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

x Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2013 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 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:

xAnnual Information Form xAudited 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, 2013**, the Registrant had outstanding 503,447,487 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.

xYes oNo

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). oYes oNo

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, 2013 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, 2013 and 2012, including the related report of independent registered public accounting firm, 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, 2013 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 are Canadian mining terms as defined in the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards for Mineral Resources and Mineral Reserves adopted by CIM Council on November 27, 2010 and incorporated by reference in National Instrument 43-101 ("NI 43-101"). While the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian securities regulations, they are not defined terms under standards of the United States Securities and Exchange Commission. As such, certain information contained in this 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. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher confidence category. Readers are cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists or is economically or legally mineable.

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 estimation is made. Readers are cautioned not to assume that all or any part of the Measured or Indicated Mineral Resources that are not Mineral Reserves will ever be converted into Mineral Reserves. 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.

The Company prepares its financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and the financial statements may be subject to Canadian auditing and auditor independence standards. Accordingly, the financial statements of the Company included in this annual report on Form 40-F 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

Certain information contained in this annual report on Form 40-F, including any information relating to New Gold's future financial or operating performance is "forward looking" in nature. All statements in this annual report on Form 40-F, other than statements of historical fact, that address events, results, outcomes 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 of such terms. Forward-looking statements in this annual report on Form 40-F include among others, statements with respect to: expected future mining activities, guidance for production total cash costs and all-in sustaining costs, the expected throughput rate at New Afton; planned modifications to the New Afton mine and mill; planned modifications to other operations; future commodity prices, exchange rates and economic and regulatory environments; planned exploration and drilling activities and costs exploration potential and the goals and expected results of exploration efforts; the adequacy of liquidity and capital resources including cash flows; the estimation of Mineral Reserves and Resources and the realization of such estimates; the results of the Rainy River and Blackwater feasibility studies, including expected production, costs, mine life and mining and processing methods and rates associated with each project; the potential annual production, cash costs and capital costs, tax regime, mine life and mining processing methods at the El Morro Project; the timing of permitting activities and environmental assessment processes; expected reclamation and closure costs; expected timing of project development activities; and goals for corporate development activities and corporate social responsibility.

All forward-looking statements in this annual report on Form 40-F 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. Certain material assumptions regarding such forward-looking statements are discussed in this annual report on Form 40-F and the Technical Reports filed by New Gold. In addition to, and subject to, such assumptions discussed in more detail elsewhere, the forward-looking statements in this annual report on Form 40-F are also subject to the following assumptions: (1) there being no signification disruptions affecting New Gold's operations; (2) political and legal developments in jurisdictions where New Gold operates, or may in the future operate, being consistent with New Gold's current expectations; (3) the accuracy of New Gold's current Mineral Reserve and Resource estimates; (4) the exchange rate between the Canadian dollar, Australian dollar, Mexican peso and U.S. dollar being approximately consistent with current levels; (5) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (6) labour and materials costs increasing on a basis consistent with New Gold's current expectations; (7) arrangements with First Nations and other Aboriginal groups in respect of the Rainy River and Blackwater projects being consistent with New Gold's current expectations; (8) all environmental approvals (including the environmental assessment processes for the Rainy River and Blackwater projects), required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; and (9) the results of the feasibility studies for the Rainy River project and the Blackwater project being realized.

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; price volatility in the spot and forward markets for commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia, Mexico and Chile; 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: in Canada, obtaining the necessary permits for the Rainy River and Blackwater projects; in Mexico, where Cerro San Pedro has a history of ongoing legal challenges related to our environmental authorization (EIS); and in Chile, where the courts have temporarily suspended certain activities by El Morro pending litigation relating to its environmental permit; 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; rising costs of labour, supplies, fuel and equipment; actual results of current exploration or reclamation activities; uncertainties inherent to mining economic studies including the feasibility studies for the Rainy River and Blackwater projects; 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; unexpected delays and costs inherent to consulting and accommodating rights of First Nations and other Aboriginal groups; uncertainties with respect to obtaining all necessary surface and other land use rights or tenure for the Rainy River project; uncertainties and unanticipated delays associated with obtaining and maintaining necessary licenses, permits and authorizations and complying with permitting requirements, including those associated with the environmental assessment processes for the Rainy River and Blackwater projects; the market price of the Company's common shares at any given point in time may not accurately reflect the Company's long-term value; volatility in global financial conditions. 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 annual report on Form 40-F 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.

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, 2013. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as at December 31, 2013 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, a 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, 2013. In making this assessment, it used the criteria set forth in the 1992 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, 2013, 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, 2013 has been audited by Deloitte LLP, the Company's independent registered public accounting firm. As stated in their report immediately preceding the Company's audited consolidated financial statements for the years ended December 31, 2013 and 2012, filed as Exhibit 2 to this annual report on Form 40-F, 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, 2013 and 2012 are filed as Exhibit 2 to this annual report on Form 40-F.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fiscal year ended December 31, 2013, 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 its 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 70) and "External Auditor Service Fees (By Category)" (pages 70-71) contained in the AIF 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 27, 2014. 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. On February 27, 2014, the Board amended the Code. The amendments clarified certain provisions relating to conflicts of interest, anti-corruption and waivers of the Code and a copy of the amended Code is filed as Exhibit 4 to this annual report on Form 40-F. Additionally, on July 8, 2008, the Board approved the adoption of a Whistleblower Policy ("Whistleblower Policy"). The Whistleblower Policy has been reviewed and ratified or updated annually since its adoption, with the most recent review by the Board on February 27, 2014. The Whistleblower Policy 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 millions as of December 31, 2013	Payments due by period				
Contractual obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Long-term debt	878.4	0	0	0	878.4
Interest payable on long-term debt	417.8	52.3	104.5	104.5	156.5
Operating Leases and Other Commitments	79.5	60.7	17.7	1.1	0
Asset retirement obligations	89.8	1.6	3.0	7.0	78.2
Total contractual obligations	1,465.5	114.6	125.2	112.6	1,113.1

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 Section 1503(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 5 to this annual report on Form 40-F.

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: *"Brian Penny"*

Name: Brian Penny
Title: Chief Financial Officer

Date: March 28, 2014

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, 2013
2.	Audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012, including the report of independent registered public accounting firm with respect thereto
3.	Management's Discussion and Analysis for the year ended December 31, 2013
4.	New Gold's Code of Business Conduct and Ethics, as approved by the Company's board of directors on February 27, 2014
5.	Report on Mine Safety as required by section 13 of the Exchange Act
6.	Certification of Chief Executive Officer as Required by Rule 13a-14(a) under the Exchange Act
7.	Certification of Chief Financial Officer as Required by Rule 13a-14(a) under the Exchange Act
8.	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
9.	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
10.	Consent of Deloitte LLP
11.	Consent of Roscoe Postle Associates Inc.
12.	Consent of David Rennie
13.	Consent of Dennis Bergen
14.	Consent of Kevin Scott
15.	Consent of Wayne Valliant
16.	Consent of Kathleen A. Altman
17.	Consent of Richard Lambert
18.	Consent of Ian T. Blakley
19.	Consent of Holger Krutzelmann
20.	Consent of Christopher Moreton
21.	Consent of Colin Hardie
22.	Consent of David Runnels
23.	Consent of Patrice Live
24.	Consent of BBA Inc.
25.	Consent of Sheila E. Daniel
26.	Consent of David G. Ritchie
27.	Consent of Adam Coulson
28.	Consent of AMEC
29.	Consent of Glen Cole

Exhibit	Description
30.	Consent of Dorota El-Rassi
31.	Consent of SRK Consulting (Canada) Inc.
32.	Consent of Colm Keogh
33.	Consent of Mo Molavi
34.	Consent of AMC Mining Consultants (Canada), Ltd.
35.	Consent of Ronald G. Simpson
36.	Consent of GeoSim Services Inc.
37.	Consent of Jay Horton
38.	Consent of Norwest Corporation
39.	Consent of Bruno Borntraeger
40.	Consent of Knight Piésold Ltd.
41.	Consent of Ignacy (Tony) Lipiec
42.	Consent of Gary Christie
43.	Consent of AMEC Americas Limited
44.	Consent of Neil N. Gow
45.	Consent of A. Paul Hampton
46.	Consent of Lee P. Gochnour
47.	Consent of Mark Petersen

Exhibit 99.1

newgold™

Annual Information Form for the Financial Year Ended December 31, 2013

MARCH 28, 2014

New Gold Inc.
Annual Information Form
For the Financial Year Ended December 31, 2013

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New Gold Inc.
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For the Financial Year Ended December 31, 2013

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Annual Information Form

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2013

All information in this annual information form ("**Annual Information Form**") is as at December 31, 2013 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 is "forward looking" in nature. All statements in this Annual Information Form, other than statements of historical fact, that address events, results, outcomes 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 of such terms. Forward-looking statements in this Annual Information Form include among others, statements with respect to: expected future mining activities, guidance for production total cash costs and all-in sustaining costs, the expected throughput rate at New Afton; planned modifications to the New Afton mine and mill; planned modifications to other operations; future commodity prices, exchange rates and economic and regulatory environments; planned exploration and drilling activities and costs exploration potential and the goals and expected results of exploration efforts; the adequacy of liquidity and capital resources including cash flows; the estimation of Mineral Reserves and Resources and the realization of such estimates; the results of the Rainy River and Blackwater feasibility studies, including expected production, costs, mine life and mining and processing methods and rates associated with each project; the potential annual production, cash costs and capital costs, tax regime, mine life and mining processing methods at the El Morro Project; the timing of permitting activities and environmental assessment processes; expected reclamation and closure costs; expected timing of project development activities; and goals for corporate development activities and corporate social responsibility.

All forward-looking statements in this Annual Information Form 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. Certain material assumptions regarding such forward-looking statements are discussed in this Annual Information Form and the Technical Reports filed by New Gold. In addition to, and subject to, such assumptions discussed in more detail elsewhere, the forward-looking statements in this Annual Information Form are also subject to the following assumptions: (1) there being no signification disruptions affecting New Gold's operations; (2) political and legal developments in jurisdictions where New Gold operates, or may in the future operate, being consistent with New Gold's current expectations; (3) the accuracy of New Gold's current Mineral Reserve and Resource estimates; (4) the exchange rate between the Canadian dollar, Australian dollar, Mexican peso and U.S. dollar being approximately consistent with current levels; (5) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (6) labour and materials costs increasing on a basis consistent with New Gold's current expectations; (7) arrangements with First Nations and other Aboriginal groups in respect of the Rainy River and Blackwater projects being consistent with New Gold's current expectations; (8) all environmental approvals (including the environmental assessment processes for the Rainy River and Blackwater projects), required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; and (9) the results of the feasibility studies for the Rainy River project and the Blackwater project being realized.

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; price volatility in the spot and forward markets for commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia, Mexico and Chile; 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: in Canada, obtaining the necessary permits for the Rainy River and Blackwater projects; in Mexico, where Cerro San Pedro has a history of ongoing legal challenges related to our environmental authorization (EIS); and in Chile, where the courts have temporarily suspended certain activities by El Morro pending litigation relating to its environmental permit; 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; rising costs of labour, supplies, fuel and equipment; actual results of current exploration or reclamation activities; uncertainties inherent to mining economic studies including the feasibility studies for the Rainy River and Blackwater projects; 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; unexpected delays and costs inherent to consulting and accommodating rights of First Nations and other Aboriginal groups; uncertainties with respect to obtaining all necessary surface and other land use rights or tenure for the Rainy River project; uncertainties and unanticipated delays associated with obtaining and maintaining necessary licenses, permits and authorizations and complying with permitting requirements, including those associated with the environmental assessment processes for the Rainy River and Blackwater projects; the market price of the Company's common shares at any given point in time may not accurately reflect the Company's long-term value; volatility in global financial conditions. 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 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, 2013 (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.

Cautionary Note to U.S. Readers Concerning Estimates of Mineral Reserves and 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 Report are Canadian mining terms as defined in the Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**") Definition Standards for Mineral Resources and Mineral Reserves adopted by CIM Council on November 27, 2010 and incorporated by reference in National Instrument 43-101 ("**NI 43-101**"). While the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian securities regulations, they are not defined terms under standards of the United States Securities and Exchange Commission. 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. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher confidence category. Readers are cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists or is economically or legally mineable.

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 estimation is made. Readers are cautioned not to assume that all or any part of the Measured or Indicated Mineral Resources that are not Mineral Reserves will ever be converted into Mineral Reserves. 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.

Non-GAAP Measures

Total Cash Costs

"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 liquidity through operating cash flow to fund future capital expenditures and working capital needs. 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, a worldwide association of suppliers of gold and gold products that ceased operations in 2002. 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 and administration costs, royalties, production taxes and realized gains and losses on fuel contracts, but are 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 Company produces copper and silver as by-products of its gold production. 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. New Gold notes that in connection with New Afton, the copper by-product revenue is sufficiently large to result in a negative total cash cost on a single mine basis. Notwithstanding this by-product contribution, as a company focussed on gold production, New Gold aims to assess the economic results of its operations in relation to gold, which is the primary driver of New Gold's business. New Gold believes this metric is of interest to its investors, who invest in the Company primarily as a gold mining company. To determine the relevant costs associated with gold only, New Gold believes it is appropriate to reflect all operating costs, as well as any revenue related to metals other than gold that are extracted in its operations.

To provide additional information to investors, we have also calculated total cash costs on a co-product basis, which removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis, and subsequently divides the amount by the total ounces of gold or silver or pounds of copper sold, as the cost may be, to arrive at per ounce or per pound figures. Unless indicated otherwise, all total cash cost information in this Annual Information Form is net of by-product sales.

Total cash costs are intended to provide additional information only and do not have any standardized definition under IFRS and may not be comparable to similar measures presented by other mining companies. They should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS.

All-in Sustaining Costs

"All-in sustaining costs per gold ounce" is a non-GAAP measure based on guidance announced by the World Gold Council ("WGC") in June 2013. The WGC is a non-profit association of the world's leading gold mining companies established in 1987 to promote the use of gold to industry, consumers and investors. The WGC is not a regulatory body and does not have the authority to develop accounting standards or disclosure requirements. The WGC has worked with its member companies, including New Gold, to develop a measure that expands on IFRS measures such as operating expenses and non-GAAP measures to provide visibility into the economics of a gold mining company. Current IFRS measures used in the gold industry, such as operating expenses, do not capture all of the expenditures incurred to discover, develop and sustain gold production. New Gold believes the all-in sustaining costs measure provides further transparency into costs associated with producing gold and will assist analysts, investors and other stakeholders of the Company in assessing its operating performance, its ability to generate free cash flow from current operations and its overall value.

All-in sustaining costs per gold ounce is intended to provide additional information only and does not have any standardized definition under IFRS and may not be comparable to similar measures presented by other mining companies. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS.

New Gold defines all-in sustaining costs per ounce as the sum of total cash costs, capital expenditures that are sustaining in nature, corporate general and administrative costs, capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs, all divided by the total gold ounces sold to arrive at a per ounce figure. To determine sustaining capital expenditures, New Gold uses cash flow related to mining interests from its statement of cash flows and deducts any expenditures that are non-sustaining. Capital expenditures to develop new operations or capital expenditures related to major projects at existing operations where these projects will materially increase production are classified as non-sustaining and are excluded. The table "Sustaining Capital Expenditure Reconciliation" reconciles New Gold's sustaining capital to its cash flow statement. The definition of sustaining versus non-sustaining is similarly applied to capitalized and expensed exploration costs. Exploration costs to develop new operations or that relate to major projects at existing operations where these projects are expected to materially increase production are classified as non-sustaining and are excluded.

Cost excluded from all-in sustaining costs are non-sustaining capital expenditures and exploration costs, financing costs, tax expense, transaction costs associated with mergers and acquisitions, and any items that are deducted for the purposes of adjusted earnings.

By including total cash costs as a component of all-in sustaining costs, the measure deducts by-product revenue from gross cash costs. Refer to the discussion above regarding total cash costs per gold ounce for the discussion of deduction of by-product revenue.

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

Unless otherwise stated, 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 for purposes of NI 43-101.

The estimates of Mineral Reserves and Mineral Resources discussed in this Annual Information Form may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other relevant issues. New Gold's December 12, 2013 news release entitled "New Gold Announces Blackwater Feasibility Study Results" and the related Technical Report filed on January 22, 2014, New Gold's January 16, 2014 news release entitled "New Gold Announces its Rainy River Feasibility Study Results" and related Technical Report filed on February 14, 2014 and the NI 43-101 Technical Reports for its other material properties, all of which are available at www.sedar.com, contain further details regarding Mineral Reserve and Resource estimates, classification and reporting parameters for each of New Gold's mineral properties.

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 at www.sedar.com. Additional financial information is provided in the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2013. These documents and other information about the Company are available under the Company's profile on SEDAR.

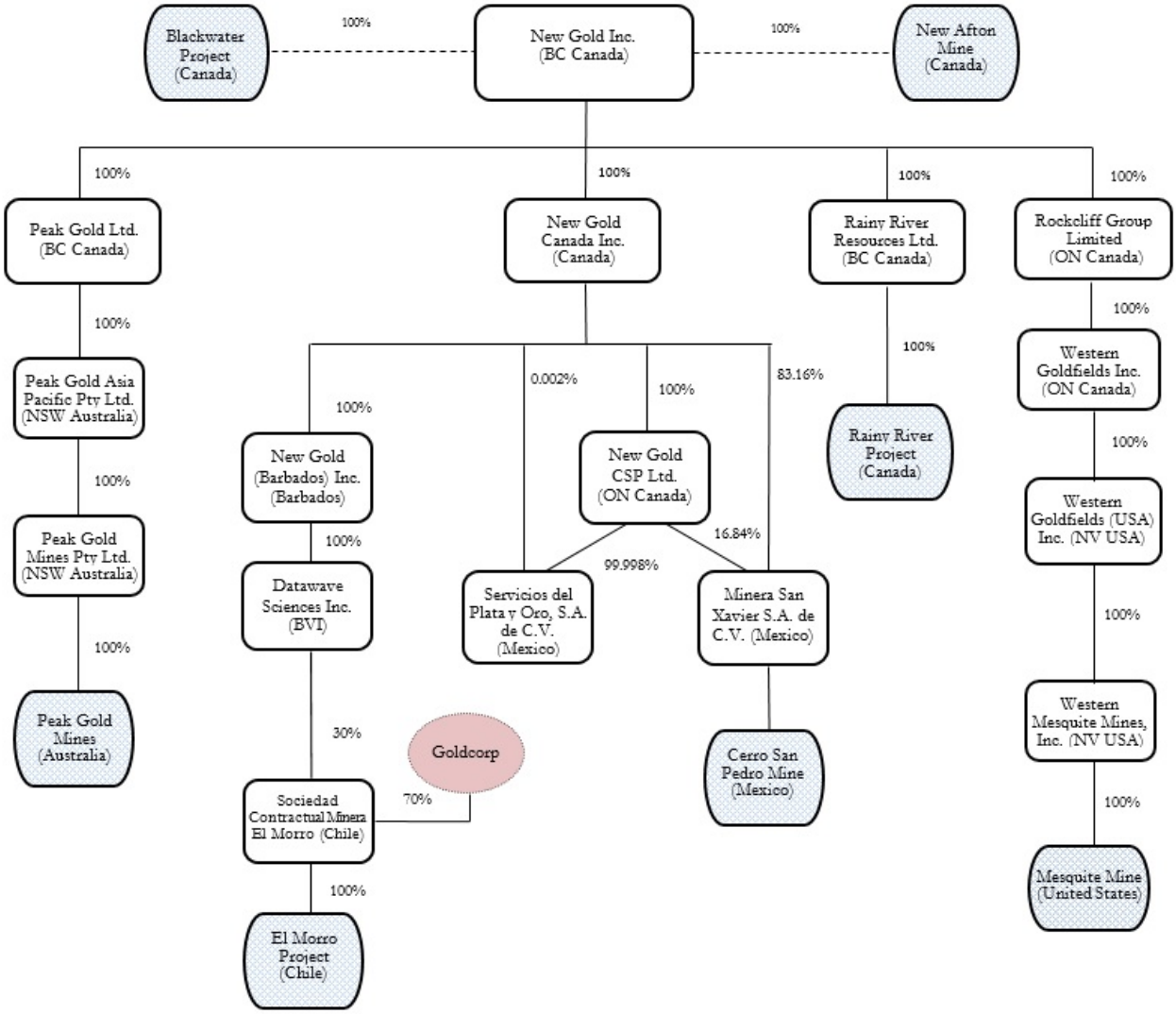
CORPORATE STRUCTURE

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 amalgamated with its wholly-owned subsidiaries Silver Quest Resources Ltd., Geo Minerals Ltd. and Richfield Ventures Corp. under the Act. The amalgamated Company continued 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 together with the jurisdiction of incorporation or organization 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 its 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 principal 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 Peak gold-copper mines in New South Wales, Australia (" **Peak Gold Mines**")
- 100% interest in the Cerro San Pedro gold-silver mine in San Luis Potosi, Mexico (" **Cerro San Pedro Mine** ")
- 100% interest in the Rainy River gold project in Ontario, Canada (" **Rainy River Project**")
- 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 a view to maximizing shareholder value. In short, New Gold continually strives to pursue corporate development initiatives that will leave the Company and its shareholders in a fundamentally stronger position.

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 commercial production (defined as 60% of its design capacity of 11,000 tonnes per day) on July 31, 2012, ahead of its August 2012 target. New Afton subsequently increased its mill throughput beyond its design capacity to achieve an average throughput of 12,460 tonnes per day during the fourth quarter of 2013. The Company is looking at opportunities to increase the value of this operation by further increasing the mill throughput level.

Cerro San Pedro Mine

On August 23, 2013, there was a pit wall movement at the Cerro San Pedro Mine in Mexico with approximately 800,000 tonnes of material moving on the northeast pit wall. The movement resulted in lower ore tonnes being placed on the leach pad during the second half of 2013 and was a key reason for Cerro San Pedro's 2013 gold production being below the previous expectation of 140,000 to 150,000 ounces. The Company expects the area impacted by the pit wall movement will be mined during the next phase of mining in 2014 and 2015.

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.

Rainy River Project

In 2013, New Gold successfully completed its friendly take-over bid of Rainy River Resources Ltd. (" **RRRL**") and subsequent compulsory acquisition and as a result became the owner of the Rainy River Project, an advanced-stage gold project located approximately 50 kilometres northwest of Fort Frances in Northwestern Ontario.

On January 16, 2014, New Gold announced the results of a Feasibility Study for the Rainy River Project, which contemplated a 21,000 tonne per day processing rate from a combination of open pit, underground and stockpiled ore. The study outlines that the project has the potential to produce over 325,000 ounces of gold annually for the first nine years at below industry average cash costs over the anticipated initial mine life of 14 years.

Blackwater Project

On December 12, 2013, New Gold announced the results of its Feasibility Study for the Blackwater Project. The study confirmed the parameters of a conventional truck and shovel open pit mine with a 60,000 tonne per day processing plant with average annual gold production of 485,000 ounces during the first nine years of the mine's anticipated 17-year life. However, due to commodity price volatility and the need for New Gold to ensure that it has maximum flexibility with respect to its future development decisions, the Company announced that it would sequence the development of its projects, with New Gold's near-term focus being on the advancement of the Rainy River Project. The Company will continue to move the Blackwater Project through its permitting phase during 2014.

El Morro Project

On June 27, 2012, all claims made in a lawsuit against the Company, and affiliated subsidiaries, by Barrick Gold Corporation (" **Barrick**") 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 Sociedad Contractual Mineral El Morro (" **El Morro**"), the Chilean developer and operator of the El Morro Project, with the remaining 70% held by Goldcorp. 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 was subject to 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 and on October 22, 2013 the environmental permit for El Morro was reinstated. Subsequently, on November 22, 2013 the Copiapo Court of Appeals granted an injunction suspending development of the El Morro Project. The injunction was requested in constitutional actions filed by the Huascoaltino and Diaguita communities, regarding inadequate consultation by SEA. The injunction effectively suspends construction activities and development works until the court has completed its review. Project activities during 2014 will continue to focus on gathering information to support permit applications for submission after the reinstatement of the environmental permit and optimization of the project economics, including securing a long-term power supply. El Morro remains committed to continued productive interaction and engagement with the community and authorities.

Developments - Financial

In May 2013, New Gold paid $65.7 million to unwind the legacy gold hedges that were associated with the 2008 project financing put in place to develop the Mesquite Mine. By terminating the hedges the Company removed its obligation to deliver 5,500 ounces of gold monthly at a fixed price of $801 per ounce from May 2013 through the end of 2014, allowing 110,000 ounces of future production to be sold at the prevailing spot gold price. The transaction was executed at an average spot price of $1,396 per ounce.

On February 28, 2013, New Gold agreed to an extension of its $150 million revolving credit facility (" **Credit Facility**") with a syndicate of banks to December 14, 2014. Other amendments included 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 Credit Facility, the lenders 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 Credit Facility provides New Gold with additional liquidity supplementing the Company's already strong cash position. The Credit Facility is undrawn, however as at December 31, 2013, the Company has letters of credit in the aggregate amount of $43.1 million outstanding under the Credit Facility's to secure certain reclamation obligations.

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.

Developments - Acquisitions and Dispositions

Rainy River Project

On May 31, 2013, New Gold and RRRL entered into a definitive acquisition agreement under which New Gold agreed to offer to acquire all of the outstanding common shares of RRRL through a friendly take-over bid. On June 18, 2013, New Gold made an offer to acquire the shares of RRRL for, at the election of each holder of RRRL shares, 0.5 of a common share of New Gold or $3.83 in cash, in each case subject to pro ration ("Offer").

As of July 24, 2013, 89.2 million common shares of RRRL had been validly deposited to the Offer, representing 86.2% of the outstanding shares. New Gold extended its Offer and, as of August 8, 2013, 11.7 million additional common shares of RRRL had been validly deposited to the Offer, with the total number of shares acquired by New Gold pursuant to the Offer representing approximately 97.2% of RRRL's outstanding shares.

On October 15, 2013, New Gold completed the compulsory acquisition of the approximately 2.8% remaining outstanding shares of RRRL not previously acquired by New Gold under the Offer and New Gold became the owner of 100% of the outstanding shares of RRRL.

Mr. Raymond Threlkeld, a director of New Gold, was the President and Chief Executive Officer of Rainy River from June 2009 to July 2013. Mr. Threlkeld tendered all Rainy River shares held by him to the Offer and consequently received 90,579 common shares of New Gold and $1,232,869 in accordance with the terms of the Offer. All out-of-the-money RRRL options held by Mr. Threlkeld were surrendered by him and cancelled by RRRL. In addition, Mr. Threlkeld received a payment of $3,070,250 from RRRL in connection with the termination of his employment following the change of control of RRRL, which amount was calculated in accordance with the terms of his employment agreement with RRRL. Mr. Threlkeld did not attend the portions of New Gold's board meetings at which the acquisition of RRRL was discussed.

RRRL is the owner and operator of the Rainy River Project. See "Material Properties – Rainy River Project" for a description of the project.

New Gold filed a Form 51-102F4 Business Acquisition Report on October 7, 2013 in respect of its acquisition of RRRL.

Blackwater Project

The Company completed three separate acquisitions during 2011, each relating to its Blackwater Project located in central British Columbia, Canada.

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 Backwater 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 aggregate cash consideration of $22.0 million, as well as shares of a newly created entity holding Geo's non-Blackwater assets. 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 $18.3 million.

On December 23, 2011, the Company acquired Silver Quest Resources Ltd. (" **Silver Quest**"), which held the remaining 25% interest in a portion of the Blackwater Project as well as the Capoose property which is located near the Blackwater Project. 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 and one common share of a newly created entity holding Silver Quest's non-Blackwater and Capoose assets for every three Silver Quest common shares held. New Gold issued 10.5 million common shares to former Silver Quest shareholders under the arrangement.

Developments - Corporate Governance

On March 23, 2012, New Gold adopted a shareholder rights plan (" **Rights Plan**") to provide the Company's 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 Rights 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 Mesquite Mine in the United States, the Peak Gold Mines in Australia and the Cerro San Pedro Mine in Mexico. Significant development projects include the Rainy River Project and the Blackwater Project located in Ontario, Canada and British Columbia, Canada, respectively, and a 30% interest in the El Morro Project in Chile.

New Gold is continually working to maximize 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, 2013, 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.

Specialized Skills and Knowledge

All aspects of New Gold's business require specialized skills and knowledge. Such required areas of specialized skills and knowledge include geology, drilling, mine planning, metallurgy, engineering, construction, regulatory compliance, legal 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, which generally require refining or smelter to transform the product into marketable metal. As described in more detail with respect to each operation, the Company uses the services of refiners to refine gold doré into bullion. Gold bullion is sold to bullion banks or gold trading counterparties at market prices. Copper concentrate produced by the New Afton Mine and Peak Gold Mines is sold to various smelters or concentrate marketing firms. 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. Further, due to the availability of alternative refineries and smelters, the Company is not dependent on the services on any one refiner or smelter.

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 on its ability to develop its present properties, and 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, silver and copper at the New Afton Mine; gold at the Mesquite Mine; gold, silver and copper at the Peak Gold Mines; gold and silver at the Cerro San Pedro Mine; gold and silver at the Rainy River Project; gold and silver at the Blackwater Project; and gold and copper at the El Morro Project. See "Summary of Mineral Reserve and Mineral Resource Estimates".

Foreign Operations

The Company currently owns 100% of the Mesquite Mine in the United States, 100% of the Peak Gold Mines in Australia, 100% of the Cerro San Pedro Mine in Mexico, and 30% of the El Morro Project in Chile as its foreign operations. Any changes in regulations (or the application of 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 or the application of regulations) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, operating activities, 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, 2013, the Company had the following employees and contractors:

Location	Full-Time	Contractors
Vancouver Corporate Office	26	1
Toronto Corporate Office	22	3
Corporate Exploration Team	11	-
New Afton Mine	439	19
Mesquite Mine	277	12
Peak Gold Mines	342	65
Cerro San Pedro Mine*	449	40
Rainy River Project	47	3
Blackwater Project	49	1
El Morro Project	-	-
	1,662	**144**

* As at December 31, 2013, 336 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's reclamation and closure costs obligations are set out in Note 17of the Company's audited consolidated financial statements for the year ended December 31, 2013.

Management does not believe that the financial and operational effects of environmental protection requirements on the capital expenditures and earnings of each mineral property are significant, and estimates the undiscounted closure cost for all of its properties is $90 million as at December 31, 2013. This amount does not, and should not, impact the Company's competitive position in the current or future financial years. As at December 31, 2013, the Company had posted letters of credit or other financial assurance in aggregate amount of $43.1 million to address, in part, these liabilities.

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 support for its implementation. In 2013, New Gold prepared Environmental Management Standards and Community Engagement & Development ("**CED**") Standards. These standards are used by the Company's operations to support implementation of the HSE & CSR Policy and the guiding principles. New Gold considers HSE & CSR a key factor in 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. Resources are focused on achieving shareholder profitability in all operations while maintaining New Gold's commitment to promoting local sustainable development and encouraging and maintaining active engagement with host communities.

The guiding principles specifically address 15 areas, including leadership and accountability, as well as commitments and controls. The implementation of guiding principles and supporting standards is internally validated for each site through regular self-assessments and internal peer reviews. An external audit will be undertaken at each site following completion of the relevant site's internal peer review. All employees and contractors are responsible for adopting the guiding principles and the New Gold Environmental and CED standards.

Technical Information

CIM Standards Definitions

The estimated Mineral Reserve and Mineral Resource for the New Afton Mine, the Mesquite Mine, Peak Gold Mines, the Cerro San Pedro Mine, the Rainy River Project, the Blackwater Project and the El Morro Project have been calculated in accordance with the CIM Definitions Standards for Mineral Reserves and Mineral Resources adopted by CIM Council on November 27, 2010 (the "**CIM Standards**"). The CIM Standards 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 6, 2014, the Company reported consolidated Mineral Reserve and Resource estimates for its mines and development projects as at December 31, 2013. 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 reviewed and approved by Mark Petersen, a Qualified Person under NI 43-101 and an officer of New Gold, based on estimates prepared by or under the supervision of certain Qualified Persons under NI 43-101.

Mineral Reserve and Resource contained metal estimates as at December 31, 2013									
	Proven & Probable Reserves			Measured & Indicated Resources			Inferred Resources		
	Gold (Koz)	Silver (Moz)	Copper (Mlbs)	Gold (Koz)	Silver (Moz)	Copper (Mlbs)	Gold (Koz)	Silver (Moz)	Copper (Mlbs)
New Afton	879	3.5	904	2,297	7.8	1,988	301	0.9	212
Mesquite	2,237	--	--	4,904	--	--	238	--	--
Peak Mines	412	0.8	98	810	1.4	158	150	0.3	51
Cerro San Pedro	392	15.6	--	397	15.9	--	13	0.4	--
Rainy River	3,773	9.4	--	6,236	14.6	--	773	1.7	--
Blackwater	8,170	60.8	--	9,500	70.1	--	380	2.3	--
Capoose	--	--	--	320	14.6	--	370	24.7	--
El Morro	2,675	--	1,951	3,041	--	2,207	1,936	--	1,557
New Gold Total	**18,538**	**90.1**	**2,953**	**27,505**	**124.5**	**4,353**	**4,161**	**30.4**	**1,820**

Notes to the Mineral Reserve and Resource estimates are provided on pages 16 and 17 of this Annual Information Form.

Mineral Reserves

Mineral Reserve estimates for the New Afton Mine, Mesquite Mine, Peak Gold Mines, Cerro San Pedro Mine, Rainy River Project, Blackwater Project and El Morro Project as at December 31, 2013, are presented in the following table.

Mineral Reserve estimates as at December 31, 2013								
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
New Afton							
Proven	--	--	--	--	--	--	--
Probable	48,821	0.56	2.2	0.84	879	3,500	904
Total New Afton P&P	**48,821**	**0.56**	**2.2**	**0.84**	**879**	**3,500**	**904**
Mesquite							
Proven	3,809	0.70	--	--	86	--	--
Probable	112,094	0.60	--	--	2,152	--	--
Total Mesquite P&P	**115,903**	**0.60**	**--**	**--**	**2,237**	**--**	**--**
Peak Mines							
Proven	1,820	4.35	6.7	1.16	255	390	47
Probable	1,820	2.69	7.4	1.27	157	430	51
Total Peak Mines P&P	**3,640**	**3.52**	**7.1**	**1.22**	**412**	**820**	**98**
Cerro San Pedro							
Proven	12,982	0.47	17.5	--	197	7,311	--
Probable	13,714	0.44	18.7	--	195	8,239	--
Total Cerro San Pedro P&P	**26,696**	**0.46**	**18.1**	**--**	**392**	**15,550**	**--**

	Mineral Reserve estimates as at December 31, 2013						
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
Rainy River							
Direct processing material							
Open Pit							
Proven	15,839	1.47	2.0	--	746	1,038	--
Probable	46,866	1.26	3.1	--	1,896	4,594	--
Open Pit P&P (direct processing)	62,705	1.31	2.8	--	2,642	5,632	--
Underground							
Proven	--	--	--	--	--	--	--
Probable	4,187	4.96	10.3	--	668	1,388	--
Underground P&P (direct processing)	4,187	4.96	10.3		668	1,388	--
Stockpile material							
Open Pit							
Proven	6,843	0.38	1.5	--	84	332	--
Probable	30,541	0.39	2.1	--	378	2,058	--
Open Pit P&P (stockpile)	37,384	0.38	2.0	--	462	2,390	--
Total P&P							
Proven	22,681	1.14	1.9	--	830	1,370	--
Probable	81,594	1.12	3.1	--	2,943	8,040	--
Total Rainy River P&P	**104,275**	**1.13**	**2.8**	**--**	**3,773**	**9,410**	**--**
Blackwater							
Direct processing material							
Proven	124,500	0.95	5.5	--	3,790	22,100	--
Probable	169.700	0.68	4.1	--	3,730	22,300	--
P&P (direct processing)	294,300	0.79	4.7	--	7,510	44,400	--
Stockpile material							
Proven	20,100	0.50	3.6	--	330	2,300	--
Probable	30,100	0.34	14.6	--	330	14,100	--
P&P (stockpile)	50,200	0.40	10.2	--	650	16,400	--
Total Blackwater P&P	**344,400**	**0.74**	**5.5**	**--**	**8,170**	**60,800**	**--**
El Morro	**100% Basis**					**30% Basis**	
Proven	321,814	0.56	--	0.55	1,746	--	1,163
Probable	277,240	0.35	--	0.43	929	--	788
Total El Morro P&P	**599,054**	**0.46**	**--**	**0.49**	**2,675**	**--**	**1,951**
Total P&P					**18,538**	**90,080**	**2,953**

Notes to the Mineral Reserve estimates are provided on pages 16 and 17 of this Annual Information Form.

Mineral Resources

Mineral Resource estimates for the New Afton Mine, Mesquite Mine, Peak Gold Mines, Cerro San Pedro Mine, Rainy River Project, Blackwater Project and El Morro Project inclusive of Mineral Reserves, as well as Mineral Resource estimates for the Rainy River Project and the Blackwater Project, as at December 31, 2013, are presented in the tables below.

Measured and Indicated Mineral Resource estimates (inclusive of Reserves) as at December 31, 2013							
		Metal grade			**Contained metal**		
	Tonnes 000's	**Gold g/t**	**Silver g/t**	**Copper %**	**Gold Koz**	**Silver Koz**	**Copper Mlbs**
New Afton							
A&B Zones							
Measured	41,059	0.79	2.7	1.09	1,041	3,624	984
Indicated	26,966	0.44	2.1	0.65	384	1,777	384
A&B Zone M&I	68,025	0.65	2.5	0.91	1,425	5,401	1,368
C-Zone							
Measured	618	0.75	1.5	0.91	15	30	12
Indicated	25,223	0.84	2.0	0.91	678	1,589	504
C-Zone M&I	25,842	0.83	2.0	0.91	693	1,620	516
HW Lens							
Measured	--	--	--	--	--	--	--
Indicated	11,035	0.50	2.2	0.43	179	763	104
HW Lens M&I	11,035	0.50	2.2	0.43	179	763	104
Total New Afton M&I	**104,901**	**0.68**	**2.3**	**0.86**	**2,297**	**7,786**	**1,988**
Mesquite							
Measured	9,070	0.66	--	--	191	--	--
Indicated	304,081	0.48	--	--	4,713	--	--
Total Mesquite M&I	**313,151**	**0.49**	**--**	**--**	**4,904**	**--**	**--**
Peak Mines							
Measured	3,000	4.69	6.7	1.06	450	650	70
Indicated	3,400	3.29	6.7	1.18	360	730	88
Total Peak Mines M&I	**6,400**	**3.95**	**6.7**	**1.12**	**810**	**1,380**	**158**
Cerro San Pedro							
Measured	13,387	0.46	17.3	--	199	7,459	--
Indicated	14,311	0.43	18.4	--	198	8,489	--
Total Cerro San Pedro M&I	**27,698**	**0.45**	**17.9**	**--**	**397**	**15,948**	**--**
Rainy River							
Direct processing material							
Open Pit							
Measured	20,282	1.45	1.9	--	947	1,261	--
Indicated	80,411	1.35	2.6	--	3,486	6,584	--
Open Pit M&I (direct processing)	100,693	1.37	2.4	--	4,433	7,846	--
Underground							
Measured	89	4.95	2.8	--	14	8	--
Indicated	5,469	4.53	11.3	--	796	1,994	--
Underground M&I (direct processing)	5,558	4.53	11.2	--	810	2,002	--

Measured and Indicated Mineral Resource estimates (inclusive of Reserves) as at December 31, 2013							
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
Stockpile material							
Open Pit							
Measured	6,294	0.37	1.3	--	74	262	--
Indicated	64,816	0.44	2.2	--	919	4,526	--
Open Pit M&I (stockpile)	71,110	0.43	2.1	--	993	4,788	--
Total M&I							
Measured	26,665	1.21	1.8	--	1,035	1,531	--
Indicated	150,696	1.07	2.7	--	5,202	13,104	--
Total Rainy River M&I	**177,361**	**1.09**	**2.6**	**--**	**6,236**	**14,635**	**--**
Blackwater							
Direct processing material							
Measured	116,955	1.04	5.6	--	3,900	21,060	--
Indicated	189,044	0.78	6.0	--	4,730	36,470	--
M&I (direct processing)	305,999	0.88	5.8	--	8,620	57,520	--
Stockpile material							
Measured	26,521	0.30	4.1	--	260	3,500	--
Indicated	64,382	0.30	4.4	--	620	9,110	--
M&I (stockpile)	90,904	0.30	4.3	--	870	12,600	--
Total Blackwater P&P	**396,903**	**0.74**	**5.5**	**--**	**9,500**	**70,130**	**--**
Capoose							
Indicated	**20,280**	**0.50**	**22.4**	**--**	**320**	**14,620**	**--**
El Morro		**100% Basis**				**30% Basis**	
Measured	341,604	0.56	--	0.54	1,848	--	1,230
Indicated	349,803	0.35	--	0.42	1,193	--	977
Total El Morro M&I	**691,407**	**0.46**	**--**	**0.48**	**3,041**	**--**	**2,207**
Total M&I					**27,505**	**124,499**	**4,353**

Notes to the Mineral Resource estimates (inclusive of Reserves) on pages 16 and 17 of this Annual Information Form.

Inferred Mineral Resource

Inferred Resource estimates as at December 31, 2013							
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
New Afton							
A&B Zones	5,607	0.32	1.5	0.38	59	272	46
C-Zone	11,288	0.63	1.7	0.64	227	602	159
HW Lens	818	0.56	1.3	0.42	15	33	7
New Afton Inferred	**17,713**	**0.53**	**1.6**	**0.54**	**301**	**907**	**212**
Mesquite	**17,550**	**0.42**	**--**	**--**	**238**	**--**	**--**
Peak Mines	**2,000**	**2.34**	**4.7**	**1.17**	**150**	**300**	**51**
Cerro San Pedro	**1,174**	**0.34**	**11.6**	**--**	**13**	**436**	**--**

	Inferred Resource estimates as at December 31, 2013						
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
Rainy River							
Direct processing							
Open Pit	9,388	0.97	2.3	--	292	687	--
Underground	2,641	4.46	8.3	--	379	707	--
Total Direct Processing	12,029	1.74	3.6	--	671	1,394	--
Stockpile							
Open Pit	8,626	0.37	1.2	--	102	323	--
Rainy River Inferred	**20,655**	**1.16**	**2.6**	**--**	**773**	**1,717**	**--**
Blackwater							
Direct processing	13,815	0.76	4.1	--	340	1,820	--
Stockpile	3,785	0.31	3.6	--	40	440	--
Blackwater Inferred	**17,600**	**0.66**	**4.0**	**--**	**380**	**2,260**	**--**
Capoose	**29,263**	**0.39**	**26.3**	**--**	**370**	**24,740**	**--**
	100% Basis					**30% Basis**	
El Morro – Open Pit	**564,217**	**0.16**	**--**	**0.26**	**871**	**--**	**970**
El Morro - Underground	**113,840**	**0.97**	**--**	**0.78**	**1,065**	**--**	**587**
Total Inferred					**4,161**	**30,360**	**1,821**

Notes to the Inferred Mineral Resource estimates are provided on pages 16 and 17 of this Annual Information Form.

Notes to Mineral Reserve and Resource Estimates

New Gold reports its Measured and Indicated Mineral Resources inclusive of its Mineral Reserves. Measured and Indicated Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Mineral Resources have a greater amount of uncertainty as to their existence and economic and legal feasibility, do not have demonstrated economic viability, and are exclusive of Mineral Reserves. Mineral Reserves have been estimated in accordance with the CIM Standards and NI 43-101.

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

Mineral Property	Gold $/ounce	Silver $/ounce	Copper $/pound	Lower cut-off
New Afton	$1,300	$22.00	$3.00	$21.00/t NSR
Mesquite	$1,300	--	--	0.21 g/t Au – Oxide and transition reserves 0.41 g/t Au – Non-oxide reserves
Peak Mines	$1,300	$22.00	$3.00	A$88 to 134/t NSR
Cerro San Pedro	$1,300	$22.00	--	$3.00/t NSR
Rainy River	$800 $1,300	$25.00 $22.00	--	0.30 – 0.70 g/t AuEq – Open pit 3.50 g/t AuEq – Underground
Blackwater	$1,300	$22.00	--	0.26 – 0.38 g/t AuEq – Direct processing 0.32 g/t AuEq – Stockpile
El Morro	$1,300	--	$3.00	0.20% Cu

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

Mineral Property	Gold $/ounce	Silver $/ounce	Copper $/pound	Lower cut-off
New Afton	$1,400	$24.00	$3.25	0.40% CuEq
Mesquite	$1,400	--	--	0.11 g/t Au – Oxide and transition resources 0.22 g/t Au – Non-oxide resources
Peak Mines	$1,400	$24.00	$3.25	A$92 to 125/t NSR
Cerro San Pedro	$1,400	$24.00	--	0.10 g/t AuEq – Open pit oxide resources 0.30 g/t AuEq – Open pit sulphide resources
Rainy River	$1,400	$24.00	--	0.30 – 0.45 g/t Au – Open pit 2.50 g/t Au – Underground
Blackwater	$1,400	$24.00	--	0.40 g/t AuEq – Direct processing 0.30 – 0.40 g/t AuEq – Stockpile
Capoose	$1,400	--	--	0.40 g/t AuEq
El Morro	$1,300	--	$3.00	0.20% Cu

3) All Mineral Resource and Reserve estimates for New Gold's operating properties and the El Morro Project are effective December 31, 2013. The Mineral Resource estimate for the Rainy River Project is effective November 2, 2013 and the Mineral Reserve estimate is effective December 31, 2013. The Mineral Resource estimate for the Blackwater Project is effective March 31, 2013 and the Mineral Reserve estimate is effective December 2, 2013.

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. Mineral Reserves and Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other risks and relevant issues. Additional details regarding Mineral Reserve and Mineral Resource estimation, classification, reporting parameters, key assumptions and associated risks 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.

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 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 and approved the following disclosure.

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 and support facilities. 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 2013 the mill throughput averaged approximately 12,460 tonnes per day.

The Company's holdings in the mine area comprise the Afton group of claims and the Ajax group of claims. 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 ("**Afton Mining Lease**"). The total land package, consisting of the Afton and Ajax group of 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 historic Afton Mine pit 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 (collectively, the " **SSN**") collectively have asserted the aboriginal rights and interests in the Mine area. A formal agreement between the SSN and New Gold dated March 20, 2008, and amended and restated November 14, 2011 ("**Participation Agreement**") provides the SSN's 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 SSN with certain economic and social benefits including preferential hiring, education, training and business opportunities. In accordance with the Participation Agreement, New Gold must make annual payments into a trust created for the benefit of SSN members. Furthermore, New Gold must pay the trust, in each year in which commercial production occurs at the mine, a percentage of net smelter returns ranging from 0.5% to 2%, depending on the price of copper and whether New Gold has recovered its development and construction costs, subject to an annual minimum amount.

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 subsequent 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 New Afton deposit is 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 with minor bornite. Locally, the hypogene ore was replaced by tennantite-tetrahedrite along faults. Native copper with accessory chalcocite occurs along faults and highly oxidized portions of the deposit. Native gold is rare. Gold and silver generally occur as electrum grains within the chalcopyrite and bornite.

The bulk of the deposit occupies a large tabular mass measuring 1.2 kilometres long by approximately 100 metres wide on average spanning a vertical distance of approximately 600 metres. The zone dips vertically to steeply south-southeast and plunges southwest, remaining open to the west and at depth.

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 Hanging Wall Lens (HW Lens) zone is 400 metres long by approximately 100 metres wide spanning a vertical distance of nearly 600 metres in a series of discontinuous lenses of mineralisation. The HW Lens zone remains open at depth and to the southwest.

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 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 of claims, 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, 2013 includes additional drilling conducted during 2012 and 2013 and is based on 61,548 metres of diamond drilling from 133 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 are being used to support ongoing exploration of the New Afton district.

During 2013, the Company's exploration team was focused on exploring the C-Zone Resource through drilling of C-Zone block of mineralization that lies below and adjacent to the New Afton B-Zone Reserve block. From July 2012 to December 31, 2013, a total of 41,855 metres in 67 holes were drilled to expand the C-Zone Resource. Additionally during 2013, a surface drilling program totalling 17,776 metres in 58 holes was completed in an area adjacent to the B-Zone Reserve to test the potential to delineate additional near-mine ore sources by upgrading Inferred Resources to Measured and Indicated status. Total surface and underground exploration since 2012 has amounted to 61,598 metres in 133 holes. All 133 holes have been incorporated into the updated Mineral Resource and Reserve estimates as at December 31, 2013.

The focus of New Afton's exploration program in 2014 will remain on further delineating the C-Zone Resource and continuing to explore its potential extensions. In total, the Company is targeting the completion of 30,000 to 35,000 metres of underground drilling on the C-Zone in 2014.

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. Analytical work prior to July 2012 was conducted by ALS Global of Kamloops, British Columbia (formerly EcoTech Laboratories Ltd.). Since July 2012, sample preparation and analyses have been performed by Activation Labs 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 all subsequent drilling programs, copper and silver assays were determined using standard acid digestion followed by an AA finish. 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 approximately 20% of the samples assayed for copper, gold and silver. It is the opinion of the authors of the New Afton Report that the data quality was adequate for resource estimation of contained gold, silver and copper and the 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, effective December 31, 2013, are summarized in the "Measured and Indicated Mineral Resource Estimates (Inclusive of Reserves) as at December 31, 2013" and "Inferred Mineral Resource Estimates as at December 31, 2013" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources".

The updated New Afton Mineral Reserves, effective December 31, 2013, are summarized in the "Mineral Reserve Estimates – as at December 31, 2013" table. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves". The Mineral Resource estimate is based on an updated block model prepared by independent mineral resource consultants and Qualified Persons under NI 43-101 engaged by the Company during 2013. 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.

Mining Operations

Mining Methods

The New Afton deposit is a block cave mining operation designed to produce 4.5 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 currently in production, with the third, deeper block, scheduled to be mined at a later date.

Each block has 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 trucks to the crusher level. From the crusher, the ore is 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 belt plow. This material is then trucked to an area on the edge of the historic Afton Mine pit. Less than 5% of the mined rock is treated in this manner.

Recovery Methods

The New Afton mill was designed to process 11,000 tpd (4 Mtpa) of ore, recovering copper, gold, and silver in a concentrate. By the fourth quarter of 2013, the mill was processing ore at an average rate of 12,460 tpd (4.5 Mtpa). 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 82% for copper, 83% for gold and 69% for silver. Tailings are deposited in a tailings storage facility using a conventional tailings facility design.

In 2013, the Company evaluated the economic benefits of a further expansion of the New Afton mine and mill towards 14,000 tonnes per day. The expansion will involve the installation of tertiary grinding and additional floatation capacity, as well as the construction of an addition to the mill building to accommodate the new equipment. Mill installation, commissioning and ramp-up to 14,000 tonnes per day are targeted for mid-2015.

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 20,000 tonnes.

Environmental Conditions

On October 31, 2007, the Ministry of Energy, Mines and Petroleum Resources issued Mine Permit M-229 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, 2013, the Company has posted this security in the form of an irrevocable standby letter of credit. The undiscounted closure cost liability for the New Afton Mine as at December 31, 2013 is estimated to be $11.6 million based on a third party cost estimate. New Gold expects to incur this obligation between 2014 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 British Columbia provincial income tax at a rate of 11% 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 a tax of 2% of net proceeds (as determined under the *Mineral Tax Act*), eventually transitioning to a net revenue tax of 13% with a credit for the net proceeds tax previously paid.

Economic Analysis

The New Afton Mine started commercial production on August 1, 2012 and has a current projected life of 10 years based on current Reserves and throughput levels.

During 2013, the New Afton Mine produced 87,177 ounces gold at total cash costs per ounce sold, net of by-product sales, of negative $1,196 per ounce, and all-in sustaining costs of negative $133 per ounce. New Afton's 2013 co-product total cash costs were $837 per ounce of gold and $2.05 per ounce of copper. The New Afton Mine is expected to produce 102,000 to 112,000 ounces of gold in 2014 at total cash costs per ounce sold, net of by-product sales, of negative $1,260 to negative $1,240 per ounce and all-in sustaining costs of negative $620 to negative $600 per ounce. On a co-product basis, total cash costs for 2014 at the New Afton Mine are expected to be $440 to $460 per ounce of gold and $1.10 to $1.20 per pound of copper. 2014 cash costs guidance assume a $3.25 per pound copper price, $20.00 per ounce silver price and a foreign exchange rate of C$1.11 to one United States dollar. Total cash costs per ounce are a non-GAAP measure. See "Non-GAAP Measures" on page 3.

Exploration and Development

The focus of New Afton's exploration program in 2014 will remain on further delineating the C-Zone Resource and continuing to explore its potential extensions. In total, the Company is targeting the completion of 30,000 to 35,000 metres of underground drilling on the C-Zone in 2014.

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, Imperial County, California, U.S.A.", dated February 28, 2014 ("**Mesquite Report**"). The Mesquite Report is available under the Company's profile on SEDAR at www.sedar.com. 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 New Gold's 2009 business combination with Western Goldfields Inc. ("**WGI**"). 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 two ore bodies (the Big Chief-Vista and the Rainbow ore bodies);
- 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; and
- 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 2,104 hectares (5,200 acres) controlled by WMMI. They include 213 unpatented and 53 patented mining lode claims, 127 patented and 97 unpatented mill site claims, 266.3 hectares (658 acres) of California state leased land and 127.5 hectares (315 acres) of fee lands. Patented claims on federal land represent a secure title to the land. Unpatented claims are valid as long as annual assessment work is maintained and the land is held for mining purposes. Fee land can be maintained indefinitely subject to payment of annual maintenance fees.

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

In November 2003, 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. Newmont's net smelter royalty on newly mined ore from the project was transferred to Franco-Nevada in 2007. The majority of Mineral Reserves planned for future mining at Mesquite will be subject only to a 0.5% to 2% production royalty due to Franco-Nevada depending on the claim group. In addition, WMMI pays a 6% to 9% 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.

In 1993, Hospah Coal Company (" **Hospah**"), a subsidiary of Newmont and former owner of the Mesquite Mine, 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.

Mesquite's climate is arid, with high temperatures in the summer and an average annual temperature of 22.7 degrees Celsius (73 degrees Fahrenheit). The mine is located southwest of the Chocolate Mountains at an elevation of between 183 and 305 metres (600 to 1,000 feet) 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 then 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, New Gold became the operator following the business combination with WGI.

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 . The Mesquite Mine historical database represents approximately 886,400 metres, or 2.9 million feet , of drilling in 6,573 drill holes, most of which are RC holes. A total of 103 holes in the database are diamond drill holes. Most of the diamond 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.

The potential for lateral extensions of mineralization is largely limited by mining permit boundaries. The potential for extensions of mineralization at depth was investigated in 2010 and2011 by New Gold via an exploration drilling program seeking to expand the sulphide portion of the Mineral Resource beneath the Mineral Reserve pit. The program consisted of 36 holes totalling 11,077 metres (36,341 feet) of combined diamond drilling and RC drilling. A significant Mineral Resource was not delineated and additional exploration was not recommended.

In 2013, New Gold undertook an infill drilling program to assist in grade control. The program comprised 344 RC holes totalling 27,203 metres.

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 opinion of the authors of 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 drilling programs 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.

Samples collected during New Gold's drilling programs were analyzed for gold via fire assay with an 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 QA/QC program at the Mesquite Mine employed industry best practices consistent with the QA/QC protocols 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. 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 and the present protocols for data acquisition and management reasonable.

Mineral Resource and Mineral Reserve Estimates

The Mesquite Mineral Resources, effective December 31, 2013, are summarized in the "Measured and Indicated Mineral Resource Estimates (Inclusive of Reserves) as at December 31, 2013" and "Inferred Mineral Resource Estimates as at December 31, 2013" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources".

The Mesquite Mineral Reserves, effective December 31, 2013, are summarized in the "Mineral Reserve Estimates – as at December 31, 2013" 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 bodies, multiple open pits are in operation, including Big Chief and Rainbow. Run-of-mine ore is hauled directly to the leach pad for processing. Mine production in 2013 averaged a nominal 132,000 tonnes per day of total material, including a nominal 39,000 tonnes per day of ore hauled to the leach pad. The production rate is well within the maximum 59 million tonnes per year (65 million short tons per year) allowed under the air quality permit.

In 2013, there was a negative reconciliation between actual grades mined at the Mesquite Mine and the mine plan. An infill drilling program was undertaken to refine the estimated grades for the areas scheduled for mining through 2014. 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. 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. The mine's Reserves and life-of-mine production plan are currently based on 75% recovery of the oxide ores and gravels and 35% recovery of the non-oxide ores. During 2013, gold grades were lower than budgeted and the average gold recovery rate was below projections. The reason for the deficits is under investigation.

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 when the unrefined doré leaves site, with advance cash payment financed via an adjustment to the spot price, or sold on the spot market direct from the refinery.

Environmental Conditions

There are no notable environmental conditions affecting mining operations, and WMMI is in material compliance with all permits. WMMI is required to post security of $5.2 million for reclamation and $9.5 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, 2013 the Company has posted this security in the form of bonds posted through a surety underwriter. The undiscounted closure cost liability for the Mesquite Mine as at December 31, 2013 is estimated at $12.8 million excluding salvage value of the assets. New Gold expects to incur this obligation between 2014 and 2028.

Tax Regime

The statutory U.S. federal income tax on taxable income is 35% and California State income taxes are 8.8% yielding a combined income tax burden. However, due to tax preference items such as percent depletion and domestic production tax credits, WMMI taxable income is reduced such that it becomes subject to the Alternate Minimum Tax ("**AMT**") regime. The applicable AMT rate is 20% federally and 6.64% at the state level, yielding a combined AMT tax burden of 25.3%.

Economic Analysis

The Mesquite Mine is projected to operate through 2021 based on current Reserves, followed by several years of residual leaching . During 2013, Mesquite produced 107,000 ounces gold at total cash costs of $907 per ounce and all-in sustaining costs of $1,108 per ounce. The Mesquite Mine is expected to produce 113,000 to 123,000 ounces of gold in 2014 at total cash costs of $930 to $950 per ounce, and all-in sustaining costs of $1,310 to $1,330 per ounce. Total cash costs per ounce are a non-GAAP measure. See "Non-GAAP Measures" on page 3.

Exploration and Development

New Gold is proceeding with permitting the expansion of the Brownie pit and heap leach facility. Additionally the Company plans to complete a 25,000 meter infill drilling program intended to convert Mineral Resources targeted for mining during 2015 to Measured classification status.

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 under New Gold's profile on SEDAR at www.sedar.com. The following disclosure has been updated to include information about the Peak Gold 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 is operated by New Gold's subsidiary Peak Gold Mines Pty Ltd (" **PGM**") and is located within the Cobar mining district approximately eight kilometres 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 currently comprise four 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 four operating mines are from north to south, New Cobar, Chesney, Peak and Perseverance. The 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.

PGM's mineral rights consist of approximately 86,820 hectares of mining leases and exploration licenses, including 33,832 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 seven exploration licenses. Two of the exploration licenses are held under option agreements with Zintoba Pty Ltd. on exploration lease EL 5982, in which PGM maintains a 75% interest, and with Lydail Pty Ltd. on exploration lease EL 6127, in which PGM maintains an 83% interest.

PGM 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 PGM's 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. PGM is a party in the proceedings to participate in negotiations with respect to any final determination.

All property of PGM is subject to a first ranking lien in favour of the lenders under the Credit Facility (see "General Development of the Business" for more information). PGM is required to pay a production royalty to the Australian Department of Primary Industries at approximately 3% of gross revenue, before treatment charges and all other costs.

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 hard red, clay loam 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 drainage lines bordered 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 (now closed), New Cobar and Chesney mines, and in 1981, the Peak gold deposit was discovered. Between 1982 and 1985, a total of 30,840 metres were drilled to delineate the Peak deposit, and a Pre-Feasibility Study was prepared in October 1985. PGM, originally 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 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, Metallica and Peak Gold completed a business combination and asset acquisition, which resulted in Metallica and Peak Gold becoming subsidiaries of New Gold.

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.

The Peak Gold 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. 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 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 PGM's historical exploration programs dating back to 2000 can be found in the Peak Report.

During 2013, total underground drilling at Peak Gold Mines included 45,440 metres of exploration and delineation drilling in 218 holes around New Cobar, Chesney, Peak and Perseverance. Results were incorporated into the Company's updated Mineral Resource estimate for 2013. Additionally in 2013, PGM completed 8,549 metres of surface drilling in 18 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 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 on-site in a secure shed, which is behind an electronic gate manned by security personnel 24 hours a day. Samples are transported to ALS Orange, 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, iron and sulphur, 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 Resources, effective of December 31, 2013, are summarized in the "Measured and Indicated Mineral Resource estimates (inclusive of Reserves) as at December 31, 2013", and "Inferred Mineral Resource estimates as at December 31, 2013," tables. See "Description of the Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources."

The updated Peak Gold Mines Mineral Reserves, effective of December 31, 2013, are summarized in the "Mineral Reserve estimates as at December 31, 2013" tables. See "Description of the Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves."

Mining Operations

Mining operations at the Peak Gold Mines currently comprise four distinct underground zones. 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, and at Chesney since 2009.

Mining Methods

At Peak, the mining is done by bench stoping. 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 the Peak Gold Mines specifically for use at Perseverance to increase stope stability and maximize ore recovery.

Recovery Methods

Ore from Perseverance and Peak 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 and silver are recovered in a gravity circuit with Knelson concentrators, further concentrated in an intensive leach reactor, then electrowon. Copper is 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 for refining. A second method of gold and silver recovery is by cyanidation leaching of the flotation tailings followed by carbon stripping and electrowinning. The resulting sludge from the gravity and cyanidation 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. Metal recoveries are approximately 92% and 90% for gold and copper, respectively.

Markets and Contracts

In 2013, operations at the Peak Gold Mines produced 102,000 ounces of gold, 13.6 million pounds of copper, and 110,000 ounces of silver. The copper concentrate contains copper, gold and silver, as well as variable amounts of lead, zinc and bimuth as penalty elements. An off-take agreement is in place for 100% of projected concentrates which has a term expiring at the end of 2017. Concentrates are dried to approximately 10% moisture, loaded into containers, and shipped to Sydney via rail where they are then shipped on container carriers in lot sizes varying from 1,000 to 2,000 wet metric tonnes.

Doré is shipped from site to major refiners where gold and silver are further refined into bullion. Gold bullion is sold to bullion banks or gold trading counter parties 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

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$10.3 million with the New South Wales Department of Primary Industries. As at December 31, 2013, the Company has posted this security in the form of an irrevocable standby letter of credit. The undiscounted closure cost liability for the Peak Gold Mines as at December 31, 2013 is estimated to be A$26.8 million. The Company expects to incur this obligation between 2014 and 2025.

Tax Regime

Taxes levied on the proceeds of PGM operations include Australian federal income taxes at a 30% rate, after eligible deductions.

Economic analysis

The projected life of the Peak Gold Mines extends to 2020 based on Measured and Indicated Resources, inclusive of Reserves. During 2013, Peak Gold produced 100,700 ounces gold at total cash costs of $850 per ounce and all-in sustaining costs of $1,331 per ounce. Peak Gold's 2013 co-product cash costs were $958 per ounce of gold and $2.50 per pound of copper. Peak Gold Mines is expected to produce 95,000 to 105,000 ounces of gold in 2014 at total cash costs of $630 to $650 per ounce, and all-in sustaining costs of $1,065 to $1,085 per ounce. 2014 cash costs guidance assume a $3.25 per pound copper price, $20.00 per ounce silver price and a foreign exchange rate of A$1.14 to one United States dollar. Total cash costs per ounce are a non-GAAP measure. See "Non-GAAP Measures" on page 3.

Exploration and Development

Exploration during 2013 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 the Peak Gold Mines 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 2014 annual exploration expenditure at the Peak Gold Mines is expected to involve approximately $2.2 million in capitalized exploration, $1 million in expensed exploration and $5.5 million in expensed reserve delineation.

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 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 derived from the CSP Report.

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 a secondary road. Local resources are available 20 kilometres away in the city of 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 Credit 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 late 2015.

The Cerro San Pedro Mine's climate is semi-arid, with an average temperature of 21 degrees celsius during the summer and 7.4 degrees celsius during the 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 Resources Inc. ("**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 and asset acquisition with Metallica and Peak Gold Ltd. ("**Peak Gold**") which resulted in Metallica and Peak Gold becoming subsidiaries of New Gold.

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 Resources 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 between 2008 and 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 - 1998. The historic data comprise 94 core holes and 177 reverse circulation 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 - 2002.

The database for the Resource and Reserve estimate effective December 31, 2013 is based on 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. 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 an 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 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. There was no exploration work undertaken at CSP during 2013.

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.

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 updated Cerro San Pedro Mineral Resources, effective December 31, 2013, are summarized in the "Measured and Indicated Mineral Resource Estimates (Inclusive of Reserves) as at December 31, 2013" and "Inferred Mineral Resource Estimates as at December 31, 2013" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources". The updated Cerro San Pedro Mineral Reserves, effective December 31, 2013, are summarized in the "Mineral Reserve Statement – as at December 31, 2013" 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 with a Merrill-Crowe processing circuit that recovers both gold and silver. In 2013, mine production was a nominal 85,000 tonnes per day of total material, including a nominal 37,000 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.

In 2013, the Cerro San Pedro Mine experienced a pit wall movement as well as lower recoveries of porphyry ore. The operational issues at the mine led to adjustments to the mine plan, as the Cerro San Pedro Mine enters its final phase. It is currently expected that active mining will be complete in late 2015, with residual leaching continuing for approximately eight years thereafter.

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 gold and 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 out-turned 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 Cerro San Pedro 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 EIS. 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 $18.8 million with SEMARNAT under the general law for ecological balance and environmental protection. As at December 31, 2013, the Company has posted this security in the form of an irrevocable standby letter of credit. The undiscounted closure cost liability for the Cerro San Pedro Mine as at December 31, 2013 is estimated to be $22.2 million. New Gold expects to incur this obligation between 2014 and 2024.

Tax Regime

Mine revenues are subject to Mexican income taxes at a statutory rate of 30%. Anticipated reductions in the statutory income tax rate were not provided in the tax reform package enacted by the Mexican Senate in December 2013. From January 1, 2014, the Cerro San Pedro Mine is subject to mining royalty of 7.5% of earnings before interest, tax, depreciation and amortization and a 0.5% royalty based on the mine's sales of gold and silver.

Economic Analysis

The Cerro San Pedro Mine is projected to conclude mining operations in 2015 based on current Reserves, followed by several years of residual leaching.

During 2013, the Cerro San Pedro Mine produced 102,800 ounces of gold and 1,300,600 ounces of silver at total cash costs net of by-product sales of $676 per ounce, and all-in sustaining costs of $766 per ounce. Cerro San Pedro's 2013 co-product cash costs were $807 per ounce of gold and $13.58 per ounce of silver. The Cerro San Pedro Mine is expected to produce 70,000 to 80,000 ounces of gold and 1.1 to 1.3 million ounces of silver in 2014 at total cash costs per ounce sold, net of by-product sales, of $1,030 to $1,050 per ounce and all-in sustaining costs of $1,125 to $1,145 per ounce. 2014 cash costs guidance assume a $20 per ounce silver price and foreign exchange rate of 13.00 Mexican pesos to one United States dollar. Total cash costs per ounce are a non-GAAP measure. See "Non-GAAP Measures" on page 3.

Exploration and Development

The Company did not undertake any exploration or development work at Cerro San Pedro during 2013 nor does it have any intention to undertake any exploration or development work at this time.

RAINY RIVER PROJECT, CANADA

The following disclosure relating to the Rainy River Project is based, in part, on information derived from the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 12, 2014 ("**Rainy River Report**"). The Rainy River Report is available under the Company's profile on SEDAR at www.sedar.com. See "Interests of Experts" for details of the Qualified Persons who prepared the Rainy River Report and approved the following disclosure.

Project Description, Location, Access and Other Information

The Rainy River Project is an advanced-stage gold project located in the southern half of Richardson Township, approximately 50 kilometres northwest of Fort Frances in northwestern Ontario, Canada. Regional population centers Kenora and Thunder Bay lie 162 kilometres to the north and 418 kilometres to the east, respectively. Access to the project area is via secondary all-weather roads branching off Trans-Canada Highways 11 and 71. An east-west rail line is located 21 kilometres to the south, populated by a number of small towns and villages. Infrastructure is satisfactory, with numerous gravel/paved roads, power and water resources available within close proximity. Power is available via a provincial transmission line approximately 17 kilometres to the east of the project.

New Gold acquired the Rainy River Project through its purchase of Rainy River Resources Ltd. (" **RRRL**") in 2013. As at November 22, 2013, the property occupies 17,018 hectares, comprising 162 patented mining rights and surface rights claims (including three leasehold interest mining claims) and 81 unpatented claims, which rights and claims are either owned by RRRL or which RRRL has the right to acquire pursuant to option agreements. All unpatented claims are in good standing and assessment work credits are sufficient to maintain that standing for several years.

The currently defined Mineral Resource lies within six patented claims held in the name of RRRL. All claims are held in the name of RRRL excepting two groups of unpatented claims in which the company has the option to acquire a 100% interest. Portions of the presently defined Mineral Resource are covered by either a 2% NSR royalty or a 10% net profits interest royalty.

Terrain in the vicinity of the Rainy River Project is dominated by a distinct northwest to southeast divide known as the Rainy Lake – Lake of the Woods Moraine. Topography is relatively gentle, with relief ranging from nil southwest of the divide to up to 90 metres northeast of the divide. In areas of low relief, bedrock typically is overlain by glacial till, thick silts and clays and, in poorly drained areas, by thick peat that can impede exploration.

The Rainy River project and six Rainy River area First Nations, being the Naicatchewenin First Nation, Rainy River First Nations, Mitaanjigamiing First Nation, Couchiching First Nation, Lac La Croix First Nation and Seine River First Nation, entered into a Participation Agreement ("**Participation Agreement**") with respect to the development and operation of the Rainy River project. The Participation Agreement identifies key project milestones to be met through mutual cooperation and consultation with First Nations, as the Rainy River project progresses with mine environmental assessment and permitting. The Company has ongoing dialogue with various First Nations and other Aboriginal groups in the area surrounding the Rainy River Project.

Vegetation is typical of the northeastern hardwood region. The climate is continental. Temperature extremes range from 35 degrees celsius to minus 40 degrees celsius. Annual precipitation averages around 60 centimetres rainfall and 150 centimetres snowfall, respectively. It is expected that mining activities will be conducted year-round.

Environmental liabilities and permits

The Project is subject to the federal and provincial environmental assessment (" **EA**") process. A single EA report will meet both federal and provincial requirements. A final EA report passed federal conformity review in December 2013 and was issued for stakeholder and Aboriginal group review in January 2014. New Gold anticipates EA approval and issuance of the various federal project authorizations and provincial operating permits by Q1 2015.

The Company continues to engage the local communities, local First Nations, and Métis community members in its project planning activities.

There is no evidence of historic mining activities in the project area. Existing environmental liabilities are related to the exploration activities of RRRL and its predecessor companies.

History

Exploration commenced in the Rainy River area during the period 1967-1989, during which time the Ontario Geological Survey conducted sporadic geologic mapping, and companies including Noranda, International Nickel Corporation of Canada, Hudson's Bay Exploration and Development and Mingold Resources were active in the area.

Nuinsco Resources Limited ("**Nuinsco**") initiated exploration of the area in 1990. During the period 1993-2004, Nuinsco engaged in geologic mapping, soil and grid sampling, magnetic and IP surveys and Landsat studies. Additionally, Nuinsco completed 597 reverse circulation holes and 217 diamond drill holes (49,515 metres) during the period. The program resulted in the discovery of three significant zones of gold mineralization (the 17, 34 and 433 Zones). Nuinsco drilled a final eight diamond drill holes (1,549 metres) in 2004 to test the depth continuity of the 34 Zone.

RRRL acquired a 100% interest in the Rainy River Project from Nuinsco in June 2005. RRRL re-logged portions of historical core, established a GIS database, conducted petrographical studies, and carried out airborne and ground-based geophysical surveys. During the period 2005-2007, RRRL drilled more than 100 reverse circulation holes and 209 diamond drill holes (95,340 metres) sufficient to complete the first of a number of Mineral Resource estimates. Additional diamond drilling by RRRL from 2008 through February 2011 totalled 449 diamond drill holes (239,329 metres).

A Preliminary Economic Assessment was published in December 2011 and updated in October 2012 based on an additional 375 diamond drill holes (181,682 metres) drilled from March to December 2011. RRRL published a Feasibility Study for the Project in May 2013 based on 1,435 diamond drill holes (662,849 metres) representing drill results through June 10, 2012.

RRRL drilled an additional 225 diamond drill holes (77,969 metres) between August 2012 and June 2013, focusing on the Intrepid Zone situated one kilometre east of the proposed open pit. By June 2013 a number of significant gold mineralized zones had been defined over a 3.5 kilometre strike length. From west to east these are: Western Area, Beaver Pond, ODM, 17, 17 East, 17 East Extension, 280 Zone, and the Intrepid Zone. Other notable mineralized zones are the HS, New and 433 Zones, located north of the ODM, and the CAP Zone located to the south.

In June 2013, New Gold began its acquisition of RRRL. The 2013 Feasibility Study report was readdressed to New Gold in July 2013 to satisfy disclosure requirements. In October 2013, New Gold completed its acquisition of 100% of RRRL.

New Gold published a new feasibility study for the Rainy River Project in January 2014 and subsequently filed the Rainy River Report in accordance with disclosure requirements.

Geological Setting and Mineralization

The Rainy River Project lies within the Rainy River Greenstone Belt, part of the larger Late Archean Wabigoon Subprovince of komatiitic to calc-alkaline metavolcanics overlain by clastic and chemical sediments and intruded by granitoid batholiths. The intrusions deformed their host rocks into synformal structures, often producing shear zones along the axial planes. The Archean rocks are overlain by remnant Mesozoic sediments and Quaternary Labradorian till of northeastern provenance containing anomalous gold grains, auriferous pyrite and copper-zinc sulphides. The till is overlain by glacially-derived clays, silts and younger till of western provenance.

Rocks within the immediate project area comprise a series of tholeiitic mafic rocks structurally overlain by calc-alkalic intermediate to felsic metavolcanic rocks. Intermediate dacitic rocks host most of the gold mineralization.

Four main styles of mineralization have been identified: gold-bearing sulphide ± quartz stringers and veins in felsic quartz-phyric rocks (ODM/17, Beaver Pond, 433 and HS Zones); quartz-ankerite-pyrite shear veins in mafic volcanic rocks (CAP/South Zone); sulphide-bearing silver-enriched quartz veinlets in dacitic tuffs and breccias (Intrepid Zone); and copper-nickel-platinum group mineralization within a younger mafic-ultramafic intrusion (34 Zone). All show some degree of deformation, excepting the copper-nickel-platinum-bearing type. Most of the gold mineralization identified to date occurs in the sulphide-bearing stringers and veins within the felsic quartz-phyric rocks.

Mineralized zones hosted by the felsic rocks often follow the regional strike and dip. The largest of these is the low grade ODM/17 Zone extending 1600 metres along strike, 975 metres down dip, with a true width of 200 metres.

The Rainy River mineralization is interpreted to be a hybrid deposit consisting of early gold-rich volcanogenic sulphide mineralization overprinted by shear-hosted mesothermal gold mineralization associated with regional deformation. A final stage of magmatically-driven hydrothermal mineralization in the main auriferous zones crosscuts both types of earlier mineralization.

Exploration and Drilling

Exploration and drilling undertaken in the project area prior to New Gold's acquisition of the property are summarized in the section on "History".

New Gold took over exploration at the Rainy River Project in August 2013. Principal non-drilling activities through January 2014 have included a complete review of RRRL drill results, an independent study of the structural setting of the project area and a Mobile Metal Ion grid soil sampling program. This work has identified a number of new targets, both in the immediate vicinity of the deposit (down-plunge extensions of the 280 Zone and a western ODM link) and regionally.

The Company has initiated a program to re-log the core from the main ODM Zone to update lithological interpretations and produce a set of geologically consistent sections and plans for the zone. As of November 2013, 56,000 metres of core (~10% of the total) had been re-logged. Sectional and level plan interpretation is progressing on schedule.

New Gold completed 27 diamond drill holes (7,961 metres) from mid-August 2013 through mid-January 2014. Seven of these (1,454 metres) were condemnation holes, while 20 (6,507 metres) were exploration holes principally testing for extensions of known mineralized zones. Results show several of these targets warrant additional drilling.

The Mineral Resource reported in the Rainy River Report is based on 1,665 diamond drill holes representing 743 kilometres drilled by Nuinsco and Rainy River up to August 16, 2013 and does not include results of New Gold's drilling.

Drilling procedures conducted by Nuinsco are not well documented. Drilling carried out by Rainy River and New Gold utilized predominantly NQ diameter core tools. Some deeper holes have been collared in HQ diameter and later reduced to NQ diameter to attain target depths. PQ diameter was utilized for certain metallurgical samples. Both New Gold and Rainy River have realized excellent core recovery and have surveyed all drill holes and collars according to accepted industry standards. It is the opinion of the authors of the Rainy River Report that the drilling procedures utilized by RRRL were consistent with industry best practices and that the quantity and quality of the lithological, geotechnical, collar and down-hole survey data collected in the exploration and infill drill programs completed by RRRL are sufficient to support Mineral Resource estimation.

Sampling and Analysis

There are no records describing the sampling and analytical methods used by Nuinsco during its drilling programs. Mineralized sections of core were re-sampled and analyzed by RRRL to incorporate into the drill database.

Sampling and analysis of core has been conducted via industry best practices under both New Gold and RRRL drilling programs. Sampling was typically conducted at 1.5 metre intervals by both companies. Core was sawn and half placed in sample bags for laboratory analysis. Certified reference standards, blanks and duplicates were systematically inserted into the sample batches to be shipped to the lab. Samples were collected on site by a Fort Frances shipping company and delivered directly to the laboratory.

RRRL used two principal accredited laboratories for analyses: ALS Minerals Laboratories (" **ALS**"), Vancouver, British Columbia from 2005-2006 and from early 2011 onward; and Accurassay Laboratories, Thunder Bay, Ontario from 2006-2011. New Gold uses ALS for its Rainy River Project analyses. These laboratories use standard industry analytical procedures: fire assay procedures for precious metal analyses; aqua regia digestion and atomic absorption spectrometry for metal analyses. Each laboratory employs an internal QA/QC program in accordance with its accreditation requirements.

Data verification includes site visits to inspect procedures, QA/QC data validation and examination of database accuracy. An overall improvement in the performance of quality control samples has been noted since ALS's 2011 reinstatement as primary laboratory. The overall results of data verification to date indicate the data collected from the Rainy River Project adequately reflect deposit dimensions, style, and true widths of mineralization; adequately support the geological interpretations; and are of sufficient analytical and database quality for use in Mineral Resource estimation.

Mineral Resource and Mineral Reserve Estimates

The Rainy River Project Mineral Resource estimate is summarized in the "Measured and Indicated Mineral Resource estimates (inclusive of Reserves) as at December 31, 2013" and "Inferred Mineral Resource estimates as at December 31, 2013" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources".

The Rainy River Project Mineral Reserves estimate is summarized in the "Mineral Reserve Estimates – as at December 31, 2013" table. See "Description of Business – Summary of Mineral Resources and Mineral Reserve Estimates – Mineral Reserves".

The Mineral Resource estimate is based upon a geologic model effective November 2, 2013, incorporating the results of 1,665 core holes totalling 742,424 metres. Open pit and underground Mineral Reserve estimates, effective December 31, 2013, are based on the November 2013 mineral resource model.

Mining Operations

The Rainy River Project is planned to be an open pit and underground mining operation with production of 21,000 tpd (19,500 tonnes per day from the open pit and 1,500 tonnes per day from underground operations). Expected mine life is 14 years, not including two pre-production years. Commissioning is projected for Q4 2016 with full production from the open pit expected by Q1 2017. Underground production is expected to begin in 2019. Low grade ore stockpiles will be processed in years nine to 14.

Mining Methods

Surface mining of the Project will utilize open pit standard practices dependent upon a truck and shovel mining fleet. Benches will be 10 metres. The life-of-mine strip ratio, including overburden and waste rock, is 3.9:1.

Underground reserves will be mined by longhole open stope backfilled with cemented aggregate fill. Rock mass conditions are generally good and little water ingress is anticipated. Total underground waste rock to be extracted is approximately 2.9 million tonnes, a portion of which will be used for rock fill.

Recovery Methods

Run-of-mine material will be delivered to a common gyratory crusher for size reduction, stockpiling and delivery to the processing plant. The processing plant will be a SAG/ball mill/crusher circuit feeding a whole ore leach gold-silver recovery plant at a milling rate of 21,000 tonnes per day, or 7.7 million tonnes per year. A portion of the coarser material will be subjected to a gravity circuit. The gravity concentrate will be sent to a cyanidation reactor and electrowinning cell for gold and silver extraction. Ground mineralized material will be thickened, passed through a leaching and carbon-in-pulp extraction circuit, and subjected to carbon stripping and electrowinning prior to being smelted into a gold-silver doré. Life-of-mine recoveries are expected to be 90.6% for gold and 64.1% for silver.

Markets and Contracts

The gold market is a mature global market, with reputable refiners located throughout the world. There are no refining contracts currently in place for the Rainy River Project.

Environmental Conditions

The Rainy River EA report was issued for stakeholder and Aboriginal group review in January 2014. A small number of additional federal environmental approvals and a Schedule 2 listing for mineral waste management are expected to be required. Provincial environmental approvals pertaining to water taking, effluent and emission management, and closure planning will also be needed. According to the Rainy River Report, there are no environmental aspects that are considered limiting to development of the project.

The reclamation objective for the Rainy River Project is to return the site to a productive condition upon completion of mining. A closure plan must be filed and financial assurance provided to the province before construction begins. A conceptual closure plan is included with the EA report. Total undiscounted reclamation and closure costs for the Rainy River Project are estimated to be C$49.9 million.

Tax Regime

The project will be subject to Canadian federal income tax at a rate of 15% and Ontario provincial income tax at a rate of 10% based on taxable profit. Additionally, the Ontario mining tax will apply at a rate of 10% to taxable resource profits in excess of C$500,000. The Ontario corporate minimum tax, with a rate of 2.7%, may apply only to the extent that it exceeds the liability for provincial income tax.

Economic Analysis

The Rainy River Project is expected to produce approximately 3.4 million ounces of gold and 6 million ounces of silver over a 14 year mine life, averaging 325,000 ounces of gold and 480,000 ounces of silver annually for the first nine years of production. The open pit operation is expected to produce 83% of the gold and 85% of the silver with the remainder of production from underground operations.

Total capital costs are estimated to be C$1,298 million (C$931 million for initial capital and C$366 million for sustaining capital). Life of mine total operating costs are estimated to be C$24.69 per tonne milled. Average life-of-mine cash costs per ounce of gold are projected to be $663. Cash costs are expected to be highly variable from year to year and markedly higher in the latter years of production due to the lower grades associated with the processing of stockpiled material. The all-in sustaining life of mine total cash cost per ounce of gold is expected to be $765. Total cash costs per ounce assume a $22.00 per ounce silver price and an exchange rate of C$1.05 to one United States dollar. Total cash costs per ounce and all-in sustaining costs are non-GAAP measures. See “Non-GAAP Measures” on page 3.

The after-tax net present value at a 5% discount rate is projected to be C$330 million. The after-tax internal rate of return is estimated to be 11.3%, with a payback period of 5.5 years. The foregoing estimates are based on annual average gold and silver prices of $1,300 per ounce and $22.00 per ounce, respectively. In addition, they are based on the allocation of certain corporate tax attributes as between Rainy River, New Afton and New Gold’s other operations in a manner that first maximizes New Afton’s cash flow generation based on the current New Afton mine plan.

Exploration and Development

Exploration activities planned for 2014 include completion of a 15,000 metre condemnation drill program associated with the infrastructure proposed in the Rainy River Report, and a 20,000 to 25,000 metre drill program to test for extensions of existing mineralization and favorable stratigraphy across the project area. Construction of a new three-dimensional geological model will occur in parallel with the drilling.

Development activity in 2014 will include continuation of the EA process and detailed engineering work. With the receipt of construction permits expected in early 2015, road and power line construction, pre-stripping, bench preparation, and construction of the plant site and infrastructure can begin.

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 Feasibility Study" dated January 14, 2014 ("**Blackwater Report**"). The Blackwater Report is available under the Company's profile on SEDAR at www.sedar.com. See "Interests of Experts" for details of the Qualified Persons who prepared the Blackwater Report and approved the following disclosure. The following disclosure does not contain detailed information pertaining to the Capoose, Auro and Key claim blocks, which are peripheral to the Blackwater deposit; these claim blocks are not material properties to New Gold.

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. Helicopter access is available from bases in Vanderhoof, Quesnel or Prince George.

New Gold holds a 100% recorded interest in 227 mineral claims covering an area of 104,678 hectares distributed among the Blackwater, Capoose, Auro and Key claim blocks. To keep claims in good standing, a minimum value of work or cash-in-lieu is required annually. The required cash-in-lieu 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. All claims are in good standing, most until 2020 and beyond.

The Blackwater deposit spans the one of the Davidson claims (509273), the Dave claim (515809) and the Jarrit claim (515810) within the greater Blackwater claim block (75 mineral claims covering 30,578 hectares). The majority of the Blackwater claims are located on Crown lands and none are known to overlap any legacy, Crown-granted mineral claims or no-staking reserves. A variety of surface use permits, licences and authorizations have been granted across the project area, but none are expected to significantly impact mine design and estimated costs as determined by the Blackwater Report.

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. According to the Blackwater Report, there is sufficient suitable land for future mine infrastructure within the mineral claims. Water for the camp is currently obtained from groundwater wells. The nearest power transmission lines are approximately 100 kilometres to the north.

The climate in the project area is sub-continental, characterized by brief warm summers and long cold winters. It is expected that mining activities will be conducted year-round. The elevation of the property ranges from just over 1,000 metres 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. The property has minimal exposed bedrock. Most of the area is covered with thick glacial deposits of two metres or more.

Property agreements

New Gold's 100% interest in the Blackwater claim block is subject to four net smelter return (NSR) royalties, two of which cover the Blackwater deposit.

Dave Option: The optionors retained a 2.5% NSR. New Gold purchased 40% of the Dave Claim NSR royalty for C$1,000,000, and a 1.5% NSR royalty remains. The claim covers a portion of the Blackwater deposit.

Jarrit Option: The optionors retained a 2% NSR royalty. New Gold purchased half the Jarrit Claim NSR royalty for C$1,200,000, and a 1% NSR royalty remains. The claim covers a portion of the Blackwater deposit.

JR Option: The optionors retained a 3% NSR royalty. New Gold may purchase two-thirds of the JR Claims NSR royalty for C$1,000,000 at any time, such that a 1% NSR royalty will remain. The royalty covers claims 637203, 637205 and 637206.

PS Option: The optionor retained a 2% NSR royalty. New Gold may purchase half of the PS Claim NSR royalty for C$1,000,000, such that a 1% NSR royalty will remain. The royalty covers claim 835014.

Environmental liabilities and permits

The Blackwater Project is subject to review under the British Columbia Environmental Assessment Act and the Canadian Environmental Assessment Act, 2012. The environmental assessment ("**EA**") process was initiated in October 2012. New Gold anticipates receiving EA approval in early 2014.

Mine construction and operation will require a large number of federal and provincial permits, many pertaining to potential impacts on surface water and fisheries. Approvals for all permits, licenses, authorizations and certificates necessary to proceed to construction are expected by early 2015.

The federal and provincial permitting requirements include public and First Nations consultations. New Gold continues to engage a number of First Nations groups who have interests in the project area, and the Company consults with provincial and federal ministries and agencies about research, design, permits, and environmental assessment questions and issues as they arise.

There is no evidence of historic mining activities in the project area. Existing environmental liabilities are related to the exploration activities of New Gold and its predecessor companies. The post-mining reclamation objective is wildlife habitat and return of the land for traditional use by Aboriginal groups.

History

Mineralization was discovered on the property by Granges Inc. during a 1973 regional silt geochemical survey. Between 1976 and 1994, Granges conducted surface geochemical sampling, ground and airborne geophysical surveys, trenching, limited geologic mapping and drilled 6,300 metres in 75 holes. A further 1,333 metres in seven holes were drilled in the winter of 2005-06 by Silver Quest. The work focused on high-grade vein deposits.

In 2009, Richfield recognized the bulk gold potential on the property, optioning the Davidson claims (509273, 509274, and 509275) from Silver Quest and the Dave and Jarrit Claims from the Rozek family. Richfield subsequently earned a 75% interest in the Davidson Claims and a 100% interest in each of the Dave and Jarrit Claims.

During 2010, Richfield contracted a resistivity and IP chargeability survey which showed good correspondence between known mineralization and survey results. Other notable exploration activities during Richfield's tenure included a detailed aerial topographic survey, and petrographic, X-ray diffraction and whole-rock lithogeochemical analyses on selected drill samples. During the period from 2009 to 2011 Richfield drilled 134 diamond drill holes totaling 44,684 metres.

In June 2011, New Gold acquired Richfield. In December 2011, the Company acquired Silver Quest and Geo. New Gold amalgamated with all three companies effective January 1, 2012, becoming the direct owner of the Blackwater Project. New Gold acquired the Auro Properties from Gold Reach Resources Ltd., and in 2013 New Gold acquired the Key claim block from Troymet Exploration Corporation, and staked or optioned a small number of claims outside the immediate Blackwater deposit area.

Geological Setting and Mineralization

The Blackwater Project is located on the Nechako Plateau, within the Stikine terrane of the Intermontane Belt. The Stikine terrane comprises Jurassic to early Tertiary magmatic arc and related sedimentary rocks.

The Blackwater deposit is hosted by a sequence of andesite, felsic volcaniclastic rock, breccias, and tuff interpreted to belong to the late Cretaceous Kasalka Group. These rocks are overlain by a post-mineral sequence of felsic and mafic volcanics of the Eocene Ootsa Lake Group and underlain by basinal clastic rocks of the late Jurassic Bowser Lake Group. A well-developed system of north-easterly, north-westerly and northerly-striking faults cuts the entire package. Quaternary glacial, colluvial and fluvial deposits obscure most of the bedrock within the immediate project area.

The Blackwater deposit is considered to be an example of a volcanic-hosted, intermediate sulphidation, epithermal-style gold-silver deposit. Host rocks within the deposit are pervasively hydrofractured, pyritized, and altered to a mixture of silica and sericite. Mineralization is typified by gold-bearing polymetallic sulphides (pyrite, sphalerite, marcasite, pyrrhotite) as disseminations and porosity infillings within the fragmental unit of the deposit. Mineralization is strongly controlled by northwest-southeast-trending zones of tectonic brecciation and chloritic gouge and by northeast-trending structural discontinuities. The mineralization is bounded by graben-forming faults to the north and south. A major north-south-trending fault transects the ore body, subdividing it into two distinct geological domains integral to the mineral resource block model.

Drilling has defined a zone of continuous disseminated gold-silver mineralization extending at least 1,300 metres east-west and at least 950 metres north-south. The vertical thickness of the zone averages 350 metres but ranges up to 600 metres, remaining open at depth to the southwest, north and northwest.

Exploration and Drilling

Exploration and drilling activities conducted before 2012 were carried out by New Gold's predecessors and are summarized in the section on "History".

Due to the lack of bedrock exposures in the immediate Blackwater deposit area, geologic information has been obtained primarily by exploration drilling. New Gold's mapping of pits and road-cut exposures over the deposit support the geological interpretation of the deposit in the subsurface.

A total of 1,149 diamond drill holes (357,507 metres) were drilled in the project area between 2009 and January 2013 for purposes of resource estimation. Of this total, 134 were completed by Richfield, and 1,015 by New Gold. Eighty-one holes totalling 7,633 metres completed by prior owners between 1981 and the end of 2006 represent legacy drilling not used in resource estimation.

Exploration drilling since 2009 has been predominantly HQ diameter core. Geotechnical and engineering holes drilled by the Company include 27 metallurgical holes (four HQ size, 23 PQ size), 10 hydrological pilot holes (HQ size), 14 waste rock characterization holes (HQ size), and 109 condemnation holes, 91 of which were reverse circulation holes and 18 of which were diamond drill holes. Core recovery for the 2009-2012 exploration and infill drilling has averaged 92%, with a median of 96%. All drill holes and collars have been surveyed according to accepted industry standards.

It is the opinion of the authors of the Blackwater Report that the quantity and quality of the lithological, geotechnical, collar and down-hole survey data collected in the exploration and infill drill programs completed by Richfield and New Gold from 2009 to 2013 are sufficient to support Mineral Resource estimation.

Sampling and Analysis

New Gold conducts drill core sampling and analysis using industry best practices. Core is sampled systematically on one metre composites, split and half placed in sealed bags for laboratory analysis. Certified reference standards, blanks and duplicates are systematically inserted into the sample stream prior to shipment to the lab. Samples are transported to Prince George by truck where the driver waits with the samples in the truck until pick-up for shipment to the laboratory by bonded courier.

New Gold's primary laboratory for the Blackwater Project is ALS Global, Vancouver, British Columbia, an independent and ISO accredited lab. Samples are analyzed for gold, silver and a suite of other elements. Gold analyses are performed via fire assay AA finish. Silver analyses have been performed by several methods that mix and match method of digestion (aqua-regia or four-acid) and method of finish (AA or ICP). Multi-element analyses are performed via aqua-regia digestion with an ICP/AES finish. The resulting drill hole database is supported by some 80,000 QA/QC check assays.

Data verification programs include site visits to inspect procedures, QA/QC data validation and database transcription accuracy. Four site inspections have been carried out since 2010. Data from holes drilled between 1981 and 1994 have no documented QA/QC information and were not deemed acceptable for use in resource estimation.

It is the opinion of the authors of the Blackwater Report that sampling, analytical, QA/QC, data verification and security procedures were adequate to support the geological interpretations and Mineral Resources estimated in the Blackwater Report. Additional details regarding sampling, analytical, QA/QC, data verification and security of samples protocols are available in the Blackwater Report.

Mineral Resource and Mineral Reserve Estimates

The Blackwater Project Mineral Resource estimate is summarized in the "Measured and Indicated Mineral Resource estimates (inclusive of Reserves) as at December 31, 2013" and "Inferred Mineral Resource estimates as at December 31, 2013" tables.

The Blackwater Project Mineral Reserves estimate is summarized in the "Mineral Reserve Estimates – as at December 31, 2013" table. See "Description of Business – Summary of Mineral Resources and Mineral Reserve Estimates – Mineral Reserves".

The Mineral Resource estimate is based on a geologic block model effective March 31, 2013, incorporating 286,966 individual assays from 1,003 core holes totalling 309,516 metres. The Mineral Reserve estimate, effective December 2, 2013, is based on the March 31, 2013 geologic block model noted above.

Mining Operations

Mining Methods

The Blackwater deposit has been designed as a conventional open pit mining operation with a production capacity of approximately 90 million tonnes per year. The estimated operating mine life of 16 years will comprise open pit mining for the first 14 years with stockpiles providing feed thereafter. A truck and shovel operation will operate year-round in a pit with 12 m bench heights. The average life of mine operational stripping ratio is 1.88:1 excluding pre-stripping.

Recovery Methods

It is anticipated that run-of-mine ore 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 tonnes per day, or 21.9 million tonnes per year. Ground mineralized material from a conventional milling circuit will be thickened, passed through a leaching and carbon-in-pulp extraction circuit, and subjected to carbon stripping and electrowinning prior to being smelted into a gold-silver doré. Life-of-mine recoveries are expected to be 86.6% for gold and 49.1% for silver.

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 has conducted extensive environmental baseline studies and is preparing a comprehensive environmental management plans for the Blackwater Project. Mitigation plans are in place for potential effects on fish due to flow reductions in Davidson Creek and for potential effects on the whitebark pine species. A fish habitat compensation plan will be implemented to ensure no net loss of fish habitat will result from the operations.

New Gold has posted an irrevocable standby letter of credit totalling approximately C$2.4 million in respect of reclamation security deposits for the Blackwater Project's Mines Act Permit, gravel pit project and adjacent properties. The undiscounted reclamation liability for the Blackwater Project as at December 31, 2013 is estimated to be $20.4 million.

Tax Regime

Taxes applicable to the Blackwater Project include the British Columbia provincial income tax at a rate of 11% 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 tax is essentially a two tier tax, a tax on 2% of net proceeds that eventually transitions to a 13% net revenue tax with credit for the net proceeds tax previously paid.

Economic Analysis

The Blackwater Project is expected to produce approximately 7 million ounces of gold and 30 million ounces of silver over a 17 year mine life, averaging 485,000 ounces of gold and 1,842,000 ounces of silver annually for the first nine years of production.

Total project capital costs are estimated to be C$1,963 million including a C$200 million contingency. Life of mine total operating costs are estimated to be C$14.49 per tonne milled and C$12.48 per tonne after silver credits and royalty payments. Average life of mine cash costs per ounce of gold are projected to be $578. The all-in sustaining life of mine cost per ounce of gold is expected to be $670. Total cash costs per ounce assume a $22 per ounce silver price and an exchange rate of C$1.05 to one United States dollar. Total cash costs per ounce and all-in sustaining costs are non-GAAP measures. See "Non-GAAP Measures" on page 3.

The after-tax net present value at a 5% discount rate is projected to be C$616 million. The after-tax internal rate of return is estimated to be 9.3%, with a payback period of 6.4 years. The foregoing estimates are based on annual average gold and silver prices of $1,300 per ounce and $22.00 per ounce, respectively.

Exploration and Development

The project area offers good potential for the discovery of additional mineralization that may support Mineral Resource estimation. Work to develop this potential is ongoing and involves additional drilling, expanded geologic mapping, geochemical sampling, and airborne and ground-based geophysical methods.

The Company considers that the scientific and technical information available on the Blackwater Project can support proceeding with additional data collection, trade-off and engineering work and preparation of more detailed studies.

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 23, 2012 ("**El Morro Report**"). The El Morro Report is available 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. Local resources and mining expertise are available in Vallenar and other cities in Region III. Goldcorp holds a 70% interest in the project and is the project operator with New Gold holding 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). New Gold's 30% share of annual production is projected to be over 90,000 ounces of gold and 85 million pounds of copper. No assurance can be given that the project will be developed or 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 mining 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 this 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. 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, 2013, the outstanding carried funding loan balance was $78.4 million, including accrued interest.

During 2010, 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% interest. Sociedad Contractual Mineral El Morro ("**El Morro**"), the Chilean developer and operator of the El Morro Project, with the remaining 70% held by Goldcorp. Subsequent to the trial, the Company was awarded a $3.0 million dollar reimbursement of legal fees related to the claim.

Environmental requirements and liabilities

SEA, the Chilean Environmental Permitting Authority, 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, 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 and on October 22, 2013 the environmental permit

for El Morro was reinstated. Subsequently, on November 22, 2013 the Copiapo Court of Appeals granted an injunction suspending development of the El Morro Project. The injunction was requested in constitutional actions filed by the Huascoaltino and Diaguita communities, regarding inadequate consultation by SEA. The injunction effectively suspends construction activities and development works until the court has completed its review. Project activities during 2014 will continue to focus on gathering information to support permit applications for submission after the reinstatement of the environmental permit and optimization of the project economics, including securing a long-term power supply. El Morro remains committed to continued productive interaction and engagement with the community and authorities.

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 hectares) and Tronquito (65 hectares) properties peripheral 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 diamond 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 pursuant to which Metallica became a wholly owned subsidiary of New Gold. New Gold subsequently purchased Xstrata Chile's 70% share of the property after New Gold exercised its right of first refusal. New Gold subsequently sold a 70% interest in El Morro 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 reverse circulation and diamond drill 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 volcano sedimentary 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. During the period 2000-2006, exploration drilling totalling 73,906 metres was drilled at the La Fortuna, El Morro, El Negro and Cerro Colorado properties. 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 - 2007 were 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 former.

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 QA/QC 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 third-party review 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 Resources, effective December 31, 2013, are summarized in the “Measured and Indicated Mineral Resource estimates (inclusive of Reserves) as at December 31, 2013,” “Inferred Mineral Resource estimates as at December 31, 2013” tables. See “Description of the Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources.”

The updated El Morro Project Mineral Reserves, effective December 31, 2013, are summarized in the “Mineral Reserve estimates as at December 31, 2013” tables. See “Description of the Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves.”

Mining Operations

When developed, the El Morro Project is expected to be 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 90,000 tonnes of ore per day, equating to an annual average production of approximately 486,000 dry tonnes per year of copper concentrate containing over 300 million pounds of copper and 300,000 ounces of gold on a 100% project basis. No assurance can be given that the project will be developed or 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 or 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 made a Decree Law 600 ("**D.L. 600**") application to the Chilean government. The D.L. 600 is available to non-residents of Chile and is expected to provide fiscal stability for the project by exempting it from the application of the 2010 tax legislation and preventing any other new legislation from applying to the El Morro for the first 15 years of production.

Economic analysis

The El Morro Project, on a 30% ownership basis, is expected to produce approximately 1.6 million ounces of gold and 1,514 million pounds of copper over a 17 year mine life, averaging 95,000 ounces of gold and 89 million pounds of copper annually.

Total project capital costs are estimated to be $3,834 million (100% basis). Life of mine total operating costs are estimated to be $17.94 per tonne milled. Average life-of-mine cash costs per ounce of gold are projected to be negative $1,258. The all-in sustaining life of mine cost per ounce of gold is expected to be negative $1,098. Total cash costs per ounce assume a $3.25 per pound copper price and an exchange rate of CLP 500 to one United States dollar. Total cash costs per ounce and all-in sustaining costs are non-GAAP measures. See "Non-GAAP Measures" on page 3.

Exploration and Development

El Morro's environmental permit was reinstated on October 22, 2013. However, on November 22, 2013 the Supreme Court of Chile preventatively suspended certain activities under the environmental permit pending an appeal by indigenous communities of the reinstatement of the environmental permit. During the suspension, El Morro continues with community engagement, optimization of project economics and evaluation of alternatives for 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 statements 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. Additional risks related to our material properties are discussed in the technical reports filed by the Company from time to time on SEDAR. 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, cash flows and financial condition 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 conditions;
- 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 $1,205 per ounce as at December 31, 2013, a 27% decrease compared to December 31, 2012. Future metal price declines could cause continued development of, and commercial production from, the Company's properties to be uneconomic. In addition, 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. 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 capital expenditures, and as a result the Company could experience losses and / or may curtail or suspend some or all of its exploration, development and mining activities and could lose its interest in, or be forced to sell, some or all of its 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 its investments in mining properties and increased depletion, reclamation and closure charges. Depending on the price of gold or other metals, the Company may determine that it is impractical to commence or, if commenced, to continue commercial production at a particular site. Metal price fluctuations also 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. In addition, cash costs and all-in sustaining costs of gold production are calculated net of by-product credits, and therefore may also be impacted by downward fluctuations in the price of by-product metals. 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 Mineral Reserve and Resource estimates and its 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.

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 price 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 the Company from benefiting from price increases.

Production Estimates

Forecasts of future production are estimates based on interpretation and assumptions and actual production may be less than estimated. The Company prepares estimates of future production for its operating mines. The Company's production forecasts are based on full production being achieved at all of its mines. The Company's ability to achieve and maintain full production rates at these mines is subject to a number of risks and uncertainties. The Company's production estimates are dependent on, among other things, the accuracy of Mineral Reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions, physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics, and the accuracy of estimated rates and costs of mining and processing. The Company's actual production may vary from its estimates for a variety of reasons, including, those identified under the heading "Operating Risks" below. The failure of the Company to achieve its production estimates could have a material adverse effect on the Company's results of operations and financial condition.

Cost Estimates

The Company prepares estimates of operating costs and/or capital costs for each operation and project. The Company's actual costs are dependent on a number of factors, including the exchange rate between the United States dollar and the Canadian dollar, Australian dollar and Mexican peso, smelting and refining charges, royalties, and price of gold and byproduct metals, the cost of inputs used in mining operations and events that impact production levels.

New Gold's actual costs may vary from estimates for a variety of reasons, including changing waste-to-ore ratios, ore grade metallurgy, labour and other input costs, commodity prices, general inflationary pressures and currency exchange rates, as well as those identified under the heading "Operating Risks" below. Failure to achieve cost estimates or material increases in costs could have an adverse impact on New Gold's future cash flows, profitability, results of operations and financial condition.

Volatility in the Market Price of the Company's Securities

The Company's common shares and warrants are listed on the Toronto Stock Exchange and the NYSE MKT. Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. Other factors unrelated to the Company's performance that may have an effect on the price of the common shares and warrants include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not continue to follow the Company's securities; the lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares; and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities. The price of the Company's common shares and warrants are also likely to be significantly affected by short-term changes in gold, and, to a lesser extent, silver and copper, prices and by the Company's financial condition or results of operations as reflected in its quarterly financial statements.

As a result of any of these factors, the market price of the Company's common shares at any given point in time may not accurately reflect New Gold's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. New Gold may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Foreign Operations

The Company's mining operations are currently conducted in Canada, Mexico, the United States and Australia and it has development projects underway in Canada and Chile. As a result of its activities in multiple jurisdictions the Company is 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; delays in obtaining or the inability to obtain necessary governmental licenses and permits; illegal mining; corruption; higher rate of criminality; unstable legal systems; changes in the taxation or royalty regimes; arbitrary changes in laws or policies; restrictions on foreign exchange and repatriation; limitations on exports and imports; 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 laws or policies or shifts in political attitudes 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, import or export controls, currency remittance, income taxes, royalties, 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 Canada and the United States or may not be successful in subjecting persons to the jurisdiction of courts in Canada and the United States, either of which could unexpectedly and adversely affect the outcome of a dispute.

The Company faces challenges inherent in efficiently managing employees over large geographical distances, including the challenge of staffing and managing operations in several international locations and implementing appropriate systems, policies and compliance programs. These challenges may divert management's attention to the detriment of the Company's operations in Canada. There can be no assurance that difficulties associated with the Company's foreign operations can be successfully managed.

Government Regulation

The mining, processing, development and exploration activities of the Company are subject to various laws governing prospecting, development, production, exports, imports, taxes, labour standards and occupational health and safety, mine safety, toxic substances, waste disposal, environmental protection and remediation, protection of endangered and protected species, 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's results of operations or financial position, 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. The Company could be forced to compensate those suffering loss or damage by reason of its mining operations or exploration or development 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, development projects and exploration activities are subject to receiving and maintaining licences, permits and approvals (collectively, "**permits**") from appropriate governmental authorities. Before any development on any of its properties, the Company must receive numerous permits and continued operations at the Company's mines is also dependent on maintaining and renewing required permits.

In the past there have been challenges to the Company's permits that were temporarily successful as well as delays in the renewal of certain permits. New Gold may be unable to obtain on a timely basis or maintain in the future all necessary permits required to explore and develop its properties, commence construction or operation of mining facilities and properties or maintain continued operations. Delays may occur in connection with obtaining necessary renewals of permits for the Company's existing operations and activities, additional permits for future operations or activities, or additional permits associated with new legislation.

It is possible that previously issued permits may become suspended or revoked for a variety of reasons, including through government or court action. For example, 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 CAHA seeking annulment of the environmental permit. 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 and on October 22, 2013 the environmental permit for El Morro was reinstated. Subsequently, on November 22, 2013 the Copiapo Court of Appeals granted an injunction suspending development of the El Morro Project. The injunction was requested in constitutional actions filed by the Huascoaltino and Diaguita communities regarding inadequate consultation by SEA. The injunction effectively suspends construction activities and development works until the court has completed its review. It is possible that the environmental permit may not be reinstated or that the litigation relating to the environmental permit may not be resolved 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 the Company's future cash flows, results of operations or financial condition.

In addition, there have been a number of challenges relating to the Company's 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 that will need to be fulfilled through the continued operation and eventual closure of the mine.

There can be no assurance that the Company will receive or continue to hold all permits necessary to develop or continue operating at any particular property or to pursue the Company's exploration activities. To the extent that required permits cannot be obtained or maintained, the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties. Even if permits or renewals are available, the terms of such permits may be unattractive to the Company and result in the applicable operations or activities being financial unattractive or uneconomic. An inability to obtain or maintain permits or to conduct mining operations pursuant to applicable permits would materially reduce the Company's production and cash flow and could undermine its profitability.

Dependence on New Afton Mine

The Company's operations at the New Afton Mine in British Columbia accounted for approximately 22% of the Company's gold production and 84% of its copper production in 2013 and are expected to account for approximately 27% of the Company's gold production and 84% of its copper production in 2014. Also, in 2013 the New Afton Mine accounted for approximately 72% of the Company's cash flow from operations. Any adverse condition affecting mining or milling conditions at the New Afton Mine could have a material adverse effect on the Company's financial performance and results of operations.

Unless the Company acquires or develops other significant gold-producing assets, the Company will continue to be dependent on its operations at the New Afton Mine for a substantial portion of its cash flow provided by operating activities.

Operating Risks

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, rock slides, cave-ins, slope or pit wall failures, 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 reduced production, damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. In addition, production may be adversely impacted by operational problems such as a failure of a production hoist, filter press, SAG mill or other equipment, or industrial accidents, as well as other potential issues such as actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical or other characteristics, interruptions in electrical power or water,

shortages of required inputs, labour shortages or strikes, restrictions or regulations imposed by government agencies or changes in the regulatory environment. The Company's 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. In addition, short-term operating factors, 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.

Exploration and Development Risks

Although the Company's activities are primarily directed towards mining operations, its 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 cannot eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. 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 its partners will result in a profitable commercial mining operation.

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.

Development projects are uncertain and consequently capital cost estimates, projected operating costs, production rates, recovery rates, mine life and other operating parameters and economic returns may differ significantly from those estimated for a project. Development projects rely on the accuracy of predicted factors including capital and operating costs, metallurgical recoveries, Reserve estimates and future metal prices. 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.

The Company has three projects currently in the development phase: the Rainy River Project, the Blackwater Project and the El Morro Project (in which the Company has a 30% interest). In addition, the Company is engaged in an expansion project at its New Afton Mine, and may engage in expansion activities at its operating mines from time to time. Expansion projects, including expansions of facilities and extensions to new ore bodies or new portions of existing ore bodies, can have risks and uncertainties similar to development projects.

A project is subject to numerous risks during development including, but not limited to, the accuracy of feasibility studies, obtaining permits required to commence construction, changes in environmental or other government regulations, securing all necessary surface and land tenure rights, consulting and accommodating First Nations and other Aboriginal groups, and financing risks. In particular, the El Morro Project's environmental permit is currently being disputed (see "Permitting" above) and the company is actively engaged in consultation with various First Nations and other Aboriginal groups in connection with the Rainy River Project and the Blackwater Project. Unforeseen circumstances, including those related to the amount and nature of the mineralization at the development site, technological impediments to extraction and processing, legal restrictions or governmental intervention, infrastructure limitations, environmental issues, disputes with local communities or other events, could result in one or more of New Gold's planned developments becoming impractical or uneconomic to complete. Any such occurrence could have an adverse impact on New Gold's growth, financial condition and results of operations. There can be no assurance that the development of any of the Rainy River Project, the Blackwater Project and the El Morro Project will continue in accordance with current expectations or at all.

In addition, as a result of the substantial expenditures involved in development projects, developments are prone to material cost overruns versus budget. The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the project. Project development schedules are also dependent on obtaining the governmental approvals necessary for the operation of a project. The timeline to obtain these government approvals is often beyond the control of the Company. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated.

Need for Additional Mineral Reserves and Mineral Resources

Because mines have limited lives based on Proven and Probable Mineral Reserves, the Company continually seeks replace and expand its Mineral Reserves and Mineral Resources. 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. Exploration is highly speculative in nature. New Gold's exploration projects involve many risks and are frequently unsuccessful. See "Exploration and Development Risks" above. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base of New Gold may decline if reserves are mined without adequate replacement and the Company.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

Mineral Reserves and Mineral Resources 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 can be mined or processed profitably. Mineral Reserve and Mineral Resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other relevant issues. 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, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work or actual production experience.

Fluctuations in gold and copper prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties, may require revision of Reserve and Resource estimates. Prolonged declines in the market price of gold (or applicable byproduct metal prices) may render Mineral Reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's Mineral Reserves. Mineral Resource estimates for properties that have not commenced production or at deposits that have not yet been exploited are based, in most instances, on very limited and widely-spaced drill hole information, which is not necessarily indicative of conditions between and around the drill holes. Accordingly, such Mineral Resource estimates may require revision as more drilling information becomes available or as actual production experience is gained. Should reductions in Mineral Resources or Mineral Reserves occur, the Company may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Mineral Resources and Mineral Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of Mineral Resources and Mineral Reserves and corresponding grades being mined and, as a result, 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.

Mineral Resources are not Mineral Reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that Mineral Resources will be upgraded to Proven or Probable Mineral Reserves.

Uncertainty Relating to Inferred Mineral Resources

Inferred Mineral Resources are not Mineral Reserves and 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.

Impairment

On a quarterly basis, the Company reviews and evaluates its mining interests for indicators of impairment. 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. Each operating mine, development and exploration project represents 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 assessment for impairment is subjective and requires management to

make significant judgements and assumptions in respect of a number of factors, including estimates of production levels, operating costs and capital expenditures reflected in New Gold's life of mine plans, the value of in situ ounces, exploration potential and land holdings, as well as economic factors beyond management's control, such as gold, silver and copper prices, discount rates, foreign exchange rates, and observable net asset value multiples. It is possible that the actual fair value could be significantly different than those estimates. In addition, should management's estimate of the future not reflect actual events, further impairment charges may materialize, and the timing and amount of such impairment charges is difficult to predict.

Title Claims and Rights of Indigenous Peoples

Certain of New Gold's properties may be subject to the rights or the asserted rights of various community stakeholders, including Aboriginal and other indigenous peoples. The presence of community stakeholders may impact the Company's ability to develop or operate its mining properties and its projects. Accordingly, the Company is subject to the risk that one or more groups may oppose the continued operation, further development or new development of the Company's current or future mining properties and projects. Such opposition may be directed through legal or administrative proceedings, or through protests or other campaigns against the Company's activities.

Governments in many jurisdictions must consult with, or require the Company to consult with, indigenous peoples with respect to grants of mineral rights and the issuance or amendment of project authorizations. Consultation and other rights of indigenous peoples may require accommodation including undertakings regarding employment, royalty payments and other matters. This may affect the Company's 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, Mexico and Chile in which title or other rights are claimed by indigenous peoples, and may affect the timetable and costs of development of mineral properties in these jurisdictions. The risk of unforeseen title claims by indigenous peoples also could affect existing operations as well as development projects. These legal requirements may also affect the Company's ability to expand or transfer existing operations or to develop new projects.

Acquisition and Integration Risks

As part of its business strategy, New Gold has 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 it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, if at all, or that any acquisition or business arrangement completed will ultimately benefit its business. Such acquisitions may be significant in size, may change the scale of the Company's business and may expose the Company to new geographic, political, operating, financial or geological risks. Further, any acquisition the Company makes will require a significant amount of time and attention of New Gold management, as well as resources that otherwise could be spent on the operation and development of the Company's 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 the Company's 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. In addition, the Company may need additional capital to finance an acquisition. Debt financing related to any acquisition may expose the Company to the risks related to increased leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that any business or assets acquired in the future will prove to be profitable, that New Gold 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 the Company's business, expansion, results of operations and financial condition.

Environmental Risks

The Company is subject to environmental regulation in Canada, Mexico, the United States and Australia where it operates, as well as in Canada and Chile with respect to its development properties. In addition, the Company will be subject to environmental regulation in any other jurisdictions in which it may operate or have development properties. These regulations address, among other things, endangered and protected species, emissions, noise, air and water quality standards, land use and 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, or the application of such regulations, if any, will not adversely affect the Company's operations or development properties. The Company cannot give any assurance that, notwithstanding its precautions, breaches or environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and results from operations. 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. Some of New Gold's properties have also been used for mining and related operations for many years before the Company 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, discharges or contamination that may arise from its ongoing operations or other contingencies. Production at New Gold's mines involves the use of various chemicals, including certain chemicals that are designated as hazardous substances. Contamination from hazardous substances, either at the Company's own properties or other locations for which it may be responsible, may subject the Company 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.

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, the Company may become subject to liability for cleanup work that may not be insured, in addition to liability for any damage caused. 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 it may not be insured against and such liability could be material.

Insurance and Uninsured Risks

New Gold's 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 or wall failures, cave-ins, metallurgical or other processing problems, fires, operational problems, 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 its properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, such insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available on acceptable terms 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 the Company or to other companies in the mining industry on acceptable terms. New Gold may 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 its financial performance and results of operations.

Reclamation Costs

The Company's operations are subject to reclamation plans that establish its 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, 2013, the total estimated undiscounted reclamation liability for New Gold's operations was approximately $90 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 may 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 its results of operations and financial position could be materially adversely affected.

Foreign Currency Exchange Rates

New Gold's assets are located in Canada, Mexico, Australia 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 are:

- *transaction exposure*: New Gold's operations sell commodities and incur costs in different currencies. Specifically, the Company's reserves are denominated in U.S. dollars while most of the Company's expenses are currently denominated in Canadian dollars, Australian dollars and Mexican pesos. This creates exposure at the operational level, which may affect its profitability as exchange rates fluctuate. The appreciation of non-U.S. dollar currencies against the U.S. dollar can increase the costs of production at New Gold's mines, making those mines less profitable;

- *exposure to currency risk*: New Gold is 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, accounts receivable, reclamation deposits, accounts payable and accruals, reclamation and closure cost obligations and long-term debt; and

- *translation exposure*: New Gold's functional and reporting currency is U.S. dollars. Certain of the Company's 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 Canadian dollar, Mexican peso, Australian 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 the Company's 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. These severe disruptions in the credit and capital markets have had a negative impact on the availability and terms of credit and capital. If uncertainties in these markets continue, or these markets deteriorate further, it could have a material adverse effect on the Company's liquidity, ability to raise capital and cost of capital. High levels of volatility and market turmoil could also adversely impact commodity prices, exchange rates and interest rates and have a detrimental effect on the Company's business.

Debt and Liquidity Risk

As of December 31, 2013, the Company had aggregate consolidated indebtedness of $862.5 million. The Company is exposed to interest rate risk on any variable rate debt. The Company's ability to make scheduled payments of the principal of, to pay interest on or to refinance its indebtedness depends on the Company's future performance, which is subject to economic, financial, competitive and other factors many of which are not under the control of New Gold. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, including, among others, debt repayments, interest payments and contractual commitments.

The Company may not continue to generate cash flow from operations in the future sufficient to service the debt and make necessary capital expenditures. If the Company is unable to generate such cash flow, it may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. The Company's ability to refinance its indebtedness will depend on the capital markets and its financial condition at such time. The Company may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on its debt obligations. In addition, if New Gold is unable to maintain its indebtedness and financial ratios at levels acceptable to its credit rating agencies, or should New Gold's business prospects deteriorate, the ratings currently assigned to New Gold by Moody's Investor Services and Standard & Poor's Ratings Services could be downgraded, which could adversely affect the value of New Gold's outstanding securities and existing debt and its ability to obtain new financing on favorable terms, and increase New Gold's borrowing costs.

The terms of the Company's Credit Facility require the Company to satisfy various affirmative and negative covenants and to meet certain financial ratios and tests. In addition, the terms of the Company's 2020 Notes and 2022 Notes require the Company to satisfy various affirmative and negative covenants. These covenants limit, among other things, the Company's ability to incur further indebtedness, create certain liens on assets or engage in certain types of transactions. There are no assurances that in future, the Company will not, as a result of these covenants, be limited in its ability to respond to changes in its business or competitive activities or be restricted in its ability to engage in mergers, acquisitions or dispositions of assets. Furthermore, a failure to comply with these covenants, including, in the case of the Credit Facility, a failure to meet the financial tests or ratios, would likely result in an event of default under the Credit Facility and/or the 2020 Notes and/or the 2022 Notes and would allow the lenders or noteholders, as the case may be, to accelerate the debt.

Financing Risks

The Company's mining, processing, development and exploration activities may require additional external financing. There can be no assurance that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be acceptable to the Company, and, if raised by offering equity securities or securities convertible into equity securities, any additional financing may involve substantial dilution to existing shareholders. Failure to obtain sufficient financing could result in the delay or indefinite postponement of exploration, development or production on any or all of its mineral properties. The cost and terms of such financing may significantly reduce the expected benefits from new developments and/or render such developments uneconomic.

Taxation

New Gold has operations and conducts business in a number of different jurisdictions and is accordingly subject to the taxation laws of each such jurisdiction. Taxation laws are complicated, subject to interpretation and subject to change, as well as tax reviews and assessments 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 its profitability. Taxes may also adversely affect the Company's ability to repatriate earnings and otherwise deploy its assets.

Joint Ventures

The Company holds a 30% interest in the El Morro Project, with Goldcorp holding the remaining 70% interest, and the Company may enter into similar partnerships or joint ventures in the future with other third parties. New Gold's interest in El Morro and any future similar partnership or joint venture is subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on Goldcorp's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on Goldcorp's future cash flows, earnings, results of operations and financial condition: disagreement with joint venture partners on how to develop and operate mines efficiently; inability to exert influence over certain strategic decisions made in respect of joint venture properties; inability of joint venture partners to meet their obligations to the joint venture or third parties; and litigation between joint venture partners regarding joint venture matters.

Availability and Price of Inputs

Disruptions in the supply of products or services required for the Company's activities could also adversely affect the Company's operations, 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 majeure 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 results of operations.

Mining operations and facilities are intensive users of electricity and carbon-based fuels. The Company is subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. 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 of operations and financial condition.

The Company's costs are affected by the prices of commodities and other inputs it consumes or uses in its operations, such as lime, sodium cyanide and explosives. The prices of such commodities and inputs 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 the Company's mining and production activities could materially adversely affect its results of operations and financial condition.

Infrastructure

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, or community, 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.

Community relations and license to operate

The Company's relationship with the host communities where it operates is critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain non-governmental organizations ("**NGOs**"), some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of cyanide and other hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or New Gold's operations specifically, could have an adverse effect on the Company's reputation. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, which could have a material adverse impact on the Company's results of operations, financial condition and growth prospects. While New Gold is committed to operating in a socially responsible manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential risk.

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.

In addition, the physical risks of climate change may also have an adverse effect on New Gold's operations. These risks include:

- *Sea level rise:* New Gold's operations are not directly threatened by current predictions of sea level rise. All of the Company's 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, the Company's 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

Production at the Company's mines and projects is dependent on the efforts of the Company's employees and contractors. The Company competes with mining and other companies on a global basis to attract and retain employees at all levels with appropriate technical skills and operating experience necessary to operate its mines. Relations between the Company and its employees may be impacted by changes in the scheme of labour relations, which may be introduced by the relevant governmental authorities in the jurisdictions where the Company carries on business. New Gold has approximately 336 employees that belong to a union at the Cerro San Pedro Mine. Negotiations for a new collective agreement at the Cerro San Pedro Mine were successfully completed in February 2014, and the new agreement will remain effective until February 2015. Adverse changes in the schemes of labour relations in different jurisdictions or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations and financial condition.

Litigation and Dispute Resolution

From time to time New Gold is subject to legal claims, with and without merit. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations. Defense and settlement costs may be substantial, even 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 the Company's future cash flows, results of operations or financial condition. See "Legal Proceedings and Regulatory Actions".

Title Risks

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, royalties or claims, including Aboriginal land claims, and title may be affected by, among other things, undetected defects. In some cases, title to mineral rights and surface rights has been divided, and the Company may hold only surface rights or only mineral rights over a particular property, which can lead to potential conflict with the holder of the other rights. As a result of these issues, the Company may be constrained in its ability to operate its properties or unable to enforce its rights with respect to its properties or the economics of is mineral properties may be impacted. An impairment to or defect in the Company's title to its properties or a dispute regarding property or other related rights could have a material adverse effect on the Company's 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 identification and 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 New Gold. As a result of this competition, the Company may be unable to identify, maintain or acquire attractive mining properties on acceptable terms or at all. Consequently, the Company's future growth, 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. New Gold's 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 mining operations are conducted in remote locations. Shortages of suitably qualified personnel could have a material adverse effect on the Company's business, cash flows and results of operations.

Hedging

From time to time the Company uses or may use certain derivative products to hedge or manage the risks associated with changes in gold prices, silver prices, copper prices, interest rates, foreign currency exchange rates and energy prices. The use of derivative instruments involves certain inherent risks including, among other things: (i) credit risk – the risk of an unexpected loss arising if a counterparty with which the Company has entered into transactions fails to meet its contractual obligations; (ii) market liquidity risk – the risk that the Company has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; (iii) unrealized mark-to-market risk – the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in the Company incurring an unrealized mark-to-market loss in respect of such derivative products.

There is no assurance that any hedging program or transactions which may be adopted or utilized by New Gold designed to reduce the risk associated with changes in gold prices, silver prices, copper prices, interest rates, foreign currency exchange rates or energy prices will be successful. Although hedging may protect New Gold from an adverse price change, it may also prevent New Gold from benefiting fully from a positive price change.

Counterparty Risk

The Company is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the Company's cash and short term investments; (ii) companies that have payables to the Company, including concentrate and bullion customers; (iii) providers of its risk management services; (iv) shipping service providers that move the Company's material; (iv) the Company's insurance providers; and (v) the Company's lenders. The Company limits counterparty risk by entering into business arrangements with high credit-quality counterparties, limiting the amount of exposure to each counterparty and monitoring the financial condition of counterparties.

Investment Risk

Investment risk is the risk that a financial instrument's value will deviate from the expected returns as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all investments traded in the market. This includes interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Other aspects of investment risk include credit risk (the risk of unexpected loss arising if a counterparty with which the Company has entered into transactions fails to meet its contractual obligations) and liquidity risk (the risk that the Company has entered into an investment that cannot be closed out quickly). Although the factors that affect investment risk are outside the Company's control, the Company limits investment risk by limiting its investment exposure in terms of total funds to be invested and by being selective of high quality investments.

Disclosure and Internal Controls

The Company may fail to maintain the adequacy of internal control over financial reporting as per the requirements of the Sarbanes-Oxley Act of 2002 ("**SOX**"). The Company documented and tested its internal control procedures in order to satisfy the requirements of Section 404 of SOX. Both SOX and Canadian legislation require an annual assessment by management of the effectiveness of the Company's internal control over financial reporting.

The Company may fail to maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting. The Company's failure to satisfy the requirements of Section 404 of SOX and equivalent Canadian legislation on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price of the Company's common shares or market value of its other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company's control and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company expands, the challenges involved in implementing appropriate internal controls over financial reporting will increase and will require that the Company continue to improve its internal controls over financial reporting. Although the Company intends to devote substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in complying with Section 404 of SOX and equivalent Canadian legislation.

Conflicts of Interest

Certain of New Gold's 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 the Company's 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 the Company's behalf, as they may pursue opportunities that would then be unavailable to the Company. In the event that the Company's 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 Note 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 before April 15, 2016, the Company may redeem the 2020 Notes at 100% of face value plus a "make whole" premium.

The 2020 Note 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 Note 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 Note 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 before November 15, 2017, the Company may redeem the 2022 Notes at 100% of face value plus a "make whole" premium.

The 2022 Note 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 Note 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 503,563,825 common shares were issued and outstanding at March 27, 2014. Holders of common shares are entitled to receive notice of any meetings of shareholders of the Company, and 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 therefor 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, 2013 for additional information regarding the Company's convertible securities.

On March 23, 2012, New Gold adopted a shareholder rights plan (" **Rights Plan**") to provide the Company's 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 Rights 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 Rights Plan was ratified by shareholders on May 2, 2012.

Ratings

Below are the ratings for New Gold's corporate debt as at December 31, 2013:

- 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 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 hold 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.

2013	High (C$)	Low (C$)	Volume
January	11.28	9.31	19,974,875
February	10.23	8.89	20,359,928
March	10.14	8.75	23,764,763
April	9.35	6.38	42,234,717
May	7.95	6.37	40,740,211
June	7.27	5.96	44,441,896
July	7.86	6.58	24,746,571
August	8.52	6.50	36,826,229
September	7.25	6.12	25,258,765
October	6.70	5.68	22,536,512
November	6.11	5.21	19,155,223
December	5.61	4.99	20,559,914

The price of the common shares as quoted by the TSX at the close of business on December 31, 2013, the last trading day prior to year end, was C$5.56 and on March 27, 2014 was C$5.60.

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 27, 2014 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.

2013	High (C$)	Low (C$)	Volume
January	2.95	2.07	622,594
February	2.40	1.83	610,708
March	2.31	1.90	354,571
April	2.09	1.34	891,828
May	1.86	1.03	599,953
June	1.63	1.15	870,928
July	1.68	1.19	431,387
August	1.95	1.28	856,979
September	1.58	1.22	548,140
October	1.53	1.03	494,287
November	1.27	1.09	314,513
December	1.18	0.92	520,490

The price of the Series A Warrants as quoted by the TSX at the close of business on December 31, 2013, the last trading day prior to year end, was C$1.06 and on March 27, 2014 was C$0.99.

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 27, 2014 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 27, 2014, directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 13,609,977 common shares of the Company, representing approximately 2.7% 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 officers hold their respective offices 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 Chief Executive Officer of Canfor Corporation, President and Chief Executive Officer of the Vancouver International Airport Authority and Chairman and Chief Executive Officer of Canadian Western Bank. Mr. Emerson serves on the boards of Finning International Inc. and Stantec Inc., and is Chair of Maple Leaf Foods Inc. and Timberwest Forest Corporation. 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 board of Range Royalty Management Ltd. and is Chair of the Board of Gibson Energy Inc. Mr. Estey also serves 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. He is also Chairman of the Board of Compact Power Equipment Inc., a North Carolina based equipment rental business operating throughout North America. Mr. Kololian holds B.A. 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, United Kingdom
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 at 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 is a Member of the Order of Canada and was inducted into the Canadian Mining Hall of Fame in 2013. 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. From 1999 to 2003, Mr. Oliphant was the President and Chief Executive Officer of Barrick Gold Corporation, and since that time he has served on the boards of a number of public companies and not-for-profit organizations. In addition, Mr. Oliphant was the Chairman of Western Goldfields Inc. from 2006 until its business combination with New Gold in 2009, at which time he became the Executive Chairman of the combined company. Mr. Oliphant presently serves on the advisory board of Metalmark Capital LLC, and on the board of directors of Franco-Nevada Corporation, WesternZagros Resources Ltd. and Newmarket Gold Inc. In addition, in 2013 Mr. Oliphant was elected as Chairman of the World Gold Council. Mr. Oliphant is a Chartered Professional Accountant, CA.

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

Raymond Threlkeld has over 32 years of mineral industry experience. From 2009 to 2013, Mr. Threlkeld was the 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. In March 2014, Mr. Threlkeld was appointed Chair of the Board of Newmarket Gold Inc. Mr. Threlkeld's principal occupation is a Corporate Director and consultant on natural resource development.

BRIAN PENNY Ontario, Canada Executive Vice President and Chief Financial Officer	Mr. Penny has over 30 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 from 1993 to 2004. Mr. Penny is a Chartered Professional Accountant, CMA. Mr. Penny's principal occupation is Executive Vice President and Chief Financial Officer of New Gold.
LISA DAMIANI British Columbia, Canada Vice President General Counsel and Corporate Secretary	Ms. Damiani has been the Vice President, General Counsel and Corporate Secretary of New Gold since June 2013. Previously, she was engaged in the private practice of law at Davies Ward Phillips & Vineberg LLP from 2001 as a partner, and from 1999 to 2000 as an associate. Mr. Damiani has over 15 years' experience in corporate and securities law and mergers and acquisitions with a focus on the mining sector and has received extensive recognition in the industry. Ms. Damiani holds a Bachelor of Arts, a Bachelor of Laws and a Masters of Business Administration from the University of Toronto. Ms. Damiani's principal occupation is Vice President, General Counsel and Corporate Secretary 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 ten countries. Prior to PMC-Sierra, Mr. Marshall held various human resources roles at Duke Energy, Westcoast Energy and NatWest Group plc. Mr. Marshall holds a post-graduate diploma in personnel management from the University of Westminster, London, UK. Mr. Marshall's principal occupation is Vice President, Human Resources of New Gold.
PETER MARSHALL British Columbia, Canada Vice President, Project Development	Mr. Marshall was appointed as Vice President, Project Development of New Gold in February 2014. Mr. Marshall was previously Project Director for the Blackwater project from June 2011, following the Company's acquisition of Richfield. Before Richfield, Mr. Marshall was Senior Vice President, Project Development for Terrane Metals Inc. from April 2006 to November 2010, where he was responsible for managing the technical development of the Mt. Milligan project. Prior to Terrane, Mr. Marshall was employed for 17 years in the project development group of Placer Dome Inc. Mr. Marshall holds a Bachelor of Science in Civil Engineering from the University of British Columbia. Mr. Marshall's principal occupation is Vice President, Project Development of New Gold.
ERNEST MAST British Columbia, Canada Vice President Operations	Mr. Mast has over 23 years' experience in mining throughout the Americas. Most recently, Mr. Mast 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, Mr. Mast worked with Xstrata and its predecessor companies for 20 years in various positions including President and General Manager of the Falcondo operations in the Dominican Republic. Mr. Mast holds Bachelor's and Master's degrees in Metallurgical Engineering and is a registered Professional Engineer. Mr. Mast's principal 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' of experience in the mining industry in the Americas. He has been the Vice President, Exploration of New Gold since 2008. Previously, Mr. Petersen held the position of Vice President of Exploration for Metallica Resources Inc., where he was responsible for directing the company's exploration activities at its projects in Mexico, Chile, Brazil and Alaska as well as evaluations of potential acquisitions 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 holds a Bachelor of Arts with a major in Geology from The College of Wooster, a Master of Science in Geology from Kent State University, and a Master of Business Administration from the University of Colorado. Mr. Petersen is also a Certified Professional Geologist with the American Institute of Professional Geologists and a Registered Member of the Society for Mining, Metallurgy and Exploration. 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. He has been the Vice President, Corporate Development of New Gold since January 2010 and before that he was the Director of Corporate Development from June 2009. Mr. Portmann was the Director of Corporate Development and Investor Relations of Western Goldfields Inc. from 2008 to May 2009. Before joining Western Goldfields, Mr. Portmann 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 Chartered Professional Accountant, CA. Mr. Portmann's principal occupation is Vice President, Corporate Development 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)	Non-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 ten 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 of such company; 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 of such company 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 materially affect the control of the Company, (i) is, or within ten 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 ten 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 of 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 royalty interests 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 27, 2014:

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 Company's board of directors, reasonably interfere with the exercise of the member's independent judgment.

(2) An individual is financially literate if he or she 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 Chair 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 Chief Executive Officer of Canfor Corporation, President and Chief Executive Officer of the Vancouver International Airport Authority and Chairman and Chief Executive Officer 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. None of the audit-related services described below were approved by the Audit Committee pursuant to the de minimis exception provided by Section (c)(7)(i)(C) of Rule 2-01 or Regulation S-X. 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 auditor 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
2013	C$2,038,781	C$193,250	C$76,426	nil
2012	C$1,974,978	C$210,000	C$75,456	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.

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

SEA, the Chilean Environmental Permitting Authority, approved the El Morro Project's environmental permit in March 2011. However, a constitutional action was filed against SEA in May 2011 by the CAHA seeking annulment of the environmental permit. 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 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 and on October 22, 2013, the environmental permit for El Morro was reinstated. Subsequently, on November 22, 2013, the Copiapo Court of Appeals granted an injunction suspending development of the El Morro Project. The injunction was requested in constitutional actions filed by the Huascoaltino and Diaguita communities, regarding inadequate consultation by SEA. The injunction effectively suspends construction activities and development works until the court has completed its review.

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 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.

In addition, some authorizations necessary for the operation of the Cerro San Pedro Mine have durations of one year or one quarter, or other periods that are shorter than the remaining mine life. While historically these authorizations have been renewed extended or re-issued without incident, in late 2013 the annual construction and operations licenses issued by the Municipality of Cerro de San Pedro in San Luis Potosì were subject to numerous inappropriate conditions. The application of the conditions was suspended by the State Contentious and Administrative Tribunal. As of March 27, 2014, MSX remains in a dispute with the Municipality regarding certain conditions relating to the annual licenses. MSX may not ultimately prevail in court proceedings regarding the terms and conditions of such licenses. This could result in a suspension or termination of operations at the Cerro San Pedro Mine and/or additional costs, any of which could adversely affect the Company's production, cash flow and profitability.

PGM, the operator of the Peak Gold Mines, was convicted on September 11, 2013 after pleading guilty in the Land and Environment Court of NSW of having polluted waters in breach of section 120(1) of the Australian *Protection of the Environment Operations Act 1997*. Between November 24, 2011 and December 21, 2011, mine tailings, which contain contaminants including cyanide and heavy metals, discharged into a constructed clean water drain at the mine site. The drain is generally dry except during rainfall events. The pollution did not leave the mine site and did not enter any natural watercourse or water body. There was no evidence of actual harm to fauna or flora; however, the court determined that there was still a likelihood of harm being caused to the environment due to the water pollution in the clean water drain. The incident occurred while contractors carried out construction works at the Peak Gold Mines.

As holder of an Environment Protection Licence and occupier of the mine site, PGM was responsible for the pollution incident. The Australian Environment Protection Authority ("**EPA**") prosecuted PGM, serving the initiating documents in the proceeding on November 23, 2012. PGM cooperated with the EPA during the course of its investigation and pleaded guilty on March 1, 2013. PGM was ordered to pay $50,000 to the Cobar Shire Council to contribute to the expansion of council's effluent reuse project, and was ordered to pay the EPA's legal costs in the amount of $52,000.

INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS

Other than as described in this Annual Information Form, since January 1, 2011 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 is reasonably expected to materially affect the Company. See "General Development of the Business – Developments – Acquisitions and Dispositions – Rainy River Project".

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. See "El Morro Project, Chile" for more information about this agreement.

- 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 2020 Senior Notes and the 2020 Note Indenture.

- Purchase Agreement between New Gold Inc. and J.P. Morgan Securities LLC dated November14, 2012 relating to the 2022 Senior Notes and the 2022 Note Indenture.

- Acquisition Agreement dated May 31, 2013 between New Gold Inc. and Rainy River Resources Ltd. relating to the takeover bid by New Gold for 100% of Rainy River Resources Ltd. See "General Development of the Business – Developments – Acquisitions and Dispositions" for more information about the terms of the acquisition.

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 (**"Technical Reports"**) for properties material to the Company, as set out opposite their name(s). Each of the Technical Reports listed below is available under the Company's profile on SEDAR at www.sedar.com and a summary of each Technical Report is contained in this Annual Information Form under "Description of the Business – Mineral Properties".

Mineral Property and Title of Technical Report	Qualified Person(s)
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.
	Mr. R. Dennis Bergen, P. Eng., and Associate Principal Mining Engineer for Roscoe Postle Associates, Inc.
	Mr. Kevin C. Scott, P. Eng., former Principal Metallurgist for Roscoe Postle Associates, Inc.
Mesquite Mine Technical Report on the Mesquite Mine, Imperial County, California, USA dated February 28, 2014	Mr. Wayne W. Valliant, P. Geo., and Principal Geologist for Roscoe Postle Associates, Inc.
	Dr. Kathleen A. Altman, P. E. and Principal Metallurgist for Roscoe Postle Associates, Inc.
	Mr. Richard J. Lambert, P.E., and Principal Mining Engineer of 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 Roscoe Postle Associates, Inc.
	Mr. Ian T. Blakley, P.Geo., and Principal Geologist of 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 Roscoe Postle Associates, Inc.

Mineral Property and Title of Technical Report	Qualified Person(s)
Rainy River Project Technical Report on the Rainy River Project, Ontario, Canada, dated February 12, 2014	Colin Hardie, P. Eng., BBA Inc.
	David Runnels, Eng., BBA Inc.
	Patrice Live, Eng., BBA Inc.
	Sheila E. Daniel, M.Sc., P. Geo., AMEC
	David G. Ritchie, P. Eng., AMEC
	Adam Coulson, PhD., P. Eng., AMEC
	Glen Cole, P.Geo., SRK Consulting (Canada) Inc.
	Dorota El-Rassi, P. Eng., SRK Consulting (Canada) Inc.
	Colm Keogh, P. Eng., AMC Mining Consultants (Canada), Ltd.
	Mo Molavi, P. Eng., AMC Mining Consultants (Canada), Ltd.
Blackwater Project Technical Report on Feasibility Study for the Blackwater Project, dated January 17, 2014	Mr. Ronald G. Simpson, P Geo, and Professional Geoscientist for GeoSim Services Inc.
	Mr. Jay Horton, P.Eng., and Technical Services Manager for Norwest Corporation.
	Mr. Bruno Borntraeger, P. Eng., and Specialist Engineer/Project Manager for Knight Piésold Ltd.
	Mr. I.A. (Tony) Lipiec, P. Eng., and Process Engineering Director for AMEC Americas Limited.
	Mr. Gary Christie, P Eng., and Project Manager for AMEC Americas Limited.
El Morro Project Technical Report on the El Morro Project, Region III, Chile, dated March 23, 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 Principal Metallurgist for Roscoe Postle Associates, Inc.
	Mr. Lee P. Gochnour, MMSA QP, and an Environmental Scientist for Roscoe Postle Associates, Inc.

Except as otherwise stated, 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 and scientific disclosure contained in this Annual Information Form, including New Gold's Mineral Reserve and Mineral Resource Estimates as at December 31, 2013. 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.

Other than Mr. Petersen, who is an officer 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 technical reports referred to above or following the preparation of such reports. None of these Qualified Persons 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 officer 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.

SCHEDULE A



Audit Committee 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 auditor's qualifications, independence and performance.

The Committee shall have access to such officers and employees of the Company, its external auditor and legal counsel as it considers to be necessary or desirable in order to perform its duties and responsibilities. In addition, 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 external 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 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 and 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, 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 Board, at its organizational meeting held in conjunction with each annual general meeting of the Shareholders, shall appoint the members of the Committee for the ensuing year. Each member shall meet the independence, financial literacy and experience requirements of the TSX and the NYSE MKT, and any other exchange upon which the securities of the Company may be listed to the extent required by the rules of such exchange, National Instrument 52-110 – Audit Committees, the *U.S. Sarbanes-Oxley Act of 2002*, Rule 10A-3 under the *Securities Exchange Act of 1934*, and other regulatory agencies as required. Each member of the Committee must not have

participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time in the preceding three years. The Board may, at any time, remove or replace any member of the Committee and may fill any vacancy in the Committee.

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 of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other, will constitute a quorum for a meeting of the Committee.

The Board will appoint one member of the Committee to act as the chair ("Chair") of the Committee. In his or her absence, the Committee may appoint another person to act as chair of a meeting of the Committee 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 of the Committee 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.

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 *Business Corporations Act* (British Columbia), National Instrument 52-110 – Audit Committees, the *U.S. Sarbanes Oxley Act of 2002*, Rule 10A- under the *Securities Exchange Act of 1934*, 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 (“IFRS”).

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 and discuss with management the annual reports, quarterly reports, Management’s Discussion and Analysis ("MD&A"), earnings press releases and any other material disclosure documents containing or incorporating by reference audited or unaudited financial statements of the Company 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 earnings of the Company and, if thought advisable, provide their recommendations on such documents to the Board.

e. Inquire of the auditors regarding the quality and acceptability of the Company's accounting principles and estimates, 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 external 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 Committee.

h. Ensure that management has the proper and adequate systems and procedures 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 Committee shall periodically assess the adequacy of such procedures.

i. Review with the Company's counsel, management and the external auditor 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 external 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 the Board and the shareholders for the appointment of the Company's external auditor and for the compensation, retention and oversight of the work of the external auditor employed by the Company. The external auditor shall report directly to the Committee. The Committee shall be responsible to resolve any disagreements, if any, between management and the external auditor 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 and the cost of their services and review the performance of the external 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 IFRS, and determine that they satisfy the requirements of all applicable securities laws,

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

f. Confirm that the lead audit partner for the Company's external auditor 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 external 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 control 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. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process required under applicable Canadian and United States securities laws. Review any significant deficiencies in the design and operation of internal controls over financial reporting or 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 applicable securities laws, 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. Conduct or authorize investigations into any matter within the scope of this Charter. The Committee 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 senior accounting and financial personnel.

e. Enquire of management and the external auditor regarding significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.

f. 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 Company’s financial statements are complete and accurate or are in accordance with IFRS and applicable rules and regulations. These are the responsibilities of management and the external auditor. The Committee and the Chair and any members of the Committee 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 Company, 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 the Board in the absence of such designation. Rather, the role of a member of the Committee who is identified as having accounting or related financial expertise, like the role of all members of the Committee, is to oversee the process, not to certify or guarantee the internal or external audit of the Company'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 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's 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, or causes to be addressed, all concerns communicated to him or her under the Company's Whistleblower Policy or Code of Conduct; and

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

This 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 27, 2014.

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	Cylindrical rock cores produced by diamond drilling method that uses a rotating barrel and an annular-shaped, diamond-impregnated rock-cutting bit to produce 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.

Term	Definition
drift	A horizontal tunnel generally driven within or alongside an ore body and aligned parallel to the long dimension of the ore.
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.

Term	Definition
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.
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.

Term	Definition
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. Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves.
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 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.

Term	Definition
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.
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 (ROM)	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.

Term	Definition
sphalerite	A zinc mineral which is composed of zinc and sulphur.
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

EXCHANGE RATE AND METAL PRICE 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, 2013, 2012 and 2011, as quoted by the Bank of Canada, were as follows:

	2013	2012	2011
High	1.0697	1.0418	1.0604
Low	0.9839	0.9710	0.9449
Average [1]	1.0299	0.9996	0.9891
Closing	1.0636	0.9949	1.0170

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

On March 27, 2014, 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$1.1057 and C$1= US$0.9044.

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, 2013, 2012 and 2011, as quoted by the London Bullion Market Association, were as follows:

	2013 ($)	2012 ($)	2011 ($)
High	1,694	1,792	1,895
Low	1,192	1,540	1,319
Average	1,411	1,669	1,572
Closing	1,205	1,658	1,531

On March 27, 2014, the closing afternoon fixing gold price per troy ounce, as quoted on the London Bullion Market Association, was $1,296.

Silver Prices

The high, low, average and closing silver prices per troy ounce for each of the three years ended December 31, 2013, 2012 and 2011, as quoted by the London Bullion Market Association, were as follows:

	2013 ($)	2012 ($)	2011 ($)
High	32.23	37.23	48.70
Low	18.61	26.67	26.16
Average	23.79	31.15	35.12
Closing	19.50	29.95	28.18

On March 27, 2014, the closing silver price per troy ounce, as quoted on the London Bullion Market Association, was $19.68.

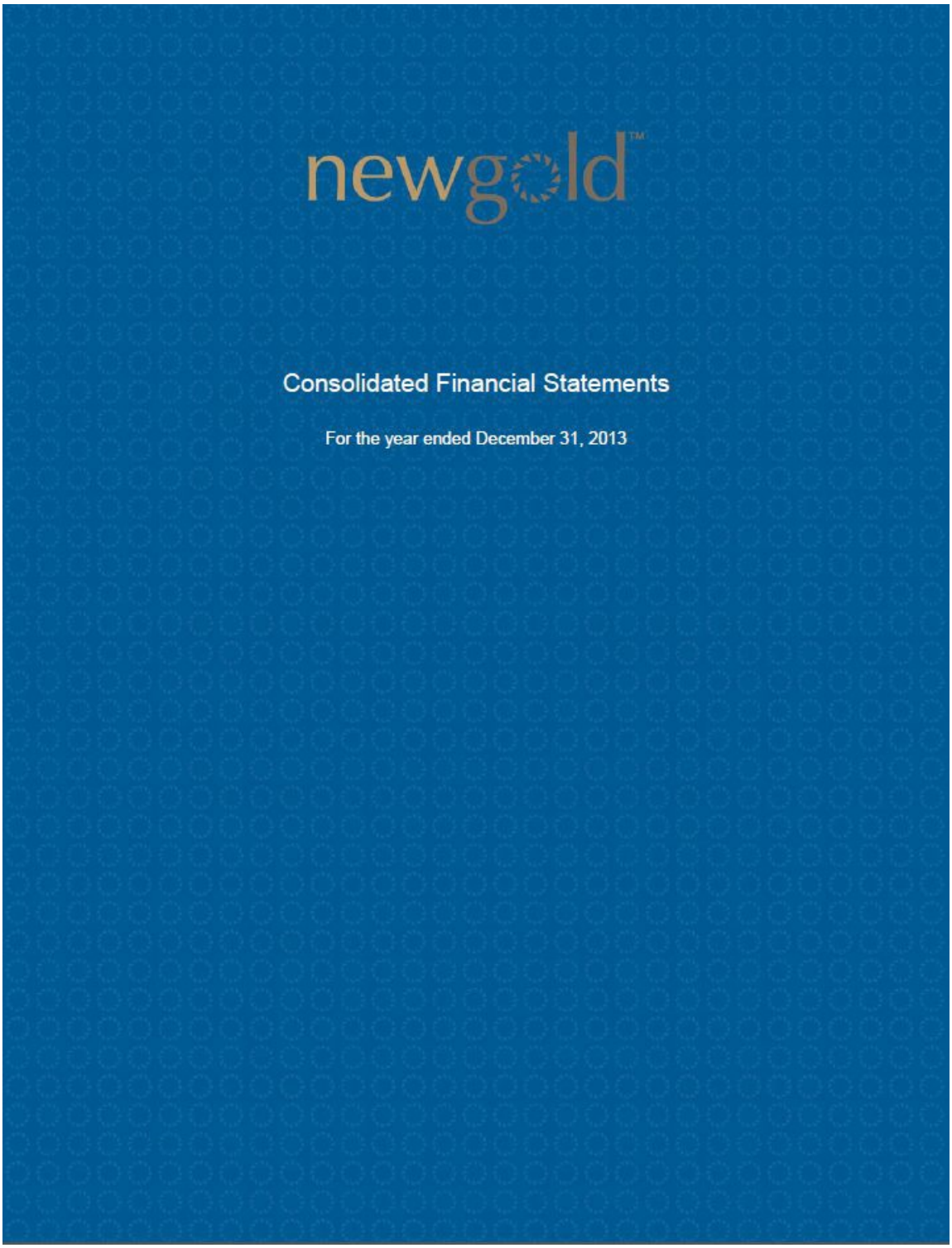
Copper Prices

The high, low, average and closing official cash settlement copper prices per pound for each of the three years ended December 31, 2013, 2012 and 2011, as quoted by the London Metal Exchange, were as follows:

	2013 ($)	**2012 ($)**	**2011 ($)**
High	3.74	3.93	4.60
Low	3.01	3.30	3.05
Average	3.32	3.61	4.00
Closing	3.35	3.59	3.43

On March 27, 2014, the closing official cash settlement copper price per pound, as quoted on the London Metal Exchange, was $2.98.

Exhibit 99.2


newgold™
Consolidated Financial Statements
For the year ended December 31, 2013

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 in the Management's 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 27, 2014

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, 2013. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2013, 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, 2013 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, 2013.

(Signed) Robert Gallagher

Robert Gallagher
Chief Executive Officer

(Signed) Brian Penny

Brian Penny
Executive Vice-President and
Chief Financial Officer

Toronto, Canada
February 27, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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 of December 31, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* 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 International Financial Reporting Standards as issued by the International Accounting Standards Board. 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013, of the Company and our report dated February 27, 2014, expressed an unqualified opinion on those financial statements.

(Signed) Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

February 27, 2014
Toronto, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2013 and December 31, 2012, 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, 2013 and December 31, 2012, 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. 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 New Gold Inc. and subsidiaries as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 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, 2013, based on**.** the criteria established in *Internal Control — Integrated Framework (1992)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2014, expressed an unqualified opinion on the Company's internal control over financial reporting.

(Signed) Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

February 27, 2014
Toronto, Canada

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CONSOLIDATED INCOME STATEMENTS

(In millions of U.S. dollars, except per share amounts)	Note	Years ended December 31 $ 2013	 $ 2012
Revenues		**779.7**	791.3
Operating expenses	6	**435.5**	344.3
Depreciation and depletion		**177.4**	116.4
Earnings from mine operations		**166.8**	330.6
Corporate administration		**26.7**	25.2
Share-based payment expenses	15	**8.5**	10.9
Asset impairment	11	**272.5**	-
Exploration and business development		**34.1**	20.6
(Loss) income from operations		**(175.0)**	273.9
Finance income	6	**2.7**	1.4
Finance costs	6	**(40.3)**	(16.4)
Rainy River acquisition costs	5	**(5.0)**	-
Other gains	6	**26.0**	19.9
(Loss) earnings before taxes		**(191.6)**	278.8
Income tax recovery (expense)	16	**0.4**	(79.8)
Net (loss) earnings		**(191.2)**	199.0
(Loss) earnings per share			
Basic	15	**(0.39)**	0.43
Diluted	15	**(0.39)**	0.42
Weighted average number of shares outstanding (*in millions)*			
Basic	15	**488.0**	463.4
Diluted	15	**488.0**	468.4

See accompaning notes to the condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years ended December 31	
		$	$
(In millions of U.S. dollars)	Note	2013	2012
Net (loss) earnings		**(191.2)**	199.0
Other comprehensive (loss) income			
Unrealized gains (losses) on mark-to-market of gold contracts	14	**18.1**	(23.8)
Realized gains on settlement of gold contracts	14	**13.8**	47.9
Reclassification of discontinued gold contracts	14	**18.7**	-
Unrealized gains (losses) on available-for-sale securities (net of tax)		**-**	(0.8)
Reclassification of unrealized losses on impairment of available-for-sale securities	6	**3.0**	-
Foreign currency translation adjustment		**-**	22.5
Deferred Income tax related to gold contracts	14	**(20.7)**	(9.9)
Total other comprehensive income		**32.9**	35.9
Total comprehensive (loss) income		**(158.3)**	234.9

All items recorded in other comprehensive income will be reclassifed in subsequent periods to net (loss) earnings.

See accompaning notes to the condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of U.S. dollars)	Note	As at December 31 2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents		**414.4**	687.8
Trade and other receivables	7	**19.3**	46.9
Inventories	9	**182.0**	163.3
Current income tax receivable		**31.8**	6.6
Prepaid expenses and other		**10.5**	12.9
Total current assets		**658.0**	917.5
Investments		**0.5**	1.0
Non-current inventories	9	**31.0**	32.4
Mining interests	10	**3,336.5**	3,134.9
Deferred tax assets	16	**171.0**	194.1
Other		**2.0**	3.8
Total assets		**4,199.0**	4,283.7
Liabilities and equity			
Current liabilities			
Trade and other payables	8	**90.2**	120.7
Current derivative liabilities	14	**-**	56.4
Total current liabilities		**90.2**	177.1
Reclamation and closure cost obligations	17	**61.4**	68.5
Provisions	23	**9.4**	9.5
Non-current derivative liabilities	14	**-**	54.1
Non-current non-hedged derivative liabilities	14	**27.8**	80.3
Long-term debt	13	**862.5**	847.8
Deferred tax liabilities	16	**381.0**	322.9
Deferred benefit		**46.3**	46.3
Other		**0.5**	0.7
Total liabilities		**1,479.1**	1,607.2
Equity			
Common shares	15	**2,815.3**	2,618.4
Contributed surplus		**90.0**	85.2
Other reserves		**(17.6)**	(50.5)
(Deficit) retained earnings		**(167.8)**	23.4
Total equity		**2,719.9**	2,676.5
Total liabilities and equity		**4,199.0**	4,283.7

Approved and authorized by the Board on February 27, 2014

"Robert Gallagher"
Robert Gallagher, Director

"James Estey"
James Estey, Director

See accompaning notes to the condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of U.S. dollars)	Note	Years ended December 31 2013 $	 2012 $
Common shares			
Balance, beginning of year		**2,618.4**	2,464.0
Acquisition of Rainy River	5	**188.2**	-
Shares issued for exercise of options	15	**8.5**	11.6
Shares issued for exercise of warrants	15	**0.2**	75.5
Shares issued for the conversion of convertible debentures		**-**	67.3
Balance, end of year		**2,815.3**	2,618.4
Contributed surplus			
Balance, beginning of year		**85.2**	80.4
Exercise of options		**(3.5)**	(3.7)
Equity settled share-based payments		**8.1**	8.5
Purchase of non-controlling interest	5	**0.2**	-
Balance, end of year		**90.0**	85.2
Other reserves			
Balance, beginning of year		**(50.5)**	(86.4)
Foreign currency translation adjustment		**-**	22.5
Change in fair value of available-for-sale investments	6	**3.0**	(0.8)
Change in fair value of hedging instruments (net of tax)		**29.9**	14.2
Balance, end of year		**(17.6)**	(50.5)
Retained earnings (deficit)			
Balance, beginning of year		**23.4**	(175.6)
Net (loss) earnings		**(191.2)**	199.0
Balance, end of year		**(167.8)**	23.4
Total equity		**2,719.9**	2,676.5

See accompaning notes to the condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of U.S. dollars)	Note	Years ended December 31 $ 2013	$ 2012
Operating activities			
Net (loss) earnings		**(191.2)**	199.0
Adjustments for:			
Realized losses (gains) on gold contracts		**15.2**	(9.9)
Realized and unrealized foreign exchange losses	6	**25.7**	1.3
Realized and unrealized gains on non-hedged derivatives	6	**(49.3)**	(61.1)
Unrealized losses on concentrate contracts		**1.2**	2.4
Settlement payment of gold hedge contracts	14	**(65.7)**	-
Payment of Rainy River acquisition expenses		**(12.9)**	-
Loss on redemption of senior secured notes	6	**-**	31.8
Reclamation and closure costs paid	17	**(2.2)**	(8.0)
Loss on disposal and impairment of assets		**275.1**	3.3
Impairment loss of available-for-sale securities	6	**3.0**	-
Depreciation and depletion		**178.6**	116.2
Equity-settled share-based payment expense	15	**8.1**	8.5
Realized and unrealized (gains) losses on cash flow hedging items	6	**(9.5)**	2.9
Income tax (recovery) expense	16	**(0.4)**	79.8
Finance income	6	**(2.7)**	(1.4)
Finance costs	6	**40.3**	16.4
		213.3	381.2
Change in non-cash operating working capital	18	**(9.7)**	(44.8)
Cash generated from operations		**203.6**	336.4
Income taxes paid		**(31.7)**	(100.6)
Net cash generated from operations		**171.9**	235.8
Investing activities			
Mining interests		**(289.3)**	(516.0)
Proceeds received from government assistance		**5.7**	-
Proceeds received from sale of pre-commercial production inventory		**-**	14.5
Purchase of additional Blackwater mining claims		**-**	(6.0)
Acquisition of Rainy River (net of cash received)	5	**(112.6)**	-
Recovery of reclamation deposits		**-**	8.9
Proceeds from sale of assets		**0.4**	-
Interest received		**2.1**	1.1
Cash used in investing activities		**(393.7)**	(497.5)
Financing activities			
Issuance of common shares on exercise of options and warrants	15	**5.5**	75.4
Redemption of senior secured notes		**-**	(197.6)
Proceeds from issuance of senior notes		**-**	800.0
Financing initiation costs		**(0.3)**	(17.9)
Interest paid		**(52.3)**	(20.0)
Cash (used) generated by financing activities		**(47.1)**	639.9
Effect of exchange rate changes on cash and cash equivalents		**(4.5)**	0.2
Change in cash and cash equivalents		**(273.4)**	378.4
Cash and cash equivalents, beginning of the year		**687.8**	309.4
Cash and cash equivalents, end of the year		**414.4**	687.8
Cash and cash equivalents are comprised of:			
Cash		**274.4**	277.5
Short-term money market instruments		**140.0**	410.3
		414.4	687.8

See accompaning notes to the condensed consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

New Gold Inc. ("New Gold" or 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 New Afton Mine in Canada, the Mesquite Mine in the United States ("U.S."), the Peak Mines in Australia and the Cerro San Pedro Mine in Mexico. Significant projects include the Rainy River development project in Canada, the Blackwater development project in Canada and a 30% interest in the El Morro copper-gold development project in Chile.

The Company is a corporation governed by the *Business Corporations Act* (British Columbia). The Company's shares are listed on the Toronto Stock Exchange and the New York Stock Exchange 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 27, 2014.

(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 consolidation
Subsidiaries
These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ("Subsidiaries"). Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary. 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 ("Associates"). Significant influence is normally 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 at December 31 2013	Interest at December 31 2012
New Gold Canada 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%
Rainy River Resources Ltd.	Mining	Consolidated	Canada	100%	0%
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 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 weighted 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 or other metal (silver) contained in ore on leach pads is to be recovered over a period exceeding 12 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 weighted 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 interests also include the investments in Associates whose assets primarily consist of mineral interest.

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 judgments 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 depleted 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 and Measured and Indicated Resources at a mine where appropriate.

Costs related to property acquisitions are capitalized until the viability of the mineral property is determined. When either external or internal triggering events 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 and depletion rates of major categories of asset costs
Mining assets are depleted using a unit-of-production method based on the estimated economically recoverable Reserves and where appropriate Resources, 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 – 17
Plant and machinery	3 – 17
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. The Company does not capitalize interest to investments in Associates.

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.

Stripping costs in surface mining
As part of its operations, the Company incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred as part of development stage mining activities incurred by the Company are deferred and capitalized as part of mining properties.

Stripping costs incurred during the production stage are incurred in order to produce inventory or to improve access to ore which will be mined in the future. Where the costs are incurred to produce inventory, the production stripping costs are accounted for as a cost of producing those inventories, in accordance with IAS 2 *Inventories ("IAS 2").* Where the costs are incurred to improve access to ore which will be mined in the future, the costs are deferred and capitalized to the balance sheet as a stripping activity asset (a non-current asset) if the following criteria are met: improved access to the ore body is probable, the component of the ore body can be accurately identified and the costs relating to the stripping activity associated with the component be reliably measured. If these criteria are not met the costs are expensed in the period in which they are incurred.

The stripping activity asset is subsequently depleted using the units-of-production depletion method over the life of the identified component of the ore body to which access has been approved as a result of the stripping activity.

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. Each operating mine and development project represents a separate CGU as each mine site or development project has the ability to or the potential to generate cash inflows that are separately identifiable and independent of each other. 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 dispose and value in use. In determining the recoverable amounts of the Company's mine sites, the Company uses the fair value less costs to dispose 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 dispose is estimated as the discounted future after-tax cash flows expected to be derived from a mine site, less an amount for costs to dispose estimated based on similar past transactions. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. 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.

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. Reversals of impairment losses are recognized in net earnings in the period the reversals occur.

(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 included in inventory or 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 statement of financial position 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 differences to the extent that it is probable that taxable earnings will be available against which those deductible temporary differences 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 income statement.

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 regard 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) (Loss) earnings per share

(Loss) 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. This 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 year.

(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, a Performance Share Unit (“PSU”) and stock option plan for employees as well as a Deferred Share Unit (“DSU”) plan for directors.

Cash-settled transactions: RSUs, PSUs 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, PSU and DSU liabilities are included in provisions on the consolidated statement of financial position, and changes in the fair value of the liabilities are recorded in the consolidated 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:

- Fair value through profit or loss (“FVTPL”) includes: financial assets held for trading; derivatives, unless accounted for as hedges, and other financial assets designated to this category under the fair value option;
- Held-to-maturity: non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity;
- Loans and receivables: non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; and
- Available-for-sale (“AFS”): includes all financial assets that are not classified in another category and any financial asset designated to this category on initial recognition.

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) are 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.

Changes in fair values of AFS assets are recognized in other comprehensive income, except when there is objective evidence that the asset is impaired, at which point the cumulative loss that had been previously recognized in other comprehensive income is recognized within net (loss) earnings. An AFS asset is deemed to be impaired when an adverse effect on future cash flows from the asset can be reliably estimated or, in the case of AFS securities, there is a significant or prolonged decline in the fair value of the investment below its cost.

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, DSU and PSU plans 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 value 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.

Hedge accounting

The Company has previously entered into arrangements for the sale of gold. The Company designated this derivative as a cash flow hedge. At the inception of a hedge relationship, the Company formally designated and documented the hedge relationship to which the Company wished 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 documented whether the hedging instrument was effective. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The Company settled its outstanding gold hedge position on May 15, 2013, and discontinued hedge accounting on that date.

Gains and losses for the effective portion of the hedging instruments were included in other comprehensive income. Gains and losses for any ineffective portion of hedging instruments were 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. Upon discontinuation of hedge accounting, any cumulative gain or loss on the hedging instrument recognized in equity remains deferred in equity until the original forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in net earnings.

Provisional pricing

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 recognized 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.

Copper swaps

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.

Share purchase warrants
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 impaired 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 Company has adopted the following new and revised IFRS along with any amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 7, Financial Instrument Disclosure (Amended)
IFRS 7, *Financial Instrument Disclosure (Amended) ("IFRS 7"),* requires disclosure about all recognized financial instruments that are offset in accordance with IAS 32 *Financial Instruments: Presentation ("IAS 32")*. The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The Company has reviewed the amendment and determined that no additional disclosures are currently required.

IFRS 10, Consolidated Financial Statements
IFRS 10, *Consolidated Financial Statements ("IFRS 10")*, replaces the guidance on control and consolidation in IAS 27, *Consolidated Separate Financial Statements,* and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses the power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its Subsidiaries and investees.

IFRS 11, Joint Arrangements
IFRS 11, *Joint Arrangements ("IFRS 11")*, supersedes IAS 31, *Interests in Joint Ventures,* and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, *Investments in Associates and Joint Ventures (amended in 2011).* The amendments did not affect the Company.

IFRS 12, *Disclosure of Interests in Other Entities*
IFRS 12, *Disclosure of Interests in Other Entities ("IFRS 12"),* combines 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. The adoption of IFRS 12 has resulted in additional disclosures in the notes to the financial statements.

IFRS 13, Fair Value Measurement
IFRS 13, *Fair Value Measurement ("IFRS 13")*, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 Amendment, Presentation of Items of Other Comprehensive Income ("IAS 1")
The Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19 Employee Benefits (Amended)
IAS 19, *Employee Benefits (Amended) ("IAS 19")* revised accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in net earnings. The standard also introduces a number of additional disclosures

for defined benefit liabilities/assets and affects the timing of the recognition of termination benefits. The adoption of the amendments had no material impact.

IFRIC 20, *Stripping Costs in the Production Phase of a Mine*

IFRIC 20, *Stripping Costs in the Production Phase of a Mine ("IFRIC 20"),* clarifies the accounting for the costs of stripping activity in the production phase of a mine when two benefits occur: (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 includes guidance on transition for pre-existing stripping assets. The adoption of IFRIC 20 did not require any adjustments to the existing accounting for stripping activities and did not result in any measurement adjustments as at January 1, 2013. The adoption supported the Company's current accounting policy.

3. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

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:

(a) Critical judgments 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.

(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.

(iii) Determination of economic viability

Management has determined that exploratory drilling, evaluation, development and related costs incurred on the Blackwater and Rainy River development projects 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, operating management expertise, existing permits, the expectation of receiving additional permits and life-of-mine ('LOM') plans.

(iv) Carrying value of long-lived 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 recoverable amount. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Indicators of impairment existed at the Cerro San Pedro CGU. At Cerro San Pedro the Company updated its Reserves and Resources statement, which has reduced the Resource estimate at the CGU, and updated the LOM plan, which revised the expected production profile going forward. Additionally a 7.5% tax-deductible mining duty was enacted in Mexico during the fourth quarter of 2013, which will affect the cash flows at the mine site. The Rainy River and Blackwater projects have also recently published their feasibility studies and, as is standard practice in the industry, the Company tested the projects for impairment. The results of the assessment, including the significant estimates and assumptions used, are set out in Note 11.

(v) Impairment of AFS securities
In assessing whether there is any objective evidence that suggests that equity securities are impaired, management considers factors which include the length of time and extent the fair value has been below cost, along with management's assessment of the financial condition, business and other risks of the issuer. Management weighs all these factors to determine the impairment but to the extent that management judgment may differ from the actual experience of the timing and amount of the recovery of the fair value, the estimate for impairment could change from period to period based upon future events that may or may not occur, the conclusion for the impairment of the equity securities may differ.

(vi) Determination of CGU
In determining a CGU, management had to examine the smallest identifiable group of assets that generates cash inflows that are largely independent of 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.

(vii) Determination of purchase price allocation
Business combinations require the Company to determine the identifiable asset and liability in fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities. This requires management to make judgments and estimates to determine the fair value, including the amount of Mineral Reserves and Resources acquired, future metal prices, future operating costs, capital expenditure requirements and discount rates. The Company employs third party independent valuators to assist in this process.

(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 and silver on the leach pad as gold and silver are recovered. Estimates of recoverable gold and silver 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 judgments 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 operations.

(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 LOM 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 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 represents 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.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

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"), however, no mandatory effective date has currently been defined . 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. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Levies imposed by governments

In May 2013, the IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of applying IFRIC 21 on its consolidated financial statements.

5. ACQUISITION OF RAINY RIVER RESOURCES

On July 24, 2013, the Company acquired 86.2% of the outstanding shares (the "first take-up") of Rainy River Resources Limited ("Rainy River"), thus obtaining control. On August 8, 2013, a further 11% of the outstanding shares was acquired and on October 15, 2013, the remaining 2.8% of the outstanding shares were acquired, resulting in the Company holding 100% of the outstanding shares of Rainy River. In addition, up to 50,000 common shares of the Company became issuable in connection with the potential exercise of a warrant issued by Rainy River. Total consideration of 25,873,898 common shares of the Company and $192.3 million cash was paid to Rainy River shareholders. The Company has determined that this transaction represents a business combination with New Gold identified as the acquirer. The Company began consolidation of the operating results, cash flows and net assets of Rainy River on July 24, 2013.

Rainy River was a public company that owned the development stage Rainy River gold project, hosting National Instrument 43-101 compliant gold Reserves and Resources. The Rainy River gold project is situated in Richardson Township, approximately sixty-five kilometres northwest of Fort Frances in Northwestern Ontario.

The tables below present the purchase cost and the Company's provisional allocation of the purchase price to the assets and liabilities acquired.

	Purchase cost
	$
Cash paid to Rainy River shareholders	**192.3**
Value of New Gold shares and issuable for Rainy River warrants issued	**188.2**
Total acquisition cost	**380.5**
Cash acquired with Rainy River	**79.7**
Net Consideration	**300.8**

	Summary of purchase price allocation
	$
Assets	
Current assets (including cash of $79.7)	**80.0**
Other assets	**0.1**
Property, plant and equipment	**1.3**
Rainy River project mining interest	**352.2**
Total assets	**433.6**
Liabilities	
Current liabilities	**17.4**
Deferred income tax liabilities	**35.9**
Total liabilities	**53.3**
Equity	
Contributed surplus	**(0.2)**
Net assets	**380.5**

The fair values disclosed are provisional due to the complexity of the acquisition. The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition date at the latest.

As described above, the Company purchased the remaining 2.8% of the outstanding shares in Rainy River in the fourth quarter of 2013. This purchase of non-controlling interest was accounted for as an equity transaction with the fair value of consideration of $9.7 million less the value of non-controlling interest of $9.5 million, allocated to contributed surplus. Non-controlling interest was determined using the proportionate method.

The Company used a discounted cash flow model to estimate the expected future cash flows of the mine. Expected future cash flows are based on estimates of future production and commodity prices, operating costs and forecast capital expenditures based on the life-of-mine plan as at the acquisition date.

From the date of acquisition, Rainy River has contributed a loss of $5.1 million to consolidated net earnings. If the acquisition had been completed on January 1, 2013, Rainy River would have contributed a loss of $7.6 million to consolidated net earnings for the year ended December 31, 2013.

Acquisition related costs incurred by the Company of $5.0 million have been expensed.

6. EXPENSES

(a) Operating expenses by nature

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

	$ 2013	$ 2012
Raw materials and consumables	**168.4**	145.9
Salaries and employee benefits	**120.7**	105.2
Redundancy charges	**2.4**	-
Repairs and maintenance	**30.1**	25.5
Contractors	**53.1**	35.2
Royalties	**13.8**	18.2
Change in inventories and work-in-progress	**(15.5)**	(34.0)
Inventory write-down (Note 9)	**6.5**	-
Operating leases	**23.5**	31.7
General and administrative	**30.3**	14.6
Other	**2.2**	2.0
	435.5	344.3

(b) Finance costs and income

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

	$ 2013	$ 2012
Finance costs		
Interest on senior unsecured notes	**53.7**	20.1
Interest on senior secured notes	**-**	7.0
Interest on convertible debentures	**-**	5.0
Other interest	**3.3**	2.1
Unwinding of the discount on decommisioning obligations	**1.5**	1.3
Other finance costs	**3.5**	4.7
	62.0	40.2
Less: amounts included in cost of qualifying assets	**(21.7)**	(23.8)
	40.3	16.4

	$ 2013	$ 2012
Finance income		
Interest income	**2.7**	1.4

(c) Other gains (losses)

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

		$ 2013	$ 2012
Impairment of AFS securities	i	**(3.0)**	-
Ineffectiveness of hedging instruments	ii	**9.5**	(2.9)
Realized and unrealized gains on non-hedged derivatives	iii	**49.3**	61.1
Loss on redemption of senior secured notes	iv	**-**	(31.8)
Gain (loss) on foreign exchange		**(25.7)**	(1.3)
Loss on disposal of assets		**(2.6)**	(3.3)
Other		**(1.5)**	(1.9)
		26.0	19.9

(i) Impairment of AFS securities

Investments include shares held in Independence Gold Corp, with an original cost of $3.4 million, which had a quoted market price of $0.4 million at December 31, 2013. As the Company considered this decline in fair value to be significant, the investments are deemed to be impaired and, as a result, an

impairment loss of $3.0 million was recorded in net earnings with an equal and offsetting increase to other comprehensive income, representing the reversal of unrealized losses associated with the impaired securities.

(ii) Ineffectiveness of hedging instruments
On May 15, 2013 the Company settled its outstanding gold hedge contracts, paying $65.7 million to fully close all hedges dated to December 31, 2014 (as described in Note 14(a)). At the settlement date the hedge was deemed to be fully effective and the Company reclassified the cumulative ineffective portion of the hedge from other comprehensive income to net earnings. The Company reclassified $10.0 million upon settlement to net earnings and recognized a loss on the ineffective portion of $0.5 million during the year.

(iii) Realized and unrealized gain (loss) on non-hedged derivatives
Realized and unrealized gains and (losses) on non-hedged derivatives for the years ended December 31 are as follows:

	$ 2013	$ 2012
Unrealized and realized gains (losses) on share purchase warrants	**49.3**	58.6
Unrealized losses on embedded derivative in senior secured notes	**-**	(3.7)
Unrealized losses on equity conversion option on debentures	**-**	6.2
	49.3	61.1

Share purchase warrants
The Company has outstanding share purchase warrants ("Warrants"), as at December 31, 2013. The Warrants have an exercise price denominated in a currency other than the Company's functional currency and therefore are classified as a non-hedged 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. Gains or losses are recognized in net earnings.

At December 31, 2013 the fair value of the derivative liability was $27.8 million (2012 - $80.3 million). The change in fair value resulted in a gain of $49.3 million and a foreign exchange gain of $3.2 million on the revaluation of the Warrants for the year ended December 31, 2013. For the year ended December 31, 2012, the Company's Series B warrants expired and of the 73,812,000 Series C warrants that came due, 73,745,000 were exercised and 67,000 expired un-exercised. Based on the re-measurement of the liability to the date of expiry or exercise, the Company realized a gain of $46.6 million in net earnings.

The following table presents the realized and unrealized gains for the years ended December 31:

	$ 2013	$ 2012
New Gold Series C	**-**	43.3
New Gold Series B	**-**	3.3
Silver Quest Warrants - B	**0.1**	-
Silver Quest Warrants - C	**-**	-
Silver Quest Warrants - D	**-**	-
	0.1	46.6
New Gold Series A	**49.3**	11.0
Silver Quest Warrants - B	**-**	0.3
Silver Quest Warrants - C	**-**	0.4
Silver Quest Warrants - D	**-**	0.3
Rainy River Warrants	**(0.1)**	-
	49.2	12.0
	49.3	58.6

Embedded derivative in Senior Secured Notes
The Company had Senior Secured Notes ("Notes") with a face value of C$187.0 million which were redeemed on May 7, 2012. The Company had the right to redeem the Notes, in whole or in part, at any time prior to June 27, 2017, the maturity date, at a price ranging from 120% to 100% (decreasing based on the length of time the Notes were outstanding) of the principle amount of the Notes to be redeemed. As at May 7, 2012 the redemption price of the Notes was 105% of the principle amount. The early redemption feature in the Notes qualified as an embedded derivative and was bifurcated for reporting purposes. The embedded derivative was measured at fair value on initial recognition, and subsequently re-measured at fair value at the end of each reporting period. Gains or losses were recognized in net earnings. This resulted in a fair value loss of $3.7 for the year ended December 31, 2012.

Equity conversion option on Convertible Debentures
The Company had subordinate convertible debentures ("Debentures") with a face value of C$55.0 million, which were redeemed on November 20, 2012. The Company had the right to give notice of the intended early redemption if 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. This occurred on October 11, 2012.

The Debentures were classified as compound financial instruments for reporting purposes due to 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. Gains or losses were recognized in net earnings. This resulted in a loss of $6.2 million for the year ended December 31, 2012.

(iv) Loss on redemption of Senior Secured Notes
The Company redeemed the Notes in whole on May 7, 2012 (the "Redemption date"). The Notes had a face value of $188.2 million with a fair value of $181.2 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 a premium of $9.4 million in addition to the face value, and recognized $7.0 million of accelerated accretion on the Notes.

7. TRADE AND OTHER RECEIVABLES

	Years ended December 31	
	$	$
	2013	2012
Trade receivables	**10.0**	12.2
Sales tax receivable	**9.9**	33.9
Unsettled provisionally priced and copper swap contracts	**(1.2)**	(2.0)
Other	**0.6**	2.8
	19.3	46.9

8. TRADE AND OTHER PAYABLES

	Years ended December 31	
	$	$
	2013	2012
Trade payables	**30.5**	34.3
Interest payable	**8.4**	8.4
Accruals	**49.7**	74.7
Current portion of decommissioning obligations (Note 17)	**1.6**	3.3
	90.2	120.7

9. INVENTORIES

	Years ended December 31	
	$	$
	2013	2012
Heap leach ore	**146.2**	129.5
Work-in-process	**8.9**	18.1
Finished goods	**14.5**	13.9
Stockpile ore	**2.5**	0.3
Supplies	**40.9**	33.9
	213.0	195.7
Less: non-current inventories	**(31.0)**	(32.4)
	182.0	163.3

The amount of inventories recognized in operating expenses for the year ended December 31, 2013 was $421.7 million (2012 – $326.1 million). At Cerro San Pedro, during its annual update of its LOM plan, the Company estimated that the long-term recoverable silver ounces on the pad at Cerro San Pedro had reduced by 1.4 million ounces. As a result, the Company wrote-down the silver inventory and recorded a charge of $7.3 million in net earnings. The write-down consisted of $6.5 million included in operating expenses and $0.8 million included in depreciation and depletion.

Heap leach inventories of $31.0 million (2012 – $32.4 million) are expected to be recovered after one year.

10. MINING INTERESTS

	$	$	$	$	$	$
	Depletable	Non depletable	Plant & equipment	Construction in progress	Exploration & evaluation	**Total**
Cost						
As at December 31, 2011	674.1	1,722.1	554.9	31.0	9.7	2,991.8
Additions	23.4	326.8	114.9	135.5	-	600.6
Disposals	(0.1)	-	(15.8)	-	-	(15.9)
Transfers	791.7	(742.8)	35.9	(111.8)	-	(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	1,499.7	1,299.0	693.2	54.7	9.7	3,556.3
Additions	66.6	113.9	31.3	120.4	-	332.2
Acquisition of Rainy River (Note 5)	-	352.2	1.3	-	-	353.5
Disposals	-	-	(9.3)	-	-	(9.3)
Impairments (Note 11)	(338.1)	(70.7)	(6.3)			(415.1)
Government grant received	-	(5.7)	-	-	-	(5.7)
Transfers	121.9	(26.9)	54.4	(149.4)	-	-
As at December 31, 2013	**1,350.1**	**1,661.8**	**764.6**	**25.7**	**9.7**	**3,811.9**
Accumulated depreciation						
As at December 31, 2011	176.5	-	120.0	-	-	296.5
Depreciation for the period	78.1	-	58.8	-	-	136.9
Disposals	-	-	(12.5)	-	-	(12.5)
Foreign exchange translation	-	-	0.5	-	-	0.5
As at December 31, 2012	254.6	-	166.8	-	**-**	421.4
Depreciation for the period	134.2	-	68.7	-	-	202.9
Disposals	-	-	(6.3)	-	-	(6.3)
Impairments (Note 11)	(139.8)	-	(2.8)	-	-	(142.6)
As at December 31, 2013	**249.0**	**-**	**226.4**	**-**	**-**	**475.4**
Carrying amount						
As at December 31, 2012	1,245.1	1,299.0	526.4	54.7	9.7	3,134.9
As at December 31, 2013	**1,101.1**	**1,661.8**	**538.2**	**25.7**	**9.7**	**3,336.5**

The Company capitalized interest of $21.7 million for the year ended December 31, 2013 (2012 – $23.8 million) to qualifying development projects. The Company's annualized capitalization rate is 6.53% (2012 – 6.53%).

Government grant received

The province of British Columbia provides an incentive for exploration in British Columbia as a refundable tax credit. The credit is based on 20% of qualifying exploration plus 10% additional credit if the exploration is carried out in a pine beetle area. This refundable tax credit is treated as government assistance and therefore reduces the mineral property asset when received. For the year ended December 31, 2013, the Company received $5.7 million (2012 - $nil).

Peak Mines specific asset impairment

At December 31, 2013 a net impairment charge of $6.4 million (2012 - $nil) was recognized at Peak Mines as a result of the closure of the New Occidental area of the mine due to the increased costs of mine infrastructure required.

A summary of carrying amount by property as at December 31, 2013 is as follows:

	$ Depletable	$ Non depletable	$ Plant & equipment	$ Construction in Progress	$ **Total**
New Afton Mine	783.1	-	300.3	3.7	**1,087.1**
Mesquite Mine	166.3	26.2	86.3	1.1	**279.9**
Peak Mines	121.4	27.4	84.5	17.0	**250.3**
Cerro San Pedro Mine	30.3	-	9.6	3.9	**43.8**
Rainy River project	-	377.0	1.2	-	**378.2**
Blackwater project	-	798.1	47.8	-	**845.9**
El Morro project	-	433.1	-	-	**433.1**
Other	-	9.7	8.5	-	**18.2**
	1,101.1	**1,671.5**	**538.2**	**25.7**	**3,336.5**

1. Other includes corporate balances and exploration properties.

A summary of carrying amount by property as at December 31, 2012 is as follows:

	$ Depletable	$ Non depletable	$ Plant & equipment	$ Construction in Progress	$ **Total**
New Afton Mine	753.4	-	302.9	9.6	1,065.9
Mesquite Mine	169.9	30.6	91.1	1.1	292.7
Peak Mines	103.4	49.0	87.6	10.2	250.2
Cerro San Pedro Mine	218.4	70.7	11.1	9.6	309.8
Blackwater project	-	725.5	23.5	24.2	773.2
El Morro project	-	423.2	-	-	423.2
Other	-	9.7	10.2	-	19.9
	1,245.1	1,308.7	526.4	54.7	3,134.9

1. Other includes corporate balances and exploration properties.

11. IMPAIRMENT

In accordance with the Company's accounting policies, the recoverable amount of a CGU is estimated when an indication of impairment exists. Indicators of impairment existed at the Cerro San Pedro CGU. At Cerro San Pedro the Company updated its Reserves and Resources statement, which has reduced the Resource estimate at the CGU, and updated the LOM plan, which revised the expected production profile going forward. Additionally, a 7.5% tax-deductible mining duty was enacted in Mexico during the fourth quarter of 2013, which will affect the cash flows at the mine site. The Rainy River and Blackwater projects have also recently published their feasibility studies and, as is standard practice in the industry, the Company tested the projects for impairment.

Prior to reviewing for indicators of impairment at CGU level, the Company reviewed the recoverability of certain specific assets which resulted in certain infrastructure costs at Peak Mines being written off. See discussion in Note 10: Mining Interests.

For the year ended December 31, 2013 the Company recorded after-tax impairment charges of $206.3 million within income from operations (2012 - $nil), as noted below:

	$	$	$
	Cerro San Pedro	Peak Mines	Total
Within income from operations:			
Cerro San Pedro plant & equipment	3.5	-	3.5
Cerro San Pedro depletable mining interest	191.9	-	191.9
Cerro San Pedro non-depletable mining interest	70.7	-	70.7
Peak Mines depletable mining interest (Note 10)	-	6.4	6.4
Total before tax	**266.1**	**6.4**	**272.5**
Tax recovery	**(64.2)**	**(2.0)**	**(66.2)**
Total after tax	**201.9**	**4.4**	**206.3**

(i) Methodology and key assumptions

Impairment is recognized when the carrying amount of a CGU exceeds its recoverable amount. 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. Each operating mine and development project represents a separate CGU as each mine site or project has the ability to, or the potential to, generate cash inflows that are separately identifiable and independent of each other. The Company has the following CGUs: New Afton, Mesquite, Peak Mines, Cerro San Pedro, Rainy River project, Blackwater project and El Morro project. Other assets consist of corporate assets and exploration properties.

As outlined in the accounting policies, the Company uses the fair value less cost of disposal to determine recoverable amount as it believes that this will generally result in a value greater than or equal to the value in use. When there is no binding sales agreement, fair value less costs of disposal 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. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. Key estimates and judgments used in the fair value less cost of disposal calculation are estimates of production levels, operating costs and capital expenditures reflected in the Company's LOM plans, the value of in situ ounces, exploration potential and land holdings, as well as economic factors beyond management's control, such as gold, silver and copper prices, discount rates and foreign exchange rates. The Company considers this approach to be consistent with the valuation approach taken by market participants.

LOM plans

Estimated cash flows are based on LOM plans which estimate expected future production, commodity prices, exchange assumptions, operating costs and capital costs. LOM plans' mine lives range from 2 to 17 years with an average mine life of 10 years. LOM plans use Proven and Probable Reserves only and do not utilize the non-Reserve component of Mineral Resource for a CGU. When options exist for the future extraction and processing of these Resources, an estimate of the value of the unmined Resources (also referred to as in-situ ounces), along with an estimate of value of exploration potential is included in the determination of fair value.

In-situ ounces and exploration potential

In-situ ounces are excluded from the LOM plans due to the need to continually reassess the economic returns on and timing of specific production options in the current economic environment. The value of in-situ ounces has been estimated with reference to recent arm's length purchases of pre-production mining companies with comparable mineral interests. Estimated exploration potential has been determined by the Company based on industry standard multiples.

Land Holdings

Land value has been estimated on a per hectare basis with reference to recent comparable land purchases.

Discount rates

When discounting estimated future cash flows, the Company uses a real after-tax discount rate that would approximate what market participants would assign. This discount rate is calculated using the Capital Assets Pricing Model ("CAPM") with an additional premium applied as needed to reflect development or jurisdictional risk. The CAPM model includes market participant's estimates for equity risk premium, cost of debt, target debt tc equity, risk free rates and inflation. For the December 31, 2013 impairment analysis, real discount rates of between 5.10% and 6.10% were used with an average rate of 5.80%.

Commodity prices and exchange rates
Commodity prices and exchange rates are estimated with reference to external market forecasts. The rates applied have been estimated using consensus commodity prices and exchange rate forecasts. For the December 31, 2013 impairment analysis the following commodity prices and exchange rate assumptions were used:

	$	$
	2014 - 2018 Average	Long term
Gold (per ounce)	**1,350**	**1,300**
Silver (per ounce)	**22.50**	**22.00**
Copper (per pound)	**3.16**	**3.00**
Exchange rates:		
CAD:USD	**0.92**	**0.91**
AUD:USD	**0.87**	**0.88**
MSX:USD	**12.33**	**12.62**

Significant judgments and assumptions are required in making estimates of fair value. It should be noted that the CGU valuations are subject to variability in key assumptions including, but not limited to, long-term gold prices, currency exchange rates, discount rates, production, operating and capital costs. An adverse change in one or more of the assumptions used to estimate fair value could result in a reduction in a CGU's fair value.

(ii) Impact of impairment tests
As noted above, at December 31, 2013 it was determined that there were potential indicators of impairment for the Cerro San Pedro CGU. Additionally, the Rainy River and Blackwater projects recently published their feasibility studies and, as is standard practice in the industry, the Company tested the projects for impairment. The Company calculated the recoverable amount of Cerro San Pedro, the Rainy River project and the Blackwater project CGUs using the fair value less cost of disposal method as noted above. For the year ended December 31, 2013 the Company recorded impairment charges of $266.1 million ($201.9 million, net of tax) within income from operations (2012 - $nil) related to CGU level impairments, as noted above.

The fair value of the Cerro San Pedro CGU has been significantly impacted by the reduction in its Resource base. The carrying amount that has been impaired is primarily related to bringing down the value ascribed to Cerro San Pedro's Mineral Reserves and Resources as part of the purchase accounting at the time of the Company's three-way merger in 2008. The recoverable amount of the Rainy River and Blackwater projects exceeded their carrying value and accordingly no impairment charges were recorded for these CGUs at the CGU level.

(iii) Sensitivity analysis
After effecting the impairments for Cerro San Pedro, the fair value of this CGU is assessed as being equal to its carrying amount as at December 31, 2013. Any variation in the key assumptions used to determine fair value would result in a change of the assessed fair value. If the variation in assumption had a negative impact on fair value, it could indicate a requirement for additional impairment to the CGU. It is estimated that changes in the key assumptions would have the following approximate impact on the fair value of Cerro San Pedro at December 31, 2013:

	$
$100 per ounce change in gold price	**15.8**
0.5% change in discount rate	**1.0**
5% change in exchange rate	**7.3**
5% change in operating costs	**12.3**

The fair value of the Blackwater project CGU exceeds its carrying value by approximately 10%. Therefore a significant decrease in the gold price used in the calculation, an increase in capital costs or an adverse change in any of the other assumptions used to calculate fair value less cost of disposal may result in the estimated recoverable amount to be less than the carrying value of the project.

12. INVESTMENT IN ASSOCIATE

The Company holds a 30% interest in Sociedad Contractual Minera El Morro ("El Morro"), which holds the El Morro project, 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, as outlined in Note 13 (c).

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 Company adjusts El Morro's financial results to give effect to uniform accounting policies. The amount recorded in net earnings for the year ended December 31, 2013 related to the El Morro project is $nil (2012 – $nil). The Company does not capitalize general borrowing interest to the project as it is accounted for as an equity investment. The Company includes the carrying amount of El Morro within mineral interests.

El Morro is a private entity that is not listed on any public exchange. The following table illustrates the summarized financial information for the Company's investment in El Morro:

	$	$
	2013	2012
Current assets	**1.2**	1.6
Non-current assets	**271.5**	247.4
Current liabilities	**(14.7)**	(22.0)
Equity	**258.0**	227.0
Portion of the Company's ownership	**30%**	30%
The Company's share of net assets in Associate	**77.4**	68.1
Initial purchase price allocation and other consolidation entries	**355.7**	355.1
Carrying amount of the investment	**433.1**	423.2

13. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

		$	$
		2013	2012
Senior unsecured notes - due April 15, 2020	a	**293.3**	292.5
Senior unsecured notes - due November 15, 2022	b	**490.8**	490.1
El Morro project funding loan	c	**78.4**	65.2
Revolving credit facility	d	**-**	-
		862.5	847.8

(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, 2013 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 instalments on April 15 and October 15 in each year.

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 method.

The 2020 Unsecured Notes are redeemable by the company in whole or in part:

- At any time prior to April 15, 2016 at a redemption price of 100% of the aggregate principal amount of the notes, plus a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date.

- During the 12 month period beginning on April 15 of the years indicated at the redemptions prices below, expressed as a percentage of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date.

2016	103.50%
2017	101.75%
2018 and thereafter	100.00%

(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 instalments 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 method.

The 2022 Unsecured Notes are redeemable by the company in whole or in part:

- At any time prior to November 15, 2017 at a redemption price of 100% of the aggregate principal amount of the notes, plus a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date.

- During the 12 month period beginning on November 15 of the years indicated at the redemptions prices below, expressed as a percentage of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date.

2017	103.13%
2018	102.08%
2019	101.04%
2020 and thereafter	100.00%

(c) El Morro project funding loan

As noted above the Company owns a 30% interest in the El Morro project with Goldcorp Inc. ("Goldcorp") holding the remaining 70% interest in the project.

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, 2013, the outstanding loan balance was $78.4 million including accrued interest (2012 - $65.2 million). For the year ended December 31, 2013, non-cash investing activities were $9.9 million (2012 – $33.0 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, limiting recourse to the Company's investment in El Morro.

(d) Revolving credit facility

On February 28, 2013, the Company extended its $150.0 million revolving credit facility (the "Facility") for an additional 12 months to December 14, 2014. At the same time, certain terms of the Facility were amended, resulting in a reduction in pricing and increased flexibility with regard to shareholder distributions and the security underpinning the Facility. In addition, net debt, rather than total debt, will be used to calculate leverage for the purpose of covenant tests and pricing levels. The commitments from each member of the bank group remain the same and all other major aspects of the Facility remain unchanged.

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 at December 31:

	Financial covenant	**2013**	2012
Minimum tangible net worth ($1.38 billion + 25% of positive quarterly net income)	>$1.51 billion	**$3.1 billion**	$3.05 billion
Minimum interest coverage ratio (EBITDA to interest)	>4.0:1.0	**5.7 : 1**	13.2 : 1
Maximum leverage ratio (net debt to EBITDA)[1]	<3.0:1.0	**1.3 : 1**	2.0 : 1

1. The comparative covenant test presented as at December 31, 2012 was not recalculated using net debt to EBITDA. It was calculated using total debt which was the covenant test at the time.

The interest margin on drawings under the Facility ranges from 1.25% to 3.50% 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 from 0.56% to 0.88%, depending on the Company's net debt to EBITDA ratio. Based on the Company's net debt to EBITDA ratio, the rate is 0.63% as at December 31, 2013.

As at December 31, 2013, the Company has not drawn any funds under the Facility; however the Facility has been used to issue letters of credit of $18.8 million relating to environmental and reclamation requirements at Cerro San Pedro, A$10.3 million for Peak Mines' reclamation bond for the State of New South Wales, C$9.5 million for New Afton's reclamation requirements, C$3.2 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$2.4 million for Blackwater's reclamation requirements, and $0.9 million relating to worker's compensation security at Mesquite. The annual fees are 1.60% of the value of the outstanding letters of credit which totalled $43.1 million as at December 31, 2013.

14. DERIVATIVE INSTRUMENTS

The following tables summarize derivative liabilities designated as hedging instruments:

	$ 2013	$ 2012
Gold contracts	**-**	110.5
Less: current derivative liabilities	**-**	(56.4)
Non-current derivative liabilities	**-**	54.1

On May 15, 2013, the Company eliminated its legacy gold hedges that were associated with the 2008 project financing put in place to develop the Mesquite Mine. Hedge accounting with respect to these contracts was discontinued on May 15, 2013. Realized gains (losses) on derivatives in a qualifying hedge relationship (prior to discontinuance of hedge accounting) are classified as revenue for gold hedging contracts. Refer to Note 14 (a) for further analysis.

Realized and unrealized non-hedged derivative gains (losses) on the provisional pricing of concentrate sales are classified as revenue. The following table summarizes these realized and unrealized gains (losses) for the years ended December 31:

	$ Gold	$ Copper	$ 2013 Total	$ Gold	$ Copper	$ 2012 Total
Realized	**(7.4)**	**(8.6)**	**(16.0)**	(0.3)	0.1	(0.2)
Unrealized	**(1.5)**	**2.8**	**1.3**	(1.0)	(0.3)	(1.3)
	(8.9)	**(5.8)**	**(14.7)**	(1.3)	(0.2)	(1.5)

The Company enters into a copper swap to reduce exposure to copper prices. Realized and unrealized gains (losses) are recorded as revenue. The following table summarizes these realized and unrealized gains (losses) for the years ended December 31:

	$ 2013	$ 2012
Realized	**4.3**	(0.2)
Unrealized	**(2.5)**	(0.7)
	1.8	(0.9)

As at December 31, 2013, the notional amount of copper underlying the swaps outstanding was 10,685 tonnes with settlement periods ranging from January 2014 to June 2014.

Realized and unrealized gains (losses) on non-hedged derivatives not related to concentrate sales are recorded in other gains and losses. The following table summarizes realized and unrealized non-hedged derivative gains (losses) for the years ended December 31:

	$ 2013	$ 2012
Share purchase warrants	**49.3**	58.6
Prepayment option on senior secured notes	**-**	(3.7)
Conversion option on convertible debentures	**-**	6.2
	49.3	61.1

The following table summarizes derivative gains (losses) in other comprehensive income for the years ended December 31:

	$ 2013	$ 2012
Effective portion of change in fair value of hedging instruments		
Gold hedging contracts - unrealized	**18.1**	(23.8)
Gold hedging contracts - realized	**32.5**	47.9
Deferred income tax	**(20.7)**	(9.9)
	29.9	14.2

(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 settled these contracts, at the Company's option, by physical delivery of gold or on a net financial settlement basis. On May 15, 2013, the Company settled its outstanding hedge position, paying $65.7 million to fully close all hedges dated to December 2014.

On July 1, 2009, the Company's gold hedging contracts were designated as cash flow hedges. Prospective and retrospective hedge effectiveness was 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 was recorded in other comprehensive income until the forecasted gold sale impacts earnings. Where applicable, the fair value of the derivative had been adjusted to account for the Company's credit risk.

Prior to the discontinuance of hedge accounting, 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.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The Company discontinued hedge accounting on May 15, 2013, as the hedge was settled. At that date, any cumulative gain or loss on the hedging instrument recognized in equity remains deferred in equity until the original forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in net earnings.

Of the $65.7 million liability at May 15, 2013, $19.4 million had been recorded in net earnings in advance of electing hedge accounting in 2009. At the date of close, the hedge was determined to be fully effective and as a result the previously ineffective portion of the hedge was reversed resulting in a gain of $9.5 million (2012 – unrealized derivative loss of $2.9 million) recorded in other gains and losses for the year ended December 31, 2013.

At the closing date of the hedge, on May 15, 2013, the Company had unrecognized losses related to the gold hedging contracts of $46.3 million, which remained deferred in other reserves and is released to net earnings in the same period in which the original designated underlying forecast sales occur. For the year ended December 31, 2013 the Company transferred $18.7 million of these losses to net earnings (2012 - $nil).

The fixed impact on net earnings in future years of the close out of the gold hedging contract will be a reclassification of the unrecognized losses to net earnings of $27.6 million during 2014.

(b) Share purchase Warrants

The following table summarizes information about the outstanding Warrants.

Warrant Series	Number of warrants (000s)	Common shares issuable (000s)	Exercise price C$	Expiry date
At December 31, 2013				
New Gold Series A	27,850	27,850	15.00	June 28, 2017
Rainy River Warrants	50	50	20.00	February 2, 2017
	27,900	27,900		
At December 31, 2012				
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 at 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.

As part of the Rainy River acquisition (refer to Note 5 for additional detail), warrants issued by Rainy River to acquire up to 100,000 Rainy River shares became warrants to acquire up to 50,000 New Gold Warrants common shares an exercise price of C$20 per share and expiring on February 2, 2017. These Warrants are classified as a non-hedged derivative liability recorded as a FVTPL liability based on the currency of the Warrants.

During the year ended December 31, 2013 all the Warrants acquired during the Silver Quest Resources Ltd. asset acquisition on November 23, 2011 were exercised or expired. Of the outstanding Warrants acquired during the asset acquisition, 39,000 were exercised and 357,000 expired unexercised.

(c) Non-current non-hedged derivative asset and liabilities classified as FVTPL assets and liabilities

The following table summarizes FVTPL assets and liabilities at December 31:

	$	$
	2013	2012
Share purchase warrants	**27.8**	80.3

15. SHARE CAPITAL

At December 31, 2013, the Company had unlimited authorized common shares and 503.4 million common shares outstanding.

(a) No par value common shares issued

		Number of shares	
		(000s)	$
Balance - December 31, 2011		461,358	2,464.0
Exercise of options		1,339	11.6
Exercise of warrants		7,434	75.5
Conversion of debentures		5,872	67.3
Balance - December 31, 2012		476,003	2,618.4
Exercise of options	**i**	**1,521**	**8.5**
Exercise of warrants	**ii**	**39**	**0.2**
Acquisition of Rainy River	**iii**	**25,874**	**188.2**
Balance - December 31, 2013		**503,437**	**2,815.3**

(i) Exercise of options
For the year ended December 31, 2013, the Company issued 1.5 million common shares pursuant to the exercise of stock options (2012 – 1.3 million). The Company received proceeds of $5.0 million (2012 - $7.9 million) from these exercises and transferred $3.5 million (2012 - $3.7 million) from contributed surplus.

(ii) Exercise of warrants
For the year ended December 31, 2013, the Company issued 39,000 common shares pursuant to the exercise of warrants related to the warrants acquired during the Silver Quest Resources Ltd. asset acquisition (2012 – 60,000). The Company received proceeds of $0.5 million (2012 - $0.6 million) from these exercises. 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 contributed surplus.

(iii) Acquisition of Rainy River
On July 24, 2013, the Company issued 22.4 million common shares to effect the acquisition of Rainy River, as described in Note 5. The shares were issued at the closing share price of the Company on July 24, 2013, the transaction completion date, of C$7.58 for consideration of $164.2 million. On August 8, 2013, the Company acquired an additional 11% interest through a second take-up of shares. The Company issued 2.8 million common shares at the closing price of the Company on August 8, 2013 of C$7.17 for consideration of $19.7 million. On October 15, 2013 the Company issued 0.7 million shares at the closing price of the Company on October 15, 2013 of C$6.05 for consideration of $4.3 million.

(b) Share-based payment expenses
The following table summarizes share-based payment expenses for the years ended December 31:

		$	$
		2013	2012
Stock option expense	i	**8.1**	8.5
Performance share unit expense	ii	**0.8**	-
Restricted share unit expense	iii	**(0.3)**	1.9
Deferred share award unit expense	iv	**(0.1)**	0.5
		8.5	10.9

(i) Stock options
Under the Company's Stock Option Plan (the "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 certain options granted under the

Plan is the five-day volume weighted average share price preceding the grant date. Other options have the exercise price equal to the share price on the date of issuance. Options granted under the Plan expire no later than the fifth or seventh anniversary of the date the options were granted and vesting provisions for issued options are determined at the discretion of the Board. Options granted under the Plan are settled for equity. The Company has incorporated an estimated forfeiture rate for stock options that will not vest.

The following table presents the changes in the Plan:

	Number of option	Weighted avg. exercise price
	(000s)	C$
Balance - December 31, 2011	10,280	4.83
Granted	2,160	11.46
Exercised	(1,339)	5.92
Forfeited	(56)	6.62
Expired	(106)	7.98
Balance - December 31, 2012	10,939	5.96
Granted	**1,689**	**9.46**
Exercised	**(1,521)**	**3.40**
Forfeited	**(198)**	**10.41**
Expired	**(595)**	**7.89**
Balance - December 31, 2013	**10,314**	**6.72**

For the year ended December 31, 2013 the Company granted 1.7 million stock options (2012 – 2.2 million). The weighted average fair value of the stock options granted during the year ended December 31, 2013 was C$4.40 (2012 – C$5.07). Options were priced using a Black-Scholes option-pricing model. Expected 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:

	2013	2012
Grant price	**C$10.01**	C$11.61
Expected dividend yield	**0.0%**	0.0%
Expected volatility	**60.0%**	60.0%
Risk-free interest rate	**0.61%**	0.70%
Expected life of options	**3.7 years**	3.7 years

At December 31, 2013 the Company had 6.8 million stock options that were exercisable with a weighted average exercise price of C$5.05 (2012 – 7.2 million with a weighted average exercise price of C$4.10). For the year ended December 31, 2013, the weighted average share price on the date of exercise was C$8.31 (2012 – C$10.46). 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, 2013.

	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 exercisable (000s)	Weighted avg exercise price C$
0.74 - 0.99	1.5	150.0	0.80	1.5	150.0	0.80
1.00 - 1.99	-	-	-	-	-	-
2.00 - 2.99	2.1	638.4	2.64	2.1	638.4	2.64
3.00 - 3.99	2.2	2,930.0	3.22	2.2	2,930.0	3.22
4.00 - 4.99	2.9	1,058.0	4.39	2.9	1,058.0	4.39
5.00 - 5.99	1.9	216.3	5.88	1.9	216.3	5.88
6.00 - 6.99	4.5	100.0	6.46	-	-	-
7.00 - 7.99	4.1	1,543.8	7.65	4.0	880.3	7.67
8.00 - 8.99	3.6	273.0	8.70	3.8	191.0	8.78
9.00 - 9.99	2.4	93.5	9.59	2.4	62.3	9.59
10.00 - 10.99	4.0	1,638.1	10.08	3.7	126.8	10.35
11.00 - 11.99	3.1	1,597.3	11.87	3.1	542.0	11.87
12.00 - 12.22	2.9	75.0	12.22	2.9	50.0	12.22
	3.0	**10,313.4**	**6.72**	**2.6**	**6,845.1**	**5.05**

(ii) Performance share units

In 2013, the Company amended its long term incentive plan to provide for the award of performance share units ("PSUs") to employees and officers of the Company. A PSU represents the right to receive the cash equivalent of a common share at the time of vesting (based on the volume weighted average trading price of the Company's common shares on the TSX for the five trading days prior to the vesting date). PSUs issued vest at the end of three years. The number of units which will vest is determined based on the Company's total return performance relative to the S&P/TSX Global Gold Index Total Return Index Value during the applicable periods. Each of the three years where the PSU is outstanding will be weighted 25% each, and the three year annualized period will be weighted 25% as well. The number of units that vest is determined by multiplying the number of units granted to the participant by the return performance adjustment factor, which ranges from 0.5 to 1.5. Therefore, the number of units that will vest and are paid out may be higher or lower than the number of units originally granted to a participant. Subject to TSX and shareholder approvals, which the Company intends to seek at its 2014 Annual General and Special meeting, on a PSU maturity date, a PSU participant may, at the discretion of the Board, be issued the equivalent number of common shares of New Gold as the number of PSUs that vested on the maturity date in lieu of a cash payment.

The Company issued 0.6 million PSUs for the year ended December 31, 2013 (2012 – $nil). As the Company is currently required to settle this award in cash, it will record an accrued liability and a corresponding compensation expense. The PSU awards are financial instruments that will be fair valued at each reporting date based on the Company's share price performance and the S&P/TSX Global Gold Index. For the year ended December 31, 2013 the Company recorded $0.8 million as compensation expense (2012 - $nil). As at December 31, 2013 the liability was $0.8 million (2012 - $nil).

(iii) Restricted share units

In 2009, the Company established a long term incentive plan which provided for share unit awards. Each share award unit allows the recipient, subject to certain plan restrictions, to receive cash on the vesting date equal to the volume weighted average trading price of the Company's common shares on the TSX for the five trading days prior to the vesting date. Share units vest in three equal annual installments commencing no later than 12 months from the end of the year for which the performance is being rewarded. 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, 2013.

	Number of units (000s)
Balance - December 31, 2011	1,028
Granted	437
Settled	(692)
Forfeited	(163)
Balance - December 31, 2012	610
Granted	**575**
Settled	**(606)**
Forfeited	**(82)**
Balance - December 31, 2013	**497**

The Company issued 0.6 million share award units for the year ended December 31, 2013 (2012 – 0.4 million). At December 31, 2013, there were 0.5 million non-vested share awards outstanding (2012 – 0.6 million). Including the fair value adjustment for the share award units previously issued, the Company recorded a recovery of $0.3 million as compensation expense for the year ended December 31, 2013 (2012 – an expense of $1.2 million). It is expected that the liability will be included in the determination of net earnings over the next 1.7 years (2012 – 1.7 years).

(iv) 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 Company's common shares on the TSX for the five consecutive trading 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, 2013.

	Number of units (000s)
Balance - December 31, 2011	47
Granted	45
Exercised	(13)
Balance - December 31, 2012	79
Granted	**68**
Exercised	**-**
Balance - December 31, 2013	**147**

The Company issued 68,000 DSUs for the year ended December 31, 2013 (2012 – 45,000). As the Company is currently required to settle this award in cash, it will record an accrued liability and a corresponding compensation expense. The DSU awards are financial instruments that will be fair valued at each reporting date based on the performance measurement criteria. For the year ended December 31, 2013 the Company recorded a recovery of $0.1 million as compensation expense (2012 - $0.5 million). As at December 31, 2013 the liability was $0.7 million (December 31, 2012 - $0.7 million).

(c) (Loss) earnings per share

The following table sets out the computation of diluted earnings per share for the year ended December 31:

	$ 2013	$ 2012
Net (loss) earnings	**(191.2)**	199.0
Basic weighted average number of shares outstanding *(in millions)*	**488.0**	463.4
Dilution of securities		
Stock options	**-**	5.0
Diluted weighted average number of shares outstanding	**488.0**	468.4
Net (loss) earnings per share		
Basic	**(0.39)**	0.43
Diluted	**(0.39)**	0.42

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$7.48 for the year ended December 31, 2013 (2012 – C$10.47), or the inclusion of the equity securities had an anti-dilutive effect on net earnings. For the years in which the Company records a loss, diluted loss per share is calculated using basic weighted average number of shares outstanding, as using the diluted weighted average number of share outstanding in the calculation would be anti-dilutive.

	(000s) 2013	(000s) 2012
Stock options	**10,314**	1,776
Warrants	**27,900**	28,124

16. INCOME AND MINING TAXES

The composition of income tax expense between current tax and deferred tax for the years ended December 31.

	$ 2013	$ 2012
Current income and mining tax expense (recovery)		
Canada	**2.0**	2.7
United States	**(2.1)**	10.9
Australia	**(5.9)**	5.7
Mexico	**11.9**	57.1
Other	**(0.2)**	(5.2)
	5.7	71.2
Deferred income and mining tax expense (recovery)		
Canada	**17.9**	(1.8)
United States	**25.0**	3.7
Australia	**10.0**	6.9
Mexico	**(58.7)**	(9.4)
Other	**(0.3)**	9.2
	(6.1)	8.6
Income tax (recovery) expense	**(0.4)**	79.8

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.

	$ 2013	$ 2012
Earnings before taxes	**(191.6)**	278.8
Canadian federal and provincial income tax rates	**25.8%**	25.1%
Income tax expense based on above rates	**(49.4)**	70.0
Increase (decrease) due to:		
Non-taxable income	**(3.3)**	(29.2)
Non-deductible expenditures	**12.5**	9.2
Different statutory tax rates on earnings of foreign subsidiaries	**(5.9)**	20.1
Foreign exchange on non-monetary assets and liabilities	**4.0**	3.5
Other foreign exchange differences	**10.7**	(2.6)
Adjustment of prior year provision to statutory tax returns	**4.9**	8.0
Canadian mining tax	**4.2**	(7.1)
Mexican special duty tax	**3.0**	-
Uncertain tax position	**1.2**	(5.0)
Withholding tax	**0.7**	2.0
Benefit of losses not recognized in the year	**18.2**	0.2
Rate change in the year	**0.2**	9.4
Other	**(1.4)**	1.3
Income tax (recovery) expense	**(0.4)**	79.8

Effective April 1, 2013, the British Columbia corporate tax rate increased from 10% to 11%. This resulted in an increase to the statutory effective tax rate to 25.8% compared to 25.1% in the prior period.

The 2013 Mexican tax reform package was published in the official gazette on December 11, 2013 and will apply from January 1, 2014. The law requires taxpayers with mining concessions to pay a new 7.5% Special Mining Duty and in addition creates a new Extraordinary Mining Duty equal to 0.5% of gross revenues from the sale of gold, silver and platinum. Both the Extraordinary Mining Duty and Special Mining Duty are tax deductible for income tax purposes. As a result of the law becoming enacted in the fourth quarter of 2013, the Company recognized a non-cash deferred tax expense of $3.0 million. The Company will record the Special Mining Duty within the income tax expense section of the consolidated income statement as it is considered an income tax. The Extraordinary Mining Duty is considered a royalty, which does not impact the income tax expense, however will be recorded in operating expenses.

The following is the analysis of the deferred tax assets and liabilities at December 31, 2013.

	$ Canada	$ USA	$ Australia	$ Mexico	$ Chile	$ Other	$ Total
Deferred tax assets							
Unused non-capital losses	66.9	2.9	-	-	-	0.2	**70.0**
Investment tax credits / Government assistance	44.2	-	-	-	-	-	**44.2**
Alternative minimum tax credits and state taxes	-	10.3	-	-	-	-	**10.3**
Derivative instruments / Hedging	-	5.7	-	-	-	-	**5.7**
Decommissioning obligations	4.5	4.3	5.0	6.5	-	-	**20.3**
Accrued liabilities and provisions	0.6	0.3	3.3	0.6	-	-	**4.8**
BC Mining Tax	3.0	-	-	-	-	-	**3.0**
Ontario Mining Tax	4.2	-	-	-	-	-	**4.2**
Other	6.9	-	-	1.6	-	-	**8.5**
	130.3	23.5	8.3	8.7	-	0.2	**171.0**
Deferred tax liabilities							
Mining interests	(160.2)	(69.2)	(49.4)	3.8	(71.4)	-	**(346.4)**
Property, plant and equipment	21.4	(33.8)	1.3	(3.8)	-	-	**(14.9)**
BC Mining Tax	(2.5)	-	-	-	-	-	**(2.5)**
Mexican Mining Royalty	-	-	-	(2.7)	-	-	**(2.7)**
Other	(3.6)	(4.4)	(1.8)	(2.5)	-	(2.2)	**(14.5)**
	(144.9)	(107.4)	(49.9)	(5.2)	(71.4)	(2.2)	**(381.0)**
Deferred income tax liabilities, net	(14.6)	(83.9)	(41.6)	3.5	(71.4)	(2.0)	**(210.0)**

The following is the analysis of the deferred tax assets and liabilities as at December 31, 2012.

	$ Canada	$ USA	$ Australia	$ Mexico	$ Chile	$ Other	$ Total
Deferred tax assets							
Unused non-capital losses	35.9	1.7	-	-	-	0.2	37.8
Investment tax credits / Government assistance	52.3	-	-	-	-	-	52.3
Alternative minimum tax credits and state taxes	-	14.8	-	-	-	-	14.8
Derivative instruments / Hedging	-	45.0	-	-	-	-	45.0
Decommissioning obligations	4.8	4.3	7.0	4.8	-	-	20.9
Accrued liabilities and provisions	1.3	0.4	3.7	2.5	-	-	7.9
Other	15.2	0.2	-	-	-	-	15.4
	109.5	66.4	10.7	7.3	-	0.2	194.1
Deferred tax liabilities							
Mining interests	(34.4)	(74.0)	(20.0)	(52.5)	(71.5)	(1.6)	(254.0)
Property, plant and equipment	0.4	(32.3)	(17.8)	(7.3)	-	-	(57.0)
Other	(7.7)	1.7	(1.7)	(3.5)	-	(0.7)	(11.9)
	(41.7)	(104.6)	(39.5)	(63.3)	(71.5)	(2.3)	(322.9)
Deferred income tax liabilities, net	67.8	(38.2)	(28.8)	(56.0)	(71.5)	(2.1)	(128.8)

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:

	$ 2013	$ 2012
Balance at the beginning of the year	**(128.8)**	(138.1)
Recognized in net earnings	**5.7**	(8.6)
Recognized in other comprehensive income	**(20.7)**	(9.9)
Recognized as reduction in mineral properties	**(0.2)**	24.0
Recognized as foreign exchange	**(32.1)**	5.3
Recognized on acquisition of Rainy River Resources Inc.	**(35.9)**	-
Other	**2.0**	(1.5)
	(210.0)	(128.8)

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 Company did not recognize deductible temporary differences on the following losses by country:

- Canadian income tax losses of $27.5 million expire between 2014 to 2033;
- Canadian capital loss carry forwards of $21.7 million with no expiry date;
- United States loss carry forwards of $7.0 million expire between 2021 to 2028; and
- Other loss carry forwards of $2.8 million with varying expiry dates.

In addition to the above, the Company did not recognize deductible temporary differences of $76.6 million (2012 - $1.4 million) on other temporary differences.

The Company has $62.6 million (2012 - $117.1 million) of temporary differences associated with investment in Subsidiaries of which deferred tax liabilities have not been recognized.

The Company recognizes deferred taxes by taking into account the effects of local enacted tax legislation. Deferred tax assets are fully recognized when the Company concludes that sufficient positive evidence exist to demonstrate that it is probable that a deferred tax asset will be realized. The main factors that the Company considers, but are not limited to, are:

- Historic and expected future taxable income;
- Any tax planning that can be implemented to realize the tax assets; and
- The nature, amount and timing and reversal of taxable temporary differences.

Future income is impacted by changes in market gold, copper and silver prices as well as forecasted future costs and expenses to produce gold and copper Reserves. In addition the quantities of Proven and Probable gold and copper Reserves, market interest rates and foreign currency exchange rates also impact future levels of taxable income. Any change in any of these factors will result in an adjustment to the recognition of deferred tax assets to reflect the Company's latest assessment of the amount of deferred tax assets that is probable will be realized.

17. RECLAMATION AND CLOSURE COST OBLIGATIONS

Changes to the reclamation and closure cost obligations are as follows:

	New Afton Mine	Mesquite Mine	Peak Mines	Cerro San Pedro Mine	Blackwater project	**Total**
	$	$	$	$	$	$
Balance, January 1, 2012	9.8	10.5	17.6	16.8	0.3	55.0
Reclamation expenditures	(0.3)	(7.7)	-	-	-	(8.0)
Unwinding of discount	0.2	0.2	0.6	0.3	-	1.3
Revisions to expected cash flows	0.4	8.4	4.6	0.3	8.4	22.1
Foreign exchange movement	0.3	-	(0.2)	1.3	-	1.4
Balance, December 31, 2012	10.4	11.4	22.6	18.7	8.7	71.8
Less: current portion of closure costs	1.2	0.7	1.2	0.2	-	3.3
Non current portion of closure costs	9.2	10.7	21.4	18.5	8.7	68.5
Balance, December 31, 2012	10.4	11.4	22.6	18.7	8.7	71.8
Reclamation expenditures	(0.9)	(0.9)	(0.2)	(0.2)	-	**(2.2)**
Unwinding of discount	0.2	0.2	0.7	0.2	0.2	**1.5**
Revisions to expected cash flows	(0.9)	(0.1)	(3.9)	0.1	1.0	**(3.8)**
Foreign exchange movement	(0.6)	-	(3.2)	(0.1)	(0.4)	**(4.3)**
Balance, December 31, 2013	**8.2**	**10.6**	**16.0**	**18.7**	**9.5**	**63.0**
Less: current portion	0.3	0.7	0.5	0.1	**-**	**1.6**
Non current portion of closure costs	**7.9**	**9.9**	**15.5**	**18.6**	**9.5**	**61.4**

The current portion of the reclamation and closure cost obligations has been included in Note 8: Trade and other payables.

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 properties 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, 2013, the Company updated the reclamation and closure cost obligations for each of its mine sites. The impact of these assessments was a decrease of $3.8 million, most of which related to changes in future reclamation activities at the mine sites.

The majority of the expenditures are expected to occur between 2014 and 2037. The discount rates used in estimating the site reclamation and closure cost obligations were between 2.5% and 4.1% for the year ended December 31, 2013 (2012 – 1.2% and 3.1%), and the inflation rate used was between 2.0% and 4.2% for the year ended December 31, 2013 (2012 – 2.0% and 4.2%).

Regulatory authorities in certain jurisdictions require that security be provided to cover the estimated reclamation and remediation obligations. As at December 31, 2013, letters of credit totalling $43.1 million (2012 - $39.8 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 13 (d)), and the annual fees are 1.60% of the value of the outstanding letters of credit.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended December 31, is as follows:

	$ 2013	$ 2012
Operating activities:		
Change in non-cash operating working capital		
Trade and other receivables	**(0.2)**	(3.7)
Inventories	**(15.0)**	(34.0)
Prepaid expenses and other	**3.4**	(3.6)
Trade and other payables	**2.1**	(3.5)
	(9.7)	(44.8)

19. 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 years ended December 31:

	New Afton Mine	Mesquite Mine	Peak Mines	Cerro San Pedro Mine	Corporate	Other[1]	2013 **Total**
	$	$	$	$	$	$	$
Revenues[2]	318.7	113.7	177.7	169.6	-	-	**779.7**
Operating expenses	105.7	94.3	126.4	109.1	-	-	**435.5**
Depreciation and depletion	93.7	25.2	32.4	26.1	-	-	**177.4**
Earnings from mine operations	119.3	(5.8)	18.9	34.4	-	-	**166.8**
Corporate administration	-	-	-	-	26.7	-	**26.7**
Share-based payment expenses	-	-	-	-	8.5	-	**8.5**
Asset impairment	-	-	6.4	266.1	-	-	**272.5**
Exploration and business development	11.1	3.5	5.7	-	0.4	13.4	**34.1**
Income from operations	108.2	(9.3)	6.8	(231.7)	(35.6)	(13.4)	**(175.0)**
Finance income	0.1	-	0.9	-	0.8	0.9	**2.7**
Finance costs	(0.6)	(0.2)	(0.9)	(0.3)	(34.8)	(3.5)	**(40.3)**
Rainy River acquisition costs	-	-	-	-	(5.0)	-	**(5.0)**
Other (losses) gains	(18.0)	7.2	(1.4)	(0.9)	49.6	(10.5)	**26.0**
Earnings (loss) before taxes	89.7	(2.3)	5.4	(232.9)	(25.0)	(26.5)	**(191.6)**
Income tax (expense) recovery	(36.2)	(22.9)	(4.2)	46.9	11.6	5.2	**0.4**
Net earnings (loss)	53.5	(25.2)	1.2	(186.0)	(13.4)	(21.3)	**(191.2)**

1. Other includes balances relating to the development and 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.

	New Afton Mine	Mesquite Mine	Peak Mines	Cerro San Pedro Mine	Corporate	Other[1]	2012 Total
	$	$	$	$	$	$	$
Revenues[2]	127.3	190.7	191.1	282.2	-	-	791.3
Operating expenses	46.3	97.4	109.5	91.1	-	-	344.3
Depreciation and depletion	35.0	25.7	22.8	32.9	-	-	116.4
Earnings from mine operations	46.0	67.6	58.8	158.2	-	-	330.6
Corporate administration	-	-	-	-	25.2	-	25.2
Share-based payment expenses	-	-	-	-	10.9	-	10.9
Exploration and business development	4.5	-	5.9	5.1	1.3	3.8	20.6
Income from operations	41.5	67.6	52.9	153.1	(37.4)	(3.8)	273.9
Finance income	0.1	-	0.4	-	0.9	-	1.4
Finance costs	(0.5)	(0.3)	(0.8)	(0.4)	(12.2)	(2.2)	(16.4)
Other (losses) gains	(4.3)	(4.9)	0.8	(1.5)	27.8	2.0	19.9
Earnings (loss) before taxes	36.8	62.4	53.3	151.2	(20.9)	(4.0)	278.8
Income tax (expense) recovery	(3.9)	(14.6)	(12.6)	(47.7)	4.4	(5.4)	(79.8)
Net earnings (loss)	32.9	47.8	40.7	103.5	(16.5)	(9.4)	199.0

1. Other includes balances relating to the development and 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.

(b) Segment assets and liabilities

The following tables present the segmented assets and liabilities as at December 31.

	Total assets		Total liabilities		Capital expenditure [2]	
	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$
New Afton Mine	**1,161.8**	1,181.4	**77.5**	76.0	**122.2**	302.0
Mesquite Mine	**437.9**	471.7	**129.8**	238.2	**17.4**	10.9
Peak Mines	**310.1**	324.9	**88.2**	89.3	**43.0**	46.8
Cerro San Pedro Mine	**178.5**	415.5	**53.0**	150.1	**24.5**	11.4
Rainy River project	**453.7**	-	**70.5**	-	**21.2**	-
Blackwater project	**886.7**	804.8	**38.7**	34.0	**55.2**	134.2
El Morro project [3]	**433.1**	423.2	**190.5**	136.6	**-**	-
Other[1]	**337.2**	662.2	**830.9**	883.0	**0.1**	2.2
	4,199.0	4,283.7	**1,479.1**	1,607.2	**283.6**	507.5

1. Other includes corporate balances and exploration properties.
2. Capital expenditure per consolidated statement of cash flows. In the current year, Mining Interests per statement of cash flows are net of proceeds received from government assistance. In the prior year, Mining Interests include the purchase of additional Blackwater mining claims but are net of proceeds received from sale of pre-commercial production inventory.
3. As outlined in Note 13 the capital expenditure at El Morro is funded by the El Morro project funding loan.

(c) Geographical information

The Company operates in five principal geographical areas - Canada (country of domicile), Mexico, the United States, Australia and Chile. The Company's revenue by location of operations and information about the Company's non-current assets by location of assets are detailed below for the years ended December 31.

	Revenues [1]		Non-current assets [2]	
	2013	2012	2013	2012
	$	$	$	$
Canada	**318.7**	127.3	**2,310.6**	1,842.4
United States	**113.7**	190.7	**279.9**	292.8
Australia	**177.7**	191.1	**250.2**	250.2
Mexico	**169.6**	282.2	**74.8**	349.1
Chile	**-**	-	**442.8**	432.8
Other	**-**	-	**6.1**	-
	779.7	791.3	**3,364.4**	3,167.3

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 five customers represent 81% (2012 – four individual customers exceeding 10% of annual sales represented 74%) of the Company's concentrate and doré sales revenue as at December 31, 2013.

		$
Customer	Reporting segment	2013
1	Mesquite Mine [1]	**110.1**
	Cerro San Pedro Mine [1]	**99.4**
2	New Afton Mine	**135.9**
3	New Afton Mine	**110.5**
4	Peak Mines	**92.8**
5	Peak Mines	**85.0**
Total		**633.7**

1. Mesquite Mine and Cerro San Pedro Mine both sell to the same customer.

Customer	Reporting segment	$ 2012
1	Cerro San Pedro Mine [1]	164.2
	Mesquite Mine [1]	130.1
2	Cerro San Pedro Mine	116.9
3	Peak Mines	91.0
4	Peak Mines	84.7
Total		586.9

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 21 (a) for further discussion on the Company's exposure to Credit Risk.

20. 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 2013	$ December 31 2012
Equity	**2,719.9**	2,676.5
Long-term debt	**862.5**	847.8
	3,582.4	3,524.3
Cash and cash equivalents	**(414.4)**	(687.8)
Investments	**(0.5)**	(1.0)
	3,167.5	2,835.5

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 is 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 12 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 12 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 asset-backed commercial paper or auction rate securities.

21. 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 the Company's financial instruments fails to meet their 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, 2013 is not considered to be high.

The Company's maximum exposure to credit risk at December 31 is as follows:

	$ December 31 2013	$ December 31 2012
Cash and cash equivalents	**414.4**	687.8
Trade receivables	**19.3**	46.9
	433.7	734.7

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	**2013 Total**	2012 Total
	$	$	$	$	$	**$**	$
New Afton Mine	1.7	4.2	-	-	-	**5.9**	21.5
Cerro San Pedro Mine	3.7	1.9	0.3	-	2.6	**8.5**	4.7
Mesquite Mine	0.4	-	-	-	-	**0.4**	0.9
Peak Mines	3.0	-	-	-	-	**3.0**	5.5
Rainy River project	0.8	-	-	-	-	**0.8**	-
Blackwater project	0.5	-	-	-	-	**0.5**	13.1
Corporate	0.2	-	-	-	-	**0.2**	1.2
	10.3	6.1	0.3	-	2.6	**19.3**	46.9

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 20.

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 six 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 20.

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	**2013 Total**	2012 Total
	$	$	$	$	**$**	$
Trade and other payables	89.4	0.8	-	-	**90.2**	120.7
Long-term debt [1]	-	-	-	878.4	**878.4**	865.2
Interest payable on long-term debt	52.3	104.5	104.5	156.5	**417.8**	470.1
Copper swap contracts	(2.5)	-	-	-	**(2.5)**	0.9
Gold contracts	-	-	-	-	**-**	116.7
	139.2	105.3	104.5	1,034.9	**1,383.9**	1,573.6

1. Long-term debt includes the El Morro project funding loan and the Senior Unsecured Notes.

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, 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. 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:

			December 31, 2013
	Canadian dollar	Australian dollar	Mexican peso
Cash and cash equivalents	**61.5**	**2.0**	**0.8**
Trade and other receivables	**7.3**	**3.0**	**8.6**
Trade and other payables	**(41.3)**	**(22.2)**	**(22.6)**
Reclamation and closure cost obligations	**(17.3)**	**(15.6)**	**(18.6)**
Warrants	**(1.6)**	**-**	**-**
Share award units	**(27.8)**	**-**	**-**
Gross balance sheet exposure	**(19.2)**	**(32.8)**	**(31.8)**

			December 31, 2012
	Canadian dollar	Australian dollar	Mexican 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)

(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 2013	$ December 31 2012
Canadian dollar	**(1.9)**	(11.8)
Australian dollar	**(3.3)**	(2.7)
Mexican peso	**(3.2)**	(2.9)
	(8.4)	(17.4)

(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 and are therefore not exposed to changes in market interest rates. The Facility interest is variable; however, the Facility is undrawn as at December 31, 2013.

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 money market and bank account interest rates which may fluctuate. A 1.0% change in the interest rate would result in an annual difference of approximately $4.0 million in interest earned by the Company. The Company has not entered into any derivative contracts to manage this risk.

(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 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 holders;
- Demand for jewellery containing gold; and
- Investment activity, including speculation, in gold as a commodity.

For the year ended December 31, 2013, the Company's revenues and cash flows were impacted by gold prices in the range of $1,192 to $1,694 per ounce, and by copper prices in the range of $3.01 to $3.75 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, 2013, working capital includes unpriced gold and copper concentrate receivables totalling 22,665 ounces of gold and 25.8 million pounds of copper. A $100 change in the gold price per ounce would have an impact of $2.3 million on the Company's working capital. A $0.10 change in the copper price per pound would have an impact of $2.6 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 prices would impact the Company's net earnings before taxes and other comprehensive income before taxes as follows:

	Years ended December 31			
	$ 2013	**$ 2013**	$ 2012	$ 2012
	Net earnings	**Other compre-hensive income**	Net earnings	Other compre-hensive income
Gold price	**52.4**	**-**	61.3	21.1
Copper price	**26.6**	**-**	12.7	-
Silver price	**3.0**	**-**	5.9	-
Fuel price	**7.2**	**-**	6.1	-
Warrants	**2.8**	**-**	8.0	-
Share award units	**0.2**	**-**	0.4	-
Total price risk exposure	**92.2**	**-**	94.4	21.1

22. 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, 2013				
	$	$	$	$	$
	Loans and receivables at amortized cost	Fair value through profit/loss	Available for sale at fair value	Financial liabilities at amortized cost	Total
Financial assets					
Cash and cash equivalents	414.4	-	-	-	**414.4**
Trade and other receivables	20.5	-	-	-	**20.5**
Provisionally priced contracts	-	1.3	-	-	**1.3**
Copper swap contracts	-	(2.5)	-	-	**(2.5)**
Investments	-	-	0.5	-	**0.5**
Financial liabilities					
Trade and other payables	-	-	-	90.2	**90.2**
Long-term debt	-	-	-	862.5	**862.5**
Warrants	-	27.8	-	-	**27.8**
Performance share units	-	0.8	-	-	**0.8**
Share award units	-	0.9	-	-	**0.9**

				December 31, 2012	
	$	$	$	$	$
	Loans and receivables at amortized cost	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	49.3	-	-	-	49.3
Provisionally priced contracts	-	(1.5)	-	-	(1.5)
Copper swap contracts	-	(0.9)	-	-	(0.9)
Investments	-	-	1.0	-	1.0
Financial liabilities					
Trade and other payables	-	-	-	117.4	117.4
Long-term debt	-	-	-	847.8	847.8
Gold contracts	-	110.5	-	-	110.5
Warrants	-	80.3	-	-	80.3
Share award units	-	4.0	-	-	4.0

The carrying values and fair values of the Company's financial instruments are as follows.

	2013	2013	2012	2012
	$	$	$	$
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	**414.4**	**414.4**	687.8	687.8
Trade and other receivables	**19.3**	**19.3**	46.9	46.9
Investments	**0.5**	**0.5**	1.0	1.0
Financial liabilities				
Trade and other payables	**90.2**	**90.2**	120.7	120.7
Long-term debt	**862.5**	**870.4**	847.8	902.9
Gold contracts	**-**	**-**	110.5	110.5
Warrants	**27.8**	**27.8**	80.3	80.3
Performance share units	**0.8**	**0.8**	-	-
Share award units	**0.9**	**0.9**	4.0	4.0

The Company has not offset financial assets with financial liabilities.

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 about financial assets and liabilities measured at fair value on a recurring basis in the statement of financial position and categorized by level of significance of the inputs used in making the measurements:

			December 31, 2013
	$	$	$
Asset (Liability)	Level 1	Level 2	Level 3
Investments	**0.5**	**-**	**-**
Warrants	**(27.7)**	**(0.1)**	**-**
Share award units	**(0.9)**	**-**	**-**
Performance share units	**(0.8)**	**-**	**-**
Provisionally priced contracts	**-**	**1.3**	**-**
Copper swap contracts	**-**	**(2.5)**	**-**

			December 31, 2012
	$	$	$
Asset (Liability)	Level 1	Level 2	Level 3
Investments	1.0	-	-
Warrants	(80.3)	-	-
Share award units	(4.0)	-	-
Provisionally priced contracts	-	(1.5)	-
Copper swap contracts	-	(0.9)	-
Gold contracts	-	(110.5)	-

There were no transfers between Levels 1, 2 and 3 as at December 31, 2013. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Valuation methodologies for Level 2 financial assets and liabilities

Gold contracts
At December 31, 2012 the Company's current derivative liabilities included commodity forward contracts for a portion of the Company's gold sales. The fair value of the forward contracts was calculated using discounted contractual cash flows based on quoted forward curves and discount rates incorporating LIBOR and the Company's appropriate interest rate spread. As noted above the Company settled its outstanding hedge position during 2013.

Provisionally priced contracts and copper swap contracts
The fair value of the provisionally priced contracts and the copper swaps are calculated using the mark to market forward prices of London Metal Exchange gold and copper based on the applicable settlement dates of the outstanding provisionally priced contracts and swap contracts.

23. PROVISIONS

In addition to the environmental rehabilitation provision in Note 17, the following table presents changes in provisions relating to share award units and employee benefits for the year ended December 31, 2013.

	Performance share units	Share award units	Employee benefits	Total
	$	$	$	$
Balance, January 1, 2012	-	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
Balance, December 31, 2012	-	4.0	8.7	12.7
Less: current portion	**-**	**3.2**	**-**	**3.2**
Non current portion of provisions	**-**	**0.8**	**8.7**	**9.5**
Additional provisions recognized	**0.8**	**0.3**	**3.9**	**5.0**
Used during the year	**-**	**(2.8)**	**(3.9)**	**(6.7)**
Foreign exchange	**-**	**(0.2)**	**(1.0)**	**(1.2)**
Balance, December 31, 2013	**0.8**	**1.3**	**7.7**	**9.8**
Less: current portion	**-**	**0.4**	**-**	**0.4**
Non current portion of provisions	**0.8**	**0.9**	**7.7**	**9.4**

24. OPERATING LEASES

Non-cancellable operating lease rentals are payable for the years ended December 31, as follows:

	$	$
	2013	2012
Less than 1 year	**16.2**	16.0
Between 1 and 5 years	**18.8**	32.9
More than 5 years	**-**	-
	35.0	48.9

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 one to five years, with an option to review the lease after that date.

For the year ended December 31, 2013, an amount of $23.5 million was recognized as an expense in profit or loss in respect of operating leases (2012 - $31.7 million). There was no contingent rent or sublease revenue recognized during the period ended December 31, 2013, or for the comparative period in 2012.

25. 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:

	$	$
	2013	2012
Short-term benefits [1]	**5.7**	5.6
Post-employment benefits	**0.1**	0.1
Other long-term benefits	**6.0**	7.5
Share-based payments	**1.0**	1.9
Termination benefits	**-**	-
	12.8	15.1

1. 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.

26. COMMITMENTS AND CONTINGENCIES

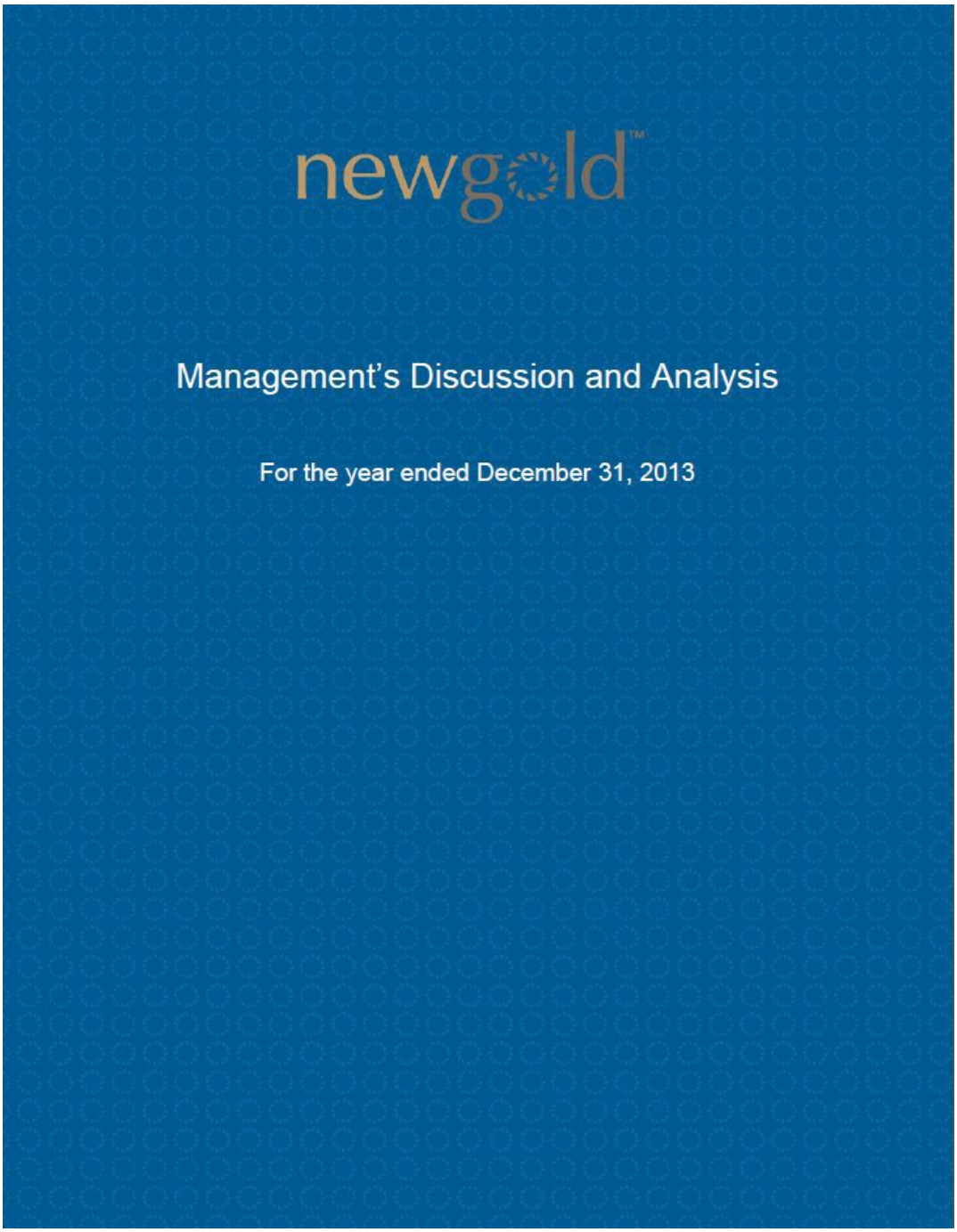
In assessing the loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits 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 the Company's financial condition, cash flow and results of operations.

(a) The Company has entered into a number of contractual commitments for capital items related to operations and development. At December 31, 2013, these commitments totalled $44.5 million (2012 – $87.4 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. 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") is 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 and on October 22, 2013, the environmental permit for El Morro was reinstated. Subsequently, on November 22, 2013 the Copiapo Court of Appeals granted an injunction suspending development of the El Morro project. The injunction was requested in constitutional actions filed by the Huascoaltino and Diaguita communities, regarding inadequate consultation by SEA. The injunction effectively suspends construction activities and development works until the court has completed its review.

(c) 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 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. In addition, some authorizations necessary for the operation of the Cerro San Pedro Mine have durations of one year or one quarter, or other periods that are shorter than the remaining mine life. While historically these authorizations have been renewed extended or re-issued without incident, in late 2013 the annual construction and operations licenses issued by the Municipality of Cerro de San Pedro in San Luis Potosì were subject to numerous inappropriate conditions. The application of the conditions was suspended by the State Contentious and Administrative Tribunal. As of February 27, 2014, MSX remains in a dispute with the Municipality regarding certain conditions relating to the annual licenses. It is possible that the licenses will be revoked and not reissued, or reissued on unacceptable or unreasonable terms, or that MSX will not ultimately prevail in court proceedings regarding the terms and conditions of such licenses. This could result in a suspension or termination of operations at the Cerro San Pedro Mine and/or additional costs, any of which could adversely affect the Company's production, cash flow and profitability.

Exhibit 99.3


newgold™
Management's Discussion and Analysis
For the year ended December 31, 2013

Management's Discussion and Analysis
For the year ended December 31, 2013
New Gold Inc.

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Management's Discussion and Analysis

For the year ended December 31, 2013

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, 2013 and 2012 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 27, 2014. 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, the United States, Australia and Mexico 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. For the full year 2013, the New Afton Mine in Canada ("New Afton"), the Mesquite Mine in the United States ("Mesquite"), the Peak Mines in Australia ("Peak Mines") and the Cerro San Pedro Mine in Mexico ("Cerro San Pedro"), combined to produce 397,688 ounces of gold, 85.4 million pounds of copper and 1,605,272 ounces of silver. The fourth quarter of 2013 represented New Gold's strongest production quarter with 106,520 ounces of gold, 24.0 million pounds of copper and 383,493 ounces of silver produced.

New Gold's production costs remain very competitive when compared to the broader gold mining space. In 2013, New Gold achieved all-in sustaining costs [(1)] of $899 per gold ounce compared to $827 per ounce in the prior year. In the fourth quarter of 2013, New Gold achieved all-in sustaining costs[(1)] of $883 per ounce compared to $823 per ounce in the same prior year period. New Gold has demonstrated a steady and meaningful decrease in all-in sustaining costs[(1)] during 2013, from $1,004 per ounce in the first quarter to $883 per ounce in the fourth quarter. The Company continues to further establish itself as one of the lowest cost producers in the industry. New Gold has been able to maintain its costs at a level it believes is 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.

As part of its pursuit of value-enhancing growth opportunities, on June 18, 2013, New Gold commenced a friendly take-over bid to acquire all of the shares of Rainy River Resources Ltd. ("Rainy River"). Rainy River's principle asset is the 100%-owned Rainy River project located in northwestern Ontario with a current gold Reserve of 3.8 million ounces. By the conclusion of the bid on August 8, 2013, New Gold had acquired approximately 97.2% of the outstanding shares of Rainy River. On October 15, 2013, New Gold completed its compulsory acquisition of the approximately 2.8% remaining shares of Rainy River which were not tendered to the bid and New Gold became the owner of 100% of Rainy River.

In October 2013, the Company announced that New Afton had successfully achieved the targeted mill throughput increase to 12,000 tonnes per day, from a design capacity of 11,000 tonnes per day, three months ahead of schedule. Since achieving this targeted increase, the New Afton mill throughput has further increased to a new record quarterly average of 12,460 tonnes per day in the fourth quarter. The combination of the increased throughput and higher grades and recoveries, resulted in increased production of both gold and copper as the year progressed. In parallel with reaching the interim target of a 12,000 tonne per day throughput rate, the New Afton team has also been examining opportunities to further increase the value of the operation by driving towards an even higher mill throughput level.

In December 2013, the Company announced the Feasibility Study results for the Blackwater project located in British Columbia, Canada. Over the first nine years of its mine life, it is expected that Blackwater will produce an annual average of 485,000 ounces of gold and 1.8 million ounces of silver at costs well below the current industry average. The Company will continue to move Blackwater through the permitting phase in 2014 as the Company believes that having a fully permitted project in its pipeline will be an important and valuable asset. Due to the current commodity environment, the Company wants to maximize its flexibility in respect of any future development decisions. At this time, the Company plans to sequence the development of its projects with the near-term focus being on the advancement of the lower capital cost Rainy River project.

Subsequent to year end, the Company announced its Feasibility Study results for the Rainy River project. The Feasibility Study updated a prior Feasibility Study done by Rainy River in May 2013 to ensure that the key inputs and assumptions used for the Rainy River project were consistent with those used for New Gold's other projects and operations. Over the first nine years of its mine life, it is expected the Rainy River project will produce an annual average of 325,000 ounces of gold at total cash costs[1] well below the current industry average.

At year end, New Gold determined that there were triggers to review impairment at Cerro San Pedro. In addition, as a result of recently published Rainy River and Blackwater projects Feasibility Studies, and as is standard practice in the industry, the Company tested the projects for impairment. Following completion of this impairment testing, the Company recorded an after-tax impairment expense of $206.3 million, primarily related to bringing down the value ascribed to Cerro San Pedro's Mineral Reserves and Resources as part of the purchase accounting at the time of the Company's three-way merger in 2008. The impairment resulted from a combinations of items impacting Cerro San Pedro, including a reduction in the mine's Resource, a change in the Mexican tax regime and a reduction in projected gold production in future years.

New Gold continues to build on its successful portfolio which now consists of four operating mines and three development projects, all located in jurisdictions that are considered favourable to mining activities.

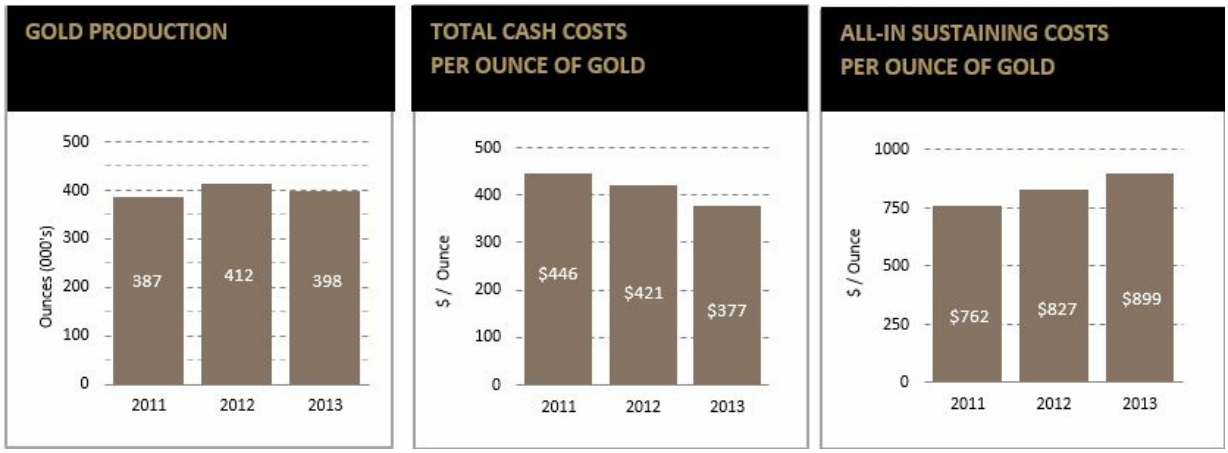
1. We use certain non-GAAP financial performance measures throughout our MD&A. For a detailed description of each of the non-GAAP measures used in this MD&A and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended December 31		Year Ended December 31		
(in millions of U.S. dollars, except where noted)	2013	2012	2013	2012	2011
Operating information:					
Gold (ounces):					
Produced [1]	**106,520**	112,883	**397,688**	411,892	387,155
Sold [1]	**104,523**	109,766	**391,823**	395,535	391,890
Silver (ounces):					
Produced [1]	**383,493**	476,298	**1,605,272**	2,157,762	1,989,333
Sold [1]	**378,852**	489,264	**1,572,265**	2,081,964	2,007,801
Copper (thousands of pounds):					
Produced [1]	**24,032**	20,920	**85,398**	42,820	12,715
Sold [1]	**23,768**	19,758	**82,615**	35,613	15,316
Average realized price [2]:					
Gold ($/ounce)	**1,233**	1,578	**1,337**	1,551	1,460
Silver ($/ounce)	**20.10**	32.36	**23.16**	30.87	35.15
Copper ($/pound)	**3.24**	3.52	**3.24**	3.56	3.78
Total cash costs per gold ounce sold [2][3]	**316**	254	**377**	421	446
All-in sustaining costs per gold ounce sold [2][3]	**883**	823	**899**	827	762
Total cash costs per gold ounce sold on a co-product basis [2][3]	**658**	680	**712**	679	628
All-in sustaining costs per gold ounce sold on a co-product basis [2][3]	**1,000**	1,061	**1,042**	988	885
Measured and Indicated Resources [4] as at December 31					
Gold (thousands of ounces)	**27,505**	21,403	**27,505**	21,403	18,797
Silver (thousands of ounces)	**124,499**	131,847	**124,499**	131,847	115,268
Copper (millions of pounds)	**4,353**	4,061	**4,353**	4,061	3,946
Financial Information:					
Revenues	**198.4**	250.9	**779.7**	791.3	695.9
Earnings from mine operations	**24.0**	99.2	**166.8**	330.6	315.2
Net earnings (loss)	**(254.7)**	123.9	**(191.2)**	199.0	179.0
Adjusted net earnings [2]	**16.7**	49.7	**61.3**	183.5	187.8
Net cash generated from operations	**99.7**	106.2	**171.9**	235.8	229.5
Adjusted net cash generated from operations [2]	**93.2**	106.2	**248.9**	235.8	229.5
Capital expenditures	**82.5**	118.0	**283.6**	516.0	413.6
Total assets	**4,199.0**	4,283.7	**4,199.0**	4,283.7	3,368.7
Cash and cash equivalents	**414.4**	687.8	**414.4**	687.8	309.4
Long-term debt	**862.5**	847.8	**862.5**	847.8	251.7
Share Data:					
Earnings (loss) per share:					
Basic	**(0.51)**	0.26	**(0.39)**	0.43	0.42
Diluted	**(0.51)**	0.26	**(0.39)**	0.42	0.40
Adjusted net earnings per basic share [2]	**0.04**	0.11	**0.13**	0.40	0.44
Share price as at December 31 (TSX – Canadian dollars)	**5.56**	11.01	**5.56**	11.01	10.28
Weighted average outstanding shares (basic) (millions)	**503**	468	**488**	463	430

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 and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price, operating margin, adjusted net earnings, adjusted net earnings per share, adjusted net cash generated from operations 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 and all-in sustaining costs per gold ounce sold is net of by-product silver and copper revenues. Total cash costs and all-in sustaining costs on a co-product basis removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis. If silver and copper revenues were treated as co-products, co-product total cash costs for the fourth quarter of 2013 would be $8.67 per ounce of silver (2012 - $11.82) and $1.88 per pound of copper (2012 - $1.62). For the year ended December 31, 2013, co-product cash costs would be $10.24 per ounce of silver (2012 - $12.43); and $1.86 per pound of copper (2012 - $1.72). The 2012 comparative figures for silver have been adjusted to include silver at Peak Mines and New Afton. Co-product all-in sustaining costs for the fourth quarter of 2013 would be $13.22 per ounce of silver (2012 - $18.68) and $2.78 per pound of copper (2012 - $2.47). For the year ended December 31, 2013, co-product all-in sustaining costs would be $15.09 per ounce of silver (2012 - $18.16); and $2.66 per pound of copper (2012 - $2.43).
4. Calculated in accordance with CIM standards as required under National Instrument 43-101. 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 Finishes 2013 with Lowest Costs in its History, Increases Gold Reserves by 127 Percent per Share and Provides 2014 Guidance with Even Lower Costs", dated February 6, 2014 and filed on www.sedar.com. The scientific and technical information in this MD&A has been reviewed and approved by Mark Petersen, Qualified Person under National Instrument 43-101 and an officer of the Company.

OPERATING HIGHLIGHTS



- ***Gold production for the year ended December 31, 2013 was 397,688 ounces, compared to 411,892 ounces in the prior year.*** Production increases from New Afton and Peak Mines were offset by lower production at Cerro San Pedro and Mesquite. New Afton's production increased by 137% compared to the prior year and the mine exceeded its targeted increase of a mill throughput of 12,000 tonnes per day relative to the design capacity of 11,000 tonnes per day during the year. Production at Cerro San Pedro, however, was impacted by mining of lower grade ore due to a pit wall movement impacting sequencing, and lower than planned recoveries. Additionally, Mesquite was impacted by block model reconciliation resulting in less ore tonnes and lower grade ore mined. The fourth quarter had the highest production of any quarter in 2013 with gold production of 106,520 ounces. This compares to 112,883 ounces in the same prior year period.

- ***Gold sales were 391,823 ounces for the year ended December 31, 2013 compared to 395,535 ounces in the prior year.*** The decrease in gold sales is a result of the above-noted gold production impacts, as well as relative inventory movements. Gold sales in the fourth quarter of 2013 were 104,523 ounces, compared to 109,766 ounces in the same prior year period.

- ***Copper production for the year ended December 31, 2013 was 85.4 million pounds, compared to 42.8 million pounds in the prior year.*** This increas was due to the addition of production from New Afton for a full year when compared to the prior year where New Afton reached commercial production on July 31, 2012. New Afton achieved a 153% increase in copper production compared to the prior year. Copper production for the fourth quarter of 2013 was 24.0 million pounds, an increase of 15% compared to 20.9 million pounds in the same prior year period. The increase was attributable to a combination of New Afton successfully achieving its higher mill throughput rates ahead of schedule and grades exceeding Reserve grade as well as continued strong performance at Peak Mines.

- ***Copper sales were 82.6 million pounds for the year ended December 31, 2013 compared to 35.6 million pounds in the prior year .*** This increase is a result of increased copper production from New Afton for the full year compared to the prior year where New Afton reached commercial production on July 31, 2012. Copper sales were 23.8 million pounds for the fourth quarter of 2013, compared to 19.8 million pounds in the same prior year period.

- ***Total cash costs per gold ounce sold, net of by-product sales, were $377 per ounce for the year ended December 31, 2013, compared to $421 per ounce in the prior year.*** The reduction of $44 per ounce relative to the prior year was primarily driven by increased contribution from the low cost New Afton, offset by lower copper and silver average realized prices. Total cash costs per gold ounce sold for the fourth quarter of 2013, net of by-product sales, were $316 per ounce compared to $254 per ounce in the same prior year period.

- ***All-in sustaining costs per gold ounce sold were $899 per ounce for the year ended December 31, 2013, compared to $827 per ounce in the prior year.*** While the cash cost component of all-in sustaining cost decreased as noted above, a full year of New Afton sustaining capital expenditure, in addition to moderately lower ounces sold, caused all-in sustaining cash costs to be higher in 2013. All-in sustaining costs per gold ounce sold for the fourth quarter of 2013 were $883 per ounce compared to $823 per ounce in the same prior year period.

DEVELOPMENT AND EXPLORATION HIGHLIGHTS

· ***New Afton successfully achieved its targeted mill throughput increase of 12,000 tonnes per day, from a design capacity of 11,000 tonnes per day, three months ahead of schedule, which resulted in increased production of both gold and copper.*** In the fourth quarter of 2013, New Afton achieved a new record quarterly average throughput rate of 12,460 tonnes per day. Also, early in 2014 New Afton successfully completed its evaluation of the economic benefits of a further expansion of the operations towards 14,000 tonnes per day through a mill expansion.

· ***Exploration in the C-zone at New Afton resulted in increased contained gold and copper Resources compared to 2012.*** The 2013 year end C-zone Measured and Indicated Resources of 693,000 ounces of contained gold and 516 million pounds of contained copper each increased by 10 times when compared to the end of 2012.

· ***Completion of Blackwater Feasibility Study, which highlights life-of-mine gold and silver production of 7.0 million ounces and 30.0 million ounces, respectively.*** In the first nine years, 485,000 ounces of annual gold production are expected at total cash costs of $555 per ounce and all-in sustaining costs of $685 per ounce.

· ***Completion of Rainy River Feasibility Study subsequent to year end, which highlights life-of-mine gold and silver production of 3.4 million ounces and 6.0 million ounces, respectively.*** In the first nine years, 325,000 ounces of annual gold production are expected at total cash costs of $613 per ounce and all-in sustaining costs of $736 per ounce.

FINANCIAL HIGHLIGHTS

• ***Revenues were $779.7 million for the year ended December 31, 2013, compared to $791.3 million in the prior year*** . The benefit from increased copper sales in the year was offset by a moderate decrease in gold and silver sales and a significant decrease in the average realized prices of all metals. The average realized price for 2013 was $1,337 per ounce of gold, $23.16 per ounce of silver and $3.24 per pound of copper, compared to $1,551 per ounce of gold, $30.87 per ounce of silver and $3.56 per pound of copper in 2012. Revenues were $198.4 million for the fourth quarter of 2013, compared to $250.9 million in the same prior year period.

• ***Earnings from mine operations were $166.8 million in the year ended December 31, 2013 compared to $330.6 million in the prior year.*** The decreas in earnings from mine operations is attributed primarily to lower average realized commodity prices. While the addition of New Afton as an operating mine for a full year contributed meaningfully to earnings from mine operations, this was offset by lower earnings from Cerro San Pedro and Mesquite, reflecting lower commodity prices and mining of lower grade ore at leach pad operations, as well as lower average recoveries. Earnings from mine operations also include redundancy charges of $2.4 million related to Peak Mines and New Afton and a write-down of $7.3 million to reduce the carrying amount of long-term silver inventory that is not expected to be recovered during the residual leaching period at Cerro San Pedro. Earnings from mine operations were $24.0 million for the fourth quarter of 2013, compared to $99.2 million in the same prior year period.

• ***Net loss was $191.2 million or $0.39 per basic share for the year ended December 31, 2013, compared to net earnings of $199.0 million or $0.43 per basic share in the prior year.*** Net earnings were impacted by the change in earnings from mine operations discussed above, increased finance costs, increased exploration at our development projects and New Afton, transaction costs associated with the acquisition of Rainy River, and after-tax asset impairment charges totalling $206.3 million, primarily related to bringing down the value ascribed to Cerro San Pedro's Mineral Reserves and Resources as part of the purchase accounting at the time of the Company's three-way merger in 2008. This was partially offset by a tax recovery and the impact of non-operating "Other gains and losses", where a gain of $26.0 million was recorded for the year ended December 31, 2013, relative to a gain of $19.9 million in 2012.

• ***Adjusted net earnings for the year ended December 31, 2013 was $61.3 million or $0.13 per basic share, compared to $183.5 million or $0.40 per basic share in the prior year.*** Adjusted net earnings were impacted by the change in earnings from mine operations, increased exploration and finance costs, partially offset by decreased income tax expense. Adjusted net earnings for the fourth quarter of 2013 was $16.7 million or $0.04 per basic share, relative to earnings of $49.7 million or $0.11 per basic share in the same prior year period.

• ***Adjusted net cash generated from operations for the year ended December 31, 2013 was $248.9 million, compared to $235.8 million in the prior year.*** Adjustments to net cash relate to $65.7 million of cash used to close the outstanding hedge position in May 2013, $17.9 million of Rainy River acquisition expenses and $6.6 million received relating to amended tax returns for Peak Mines. Adjusted net cash generated from operations for the fourth quarter of 2013 was $93.2 million compared to $106.2 million in the same prior year period.

• ***Net cash generated from operations for the year ended December 31, 2013 was $171.9 million compared to $235.8 million in the prior year.*** While New Afton significantly added to New Gold's net cash generated from operations, lower average realized prices and reduced net cash generated at Mesquite and Cerro San Pedro offset the benefit. Net cash generated from operations for the fourth quarter of 2013 was $99.7 million compared to $106.2 million in the same prior year period.

• ***Cash and cash equivalents were $414.4 million at December 31, 2013 compared to $687.8 million at December 31, 2012.*** Net cash generated from operations of $171.9 million was offset by cash used in investing activities of $393.7 million, including the acquisition of Rainy River of $112.6 million, and cash used by financing activities of $47.1 million.

CORPORATE DEVELOPMENTS

The Company continues to pursue disciplined growth both through organic initiatives and value-enhancing 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 successfully enhanced the value of its portfolio of assets, while also continually looking for compelling external growth opportunities. The Company continues to evaluate assets in favourable jurisdictions where the asset has the potential to provide New Gold shareholders with meaningful gold production, cash flow and exploration potential, while ensuring that any potential acquisition is accretive on key per share metrics. The Company strives to maintain a strong financial position while continually reviewing strategic alternatives with the view of maximizing shareholder value. In short, New Gold's objective is to pursue corporate development initiatives that will leave the Company and its shareholders in a fundamentally stronger position.

On May 31, 2013, New Gold announced its offer to acquire Rainy River through a friendly take-over bid. New Gold offered, at the election of each holder of Rainy River common shares, 0.5 of a common share of New Gold or $3.83 in cash, in each case subject to pro ration (the "Offer"). Rainy River's principle asset is the 100% owned Rainy River project located in northwestern Ontario with a gold Reserve of 3.8 million ounces. The acquisition was successfully completed on October 15, 2013.

In October 2013, the Company announced that New Afton had successfully achieved the targeted mill throughput increase to 12,000 tonnes per day, from a design capacity of 11,000 tonnes per day, three months ahead of schedule. Since achieving this targeted increase, the New Afton mill throughput has further increased to a new record quarterly average of 12,460 tonnes per day in the fourth quarter of 2013. The combination of the increased throughput and higher grades and recoveries resulted in increased production of both gold and copper through 2013. In parallel with reaching the interim throughput target of 12,000 tonnes per day, the New Afton team has also been evaluating opportunities to further increase the value of the operation by driving towards an even higher throughput level.

In December 2013, the Company announced the Feasibility Study results for the Blackwater project. Blackwater is planned to be a conventional truck and shovel open pit mining operation with a 60,000 tonne per day processing facility to recover gold and silver using whole ore leach technology. Over the first nine years of its mine life, it is expected that Blackwater will produce an annual average of 485,000 ounces of gold and 1.8 million ounces of silver at total cash costs well below the current industry average. The Company will continue to move Blackwater through the permitting phase in 2014 as the Company believes that having a fully permitted project in its pipeline will be an important and valuable asset. Due to the current commodity environment, the Company wants to maximize its flexibility with respect to any future development decisions. At this time, the Company plans to sequence the development of its projects with the near-term focus being on the advancement of the lower capital cost Rainy River project.

Subsequent to year end, the Company announced its Feasibility Study results for the Rainy River project. The Feasibility Study updated a prior Feasibility Study done by Rainy River in May 2013 to ensure that the key inputs and assumptions used for the Rainy River project were consistent with those used for New Gold's other projects and operations. The project has been designed as an open pit and underground mine with a targeted mill throughput of 21,000 tonnes per day. Commissioning is targeted for late 2016, with full production in 2017. Over the first nine years of its mine life, it is expected the Rainy River project will produce an annual average of 325,000 ounces of gold at costs well below the current industry average.

2014 OUTLOOK

New Gold is pleased to provide guidance for 2014 as follows:

2014 PRODUCTION AND COST GUIDANCE

	Gold Production	Copper Production	Silver Production	Total cash costs	All-in Sustaining costs
	(thousands of ounces)	*(millions of pounds)*	*(thousands of ounces)*	*(per ounce)*	*(per ounce)*
New Afton	102 - 112	78 - 84	200 - 300	($1,260) – ($1,240)	($620) - ($600)
Mesquite	113 - 123	-	-	$930 - $950	$1,310 - $1,330
Peak Mines	95 - 105	14 - 16	50 - 150	$630 - $650	$1,065 - $1,085
Cerro San Pedro	70 - 80	-	1,100 - 1,300	$1,030 - $1,050	$1,125 - $1,145
Total	**380 - 420**	**92 - 100**	**1,350 - 1,750**	**$320 - $340**	**$815 - $835**

Production
Gold production is expected to remain consistent with that achieved in 2013, ranging from 380,000 to 420,000 ounces. With its continued strong performance, New Afton is targeting a 23% increase in gold production. Gold production at Mesquite and the Peak Mines is expected to remain steady, while production at Cerro San Pedro is scheduled to decrease.

New Gold also produces silver and copper as by-product metals at certain operations. Consolidated copper production is expected to increase by approximately 12% when compared to 2013, with both New Afton and the Peak Mines targeting higher copper production. The guidance range is 92 to 100 million pounds. Silver production is expected to remain consistent with 2013 levels at a range of 1.35 to 1.75 million ounces.

The second half of 2014 is scheduled to have higher gold and copper production, coupled with lower costs. As 2014 progresses, New Afton anticipates continued increases in throughput, Cerro San Pedro is scheduled to move out of its elevated waste stripping program into mining of ore from the upper levels of the ore body, and Mesquite is expected to benefit from the placement of more ore tonnes on the leach pad in the second half of 2014.

Total Cash Costs and All-in Sustaining Costs
After New Gold delivered the lowest total cash costs in its history in 2013, these costs are expected to decrease by a further $35 to $55 per ounce in 2014. Total cash costs are expected to be $320 to $340 per gold ounce sold. The lower anticipated cash costs are driven by a combination of the significant contribution from low-cost New Afton and the benefit of the lower Canadian and Australian dollars relative to the U.S. dollar. New Afton's 2014 co-product cash costs are forecast to be $440 to $460 per ounce of gold and $1.10 to $1.20 per pound of copper.

Consistent with the expected decrease in total cash costs, New Gold is also targeting a $65 to $85 per ounce decrease in all-in sustaining costs. The guidance range for 2014 for all-in sustaining costs is $815 to $835 per gold ounce sold. The anticipated decrease in all-in sustaining costs is driven by a combination of the lower total cash costs as well as decreases in sustaining capital at New Afton and the Peak Mines.

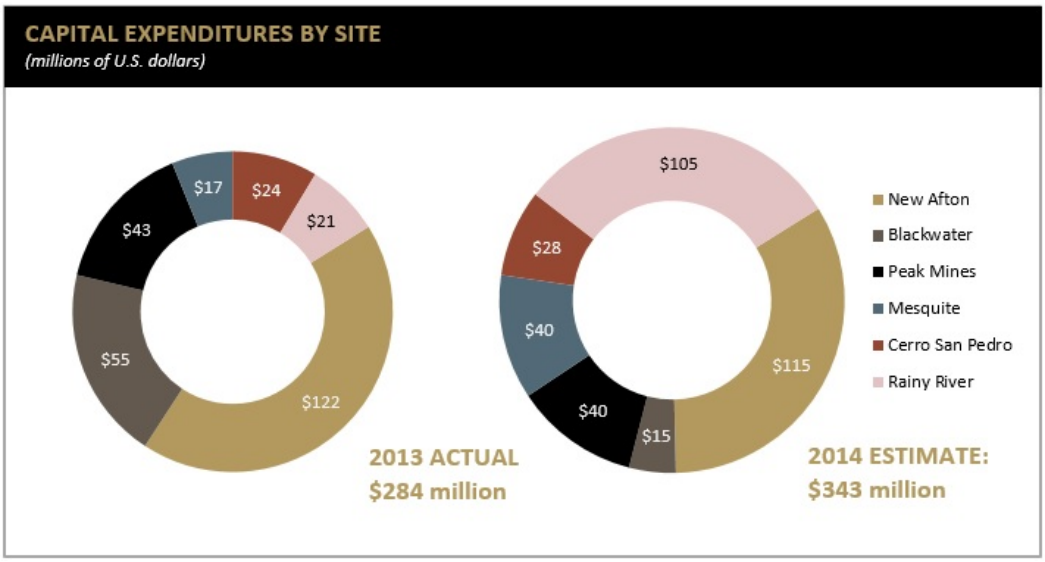
Assumptions used in 2014 guidance include gold, silver and copper prices of $1,300 per ounce, $20.00 per ounce and $3.25 per pound, respectively, and Canadian dollar, Australian dollar and Mexican peso exchange rates of $1.11, $1.14 and $13.00 to the U.S. dollar, respectively. The diesel price assumed for 2014 is $3.25 per gallon, which reflects recent prices being paid at Mesquite.

Exploration
New Gold's forecasted exploration expenditure for 2014 is approximately $50 million, of which $30 million is expected to be capitalized. The capitalized expenditure relates to condemnation drilling at Rainy River, Resource expansion of the C-zone at New Afton and ongoing underground Resource delineation and Reserve conversion at Peak Mines. The balance of expensed exploration relates to pursuing new targets at Rainy River, Blackwater and the Peak Mines.

Finance Costs
The total finance cost related to the aggregate $800 million Senior Unsecured Notes and the Company's credit facility is expected to be approximately $54 million As New Gold has a range of qualifying development assets, particularly Rainy River and Blackwater, approximately $34 million of the total cost is expected to be capitalized, with the balance being expensed to the income statement.

Capital Expenditures

Capital expenditures are budgeted to be approximately $343 million in 2014, higher than 2013 capital expenditures of $284 million. The increase primarily relates to Rainy River as the project proceeds to detailed engineering and permitting, as well as an increase in capital expenditure at Mesquite related to the final leach pad expansion and purchase of four additional trucks. Offsetting these increases are reductions in capital expenditure at New Afton and Blackwater. While underground development at New Afton is projected to be less than 2013, growth projects related to the mill expansion and ongoing C-zone exploration are included in total 2014 expenditures.



Of the total 2014 estimated capital expenditures, approximately 40% relate to sustaining expenditures at the current group of operating mines. Underground and drawbell development will continue at New Afton, although at a reduced rate compared to 2013. Mesquite will add four new trucks to increase mining capacity, in addition to commencing of the heap leach pad expansion. Cerro San Pedro is also scheduled to undergo its final heap leach pad expansion and Peak Mines will continue its underground development and purchase two haul trucks.

The balance, or approximately 60% of total estimated capital expenditures, relates to non-sustaining, or growth capital. In addition to capital expenditures at Rainy River and Blackwater, further growth capital is forecast to be spent at New Afton on the mill expansion and C-zone project, as well as capitalized stripping at Cerro San Pedro to provide access to the final phase of mining.

Refer to the Outlook sections in the ‘Financial and Operating Results – Review of operating mines’ section for further details.

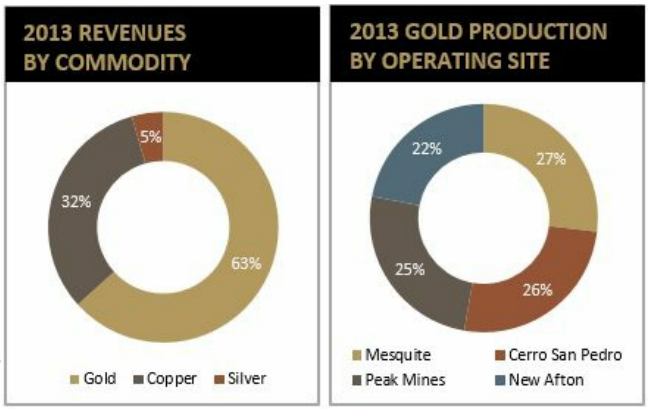
BUSINESS OVERVIEW AND STRATEGY

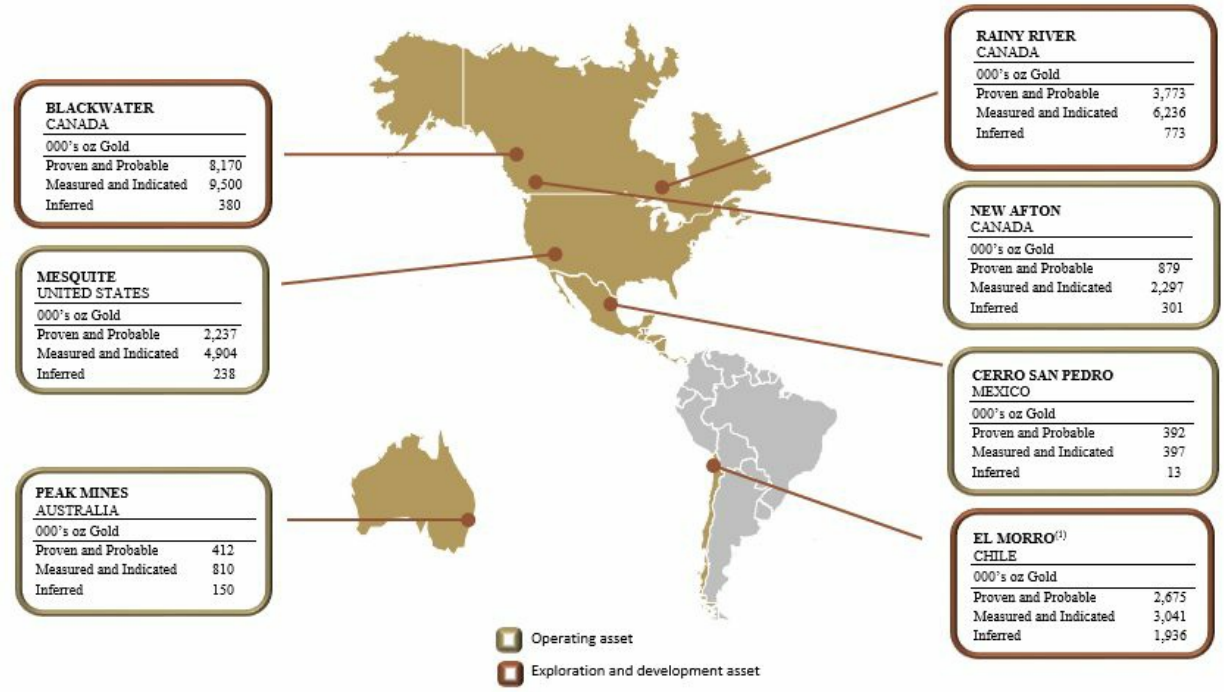
NEW GOLD'S BUSINESS

New Gold is an intermediate gold producer with a portfolio of assets in Canada, the United States, Australia, Mexico and Chile. The Company's operating assets consist of the New Afton gold-copper mine in Canada, the Mesquite gold mine in the United States, the Peak gold-copper mines in Australia and the Cerro San Pedro gold-silver mine in Mexico. Significant exploration and development projects include the Rainy River and Blackwater projects in Canada and the Company's 30% interest in the El Morro project in Chile. New Gold has an objective of continuing to grow, both organically and through value-enhancing accretive acquisitions, to further establish itself as an 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 continue to produce gold, silver and copper at cash costs and all-in sustaining costs well below the industry average. The portfolio of mining assets provides the Company with strong operating cash flow 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, 2013 in accordance with CIM standards as required under National Instrument 43-101. 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 Finishes 2013 with Lowest Costs in its History, Increases Gold Reserves by 127 Percent per Share and Provides 2014 Guidance with Even Lower Costs", dated February 6, 2014 and filed 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 officer of the Company.
3 Measured and Indicated Resources are shown inclusive of Proven and Probable Reserves.

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 three large and exciting development projects. As we deliver on what we believe is an industry-leading organic growth profile, we intend to remain focussed on the following key components of the strategy that has helped New Gold become a leading intermediate producer.

Operational execution

New Gold ended 2013 with revenue of $779.7 million and adjusted net cash flow from continuing operations of $248.9 million. In the third quarter of 2013, New Gold provided an updated guidance and expected to produce between 390,000 and 400,000 gold ounces at total cash costs of $375 per ounce and all-in sustaining costs of $900 per ounce. After facing operational challenges, New Gold met its updated production guidance and delivered on key milestones in 2013 including the completion of the Blackwater Feasibility Study and exceeding mill throughput of over 12,000 tonnes per day at New Afton.

Maintaining a strong financial position

Our objective is to maintain a strong balance sheet and sufficient financial flexibility to internally fund our three development projects. As at December 31, 2013, New Gold had $414.4 million in cash and cash equivalents. With our current cash balance and our ability to generate cash flow from our four operations, we believe we are well positioned to fund the development of the Rainy River project.

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 Inc. combined to create a fully funded, growth-oriented company. New Gold continues to look for opportunities to increase the value of each of its operations organically, in particular, the potential mill expansion and development of the C-zone at New Afton.

Disciplined growth

Since the middle of 2008, New Gold has grown through the combination of largely single asset companies. In each instance, the addition of a new company or asset has further strengthened New Gold. In 2013, New Gold completed the acquisition of Rainy River, a company whose principle asset is a gold project located in Ontario. The project adds 3.8 million gold ounces of Proven and Probable Reserves to New Gold's portfolio, and based on the updated Feasibility Study, the project is expected to produce approximately 325,000 ounces of gold annually at well below industry average cash costs. The experience of our management team and board of directors has allowed the Company to be opportunistic in its corporate development initiatives, positioning the Company as an industry leader.

NEW GOLD'S 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, our track record of delivering on expectations, our portfolio of assets in favourable jurisdictions and pipeline of world-class development projects, our strong financial position and our commitment to corporate social responsibility.

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 provide further stewardship and includes individuals with a breadth of knowledge across the mining sector that provides New Gold with a distinct competitive advantage.

Leading mid-tier producer with track record of delivering on expectations

We have a portfolio of mines that have historically consistently met or exceeded Company guidance. The year 2013 was a challenging year as gold prices decreased and New Gold experienced operational issues at two mines. In the third quarter of 2013, New Gold provided an updated guidance and expected to produce between 390,000 and 400,000 gold ounces at total cash costs of $375 per ounce and all-in sustaining costs of $900 per ounce compared to a previous guidance of 440,000 to 480,000 gold ounces at total cash costs of $350 per ounce and all-in sustaining costs of $875 per ounce. Despite the operational challenges, New Gold was able to meet its updated guidance by producing 397,688 ounces of gold at all-in sustaining cash costs of $899 per ounce sold. New Gold also delivered on key milestones in 2013 which included: the completion of the Blackwater Feasibility Study and achieving 12,000 tonnes per day throughput rate at New Afton, three months ahead of schedule. 2014 guidance has been established at 380,000 to 420,000 ounces of gold at total cash costs of $320 to $340 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 Canada, the United States, Australia, Mexico and Chile. The Company's operating assets consist of the New Afton Mine in Canada, the Mesquite Mine in the United States, the Peak Mines in Australia and the Cerro San Pedro Mine in Mexico. Significant development projects include the Rainy River and Blackwater projects in Canada and the Company's 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. These same countries are ranked in the top six of 25 mining countries to invest in, as evaluated in the 2013 Behre Dolbear Report "2013 Ranking of Countries for Mining Investment: Where not to Invest". In 2013, 22% of our gold revenue was generated from Canada, 27% from the United States, 25% from Australia and 26% from Mexico.

Pipeline of world-class development projects

In addition to our operating mines, we have development potential that should significantly enhance our production base and growth profile. As at December 31, 2013, Rainy River contains Proven and Probable Reserves of 3.8 million ounces of gold and Measured and Indicated Resources of 6.2 million ounces of gold and is expected to produce 325,000 ounces of gold per year at below industry average cash costs during the first nine years of its production. Blackwater contains Proven and Probable Reserves of 8.2 million ounces of gold and Measured and Indicated Resources of 9.5 million ounces of gold and is expected to produce 485,000 ounces of gold per year at below industry average cash costs during the first nine years of its production. El Morro provides New Gold with 2.7 million ounces of Proven and Probable gold Reserves and 2.0 billion pounds of Proven and Probable copper Reserves. The capital cost 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, 2013, New Gold generated revenue of $779.7 million and adjusted net cash flow from operations of $248.9 million. Cash and cash equivalents totalled $414.4 million with additional financial flexibility from the $100 million undrawn component of our credit facility at December 31, 2013. The Company has long-term debt outstanding of $862.5 million with the full $800 million of Senior Unsecured Notes due on or after 2020.

Commitment to corporate social responsibility

We understand that our 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 AND ECONOMIC OUTLOOK

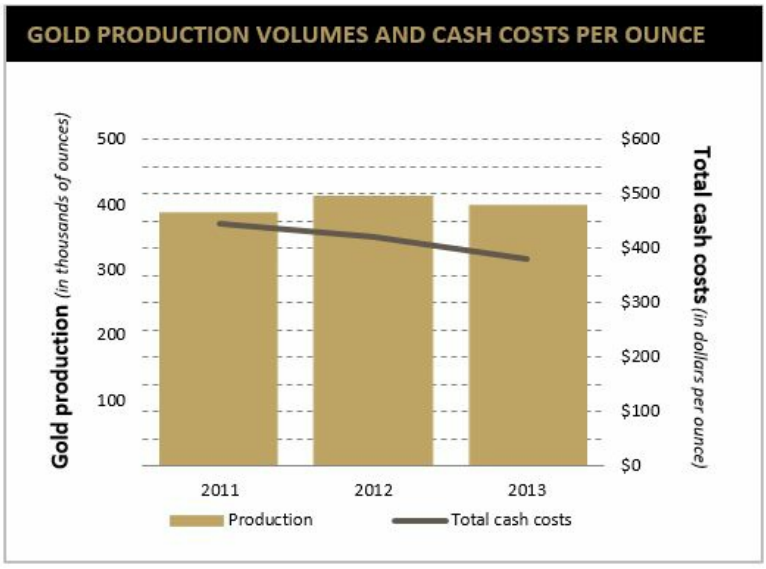
KEY PERFORMANCE DRIVERS

There is 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, copper and silver, as well as foreign exchange rates.

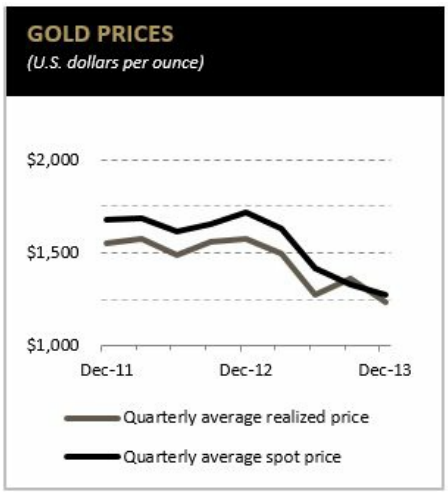
Production Volumes and Costs

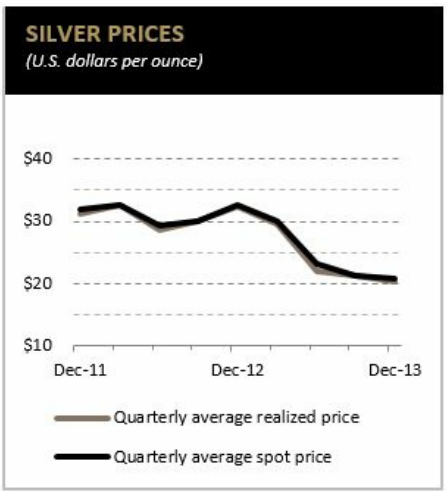
New Gold's portfolio of operating mines produced 106,520 ounces of gold in the fourth quarter of 2013, providing a total of 397,688 ounces of gold for the full year.

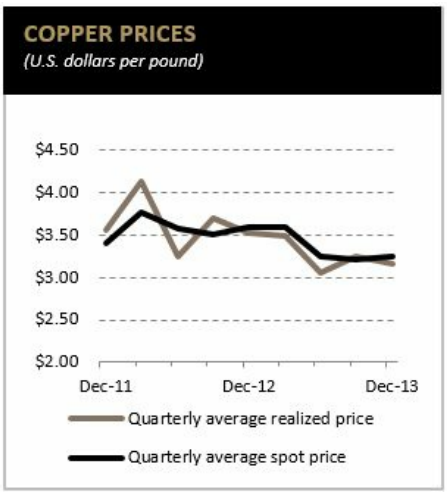
Full year 2013 total cash costs and all-in sustaining costs, net of by-product sales, were $377 and $899 per gold ounce sold. Total cash costs and all-in sustaining costs for the fourth quarter, net of by-product sales, were $316 and $883 per gold ounce sold, respectively.



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. For the full year 2013, New Gold achieved an average realized gold price of $1,337 per ounce compared to the London PM fix average gold price of $1,411 per ounce. New Gold achieved a lower average realized gold price compared to the London PM fix average as a result of 22,000 ounces settling at the hedge price of $801 per ounce in advance of hedge closure, the impact of certain 2012 sales settling in 2013 at a lower gold price than recorded at year end 2012 and New Afton's fourth quarter 2013 unpriced sales being marked to market at the low year end price of $1,205 per ounce. The average realized gold price for the full year 2012 was $1,551 per ounce compared to the London PM fix average gold price of $1,668 per ounce.

In the fourth quarter of 2013, New Gold attained an average realized gold price of $1,233 per ounce compared to the London PM fix gold price average of $1,272 per ounce, with the current quarter primarily impacted by New Afton's fourth quarter 2013 unpriced sales being marked to market at the low year end price of $1,205 per ounce. For the fourth quarter of 2012, New Gold had an average realized price of $1,578 per ounce compared to the London PM fix gold price of $1,717 per ounce.

The outlook for gold prices remain subject to volatility in the near-term, but interest rates remain low and the economic recovery uncertain. New Gold is in a strong position to operate both in a low gold price environment and to take advantage of a recovery in prices through our growth projects.

Copper and silver prices

For the full year 2013, New Gold achieved an average realized copper price of $3.24 per pound compared to the average London Metals Exchange copper price of $3.32 per pound. The current year was moderately impacted by the impact of certain 2012 sales settling in 2013 at a lower copper price than recorded at year end 2012. For the full year 2012, the New Gold's average realized copper price was $3.56 per pound compared to the average London Metals Exchange copper price of $3.61 per pound.

For the full year 2013, New Gold had an average realized silver price of $23.16 compared to an average London PM fix price of $23.83 per ounce. For the full year 2012, New Gold had an average realized silver price of $30.87 per ounce compared to an average London PM fix price of $31.15 per ounce.

Foreign Exchange Rates

The Company operates in Canada, the United States, Australia, Mexico and Chile, but its revenues are predominantly generated in U.S. dollars. 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. The Company has exposure to the Canadian dollar through New Afton, Blackwater and Rainy River, as well as through corporate administration costs. The Company also has exposure to the Australian dollar through Peak Mines and to the Mexican peso through Cerro San Pedro.

The Canadian dollar weakened by approximately 3% during the fourth quarter of 2013, and by approximately 6% during the year. A weaker Canadian dollar decreases costs in U.S. dollar terms at the Company's Canadian operations.

The Australian dollar weakened by approximately 4% during the fourth quarter of 2013. During 2013, the Australian dollar decreased by approximately 16% overall. A weaker Australian dollar reduces costs in U.S. dollar terms at the Company's Australian operations.

The Mexican peso strengthened slightly during the fourth quarter of 2013 and during the year compared with the U.S. dollar. A significant portion of costs at Cerro San Pedro are incurred in U.S. dollars and, as such, the movement in the Mexican peso exchange rate is not a significant driver of these U.S. dollar-denominated costs.

For an analysis of the impact of foreign exchange fluctuations on operating costs in 2013 relative to 2012, refer to the 'Review of Operating Mines' sections for New Afton, Cerro San Pedro and Peak Mines for details.

ECONOMIC OUTLOOK

For the first time in more than a decade, gold experienced a significantly negative annual return in 2013, dropping 27% to end 2013 at $1,205 per ounce. Investment holdings of gold reduced significantly through the year from record levels, driven by a number of macroeconomic events including gradual signs of global economic recovery, the suggestion of tapering of the U.S. Federal Reserve's asset purchase program, and the continued absence of inflation. Driven by the same factors, and in contrast to gold, equity markets performed strongly, with the S&P 500 climbing by almost 30% and the MSCI AC World Index returning over 20% in U.S. dollar terms. At this point, the extent to which economic recovery will progress is unclear, as are other factors that impact the price of gold. As a low cost producer with a pipeline of development projects, New Gold is particularly well-positioned to both manage in a lower gold price environment and to take advantage of a recovery in the gold market.

Economic events can have significant effects on the gold price, through currency rate fluctuations, the relative strength of the U.S. dollar, supply of and demand for gold and macroeconomic factors such as interest rates and inflation expectations. Management anticipates that the long-term economic environment should provide support for 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. That hedge position was eliminated May 15, 2013. New Gold's growth plan is focussed 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 a key driver to achieving a productive and profitable business. We will achieve our aim through the protection of the health and well-being of our people and our host communities as well as environmental stewardship and community engagement and development.

As a partner of the United Nations Global Compact, New Gold's policies and practices are guided by its principles with reference to Human Rights, Labour, Environmental Stewardship and Anti-Corruption. As a member of the Mining Association of Canada ("MAC"), our Canadian operations adopt the MAC's Towards Sustainable Mining protocols.

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, religion or sexual orientation. 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 wherever possible.

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. 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 or to an alternative land-use determined through consultation with local stakeholders. 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 aspirations, can we engage in a meaningful development process that will contribute to their cultural and economic health and welfare.

Environmental Highlights of 2013

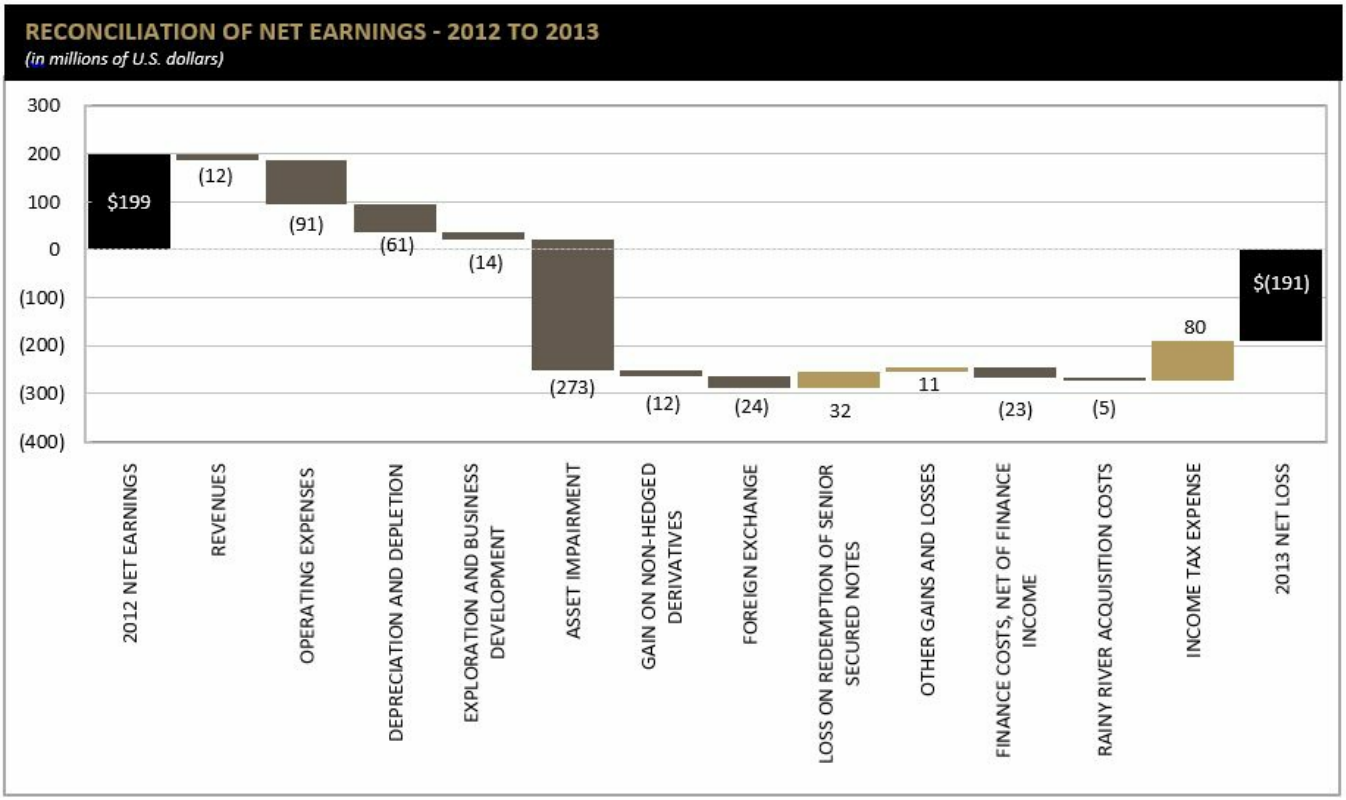
- The New Gold Environmental Management Standards were developed.
- This was the first year New Gold reported to the Carbon Disclosure Project.
- New Afton Mine won the Green Award from the Kamloops Business Excellence Awards, reported to the MAC's Towards Sustainable Mining Protocols and received ISO 14001 Certification.
- Cerro San Pedro Mine achieved substantial compliance with the International Cyanide Management Code.

Community Highlights of 2013

- The New Gold Community Engagement and Development Management Standards were developed.
- New Gold joined the Devonshire Initiative for Business and Social Responsibility
- At Cerro San Pedro, several socio-economic studies were completed, including socio-economic baseline, the economic impact and tourism and business development potential assessments.
- Cerro San Pedro was accredited, for the fourth consecutive time, as a Socially Responsible Company by the Mexican Centre for Philanthropy (SEMEFI).
- The World Gold Council Conflict Free Gold Standard was implemented across New Gold's operations.

FINANCIAL AND OPERATING RESULTS

SUMMARY OF ANNUAL FINANCIAL AND OPERATING RESULTS



Production
Gold production in 2013 was 397,688 ounces compared to 411,892 ounces in 2012. Production increases from New Afton and the Peak Mines were offset by lower production at Cerro San Pedro and Mesquite. New Afton's production increased by 137% compared to the prior year and the mine exceeded its targeted increase to a mill throughput of 12,000 tonnes per day relative to the design capacity of 11,000 tonnes per day. Production at Cerro San Pedro, however, was impacted by mining of lower grade ore due to a pit wall movement impacting sequencing and resulting in lower than planned recoveries. Additionally, Mesquite was impacted by block model reconciliation resulting in less ore tonnes and lower grade ore. Copper production increased from 42.8 to 85.4 million pounds in 2013, representing a 100% increase over 2012 and demonstrating the significance of the addition of New Afton's production. Silver production decreased in 2013 to 1,605,272 ounces, relative to 2,157,762 ounces in 2012.

Revenues
Revenues for 2013 of $779.7 million remained similar to the prior year. The addition of New Afton's full year of production significantly benefited revenues, however, was offset by lower commodity prices in combination with decreased gold and silver sales volume from Mesquite and Cerro San Pedro. Sales from copper production at New Afton increased to 69.3 million pounds in 2013 compared to 22.6 million pounds in 2012.

Operating expenses
Operating expenses increased from $344.3 million in 2012 to $435.5 million in 2013. The increase in operating costs is primarily a result of the impact of New Afton where operating expenses were $105.7 million, compared to $46.3 million in the prior year period. Additionally, current year operating expenses were impacted by lower production at Cerro San Pedro and Mesquite causing a higher per ounce expense, a write-down of the long-term silver inventory at Cerro San Pedro and redundancy charges at Peak Mines and New Afton. Gross operating costs, excluding inventory movements at the other operating sites was generally consistent year over year.

Depreciation and depletion
Depreciation and depletion for 2013 was $177.4 million compared to $116.4 million for the prior year, primarily due to a full year of operations at New Afton which incurred depreciation and depletion of $93.7 million in 2013 compared to $35.0 million in the prior year.

Earnings from mine operations
For the year ended December 31, 2013, New Gold had earnings from mine operations of $166.8 million compared to $330.6 million in the prior year. Earnings from mine operations were impacted by a combination of lower average realized commodity prices and the mining of lower grade ore at Cerro San Pedro and Mesquite. Additionally, current year operating expenses include a write-down of $7.3 million related to reducing the carrying amount of the long-term silver inventory at Cerro San Pedro and redundancy charges of $2.4 million at the Peak Mines and New Afton. While the addition of New Afton as an operating mine for a full year has contributed to earnings from mine operations, this was offset by reductions in earnings at Cerro San Pedro and Mesquite.

Corporate administration costs
Corporate administration costs were $26.7 million in 2013 compared to $25.2 million incurred in the prior year. The prior year included a $3.1 million reimbursement of legal fees paid in connection with the claim related to the El Morro development project. Additionally, the 2013 corporate administration costs were positively impacted by the weaker Canadian dollar.

Share-based compensation expenses
Share-based compensation costs were $8.5 million and $10.9 million in 2013 and 2012, respectively. The reduction primarily reflects the mark to market of equity-based liabilities as the common stock was down 50% for the year.

Exploration and business development
Exploration and business development costs were $34.1 million in 2013, compared with $20.6 million for the prior year. New Afton, Blackwater and Mesquite incurred $11.1 million, $12.7 million and $3.5 million in exploration expense for the year compared to $4.5 million, $3.0 million and $nil in 2012. At New Afton, the C-zone exploration program is the principle driver of the incremental costs. The objective of this program is to expand and upgrade the C-zone Mineral Resource which lies immediately down plunge of the current New Afton Reserve. At Blackwater, the Company has been utilizing the knowledge it has gained through the exploration of the Blackwater and Capoose deposits to identify additional sources of gold mineralization with the potential to further enhance future project economics. Preliminary results of this early stage exploration work are encouraging, with drill testing in several prospective areas returning favourable indications of gold-silver mineralization in the subsurface. Increased exploration costs at New Afton, Blackwater and Mesquite were partially offset by a decrease in exploration costs compared to the prior year at Cerro San Pedro. Exploration costs at Peak Mines were consistent year on year.

Impairment of non-monetary assets
In the fourth quarter of 2013, New Gold determined that there were triggering events to test for impairment at Cerro San Pedro. In addition, the Rainy River and Blackwater projects have also recently published their Feasibility Studies and, consistent with industry practice, the Company tested these projects for impairment. As a result of this impairment testing, the Company recorded an impairment expense of $272.5 million ($206.3 million, net of tax), primarily related to bringing down the value ascribed to Cerro San Pedro's Mineral Reserves and Resources as part of the purchase accounting at the time of the Company's three-way merger in 2008. The triggering events consisted of a combination of items impacting Cerro San Pedro including a reduction in the mine's Resource, a change in the Mexican tax regime and a reduction in projected gold production in future years. For full details, see the section below "Discussion of impairment of non-monetary assets". This amount will be added back for purposes of adjusted earnings.

Hedging
In 2013, Mesquite realized losses of $13.8 million within revenues for settlement of the January through April gold hedge contract that settled for 22,000 ounces compared to realized losses of $47.9 million in the prior full year period. On May 15, 2013, New Gold eliminated the remaining hedge position related to its legacy gold hedges that were associated with the 2008 project financing put in place to develop Mesquite. On May 15, 2013, the outstanding hedge position was valued at $65.7 million and cash in this amount was paid to settle the hedge in full.

As the forecasted item, of the production and sale of gold ounces from the Mesquite Mine, is still scheduled to occur, IFRS requires that the Other Comprehensive Income ("OCI") related to the hedge contract that was due to settle out to December 2014 should reclassify into earnings as scheduled. While New Gold operating cash flow will benefit by realizing the spot price for all gold ounces at Mesquite going forward, revenue will continue to be impacted by the quarterly reclassification of the loss in OCI to revenue. For the full year, $18.7 million has been reclassified in earnings and $7.0 million of OCI loss will be reclassified into earnings on a quarterly basis until December 2014. This will be added back for the purposes of adjusted earnings.

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, 2013, the Company recorded a gain of $49.3 million compared to a gain of $58.6 million in the prior year relating to share purchase warrants. 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.

In 2012, the Company recorded a gain of $6.2 million relating to the equity conversion option of its previously outstanding convertible debentures, as well as a loss of $3.7 million relating to the change in fair value of the early redemption option embedded in the Company's previously outstanding Senior Secured Notes. As both the convertible debentures and Senior Secured Notes were redeemed in 2012, there is no comparative figure for 2013.

Loss on redemption of Senior Secured Notes
During 2012, New Gold redeemed its Senior Secured Notes reflecting a non-cash loss of $31.8 million. There is no current year comparative for this loss.

Foreign exchange
The Company recognized a foreign exchange loss of $25.7 million for the year ended December 31, 2013 compared to a loss of $1.3 million in the prior year period. The primary driver of the expense is due to the Canadian and Australian dollar weakening against the U.S. dollar by 6% and 16%, respectively in 2013. Foreign exchange gains and losses arise due to the fact that the Company operates in Canada, Mexico, the United States, Australia and Chile but its revenues are predominantly generated in U.S. dollars and, as a result, it has foreign currency exposure with respect to items not denominated in U.S. dollars.

Ineffectiveness of hedge instruments
For the year ended December 31, 2013, a gain of $9.5 million was recorded reflecting the ineffective portion of the gold hedge. When the hedge was marked to market in advance of settlement, it was deemed to be fully effective and resulted in the reclassification of the portion previously determined to be ineffective being back to OCI. This compares to a loss of $2.9 million in the prior year.

Available for sale securities
For the year ended December 31, 2013, the Company recorded an impairment loss of $3.0 million on its investment in shares held in Independence Gold Corp. The investment had an original cost of $3.4 million and a quoted market price of $0.4 million at December 31, 2013. As the Company considered this decline in the fair value to be significant and prolonged, the investment was impaired causing the impact to net earnings with an equal and offsetting increase to OCI, representing the reversal of unrealized losses associated with the impaired securities.

Income tax
Income and mining tax recovery for 2013 was $0.4 million compared to an expense of $79.8 million in the prior year, reflecting an effective tax rate of 0.2% in 2013 compared to 29% in 2012. The primary reason for the lower tax expense in 2013 is due to the write-off of the deferred tax liabilities of $64.2 million and $2.0 million in Mexico and Australia, respectively, as a result of the impairment of assets at these mines. In 2013, the company also had a tax recovery of $7.1 million relating to non-taxable foreign exchange losses. Additionally in 2012, the Company recognized a $9.4 million tax expense as a result of the Chilean government substantively enacting an increase in the Category 1 income tax rate from 18.5% to 20%.

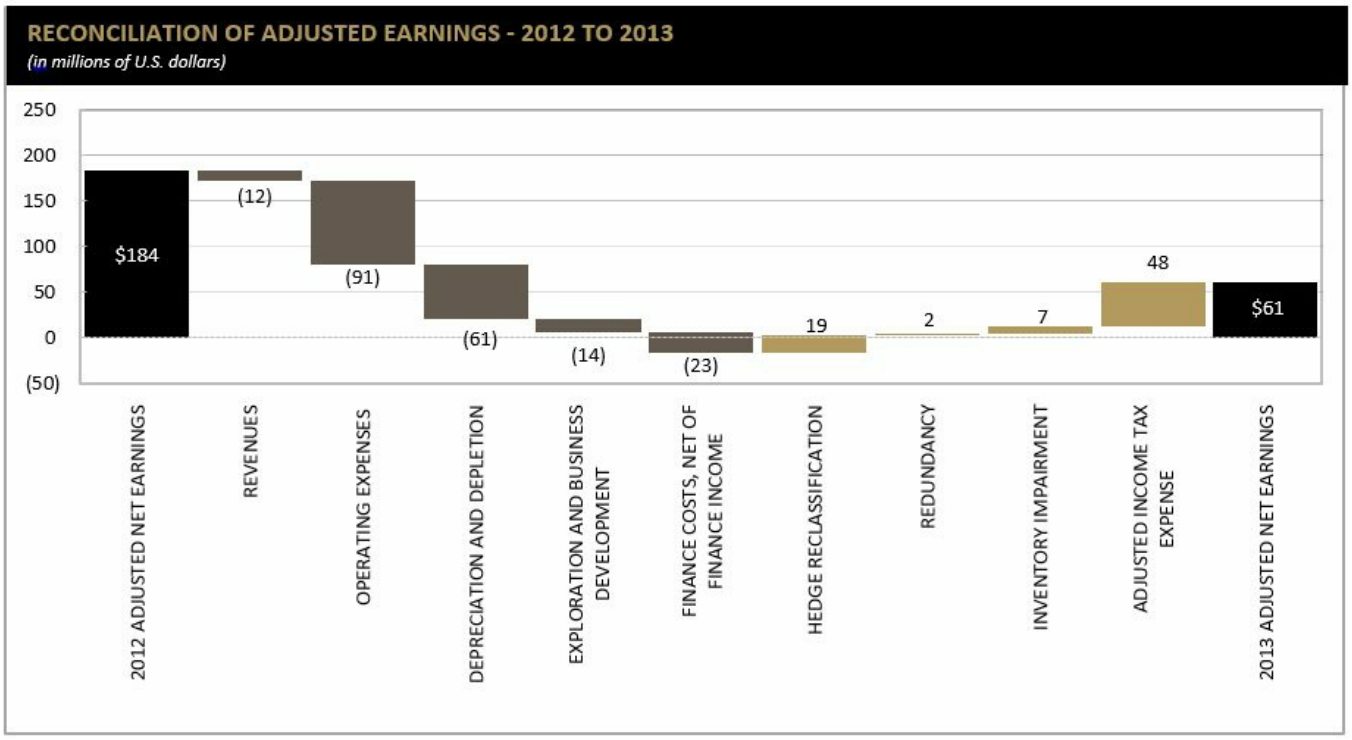
The Company continues to monitor tax legislation in each of the jurisdictions that it operates in. In 2013 the Company recognized additional deferred tax liabilities of $3.0 million in Mexico as a result of the enactment of the 2014 Mexican Tax Reform by the Mexican Senate in December 2013. Specifically the Company is impacted by the enactment of the new Mining Royalty in Mexico of 7.5% based on earnings before interest, tax, depreciation and amortization as well as the repeal of the previously announced rate reductions in the Mexican corporate income tax rate from 30% to 28%.

The Company also did not recognize a deferred tax asset in Mexico of $15.6 million following the impairment of the mining assets in Mexico as it cannot meet the more likely than not criteria for recognizing the asset. Additionally the Company reassessed the deferred tax asset in respect of the Alternate Minimum Tax ("AMT") credits and only recognized the deferred tax asset that meets the more likely than not recognition criteria at its U.S. operation. For the 2013 year end the Company satisfied the more likely than not criteria for recognizing the asset, however continued pressure on commodity prices and revised mining plans at the Mesquite operation indicate that the Company may be a perpetual AMT taxpayer and therefore the asset may be de-recognized in the future.

On an adjusted net earnings basis, the effective tax rate for 2013 was 31% compared to 29% in the prior year. The adjusted effective tax rates exclude the impact of the hedge settlement, as well as the impact of any asset impairments and any associated 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. The increased adjusted effective tax rate reflects the recognition of a higher mining tax expense in Canada compared to the same prior year period as production ramps up at the New Afton Mine.

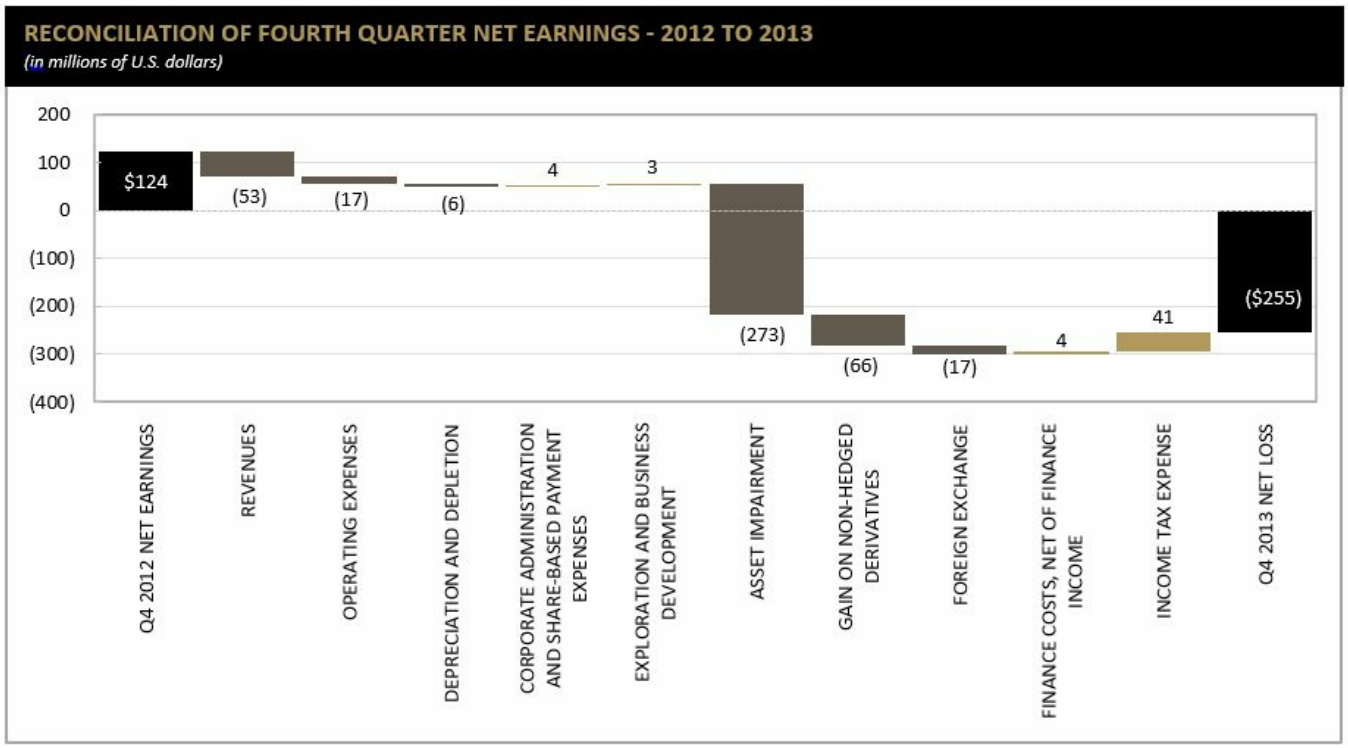
Net earnings
For the year ended December 31, 2013, New Gold had a net loss of $191.2 million, or $0.39 loss per basic share. This compares with net earnings of $199.0 million, or $0.43 per basic share in the prior year.

Adjusted net earnings
For the year ended December 31, 2013 adjusted earnings were $61.3 million or $0.13 per basic share, a decrease from $183.5 million or $0.40 per basic share in the prior year.



Net earnings have been adjusted, including the associated tax impact, for the group of costs in “Other gains and losses” on the annual condensed consolidated income statement. Key entries in this grouping are: the fair value changes for share purchase warrants; foreign exchange gain or loss and other non-recurring items, particularly the loss on redemption of the Senior Secured Notes and the impairment of the available-for-sale securities; Other adjustments also include the reclassification of OCI hedging losses to earnings quarterly which is included in revenue; transaction costs related to the Rainy River acquisition; one-time charges related to an asset impairment; silver inventory write-down at Cerro San Pedro and redundancy charges at Peak Mines and New Afton. The prior period tax is adjusted for the impact of the increase in the Category 1 income tax in Chile. 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.

See “Non-GAAP Financial Performance Measures” for reconciliation of net earnings to adjusted net earnings.



Production
New Gold's consolidated gold production during the fourth quarter of 2013 was 106,520 ounces compared to 112,883 ounces in the same prior year period. Increased production at New Afton was offset by lower production at Cerro San Pedro due to lower grades and recoveries. New Afton increased gold production by 11% relative to the prior year period, producing 25,211 ounces in the fourth quarter of 2013 compared to 22,793 ounces in 2012. In the quarter, New Afton continued to improve its processing capacity and successfully reached a new record throughput level of 12,460 tonnes per day.

New Gold's consolidated copper production during the fourth quarter increased 15% to 24.0 million pounds from 20.9 million pounds in the same prior year period. At New Afton, the continued throughput increases, coupled with steady grade and recoveries, led to an 18% increase in copper production compared to the fourth quarter of 2012.

Silver production at Cerro San Pedro decreased during the fourth quarter with 297,490 ounces in 2013 relative to 401,276 ounces in the same prior year period, due primarily to mining of lower silver grades and recoveries.

Revenues
Revenues were $198.4 million for the fourth quarter of 2013, compared to $250.9 million in the same prior year period. The decrease is driven primarily by a decrease in gold and silver sales volumes and decreased average realized prices relative to the same prior year period. This was partially offset by increased copper sales of 23.8 million pounds, relative to 19.8 million pounds in the same prior year period. Gold sales in the fourth quarter of 2013 were 104,523 ounces, relative to 109,766 ounces in the fourth quarter of 2012. Silver sales in the fourth quarter of 2013 decreased to 378,852 ounces from 489,264 ounces in 2012. Revenue was also impacted by lower average realized prices across all metals. The average realized prices for the fourth quarter of 2013 were $1,233 per ounce of gold, $20.10 per ounce of silver and $3.24 per pound of copper, compared to $1,578 per ounce of gold, $32.36 per ounce of silver and $3.52 per pound of copper in the same prior year period.

Operating expenses
Operating expenses were $105.2 million in the fourth quarter of 2012 relative to $121.7 million in the fourth quarter of 2013. A portion of the increase is attributable to New Afton mining and milling more tonnes than in the prior year. Additionally, current year operating expenses were impacted by lower production at Cerro San Pedro causing a higher per ounce expense, a write-down of the long-term silver inventory at Cerro San Pedro and redundancy charges at Peak Mines and New Afton. Gross operating costs, excluding inventory movements at the other operating sites was generally consistent year over year.

Depreciation and depletion
Depreciation and depletion for the fourth quarter of 2013 was $52.7 million compared to $46.6 million for the same prior year period, impacted by the year end Resource to Reserve conversion and related depreciation charges.

Earnings from mine operations
For the fourth quarter of 2013, New Gold had earnings from mine operations of $24.0 million compared with $99.2 million in the same prior year period. The decrease in earnings from mine operations is attributed primarily to lower average realized commodity prices. While New Afton contributed meaningfully to earnings from mine operations, the contribution from the other operating sites declined reflecting the lower commodity prices and mining of lower grade ore at leach pad operations, as well as decreased recoveries at Cerro San Pedro. Additionally, in the quarter, earnings from mine operations included a write-down of $7.3 million to reduce the carrying amount of long-term silver inventory at Cerro San Pedro and redundancy charges of $2.4 million at Peak Mines and New Afton

Corporate administration costs
Corporate administration costs were $5.6 million in the fourth quarter of 2013 compared to $8.9 million incurred in the same prior year period with the reduction primarily related to a lower annual bonus expense in 2013. Additionally, the 2013 corporate administration costs were positively impacted by the weaker Canadian dollar.

Share-based compensation costs
Share-based compensation costs were $2.0 million in the fourth quarter of 2013 and $2.3 million in the fourth quarter of 2012. The reduction reflects the mark to market of equity-based liabilities.

Exploration and business development
Exploration and business development costs were $5.7 million in the fourth quarter of 2013 compared with $8.6 million for the same prior year period primarily due to New Afton and Blackwater which incurred $0.5 and $1.9 million in exploration expense for the quarter, compared to $3.5 and $3.0 million in the prior year period as exploration activities were higher in the first nine months.

Impairment of non-monetary assets
In the fourth quarter of 2013, New Gold determined that there were triggering events to test for impairment at Cerro San Pedro. In addition, the Rainy River and Blackwater projects have also recently published their Feasibility Studies and, consistent with industry practice, the Company tested the projects for impairment. As a result of this impairment testing, the Company recorded an impairment expense of $272.5 million ($206.3 million, net of tax), primarily related to bringing down the value ascribed to Cerro San Pedro's Mineral Reserves and Resources as part of the purchase accounting at the time of the company's three-way merger in 2008. The triggering events consisted of a combination of items impacting Cerro San Pedro including a reduction in the mine's Resource, a change in the Mexican tax regime and a reduction in projected gold production in future years. For full details, see the section below "Discussion of impairment of non-monetary assets".

Hedging
On May 15, 2013, New Gold eliminated the remaining hedge position related to its legacy gold hedges that were associated with the 2008 project financing put in place to develop the Mesquite Mine. At May 15, 2013, the outstanding hedge position was valued at $65.7 million and cash in this amount was paid to settle the hedge in full. For the fourth quarter of 2013, Mesquite had no realized losses within revenues compared to realized losses of $12.2 million in the same prior year period.

As the forecasted item, of the production and sale of gold ounces from Mesquite, is still scheduled to occur, IFRS requires that the OCI related to the hedge contract that was due to settle out to December 2014 should reclassify into earnings as scheduled. While New Gold operating cash flow should benefit by realizing the spot price for all gold ounces at Mesquite going forward, revenue will continue to be impacted by the quarterly reclassification of the loss in OCI to revenue. Approximately $7.0 million of OCI loss will be reclassified into earnings on a quarterly basis until December 2014. This will be added back for the purposes of adjusted earnings.

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, 2013, the Company recorded a gain of $4.5 million relating to share purchase warrants. This compares to a gain of $59.4 million in the same prior year period. 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.

In the fourth quarter of 2012, the Company recorded a gain of $10.8 million relating to the equity conversion option of its previously outstanding convertible debentures. There is no current year comparative for this loss.

Foreign exchange
The Company recognized a foreign exchange loss of $13.9 million for the quarter ended December 31, 2013 compared to a gain of $3.4 million in the same prior year period. The primary driver of the expense is due to the Canadian and Australian dollar weakening against the U.S. dollar by 3% and 4%, respectively in the quarter. Foreign exchange gains and losses arise due to the fact that the Company operates in Canada, the United States, Australia, Mexico and Chile but its revenues are predominantly generated in U.S. dollars and, as a result, has foreign currency exposure with respect to items not denominated in U.S. dollars.

Ineffectiveness on hedge instruments
For the quarter ended December 31, 2013, there was no gain or loss recorded for the ineffective portion of the gold hedge as New Gold eliminated the remaining hedge position. This compares to a loss of $1.3 million for the same prior year period.

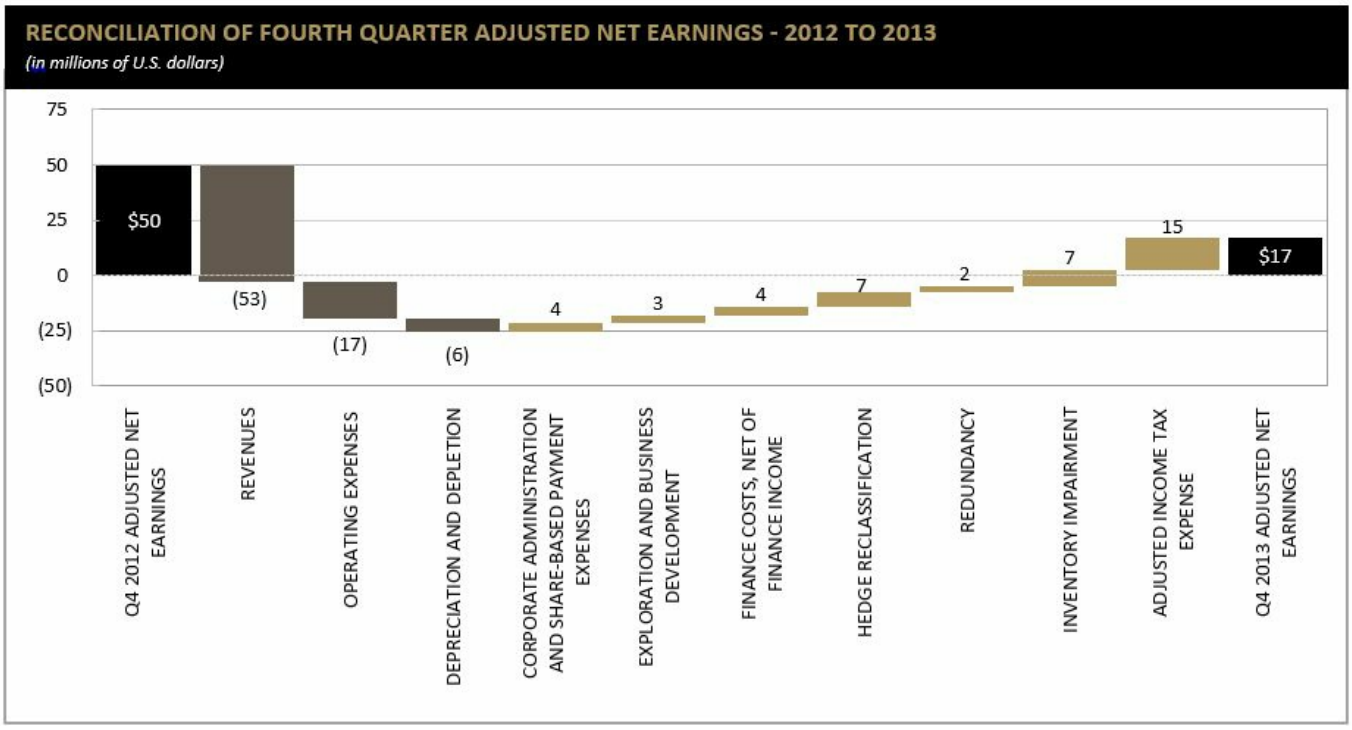
Available for sale securities
For the quarter ended December 31, 2013, the Company recorded an impairment loss of $3.0 million on its investment in shares held in Independence Gold Corp. The investment had an original cost of $3.4 million and a quoted market price of $0.4 million at December 31, 2013. As the Company considered this decline in the fair value to be significant and prolonged, the investment was impaired causing the impact to net earnings with an equal and offsetting increase to OCI, representing the reversal of unrealized losses associated with the impaired securities.

Income tax
Income and mining tax recovery in the fourth quarter of 2013 was $27.1 million compared to a $13.8 million tax expense in the same prior year period, reflecting an effective tax rate of 10% for both the fourth quarter of 2013 and 2012. The primary reason for the recovery in the fourth quarter of 2013 is due to the reversal of the deferred tax liabilities in Mexico and Australia, as a result of the asset impairments. Additionally the Company recognized a deferred tax expense of $3.0 million in the fourth quarter of 2013 as a result of the enactment of the 2014 Mexican Tax Reform. In addition, in the same period in the prior year the Company recognized a tax expense of $9.4 million as a result of the Chilean government substantively enacting an increase in the Category 1 income tax rate from 18.5% to 20%.

On an adjusted net earnings basis, the effective tax rate in the fourth quarter of 2013 was 19% compared to 27% in the same prior year period. The adjusted effective tax rate excludes the impact of the hedge settlement and any 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 and the hedge loss.

Net earnings
For the quarter ended December 31, 2013, New Gold had a net loss of $254.7 million, or $0.51 loss per basic share. This compares with net earnings of $123.9 million, or $0.26 per basic share in the same prior year period.

Adjusted net earnings
For the quarter ended December 31, 2013, adjusted net earnings were $16.7 million or $0.04 per basic share, a decrease from adjusted net earnings of $49.7 million or $0.11 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 annual condensed consolidated income statement. Key entries in this grouping are: the fair value changes for share purchase warrants; foreign exchange gain or loss and other non-recurring items, particularly the loss on redemption of the Senior Secured Notes and the impairment of the available-for-sale securities; Other adjustments also include the reclassification of OCI hedging losses to earnings quarterly which is included in revenue; transaction costs related to the Rainy River acquisition; one-time charges related to an asset impairment; silver inventory write-down at Cerro San Pedro and redundancy charges at Peak Mines and New Afton. The prior period tax is adjusted for the impact of the increase in the Category 1 income tax in Chile. 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.

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 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Gold sales (ounces)	**104,523**	94,082	98,037	95,181	109,766	95,166	96,928	93,676	99,612
Revenues	**198.4**	196.0	183.5	201.8	250.9	195.5	176.1	168.8	177.6
Net earnings (loss)	**(254.7)**	12.2	15.0	36.3	123.9	17.8	23.7	33.5	35.0
Per share:									
Basic	**(0.51)**	0.02	0.03	0.08	0.26	0.04	0.05	0.07	0.08
Diluted	**(0.51)**	0.02	0.03	0.08	0.26	0.03	0.05	0.07	0.07
Adjusted net earnings	**16.7**	20.0	4.3	20.6	49.7	42.6	45.8	44.2	42.2
Per share:									
Basic	**0.04**	0.04	0.01	0.04	0.11	0.09	0.10	0.10	0.09
Diluted	**0.03**	0.04	0.01	0.04	0.11	0.09	0.10	0.09	0.09

Discussion of impairment of non-monetary assets
In accordance with the Company's accounting policies, the recoverable amount of a cash generating unit ("CGU") is estimated when an indication of impairment exists. Indicators of impairment existed at the Cerro San Pedro CGU. At Cerro San Pedro the Company updated its Reserves and Resources statement, which has reduced the Resource estimate at the CGU, and updated the life-of-mine plan ('LOM'), which revised the expected production profile going forward. Additionally, a 7.5% tax-deductible mining duty was enacted in Mexico during the fourth quarter of 2013, which will affect the cash flows at the mine site. The Rainy River and Blackwater projects have also recently published their feasibility studies and, as is standard practice in the industry, the Company tested the projects for impairment.

Prior to reviewing for indicators of impairment at the CGU level, the Company reviewed the recoverability of certain specific assets which resulted in certain infrastructure costs at Peak Mines being written off. For discussion, refer to Note 10: Mining Interests of the audited consolidated financial statements.

For the year ended December 31, 2013 the Company recorded after-tax impairment charges of $206.3 million within net earnings (2012 - $nil), as noted below:

			Year ended December 31
(in millions of U.S. dollars, except where noted)	Cerro San Pedro	Peak Mines	Total
Within income from operations:			
Cerro San Pedro plant and equipment	3.5		3.5
Cerro San Pedro depletable mining interest	191.9	-	191.9
Cerro San Pedro non-depletable mining interest	70.7	-	70.7
Peak Mines depletable mining interest	-	6.4	6.4
Total before tax	**266.1**	**6.4**	**272.5**
Tax recovery	**(64.2)**	**(2.0)**	**(66.2)**
Total after tax	**201.9**	**4.4**	**206.3**

(i) Methodology and key assumptions

Impairment is recognized when the carrying amount of a CGU exceeds its recoverable amount. 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. Each operating mine and development project represents a separate CGU as each mine site or project has the ability to, or the potential to, generate cash inflows that are separately identifiable and independent of each other. The Company has the following CGUs: New Afton, Mesquite, Peak Mines, Cerro San Pedro, Rainy River project,

Blackwater project and El Morro project. Other assets consist of corporate assets and exploration properties.

As outlined in the accounting policies, the Company uses the fair value less cost of disposal to determine recoverable amount as it believes that this will generally result in a value greater than or equal to the value in use. When there is no binding sales agreement, fair value less costs of disposal 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. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. Key estimates and judgments used in the fair value less cost of disposal calculation are estimates of production levels, operating costs and capital expenditures reflected in the Company's LOM plans, the value of in situ ounces, exploration potential and land holdings, as well as economic factors beyond management's control, such as gold, silver and copper prices, discount rates and foreign exchange rates. The Company considers this approach to be consistent with the valuation approach taken by market participants.

LOM plans
Estimated cash flows are based on LOM plans which estimate expected future production, commodity prices, exchange assumptions, operating costs and capital costs. LOM plans' mine lives range from 2 to 17 years with an average mine life of 10 years. LOM plans use Proven and Probable Reserves only and do not utilize the non-Reserve component of Mineral Resource for a CGU. When options exist for the future extraction and processing of these Resources, an estimate of the value of the unmined Resources (also referred to as in-situ ounces), along with an estimate of value of exploration potential is included in the determination of fair value.

In-situ ounces and exploration values
In-situ ounces are excluded from the LOM plans due to the need to continually reassess the economic returns on and timing of specific production options in the current economic environment. The value of in-situ ounces has been estimated with reference to recent arm's length purchases of pre-production mining companies with comparable mineral interests. Estimated exploration potential has been determined by the Company based on industry standard multiples.

Land Holdings
Land value has been estimated on a per hectare basis with reference to recent comparable land purchases.

Discount rates
When discounting estimated future cash flows, the Company uses a real after-tax discount rate that would approximate what market participants would assign. This discount rate is calculated using the Capital Assets Pricing Model ("CAPM") with an additional premium applied as needed to reflect development or jurisdictional risk. The CAPM model includes market participant's estimates for equity risk premium, cost of debt, target debt to equity, risk free rates and inflation. For the December 31, 2013 impairment analysis, real discount rates of between 5.10% and 6.10% were used with an average rate of 5.80%.

Commodity prices and exchange rates
Commodity prices and exchange rates are estimated with reference to external market forecasts. The rates applied have been estimated using consensus commodity prices and exchange rate forecasts. For the December 31, 2013 impairment analysis the following commodity prices and exchange rate assumptions were used:

(in U.S. dollars, except where noted)	2014-2018 average	Long term
Gold price (per ounce)	**1,350**	**1,300**
Silver price (per ounce)	**22.50**	**22.00**
Copper price (per pound)	**3.16**	**3.00**
Exchange rates:		
CAD:USD	**0.92**	**0.91**
AUD:USD	**0.87**	**0.88**
MSX:USD	**12.33**	**12.62**

Significant judgments and assumptions are required in making estimates of fair value. It should be noted that the CGU valuations are subject to variability in key assumptions including, but not limited to, long-term gold prices, currency exchange rates, discount rates, production, operating and capital costs. An adverse change in one or more of the assumptions used to estimate fair value could result in a reduction in a CGU's fair value.

(ii) Impact of impairment tests

As noted above, at December 31, 2013 it was determined that there were potential indicators of impairment for the Cerro San Pedro CGU. Additionally, the Rainy River and Blackwater projects recently published their feasibility studies and, as is standard practice in the industry, the Company tested the projects for impairment. The Company calculated the recoverable amount of Cerro San Pedro, the Rainy River project and the Blackwater project CGUs using the fair value less cost of disposal method as noted above. For the year ended December 31, 2013 the Company recorded impairment charges of $266.1 million ($201.9 million, net of tax) within income from operations (2012 - $nil) related to CGU level impairments, as noted above.

The fair value of the Cerro San Pedro CGU has been significantly impacted by the reduction in its Resource base. The carrying amount that has been impaired is primarily related to bringing down the value ascribed to Cerro San Pedro's Mineral Reserves and Resources as part of the purchase accounting at the time of the Company's three-way merger in 2008. The recoverable amount of the Rainy River and Blackwater projects exceeded their carrying value and accordingly no impairment charges were recorded for these CGUs at the CGU level.

(iii) Sensitivity analysis

After effecting the impairments for Cerro San Pedro, the fair value of this CGU is assessed as being equal to its carrying amount as at December 31, 2013. Any variation in the key assumptions used to determine fair value would result in a change of the assessed fair value. If the variation in assumption had a negative impact on fair value, it could indicate a requirement for additional impairment to the CGU. It is estimated that changes in the key assumptions would have the following approximate impact on the fair value of Cerro San Pedro at December 31, 2013:

(in millions of U.S. dollars, except where noted)	Year ended December 31
$100 per ounce change in gold price	**15.8**
0.5% change in discount rate	**1.0**
5% change in exchange rate	**7.3**
5% change in operating costs	**12.3**

The fair value of the Blackwater project CGU exceeds its carrying value by approximately 10%. Therefore a significant decrease in the gold price used in the calculation, an increase in capital costs or an adverse change in any of the other assumptions used to calculate fair value less cost of disposal may result in the estimated recoverable amount to be less than the carrying value of the project.

NEW AFTON MINE, BRITISH COLUMBIA, CANADA

The New Afton gold-copper Mine is located in Kamloops, British Columbia, Canada. The mine is a large underground gold-copper deposit. New Afton's property package consists of the nine square kilometre Afton mining lease which centers on the New Afton gold-copper mine as well as 115 square kilometres of exploration licenses covering multiple mineral prospects within the historic Iron Mask mining district. At December 31, 2013, the mine had 0.9 million ounces of Proven and Probable gold Reserves and 904 million pounds of Proven and Probable copper Reserves, with 2.3 million ounces of Measured and Indicated gold Resources, inclusive of Reserves, and 1.99 billion pounds of Measured and Indicated copper Resources, inclusive of Reserves.

AT-A-GLANCE

2013 Production:
GOLD: 87,177 OUNCES
COPPER: 72 MILLION POUNDS
TOTAL CASH COSTS/oz: ($1,196)
ALL-IN SUSTAINING COSTS/oz: ($133)

2014 Production Targets:
GOLD: 102,000 TO 112,000 OUNCES
COPPER: 78 TO 84 MILLION POUNDS
TOTAL CASH COSTS/oz: ($1,260) to ($1,240)
ALL-IN SUSTAINING COSTS/oz: ($620) to ($600)

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)	2013	2012	2013	2012	2011
Operating information [1]**:**					
Ore mined (thousands of tonnes)	**1,139**	532	**4,078**	813	-
Ore processed (thousands of tonnes)	**1,146**	1,077	**4,087**	1,970	-
Average grade:					
Gold (grams/tonne)	**0.81**	0.77	**0.78**	0.73	-
Copper (%)	**0.95**	0.84	**0.93**	0.79	-
Recovery rate (%):					
Gold	**84.4**	83.9	**85.1**	80.1	-
Copper	**85.3**	84.9	**85.9**	83.5	-
Gold (ounces)					
Produced [2]	**25,211**	22,793	**87,177**	36,807	-
Sold [2]	**24,176**	23,126	**85,030**	29,735	-
Copper (thousands of pounds)					
Produced [2]	**20,536**	17,335	**71,972**	28,459	-
Sold [2]	**20,180**	16,781	**69,263**	22,623	-
Silver (ounces)					
Produced [2]	**54,846**	43,101	**192,498**	82,450	-
Sold [2]	**52,546**	42,876	**178,841**	57,204	-
Average realized price [3]:					
Gold ($/ounce)	**1,168**	1,653	**1,314**	1,681	-
Copper ($/pound)	**3.23**	3.53	**3.23**	3.58	-
Silver ($/ounce)	**19.35**	32.98	**20.91**	33.04	-
Total cash costs per gold ounce sold [3][4]	**(1,428)**	(1,067)	**(1,196)**	(1,043)	-
All-in sustaining costs per gold ounce sold [3]	**12**	168	**(133)**	358	-
Total cash costs on a co-product basis [3][4]					
Gold ($/ounce sold)	**391**	601	**486**	656	-
Copper ($/pound sold)	**1.08**	1.28	**1.19**	1.40	-
All-in sustaining costs on a co-product basis [3][4]					
Gold ($/ounce sold)	**822**	1,079	**837**	1,183	-
Copper ($/pound sold)	**2.27**	2.30	**2.05**	2.52	-
Financial Information [1]**:**					
Revenues	**88.3**	95.3	**318.7**	127.3	-
Earnings from mine operations	**35.9**	37.6	**119.3**	46.0	-
Capital expenditures[5]	**35.0**	48.6	**122.2**	302.0	290.6

1. Comparatives for 2012 reflect New Afton reaching 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 and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price, adjusted net earnings, adjusted net earnings per share, adjusted net cash generated from operations 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 while total cash costs and all-in sustaining costs on a co-product basis removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.
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

Production

In 2013, New Afton increased its throughput and reached its targeted average of over 12,000 tonnes per day, three months ahead of schedule. Additionally, by the end of 2013, New Afton mill throughput had further increased to a new record quarterly average of 12,460 tonnes per day achieved in the fourth quarter. This increased throughput, combined with a full year of production and higher gold and copper grades and recoveries, led New Afton to produce a total of 87,177 ounces of gold and 72.0 million pounds of copper compared to 36,807 ounces of gold and 28.5 million pounds of copper in the prior year as commercial production at New Afton began on July 31, 2012. Of the total in 2012, 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 2013, New Afton produced 25,211 ounces of gold compared to 22,793 ounces in the same prior year period. Copper production in the fourth quarter of 2013 was 20.5 million pounds compared to 17.3 million pounds in 2012.

Revenue

For the year ended December 31, 2013, revenues were $318.7 million compared to $127.3 million in the prior year as commercial production at New Afton began on July 31, 2012. The average realized gold price was $1,314 per ounce of gold and $3.23 per pound of copper in 2013 compared to $1,681 per ounce of gold and $3.58 per pound of copper in 2012. Revenues were positively impacted by the incremental production, but were negatively impacted by lower average realized prices. Certain prior year sales were settled in 2013 and negative commodity price adjustments were recognized during the year. Additionally, unpriced concentrate sales at year end 2013 were marked to market at the December 31, 2013 London PM fix average gold price of $1,205 per ounce, lower than the annual and quarterly average price for gold.

Revenues in the fourth quarter of 2013 were $88.3 million compared to $95.3 million in the prior year period. Average realized prices were $1,168 per ounce of gold, $3.23 per pound of copper and $19.35 per ounce of silver in 2013 compared to $1,653 per ounce of gold, $3.53 per pound of copper and $32.98 per ounce of silver in 2012.

Total cash costs and all-in sustaining costs

For the year ended December 31, 2013, total cash costs per ounce of gold sold, net of by-product sales, was negative $1,196 per ounce compared to negative $1,043 per ounce in the prior year with 2013 benefitting from higher by-product revenues and greater ounces sold. All-in sustaining costs per ounce of gold sold was negative $133 per ounce for the year ended December 31, 2013 compared to $358 per ounce in 2012 as New Afton was impacted by the cash costs benefits noted as well as decreased sustaining capital expenditure per ounce. The trend of reducing sustaining capital expenditure is expected to continue in 2014.

Total cash costs per ounce of gold sold, net of by-product sales was negative $1,428 per ounce for the fourth quarter of 2013 compared to negative $1,067 per ounce in the same prior year period. All-in sustaining costs per ounce of gold sold was $12 per ounce for the fourth quarter of 2013 compared to $168 per ounce for the prior year period.

Earnings from mine operations

For the year ended December 31, 2013, New Afton generated $119.3 million in earnings from mine operations compared to $46.0 million in the prior year, reflecting the strong operational performance in 2013. The prior year period represents the commercial production period starting on July 31, 2012.

New Afton contributed $35.9 million to the Company's earnings from mine operations for the three months ended December 31, 2013 compared to $37.6 million for the prior year period. While production and all-in sustaining costs improved in 2013, the impact of lower gold prices offset this positive impact.

Capital expenditures

For the year ended December 31, 2013, capital expenditures totalled $122.2 million compared to $302.0 million in the prior year. Capital expenditures were significantly reduced in 2013 as New Afton achieved commercial production and reduced its development capital spend. Capital expenditures in 2013 related primarily to underground development of the East Cave and ongoing drawbell development. Capital expenditures for the fourth quarter of 2013 totalled $35.0 million compared to $48.6 million for the fourth quarter of 2012 when capital expenditures remained higher in the early stages of commercial production.

Impact of Foreign Exchange on Operations

New Afton's operations continue to be impacted by fluctuations in the valuation of the Canadian dollar against the U.S. dollar. The value of the Canadian dollar in 2013 averaged 1.03 to the U.S. dollar compared to 1.00 in the prior year resulting in a positive impact on cash costs of $44 per gold ounce sold.

The value of the Canadian dollar in the fourth quarter of 2013 averaged 1.05 against the U.S. dollar compared to 0.99 in the fourth quarter of 2012 resulting in a positive impact on cash costs of approximately $76 per gold ounce sold.

Exploration Project Review

In 2013, exploration efforts at New Afton continued to focus on delineating additional Mineral Resources to extend New Afton's mine life. Advancements included development of an updated geologic model and Mineral Resource estimate that included the results of 44,068 metres of new exploration drilling completed during 2013 as well as the re-evaluation of approximately 130,000 metres of historic core holes through the main portion of the deposit currently being mined. This work has resulted in an increase in the New Afton Measured and Indicated Resources of 318,000 ounces of contained gold and 170 million pounds of contained copper. The majority of this Resource growth occurred within the C-zone Resource, a continuation of the main New Afton deposit that lies below the Mineral Reserve currently being mined. The 2013 year end C-Zone Measured and Indicated Resources included 693,000 ounces of contained gold and 516 million pounds of contained copper. From this already sizeable base, the focus of the 2014 exploration program will remain on further delineating the C-zone and continuing to explore its potential extensions.

Outlook

New Afton is forecast to produce 102,000 to 112,000 ounces of gold and 78 to 84 million pounds of copper in 2013 at total cash costs of negative $1,260 to negative $1,240 and all-in sustaining costs of negative $620 to negative $600 per ounce. New Afton's 2014 co-product costs are forecast to be $440 to $460 per ounce of gold and $1.10 to $1.20 per pound of copper.

New Afton's performance is expected to strengthen further in 2014. Both gold and copper production should benefit from average throughput remaining consistent with that achieved during the fourth quarter of 2013. Grades and recoveries of gold and copper are expected to remain in-line with 2013 levels. The combination of increased copper production at copper prices assumed to remain consistent with those realized in 2013, and a weaker Canadian dollar, results in New Afton's 2014 forecast for total cash costs being lower than those achieved in 2013.

New Afton's capital estimate is approximately $115.0 million. Estimated sustaining capital in 2014 should decrease to $60.0 million due to a combination of less underground development and certain 2013 capital projects, including commissioning of the gyratory crusher, not recurring in 2014. An additional $55.0 million of growth-related capital is budgeted for 2014, of which $35.0 million is related to a mill expansion project and $20.0 million is capitalized exploration to target additional Resource growth in the C-zone.

Assumptions used in 2014 guidance include gold and copper prices of $1,300 per ounce and $3.25 per pound, respectively, and a Canadian dollar exchange rates of $1.11 to the U.S. dollar.

MESQUITE MINE, CALIFORNIA, USA

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 and 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 Mesquite as part of the business combination with Western Goldfields in mid-2009. The mine resumed production in 2008. At December 31, 2013, the mine had 2.2 million ounces of Proven and Probable gold Reserves and 4.9 million ounces of Measured and Indicated gold Resources, inclusive of Reserves.

AT-A-GLANCE

2013 Production:
GOLD: 107,016 OUNCES
TOTAL CASH COSTS/oz: $907
ALL-IN SUSTAINING COSTS/oz: $1,108

2014 Production Targets:
GOLD: 113,000 TO 123,000 OUNCES
TOTAL CASH COSTS/oz: $930 to $950
ALL-IN SUSTAINING COSTS/oz: $1,310 to $1,330

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)	2013	2012	2013	2012	2011
Operating information:					
Ore mined (thousands of tonnes)	**5,233**	3,221	**14,297**	14,503	11,733
Waste mined (thousands of tonnes)	**5,459**	8,075	**33,909**	31,164	34,240
Ratio of waste to ore	**1.04**	2.51	**2.37**	2.15	2.92
Ore to leach pad (thousands of tonnes)	**5,233**	3,221	**14,297**	14,503	11,733
Average grade:					
Gold (grams/tonne)	**0.42**	0.40	**0.37**	0.46	0.57
Gold (ounces)					
Produced [1] [2]	**34,893**	29,162	**107,016**	142,008	158,004
Sold [1]	**32,239**	29,708	**104,794**	142,491	161,214
Average realized price [4]:					
Gold ($/ounce)	**1,251**	1,287	**1,263**	1,338	1,297
Total cash costs per gold ounce sold [3]	**841**	787	**907**	690	645
All-in sustaining costs per gold ounce sold [3]	**988**	920	**1,108**	768	762
Financial Information:					
Revenues	**33.4**	38.3	**113.7**	190.7	209.1
Earnings (loss) from mine operations	**(2.0)**	9.3	**(5.8)**	67.6	79.7
Capital expenditures	**2.1**	4.1	**17.4**	10.9	18.5

1. Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory, 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 and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price, operating margin, adjusted net earnings, adjusted net earnings per share, adjusted net cash generated from operations 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 but excludes the revenue reduction related to the hedge OCI reclassification.

Annual and Quarterly Operating Results

Production

Mesquite's 2013 operational results were impacted by lower than anticipated grades being mined and processed. Gold production for the year ended December 31, 2013 was 107,016 ounces compared to 142,008 ounces in the prior year.

Gold production for the fourth quarter ended December 31, 2013 was the strongest of the year. Production increased 67% when compared to the third quarter of 2013 and increased 20% when compared to the prior year period as more ore was mined and placed on the pad. Production for the quarter was 34,893 ounces compared to 29,162 ounces in the same prior year period.

Revenue

Revenue for the year ended December 31, 2013 was $113.7 million compared to $190.7 million in the prior year due to lower ounces sold, consistent with the production decrease, and lower realized gold prices. Gold ounces sold in 2013 were 104,794 ounces compared to 142,491 ounces in the prior year. The average realized gold price for 2013 of $1,263 per ounce, including hedged gold ounce settlements at $801 per ounce up until May 15th, compared to an average realized gold price of $1,338 per ounce of gold sold in 2012.

Revenue for the fourth quarter of 2013 was $33.4 million compared to $38.3 million in the same prior year period as an increase in gold ounces sold was offset by a lower average realized gold price. Gold ounces sold in the fourth quarter of 2013 were 32,239 ounces relative to 29,708 ounces in the prior year period; however, the average realized gold price during the fourth quarter of 2013 was $1,251 per ounce, compared to $1,287 per ounce of gold sold in the same prior year period. The revenue from the prior year quarter reflects an average realized price considerably lower than the average London PM fix price as 16,500 ounces of production from the quarter was required to settle at the hedge price of $801 per ounce. After closing the hedge position in May 2013, the Company had full exposure to the gold price on all ounces sold.

Total cash costs and all-in sustaining costs

Total cash costs per ounce of gold sold for the year ended December were $907 per ounce compared to $690 per ounce in the prior year, again impacted by mining of lower grade ore and less gold ounces sold. All-in sustaining costs per ounce of gold sold were $1,108 per ounce for 2013 compared to $768 per ounce for the prior year. All-in sustaining costs were impacted by the higher cash costs and the purchase of two haul trucks in the second quarter of 2013.

Total cash costs per ounce of gold sold for the fourth quarter ended December 31, 2013 were $841 per ounce, compared to $787 per ounce in the same prior year period. All-in sustaining costs per ounce of gold sold were $988 per ounce for the fourth quarter of 2013 compared to $920 per ounce for the prior year period.

Earnings (loss) from mine operations

For the year ended December 31, 2013, Mesquite generated a $5.8 million loss from mine operations as a result of a lower average realized gold price and fewer ounces sold, compared to $67.6 million in earnings in the prior year.

Mesquite generated a $2.0 million loss from mine operations for the fourth quarter of 2013, compared to $9.3 million in earnings in the same prior year period.

Capital expenditures

Capital expenditures totalled $17.4 million for the year ended December 31, 2013 compared to $10.9 million in the prior year with the increase being driven primarily by the purchase of two haul trucks in the second quarter of 2013.

Capital expenditures totalled $2.1 million and $4.1 million, for the fourth quarters of 2013 and 2012, respectively.

Exploration Project Review

During the fourth quarter of 2013, the Company conducted a delineation drilling program to upgrade inferred and indicated Mineral Resources to measured classification status. The program involved the completion of 20,519 metres of reverse circulation drilling areas scheduled for mining during 2014. The results of this work have been incorporated into the mine plan and scheduled for 2014.

Outlook

Mesquite is forecast to produce 113,000 to 123,000 ounces of gold in 2013 at total cash costs of $930 to $950 and all-in sustaining costs of $1,310 to $1,330 per ounce.

Mesquite's 2014 guidance has taken into account the grade-related challenges encountered in 2013 as well as additional data from a late-2013 infill drilling program that was conducted in the areas that are scheduled for mining through 2014. Average gold grades in 2014 are scheduled to increase, with this benefit being partially offset by lower ore tonnes placed as the mine plan leads to the opening of a new area of the pit which results in a higher stripping ratio for this year. Mesquite's 2014 total cash costs are slightly higher than those achieved in 2013 due to an increase in total tonnes moved and an increase in the stripping ratio.

Sustaining capital expenditures in 2014 are estimated to be $40.0 million, which includes $15.0 million for four new haul trucks, $13.0 million related to the first part of the leach pad expansion, required as a result of the increase in Mesquite's mineral Reserve base since the mine began production, and $10.0 million for replacement of major equipment components. All-in sustaining costs are expected to peak in 2014.

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 originally built by Rio Tinto Plc and commenced production in 1992. At December 31, 2013, the mine had 0.4 million ounces of Proven and Probable gold Reserves and 98 million pounds of Proven and Probable copper Reserves, with 0.8 million ounces of Measured and Indicated gold Resources, inclusive of Reserves, and 158 million pounds of Measured and Indicated copper Resources, inclusive of Reserves.

AT-A-GLANCE

2013 Production:
GOLD: 100,700 OUNCES
COPPER: 13.4 MILLION POUNDS
TOTAL CASH COSTS/oz: $850
ALL-IN SUSTAINING COSTS/oz: $1,331

2014 Production Targets:
GOLD: 95,000 TO 105,000 OUNCES
COPPER: 14 TO 16 MILLION POUNDS
TOTAL CASH COSTS/oz: $630 to $650
ALL-IN SUSTAINING COSTS/oz: $1,065 to $1,085

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)	2013	2012	2013	2012	2011
Operating information:					
Ore mined (thousands of tonnes)	**190**	205	**768**	786	755
Ore processed (thousands of tonnes)	**201**	209	**814**	778	783
Average grade:					
Gold (grams/tonne)	**4.00**	4.59	**4.14**	4.18	3.94
Copper (%)	**0.88**	0.85	**0.85**	0.97	0.93
Recovery rate (%):					
Gold	**93.6**	93.3	**92.9**	91.3	88.8
Copper	**89.6**	91.5	**88.0**	86.0	82.0
Gold (ounces)					
Produced [1]	**24,237**	28,785	**100,700**	95,522	85,404
Sold [1]	**25,323**	25,739	**102,811**	89,269	87,691
Copper (thousands of pounds)					
Produced [1]	**3,496**	3,585	**13,426**	14,361	12,715
Sold [1]	**3,588**	2,977	**13,352**	12,990	15,316
Silver (ounces)					
Produced [1]	**31,157**	31,921	**112,215**	136,806	109,814
Sold [1]	**32,386**	26,390	**102,345**	98,623	120,680
Average realized price [2]:					
Gold ($/ounce)	**1,251**	1,687	**1,370**	1,677	1,591
Copper ($/pound)	**3.28**	3.47	**3.29**	3.51	3.78
Silver ($/ounce)	**19.65**	29.62	**21.36**	31.30	34.17
Total cash costs per gold ounce sold [2][3]	**778**	743	**850**	764	618
All-in sustaining costs per gold ounce sold [2]	**1,106**	1,309	**1,331**	1,360	1,249
Financial Information:					
Revenues	**42.1**	50.4	**177.7**	191.1	192.6
Earnings from mine operations	**(0.5)**	16.6	**18.9**	58.8	62.8
Capital expenditures	**7.8**	13.1	**43.0**	46.8	50.3

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 and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price, adjusted net earnings, adjusted net earnings per share, adjusted net cash generated from operations 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. Total cash costs and all-in sustaining costs on a co-product basis removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis. If copper revenues were treated as a co-product, the average total cash costs at Peak Mines for the fourth quarter of 2013 would be $886 per ounce of gold (2012 - $906) and $2.56 per pound of copper (2012 - $2.16). For the year ended December 31, 2013, the total cash costs on a co-product basis would be $958 per ounce of gold (2012 - $967) and $2.50 per pound of copper (2012 - $2.21). All-in sustaining costs on a co-product basis for the fourth quarter of 2013 would be $1,122 per ounce of gold (2012 - $1,357) and $3.18 per pound of copper (2012 - $3.09). For the year ended December 31, 2013 the all-in sustaining costs on a co-product basis would be $1,321 per ounce of gold (2012 - $1,416) and $3.37 per pound of copper (2012 - $3.15).

Annual and Quarterly Operating Results

Production
For the year ended December 31, 2013, Peak Mines had a successful year producing 100,700 ounces of gold and 13.4 million pounds of copper compared to 95,522 ounces of gold and 14.4 million pounds of copper for the prior year. Gold production increased in 2013 through a combination of increased ore tonnes processed and increases in mill recoveries.

Peak Mines produced 24,237 ounces of gold and 3.5 million pounds of copper during the fourth quarter of 2013 compared to 28,785 ounces of gold and 3.6 million pounds of copper for the same prior year period.

Revenue
Revenue for the year ended December 31, 2013 was $177.7 million compared to $191.1 million in the prior year. Although Peak Mines sold more gold ounces, this benefit was offset by a decrease in average realized prices for both gold and copper relative to 2012. Gold ounces sold increased from 89,269 in 2012 to 102,811 in the current year, however, the average realized gold price was $1,370 per ounce in 2013 compared to $1,677 per ounce in the prior year. Copper sales were 13.4 million pounds compared to 13.0 million pounds in the prior year. Additionally, average realized copper price was $3.29 per pound compared to $3.51 per pound in the prior year.

Revenue for the fourth quarter of 2013 was $42.1 million, compared to $50.4 million in the same prior year period as higher sales volumes for copper were offset by a decrease in gold sales and average realized prices. Copper sales increased to 3.6 million pounds in the fourth quarter of 2013 compared to 3.0 million pounds in 2012. The average realized gold price was $1,251 per ounce compared to $1,687 per ounce in the same prior year period. The average realized copper price was $3.28 per pound in the fourth quarter of 2013 compared to $3.47 per pound in the same prior year period.

Total cash costs and all-in sustaining costs
Total cash costs per ounce of gold sold, net of by-product sales, for the year ended December 31, 2013 were $850 per ounce compared to $764 per ounce in 2012. All-in sustaining costs per ounce of gold sold were $1,331 per ounce for the year ended December 31, 2013 compared to $1,360 for the prior year. Total cash costs were negatively impacted by a combination of the lower realized copper price and an increase in mining costs related to operating areas of the mine. This was partially offset by the depreciation of the Australian dollar. The increase in total cash costs was more than offset by a reduction in sustaining capital expenditure, causing all in sustaining costs per gold ounce to be lower in 2013 compared to the prior year period.

Total cash costs per ounce of gold sold for the fourth quarter of 2013 were $778 per ounce compared to $743 per ounce in the same prior year period. All-in sustaining costs per ounce of gold sold were $1,106 per ounce for the fourth quarter of 2013 compared to $1,309 for the prior year period.

Earnings from mine operations
Peak Mines generated $18.9 million in earnings from operations which includes redundancy charges of $2.0 million for the year ended December 31, 2013. This compares to $58.8 million in the prior year.

For the fourth quarter of 2013, Peak Mines generated a $0.5 million loss from operations compared to $16.6 million in the same prior year period.

Capital expenditures
For the years ended December 31, 2013 and 2012, capital expenditures totalled $43.0 million and $46.8 million, respectively. Capital expenditures in 2013 were primarily associated with mine development, loader and truck purchases and capitalized exploration.

Capital expenditures totalled $7.8 million and $13.1 million for the quarters ended December 31, 2013 and 2012, 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 exchange rate for the Australian dollar for the year ended December 31, 2013 averaged 1.03 to the U.S. dollar compared to 0.97 in the prior year resulting in a positive impact on cash costs of $87 per gold ounce sold.

The value of the Australian dollar in the fourth quarter of 2013 averaged 1.08 against the U.S. dollar compared to 0.96 in the fourth quarter of 2012 resulting in a positive impact on cash costs of approximately $146 per gold ounce sold.

Exploration Project Review
During the fourth quarter of 2013, the Company conducted 8,367 metres of exploration drilling on the Perseverance and Peak deposits to delineate additional Mineral Resources and Reserves at its Peak Mines operations. During the full year 2013 a total of 52,740 metres of exploration and Resource delineation drilling were completed at Peak Mines. The results of this drilling have been incorporated into the Company's consolidated 2013 year end mineral Resource and Reserves statement.

Outlook
Peak Mines is forecast to produce 95,000 to 105,000 ounces of gold and 14 to 16 million pounds of copper in 2014 at total cash costs of $630 to $650 per gold ounce and all-in sustaining costs of $1,065 to $1,085 per gold ounce.

Total cash costs are expected to decrease in 2014 due to the combination of a weaker Australian dollar and the by-product benefit of the increased copper production. In addition to the lower total cash costs, 2014 sustaining capital expenditures at the Peak Mines are also estimated to decrease by 8% to $40 million. As a result, all-in sustaining costs are anticipated to decrease by $260 per ounce to approximately $1,075 per ounce in 2014.

After achieving a five percent gold production growth from 2012 to 2013, the Peak Mines targeted 2014 production should remain at this higher level. At the same time, copper production is expected to increase by approximately one million pounds, or seven percent.

Assumptions used in 2014 guidance include gold and copper prices of $1,300 per ounce and $3.25 per pound, respectively and an Australian dollar exchange rate of $1.14 to the U.S. dollar.

CERRO SAN PEDRO MINE, SAN LUIS POTOSÍ, MEXICO

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 mine is a gold-silver, open pit, run-of-mine heap leach operation. At December 31, 2013, the mine had 0.4 million ounces of Proven and Probable gold Reserves and 15.6 million ounces of Proven and Probable silver Reserves, with 0.4 million ounces of Measured and Indicated gold Resources, inclusive of Reserves, and 15.9 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.

AT-A-GLANCE

2013 Production:
GOLD: 102,795 OUNCES
SILVER: 1.3 MILLION OUNCES
TOTAL CASH COSTS/oz: $676
ALL-IN SUSTAINING COSTS/oz: $766

2014 Production Targets:
GOLD: 70,000 TO 80,000 OUNCES
SILVER: 1.1 TO 1.3 MILLION OUNCES
TOTAL CASH COSTS/oz: $1,030 to $1,050
ALL-IN SUSTAINING COSTS/oz: $1,125 to $1,145

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)	2013	2012	2013	2012	2011
Operating information:					
Ore mined (thousands of tonnes)	**2,877**	4,889	**13,463**	16,531	16,763
Waste mined (thousands of tonnes)	**5,588**	2,244	**17,556**	14,374	16,513
Ratio of waste to ore	**1.94**	0.46	**1.30**	0.87	0.99
Ore to leach pad (thousands of tonnes)	**2,877**	4,889	**13,463**	16,531	16,763
Average grade:					
Gold (grams/tonne)	**0.32**	0.37	**0.47**	0.47	0.48
Silver (grams/tonne)	**10.80**	12.82	**20.91**	21.43	24.24
Gold (ounces)					
Produced (1) (2)	**22,179**	32,143	**102,795**	137,555	143,747
Sold (1)	**22,785**	31,193	**99,188**	134,040	142,985
Silver (ounces)					
Produced (1) (2)	**297,490**	401,276	**1,300,559**	1,938,506	1,989,333
Sold (1)	**293,920**	419,998	**1,291,079**	1,926,137	2,007,801
Average realized price (3):					
Gold ($/ounce)	**1,257**	1,711	**1,403**	1,664	1,564
Silver ($/ounce)	**20.28**	32.46	**23.61**	30.78	35.15
Total cash costs per gold ounce sold (3)(4)	**911**	320	**676**	232	115
All-in sustaining costs per gold ounce sold (3)	**1,076**	458	**766**	358	195
Financial Information:					
Revenues	**34.6**	66.9	**169.6**	282.2	294.2
Earnings from mine operations	**(9.4)**	35.7	**34.4**	158.2	172.7
Capital expenditures	**10.8**	3.6	**24.5**	11.4	7.4

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 and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price, operating margin, adjusted net earnings, adjusted net earnings per share, adjusted net cash generated from operations 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. Total cash costs and all-in sustaining costs on a co-product basis removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis. If the silver revenues were treated as a co-product, the average total cash costs at Cerro San Pedro for fourth quarter of 2013, would be $971 per ounce of gold (2012 - $603) and $15.65 per ounce of silver (2012 - $11.44). For the year ended December 31, 2013, average total cash costs would be $807 per ounce of gold (2012 - $533) and $13.58 per ounce of silver (2012 - $9.86). All-in sustaining costs on a co-product basis for the fourth quarter of 2013 would be $1,108 per ounce of gold (2012 - $713) and $17.86 per ounce of silver (2012 - $13.54). For the year ended December 31, 2013 the all-in sustaining costs on a co-product basis would be $881 per ounce of gold (2012 - $632) and $14.83 per ounce of silver (2012 - $11.70).

Annual and Quarterly Operating Results

Production
Gold production for the year ended December 31, 2013 was 102,795 ounces compared to 137,555 ounces in the prior year. In 2013, Cerro San Pedro faced operational challenges. Production at Cerro San Pedro was below that of the prior year due to a combination of lower ore tonnes placed on the leach pad and lower recoveries. The placement of lower ore tonnes was primarily driven by the impact of a pit wall movement which required an adjustment to the mine plan. Additionally, recoveries from the leach pad were below expectations. Over the course of the third and fourth quarters, the metallurgical team adjusted the leach solution by increasing cyanide and sodium hydroxide levels as well as adding more lime to the ore trucks. The goal of these adjustments was to optimize the leach solution in an effort to maximize the recoveries from the multiple ore types at Cerro San Pedro over time. As a result of the changes implemented, recoveries began to return to expected levels by year end.

Silver production was 1,300,559 ounces for the year ended December 31, 2013 compared to 1,938,506 ounces produced in the prior year. The decrease in silver production reflects lower tonnes mined relative to the same prior year period and the impact of the recovery issue noted above.

For the fourth quarter of 2013, gold production was 22,179 ounces compared to 32,143 ounces produced in the same prior year period. Silver production in the fourth quarter was 297,490 ounces compared to 401,276 ounces in the same prior year period.

Revenue
Revenue for the year ended December 31, 2013 was $169.6 million compared to $282.2 million in the prior year due to lower gold and silver sales volumes, as well as lower average realized prices for both metals. Gold sales decreased from 134,040 ounces in 2012 to 99,188 ounces in 2013 for the reasons noted above. Silver sales also decreased from 1,926,137 ounces in 2012 to 1,291,079 ounces in 2013. The average realized gold price during the full years of 2013 and 2012 was $1,403 and $1,664 per ounce, respectively. The average realized silver price during the full years of 2013 and 2012 was $23.61 and $30.78 per ounce, respectively.

Revenue for the fourth quarter of 2013 was $34.6 million compared to $66.9 million in the same prior year period, due to a combination of lower ounces of gold and silver sold and lower commodity prices. The average realized gold price during the fourth quarter of 2013 and 2012 was $1,257 and $1,711 per ounce, respectively. The average realized silver price per ounce during the fourth quarter of 2013 and 2012 was $20.28 and $32.46 per ounce, respectively. Gold sales for the fourth quarter of 2013 were 22,785 ounces relative to 31,193 ounces in the same prior year period. Silver sales also decreased from 419,998 ounces in the fourth quarter of 2012 to 293,920 ounces in the same period in 2013.

Total cash costs and all-in sustaining costs
Total cash costs per ounce of gold sold for the year ended December 31, 2013 were $676 per ounce compared to $232 per ounce in the prior year. Cerro San Pedro was impacted by a lower realized silver price and lower silver sales volume, negatively impacting by-product revenue, as well as the operation's fixed costs being attributed to a lower gold production base. All-in sustaining costs per ounce of gold sold were $766 per ounce for the year ended December 31, 2013 compared to $358 for the prior year. All-in sustaining costs per ounce of gold sold were primarily impacted by the variance in total cash costs, offset by lower sustaining capital expenditure in 2013 relative to 2012.

Total cash costs per ounce of gold sold for the fourth quarter of 2013 were $911 per ounce compared to $320 per ounce in the same prior year period. The factors that led to this increase are consistent with those noted above in the full year discussion. All-in sustaining costs per ounce of gold sold were $1,076 per ounce for the fourth quarter of 2013 compared to $458 per ounce for the prior year period, reflecting a consistent variance to the total cash costs.

Earnings from mine operations
For the year ended December 31, 2013, earnings from mine operations were $34.4 million compared to $158.2 million in the prior year. A write-down of $7.3 million was included in earnings from mine operations for 2013 to reduce the carrying amount of long-term silver inventory that is not expected to be recovered during the residual leaching period at Cerro San Pedro.

Cerro San Pedro generated a $9.4 million loss from mine operations in the fourth quarter of 2013 compared to earnings of $35.7 million in the same prior year period.

Capital expenditures
For the year ended December 31, 2013 and 2012, capital expenditures totalled $24.5 million and $11.4 million, respectively. Capital expenditures totalled $10.8 million and $3.6 million for the quarters ended December 31, 2013 and 2012, respectively. Capital expenditures in 2013 have primarily related to deferred stripping costs related to Phase 5 and a range of improvement projects relating to Processing activities.

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. For the full year ended December 31, 2013, the value of the Mexican peso strengthened from an average of 13.16 to the U.S. dollar in 2012 compared to 12.76 to the U.S. dollar in 2013. This had a negative impact of approximately $17 per ounce of gold sold.

The value of the Mexican peso decreased from an average of 12.94 to the U.S. dollar in the fourth quarter of 2012 to 13.02 to the U.S. dollar in 2013. This had a positive impact of approximately $4 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 70,000 to 80,000 ounces of gold and 1,100,000 to 1,300,000 ounces of silver in 2013 at total cash costs of $1,030 to $1,050 per ounce and all-in sustaining costs of $1,125 to $1,145 per ounce.

In 2014, Cerro San Pedro is mining the final phase of the pit which will lead to increased waste stripping activity in the first half of the year, after which ore from the top of the open pit is scheduled to be mined and placed on the leach pad. Cerro San Pedro's 2014 targeted gold production is impacted by a combination of the mining and processing of lower grade ore from the upper levels of the ore body as well as the continued effect on production from the residual leaching of the lower recovery porphyry ore that was placed on the pad in 2013. Silver production is anticipated to remain consistent in 2014.

Cerro San Pedro's 2014 estimated total cash costs are higher than those realized in 2013 due to a combination of the lower gold production base, increased volumes of processing reagents, increased waste stripping costs and a lower silver by-product price assumption.

Sustaining capital costs in 2014 are estimated to be $8.0 million and relate to the final leach pad expansion at Cerro San Pedro to allow for the effective processing of ore from the final mining phase. Consistent with 2013, an additional $20.0 million of waste stripping costs are classified as non-sustaining capital as the final phase currently being mined was not included in Cerro San Pedro's original mine plan and thus has extended the mine's life. The significant 2014 waste stripping campaign positions Cerro San Pedro to benefit from limited stripping requirements in 2015.

Assumptions used in 2014 guidance include gold and silver prices of $1,300 per ounce and $20.00 per ounce, respectively, and a Mexican peso exchange rate of $13.00 to the U.S. dollar.

DEVELOPMENT AND EXPLORATION REVIEW

RAINY RIVER PROJECT, ONTARIO, CANADA

Rainy River is a bulk-tonnage gold project located approximately 65 kilometres from Fort Frances, a city of approximately 8,000 people, located in Northwestern Ontario, Canada. The project property is located near infrastructure and comprises approximately 167 square kilometres of patented and unpatented mining and surface rights land claims and leasehold interests, which are 100% owned by Rainy River, a wholly owned subsidiary of the Company. At December 31, 2013, Rainy River had 3.8 million ounces of Proven and Probable gold Reserves and 9.4 million ounces of Proven and Probable silver Reserves, with 6.2 million ounces of Measured and Indicated gold Resources, inclusive of Reserves, and 14.6 million ounces of Measured and Indicated silver Resources, inclusive of Reserves.

Project Review

Exploration

During the fourth quarter of 2013, exploration advancements at the Rainy River project included the continuation of condemnation drilling to test the mineral potential of proposed operations facilities and infrastructure sites (10 holes totalling 1,961 metres completed) and target generation work to identify new exploration targets within the greater Rainy River property holdings. Analysis of exploration results from the fourth quarter is in progress and will be incorporated into the plans for exploration in 2014. Drilling for the full year 2013 totalled 71,645 metres in 207 holes and was completed prior to the New Gold acquisition.

Feasibility Study

Subsequent to the December 31, 2013 year end on January 16, 2014, New Gold announced the results of its Feasibility Study for the Rainy River project.

Highlights include:

- First nine years - average annual gold production of 325,000 ounces at total cash costs of $613 per ounce and all-in sustaining costs of $736 per ounce.
- First nine years - average mill head grade of 1.44 grams per tonne gold.
- Life-of-mine gold and silver production of 3.4 million ounces and 6.0 million ounces at total cash costs of $663 per ounce and all-in sustaining costs of $765 per ounce.
- Base case economics - at $1,300 per ounce gold, $22.00 per ounce silver and a 0.95 US$/C$ exchange rate, the Rainy River project has a pre-tax 5% net present value ("NPV") of $438 million, an internal rate of return ("IRR") of 13.1% and a payback period of 5.4 years.
- High alternative case economics - at $1,600 per ounce gold, $26.00 per ounce silver and a parity US$/C$ exchange rate, the Rainy River project has a pre-tax 5% NPV of $1.0 billion, an IRR of 21.1% and a payback period of 3.6 years.
- Low alternative case economics - at $1,150 per ounce gold, $20.00 per ounce silver and a 0.93 US$/C$ exchange rate, the Rainy River project has a pre-tax 5% NPV of $138 million, an IRR of 7.8% and a payback period of 6.8 years.
- Development capital costs of $885 million inclusive of a $70 million contingency.
- Targeted commissioning in late 2016 with first year of full production in 2017.
- Fourteen year mine life with direct processing of open pit and underground ore, at a rate of 21,000 tonnes per day, for first nine years and processing of a combination of stockpile and underground ore thereafter.

Environment and Permitting Activities

The Rainy River project is being reviewed through a coordinated Federal Environmental Assessment (“EA”) and Provincial Individual Environment Assessment process. During the second and third quarters of 2013, the draft EA report was reviewed by local First Nations and Métis groups, Federal and Provincial regulatory agencies and other stakeholders for comment purposes. All comments received were addressed and a final EA report was submitted on December 3, 2013 for Federal conformity review. On December 11, 2013, the Company was informed that the EA report had successfully passed the Federal conformity review step. This milestone enables the Company to now move forward with the next step in the review process as planned.

The objective of final reclamation for the Rainy River project is to return the site to a productive condition on completion of mining activities. A conceptual closure plan consistent with regulatory requirements was part of the draft EA report issued for review and is also included in the final EA report. The formal Mine Closure Plan document, consistent with the Ontario Mining Act requirements, will be submitted later in the year concurrent with Minister’s decision on the Provincial Individual EA. Reclamation will be completed progressively during operations, consistent with industry best practices.

Project Costs

Capital expenditures totalled $21.2 million since the date of acquisition of Rainy River and $13.7 million for the fourth quarter of 2013.

Outlook
The estimated capital expenditure for the Rainy River project in 2014 is $105.0 million which includes: $60.0 million for property, plant and equipment, including down payments on long lead time items, $35.0 million for detailed engineering, studies and environmental monitoring and permitting and $10.0 million for capitalized exploration. Assumptions used in 2014 guidance include a Canadian dollar exchange rate of $1.11.

Beyond 2014, New Gold looks forward to the following targeted key activities:

- Q1 2015 – Receipt of construction-related approvals. Commence construction and substantially complete detailed engineering.
- Q4 2016 – Final construction and ramp up of operations
- Q1 2017 - Begin commercial production

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 people, in central British Columbia, Canada. The project property position covers over 1,000 square kilometres and is located near infrastructure. At December 31, 2013, Blackwater had 8.2 million ounces of Proven and Probable gold Reserves and 60.8 million ounces of Proven and Probable silver Reserves, with 9.5 million ounces of Measured and Indicated gold Resources, inclusive of Reserves, and 70.1 million ounces of Measured and Indicated silver Resources, inclusive of Reserves. New Gold also owns a 100% interest in the Capoose mineral prospect, located approximately 25 kilometres west of the Blackwater deposit.

Project Review

Exploration
During the fourth quarter the Company concluded its 2013 exploration program at Blackwater. Advancements made during the year include the completion of drilling within and around the Blackwater deposit (19,300 metres) to support further project development, the completion of step-out exploration drilling at Capoose (4,236 metres) and reconnaissance drilling on earlier stage prospects (18,267 metres) identified within the greater 1,000 square kilometre project land position. To date, initial surface exploration work at Blackwater has been conducted over approximately 50% of the project land position. The results of this work has been the identification of 14 new prospective target areas with six of seven targets drill tested intercepting favourable geology meriting future follow-up. Additionally during the fourth quarter, the Company acquired the 'Key' claim block located a few kilometres southwest of the Blackwater deposit. The Key block covers the southern extension of the same geologic package that hosts the Blackwater deposit and adds another 88 square kilometres of prospective ground to the project property position.

Feasibility Study Status
The Feasibility Study for Blackwater was completed in December 2013. Highlights include:

- First nine years - average annual gold production of 485,000 ounces at total cash costs of $555 per ounce and all-in sustaining costs of $685 per ounce.
- Life-of-mine gold and silver production of 7 million ounces and 30 million ounces at total cash costs of $578 per ounce and all-in sustaining costs of $670 per ounce.
- 17-year mine life with direct processing for first 14 years and processing of stockpile thereafter.
- Life-of-mine operational strip ratio of 1.88 to 1.00.
- Base case economics - at $1,300 per ounce gold, $22.00 per ounce silver and a 0.95 US$/C$ exchange rate, Blackwater has a pre-tax 5% NPV of $991 million, an IRR of 11.3% and a payback period of 6.2 years.
- High alternative case economics - at $1,600 per ounce gold, $26.00 per ounce silver and a parity US$/C$ exchange rate, Blackwater has a pre-tax 5% NPV of $2,120 million, an IRR of 16.8% and a payback period of 4.5 years.
- Low alternative case economics - at $1,150 per ounce gold, $20.00 per ounce silver and a 0.93 US$/C$ exchange rate, Blackwater has a pre-tax 5% NPV of $402 million, an IRR of 7.8% and a payback period of 7.5 years.
- Development capital costs of $1,865 million inclusive of a $190 million contingency.
- Conventional truck and shovel open pit mine with 60,000 tonne per day whole ore leach processing plant.

Other Project Highlights
Other highlights for Blackwater in 2013 include:

- Draft Application Information Requirements (Provincial Terms of Reference) completing public review in October and expected to be finalized by Q1 of 2014.
- Environmental Impact Statement at 75% completion.

- Project moved to Provincial Major Investment Office, the main list for project review enabling additional provincial resources.
- Continued discussions on Participation Agreements for construction and operation of the mine with key First Nations.
- Project received Provincial mandate for negotiation of Economic Community Development Agreements with First Nations.

Project Costs

Capital expenditures totalled $12.9 million and $55.2 million for the quarter and year ended December 31, 2013, respectively, compared to $41.6 million and $134.2 million in the prior year period. The prior year periods included costs related to the exploration and evaluation phase.

Outlook

During 2014, the Company's capital expenditures at Blackwater are anticipated to be $15.0 million, including $10.0 million related to ongoing permitting activities and $5.0 million for engineering studies. Assumptions used in 2014 guidance include a Canadian dollar exchange rate of $1.11.

Beyond 2013, New Gold looks forward to the following targeted key activities:

- First quarter 2014 - Commence detailed engineering of the tailings and water management facilities and power line, to support permitting activities
- Second half of 2014 - Receipt of Provincial and Federal Environmental Assessment approvals
- First half of 2015 - Receipt of construction-related approvals

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, 2013, attributable to New Gold's 30% share of the project are Proven and Probable gold Reserves of 2.7 million ounces and Proven and Probable copper Reserves of 2.0 billion pounds. 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.

Under the terms of New Gold's agreement with Goldcorp Inc. ("Goldcorp"), Goldcorp is responsible for funding New Gold's 30% share of capital costs. The carried funding accrues interest at a fixed rate of 4.58%. New Gold will repay its share of capital plus accumulated interest out of 80% of its share of the project's cash flow with New Gold retaining 20% of its share of cash flow from the time production commences. Pursuant to the above agreement, New Gold has drawn down $78.4 million of carried funding at December 31, 2013. New Gold had no cash outlay in 2013. New Gold's 30% of project spending, excluding interest, was $1.5 million and $17.7 million for the fourth quarters of 2013 and 2012, respectively, and $9.9 million and $33.0 million for 2013 and 2012, respectively.

On April 27, 2012, the Supreme Court of Chile issued a decision suspending the approval of El Morro's environmental permit. Based on the Supreme Court's decision, 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, continued. During the period of temporary suspension, El Morro worked with the Chilean authorities and local communities to address any perceived deficiencies in respect of the environmental permit. El Morro subsequently filed an addendum to its environmental permit, which proposed compensation arrangements to certain local communities. El Morro's environmental permit was reinstated on October 22, 2013. However, on November 22, 2013, the Copiapo Court of Appeals Supreme Court of Chile granted an injunction suspending development of the El Morro project. The injunction was requested in certain constitutional actions filed by local communities regarding inadequate consultation. The injunction effectively suspends construction activities and development works until the court has completed its review. El Morro continues with community engagement, optimization of project economics, and evaluation of alternatives for a long-term power supply.

Activities during 2014 will continue to focus on gathering information to support permit applications for submission following the reinstatement of the environmental permit and optimization of the project economics including securing a long-term power supply.

See the "Contingencies" section of this MD&A for more details.

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 focussed exploration and accretive growth through strategic acquisitions. The year 2013 proved to be a successful year in growing the Company's Resource base. Measured and Indicated gold Resources, inclusive of Reserves, increased to 27.5 million ounces from 21.4 million ounces at December 31, 2012. Proven and Probable gold and silver Reserves increased by 10.7 and 58.8 million ounces, respectively, and copper Reserves remained significant at 3.0 million pounds.

New Afton's Measured and Indicated gold and copper Resources, inclusive of Reserves, increased due to a significant expansion of the C-zone Resource and despite 4.1 million tonnes of ore Reserves being mined during 2013. The C-zone is a continuation of the main New Afton deposit that is located down and along strike of the Reserve that is currently being mined. The 2013 year end C-zone Measured and Indicated Resources of 693,000 ounces of gold and 516 million pounds of copper each increased by over 10 times when compared to the end of 2012.

The change in Reserves and Resources at Cerro San Pedro and Mesquite is a result of a combination of mine depletion and revised mine design, estimated metallurgical recoveries and Resource estimation parameters. Additionally, in the case of Cerro San Pedro, the sulphide Resources below the open pit have been removed from the Resource estimate.

At the Peak Mines, the decrease in Measured and Indicated Resources from mine depletion was partially offset by the company's ongoing underground exploration initiatives that have a long history of demonstrating an ability to steadily convert Inferred Resources to Measured and Indicated Resources and, ultimately, into Reserves.

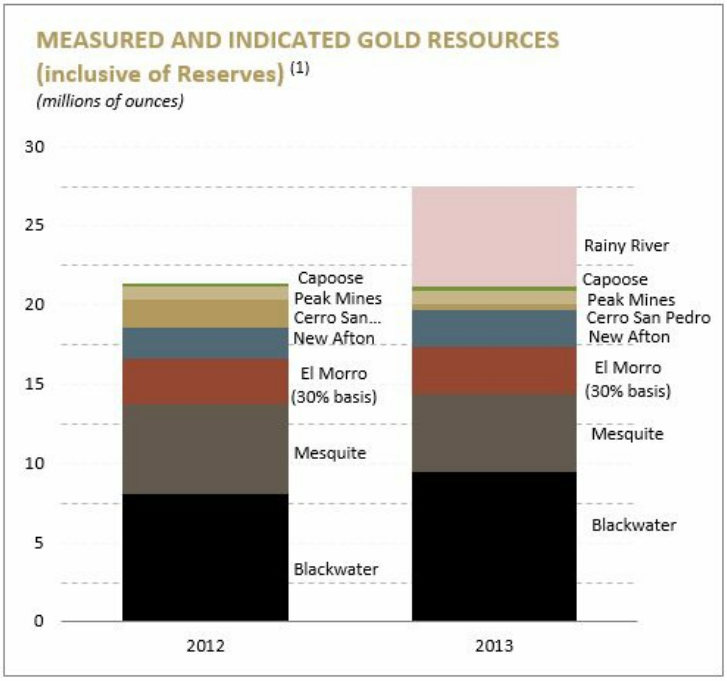
New Gold's successful acquisition of Rainy River in 2013 was significantly accretive to the Company's Mineral Reserve and Resource base. When compared to the year end 2012 gold Reserves, the acquisition increased New Gold's gold Reserves by 48.7% while only increasing the Company's outstanding shares by 5.5%.

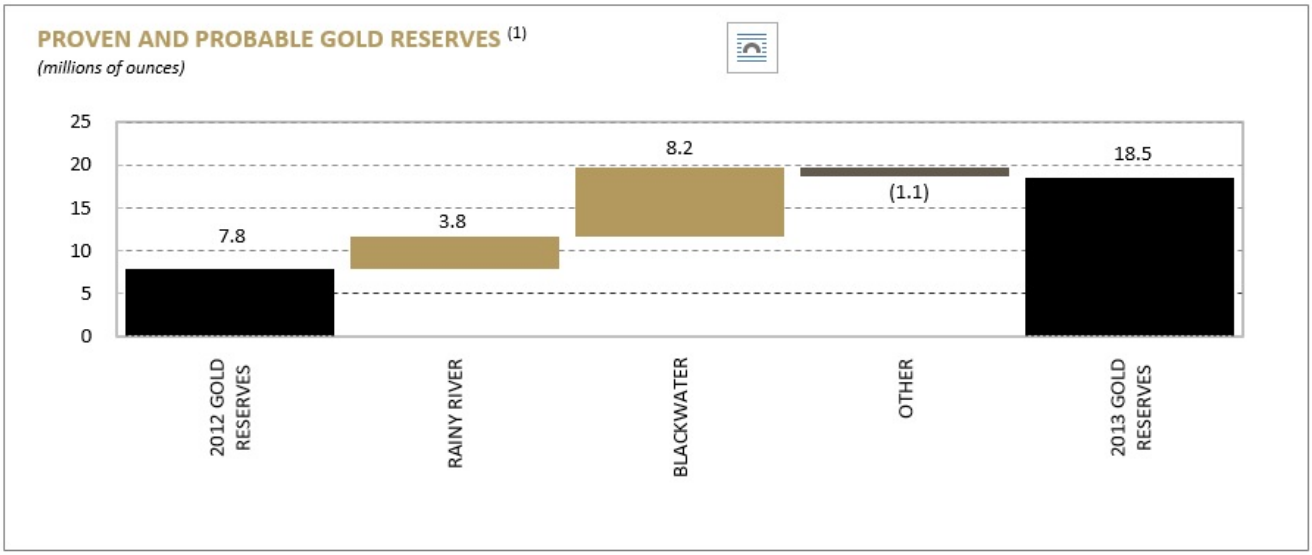
Another important milestone for the Company in 2013 was the completion of the Blackwater Feasibility Study in December which led to 8.2 million ounces of Measured and Indicated Resources being converted to Reserves. Beyond this upgrade, the Company's 2013 exploration efforts at Blackwater also led to a 1.4 million ounce increase in the overall Measured and Indicated gold Resource base when compared to the end of 2012. At the Capoose property, the Measured and Indicated gold and silver Resource base also increased as 2013 drilling successfully converted a portion of the Inferred Resources.

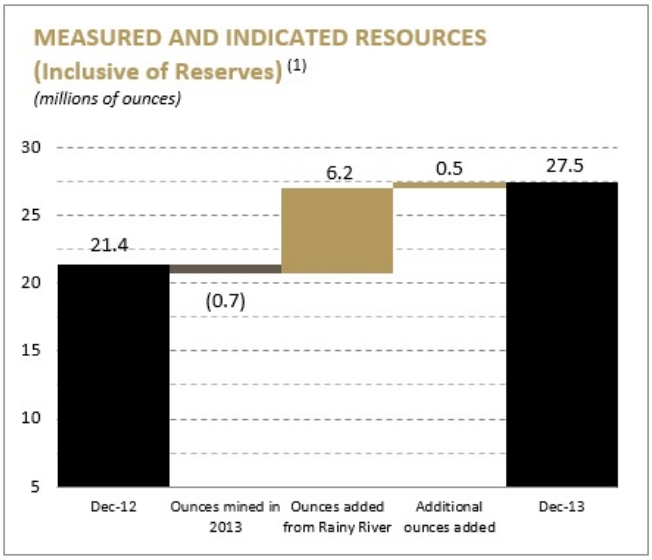
Reserves and Resources at El Morro remained largely unchanged from the prior year.

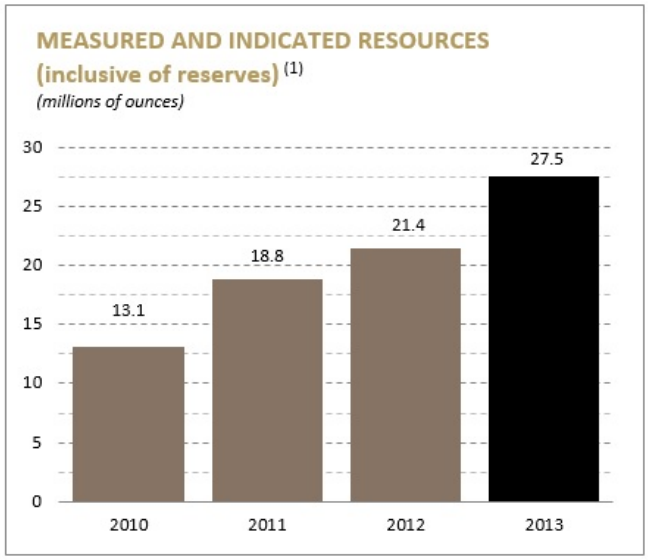
Key Highlights of 2013

- For the fifth consecutive year, the Company increased Measured and Indicated Resources.
- Acquisition of Rainy River was a significant addition to the Company's Mineral Reserve and Resource base.
- Exploration efforts at Blackwater led to a 1.4 million ounce increase in the overall Measured and Indicated gold Resource base compared to 2012.
- Additionally, completion of the Blackwater Feasibility Study resulted in 8.2 million ounces of Measured and Indicated Resources being converted to Reserves.
- At Capoose, 2013 drilling led to increased Measured and Indicated gold and silver Resource base from Inferred Resources.
- New Afton Measured and Indicated gold and copper Resources increased due to a significant expansion of the C-zone.









1. Proven and Probable Reserves and Measured, Indicated and Inferred Resources are calculated as at December 31, 2013 and were in accordance with CIM standards as required under National Instrument 43-101. 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 Finishes 2013 with Lowest Costs in its History, Increases Gold Reserves by 127 Percent per Share and Provides 2014 Guidance with Even Lower Costs", dated February 6, 2014 and filed 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 officer of the Company.

FINANCIAL CONDITION REVIEW

SUMMARY BALANCE SHEET

(in millions of U.S. dollars, except where noted)	December 31 2013	December 31 2012
Cash and cash equivalents	**414.4**	687.8
Deferred tax assets	**171.0**	194.1
Other assets	**3,613.6**	3,401.8
Total assets	**4,199.0**	4,283.7
Derivative liabilities	**-**	110.5
Reclamation and closure cost obligations	**61.4**	68.5
Long-term debt	**862.5**	847.8
Deferred tax liabilities	**381.0**	322.9
Other liabilities	**174.2**	257.5
Total liabilities	**1,479.1**	1,607.2
Total equity	**2,719.9**	2,676.5

BALANCE SHEET REVIEW

Assets
At December 31, 2013, New Gold held cash and cash equivalents of $414.4 million compared to $687.8 million held at December 31, 2012. 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 or 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"), a wholly-owned subsidiary of New Gold, 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.

On May 15, 2013 the Company closed out the remaining gold hedges at a total cost of $65.7 million, at an average price per ounce of $1,397. Going forward the Company has no further gold hedges in place and plans to sell all future Mesquite production at spot prices.

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.

The long-term portion of the liability at December 31, 2013 is $61.4 million compared to $68.5 million at December 31, 2012. Changes in the liability are due to changes in estimated cash flows related to reclamation activities, amortization or unwinding of the discount referred to as accretion expense, and revisions to the discount rates 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, 2013, the Company had $862.5 million in long-term debt compared to $847.8 million at December 31, 2012. In the year ended December 31, 2013, the Company capitalized interest of $21.7 million to qualifying development projects, $17.0 million of which has been allocated to Blackwater and the remaining $4.7 million to Rainy River. This compares to $23.8 million of capitalized interest for the year ended December 31, 2012 of which $16.4 million and $7.4 mllion had been allocated to New Afton and Blackwater, respectively.

On April 5, 2012, the Company issued Senior Unsecured Notes denominated in U.S. dollars, which mature and become payable on April 15, 2020 and bear an interest rate of 7% per annum. At December 31, 2013, the face value of these notes totalled $300 million and the carrying amount totalled $293.3 million. Interest is payable in arrears in equal semi-annual instalments on April 15 and October 15 each year.

On November 15, 2012, the Company issued additional Senior Unsecured Notes denominated in U.S. dollars. These notes mature and become payable on November 15, 2022 and bear interest at a rate of 6.25% per annum. At December 31, 2013, the face value of these notes totalled $500 million and the carrying amount totalled $490.8 million. Interest is payable in arrears in equal semi-annual instalments 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 ("the Credit Facility") with a syndicate of banks. The amount of the Credit 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 Credit Facility is for general corporate purposes, including acquisitions. The Credit Facility, which is secured on the Company's operating assets at Mesquite, Peak Mines and Cerro San Pedro and a pledge of certain subsidiaries' shares, expires on December 14, 2014, with annual extensions permitted. The Credit 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	2013	2012
Minimum tangible net worth ($1.38 billion + 25% of positive quarterly net income)	> $1.51 billion	**$3.10 billion**	$3.05 billion
Minimum interest coverage ratio (EBITDA to interest)	> 4.0 : 1	**5.7 : 1**	13.2 : 1
Maximum leverage ratio (net debt to EBITDA)[1]	< 3.0 : 1	**1.3: 1**	2.0: 1

1.The comparative covenant test presented at December 31, 2012 was not recalculated using net debt to EBITDA. It was calculated using total debt which was the covenant test at the time.

On February 28, 2013, New Gold agreed to an extension of the Credit Facility 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. As a result of this amendment and extension, the interest margin on drawings under the Credit Facility ranges from 1.25% to 3.50% over LIBOR, the Prime Rate or the Base Rate, based on the Company's net 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 0.56% and 0.88% depending on the Company's net debt to EBITDA ratio. Based on the Company's net debt to EBITDA ratio, the rate is 0.63% as December 31, 2013.

As at December 31, 2013, the Company has not drawn any funds under the Credit Facility; however the Credit Facility has been used to issue letters of credit of A$10.3 million for Peak Mines' reclamation bond for the State of New South Wales, C$3.2 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$2.4 million for Blackwater's reclamation requirements, $0.9 relating to worker's compensation security at Mesquite and $18.8 million relating to environmental and reclamation requirements at Cerro San Pedro. The annual fees are 1.60% of the value of the outstanding letters of credit which totalled $43.1 million as at December 31, 2013.

Current and Deferred Income Taxes

The net deferred income tax liability increased from $128.8 million on December 31, 2012 to $210.0 million on December 31, 2013. The primary reasons for the increase in the deferred tax liability is explained by recognition of a deferred tax liability of the acquisition of Rainy River of $35.9 million as well as increased profitability at the New Afton Mine in Canada which utilizes the deferred tax assets that were set off against the net deferred tax liability. Additionally the weakening of the Australia dollar and the Canadian dollar resulted in an increase in the deferred tax liabilities associated with the non-monetary asset by $33.0 million.

The current income tax receivable balance increased from $6.6 million at December 31, 2012 to $31.8 million at December 31, 2013. Approximately $22.2 million of the outstanding receivable relates to amended tax returns in Australia and a 2012 income tax refund due in Mexico as higher tax instalments were made in the first and second quarters of 2013, which were based on forecasts of taxable income that are now expected to be lower. This will be refunded when 2013 tax returns are finalized. The remaining variance relates to refunds due in the U.S. and Australia due to over instalments and amended returns, respectively.

LIQUIDITY AND CASH FLOW

As at December 31, 2013, the Company had cash and cash equivalents held by continuing operations of $414.4 million compared to $687.8 million at December 31, 2012. 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 DBRS or an equivalent rating from Standard & Poor's or 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, 2013 was driven by continuing gold, copper and silver sales from New Afton, Mesquite, Peak Mines and Cerro San Pedro, offset by capital and operating expenditures and interest payments.

Liquidity and Capital Resources Outlook
For the year ended December 31, 2013, the Company had positive net cash generated of $171.9 million. This is net of $65.7 million in cash paid to settle outstanding gold hedge contracts in the second quarter of 2013 and deal costs related to the Rainy River acquisition totalling $17.9 million on both the New Gold and Rainy River sides.

In 2013, the Company invested a total of $283.6 million in mining interests, including $17.4 million at Mesquite, $24.5 million at Cerro San Pedro, $43.0 million at Peak Mines, $122.2 million at New Afton, $55.2 million at Blackwater and $21.2 million at Rainy River. As at December 31, 2013, the Company had working capital of $567.8 million, which includes $414.4 million in cash and cash equivalents.

In the opinion of management, the working capital at December 31, 2013, together with cash flows from operations, are sufficient to support the Company's normal operating requirements on an ongoing basis. 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, assuming the continuation of prevailing commodity prices, exchange rates and operations per mine plans.

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 continuing production at its current operations. In addition, 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 for capital items related to operations and development. At December 31, 2013, these commitments totalled $44.5 million, all of which are expected to fall due over the next 12 months. This compares to a balance of $87.4 million at December 31, 2012.

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 Project
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") is 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 and on October 22, 2013, the environmental permit for El Morro was reinstated. Subsequently, on November 22, 2013 the Copiapo Court of Appeals granted an injunction suspending development of the El Morro project. The injunction was requested in constitutional actions filed by the Huascoaltino and Diaguita communities, regarding inadequate consultation by SEA. The injunction effectively suspends construction activities and development works until the court has completed its review.

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 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. In addition, some authorizations necessary for the operation of the Cerro San Pedro Mine have durations of one year or one quarter, or other periods that are shorter than the remaining mine life. While historically these authorizations have been renewed, extended or re-issued without incident, in late 2013 the annual construction and operations licenses issued by the Municipality of Cerro de San Pedro in San Luis Potosì were subject to numerous inappropriate conditions. The application of the conditions was suspended by the State Contentious and Administrative Tribunal. As of February 27, 2013, MSX remains in a dispute with the Municipality regarding certain conditions relating to the annual licenses. It is possible that the licenses will be revoked and not reissued, or reissued on unacceptable or unreasonable terms, or that MSX will not ultimately prevail in court proceedings regarding the terms and conditions of such licenses. This could result in a suspension or termination of operations at the Cerro San Pedro Mine and/or additional costs, any of which could adversely affect the Company's production, cash flow and profitability.

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	-	-	-	878.4	878.4
Interest payable on long-term debt	52.3	104.5	104.5	156.5	417.8
Operating leases and other commitments	60.7	17.7	1.1	-	79.5
Reclamation and closure cost obligations	1.6	3.0	7.0	78.2	89.8
Total contractual obligations	**114.6**	**125.2**	**112.6**	**1,113.1**	**1,465.5**

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 year ended December 31, 2013.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

OUTSTANDING SHARES

As at February 27, 2014, there were 503,530,487 common shares of the Company outstanding. The Company had 10,254,852 stock options outstanding under its share option plan, exercisable for 10,254,852 common shares. In addition, the Company had 27,899,865 common share purchase warrants outstanding exercisable for 27,899,865 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 liquidity through operating cash flow to fund future capital expenditures and working capital needs. 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, a worldwide association of suppliers of gold and gold products that ceased operations in 2002. 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 and administration costs, royalties, production taxes and realized gains and losses on fuel contracts, but are 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 Company produces copper and silver as by-products of its gold production. 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. New Gold notes that in connection with New Afton, the copper by-product revenue is sufficiently large to result in a negative total cash cost on a single mine basis. Notwithstanding this by-product contribution, as a company focussed on gold production, New Gold aims to assess the economic results of its operations in relation to gold, which is the primary driver of New Gold's business. New Gold believes this metric is of interest to its investors, who invest in the Company primarily as a gold mining company. To determine the relevant costs associated with gold only, New Gold believes it is appropriate to reflect all operating costs, as well as any revenue related to metals other than gold that are extracted in its operations.

To provide additional information to investors, we have also calculated total cash costs on a co-product basis, which removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis, and subsequently divides the amount by the total ounces of gold or silver or pounds of copper sold, as the cost may be, to arrive at per ounce or per pound figures. Unless indicatec otherwise, all total cash cost information in this MD&A is net of by-product sales.

Total cash costs are intended to provide additional information only and do not have any standardized definition under IFRS and may not be comparable to similar measures presented by other mining companies. They should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS.

All-in Sustaining Costs per Gold Ounce

"All-in sustaining costs per gold ounce" is a non-GAAP measure based on guidance announced by the World Gold Council ("WGC") in June 2013. The WGC is a non-profit association of the world's leading gold mining companies established in 1987 to promote the use of gold to industry, consumers and investors. The WGC is not a regulatory body and does not have the authority to develop accounting standards or disclosure requirements. The WGC has worked with its member companies, including New Gold, to develop a measure that expands on IFRS measures such as operating expenses and non-GAAP measures to provide visibility into the economics of a gold mining company. Current IFRS measures used in the gold industry, such as operating expenses, do not capture all of the expenditures incurred to discover, develop and sustain gold production. New Gold believes the all-in sustaining costs measure provides further transparency into costs associated with producing gold and will assist analysts, investors and other stakeholders of the Company in assessing its operating performance, its ability to generate free cash flow from current operations and its overall value.

All-in sustaining costs per gold ounce is intended to provide additional information only and does not have any standardized definition under IFRS and may not be comparable to similar measures presented by other mining companies. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS.

New Gold defines all-in sustaining costs per ounce as the sum of total cash costs, capital expenditures that are sustaining in nature, corporate general and administrative costs, capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs, all divided by the total gold ounces sold to arrive at a per ounce figure. To determine sustaining capital expenditures, New Gold uses cash flow related to mining interests from its statement of cash flows and deducts any expenditures that are non-sustaining. Capital expenditures to develop new operations or capital expenditures related to major projects at existing operations where these projects will materially increase production are classified as non-sustaining and are excluded. The table "Sustaining Capital Expenditure Reconciliation" reconciles New Gold's sustaining capital to its cash flow statement. The definition of sustaining versus non-sustaining is similarly applied to capitalized and expensed exploration costs. Exploration costs to develop new operations or that relate to major projects at existing operations where these projects are expected to materially increase production are classified as non-sustaining and are excluded.

Cost excluded from all-in sustaining costs are non-sustaining capital expenditures and exploration costs, financing costs, tax expense, transaction costs associated with mergers and acquisitions, and any items that are deducted for the purposes of adjusted earnings.

By including total cash costs as a component of all-in sustaining costs, the measure deducts by-product revenue from gross cash costs. Refer to the discussion above regarding total cash costs per gold ounce for the discussion of deduction of by-product revenue.

TOTAL CASH COSTS AND ALL-IN SUSTAINING COSTS PER OUNCE RECONCILIATION

The following table reconciles these non-GAAP measures to the most directly comparable IFRS measure. The reconciliation of total cash costs to all-in sustaining costs is below.

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	2013	2012	2013	2012
Operating expenses from continuing operations	**121.7**	105.2	**435.5**	344.3
Treatment and refining charges on concentrate sales	**8.0**	7.7	**29.4**	12.9
Adjustments[1]	**(12.3)**	0.3	**(13.3)**	0.3
Total cash costs before by-product revenue	**117.4**	113.2	**451.6**	357.5
By-product copper and silver sales	**(84.5)**	(85.3)	**(303.8)**	(190.9)
Total cash costs net of by-product revenue	**32.9**	27.9	**147.8**	166.6
Ounces of gold sold	**104,523**	109,766	**391,823**	395,535
Total cash costs per ounce of gold sold ($/ounce)	**316**	254	**377**	421
Total cash costs per ounce of gold sold on a co-product basis [2] ($/ounce)	**658**	680	**712**	679
Sustaining Capital Expenditures[3]	**48.4**	44.9	**157.0**	105.0
Sustaining exploration - expensed & capitalized	**3.0**	6.2	**11.6**	18.7
Corporate G&A including share based compensation[4]	**7.3**	11.1	**34.4**	35.5
Reclamation expenses	**0.5**	0.3	**1.5**	1.4
Total all-in sustaining costs	**59.2**	62.5	**204.6**	160.6
All-in sustaining costs per ounce of gold sold ($/ounce)	**883**	823	**899**	827
All-in sustaining costs per ounce of gold sold on a co-product basis [2] ($/ounce)	**1,000**	1,061	**1,042**	988

1. Adjustments include non-cash items related to royalties and asset retirement obligations as well as redundancy charges at Peak Mines and New Afton and the silver inventory write-down at Cerro San Pedro.
2. Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.
3. See "Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.
4. This is the sum of corporate administration costs and share-based payment expense per the income statement, net of any non-cash depreciation within those figures.

SUSTAINING CAPITAL EXPENDITURE RECONCILIATION

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	2013	2012	2013	2012
Mining Interests per statement of cash flows [1]	**82.5**	111.0	**283.6**	507.5
Non-sustaining Blackwater capital expenditure	**(12.9)**	(41.6)	**(48.3)**	(134.2)
Non-sustaining New Afton capital expenditure [2]	**(0.3)**	(23.7)	**(32.0)**	(265.1)
Non-sustaining Cerro San Pedro capital expenditure [3]	**(7.1)**	-	**(15.8)**	-
Non-sustaining Rainy River capital expenditure	**(13.7)**	-	**(21.2)**	-
Capitalized exploration included in mining interests	**(0.1)**	(0.9)	**(9.2)**	(3.2)
Sustaining Capital Expenditures	**48.4**	44.9	**157.0**	105.0

1. Current year Mining Interests per statement of cash flows are net of proceeds received from government assistance. Prior year Mining Interests include the purchase of additional Blackwater mining claims but are net of proceeds received from sale of pre-commercial production inventory.
2. Current year non-sustaining capital expenditure at New Afton relates to acceleration of the east cave development ahead of mine plan as well as exploration costs related to advancing the C-zone. Prior year costs relate to costs when New Afton was in development prior to commercial production.
3. Current year non-sustaining capital expenditure at Cerro San Pedro is the capitalized stripping costs related to the phase 5 pushback.

Adjusted Net Earnings and Adjusted Net Earnings per Share

"Adjusted net earnings" and "adjusted net earnings per share" are non-GAAP 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;
- Gains (losses) on foreign exchange; and
- Other non-recurring items.

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; foreign exchange gain or loss and other non-recurring items, particularly the loss on redemption of the Senior Secured Notes and the impairment of the available-for-sale securities. Other adjustments also include the reclassification of OCI hedging losses to earnings quarterly which is included in revenue; transaction costs related to the Rainy River acquisition; one-time charges related to asset impairments; silver inventory write-down at Cerro San Pedro and redundancy charges at Peak Mines and New Afton. The adjusted entries are also impacted for tax to the extent that the underlying entries are impacted for tax in the unadjusted net earnings. As the loss on the fair value change of non-hedged derivatives is only minimally tax affected in unadjusted net earnings, the reversal of tax on an adjusted basis is also minimal. The current period adjusted tax excludes an adjustment for the impact of the increase in the Chilean Category 1 income tax rate which was enacted in the fourth 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 fair value through profit or loss and 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 is intended to provide additional information only and do not have any standardized definition under IFRS and may not be comparable to similar measures presented by other companies. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS.

The following table reconciles this non-GAAP measure 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)	2013	2012	2013	2012
Net earnings (loss) before taxes	**(281.8)**	137.7	**(191.6)**	278.8
Loss on redemption of Senior Secured Notes	**-**	-	**-**	31.8
Loss on disposal of assets	**0.9**	2.0	**2.6**	3.3
Ineffectiveness on hedging instruments	**-**	1.3	**(9.5)**	2.9
Realized and unrealized gain on non-hedged derivatives	**(4.5)**	(70.2)	**(49.3)**	(61.1)
Loss (gain) on foreign exchange	**13.9**	(3.4)	**25.7**	1.3
Other	**2.8**	0.7	**4.5**	1.9
Add back to revenue for hedge OCI reclassification	**7.0**	-	**18.7**	-
Rainy River transaction expenses	**0.1**	-	**5.0**	-
Redundancy charges	**2.4**	-	**2.4**	-
Asset impairment	**272.5**	-	**272.5**	-
Silver inventory write-down	**7.3**	-	**7.3**	-
Adjusted net earnings before tax	**20.6**	68.1	**88.3**	258.9
Income tax expense	**27.1**	(13.8)	**0.4**	(79.8)
Income tax adjustments	**(31.0)**	(4.6)	**(27.4)**	4.4
Adjusted income tax expense	**(3.9)**	(18.4)	**(27.0)**	(75.4)
Adjusted net earnings	**16.7**	49.7	**61.3**	183.5
Adjusted earnings per share (basic)	**0.04**	0.11	**0.13**	0.40
Adjusted effective tax rate	**19%**	27%	**31%**	29%

ADJUSTED NET CASH GENERATION FROM OPERATIONS

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	2013	2012	2013	2012
Net cash (used) generated from operations	**99.7**	106.2	**171.9**	235.8
Add back: Settlement payment of gold hedge contracts	**-**	-	**65.7**	-
Add back: Rainy River acquisition costs	**0.1**	-	**5.0**	-
Add back: Payment of Rainy River acquisition expenses	**-**	-	**12.9**	-
Deduct: Amended tax returns for Peak Mines	**(6.6)**	**-**	**(6.6)**	**-**
Adjusted net cash generation from operations	**93.2**	106.2	**248.9**	235.8

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 non-GAAP financial measure with no standard meaning under IFRS, which management uses to further evaluate the Company's results of operations in each reporting period.

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)	2013	2012	2013	2012
Net cash generated from operations	**99.7**	106.2	**171.9**	235.8
Add back: Change in non-cash operating working capital	**(21.4)**	(3.1)	**9.7**	44.8
Add back: Income taxes paid	**(5.9)**	24.9	**31.7**	100.6
Cash generated from operations, excluding working capital changes and income taxes paid	**72.4**	128.0	**213.3**	381.2

Operating Margin

"Operating margin" is a non-GAAP 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)	2013	2012	2013	2012
Revenues	**198.4**	250.9	**779.7**	791.3
Less: Operating expenses	**(121.7)**	(105.2)	**(435.5)**	(344.3)
Operating margin	**76.7**	145.7	**344.2**	447.0

Average Realized Price

"Average realized price" per ounce of gold sold" is a non-GAAP financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold, silver, and copper sales. Average realized price includes realized gains and losses from gold hedge settlements up until May 15, 2013 but excludes from revenues unrealized gains and losses on non-hedged derivative contracts and the revenue reduction related to the hedge OCI reclassification.

Average realized price 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 substitutes for measures of performance prepared in accordance with IFRS. Other companies may calculate these measures differently.

AVERAGE REALIZED PRICE RECONCILIATION

	Three months ended December 31			Year ended December 31
(in millions of U.S. dollars, except where noted)	2013	2012	2013	2012
Revenues from gold sales	**128.9**	173.2	**524.0**	613.3
Ounces of gold sold	**104,523**	109,766	**391,823**	395,535
Average realized price per ounce of gold sold	**1,233**	1,578	**1,337**	1,551

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, as well as other continuous disclosure documents. 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 2013 year end audited consolidated financial statements and our latest Annual Information Form, dated March 27, 2013 and filed on SEDAR at www.sedar.com.

GENERAL RISKS

Environmental Risk
The Company is subject to environmental regulation in Canada, the United States, Australia and Mexico, where it operates, as well as in Canada and Chile with respect to its development properties. In addition, the Company will be subject to environmental regulation in any other jurisdictions in which it may operate or have development properties. These regulations address, among other things, endangered and protected species, emissions, noise, air and water quality standards, land use and 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, or the application of such regulations, if any, will not adversely affect the Company's operations or development properties. The Company cannot give any assurance that, notwithstanding its precautions, breaches or environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and results from operations. 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 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. The Company could be forced to compensate those suffering loss or damage by reason of its mining operations or exploration or development 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.

Other Regulatory Risk
The Company is and will also be subject to other government regulations such as tax reforms. New Gold is continuing to monitor the progress of changes in tax reform in the Company's mining jurisdictions.

The 2014 Mexican Tax Reform Bill was published by the Official Gazette on December 11, 2013. This enacted legislation which included the imposition of a tax deductible 7.5% mining tax royalty based on earnings before the deduction of interest, taxes, depreciation and amortization. The legislation also included an additional 0.5% on precious metals revenue as well as maintaining the corporate tax rate at 30% as opposed to reducing it to 28% as originally planned. These changes are in effect from January 1, 2014 and as a result New Gold's deferred tax liability as at December 31, 2013 increased by $2.1 million.

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, 2013.

	As at December 31, 2013				
(in millions of U.S. dollars)	Loans and receivables at amortized cost	Fair Value through Profit & Loss	Available for sale at fair value	Financial liabilities at amortized cost	**Total**
Financial assets					
Cash and cash equivalents	414.4	-	-	-	**414.4**
Trade and other receivables	20.5	-	-	-	**20.5**
Provisionally prices contracts		1.3	-	-	**1.3**
Copper swap contracts		(2.5)	-	-	**(2.5)**
Investments	-	-	0.5	-	**0.5**
Financial liabilities					
Trade and other payables	-	-	-	90.2	**90.2**
Long-term debt	-	-	-	862.5	**862.5**
Performance share units	-	0.8	-	-	**0.8**
Warrants	-	27.8	-	-	**27.8**
Share award units	-	0.9	-	-	**0.9**

	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	49.3	-	-	-	49.3
Provisionally priced contracts	-	(1.5)	-	-	(1.5)
Copper swap contracts	-	(0.9)	-	-	(0.9)
Investments	-	-	1.0	-	1.0
Financial liabilities					
Trade and other payables	-	-	-	117.4	117.4
Long-term debt	-	-	-	847.8	847.8
Gold contracts	-	110.5	-	-	110.5
Warrants	-	80.3	-	-	80.3
Share award units	-	4.0	-	-	4.0

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 arising if a party to the Company' financial instruments 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, 2013 is not considered to be high.

The Company's maximum exposure to credit risk at December 31, 2013 and 2012 is as follows:

(in millions of U.S. dollars)	December 31 2013	December 31 2012
Cash and cash equivalents	**414.4**	687.8
Trade receivables	**19.3**	46.9
Total financial instruments subject to credit risk	**433.7**	734.7

The aging of accounts receivable at December 31, 2013 and 2012 is as follows:

(in millions of U.S. dollars)	0-30 days	31-60 days	61-90 days	91-120 days	Over 120 days	December 31 2013 Total	December 31 2012 Total
New Afton	1.7	4.2	-	-	-	**5.9**	21.5
Cerro San Pedro	3.7	1.9	0.3	-	2.6	**8.5**	4.7
Mesquite	0.4	-	-	-	-	**0.4**	0.9
Peak Mines	3.0	-	-	-	-	**3.0**	5.5
Rainy River project	0.8	-	-	-	-	**0.8**	-
Blackwater project	0.5	-	-	-	-	**0.5**	13.1
Corporate	0.2	-	-	-	-	**0.2**	1.2
Total trade receivables	10.3	6.1	0.3	-	2.6	**19.3**	46.9

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 20 to our audited consolidated financial statements for the year ended December 31, 2013.

The Company sells its gold and copper concentrate production from New Afton to six different customers under off-take contracts. The Company sells its gold and 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 20 to our audited consolidated financial statements for the year ended December 31, 2013.

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.

(in millions of U.S. dollars)	Less than 1 year	2-3 years	4-5 years	After 5 years	December 31 2013 Total	December 31 2012 Total
Trade and other payables	89.4	0.8	-	-	**90.2**	120.7
Long-term debt	-	-	-	878.4	**878.4**	800.0
Interest payable on long-term debt	52.3	104.5	104.5	156.5	**417.8**	470.1
Gold contracts	-	-	-	-	**-**	116.7
Copper swap contracts	(2.5)	-	-	-	**(2.5)**	0.9
	140.5	105.3	104.5	1,034.9	**1,383.9**	1,508.4

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, the United States, Australia, Mexico and Chile. 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, 2013	
(in millions of U.S. dollars)	Canadian dollar	Australian dollar	Mexican peso	Chilean peso
Cash and cash equivalents	61.5	2.0	0.8	
Trade and other receivables	7.3	3.0	8.6	-
Trade and other payables	(41.3)	(22.2)	(22.6)	-
Reclamation and closure cost obligations	(17.3)	(15.6)	(18.6)	-
Warrants	(1.6)	-	-	-
Share award units	(27.8)	-	-	-
Gross balance exposure	**(19.2)**	**(32.8)**	**(31.8)**	**-**

			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)	**-**

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)	2013	2012
Canadian dollar	**(1.9)**	(11.8)
Australian dollar	**(3.3)**	(2.7)
Mexican peso	**(3.2)**	(2.9)
Chilean peso	-	-
Total translation risk exposure	**(8.4)**	(17.4)

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 and are therefore not exposed to changes in market interest rates. The Credit Facility interest is variable; however, the Credit Facility is undrawn as at December 31, 2013.

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 money market and bank account interest rates which may fluctuate. A 1.0% change in the interest rate would result in an annual difference of approximately $4.0 million in interest earned by the Company. The Company has not entered into any derivative contracts to manage this risk.

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. 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 conditions;
- 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 jewellry containing gold; and
- investment activity, including speculation, in gold as a commodity.

For the year ended December 31, 2013, the Company's revenues and cash flows were impacted by gold prices in the range of $1,192 to $1,694 per ounce, and by copper prices in the range of $3.01 to $3.75 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, 2013, working capital includes unpriced gold and copper concentrate receivables totalling 22,665 ounces of gold and 25.8 million pounds of copper. A $100 change in gold price per ounce would have an impact of $2.3 million on the Company's working capital. A $0.10 change in copper price per pound would have an impact of $2.6 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 costs are affected by the prices of commodities and other inputs it consumes or uses in its operations, such as lime, sodium cyanide and explosives. The prices of such commodities and inputs 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 the Company's mining and production activities could materially adversely affect its results of operations and financial condition. 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			
	2013	2013 Other Comprehensive	2012	2012 Other Comprehensive
(in millions of U.S. dollars)	Net earnings	Income	Net earnings	Income
Gold price	**52.4**	**-**	61.3	21.1
Silver price	**3.0**	**-**	12.7	-
Copper price	**26.6**	**-**	5.9	-
Fuel price	**7.2**	**-**	6.1	-
Warrants	**2.8**	**-**	8.0	-
Share aware units	**0.2**	**-**	0.4	-
Total price risk exposure	**92.2**	**-**	94.4	21.1

CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the 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 JUDGMENTS 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.

(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.

(iii) Determination of economic viability
Management has determined that exploratory drilling, evaluation, development and related costs incurred on the Blackwater and Rainy River development projects 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, operating management expertise, existing permits, the expectation of receiving additional permits and life-of-mine plans.

(iv) Carrying value of long lived 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 recoverable amount. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Indicators of impairment existed at the Cerro San Pedro CGU. At Cerro San Pedro the Company updated its Reserves and Resources statement, which has reduced the Resource estimate at the CGU, and updated the LOM plan, which revised the expected production profile going forward. Additionally a 7.5% tax-deductible mining duty was enacted in Mexico during the fourth quarter of 2013, which will affect the cash flows at the mine site. The Rainy River and Blackwater projects have also recently published their feasibility studies and, as is standard practice in the industry, the Company tested the projects for impairment. The results of the assessment, including the significant estimates and assumptions used, are set out in Note 11 of the audited consolidated financial statements.

(v) Impairment of AFS securities
In assessing whether there is any objective evidence that suggests that equity securities are impaired, management considers factors which include the length of time and extent the fair value has been below cost, along with management's assessment of the financial condition, business and other risks of the issuer. Management weighs all these factors to determine the impairment, but to the extent that management judgment may differ from the actual experience of the timing and amount of the recovery of the fair value, the estimate for impairment could change from period to period based upon future events that may or may not occur, and the conclusion for the impairment of the equity securities may differ.

(vi) Determination of 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.

(vii) Determination of purchase price allocation
Business combinations require the Company to determine the identifiable asset and liability fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities. This requires management to make judgments and estimates to determine the fair value, including the amount of Mineral Reserves and Resources acquired, future metal prices, future operating costs, capital expenditure requirements and discount rates. The Company employs third party independent valuators to assist in this process.

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 and silver on the leach pad as gold and silver are recovered. Estimates of recoverable gold and silver 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 CIM standards as required under 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 judgments 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 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.

FUTURE CHANGES IN ACCOUNTING POLICIES

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"), however, no mandatory effective date has currently been defined. 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. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Levies imposed by governments
In May 2013, the IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of applying IFRIC 21 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 CONTROLS 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, believe 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 Committee of Sponsoring Organizations of the Treadway Commission ("COSO") has released an updated version of its Internal Control – Integrated Framework in May 2013 which sets the criteria on which management bases its assessment of the Company's Internal Control for Financial Reporting. The updated Framework is intended to strengthen the existing Control Framework by taking into account changes in the business environment and operations by developing a more formal structure for the design and evaluation of the effectiveness of internal controls

The updated Framework is effective on December 15, 2014; however, early adoption is permissible. In assessing 2013, management has not adopted the updated Framework and is expected to adopt it in 2014.

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, 2013.

In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by COSO. Based on our assessment, management has concluded that, as at December 31, 2013, 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, 2013 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm who also audited the Company's Consolidated Financial Statements for the year ended December 31, 2013. Deloitte LLP as stated in their report that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2013, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

CHANGES IN INTERNAL CONTROLS 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 MINERAL RESERVES AND 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 Report are Canadian mining terms as defined in the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards for Mineral Resources and Mineral Reserves adopted by CIM Council on November 27, 2010 and incorporated by reference in National Instrument 43-101 ("NI 43-101"). While the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian securities regulations, they are not defined terms under standards of the United States Securities and Exchange Commission. 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. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher confidence category. Readers are cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists or is economically or legally mineable.

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 estimation is made. Readers are cautioned not to assume that all or any part of the Measured or Indicated Mineral Resources that are not Mineral Reserves will ever be converted into Mineral Reserves. 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 is "forward looking" in nature. All statements in this MD&A, other than statements of historical fact, that address events, results, outcomes 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 of such terms. Forward-looking statements in this MD&A include those under the headings "2014 Outlook", "Economic Outlook", "Liquidity and Capital Resources Outlook" and "Contractual Obligations", and include, among others, statements with respect to: guidance for production, total cash costs and all-in sustaining costs (and its components) and for growth capital expenditures, including the expected drivers of those figures; the expected throughput rate at New Afton; planned modifications to the New Afton mine and mill; planned modifications to other operations; expected future mining activities; assessments of expected future commodity prices, exchange rates and economic environment; planned exploration expenditures (and their accounting treatment) and drilling activities and costs; exploration potential and the goals and expected results of exploration efforts; the adequacy of liquidity and capital resources including cash flows; the estimation of Mineral Reserves and Resources and the realization of such estimates; the results of the Rainy River and Blackwater feasibility studies, including expected production, costs, mine life, mining and processing methods and rates, grades, stripping ratio, stockpiling plan, infrastructure,

NPV, IRR, and payback period (and related sensitivities); the timing of permitting activities and environmental assessment processes; expected timing of project development activities, including targeting timing for commissioning and full production at Rainy River; expected reclamation and closure costs; and goals for corporate development activities and corporate social responsibility.

All forward-looking statements in this MD&A 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. Certain material assumptions regarding such forward-looking statements are discussed in this MD&A, the Annual Information Form and the Technical Reports filed by New Gold. In addition to, and subject to, such assumptions discussed in more detail elsewhere, the forward-looking statements in this MD&A are also subject to the following assumptions: (1) there being no signification disruptions affecting New Gold's operations; (2) political and legal developments in jurisdictions where New Gold operates, or may in the future operate, being consistent with New Gold's current expectations; (3) the accuracy of New Gold's current Mineral Reserve and Resource estimates; (4) the exchange rate between the Canadian dollar, Australian dollar, Mexican peso and U.S. dollar being approximately consistent with current levels; (5) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (6) labour and materials costs increasing on a basis consistent with New Gold's current expectations; (7) arrangements with First Nations and other Aboriginal groups in respect of the Rainy River and Blackwater projects being consistent with New Gold's current expectations; (8) all environmental approvals (including the environmental assessment processes for the Rainy River and Blackwater projects), required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; and (9) the results of the feasibility studies for the Rainy River project and the Blackwater project being realized.

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; price volatility in the spot and forward markets for commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia, Mexico and Chile; 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: in Canada, obtaining the necessary permits for the Rainy River and Blackwater projects; in Mexico, where Cerro San Pedro has a history of ongoing legal challenges related to our environmental authorization (EIS); and in Chile, where the courts have temporarily suspended certain activities by El Morro pending litigation relating to its environmental permit; 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; rising costs of labour, supplies, fuel and equipment; actual results of current exploration or reclamation activities; uncertainties inherent to mining economic studies including the feasibility studies for the Rainy River and Blackwater projects; 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; unexpected delays and costs inherent to consulting and accommodating rights of First Nations and other Aboriginal groups; uncertainties with respect to obtaining all necessary surface and other land use rights or tenure for the Rainy River project; uncertainties and unanticipated delays associated with obtaining and maintaining necessary licenses, permits and authorizations and complying with permitting requirements, including those associated with the environmental assessment processes for the Rainy River and Blackwater projects. 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 NI 43-101 and an officer of New Gold.

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. New Gold's December 12, 2013 news release entitled "New Gold Announces Blackwater Feasibility Study Results" and the related Technical Report filed on January 22, 2014, New Gold's January 16, 2014 news release entitled "New Gold Announces its Rainy River Feasibility Study Results" and related Technical Report filed on February 14, 2014 and the NI 43-101 Technical Reports for its other material properties, all of which are available at www.sedar.com, contain further details regarding Mineral Reserve and Resource estimates, classification and reporting parameters for each of New Gold's mineral properties.



Code of Business Conduct and Ethics

This Code of Business Conduct and Ethics ("Code") applies to every Director, Officer (including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO")), contractor and employee of New Gold Inc. or its subsidiaries (collectively the "Company"). For the purposes of this Code, the term "employee" includes contractors and any individual who is paid on the Company's payroll.

To further the Company's values of integrity, creativity, commitment, development of employees and teamwork, we have established this Code. Our Code strives to deter wrongdoing and promote the following objectives:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, understandable and transparent disclosure in periodic reports and documents required to be filed by the Company;
- Compliance with the applicable exchange, government and self-regulatory organization laws, rules and regulations;
- Prompt internal reporting of Code violations; and
- Accountability for compliance with the Code.

Below, we discuss situations that require application of our fundamental principles and promotion of our objectives. If there is a conflict between this Code and a specific procedure, you should consult the CEO, or another officer as may be designated by the CEO from time to time, for guidance. The CEO, in the event of a conflict between this Code and any such procedure, or for any other guidance in respect of this Code absent a specific referral herein, should consult the Chair of the Audit Committee of the Board of Directors.

Accountability for Compliance with the Code

Each of the Company's directors, officers and employees is expected to:

Understand. The Company expects **you** to understand the requirements of your position including Company expectations and laws, rules and regulations that apply to your position.

Comply. The Company expects **you** to comply with this Code and all applicable laws, rules and regulations.

Report. The Company expects **you** to report any violation of this Code of which you become aware.

Be Accountable. The Company holds **you** accountable for complying with this Code.

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Accounting Policies

The Company and each of its subsidiaries will make and keep books, records and accounts, which in reasonable detail, accurately and fairly present the transactions and disposition of the assets of the Company.

All directors, officers and employees are prohibited from directly or indirectly falsifying or causing to be false or misleading any financial or accounting book, record or account. You and others are expressly prohibited from directly or indirectly manipulating an audit, and from destroying or tampering with any record, document or tangible object with the intent to obstruct a pending or contemplated audit, review or federal investigation. The commission of, or participation in, one of these prohibited activities or other illegal conduct will subject you to penalties under applicable laws and regulations, as well as disciplinary action, including termination of employment.

No director, officer or employee of the Company may directly or indirectly;

- Make or cause to be made a materially false or misleading statement, or
- Omit to state, or cause another person to omit to state, any material fact necessary to make statements made not misleading

in connection with the audit of financial statements by independent accountants, the preparation of any required reports whether by independent or internal accountants, or any other work which involves or relates to the filing of a document with the applicable Canadian securities regulatory authorities or the U.S. Securities and Exchange Commission (“SEC”).

Commitment

To demonstrate our determination and commitment, the Company asks each director, officer and employee to review the Code periodically throughout the year. Take the opportunity to discuss with management any circumstances that may have arisen that could be an actual or potential violation of these ethical standards of conduct. Directors, officers and employees are required to sign the Code annually.

Compliance with Laws, Rules and Regulations

The Company’s goal and intention is to comply with the laws, rules and regulations by which we are governed. In fact, we strive to comply not only with requirements of the law but also with recognized compliance practices. All illegal activities or illegal conduct are prohibited whether or not they are specifically identified in this Code. Where law does not govern a situation or where the law is unclear or conflicting, you should discuss the situation with your supervisor and management should seek advice from the CEO. Business should always be conducted in a fair and forthright manner. Directors, officers and employees are expected to act according to high ethical standards.

Computer and Information Systems

For business purposes, officers and employees are provided telephones, tablets, mobile devices and computers and software, including network access to computing systems such as the Internet and e-mail, to improve personal productivity and to efficiently manage proprietary information in a secure and reliable manner. As with other equipment and assets of the Company, we are each responsible for the appropriate use of these assets. Except for limited personal use of the Company's telephones, tablets, mobile devices and computers, such equipment may be used only for business purposes. Officers and employees should not expect a right to privacy of their e-mail, Internet or network use. All communications, e-mails or Internet use on Company equipment or networks may be subject to monitoring by the Company for legitimate business purposes.

Confidential Information Belonging to Others

You must respect the confidentiality of information, including, but not limited to, trade secrets and other information given in confidence by others, including but not limited to partners, suppliers, contractors, competitors or customers, just as we protect our own confidential information. However, certain restrictions about the information of others may place an unfair burden on the Company's future business. For that reason, directors, officers and employees should coordinate with the CEO, CFO or General Counsel to ensure appropriate agreements are in place prior to receiving any confidential third-party information. These agreements must reflect a balance between the value of the information received on the one hand and the logistical and financial costs of maintaining confidentiality of the information and limiting the Company's business opportunities on the other. In addition, any confidential information that you may possess from an outside source, such as a previous employer, must not, so long as such information remains confidential, be disclosed to or used by the Company. Unsolicited confidential information submitted to the Company should be refused, returned to the sender where possible and deleted, if received via the Internet.

Confidential and Proprietary Information

It is the Company's policy to ensure that all operations, activities and business affairs of the Company and our business associates are kept confidential to the greatest extent possible. Confidential information includes all non-public information that might be of use to competitors, or that might be harmful to the Company or its customers if disclosed. Confidential and proprietary information about the Company or its business associates belongs to the Company, must be treated with strictest confidence and is not to be disclosed or discussed with others.

Unless otherwise agreed to in writing, confidential and proprietary information includes any and all non-public information, methods, inventions, improvements or discoveries, whether or not patentable or copyrightable, and any other information of a similar nature disclosed to the directors, officers or employees of the Company or otherwise made known to the Company as a consequence of or through employment or association with the Company (including information originated by the director, officer or employee). This can include, but is not limited to, information regarding the Company's business, products, processes, and services. It also can include information relating to research, development, inventions, trade secrets, intellectual property of any type or description, data, business plans, marketing strategies, engineering, contract negotiations and business methods or practices.

The following are examples of information that are not considered confidential:

- Information that is in the public domain to the extent it is readily available;
- Information that becomes generally known to the public other than by disclosure by the Company or a director, officer or employee; or
- Information you receive from a party that is under no legal obligation of confidentiality with the Company with respect to such information.

We have exclusive property rights to all confidential and proprietary information regarding the Company or our business associates. The unauthorized disclosure of this information could destroy its value to the Company and give others an unfair advantage. You are responsible for safeguarding Company information and complying with established security controls and procedures. All documents, records, notebooks, notes, memoranda and similar repositories of information containing information of a secret, proprietary, confidential or generally undisclosed nature relating to the Company or our operations and activities made or compiled by the director, officer or employee or made available to you prior to or during the term of your association with the Company, including any copies thereof, unless otherwise agreed to in writing, belong to the Company and shall be held by you in trust solely for the benefit of the Company, and shall be delivered to the Company by you on the termination of your association with us or at any other time we request.

Conflicts of Interest

Conflicts of interest can arise in virtually every area of our operations. A “conflict of interest” exists whenever an individual’s private interests interfere or conflict with the interests of the Company. We must strive to handle in an ethical and practical manner actual or apparent conflicts of interest between personal and professional relationships. We must each make decisions in the best interest of the Company. Business, financial or other relationships with suppliers, customers or competitors that might impair or appear to impair the exercise of our judgment should be avoided.

Here are some examples of potential conflicts of interest:

Family Members. Actions of family members may create a conflict of interest. For example, gifts to family members by a supplier of the Company are considered gifts to you and should be reported if they involve more than ordinary social amenity or gifts of more than nominal value from any organization doing or seeking to do business with the Company. Doing business for the Company with organizations where your family members are employed or that are partially or fully owned by your family members or close friends may create a conflict or the appearance of a conflict of interest. For purposes of the Code “family members” include any child, stepchild, grandchild, parent, stepparent, grandparent, spouse (including a common-law spouse), sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, and adoptive relationships.

Gifts, Entertainment, Loans, or Other Favors. Directors, officers and employees shall not seek or accept personal gain if it is more than ordinary social amenity or of more than nominal value from anyone soliciting business from, or doing business with the Company, or from any person or entity in competition with us. Examples of such personal gains are gifts, non-business-related trips, gratuities, favors, loans, and guarantees of loans, excessive entertainment or rewards. However, you may accept gifts of an ordinary social amenity or of nominal value. Other than common business courtesies, directors, officers, and employees must not offer or provide anything to any person or organization for the purpose of influencing the person or organization in their business relationship with us. Additional restrictions apply when providing anything of value to a government official, employee or agent of a state owned or controlled enterprise, employee or agent of a public international organization, political party or official thereof or any candidate for a political office." Please refer to the sections of this Code on Bribery and the Foreign Corrupt Practices Act and the Corruption of Foreign Public Officials Act for more information.

Directors, officers and employees are expected to deal with advisors or suppliers who best serve the needs of the Company as to price, quality and service in making decisions concerning the use or purchase of materials, equipment, property or services. Directors, officers and employees who use the company's advisors, suppliers or contractors in a personal capacity are expected to pay market value for materials and services provided.

Outside Employment. Officers and employees may not participate in outside employment, self-employment, or serve as officers, directors, partners or consultants for outside organizations, if such activity:

1. reduces work efficiency;
2. interferes with your ability to act conscientiously in our best interest;
3. requires you to utilize our proprietary or confidential procedures, plans or techniques; or
4. negatively impacts the reputation of the Company.

You must inform your supervisor of any outside employment, including the employer's name and expected work hours.

You should report any actual or potential conflict of interest involving yourself or others of which you become aware to your supervisor or the CEO. Officers and Directors should report any actual or potential conflict of interest involving yourself or others of which you become aware to the Chair of the Audit Committee of the Board of Directors.

Corporate Opportunities and Use and Protection of Company Assets

You are prohibited from:

1. taking for yourself, personally, opportunities that are discovered through the use of Company property, information or position;
2. using Company property, information or position for personal gain; or
3. competing with the Company.

You have a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

You are personally responsible and accountable for the proper expenditure of Company funds, including money spent for travel expenses or for business entertainment. You are also responsible for the proper use of property over which you have control, including both Company property and funds and property that has been entrusted to your custody. Company assets must be used only for proper purposes.

Company property should not be misused. Company property may not be sold, loaned or given away regardless of condition or value, without proper authorization. Each director, officer and employee should protect our assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. Company assets should be used only for legitimate business purposes.

Disclosure Policies and Controls

The continuing excellence of the Company's reputation depends on our full and complete disclosure of important information about the Company that is used in the securities marketplace. Our financial and non-financial disclosures and filings with the applicable Canadian securities regulatory authorities and SEC must be transparent, accurate and timely. Proper reporting of reliable, truthful and accurate information is a complex process involving cooperation among many of us. We must all work together to ensure that reliable, truthful and accurate information is disclosed to the public.

The Company must disclose to the applicable Canadian securities regulatory authorities, the SEC, current security holders and the investing public, information that is required, and any additional information that may be necessary to ensure the required disclosures are not misleading or inaccurate. The Company requires you to participate in the disclosure process in accordance with the Disclosure, Confidentiality and Insider Trading Policy, which is overseen by the Disclosure Committee appointed in accordance with such policy. The disclosure process is designed to record, process, summarize and report material information as required by all applicable laws, rules and regulations. Participation in the disclosure process is a requirement of a public company, and full cooperation and participation by members of the Disclosure Committee and, on request, other officers managers and employees in the disclosure process is a requirement of this Code.

Officers and employees must fully comply with their disclosure responsibilities in an accurate and timely manner (within the guidelines of applicable securities regulatory authorities) or be subject to discipline of up to and including termination of employment.

Fair Dealing with Others

No director, officer or employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

Filing of Government Reports

Any reports or information provided, on our behalf, to federal, provincial, territorial, state, local or foreign governments must be true and accurate. You are required to assist the Company in providing true and accurate reports and information. Any omission, misstatement or lack of attention to detail could result in a violation of the reporting laws, rules and regulations.

Bribery

You are strictly forbidden from offering, promising or giving money, gifts, loans, rewards, favors or anything of value to any governmental official, employee, agent or other intermediary which is prohibited by law. Those paying a bribe may subject the Company and themselves to civil and criminal penalties. When dealing with government customers or officials, no improper payments will be tolerated. If you receive any offer of money or gifts that is intended to influence a business decision, it should be reported to your supervisor or the CEO immediately.

The Company prohibits improper payments in all of its activities, whether these activities are with governments or in the private sector.

Foreign Corrupt Practices Act and the Corruption of Foreign Public Officials Act

The United States Foreign Corrupt Practices Act and the Corruption of Foreign Public Officials Act (Canada) contain certain prohibitions with respect to giving anything of value, directly or indirectly, to foreign government officials or certain other individuals in order to obtain, retain or direct business. Accordingly, corporate funds, property or anything of value may not be, directly or indirectly, offered or given by you or an agent acting on our behalf, to a government official, employee or agent of a state owned or controlled enterprise, employee or agent of a public international organization, political party or official thereof or any candidate for political office for the purpose of influencing any act or decision of such party or person or inducing such party or person to use its or his influence, or to otherwise secure any improper advantage, in order to assist in obtaining or retaining business for, or directing business to, any person.

You are also prohibited from offering or paying anything of value to any person if it is known or there is a reason to know that all or part of such payment will be used for the above-described prohibited actions. This provision includes situations when intermediaries, such as affiliates, or agents, are used to channel payoffs to foreign officials.

Each officer, director and employee is also expected to comply with our additional policies, programs, standards and procedures related to anti-corruption compliance.

Health, Safety, Environment & Corporate Social Responsibility

The Company is committed to managing and operating our assets in a manner that is protective of human health and safety and the environment, as well as corporate social responsibility. It is our policy to comply, in all material respects, with applicable health, safety and environmental laws and regulations. Each employee is also expected to comply with our policies, programs, standards and procedures.

Political Contributions

You must refrain from making any use of Company, personal or other funds or resources on behalf of the Company for political or other purposes which are improper or prohibited by the applicable federal, provincial, territorial, state, local or foreign laws, rules or regulations. Company contributions or expenditures in connection with election campaigns may be permitted only to the extent allowed by federal, provincial, territorial, state, local or foreign election laws, rules and regulations.

You are encouraged to participate actively in the political process in your personal capacity, but not on behalf of the Company. We believe that individual participation is a continuing responsibility of those who live in a free country.

Prohibited Substances

You are prohibited from using alcohol, illegal drugs or other prohibited items, including legal drugs which affect the ability to perform your work duties, while on Company premises. You are also prohibited from the possession or use of alcoholic beverages, firearms, weapons or explosives on our property unless authorized by the CEO. You are also prohibited from reporting to work while under the influence of alcohol or illegal drugs.

Record Retention

We have document retention policies to establish retention periods for records created or received in the normal course of business. A record is any information, regardless of physical format, which has been created or received in the transaction of the Company's business. Physical format of a record includes hard copy, electronic, magnetic tape, disk, audio, video, optical image, etc. Each corporate department is responsible for the maintenance, retrieval, transfer, and destruction of its records in accordance with the established filing procedures, records retention schedules and procedures.

The alteration, destruction or falsification of corporate documents or records may constitute a criminal act. Destroying or altering documents with the intent to obstruct a pending or anticipated official government proceeding is a criminal act and could result in large fines and a prison sentence of up to 20 years. Document destruction or falsification in other contexts can result in a violation of the federal securities laws or the obstruction of justice laws.

Before any destruction of any documents or records, you must consult the Company's document retention procedures. You are required to review, follow and abide by the terms of those procedures. If the procedure is not clear, questions arise, or there is a pending or anticipated official proceeding, then the CEO, CFO or General Counsel must approve any document destruction.

Relations, Respect and Contribution

We function as a team. Your success as part of this team depends on your contribution and ability to inspire the trust and confidence of your coworkers and supervisors. Respect for the rights and dignity of others and a dedication to the good of our Company are essential.

A cornerstone of our success is the teamwork of our directors, officers and employees. We must each respect the rights of others while working as a team to fulfill our objectives. To best function as part of a team, you must be trustworthy and dedicated to high standards of performance. The relationships between business groups also require teamwork.

To facilitate respect and contribution among employees, we have implemented the following employment policies:

- To hire, pay and assign work on the basis of qualifications and performance;
- Not to discriminate on the basis of race, religion, ethnicity, national origin, color, gender, age, sexual orientation, citizenship, veteran's status, marital status or disability;
- To attract and retain a highly talented workforce;
- To encourage skill growth through training and education and promotional opportunities;
- To encourage an open discussion between all levels of employees and to provide an opportunity for feedback from the top to the bottom and from the bottom to the top;
- To prohibit harassment (including sexual, physical, verbal) by others while an employee is on the job;
- To make the safety and security of our employees while at Company facilities a priority;
- To recognize and reward additional efforts that go beyond our expectations; and
- To respect all workers' rights to dignity and personal privacy by not disclosing employee information, including protected health information, unnecessarily.

Reporting of Code Violations

You should be alert and sensitive to situations that could result in actions that might violate federal, state, or local laws or the standards of conduct set forth in this Code. If you believe your own conduct or that of an employee, director or officer may have violated any such laws or this Code, you have an obligation to report the matter in accordance with this Code and/or the Whistleblower Policy.

Generally, you should raise such matters first with an immediate supervisor. However, if you are not comfortable bringing the matter up with your immediate supervisor, or do not believe the supervisor has dealt with the matter properly, then you should raise the matter with the CEO or CFO or, if a law, rule or regulation is in question, then consult with CFO, who will consult with legal counsel. Alternatively, complaints may be made in accordance with the Whistleblower Policy. The most important point is that possible violations should be reported and we support all means of reporting them.

Directors and officers should report any potential violations of this Code to the Chair of the Audit Committee of the Board of Directors.

Non-Retaliation for Reporting

In no event will the Company take or threaten any action against you as a reprisal or retaliation for making a complaint in good faith in accordance with this Code or the Company's Whistleblower Policy. However, if a reporting individual was involved in improper activity the individual may be appropriately disciplined even if he or she was the one who disclosed the matter to the Company. In these circumstances, we may consider the conduct of the reporting individual in reporting the information as a mitigating factor in any disciplinary decision.

We will not allow retaliation against a reporting individual for reporting, in good faith, a concern regarding compliance with this Code in accordance with this Code or the Company's Whistleblower Policy. Retaliation for reporting an offense is illegal under applicable law and prohibited under this Code. Retaliation for reporting any violation of a law, rule or regulation or a provision of this Code is prohibited. Retaliation will result in discipline up to and including termination of employment and may also result in criminal prosecution.

Anonymous Reporting

If you wish to report a suspected violation of this Code anonymously, you may do so in accordance with the Company's Whistleblower Policy. You do not have to reveal your identity in order to make a report. If you do reveal your identity, it will not be disclosed by the Chair of the Audit Committee unless disclosure is unavoidable during an investigation.

Waivers

There shall be no waiver of any part of this Code for any director or executive officer (being the Executive Chairman, the CEO, the CFO and each Vice President, including, for greater certainty, the Corporate Controller) except by a vote of the Board of Directors or a designated Board committee that will ascertain whether a waiver is appropriate under all the circumstances. If a waiver (or implicit waiver) is granted to a director or executive officer, notice of such waiver will be disclosed to the extent required by applicable law or stock exchange rules. For these purposes, the term "waiver" means the approval by the Company of a material departure from a provision of the Code, and the term "implicit waiver" means a failure of the Company to take action within a reasonable period of time regarding a material departure from a provision of the Code that has been made known to an executive officer. Any notices of waiver posted on our website shall remain there for a period of 12 months and shall be retained in our files as required by applicable law.

A waiver for a specific event arising under this Code may be granted to an employee that is not a director or executive officer on the approval of two of the following: the CEO, COO, CFO and a director. No other waivers of this Code are permitted.

Amendments and Modifications of this Code

There shall be no amendment or modification to this Code except by a vote of the Board of Directors or a designated Board committee that will ascertain whether an amendment or modification is appropriate.

In case of any amendment or modification of this Code that applies to an officer or director of the Company, the amendment or modification shall be posted on the Company's website within five days of the Board vote or shall be otherwise disclosed as required by applicable law or applicable exchange rules. Notice posted on the website shall remain there for a period of 12 months and shall be retained in the Company's files as required by law.

Conclusion

This Code is an attempt to point all of us at the Company in the right direction, but no document can achieve the level of principled compliance that we are seeking. In reality, each of us must strive every day to maintain our awareness of these issues and to comply with the Code's principles to the best of our abilities. Before we take an action, we must always ask ourselves:

Does it feel right?

Is this action ethical in every way?

Is this action in compliance with the law?

Could my action create an appearance of impropriety?

Am I trying to fool anyone, including myself, about the propriety of this action?

If an action would elicit the wrong answer to any of these questions, do not take it. We cannot expect perfection, but we do expect good faith. If you act in bad faith or fail to report illegal or unethical behavior, then you will be subject to disciplinary procedures. We hope that you agree that the best course of action is to be honest, forthright and loyal at all times.

Discipline for Noncompliance with this Code

Disciplinary actions for violations of this Code can include oral or written reprimands, suspension or termination of employment or a potential civil lawsuit against you.

The violation of laws, rules or regulations, which can subject the Company to fines and other penalties, may result in your criminal prosecution.

Last reviewed and approved by the Board on February 27, 2014

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, 2013 ("**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	0
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	$963
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 99.6

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 28, 2014

"Robert J. Gallagher"
Robert J. Gallagher
Chief Executive Officer

Exhibit 99.7

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 28, 2014

"Brian Penny"

Brian W. Penny
Chief Financial Officer

Exhibit 99.8

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, 2013 (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 28, 2014

"Robert J. Gallagher"

Robert J. Gallagher

Chief Executive Officer

Exhibit 99.9

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, 2013 (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 28, 2014

"Brian Penny"

Brian W. Penny
Chief Financial Officer

Exhibit 99.10



Consent of Independent Registered Public Accounting Firm

We consent to the use of our reports dated February 27, 2014 relating to the consolidated financial statements of New Gold Inc. and subsidiaries ("New Gold Inc.") 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, 2013.

"Deloitte LLP"

Chartered Professional Accountants, Chartered Accountants Licensed Public Accountants

March 28, 2014



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, Imperial County, California, USA” dated February 28, 2014; the technical report entitled “Technical Report on the Peak Gold Mines, New South Wales, Australia” dated March 25, 2013, 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 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, 2013, 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 28th day of March, 2014

"Richard Lambert"

Name: Richard J. Lambert, P.E.
Title: Principal Mining Engineer
Executive Vice-President

Rock solid resources.
Proven advice.™

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, 2013, 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 28th day of March, 2014

"David W. Rennie"
Name: David W. Rennie, P. Eng.
Title: Principal Geologist



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, 2013, 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 28th day of March, 2014

"Dennis Bergen"

Name: Dennis Bergen, P. Eng.
Title: Associate Principal Mining Engineer

Exhibit 99.14

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, 2013, 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 28th day of March, 2014

“Kevin Scott”

Name: Kevin Scott, P. Eng.
Title: former Principal Metallurgist and
General Manager Vancouver Office

Exhibit 99.15



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, Imperial County, California, USA" dated February 28, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Wayne Valliant"
Name: Wayne Valliant, P. Geo
Title: Principal Geologist



Consent of Kathleen Altman

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, Imperial County, California, USA" dated February 28, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Kathleen A. Altman"

Name: Kathleen A. Altman, Ph.D., P.E.
Title: Principal Metallurgist



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 Mesquite Mine, Imperial County, California, USA” dated February 28, 2014, and 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, 2013, 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 28th day of March, 2014

“Richard Lambert”

Name: Richard J. Lambert, P.E.
Title: Principal Mining Engineer
Executive Vice-President

Rock solid resources.
Proven advice.™

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, 2013, 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 28th day of March, 2014

"Ian T. Blakley"

Name: Ian T. Blakley, P. Geo
Title: Principal Geologist,
Vice-President & General Manager of RPA UK Ltd.



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, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Holger Krutzelmann"

Name: Holger Krutzelmann, P. Eng
Title: Principal Metallurgist

Exhibit 99.20

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, 2013, 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 28th day of March, 2014

“Christopher Moreton”

Name: Christopher Moreton, Ph.D., P. Geo
Title: Former Senior Consulting Geologist

Exhibit 99.21

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Consent of Colin Hardie

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 "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Colin Hardie"

Name: Colin Hardie
Title: Metallurgist

Exhibit 99.22

Consent of David Runnels

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 "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"David Runnels"

Name: David Runnels, Eng.
Title: Project Manager – Mining and Metallurgy

Exhibit 99.23

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Consent of Patrice Live

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 "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Patrice Live"

Name: Patrice Live, Eng.
Title: Manager of Mining

Exhibit 99.24

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bba.ca

Consent of BBA 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 "Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013 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 28th day of March, 2014

BBA Inc.

"Patrice Live"

Name: Patrice Live, Eng.
Title: Manager of Mining

Exhibit 99.25

Consent of Sheila E. Daniel

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 "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Sheila E. Daniel"

Name: Sheila E. Daniel, M.Sc., P. Geo
Title: Head Environmental Management
Senior Associate Geoscientist

Exhibit 99.26

Consent of David G. Ritchie

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 "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"David G. Ritchie"

Name: David G. Ritchie, P.Eng.
Title: Geotechnical Engineering Group Manager
Senior Associate Geotechnical Engineer

Exhibit 99.27

Consent of Adam Coulson

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 "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Adam Coulson"

Name: Adam Coulson, Ph.D., P.Eng.
Title: Rock Engineering Group Manager
Senior Associate Rock Mechanics Engineer

CONSENT OF AMEC AMERICAS LIMITED

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 AMEC Americas Limited's name in connection with, and to the use of information derived from, the technical report entitled "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" and dated February 14, 2014 (the "Rainy River Technical Report"), included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013 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.

On behalf of

AMEC Americas Limited

Bob Stanlake

President, Mining and Metals

AMEC Americas Limited

Dated: 28th day of March 2014

AMEC Americas Limited
111 Dunsmuir Street, Suite 400
Vancouver, B.C. V6B 5W3
Tel (604) 664-3030
Fax (604) 664-3057

www.amec.com

Exhibit 99.29

Consent of Glen Cole

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 “NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada” effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

“Glen Cole”

Name: Glen Cole, P.Geo
Title: Principal Consultant (Resource Geology)

Exhibit 99.30

Consent of Dorota El-Rassi

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 "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Dorota El-Rassi"

Name: Dorota El-Rassi, P. Eng.
Title: Senior Consultant (Resource Geology)

Exhibit 99.31

Consent of SRK Consulting (Canada) 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 “NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada” effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013 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 28th day of March, 2014

SRK Consulting (Canada) Inc.

"Glen Cole"

By: Glen Cole, P.Geo

Title Principal Consultant (Resource Geology)
Practice Leader

Exhibit 99.32

Consent of Colm Keogh

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 "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Colm Keogh"

Name: Colm Keogh, P. Eng.
Title: Principal Mining Engineer

Exhibit 99.33

Consent of Mo Molavi

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 "NI 43-101 Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

"Mo Molavi"

Name: Mo Molavi, P. Eng.
Title: Mining Services Manager, Principal Mining Engineer

Exhibit 99.34

Consent of AMC Mining Consultants (Canada) Ltd.

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 "Feasibility Study of the Rainy River Project, Ontario, Canada" effective date January 16, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013 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 28th day of March, 2014

AMC Mining Consultants (Canada) Ltd.

"Patrick R. Stephenson

_____

By: Patrick R. Stephenson
Title Director & General Manager Vancouver

Exhibit 99.35

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 Gold Project, British Columbia, NI 43-101 Technical Report on Feasibility Study” effective date January 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

“Ronald Simpson”

Name: Ronald G. Simpson
Title: Professional Geoscientist
GeoSim Services Inc.

Exhibit 99.36

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 Gold Project, British Columbia, NI 43-101 Technical Report on Feasibility Study” effective date January 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013 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 28th day of March, 2014

Geosim Services Inc.

"Ronald G. Simpson"

By: Ronald G. Simpson, P. Geo.
Title: President

Exhibit 99.37

Consent of Jay Horton

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 Gold Project, British Columbia, NI 43-101 Technical Report on Feasibility Study” effective date January 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

“Jay Horton”

Name: Jay Horton, P. Eng.
Title: Technical Services Manager
Norwest Corporation

Exhibit 99.38

Consent of Norwest Corporation

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 Gold Project, British Columbia, NI 43-101 Technical Report on Feasibility Study" effective date January 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013 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 28th day of March, 2014

Norwest Corporation

"Sean Ennis"

_____

By:
Title

Exhibit 99.39

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 Gold Project, British Columbia, NI 43-101 Technical Report on Feasibility Study” effective date January 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

“Bruno Borntraeger”

Name: Bruno Borntraeger
Title: P.Eng.
Knight Piésold Ltd.

Exhibit 99.40

Consent of Knight Piésold Ltd.

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 Gold Project, British Columbia, NI 43-101 Technical Report on Feasibility Study" effective date January 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013 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 28th day of March, 2014

Knight Piésold Ltd.

Ken Brouwer, P. Eng.

_____

By: Ken Brouwer, P. Eng.
Title President, Knight Piésold Ltd.

Exhibit 99.41

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 Gold Project, British Columbia, NI 43-101 Technical Report on Feasibility Study” effective date January 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

“Igenacy (Tony) Lipiec”

Name: Ignacy (Tony) Lipiec
Title: P.Eng.
AMEC Americas Limited

Exhibit 99.42

Consent of Gary Christie

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 Gold Project, British Columbia, NI 43-101 Technical Report on Feasibility Study” effective date January 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th day of March, 2014

“Gary Christie”

Name: Gary Christie, P. Eng.
Title: Project Manager
AMEC Americas Limited

CONSENT OF AMEC AMERICAS LIMITED

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 AMEC Americas Limited's name in connection with, and to the use of information derived from, the technical reports entitled Blackwater Gold Project, British Columbia - NI 43-101 Technical Report on Feasibility Study" and dated January 14, 2014 (the "Blackwater Technical Report"), included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013 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.

On behalf of

AMEC Americas Limited

Bob Stanlake

President, Mining and Metals

AMEC Americas Limited

Dated: March 2014

AMEC Americas Limited
111 Dunsmuir Street, Suite 400
Vancouver, B.C. V6B 5W3
Tel (604) 664-3030
Fax (604) 664-3057

www.amec.com

Exhibit 99.44



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, 2013, 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 28th day of March, 2014

"Neil Gow"

Name: Neil Gow, P.Geo.
Title: Associate Principal Geologist
for Roscoe Postle Associates Inc.

Exhibit 99.45

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, 2013, 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 28th day of March, 2014

"A. Paul Hampton"

Name: A. Paul Hampton
Title: Associate Principal Metallurgist
Roscoe Postle Associates Inc.

Exhibit 99.46



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, 2013, 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 28th day of March, 2014

"Lee P. Gochnour"

Name: Lee P. Gochnour, MMSA QP
Title: Associate Principal Environmental Scientist

Exhibit 99.47

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 New Afton Project, Mesquite Mine, Peak Gold Mines, Cerro San Pedro Mine, Rainy River Project, Blackwater Project and El Morro Project, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2013, 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 28th th day of March, 2014

"Mark Petersen"

Name: Mark Petersen
Title: P. Eng., and Vice President, Exploration of New Gold Inc.