL RESERVES AND RESOURCES UPDATE

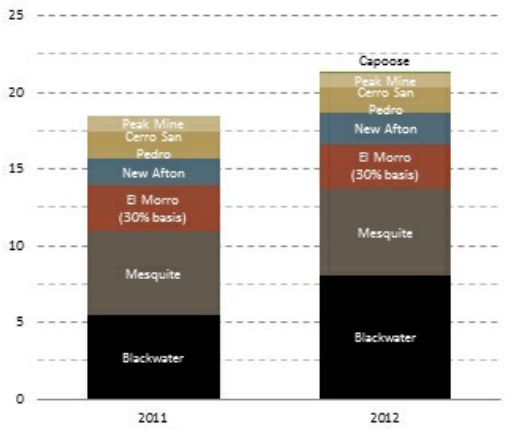
New Gold's production profile is underpinned by the Company's Mineral Reserve and Resource base combined with its strong record of organic growth through focused exploration and accretive growth through strategic acquisitions. 2012 proved to be a successful year in growing the Company's resource base. Measured and Indicated Resources increased to 21.4 million gold ounces from 18.8 million gold ounces at December 31, 2011. Proven and Probable reserves decreased by 3%; however, mine depletion at the four operating assets were partially offset by year-over-year reserve increases at both New Afton and Peak Mines.

Key Highlights of 2012

- Blackwater increased its resource base through an extensive drill program.
- Peak Mines, New Afton and El Morro increased their reserves compared to 2011.
- Peak Mines was once again able to replace its mined inventory while maintaining its mine life.
- New Afton's increased reserve added an additional two years to the existing mine plan, increasing the mine life to 14 years.
- For the fourth consecutive year, the company increased Measured and Indicated Resources.
- Silver and Copper Measured and Indicated resources increased compared to 2011.

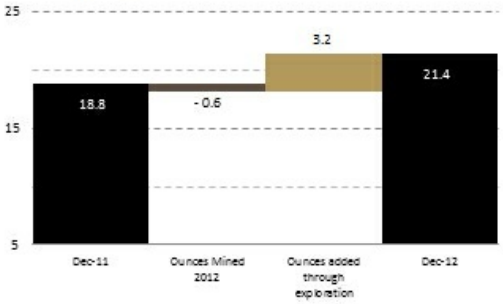
MEASURED AND INDICATED GOLD RESOURCES BY OPERATING AND DEVELOPMENT ASSET[1]

(millions of ounces)



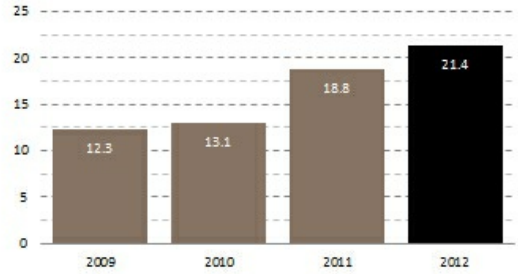
YEAR-OVER-YEAR CHANGE IN MEASURED AND INDICATED GOLD RESOURCES [1]

(millions of ounces)



HISTORY OF GROWTH IN MEASURED AND INDICATED GOLD RESOURCES [1][2]

(millions of ounces)



(1) Proven and Probable Reserves and Measured, Indicated and Inferred Resources are calculated as at December 31, 2012 and were in accordance with National Instrument 43-101 as required by Canadian securities regulatory authorities. For a breakdown of Reserves and Resources by category and additional information relating to Reserves and Resources and related key assumptions and parameters, see our Mineral Reserve and Resource Statement in our news release "New Gold 2012 Operational Results Extend History of Delivering on Guidance and 2013 Outlook Provides Gold Production Growth at Significantly Lower Costs", filed on and dated February 5, 2013 on www.sedar.com. The scientific and technical information in this MD&A has reviewed and approved by Mark Petersen, a Qualified Person under National Instrument 43-101 and an employee of the Company.

(2) The 2009 figure excludes the Measured and Indicated gold Resources from Amapari Mine, which the Company sold in April 2010.

FINANCIAL CONDITION REVIEW

SUMMARY BALANCE SHEET

(in millions of U.S. dollars, except where noted)	December 31 2012	December 31 2011
Cash and cash equivalents	687.8	309.4
Deferred tax assets	194.1	156.2
Other assets	3,401.8	2,903.1
Total assets	**4,283.7**	**3,368.7**
Derivative liabilities	110.5	141.6
Reclamation and closure cost obligations	68.5	50.7
Long-term debt	847.8	251.7
Deferred tax liabilities	322.9	294.3
Other liabilities	257.5	348.0
Total liabilities	**1,607.2**	**1,086.3**
Total equity	**2,676.5**	**2,282.4**

BALANCE SHEET REVIEW

Assets
At December 31, 2012, New Gold held cash and cash equivalents of $687.8 million. This compares to $309.4 million held at December 31, 2011. The Company's investment policy is to invest its surplus funds in permitted investments consisting of treasury bills, bonds, notes and other evidences of indebtedness of Canada, the U.S. or any of the Canadian Provinces with a minimum credit rating of R-1 mid from the Dominion Bond Rating Service ("DBRS") or an equivalent rating from Standard & Poor's and Moody's and with maturities of twelve months or less at the original date of acquisition. In addition, the Company is permitted to invest in bankers' acceptances and other evidences of indebtedness of certain financial institutions.

Gold hedge contracts
Under the terms of the term loan facility entered into by Western Mesquite Mines, Inc. ("WMMI"), as a condition precedent to drawdown of the loan, WMMI entered into a gold hedging program required by the banking syndicate. As such, WMMI executed gold forward sales contracts for 429,000 ounces of gold at a price of $801 per ounce. New Gold assumed the liability for the sales contracts on completion of the business combination with Western Goldfields Inc. in mid-2009. As at December 31, 2012, the remaining gold contracts represent a commitment of 5,500 ounces per month for 24 months with the last commitment deliverable in December 2014 for a total of 132,000 ounces.

The remaining contracts were marked to market as at December 31, 2012 using the December 31, 2012 gold forward curve, resulting in a cumulative unrealized pre-tax loss of $110.5 million that has been disclosed as a liability and pre-tax losses of $23.8 million to other comprehensive income for the full year of 2012.

Reclamation and Closure Cost Obligations
Reclamation and closure cost obligations are asset retirement obligations that arise from the acquisition, development, construction and normal operation of mining property, plant and equipment, due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The Company has future obligations to retire its mining assets including dismantling, remediation and ongoing treatment and monitoring of sites. The exact nature of environmental issues and costs, if any, which the Company may encounter in the future are subject to change, primarily because of the changing character of environmental requirements that may be enacted by governmental agencies.

The Company's asset retirement obligations consist of reclamation and closure costs for Mesquite, Cerro San Pedro, Peak Mines, New Afton and Blackwater. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs. Mesquite spent $7.7 million in the full year of 2012 on accelerated reclamation work.

The long-term portion of the liability at December 31, 2012 is $68.5 million compared to $50.7 million at December 31, 2011. Changes in the liability are due to changes in estimated cash flows related to reclamation activities, amortization or unwinding of the discount, and revisions to the discount and foreign currency rates used in the valuation of the obligations.

Long-Term Debt

The majority of the Company's contractual obligations consist of long-term debt and interest payable. At December 31, 2012, the Company had $847.8 million in long-term debt compared to $251.7 million at December 31, 2011. The Company capitalized interest of $23.8 million to qualifying development projects, with $16.4 million and $7.4 million allocated to New Afton and Blackwater, respectively. This compares to $25.7 million of capitalized interest for the year ended December 31, 2011.

Prior to their redemption on November 20, 2012, the Company had 55,000 subordinated convertible debentures, for an aggregate principal of C$55.0 million, which bore interest at a rate of 5% per annum and were convertible by the holders into common shares of the Company at any time up to June 28, 2014 at a conversion price of C$9.35 per share. On October 11, 2012 New Gold issued a notice of redemption which resulted in the Debentures being redeemed for shares on November 20, 2012. The mechanics of the redemption allowed for holders to convert the Debentures before the redemption date at the normal conversion price of C$9.35.

On April 5, 2012, the Company issued a redemption notice for its Senior Secured Notes, and the redemption took place on May 7, 2012. The Company issued new Senior Unsecured Notes on April 5, 2012, which mature and become payable on April 15, 2020 and bear interest at a rate of 7% per annum. Approximately $197.6 million of the proceeds were used for the redemption of the Company's Senior Secured Notes. At December 31, 2012 the face value of these notes, denominated in U.S. dollars totalled $300 million and the carrying amount totalled $292.5 million. Interest is payable in arrears in equal semi-annual installments on April 15 and October 15 each year.

On November 15, 2012, the Company issued a second offering of Senior Unsecured Notes. These notes become payable on November 15, 2022 and bear interest at a rate of 6.25% per annum. At December 31, 2012 the face value of these notes, denominated in U.S. dollars, totalled $500 million and the carrying amount totalled $490.1 million. Interest is payable in arrears in equal semi-annual installments on May 15 and November 15 each year.

On December 14, 2010, the Company entered into an agreement for a $150.0 million revolving credit facility ("Facility") with a syndicate of banks. The amount of the Facility will be reduced by $50.0 million if Cerro San Pedro is not operational for 45 consecutive days due to any injunction, order, judgment or other determination of an official body in Mexico as a result of any disputes now or hereafter before an official body in Mexico with jurisdiction to settle such a dispute. However, the full $50.0 million of credit will be reinstated if operations at Cerro San Pedro resume in accordance with the mine plan for 45 consecutive days and no similar disruption event occurs during this period. The Facility is for general corporate purposes, including acquisitions. The Facility, which is secured on the Company's operating assets at Peak Mines, Mesquite and Cerro San Pedro and a pledge of a certain subsidiaries' shares, has a term of three years with annual extensions permitted. The Facility contains various covenants customary for a loan facility of this nature, including limits on indebtedness, asset sales and liens. Significant financial covenants are as follows:

		December 31	December 31
	Financial covenant	2012	2011
Minimum tangible net worth ($1.38 billion + 25% of positive quarterly net income)	> $1.46 billion	$3.05 billion	$2.66 billion
Minimum interest coverage ratio (EBITDA to interest)	> 4.0 : 1	13.2 : 1	17.5 : 1
Maximum leverage ratio (debt to EBITDA)	< 3.0 : 1	2.0 : 1	0.5 : 1

The interest margin on drawings under the Facility ranges from 2.00% to 4.25% over LIBOR, the Prime Rate or the Base Rate, based on the Company's debt to EBITDA ratio and the currency and type of credit selected by the Company. The standby fees on undrawn amounts under the Facility range between 0.75% and 1.06% depending on the Company's debt to EBITDA ratio. Based on the Company's debt to EBITDA ratio, the rate is 0.75% as at December 31, 2012.

As at December 31, 2012, the Company has not drawn any funds under the Facility; however the Facility has been used to issue letters of credit of A$10.2 million for Peak Mines' reclamation bond for the State of New South Wales, C$9.5 million for New Afton's commitment to B.C. Hydro for power and transmission construction work (the B.C. Hydro letter of credit will be released over time as New Afton consumes and pays for power in the early period of operations), C$9.5 million for New Afton's reclamation requirements, C$1.2 million for Blackwater's reclamation requirements and $18.4 million relating to environmental and reclamation requirements at Cerro San Pedro. The annual fees are 2.05% of the value of the outstanding letters of credit. On February 28, 2013, New Gold agreed to an extension of its $150 million revolving credit facility with a syndicate of banks to December 14, 2014. Other amendments include a reduction in fees and the use of net debt, rather than total debt, as a measure of leverage for the purpose of covenant tests.

New Gold's wholly owned subsidiary Western Goldfields Inc. had a $105.0 million term loan facility with a syndicate of banks under which $86.3 million was borrowed in connection with the development of Mesquite. The remaining loan balance of $27.2 million was fully repaid on February 26, 2010 which allowed the Company the flexibility to monetize the remaining hedges outstanding at its discretion. The related gold hedge extends to the end of 2014 and the related security and covenants were released by the syndicate of banks on December 14, 2010 when New Gold entered into the Facility. The gold hedge is now secured under the Facility and shares in security, on a pari passu basis, with the new lenders. One of the banks under the Facility replaced two of the original banking institutions as the hedge counterparty for a portion of the overall hedge under the same terms. The hedge will remain in place until the hedge is monetized or delivered over this period at 5,500 ounces per month at $801 per ounce.

Current and Deferred Income Taxes
The net deferred income tax liability decreased from $138.1 million on December 31, 2011 to $128.8 million on December 31, 2012. The deferred tax liability decreased as a result of the recognition of a British Columbia Mineral tax asset of $5.7 million, investment tax credits, foreign exchange impact and additional recoveries in the period relating to foreign operation. These were partly offset by an increase in the deferred tax liability of $9.4 million recorded during the year as a result of the Chilean government substantively enacting on September 27, 2012, an increase in the Chilean Category 1 income tax rate from 18.5% to 20% that is effective from Jan 1, 2012. The tax rate was scheduled to revert to 17% in 2013 after being temporarily increased; therefore, the recognized loss relates to the differential between the 17% and 20%. The increase in the tax rate resulted in a remeasurement of relevant deferred tax balances during the quarter.

While the current income tax balance at December 31, 2011 was a payable of $20.5 million, the year 2012 ended with a $6.6 million receivable. The decrease is attributable to payments being made with respect to the Mexican year-end tax liability as well as payment of U.S. withholding tax accrued at December 31, 2011. Additionally, California State did not limit the use of non-capital losses which were incurred in previous years for the Western Mesquite Mine to reduce taxes payable. This reduced our current tax payable by $2.7 million.

LIQUIDITY AND CASH FLOW

As at December 31, 2012, the Company had cash and cash equivalents held by continuing operations of $687.8 million compared to $309.4 million at December 31, 2011. The Company's investment policy is to invest its surplus funds in permitted investments consisting of treasury bills, bonds, notes and other evidences of indebtedness of Canada, the U.S. or any of the Canadian Provinces with a minimum credit rating of R-1 mid from the Dominion Bond Rating Service ("DBRS") or an equivalent rating from Standard & Poor's and Moody's and with maturities of twelve months or less at the original date of acquisition. In addition, the Company is permitted to invest in bankers' acceptances and other evidences of indebtedness of certain financial institutions. Surplus corporate funds are only invested with approved government or bank counterparties.

The change in cash in the quarter ended December 31, 2012 was attributed to the following key items:

- Strong cash flows from gold sales at Mesquite, Peak Mines and Cerro San Pedro which benefited from prevailing average market gold and silver prices of $1,668 and $31.15 per ounce, respectively, and an average copper price of $3.61 during the year.

- Capital and operating expenditures at New Afton, offset partially by cash received from concentrate sales, which started shipping from the mine in September.

- The issue of $300 and $500 million in Senior Unsecured Notes on April 5, 2012 and November 15, 2012, respectively.

- Continuing spending at the Blackwater exploration and development project in British Columbia.

Liquidity and Capital Resources Outlook
During the year ended December 31, 2012, the Company had positive net cash generated from continuing operations of $235.8 million and invested a total of $516.0 million in mining interests, including $10.9 million at Mesquite, $11.4 million at Cerro San Pedro, $46.8 million at Peak Mines, $302.0 million at New Afton (net of $14.5 million of proceeds received from the sale of pre-commercial production inventory) , $134.2 million at Blackwater (inclusive of $6.0 million for the purchase on additional mining claims) and the remainder on other projects. As at December 31, 2012, the Company had working capital of $740.4 million, which includes $687.8 million in cash and cash equivalents.

Internal growth will focus on El Morro and Blackwater; however, there are other potential development properties that may become high priorities as further exploration and assessment is completed. In order to supplement this internal growth, the Company may consider expansion opportunities through mergers and acquisitions.

In the opinion of management, the working capital at December 31, 2012, together with cash flows from operations, are sufficient to support the Company's normal operating requirements on an ongoing basis. Based on our current cash balance and expected incremental cash flow, it is expected that the Company's existing cash will be sufficient to fully fund Blackwater and El Morro. New Gold is not required to fund any of the development capital for El Morro, as under the agreement with Goldcorp, the Company's 30% share is fully funded and both principal and interest will be repaid solely from future cash generated from New Gold's share of El Morro's distributable cash flows. The Company also expects it will not need external financing to repay its outstanding debt in 2020 and 2022.

However, the Company's future profits and cash position are highly dependent on metal prices, including gold, silver and copper. Taking into consideration volatile equity markets, global uncertainty in the capital markets and cost pressures, the Company is continually reviewing expenditures in order to ensure adequate liquidity and flexibility to support its growth strategy while maintaining or increasing production levels at its current operations. However, cash projections may require revision if any further acquisitions or external growth opportunities are realized.

COMMITMENTS

The Company has entered into a number of contractual commitments related to equipment orders to purchase long lead items or critical pieces of mining equipment. At December 31, 2012, these commitments totalled $87.4 million, of which all are expected to fall due over the next 12 months. This compares to a balance of $135.5 million at December 31, 2011.

CONTINGENCIES

In assessing the loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. If the assessment of a contingency suggests that a loss is probable, and the amount can easily be estimated, then a loss is recorded. When a contingent loss is not probable but is reasonably possible, or is probable but the amount of the loss cannot be reliably estimated, then details of the contingent loss are disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the Company discloses the nature of the guarantees. Legal fees incurred in connection with pending legal proceedings are expensed as incurred. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on our financial condition, cash flow and results of operations.

El Morro

The Chilean Environmental Permitting Authority ("Servicio de Evaluación Ambiental" or "SEA") approved the El Morro project's environmental permit in March 2011. A constitutional action was filed against the SEA in May 2011 by the Comunidad Agricola Los Huasco Altinos ("CAHA") seeking annulment of the environmental permit. Sociedad Contractual Mineral El Morro ("El Morro"), the Chilean company jointly held by the Company and Goldcorp and which owns and operates the El Morro project, participated in the legal proceedings as an interested party and beneficiary of the environmental permit. In February 2012, the Court of Appeals of Antofagasta ruled against approval of the environmental permit, for the primary reason that the SEA had not adequately consulted or compensated the indigenous people that form the CAHA. SEA and El Morro appealed the ruling; however, the ruling was confirmed by the Supreme Court of Chile on April 27, 2012. Based on the Supreme Court's announcement, El Morro immediately suspended all project field work being executed under the terms of the environmental permit. On June 22, 2012, SEA initiated the administrative process to address the deficiencies identified by the Chilean Court. It is anticipated the consultation process could be completed by late 2013. During the period of temporary suspension, Goldcorp's focus is on supporting the advancement of the consultation process, evaluating potential future exploration targets and optimizing project economics including sourcing a long-term power supply.

Cerro San Pedro Mine

In March 2012, the municipality of Cerro de San Pedro approved a new municipal land use plan, after public consultation, which clearly designates the area of the Cerro San Pedro mine for mining. New Gold believes this plan resolves any ambiguity regarding the land use in the area in which Cerro San Pedro is located, and which has had a history of ongoing legal challenges related to the environmental authorization (EIS") for the mine. In April 2011, a request was filed for a new EIS based on the new Municipal Plan and on August 5, 2011 a new EIS was granted. The 2011 EIS contains conditions which must be complied with and the work to fulfill these conditions is ongoing.

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's payments due under contractual obligations:

CONTRACTUAL OBLIGATIONS

					Payments due by period
(in millions of U.S. dollars)	**Less than 1 year**	**2 - 3 years**	**4 - 5 years**	**After 5 years**	**Total**
Long-term debt	-	-	-	800.0	800.0
Interest payable on long-term debt	52.3	104.5	104.5	208.8	470.1
Operating leases and other commitments	103.4	31.1	0.9	0.8	136.2
Reclamation and closure cost obligations	3.3	3.1	5.9	79.8	92.1
Total contractual obligations	**159.0**	**138.7**	**111.3**	**1,089.4**	**1,498.4**

The majority of the Company's contractual obligations consist of long-term debt and interest payable. Long-term debt obligations are comprised of Senior Unsecured Notes issued on April 5, 2012 and November 15, 2012. Refer to the section "Financial Condition Review – Balance Sheet Review – Long-term debt" for further details.

RELATED PARTY TRANSACTIONS

The Company did not enter into any related party transactions during the quarter ended December 31, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

SUBSEQUENT EVENTS

On February 28, 2013, New Gold agreed to an extension of its $150 million revolving credit facility with a syndicate of banks to December 14, 2014. Other amendments include a reduction in fees and the use of net debt, rather than total debt, as a measure of leverage for the purpose of covenant tests.

OUTSTANDING SHARES

As at February 27, 2013, there were 476,090,756 common shares of the Company outstanding. The Company had 10,888,619 stock options outstanding under its share option plan, exercisable for 10,888,619 common shares. In addition, the Company had 27,849,865 common share purchase warrants outstanding exercisable for 27,849,865 common shares.

NON-GAAP FINANCIAL PERFORMANCE MEASURES

Total Cash Costs per Gold Ounce

"Total cash costs per gold ounce" is a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. New Gold reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. The measure, along with sales, is considered to be a key indicator of a company's ability to generate operating earnings and cash flow from its mining operations.

Total cash costs figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is the accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Total cash costs include mine site operating costs such as mining, processing, administration, royalties and production taxes, realized gains and losses on fuel contracts, but is exclusive of amortization, reclamation, capital and exploration costs and net of by-product sales. Total cash costs are then divided by gold ounces sold to arrive at the total cash costs per ounce sold. The calculation of total cash costs per ounce of gold for Cerro San Pedro is net of by-product silver sales revenue, and the calculation of total cash costs per ounce of gold sold for Peak Mines and New Afton is net of by-product copper sales revenue.

Total cash costs are intended to provide additional information only and do not have any standardized definition under IFRS; they should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate these measures differently.

TOTAL CASH COSTS PER OUNCE RECONCILIATION

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2012**	**2011**	**2012**	**2011**
Operating expenses from continuing operations	105.2	78.6	344.3	303.8
Treatment and refining charges on concentrate sales	7.7	1.9	12.9	9.0
By-product copper and silver sales	(85.3)	(25.2)	(190.9)	(132.6)
Non-cash adjustments	0.3	(0.2)	0.3	(5.5)
Total cash costs	27.9	55.1	166.6	174.7
Ounces of gold sold	109,766	99,612	395,535	391,890
Total cash costs per ounce of gold sold	**254**	**553**	**421**	**446**

Adjusted Net Earnings and Adjusted Net Earnings per Share
"Adjusted net earnings" and "adjusted net earnings per share" are financial measures with no standard meaning under IFRS which excludes the following from net earnings:

- Impairment losses
- Fair value changes of embedded derivative in Senior Secured Notes
- Gains (losses) on Fair Value Through Profit and Loss financial assets
- Ineffectiveness of hedging instruments
- Fair value changes of non-hedged derivatives such as share purchase warrants and the prepayment option on our convertible debt
- Fair value changes of asset backed commercial paper
- Gains (losses) on foreign exchange
- Other non-recurring items

Net earnings have been adjusted and tax affected for the group of costs in "Other gains and losses" on the condensed consolidated income statement. The adjusted entries are also impacted for tax to the extent that the underlying entries are impacted for tax in the unadjusted net earnings from continuing operations. As the loss on the fair value change of non-hedged derivatives is only minimally tax affected in unadjusted net earnings from continuing operations, the reversal of tax on an adjusted basis is also minimal. The current period adjusted tax excludes the impact of the increase in the Chilean Category 1 income tax rate which was enacted in the third quarter of 2012, as well as the impact of adjustments to uncertain tax positions. Also, the prior period tax is adjusted for the foreign exchange impact of deferred tax on non-monetary assets.

As noted, the Company uses this measure for its own internal purposes. Management's internal budgets and forecasts and public guidance do not reflect fair value changes on senior notes and non-hedged derivatives, foreign currency translation and FVTPL financial asset gains/losses. Consequently, the presentation of adjusted net earnings enables investors and analysts to better understand the underlying operating performance of our core mining business through the eyes of management. Management periodically evaluates the components of adjusted net earnings based on an internal assessment of performance measures that are useful for evaluating the operating performance of our business and a review of the non-GAAP measures used by mining industry analysts and other mining companies.

Adjusted net earnings are intended to provide additional information only and do not have any standardized definition under IFRS; they should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently.

The following table reconciles these non-GAAP measures to the most directly comparable IFRS measure. The reconciliation of net earnings to adjusted net earnings is below.

ADJUSTED NET EARNINGS RECONCILIATION

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2012**	**2011**	**2012**	**2011**
Net earnings before taxes	137.8	57.1	278.8	258.4
Loss on redemption of Senior Secured Notes	-	-	31.8	-
Gain on fair value through profit and loss financial assets	-	-	-	(1.3)
Ineffectiveness on hedging instruments	1.3	2.4	2.9	6.6
Realized and unrealized gain on non-hedged derivatives	(70.2)	(11.1)	(61.1)	7.3
Loss (gain) on foreign exchange	(3.4)	12.9	1.3	(7.1)
Loss on disposal of assets	2.0	0.3	3.3	0.5
Other	0.7	(0.2)	1.9	1.9
Adjusted net earnings before tax	68.2	61.4	258.9	266.3
Income tax expense	(13.9)	(22.1)	(79.8)	(79.4)
Income tax adjustments	(4.6)	2.9	4.4	0.9
Adjusted income tax expense	(18.5)	(19.2)	(75.4)	(78.5)
Adjusted net earnings	**49.7**	**42.2**	**183.5**	**187.8**
Adjusted earnings per share (basic)	**0.11**	**0.09**	**0.40**	**0.44**
Adjusted effective tax rate	**27%**	**31%**	**29%**	**29%**

Cash generated from operations, excluding working capital changes and income taxes paid
"Cash generated from operations, excluding working capital changes and income taxes paid" is a financial measure with no standard meaning under IFRS, which management uses to further evaluate the Company's results of operations in each reporting period.

Operating margin is calculated as net cash generated from operations excluding the change in non-cash operating working capital and income taxes paid.

Cash generated from operations, excluding working capital changes and income taxes paid, is intended to provide additional information only and does not have any standardized definition under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently.

CASH GENERATED FROM OPERATIONS, EXCLUDING WORKING CAPITAL CHANGES AND INCOME TAXES PAID RECONCILIATION

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2012**	**2011**	**2012**	**2011**
Net cash generated from operations	106.2	65.8	235.8	229.5
Add back: Change in non-cash operating working capital	(3.1)	(2.5)	44.8	12.5
Add back: Income taxes paid	24.9	21.3	100.6	98.4
Cash generated from operations, excluding working capital changes and income taxes paid	**128.0**	**84.6**	**381.2**	**340.4**

Operating Margin

"Operating margin" is a financial measure with no standard meaning under IFRS, which management uses to further evaluate the Company's results of operations in each reporting period. Operating margin is calculated as revenues less operating expenses and therefore does not include depreciation and depletion.

Operating margin is intended to provide additional information only and does not have any standardized definition under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently.

OPERATING MARGIN RECONCILIATION

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2012**	**2011**	**2012**	**2011**
Revenues	250.9	177.3	791.3	695.9
Less: Operating expenses	(105.2)	(78.6)	(344.3)	(303.8)
Operating margin	**145.7**	**98.7**	**447.0**	**392.1**

Average Realized Price and Average Realized Margin

"Average realized price" and "average realized margin per ounce of gold sold" are financial measures with no standard meaning under IFRS. Management uses these measures to better understand the price realized in each reporting period for gold, silver, and copper sales. Average realized price excludes from revenues unrealized gains and losses on non-hedge derivative contracts.

Average realized margin represents average realized price per ounce less total cash costs per ounce.

Average realized price and average realized margin are intended to provide additional information only and do not have any standardized definition under IFRS; they should not be considered in isolation or as substitutes for measures of performance prepared in accordance with IFRS. Other companies may calculate these measures differently.

AVERAGE REALIZED PRICE AND AVERAGE REALIZED MARGIN RECONCILIATION

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2012**	**2011**	**2012**	**2011**
Revenues from gold sales	173.2	154.3	613.3	572.3
Ounces of gold sold	109,766	99,612	395,535	391,890
Average realized price per ounce of gold sold	**1,578**	**1,549**	**1,551**	**1,460**
Less: Cash costs per ounce of gold sold	(254)	(553)	(421)	(446)
Average realized margin per ounce of gold sold	**1,324**	**996**	**1,130**	**1,014**

ENTERPRISE RISK MANAGEMENT

Readers of this MD&A should give careful consideration to the information included or incorporated by reference in this document and the Company's unaudited consolidated financial statements and related notes. Significant risk factors for the Company are metal prices, government regulations, foreign operations, environmental compliance, the ability to obtain additional financing, risk relating to recent acquisitions, dependence on management, title to the Company's mineral properties, and litigation. For details of risk factors, please refer to the 2012 year-end audited consolidated financial statements and our latest Annual Information Form, dated March 26, 2012 and filed on SEDAR at www.sedar.com.

GENERAL RISKS

Environmental Risk

The Company is and will be subject to environmental regulation in Australia, Mexico, the United States and Canada where it operates, as well as in Canada and Chile where it has development properties. In addition, the Company will be subject to environmental regulation in any other jurisdictions in which the Company may operate or have development properties. These regulations mandate, among other things, the maintenance of air and water quality standards, land use standards and land reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid, liquid and hazardous waste.

Environmental legislation is evolving in a manner which will require, in certain jurisdictions, stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. No certainty exists that future changes in environmental regulation, if any, will not adversely affect the Company's operations or development properties. Environmental hazards may exist on the Company's properties which are unknown to management at present and which have been caused by previous owners or operators of the properties.

Failure by the Company to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mining operations or its exploration or development of mineral properties and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

FINANCIAL RISK MANAGEMENT

The Company holds a mixture of financial instruments, which are classified and measured as follows. For a discussion of the methods used to value financial instruments, as well as any significant assumptions, refer to Note 2 to our audited consolidated financial statements for the year ended December 31, 2012.

	As at December 31, 2012				
(in millions of U.S. dollars)	Loans and receivables at amortized cost	Designated as Fair Value Through Profit & Loss	Available for sale at fair value	Financial liabilities at amortized cost	Total
Financial assets					
Cash and cash equivalents	687.8	-	-	-	**687.8**
Trade and other receivables	46.9	-	-	-	**46.9**
Investments	-	-	1.0	-	**1.0**
Financial liabilities					
Trade and other payables	-	-	-	120.7	**120.7**
Long-term debt	-	-	-	847.8	**847.8**
Gold contracts	-	110.5	-	-	**110.5**
Copper swap contracts	-	0.9	-	-	**0.9**
Warrants	-	80.3	-	-	**80.3**
Share award units	-	4.0	-	-	**4.0**

	As at December 31, 2011				
(in millions of U.S. dollars)	Loans and receivables at amortized cost	Designated as Fair Value Through Profit & Loss	Available for sale at fair value	Financial liabilities at amortized cost	Total
Financial assets					
Cash and cash equivalents	309.4	-	-	-	**309.4**
Trade and other receivables	37.6	-	-	-	**37.6**
Investments	-	-	1.8	-	**1.8**
Prepayment option	-	18.8	-	-	**18.8**
Reclamation deposits	10.0	-	-	-	**10.0**
Financial liabilities					
Trade and other payables	-	-	-	100.3	**100.3**
Long-term debt	-	-	-	251.7	**251.7**
Gold contracts	-	141.6	-	-	**141.6**
Warrants	-	143.6	-	-	**143.6**
Conversion option	-	24.0	-	-	**24.0**
Share award units	-	5.3	-	-	**5.3**

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Company's financial assets are primarily composed of cash and cash equivalents, investments and trade and other receivables. Credit risk is primarily associated with trade and other receivables and investments; however, it also arises on cash and cash equivalents. To mitigate exposure to credit risk, the Company has established policies to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable credit worthiness, and to ensure liquidity of available funds.

The Company closely monitors its financial assets and does not have any significant concentration of credit risk. The Company sells its gold exclusively to large international organizations with strong credit ratings. The historical level of customer defaults is minimal and, as a result, the credit risk associated with gold and copper concentrate trade receivables at December 31, 2012 is not considered to be high.

The Company's maximum exposure to credit risk at December 31, 2012 and December 31, 2011 is as follows:

	December 31	December 31
(in millions of U.S. dollars)	2012	2011
Cash and cash equivalents	**687.8**	309.4
Trade receivables	**46.9**	37.6
Reclamation deposits	**-**	10.0
Total financial instruments subject to credit risk	**734.7**	357.0

The aging of accounts receivable at December 31, 2012 and December 31, 2011 is as follows:

						December 31	December 31
(in millions of U.S. dollars)	0-30 days	31-60 days	61-90 days	91-120 days	Over 120 days	2012 Total	2011 Total
Mesquite	0.9	-	-	-	-	**0.9**	0.4
Cerro San Pedro	2.6	-	0.3	-	1.8	**4.7**	4.7
Peak Mines	5.5	-	-	-	-	**5.5**	5.6
New Afton	1.8	3.6	4.8	11.3	-	**21.5**	16.2
Blackwater	0.6	0.9	2.0	3.0	6.6	**13.1**	6.8
Corporate	1.2	-	-	-	-	**1.2**	3.9
Total trade receivables	**12.6**	**4.5**	**7.1**	**14.3**	**8.4**	**46.9**	37.6

A significant portion of the Company's cash and cash equivalents is held in large Canadian financial institutions. Short-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks with high investment-grade ratings and the governments of Canada and the U.S.

The Company employs a restrictive investment policy as detailed in the capital risk management section, which is described in Note 18 to our audited consolidated financial statements for the year ended December 31, 2012.

The Company sells its copper concentrate production from the New Afton mine to four different customers under off-take contracts. The Company sells its copper concentrate production from Peak Mines to one customer under an off-take contract. While there are alternative customers in the market, loss of this customer or unexpected termination of the off-take contract could have a material adverse effect on the Company's results of operations, financial condition and cash flows.

The Company is not economically dependent on a limited number of customers for the sale of its gold because gold can be sold through numerous commodity market traders worldwide.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 18 to our audited consolidated financial statements for the year ended December 31, 2012.

The following are the contractual maturities of debt commitments. The amounts presented represent the future undiscounted principal and interest cash flows, and therefore, do not equate to the carrying amounts on the consolidated statements of financial position.

					December 31	December 31
(in millions of U.S. dollars)	Less than 1 year	2-3 years	4-5 years	After 5 years	2012 Total	2011 Total
Trade and other payables	114.2	6.5	-	-	**120.7**	100.4
Long-term debt	-	-	-	800.0	**800.0**	238.0
Interest payable on long-term debt	52.3	104.5	104.5	208.8	**470.1**	107.9
Gold contracts	58.0	58.7	-	-	**116.7**	154.5
Copper swap contracts	0.9	-	-	-	**0.9**	-
Total trade receivables	**225.4**	**169.7**	**104.5**	**1,008.8**	**1,508.4**	600.8

Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is continuing to review expenditures in order to ensure adequate liquidity and flexibility to support its growth strategy while maintaining production levels at its current operations. A period of continuous low gold and copper prices may necessitate the deferral of capital expenditures which may impact production from mining operations. These statements are based on the current financial position of the Company and are subject to change if any acquisitions or external growth opportunities are realized.

Currency Risk

The Company operates in Canada, Australia, Mexico, Chile and the United States. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk for the Company can be categorized as follows:

i. Transaction exposure

The Company's operations sell commodities and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

ii. Exposure to currency risk

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the U.S. dollar: cash and cash equivalents; investments; accounts receivable; reclamation deposits; accounts payable and accruals; reclamation and closure cost obligations; and long-term debt. The currencies of the Company's financial instruments and other foreign currency denominated liabilities, based on notional amounts, were as follows:

				As at December 31, 2012
(in millions of U.S. dollars)	Canadian dollar	Australian dollar	Mexican peso	Chilean peso
Cash and cash equivalents	**19.6**	**10.2**	**0.3**	**-**
Trade and other receivables	**35.9**	**2.1**	**4.7**	**-**
Trade and other payables	**(70.8)**	**(18.4)**	**(16.3)**	**-**
Reclamation and closure cost obligations	**(17.9)**	**(21.4)**	**(18.4)**	**-**
Warrants	**(80.3)**	**-**	**-**	**-**
Share award units	**(4.0)**	**-**	**-**	**-**
Gross balance exposure	**(117.5)**	**(27.5)**	**(29.7)**	**-**

			As December 31, 2011	
(in millions of U.S. dollars)	**Canadian dollar**	**Australian dollar**	**Mexican peso**	**Chilean peso**
Cash and cash equivalents	75.3	20.8	2.3	-
Trade and other receivables	27.0	1.2	4.7	-
Prepayment option	18.8	-	-	-
Trade and other payables	(46.5)	(22.3)	(33.9)	-
Reclamation and closure cost obligations	(8.6)	(17.1)	(15.8)	-
Warrants	(143.6)	-	-	-
Conversion option on convertible debt	(24.0)	-	-	-
Share award units	(5.3)	-	-	-
Long-term debt	(221.5)	-		-
Gross balance exposure	**(328.4)**	**(17.4)**	**(42.7)**	**-**

iii. Translation exposure

The Company's functional and reporting currency is U.S. dollars. The Company's operations translate their operating results from the host currency to U.S. dollars. Therefore, exchange rate movements in the Canadian dollar, Australian dollar, Mexican peso and Chilean peso can have a significant impact on the Company's consolidated operating results. A 10% strengthening (weakening) of the U.S. dollar against the following currencies would have decreased (increased) the Company's net loss from the financial instruments presented by the amounts shown below.

	December 31	December 31
(in millions of U.S. dollars)	2012	2011
Canadian dollar	**(11.8)**	(32.8)
Australian dollar	**(2.7)**	(1.7)
Mexican peso	**(2.9)**	(4.3)
Chilean peso	**-**	-
Total translation risk exposure	**(17.4)**	(38.8)

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's outstanding debt obligations are fixed; therefore, there is no exposure to changes in market interest rates. The Facility interest is variable; however, the Facility is undrawn as at December 31, 2012.

The Company is exposed to interest rate risk on its short-term investments which are included in cash and cash equivalents. The short-term investment interest earned is based on prevailing one to 90 days money market interest rates which may fluctuate. A 1.0% change in the interest rate would result in an annual difference of approximately $7.0 million in interest earned by the Company. The Company has not entered into any derivative contracts to manage this risk. Where possible and depending on market conditions, the Company follows the policy of issuing fixed interest rate debt to avoid future fluctuations in its debt service costs.

Price Risk

The Company's earnings and cash flows are subject to price risk due to fluctuations in the market price of gold, silver and copper. World gold prices have historically fluctuated widely and are affected by numerous factors beyond our control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations
- global or regional political or economic crises
- the relative strength of the U.S. dollar and other currencies
- expectations with respect to the rate of inflation
- interest rates
- purchases and sales of gold by central banks and other holders
- demand for jewelry containing gold
- investment activity, including speculation, in gold as a commodity

The Company acquired gold contracts which mitigate the effects of price changes. The Company designated these contracts as an accounting cash flow hedge effective July 1, 2009 as described in Note 12 (a) to our audited consolidated consolidated financial statements. At December 31, 2012 the Company had remaining gold forward sales contracts for 132,000 ounces of gold at a price of $801 per ounce at a remaining commitment of 5,500 ounces per month for 24 months.

For the year ended December 31, 2012, the Company's revenues and cash flows were impacted by gold prices in the range of $1,556 to $1,785 per ounce, and by copper prices in the range of $3.32 to $3.81 per pound. There is a time lag between the shipment of gold and copper and final pricing, and changes in pricing can significantly impact the Company's revenue and working capital position. As at December 31, 2012, working capital includes unpriced gold and copper concentrate receivables totalling 32,726 ounces of gold and 27.2 million pounds of copper. A $100 change in gold price per ounce would have an impact of $3.3 million on the Company's working capital. A $0.10 change in copper price per pound would have an impact of $2.7 million on the Company's working capital position.

The Company is also subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. The Company's production costs are also affected by the prices of commodities it consumes or uses in its operations, such as lime, reagents and explosives. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside the Company's control. The Company has no fuel hedge contracts at this time.

The Company is also subject to price risk for changes in the Company's common stock price per share. The Company has implemented, as part of its long-term incentive plan, a share award unit plan that the Company is required to satisfy in cash upon vesting. The amount of cash the Company will be required to expend is dependent upon the price per common share at the time of vesting. The Company considers this plan a financial liability and is required to fair value the outstanding liability with the resulting changes included in compensation expense each period.

An increase in gold, copper and silver prices would increase the Company's net earnings whereas an increase in fuel or share unit award prices would decrease the Company's net earnings. A 10% change in commodity prices would impact the Company's net earnings before taxes and other comprehensive income before taxes as follows:

			Year ended December 31	
	2012	2012 Other Comprehensive	2011	2011 Other Comprehensive
(in millions of U.S. dollars)	Net earnings	Income	Net earnings	Income
Gold price	61.3	21.1	57.2	28.4
Silver price	12.7	-	5.8	-
Copper price	5.9	-	7.1	-
Fuel price	6.1	-	4.9	-
Warrants	8.0	-	14.4	-
Conversion option on convertible debt	-	-	4.4	-
Share aware units	0.4	-	0.5	-
Total price risk exposure	**94.4**	**21.1**	94.3	28.4

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND ACCOUNTING CHANGES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

CRITICAL JUDGEMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

(i) Commencement of commercial production

Prior to the period when a mine has reached management's intended operating levels, costs incurred as part of the development of the related mining property are capitalized and any mineral sales during the commissioning period are offset against the costs capitalized. The Company defines the commencement of commercial production as the date that a mine has achieved a consistent level of production. Depletion of capitalized costs for mining properties begins when operating levels intended by management have been reached.

There are a number of factors the Company considers when determining if conditions exist for the commencement of commercial production of an operating mine. Management examines the following when making that judgment:

- All major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed;
- The completion of a reasonable period of testing of the mine plant and equipment;
- The mine or mill has reached a pre-determined percentage of design capacity; and
- The ability to sustain ongoing production of ore.

The list is not exhaustive and each specific circumstance is taken into account before making the decision.

Effective July 31, 2012, management determined that the New Afton Mine reached the commercial production levels. The Company defines the point where a development project becomes an operating mine as 60% average mill capacity for a consecutive 30 day period. Upon declaring commercial production at the New Afton Mine, the Company transferred the capitalized cost of the mineral property from non-depletable assets to depletable assets, and began depleting the assets on a unit of production method. The Company ceased capitalization of interest to the mine as it was no longer a qualifying asset.

In September 2012, the Company recorded the first concentrate sale of the mine. A portion of the sale related to material produced prior to commercial production and recorded as a credit to the cost of the project.

(ii) Functional currency
The functional currency for each of the Company's subsidiaries and equity investments is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity as the U.S. dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determines the primary economic environment.

As of July 31, 2012 the Company applied the change in functional currency to the New Afton Mine and to Blackwater on a prospective basis. The Company translated all items into the new functional currency using the exchange rate as at July 31, 2012. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously recognized in other comprehensive income are not reclassified from equity to net earnings until the disposal of the operation.

New Afton

The Company re-assessed the functional currency at the New Afton Mine, as the mine commenced commercial production and moved from a development project to an operating mine on July 31, 2012. The Company defines commercial production as reaching an average of 60% mill capacity for a consecutive 30 day period. The New Afton Mine began earning revenue which is denominated in U.S. dollars. The change in circumstance required the Company to change the functional currency of the mine from the Canadian dollar to the U.S. dollar.

Blackwater

The Company re-assessed the functional currency of the Blackwater development project ("Blackwater"). Blackwater is funded from the net earnings of the Company's operating mines which are denominated in U.S. dollars, and was amalgamated into with Corporate on January 1, 2012 which has a U.S. dollar functional currency as well. The Company changed the functional currency at Blackwater to U.S. dollars, as financing will be denominated in such.

(iii) Determination of economic viability
Management has determined that exploratory drilling, evaluation, development and related costs incurred on the Blackwater development project have future economic benefits and are economically recoverable. In making this judgment, management has assessed various criteria including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise, existing permits and life of mine plans.

(iv) Carrying value of assets and impairment charges
In determining whether the impairment of the carrying value of an asset is necessary, management first determines whether there are external or internal indicators that would signal the need to test for impairment. These indicators consist of but are not limited to the prolonged significant decline in commodity prices, unfavourable changes to the legal environment in which the entity operate and evidence of long term reduced production of the asset. If an impairment indicator is identified the Company compares the carrying value of the asset against the higher of the recoverable amount or fair value less cost to sell. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. During the year ended December 31, 2012, the Company identified no indicators that led to additional impairment analysis.

(v) Determination of Cash Generating Unit ("CGU")
In determining a CGU, management had to examine the smallest identifiable group of assets that generates cash inflows that are largely independent on cash inflows from other assets or groups of assets. The Company has determined that each mine site and development project qualify as an individual CGU. Each of these assets generate cash inflows that are independent of the other assets and therefore qualify as an individual asset for impairment testing purposes.

KEY SOURCES OF ESTIMATION UNCERTAINTY IN THE APPLICATION OF ACCOUNTING POLICIES

(i) Revenue recognition
Revenue from sales of concentrate is recorded when the rights and rewards of ownership pass to the buyer. Variations between the prices set in the contracts and final settlement prices may be caused by changes in the market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each reporting period until final settlement occurs, with changes in the fair value being recorded as revenue. For changes in metal quantities upon receipt of new information and assays, the provisional sales quantities are adjusted as well.

(ii) Inventory valuation
Management values inventory at the average production costs or net realizable value ("NRV"). Average production costs include expenditures incurred and depreciation and depletion of assets used in mining and processing activities that are deferred and accumulated as the cost of ore in stockpiles, ore on leach pad, work-in-process and finished metals inventories. The allocation of costs to ore in stockpiles, ore on leach pads and in-process inventories and the determination of NRV involve the use of estimates. Costs are removed from the leach pad based on the average cost per recoverable ounce of gold on the leach pad as gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly from the estimates.

(iii) Mineral reserves
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous estimates in determining the mineral reserves and estimates. Such estimation is a subjective process, and the accuracy of any mineral reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

(iv) Estimated recoverable ounces
The carrying amounts of the Company's mining properties are depleted based on recoverable ounces. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Company's mine plans and changes in metal price forecasts can result in a change to future depletion rates.

(**v) Deferred income taxes**
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The Company considers tax planning opportunities that are within the Company's control, are feasible and implementable without significant obstacles. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax asset recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

(vi) Reclamation and closure cost obligations
The Company's provision for reclamation and closure cost obligations represent management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company. At December 31, 2012, the carrying amount of the Company's provision for reclamation and closure cost obligations was $71.8 million (2011 - $55.0 million).

ACCOUNTING STANDARDS AND RECENT ACCOUNTING PRONOUNCEMENTS
Accounting standards effective January 1, 2013

Consolidation

In May 2011, the IASB issued IFRS 10 – *Consolidated Financial Statements* ("IFRS 10"), which supersedes Standing Interpretations Committee standards ("SIC") 12 and the requirements relating to consolidated financial statements in IAS 27 – *Consolidated and Separate Financial Statements* ("IAS 27"). IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. IFRS 10 establishes control as the basis for an investor to consolidate its investees; it defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. In addition, the IASB issued IFRS 12 – *Disclosure of Interests in Other Entities* ("IFRS 12") which combines and enhances the disclosure requirements for the Company's subsidiaries, joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include reporting on the nature of risks associated with the Company's interests in other entities, and the effects of those interests on the Company's consolidated financial statements. Concurrently with the issuance of IFRS 10, IAS 27 and IAS 28 – *Investments in Associates* ("IAS 28") were revised and reissued as IAS 27 – *Separate Financial Statements* and IAS 28 – *Investments in Associates and Joint Ventures* to align with the new consolidation guidance. The Company has evaluated the above standards and determined that they do not have a material impact on the consolidated financial statements.

Joint arrangements

In May 2011, the IASB issued IFRS 11 – *Joint Arrangements* ("IFRS 11"), which supersedes IAS 31 – *Interests in Joint Ventures* and SIC 13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted under certain circumstances. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method. The Company has evaluated IFRS 11 and determined that it does not have a material impact on the consolidated financial statements.

Fair value measurement

In May 2011, as a result of the convergence project undertaken by the IASB and the U.S. Financial Accounting Standards Board, to develop common requirements for measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13 – *Fair Value Measurement* ("IFRS 13"). IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRS that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Company has evaluated IFRS 13 and determined that it does not have a material impact on the consolidated financial statements.

Financial statement presentation

In June 2011, the IASB issued amendments to IAS 1 – *Presentation of Financial Statements* ("IAS 1") that require an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company has evaluated the amendments to IAS 1 and determined that they do not have a material impact on the consolidated financial statements.

Stripping costs in the production phase of a mine

In October 2011, the IASB issued IFRIC 20 – *Stripping Costs in the Production Phase of a Mine* ("IFRIC 20"). IFRIC 20 clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory and (ii) improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted and includes guidance on transition for pre-existing stripping assets. The Company has evaluated IFRIC 20 and the implementation of the standard is consistent with current practice.

Accounting standards anticipated to be effective January 1, 2015

Financial instruments

The IASB intends to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9 – *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. On July 22, 2011, the IASB agreed to defer the mandatory effective date of IFRS 9 from annual periods beginning on or after January 1, 2013 (with earlier application permitted) to annual periods beginning on or after January 1, 2015 (with earlier application still permitted). The IASB proposed the deferral of IFRS 9 in an exposure draft with a 60-day comment period which ended on October 21, 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of and under the supervision of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detections of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believes that any internal controls and procedures for financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented and/or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2012. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management has concluded that, as at December 31, 2012, the Company's internal control over financial reporting is effective based on those criteria.

The Company's internal control over financial reporting as at December 31, 2012 has been audited by Deloitte LLP, Independent Registered Chartered Accountants who also audited the Company's Consolidated Financial Statements for the year ended December 31, 2012. Deloitte LLP as stated in their report that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2012, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

CHANGES IN INTERAL CONTROL OVER FINANCIAL REPORTING
There has been no change in the Company's design of internal controls and procedures over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this MD&A.

CAUTIONARY NOTES

CAUTIONARY NOTE TO U.S. READERS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED MINERAL RESOURCES
Information concerning the properties and operations of New Gold has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" used in this MD&A are Canadian mining terms as defined in accordance with National Instrument 43-101 under guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council on December 11, 2005. While the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian regulations, they are not defined terms under standards of the United States Securities and Exchange Commission. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve calculation is made. As such, certain information contained in this MD&A concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the United States Securities and Exchange Commission. An "Inferred Mineral Resource" has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other pre-feasibility studies. Readers are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into Mineral Reserves. Readers are also cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists, or is economically or legally mineable. In addition, the definitions of "Proven Mineral Reserves" and "Probable Mineral Reserves" under CIM standards differ in certain respects from the standards of the United States Securities and Exchange Commission.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS
Certain information contained in this MD&A, including any information relating to New Gold's future financial or operating performance may be deemed "forward looking". All statements in this MD&A, other than statements of historical fact, that address events or developments that New Gold expects to occur are "forward-looking statements". Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "projects", "potential", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative connotation. All such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond New Gold's ability to control or predict. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such factors include, without limitation: significant capital requirements; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia, Mexico and Chile; price volatility in the spot and forward markets for commodities; impact of any hedging activities, including

margin limits and margin calls; discrepancies between actual and estimated production, between actual and estimated reserves and resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Canada, the United States, Australia, Mexico and Chile or any other country in which New Gold currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which New Gold does or may carry on business; the speculative nature of mineral exploration and development, including the risks of obtaining and maintaining the validity and enforceability of the necessary licenses and permits and complying with the permitting requirements of each jurisdiction in which New Gold operates, including, but not limited to obtaining the necessary permits for Blackwater, in Mexico where Cerro San Pedro has a history of ongoing legal challenges related to our EIS and Chile where the courts have temporarily suspended the approval of the environmental permit for El Morro; the lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law; the uncertainties inherent to current and future legal challenges New Gold is or may become a party to; diminishing quantities or grades of reserves; competition; loss of key employees; additional funding requirements; actual results of current exploration or reclamation activities; changes in project parameters as plans continue to be refined; accidents; labour disputes; defective title to mineral claims or property or contests over claims to mineral properties. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental events and hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance or inability to obtain insurance to cover these risks) as well as “Risk Factors” included in New Gold’s disclosure documents filed on and available at www.sedar.com. Forward-looking statements are not guarantees of future performance, and actual results and future events could materially differ from those anticipated in such statements. All of the forward-looking statements contained in this MD&A are qualified by these cautionary statements. New Gold expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise, except in accordance with applicable securities laws.

TECHNICAL INFORMATION

The scientific and technical information contained in this MD&A has been reviewed and approved by Mark Petersen, a Qualified Person under National Instrument 43-101 and an employee of New Gold.

This note regarding the PEA is in addition to cautionary language already included in this MD&A as required under NI 43-101. This MD&A includes information on New Gold's PEA with respect to Blackwater, which was outlined in the PEA Technical Report filed on October 10, 2012. New Gold has, since the date of the PEA, completed a non-material update of the mineral resource estimate for Blackwater. Although the PEA represents useful, accurate and reliable information based on the information available at the time of its publication, and provides an important indicator as to the economic potential of Blackwater, the PEA is based on mineral resources estimates with an effective date of July 27, 2012, which do not reflect drilling conducted since their effective date, and the PEA does not reflect the latest mineral resource estimate discussed in this MD&A. Certain assumptions used in the PEA, some of which relate to the July 27, 2012 mineral resource estimate, may have changed from those used for the new resource estimate, causing a variation of parameters. Moreover, the updated mineral resource estimate may impact how New Gold intends to develop the deposit, including pit outlines, production rates and mine life.

The estimates of mineral Reserves and mineral Resources discussed in this MD&A may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other relevant issues. In additional to referring to our February 5, 2013 news release, additional details regarding mineral reserve and resource estimates, classification and reporting parameters for each of New Gold's mineral properties are provided in the respective NI 43-101 Technical Reports which are available at www.sedar.com.

Dodd-Frank Act Disclosure of Mine Safety and Health Administration Safety Data

The operation of New Gold Inc.'s ("**Company**") Mesquite Mine in California, the Company's sole mine in the United States, is subject to regulation by The Federal Mine Safety and Health Administration ("**MSHA**") under the Federal Mine Safety and Health Act of 1977 (" **FMSH Act**"). MSHA inspects the Mesquite Mine on a regular basis and issues citations and orders when it believes a violation has occurred under the FMSH Act.

As required by the reporting requirements regarding coal mine safety included in section 1503(a)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank Act**"), the table below presents the following information for the Mesquite Mine, for which the Company is the operator, for the year ended December 31, 2012 ("**Period**"):

Reporting Requirement	Disclosure for Mesquite Mine for the Period
The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the FMSH Act for which the operator received a citation from the MSHA	2
The total number of orders issued under section 104(b) of the FMSH Act	0
The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the FMSH Act	1
The total number of flagrant violations under section 110(b)(2) of the FMSH Act	0
The total number of imminent danger orders issued under section 107(a) of the FMSH Act	0
The total dollar value of proposed assessments from MSHA under the FMSH Act	$2,825
The total number of mining-related fatalities	0
Notices received from MSHA during the Period regarding a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the FMSH Act	None
Notices received from MSHA during the Period regarding the potential to have a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the FMSH Act	None
The total number of legal actions pending as of the last day of the Period	0
The total number of legal actions instituted during the Period	0
The total number of legal actions resolved during the Period	0

Exhibit 5

Certification of Chief Executive Officer as Required by Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Robert J. Gallagher, certify that:

1. I have reviewed this annual report on Form 40-F of New Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 27, 2013

"Robert Gallagher"
Robert J. Gallagher
Chief Executive Officer

Exhibit 6

Certification of Chief Financial Officer as Required by Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Brian W. Penny, certify that:

1. I have reviewed this annual report on Form 40-F of New Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 27, 2013

"Brian Penny"

Brian W. Penny
Chief Financial Officer

Exhibit 7

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Annual Report on Form 40-F for the fiscal year ended December 31, 2012 (the "Report") by New Gold Inc. (the "Company"), I, Robert J. Gallagher, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2013

"Robert Gallagher"

Robert J. Gallagher
Chief Executive Officer

Exhibit 8

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Annual Report on Form 40F for the fiscal year ended December 31, 2012 (the "Report") by New Gold Inc. (the "Company"), I, Brian W. Penny, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2013

"Brian Penny"

Brian W. Penny
Chief Financial Officer

Exhibit 9

Consent of Independent Registered Chartered Accountants

We consent to the incorporation by reference in Registration Statement No. 333-160500 on Form S-8 and to the use of our reports dated February 28, 2013 relating to the consolidated financial statements of New Gold Inc. and subsidiaries and the effectiveness of New Gold Inc.'s internal control over financial reporting appearing in this Annual Report on Form 40-F of New Gold Inc. for the year ended December 31, 2012.

/s/ Deloitte LLP

Independent Registered Chartered Accountants
Licensed Public Accountants
Toronto, Canada
March 27, 2013

Exhibit 10

Consent of Herbert E. Welhener

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “Blackwater Project, British Columbia, NI 43-101 Technical Report on Preliminary Economic Assessment,” effective date August 28, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

“Herbert Welhener”

Name: Herbert E. Welhener
Title: MMSA - QPM
Independent Mining Consultants Inc.

Exhibit 11

Consent of Bruno Borntraeger

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “Blackwater Project, British Columbia, NI 43-101 Technical Report on Preliminary Economic Assessment,” effective date August 28, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

“Bruno Borntraeger”

Name: Bruno Borntraeger
Title: P.Eng.
Knight Piésold Ltd.

Exhibit 12

Consent of Ignacy (Tony) Lipiec

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “Blackwater Project, British Columbia, NI 43-101 Technical Report on Preliminary Economic Assessment,” effective date August 28, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

“Ignacy (Tony) Lipiec”

Name: Ignacy (Tony) Lipiec
Title: P.Eng.
AMEC Americas Limited

Exhibit 13

Consent of Ramon Mendoza

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “Blackwater Project, British Columbia, NI 43-101 Technical Report on Preliminary Economic Assessment,” effective date August 28, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

“Ramon Mendoza”

Name: Ramon Mendoza
Title: P.Eng.
AMEC Americas Limited

Exhibit 14

Consent of Neil N. Gow

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the El Morro Project, Region III, Chile," dated March 23, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

"Neil Gow"

Name: Neil Gow
Title: P.Geo. and Associate Consulting Geologist
for Roscoe Postle Associates Inc.

Exhibit 15

Consent of A. Paul Hampton

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the El Morro Project, Region III, Chile," dated March 23, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

"A. Paul Hampton"

Name: A. Paul Hampton
Title: Associate Principal Metallurgist
Roscoe Postle Associates Inc.

Exhibit 16

Consent of Roscoe Postle Associates Inc.

We consent to the inclusion in this annual report on Form 40-F of New Gold, Inc., which is being filed with the United States Securities and Exchange Commission, of references to our name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the New Afton Project, British Columbia, Canada" dated December 31, 2009; the technical report entitled "Technical Report on the Mesquite Mine, Brawley, California, USA" dated February 26, 2010; the technical report entitled "Technical Report on the Cerro San Pedro Mine, San Luis Potosí, Mexico" dated February 16, 2010; and amended March 22, 2010, the technical report entitled "Technical Report on the Peak Gold Mines, New South Wales, Australia" dated March 25, 2013, and the technical report entitled "Technical Report on the El Morro Project, Region III, Chile" dated March 23, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

"Richard Lambert"

Name: Richard J. Lambert
Title: P.E. and Executive Vice-President
for Roscoe Postle Associates Inc.

Exhibit 17

Consent of David W. Rennie

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “Technical Report on the New Afton Project, British Columbia, Canada” dated December 31, 2009, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

“David Rennie”

Name: David W. Rennie
Title: P. Eng. and Principal Geologist
for Roscoe Postle Associates Inc.

Exhibit 18

Consent of Dennis Bergen

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the New Afton Project, British Columbia, Canada" dated December 31, 2009, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

"Dennis Bergen"

Name: Dennis Bergen
Title: P. Eng. and Principal Geologist
for Roscoe Postle Associates Inc.

Exhibit 19

Consent of Kevin Scott

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the New Afton Project, British Columbia, Canada" dated December 31, 2009, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

"Kevin Scott"

Name: Kevin Scott
Title: former P. Eng. and Principal Metallurgist
and General Manager Vancouver Office
for Roscoe Postle Associates Inc.

Exhibit 20

Consent of Richard J. Lambert

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “Technical Report on the El Morro, Region III, Chile” dated March 23, 2012, the technical report entitled “Technical Report on Cerro San Pedro Mine, San Luis Potosí, Mexico” dated February 16, 2010 and amended March 22, 2010, the technical report entitled “Technical Report on the Peak Gold Mines, New South Wales, Australia” dated March 25, 2013 and the technical report entitled “Technical Report on the Mesquite Mine, Brawley, California, USA” dated February 26, 2010, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

“Richard J. Lambert”

Name: Richard J. Lambert
Title: P.E. and Executive Vice-President
for Roscoe Postle Associates Inc.

Exhibit 21

Consent of Holger Krutzelmann

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “Technical Report on the Cerro San Pedro Mine, San Luis Potosí, Mexico” dated February 16, 2010 and amended March 22, 2010, and the technical report entitled “Technical Report on the Mesquite Mine, Brawley, California, USA” dated February 26, 2010, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

“Holger Krutzelmann”

Name: Holger Krutzelmann
Title: P. Eng and former Principal Metallurgist
for Roscoe Postle Associates Inc.

Exhibit 22

Consent of Christopher Moreton

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the Cerro San Pedro Mine, San Luis Potosí, Mexico" dated February 16, 2010 and amended March 22, 2010, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

"Christopher Moreton"

Name: Christopher Moreton
Title: former Senior Consulting Geologist for Roscoe Postle Associates Inc.

Exhibit 23

Consent of Wayne Valliant

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the Mesquite Mine, Brawley, California, USA" dated February 16, 2010 and amended March 22, 2010, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

"Wayne Valliant"

Name: Wayne Valliant
Title: P. Geo and Principal Geologist
for Roscoe Postle Associates Inc.

Exhibit 24

Consent of Ronald G. Simpson

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “Blackwater Project, British Columbia, NI 43-101 Technical Report on Preliminary Economic Assessment,” effective date August 28, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

“Ronald Simpson”

Name: Ronald G. Simpson
Title: Professional Geoscientist
GeoSim Services Inc.

Exhibit 25

Consent of GeoSim Services Inc.

We consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of references to our name in connection with, and to the use of information derived from, the technical report entitled "Blackwater Project, British Columbia, NI 43-101 Technical Report on Preliminary Economic Assessment," effective date August 28, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

GeoSim Services Inc.

"Ronald Simpson"

_____

By: Ronald G. Simpson
Title Professional Geoscientist

Exhibit 26

Consent of Mark Petersen

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of references to my name in connection with, mineral reserve and resource estimates for the Peak Gold Mines, New Afton Project, Mesquite Mine, Cerro San Pedro Mine, El Morro Project and Blackwater Project, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

"Mark Petersen"

Name: Mark Petersen
Title: P. Eng., and Vice President, Exploration of New Gold Inc.

Exhibit 27

Consent of Lee P. Gochnour

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the El Morro Project, Region III, Chile," dated March 23, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

"Lee P. Gochnour"

Name: Lee P. Gochnour
Title: Associate Principal Environmental Scientist
Roscoe Postle Associates Inc.

RPA Inc. 55 University Ave. Suite 501 | Toronto, ON, Canada M5J 2H7 | **T** +1 (416) 947 0907 **www.rpacan.com**

Exhibit 28

Consent of Ian T. Blakley

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “Technical Report on the Peak Gold Mines, New South Wales, Australia” dated March 25, 2013, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2012, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2013

“Ian T. Blakley”

Name: Ian T. Blakley
Title: P. Geo and Principle Geologist and Vice-President and general Manager of RPA UK Ltd.

RPA Inc. 55 University Ave. Suite 501 | Toronto, ON, Canada M5J 2H7 | **T** +1 (416) 947 0907 **www.rpacan.com**