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

FORM 40-F

¨ 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, 2015 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:

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

At **December 31, 2015**, the Registrant had outstanding 509,469,143 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.
x Yes ¨ No

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

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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, 2015 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, 2015 and 2014, 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, 2015 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 Securities Exchange Act of 1934, as amended (the "**Exchange Act**") on Form 40-F. The Company is a "foreign private issuer" as defined in Rule 3b-4 under 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 May 10, 2014 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 report on Form 40-F 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 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 are "forward looking". 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", "targeted", "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 those under the headings "General Developments of the Business", "Description of the Business" and "Mineral Properties", and include, among others, statements with respect to: guidance for production; total cash costs and all-in sustaining costs, and the factors contributing to those expected results, as well as expected capital expenditures; expected reductions in the carrying value of New Gold's assets; mine life; mineral reserve and mineral resource estimates; grades expected to be mined at the Company's operations; the expected production, costs, economics and operating parameters of the Rainy River project; planned activities for 2016 and beyond at the Company's operations and projects, as well as planned exploration activities and expenses; the results of the New Afton C-zone feasibility study, including operating parameters and expected mine life, production, costs, and project economics; plans to advance the C-zone project, including permitting capital expenditures; expected production for the Blackwater project; targeting timing for commissioning and full production (and other activities) related to Rainy River; the timing and amount of estimate future production from the El Morro property; the completion of a pre-feasibility study for the El Morro – Relincho joint venture ("Project Corridor"); and statements with respect to the payment of the remaining $75 million from Royal Gold.

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, New Gold's annual and quarterly MD&A and New Gold's Technical Reports filed at www.sedar.com. 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 subject to the following assumptions: (1) there being no significant 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 Mineral 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 expectations; (6) equipment, 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 required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; (9) the results of the feasibility studies for the Rainy River project and the Blackwater project being realized; (10) in the case of production, cost and expenditure outlooks at operating mines for 2016 and 2017, commodity prices and exchange rates being consistent with those estimated for the purposes of 2016 guidance; (11) in the case of production, cost and expenditure outlooks at the Rainy River Project and Blackwater Project, commodity prices and exchange rates being consistent with those estimated for the purposes of guidance; and (12) conditions to the payment of the remaining $75 million from Royal Gold being satisfied in mid-2016.

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 and the availability and management of capital resources; additional funding requirements; price volatility in the spot and forward markets for metals and other commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia and Mexico; discrepancies between actual and estimated production, between actual and estimated Mineral Reserves and Mineral Resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Canada, the United States, Australia and Mexico 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; and in Mexico, where Cerro San Pedro has a history of ongoing legal challenges related to our environmental authorization; 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 Mineral Reserves and Mineral Resources; competition; loss of key employees; 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 Rainy River, Blackwater and the C-zone; the uncertainty with respect to prevailing market conditions necessary for a positive development or construction decision at Blackwater; 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 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 process for Blackwater. 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, 2015. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as at December 31, 2015 the Company’s disclosure controls and procedures were effective to provide 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, 2015. In making this assessment, it used the criteria set forth in the Updated 2013 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, 2015, 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, 2015 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, 2015 and 2014, 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, 2015 and 2014 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, 2015, 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 control 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 Kay Priestly (Chair), James Estey, David Emerson and Martyn Konig. Each of Ms. Priestly, 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 Kay Priestly, 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 77 and "External Auditor Service Fees (by category)" page 78 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 17, 2016. 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 17, 2016, the Board amended the Code. The amendments reflect updated titles and roles, clarify matters relating to confidential information, bribery and corruption, political contributions, corporate social responsibility and waivers, and remove provisions dealing with records retention. 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 17, 2016. 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 current or future 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 000's
as of December 31, 2015

	Payments due by period				
Contractual obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Long-term debt	$ 800,000	$ 0	$ 0	$ 300,000	$ 500,000
Interest payable on long-term debt	304,926	52,272	104,500	89,625	58,529
Operating Leases	6,467	5,667	800	0	0
Capital Commitments	348,702	209,467	139,235	0	0
Asset retirement obligations	90,900	1,378	3,558	2,383	83,580
Total contractual obligations	$ 1,550,994	$ 268,784	$ 248,093	$ 392,008	$ 642,109

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

Date: March 29, 2016

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, 2015
2.	Audited Consolidated Financial Statements for the years ended December 31, 2015 and 2014, including the report of independent registered public accounting firm with respect thereto
3.	Management's Discussion and Analysis for the year ended December 31, 2015
4.	New Gold's Code of Business Conduct and Ethics, as approved by the Company's board of directors on February 17, 2016
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 Mark Petersen

Exhibit 1


newgold™
Annual Information Form for the
Year Ended December 31, 2015
March 29, 2016

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ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

All information in this annual information form ("**Annual Information Form**") is as at December 31, 2015 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 are "forward looking". 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", "targeted", "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 those under the headings "General Developments of the Business", "Description of the Business" and "Mineral Properties", and include, among others, statements with respect to: guidance for production; total cash costs and all-in sustaining costs, and the factors contributing to those expected results, as well as expected capital expenditures; expected reductions in the carrying value of New Gold's assets; mine life; mineral reserve and mineral resource estimates; grades expected to be mined at the Company's operations; the expected production, costs, economics and operating parameters of the Rainy River project; planned activities for 2016 and beyond at the Company's operations and projects, as well as planned exploration activities and expenses; the results of the New Afton C-zone Feasibility Study, including operating parameters and expected mine life, production, costs, and project economics; plans to advance the C-zone project, including permitting capital expenditures; expected production for the Blackwater project; targeting timing for commissioning and full production (and other activities) related to Rainy River; the timing and amount of estimate future production from the El Morro property; the completion of a Pre-Feasibility Study for the El Morro – Relincho joint venture ("Project Corridor"); and statements with respect to the payment of the remaining $75 million from Royal Gold.

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, New Gold's annual and quarterly management's discussion and analysis ("**MD&A**") and New Gold's Technical Reports filed at www.sedar.com. In addition to, and subject to, such assumptions discussed in more detail elsewhere, the forward-looking statements in this Annual Information Form are subject to the following assumptions: (1) there being no significant 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 Mineral Resource estimates; (4) the exchange rate between the Canadian dollar, Australian dollar, Mexican peso and United States dollar being approximately consistent with current levels; (5) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with expectations; (6) equipment, 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 required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; (9) the results of the feasibility studies for the Rainy River project and the

Blackwater project being realized; (10) in the case of production, cost and expenditure outlooks at operating mines for 2016 and 2017, commodity prices and exchange rates being consistent with those estimated for the purposes of 2016 guidance; (11) in the case of production, cost and expenditure outlooks at the Rainy River Project and Blackwater Project, commodity prices and exchange rates being consistent with those estimated for the purposes of guidance; and (12) conditions to the payment of the remaining $75 million from Royal Gold being satisfied in mid-2016.

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 and the availability and management of capital resources; additional funding requirements; price volatility in the spot and forward markets for metals and other commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia and Mexico; discrepancies between actual and estimated production, between actual and estimated Mineral Reserves and Mineral Resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Canada, the United States, Australia and Mexico 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; and in Mexico, where Cerro San Pedro has a history of ongoing legal challenges related to our environmental authorization; 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 Mineral Reserves and Mineral Resources; competition; loss of key employees; 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 Rainy River, Blackwater and the C-zone; the uncertainty with respect to prevailing market conditions necessary for a positive development or construction decision at Blackwater; 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 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 process for Blackwater. 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.

A significant portion of the historical financial information in this Annual Information Form is derived from New Gold's audited consolidated financial statements for the year ended December 31, 2015 (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 Annual Information Form 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 May 10, 2014 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 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 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 International Financial Reporting Standards ("**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. New Gold believes that this measure, along with sales, is a key indicator of a Company's ability to generate operating earnings and cash flow from its mining operations.

Total cash costs 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 gold ounce for Cerro San Pedro is net of by-product silver sales revenue, and the calculation of total cash costs per gold ounce 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 focused 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 gold ounces, silver ounces or pounds of copper sold, as the case may be, to arrive at per ounce or per pound figures. Unless indicated otherwise, all information about total cash costs 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 meaning 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. Further details regarding historical total cash costs and a reconciliation to the nearest IFRS measures are provided in the MD&A accompanying New Gold's financial statements and filed at www.sedar.com.

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 meaning 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. Further details regarding historical all-in sustaining costs and a reconciliation to the nearest IFRS measures are provided in the MD&A accompanying New Gold's financial statements and filed at www.sedar.com.

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. In New Gold's MD&A for the three months and year ended December 31, 2015 (a copy of which is available under the Company's profile on SEDAR at www.sedar.com), 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.

Costs 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.

Operating Margin

"Operating margin" is a non-GAAP financial measure with no standard meaning under IFRS, which management uses to evaluate the Company's aggregated and mine-by-mine contribution to net earnings before non-cash depreciation and depletion charges. 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 meaning 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 and this measure is unlikely to be comparable to similar measures presented by other companies.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

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

TECHNICAL INFORMATION

The scientific and technical information in this Annual Information Form has been reviewed and approved by Mark A. Petersen, Vice President, Exploration at New Gold. Mr. Petersen is a SME Registered Member, an AIPG Certified

Professional Geologist, 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 risks and relevant issues. New Gold’s current NI 43-101 Technical Reports, which are available at www.sedar.com, contain further details regarding Mineral Reserve and Mineral Resource estimates, classification, reporting parameters, key assumptions and risks for each of New Gold's material 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 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 three months and year ended December 31, 2015. These documents and other information about the Company are available under the Company’s profile on SEDAR at www.sedar.com.

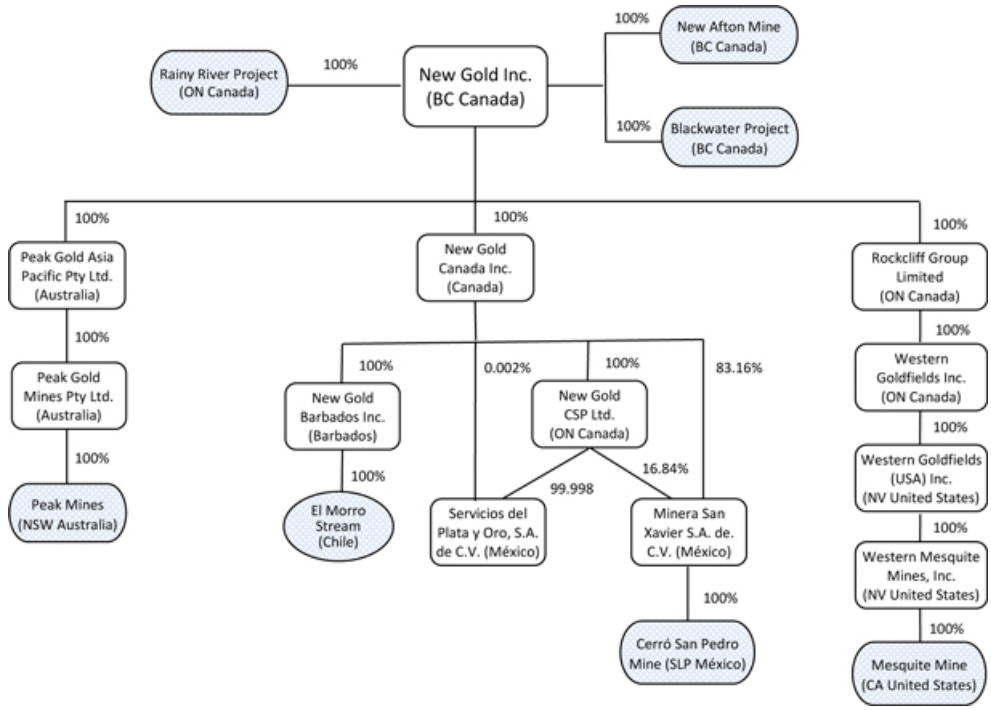
CORPORATE STRUCTURE

The Company was incorporated on January 31, 1980 as DRC Resources Corporation under the *Company Act* (British Columbia) and was transitioned on May 10, 2005 under the *Business Corporations Act* (British Columbia) ("**Act**"). On May 4, 2005, the shareholders of the Company passed a special resolution to remove the pre-existing company provisions and 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. ("**Silver Quest**"), Geo Minerals Ltd. (" **Geo**") and Richfield Ventures Corp. (" **Richfield**"). The amalgamated company continued as New Gold Inc. Effective October 1, 2014, New Gold amalgamated with its wholly owned subsidiaries Rainy River Resources Ltd. and 0608457 B.C. Ltd, with the amalgamated company continuing as New Gold Inc. On January 1, 2016, New Gold amalgamated with its wholly owned subsidiaries Peak Gold Ltd. and New Gold Bayfield Corp. 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 mines and development projects which are described in greater detail in the "Mineral Properties" section of this Annual Information Form:

- 100% interest in the New Afton gold-copper 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 Mines**")
- 100% interest in the Cerro San Pedro gold-silver mine in San Luis Potosí, 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-silver project in British Columbia, Canada (" **Blackwater Project**")

New Gold has been engaged in the acquisition, exploration and development of natural resource properties since 1980. The Company's current structure arose through two accretive business combinations in mid-2008 and mid-2009. As part of its business strategy, New Gold is focused on:

- Growing the long-term value of the Company's portfolio of assets;
- Minimizing geopolitical risk by focusing on assets in countries with established mining histories;
- Delivering on operational targets (safety, cost, production, environment and social responsibility);
- Executing on internal growth opportunities through project development; and
- Pursuing disciplined, value-enhancing merger and acquisition opportunities.

DEVELOPMENTS - PROJECTS AND MINES

New Afton Mine

In February 2014, New Gold announced its intention to expand the existing mill facility at the New Afton Mine following an evaluation of the economic benefits of increasing mill throughput levels. The mill expansion project was successfully completed in the second quarter of 2015 and has resulted in increased mill throughput and gold and copper recoveries.

In February 2015, New Gold announced the results of a scoping study to evaluate the potential for the New Afton C-zone to extend the mine's life. The C-zone is the down plunge extension of the B-zone block cave that is currently being mined at New Afton. In January 2016, the Company completed a Feasibility Study, which indicated positive economics for mining the C-zone. Based on current Mineral Reserves, the C-zone is expected to have a mine life of five years, with average annual production of 108,000 ounces of gold and 81 million pounds of copper. Subject to prevailing market conditions and receipt of the requisite permits, development of the C-zone would begin after the start of production at the Rainy River Project.

Peak Mines

In November 2015, New Gold provided an update on exploration activities at the Peak Mines, which included the discovery of two new zones of polymetallic mineralization, Chronos and Anjea, located immediately adjacent to current and past-producing ore deposits within Peak Mines' nine-kilometre mine corridor. Exploration work to further delineate the new zones and to evaluate mining and processing options is ongoing.

Cerro San Pedro Mine

On August 23, 2013, approximately 800,000 tonnes of material moved on the northeast pit wall of the Cerro San Pedro Mine in Mexico. The movement resulted in lower ore tonnes being placed on the leach pad during the second half of 2013. Most of the ore impacted by the pit wall movement was mined in 2014, with the remaining portion mined in 2015. The current mine plan for the Cerro San Pedro Mine anticipates completion of active mining in the first four months of 2016, followed by several years of residual leaching, subject to future recovery performance and gold and silver prices.

In late 2013 the annual construction and operations licenses issued by the Municipality of Cerro de San Pedro were subject to numerous inappropriate conditions. The application of the conditions was suspended by the State Contentious and Administrative Tribunal, and in August 2014 the Tribunal issued a ruling with the effect that the inappropriate conditions were annulled. Minera San Xavier, S.A. de C.V. ("**MSX**"), the Company's wholly owned subsidiary, subsequently applied for its operations license for 2015 and was advised by the Municipality that the license would also be subject to conditions considered inappropriate by MSX. On February 3, 2015 the State Contentious and Administrative Tribunal granted MSX an injunction against the Municipality, ensuring the continued operation of the mine pending the Tribunal's ruling on the conditions considered inappropriate by MSX. Prior to the Tribunal making its ruling, the Municipality and MSX reached a settlement which resulted in the removal of the inappropriate conditions and the granting of MSX's annual operations license in May 2015. While the issues relating to the 2015 annual operations license have been resolved and the 2016 annual operations license has been issued, it is possible that authorizations required in the future may also be subject to challenges or issues. 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.

Rainy River Project

In 2013, New Gold successfully completed its negotiated take-over 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. Effective January 1, 2015, New Gold completed the acquisition of Bayfield Ventures Corp. ("**Bayfield**"), further consolidating the Company's mineral holdings in the Rainy River district.

On January 16, 2014, New Gold announced the results of a Feasibility Study for the Rainy River Project, which outlined a 21,000 tonne per day processing rate from a combination of open pit, underground and stockpiled ore. The study outlined 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.

On January 30, 2015, New Gold announced receipt of Environmental Assessment (" **EA**") approvals at both the Federal and Provincial levels for the Rainy River Project. Receipt of the EA approvals enabled the Company to apply for other permits and to commence preliminary development work at the project. As at December 31, 2015, overall construction progress at Rainy River was 21% complete, with work to relocate Highway 600 complete, plant site earthworks over 85% complete, concrete placement over 40% complete and bids having been received for all major construction and

installation contracts. Development activities continue to advance with first production remaining on target for mid-2017.

On July 20, 2015, New Gold announced it had entered into a $175 million streaming agreement with RGLD Gold AG, a wholly owned subsidiary of Royal Gold Inc. ("**Royal Gold**"). Under the agreement, Royal Gold will provide New Gold with a deposit of $175 million, to be used for the ongoing development of the Rainy River Project, in return for a percentage of the future annual gold and silver production from the Rainy River Project. Royal Gold paid $100 million of the deposit on signing of the agreement, with the remaining $75 million to be paid when 60% of the project development capital has been spent (and other customary conditions precedent have been satisfied).

Blackwater Project

The January 2014 Feasibility Study for the Blackwater Project confirmed the parameters of a conventional truck and shovel open pit mine with a 60,000 tonne per day processing plant and average annual gold production of 485,000 ounces during the first nine years of the mine's anticipated 17-year life. However, due to lower commodity prices 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 2016.

El Morro Project

In November 2015, New Gold announced the sale of its 30% interest in the El Morro Project to Goldcorp Inc. (" **Goldcorp**"). In exchange for the Company's 30% interest, New Gold received $62.4 million in net cash ($90 million net of applicable withholding taxes and transaction costs) and the Company's $94.5 million carried funding loan payable was cancelled. In addition, New Gold will receive a 4% stream on gold production from the El Morro property. New Gold will pay $400 per ounce for the first 217,000 ounces of gold delivered as part of the stream, and will pay $400 per ounce plus a 1% annual inflation adjustment for subsequent ounces of gold delivered as part of the stream. The El Morro project, together with the Relincho project in Chile, is now held by a 50/50 joint venture between Goldcorp and Teck Resources Limited.

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.

In August 2014, New Gold entered into a $300 million revolving secured credit facility with a syndicate of banks led by The Bank of Nova Scotia and RBC Capital Markets (the "**Credit Facility**"). In November 2015, the term of the Credit Facility was extended to August 2019. The Credit Facility replaced the Company's previous $150 million revolving credit facility and provides New Gold with additional financial flexibility.

The Credit Facility provides New Gold the option, subject to commitments, to draw an additional $50 million above and beyond the base $300 million. As at December 31, 2015, the Company has used $115.9 of the Credit Facility to issue letters of credit primarily related to New Gold's reclamation requirements at its operations and projects, with the balance remaining undrawn.

Based on prevailing spot prices of gold, copper and silver and the prevailing exchange rate for the Canadian dollar to the United States dollar, the Company believes that it has sufficient liquidity and capital resources to complete the construction of the Rainy River Project as currently contemplated and within the net debt to earnings before interest, taxes, depreciation and amortization ("**EBITDA**") covenant ("**Leverage Ratio**") of 3.5 to 1.0 initially provided in the Credit Facility. However, in order to provide the Company with additional financial flexibility in the event of a decline in metal prices and/or appreciation of the Canadian dollar, on February 17, 2016, New Gold amended the Credit Facility to increase the maximum Leverage Ratio to 4.0 to 1.0 at the September 30, 2016 measurement date and to 4.5 to 1.0 for the three subsequent quarter-end measurement periods. Thereafter, the maximum Leverage Ratio will return to 3.5 to 1.0. In addition, to increase cash flow certainty, on March 8, 2016, New Gold purchased put options with a strike price of $1,200 per ounce covering 270,000 ounces of gold and simultaneously sold call options with a strike price of $1,400 per ounce covering 270,000 ounces of gold. The contracts cover 30,000 ounces of gold per month for nine months beginning in April 2016. In aggregate, the option contracts provide the Company a guaranteed floor price of $1,200 per ounce while also providing exposure to increases in the gold price up to $1,400 per ounce.

DESCRIPTION OF THE BUSINESS

The Company's principal operating assets consist of the New Afton Mine in Canada, the Mesquite Mine in the United States, and the Peak Mines in Australia. New Gold also owns and operates 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.

New Gold is continually working to maximize shareholder value through diversified production, maintaining an attractive 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, 2015, 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, technological, community and public relations, 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, copper and silver, which generally require refining or smelting to become marketable metal. As described in more detail with respect to each operation, the Company uses the services of refiners to refine gold doré. The refined gold is sold to bullion banks or gold trading counterparties at market prices. Copper concentrate produced by the New Afton Mine and Peak Mines is sold to various smelters or concentrate marketing firms. There are worldwide gold, copper and silver 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, copper and silver 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 and Mineral Resources: gold, copper and silver at the New Afton Mine; gold at the Mesquite Mine; gold, copper and silver at the Peak Mines; gold and silver at the Cerro San Pedro Mine; gold and silver at the Rainy River Project; and gold and silver at the Blackwater Project. See "Summary of Mineral Reserve and Mineral Resource Estimates".

Foreign Operations

The Company currently owns 100% of the Mesquite Mine in the United States, 100% of the Peak Mines in Australia, and 100% of the Cerro San Pedro Mine in Mexico as its foreign operations. In addition, New Gold holds a 4% gold stream on future gold production from the El Morro property located in Chile. 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 factors such 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 impact of these factors cannot be accurately predicted. See "Risk Factors – Foreign Operations".

Employees

As at December 31, 2015, the Company had the following employees and contractors:

Location	Employees	Contractors
Vancouver Corporate Office	24	2
Toronto Corporate Office	34	1
Corporate Exploration Team	9	-
New Afton Mine	418	25
Mesquite Mine	310	41
Peak Mines	283	30
Cerro San Pedro Mine[(1)]	413	73
Rainy River Project	119	24
Blackwater Project	13	6
	1,623	**202**

(1) As at December 31, 2015, 262 employees at the Cerro San Pedro Mine belonged to a union.

Environmental Protection and Social and Environmental Practices

New Gold is committed to excellence in corporate social responsibility. The Company considers its ability to make a lasting and positive contribution toward sustainable development a key driver to achieving a productive and profitable business. New Gold aims to achieve these objectives through the protection of the health and well-being of its people and host communities as well as industry leading practices in the areas of 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**"), New Gold's operations adopt the MAC's Towards Sustainable Mining protocols which form part of the New Gold Environmental Management Standards and Community Engagement and Development Management Standards.

New Gold's corporate social responsibility objectives include promoting and protecting the welfare of its 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. New Gold believes that people are its most valuable assets and strives to create a culture of inclusiveness that begins at the top and is reflected in its hiring, promotion and overall human resources practices. New Gold encourages tolerance and respect in worker-to-worker relationships. In each of its host communities, the Company strives to be an employer of choice through the provision of competitive wages and benefits, and through the implementation of policies of recognizing and rewarding employee performance and promoting from within wherever possible.

The Company is committed to preserving the long-term health and viability of the natural environments that host its operations. Wherever New Gold operates – in all stages of mining activity, from early exploration and planning, to commercial mining operations through to eventual closure – the Company is committed to excellence in environmental management. From the earliest site investigations, New Gold carries out comprehensive environmental studies to establish baseline measurements for flora, fauna, earth, air and water. During operations it promotes the efficient use of raw materials and resources, works to minimize environmental impacts and maintains robust monitoring programs. After mining activities are complete, New Gold's 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 regulatory authorities and the communities of interest.

New Gold is committed to establishing relationships with host communities based on mutual benefit and active engagement with host communities to contribute to their sustainability. Wherever the Company's operations interact with Indigenous peoples, New Gold promotes understanding of, and respect for, traditional values, customs and culture and takes meaningful action to consider the interests of Indigenous peoples. New Gold aims to foster open communication with local residents and community leaders so that issues can be resolved collaboratively. The Company believes that by thoroughly understanding the people, their histories, and their needs and aspirations, it can engage in a meaningful and sustainable development process.

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 17 of the Company's audited consolidated financial statements for the year ended December 31, 2015.

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 $90.9 million as at December 31, 2015. As at December 31, 2015, the Company had posted letters of credit or other financial assurance in an aggregate amount of $107.2 million to address these liabilities.

TECHNICAL INFORMATION

CIM Standards Definitions

New Gold's estimated Mineral Reserves and Mineral Resources have been calculated in accordance with the CIM Definitions Standards for Mineral Reserves and Mineral Resources adopted by the CIM Council on May 10, 2014 (the "**CIM Standards**").

Abbreviations and Technical Terms

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

SUMMARY OF MINERAL RESERVE AND MINERAL RESOURCE ESTIMATES

On February 17, 2016, the Company reported consolidated Mineral Reserve and Mineral Resource estimates for its mines and development projects as at December 31, 2015. A consolidated summary of total gold, copper and silver contained within New Gold's global Mineral Reserves and Mineral Resources is set out in the table below. Measured and Indicated Mineral Resources are reported exclusive of Mineral Reserves.

New Gold's Mineral Reserve and Mineral Resource estimates have been reviewed and approved by Mr. Mark A. Petersen, a Qualified Person as defined under NI 43-101.

MINERAL RESERVES AND MINERAL RESOURCES SUMMARY TABLE

	Gold Koz	Silver Moz	Copper Mlbs
PROVEN AND PROBABLE RESERVES	**14,985**	**76**	**1,194**
New Afton	1,228	4	1,112
Mesquite	1,492	-	-
Peak Mines	267	1	82
Cerro San Pedro	13	-	-
Rainy River	3,814	9	-
Blackwater	8,170	61	-
MEASURED AND INDICATED RESOURCES (EXCLUSIVE OF RESERVES)	**6,659**	**34**	**1,065**
INFERRED RESOURCES	**1,844**	**24**	**194**

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19 and 20 of this Annual Information Form.

Mineral Reserves

Mineral Reserve estimates as at December 31, 2015 are presented in the following table.

MINERAL RESERVE ESTIMATES

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
NEW AFTON							
A&B-zones							
Proven	-	-	-	-	-	-	-
Probable	36,510	0.55	2.4	0.85	646	2,765	681
C-zone							
Proven	-	-	-	-	-	-	-
Probable	25,040	0.72	1.8	0.78	583	1,447	430
Total New Afton P&P	**61,550**	**0.62**	**2.1**	0.82	**1,228**	**4,212**	**1,112**
MESQUITE							
Proven	8,473	0.51	-	-	139	-	-
Probable	75,807	0.56	-	-	1,353	-	-
Total Mesquite P&P	**84,280**	**0.55**	**-**	**-**	**1,492**	**-**	**-**
PEAK MINES							
Proven	1,520	3.31	7.2	1.30	162	349	44
Probable	1,360	2.42	6.7	1.29	105	291	38
Total Peak Mines P&P	**2,870**	**2.89**	**6.9**	1.29	**267**	**640**	**82**
CERRO SAN PEDRO							
Proven	289	0.35	9.7	-	3	90	-
Probable	748	0.41	13.7	-	10	329	-
Total CSP P&P	**1,038**	**0.40**	**12.6**	**-**	**13**	**419**	**-**
RAINY RIVER							
Direct processing material							
Open Pit							
Proven	17,001	1.40	2.0	-	763	1,075	-
Probable	52,950	1.18	2.8	-	2,003	4,690	-
Open Pit P&P (direct processing)	69,952	1.23	2.6	-	2,766	5,765	-
Underground							
Proven	-	-	-	-	-	-	-
Probable	4,499	5.00	11.8	-	723	1,709	-
Underground P&P (direct processing)	4,499	5.00	11.8	-	723	1,709	-
Stockpile material							
Open Pit							
Proven	5,496	0.37	1.5	-	65	259	-
Probable	23,302	0.35	2.3	-	261	1,701	-
Open Pit P&P (stockpile)	28,798	0.35	2.1	-	325	1,959	-
Total P&P							
Proven	22,498	1.14	1.8	-	828	1,333	-
Probable	80,752	1.15	3.1	-	2,987	8,100	-
Total Rainy River P&P	**103,250**	**1.15**	**2.8**	**-**	**3,814**	**9,433**	**-**
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)	294,200	0.79	4.7	-	7,520	44,400	-
Stockpile material							
Proven	20,100	0.50	3.6	-	325	2,300	-
Probable	30,100	0.34	14.6	-	325	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**	**-**
TOTAL P&P					**14,985**	**75,504**	**1,194**

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19 and 20 of this Annual Information Form.

Mineral Resources

Mineral Resource estimates as at December 31, 2015, exclusive of Mineral Reserves, are presented in the following tables:

MEASURED & INDICATED MINERAL RESOURCE ESTIMATES (EXCLUSIVE OF MINERAL RESERVES)

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
NEW AFTON							
A&B-zones							
Measured	16,940	0.69	2.1	0.87	377	1,134	325
Indicated	10,512	0.46	2.2	0.68	156	749	157
A&B-zones M&I	27,451	0.60	2.1	0.80	534	1,878	482
C-zone							
Measured	2,230	1.05	2.2	1.21	75	161	59
Indicated	15,462	0.79	2.2	0.96	392	1,075	326
C-zone M&I	17,693	0.82	2.2	0.99	467	1,226	386
HW Lens							
Measured	-	-	-	-	-	-	-
Indicated	10,560	0.51	2.1	0.44	174	703	102
HW Lens M&I	10,560	0.51	2.1	0.44	174	703	102
Total New Afton M&I	**55,704**	**0.66**	**2.1**	**0.79**	**1,175**	**3,809**	**971**
MESQUITE							
Measured	4,595	0.40	-	-	60	-	-
Indicated	50,524	0.47	-	-	771	-	-
Total Mesquite M&I	**55,119**	**0.47**	**-**	**-**	**831**	**-**	**-**
PEAK MINES							
Measured	2,000	3.56	5.9	0.94	220	370	41
Indicated	2,100	3.20	8.9	1.14	220	610	53
Total Peak Mines M&I	**4,100**	**3.37**	**7.5**	**1.04**	**440**	**980**	**94**
CERRO SAN PEDRO							
Measured	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-
Total CSP M&I	**-**	**-**	**-**	**-**	**-**	**-**	**-**
RAINY RIVER							
Direct processing material							
Open Pit							
Measured	3,294	1.19	1.8	-	127	185	-
Indicated	37,530	1.15	3.5	-	1,391	4,189	-
Open Pit M&I (direct processing)	40,824	1.15	3.3	-	1,518	4,374	-
Underground							
Measured	-	-	-	-	-	-	-
Indicated	4,834	3.74	12.6	-	581	1,952	-
Underground M&I (direct processing)	4,834	3.74	12.6	-	581	1,952	-
Stockpile material							
Open Pit							
Measured	1,244	0.35	1.3	-	14	51	-
Indicated	36,360	0.43	2.5	-	500	2,942	-
Open Pit M&I (stockpile)	37,604	0.43	2.5	-	514	2,993	-
Total M&I							
Measured	4,538	0.97	1.6	-	141	236	-
Indicated	78,724	0.98	3.6	-	2,472	9,083	-
Total Rainy River M&I	**83,262**	**0.98**	**3.5**	**-**	**2,613**	**9,319**	**-**
BLACKWATER							
Direct processing material							
Measured	289	1.39	6.6	-	13	61	-
Indicated	41,128	0.86	4.5	-	1,135	5,950	-
M&I (direct processing)	41,417	0.86	4.5	-	1,147	6,012	-

MEASURED & INDICATED MINERAL RESOURCE ESTIMATES (EXCLUSIVE OF MINERAL RESERVES)

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
Stockpile material							
Measured	-	-	-	-	-	-	-
Indicated	14,070	0.32	4.0	-	144	1,809	-
M&I (stockpile)	14,070	0.32	4.0	-	144	1,809	-
Total Blackwater M&I	**55,487**	**0.72**	**4.4**	**-**	**1,292**	**7,821**	**-**
CAPOOSE							
Indicated	**17,671**	**0.54**	**22.1**	**-**	**308**	**12,562**	**-**
TOTAL M&I EXCLUSIVE OF RESERVES					**6,659**	**34,491**	**1,065**

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19 and 20 of this Annual Information Form.

Inferred Mineral Resources

INFERRED MINERAL RESOURCE ESTIMATES

				Metal grade	Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
NEW AFTON							
A&B-zones	6,875	0.35	1.3	0.36	77	296	55
C-zone	6,856	0.48	1.5	0.54	106	328	87
HW Lens	969	0.69	1.5	0.46	21	45	10
Total New Afton Inferred	**14,702**	**0.43**	**1.4**	**0.45**	**205**	**672**	**145**
MESQUITE	**4,858**	**0.37**	**-**	**-**	**59**	**-**	**-**
PEAK MINES	**2,000**	**3.14**	**10.9**	**1.13**	**200**	**690**	**49**
CERRO SAN PEDRO	**-**	**-**	**-**	**-**	**-**	**-**	**-**
RAINY RIVER							
Direct processing							
Open Pit	10,699	0.84	1.8	-	289	621	-
Underground	2,591	4.21	7.8	-	351	646	-
Total Direct Processing	13,290	1.50	3.0	-	640	1,267	-
Stockpile							
Open Pit	9,876	0.36	1.1	-	113	339	-
Total Rainy River Inferred	**23,166**	**1.01**	**2.2**	**-**	**753**	**1,606**	**-**
BLACKWATER							
Direct processing	10,378	0.80	3.7	-	266	1,235	-
Stockpile	2,493	0.33	3.1	-	27	248	-
Total Blackwater Inferred	**12,871**	**0.71**	**3.6**	**-**	**293**	**1,483**	**-**
CAPOOSE	**23,591**	**0.44**	**26.3**	**-**	**334**	**19,948**	**-**
TOTAL INFERRED					**1,844**	**24,399**	**194**

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19 and 20 of this Annual Information Form.

El Morro Mineral Reserves and Resources

The table below sets out the Mineral Reserve and Mineral Resource estimates, on a 100% basis, for the El Morro project, as well as New Gold's 4% stream interest. The El Morro project, together with the Relincho project in Chile, is now held by a 50/50 joint venture between Goldcorp and Teck Resources Limited. The following information is based on information available to the Company as of March 28, 2016. See the "General Development of the Business – Developments - Projects and Mines – El Morro Project" section for more information.

El Morro Property Mineral Reserves & Resources as at December 31, 2015
(Goldcorp 50% - Teck 50% Joint Venture)

		Metal grade		Contained metal		New Gold 4% Stream Interest
	Tonnes 000s	Gold g/t	Copper %	Gold Koz	Copper Mlbs	Gold Koz
Mineral Reserves						
Proven	321,814	0.56	0.55	5,820	3,877	233
Probable	277,240	0.35	0.43	3,097	2,626	124
TOTAL P&P	599,054	0.46	0.49	8,917	6,503	357
Mineral Resources						
Measured	19,790	0.53	0.51	340	223	14
Indicated	72,563	0.38	0.39	880	630	35
TOTAL M&I	92,353	0.41	0.42	1,220	853	49
Inferred						
TOTAL INFERRED	678,066	0.30	0.35	6,453	5,190	258

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19 and 20 of this Annual Information Form.

Notes to Mineral Reserve and Resource Estimates

1. New Gold's Mineral Reserves and Resources and the El Morro Mineral Reserves and Resources have been estimated in accordance with the CIM Standards, which are incorporated by reference in NI 43-101.

2. New Gold's year-end 2015 Mineral Reserves and Mineral Resources have been estimated based on the following metal prices and foreign exchange rate criteria:

	Gold $/ounce	Silver $/ounce	Copper $/pound	CAD	AUD	MXN
Mineral Reserves	$1,200	$15.00	$2.75	1.25	1.35	17.00
Mineral Resources	$1,300	$17.00	$3.00	1.25	1.35	17.00

Lower cut-offs for the Company's Mineral Reserves and Mineral Resources are outlined in the following table:

Mineral Property		Mineral Reserves LOWER cut-off	Mineral Resources LOWER Cut-off
New Afton	Main Zone – B1 Block: Main Zone – B2 Block: B3 Block & C-Zone:	C$ 21.00/t C$ 33.00/t C$ 24.00/t	All Resources: 0.40% CuEq
Mesquite	Oxide & Transitional: Sulphide:	0.21 g/t Au (0.006 oz/t Au) 0.41 g/t Au (0.012 oz/t Au)	0.12 g/t Au (0.0035 oz/t Au) 0.24 g/t Au (0.007 oz/t Au)
Peak Mines	All ore types:	A$ 110/t to A$ 156/t	A$ 113/t to A$ 150/t
Cerro San Pedro	All ore types:	US$ 6.00/t	NA
Rainy River	O/P direct processing: O/P stockpile: U/G direct processing:	0.30 – 0.60 g/t AuEq 0.30 g/t AuEq 3.50 g/t AuEg	0.30 – 0.45 g/t AuEq 0.30 g/t AuEq 2.50 g/t AuEq
Blackwater	O/P direct processing: O/P stockpile:	0.26 – 0.38 g/t AuEq 0.32 g/t AuEq	All Resources: 0.40 g/t AuEq

3. Year-End 2015 El Morro Mineral Reserves and Mineral Resources have been estimated using $1,200/oz gold, $2.75/lb copper, and 550 Chilean pesos to one United States dollar, and a lower cut-off of 0.20% CuEq.

4. New Gold reports its Measured and Indicated Mineral Resources exclusive of 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, economic and legal feasibility, do not have demonstrated economic viability, and are likewise exclusive of Mineral Reserves. Numbers may not add due to rounding.

5. Mineral Resources are classified as Measured, Indicated and Inferred based on relative levels of confidence in their estimation and 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 the envisioned mining method. Likewise the designators 'oxide', 'non-oxide' and 'sulphide' have been applied to indicate the type of mineralization as it relates to the appropriate mineral processing method and expected payable metal recoveries, and the designators 'direct processing' and 'stockpile' have been applied to differentiate between material envisioned to be mined and processed directly and material to be mined and stored in a stockpile for future processing. 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 material properties are provided in the respective NI 43-101 Technical Reports, which are available at www.sedar.com.

6. Rainy River Project: In addition to the criteria described above, Mineral Reserves and Mineral Resources for the Rainy River project are reported according to the following additional criteria: Underground Mineral Reserves are reported peripheral to and/or below the open pit Mineral Reserve pit shell, which has been designed and optimized based on an $800/oz gold price. Underground Mineral Resources are reported below a larger Mineral Resource pit shell, which has been defined based on a $1,300/oz gold price. Approximately forty-four percent (44%) of the gold metal content defined as underground Mineral Reserves is derived from material located between the Mineral Reserve pit shell and the Mineral Resource pit shell; the remaining fifty-six percent (56%) of the metal content defined as underground Mineral Reserves is derived from material located below the Mineral Resource pit shell. Open pit Mineral Resources exclude material reported as underground Mineral Reserves.

7. All Mineral Resource and Mineral Reserve estimates for New Gold's properties and projects and for the El Morro project are effective December 31, 2015.

MINERAL PROPERTIES

NEW AFTON MINE, CANADA

Project Description, Location, Access, Infrastructure 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 Mine has a continental, semi-arid climate, with light winter snow and infrequent rain during the spring, summer and fall. Summer temperatures can reach 38 degrees Celsius and winter temperatures are generally at, or near, freezing.

Power is supplied to the New Afton Mine through its connection to the BC Hydro grid through a substation located approximately one kilometre away. Water is supplied from Kamloops Lake through an approximately four-kilometre pipeline.

The New Afton Mine occupies the site of the historic Afton mine, a previous operation of Teck Resources Limited, and includes an open pit (currently inactive), underground workings and support facilities. The New Afton deposit extends to the southwest from immediately beneath the Afton mine open pit. As it is currently defined, the deposit comprises the A&B -zones and the C-zone. The A&B-zones host the portion of the Mineral Reserve which is currently being mined. The C-zone contains additional Mineral Reserves and was the subject of a Feasibility Study completed January 2016.

The Company's holdings in the area comprise the Afton group of claims and the Ajax group of claims. The New Afton mine lies within the Afton group. The Afton group consists of a 902 hectares mining lease issued by the Ministry of Energy, Mines and Petroleum Resources on November 29, 2006 ("**Afton Mining Lease**") and 68 mineral claims totalling 8,330 hectares. All mineral claims and other property interests are reviewed on a quarterly basis to identify any payments or commitments required to maintain such interests. The Company also holds surface rights on approximately 1,550 hectares surrounding the New Afton Mine.

The New Afton Mine is subject to a security interest in favour of the lenders under the Credit Facility. See the "General Development of the Business" section for more information.

New Gold holds: (a) an option to acquire seven fee simple properties located to the southwest of the New Afton mine site (the " **Historic TSF Option Lands**"); and (b) an option to acquire three fee simple properties located to the south of the New Afton mine site (the " **Ranch Option Lands**") and mineral claim no. 1023220 which is also located to the south of the New Afton mine site. A tailings storage facility from the historic Afton mine is situated on the Historic TSF Option Lands. The Ranch Option Lands and the lands on which mineral claim no. 1023220 are located are currently used for ranching purposes. New Gold has provided notice of exercise of its option to acquire the Historic TSF Option Lands, which remains subject to various conditions including the issuance of replacement permits in favour of New Gold. The option to acquire the Ranch Option Lands expires on December 11, 2019.

Two First Nations, the Tk'emlúps te Secwépemc and the Skeetchestn Indian Band (collectively, the " **SSN**") have asserted 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 any New Gold interests or permits related to the mine before a court of law. New Gold has undertaken to provide the SSN with certain economic and social benefits, including education, training, employment 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.

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 Corporation and Iso Mines Ltd. acquired the Afton property in 1973 and initiated engineering and metallurgical studies. Commercial 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 in 2000 began a concerted exploration program to test the potential for additional mineralization extending beyond the Afton open pit. This work resulted in the successful delineation of the New Afton underground mineral resource.

Geological Setting and Mineralization

The New Afton deposit is a copper-gold, alkalic porphyry system 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 related copper and gold mineralization in the New Afton area.

Mineralization is characterized by discontinuous copper sulphide veinlets and disseminations (principally chalcopyrite and minor bornite) at brecciated margins between altered porphyry intrusives and intermediate to mafic volcanic rocks of the Triassic Nicola Formation. The copper sulphides are replaced by tennantite-tetrahedrite locally and along faults that transect the mineralized body. Native copper with accessory chalcocite occurs in minor amounts along faults and highly oxidized near-surface portions of the deposit. Gold and silver generally occur as electrum grains within the chalcopyrite and bornite.

The bulk of the New Afton deposit forms a tabular, nearly vertical, southwest-plunging mass measuring 1.4 kilometres long by approximately 100 metres wide, with a down-plunge extent of over 1.5 kilometres. It is flanked to the east and south by two similar bodies known as the hanging wall zones. The deposit remains open to the west and at depth.

Exploration and Drilling

The Company initiated surface drilling at New Afton in 2000. In 2001, the Company completed a scoping study followed by further definition drilling. An advanced scoping study was completed in 2004.

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 geophysical surveying of the Afton and Ajax claims and commissioned a Feasibility Study which laid the foundation for the current operations. Ground-based geophysical surveys totalling 34.5 line-kilometres were completed in 2008.

In addition to the work at Afton, New Gold has carried out reconnaissance level exploration programs around the Ajax group of claims, located approximately seven kilometres to the southeast of the Afton pit. During the period 2004 to 2008, New Gold drilled 26 holes totalling 11,455 metres in the Ajax area, completed 45 line-kilometres of geophysical surveys and collected 2,040 geochemical soil samples.

A series of core drilling programs was conducted at New Afton during the period 2000 to 2008 testing the C-zone, the hanging wall zone adjacent the historical Afton open pit and the Pothook pit area half a kilometre east of the Afton pit. Through the period, 276 exploration diamond drill holes were completed in the project area for an approximate aggregate length of 130,440 metres. Results were incorporated into the 2009 Mineral Resource estimate based on 140,490 metres of diamond drilling from 366 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.

Since 2012, the Company has focused on exploring the potential for additional Mineral Resources lateral to and below the current block cave Mineral Reserve. During 2012 and 2013, exploration drilling to expand laterally comprised 20,946 metres in 66 holes resulting in the addition of the hanging wall lens resource proximal to the B-zone reserve block to the southeast. Exploration below the B-zone reserve has focused on the C-zone resource. From July 2012 to November 30, 2014, a total of 84,239 metres in 138 holes were drilled to delineate the C-zone resource.

Sampling and Analysis

Sampling protocols have varied among the different drill campaigns. Sampling intervals have averaged two metres in all campaigns since 2003. Routine insertion of blanks and standards into the sample stream has been conducted since 2005. Drilling protocols in place at New Afton meet or exceed common industry standards.

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.

Sampling and analytical protocols are considered to have been appropriate and consistent with common industry practice, data quality is adequate for resource estimation, and protocols for data acquisition and management are reasonable.

Mineral Processing and Metallurgical Testing

Metallurgical testing was performed to evaluate the mineralogy of the deposit and contribute to the design of the New Afton Mine's processing plant and tailing facility. A number of studies and tests were performed as part of the testing program, including mineralogical studies, modal analysis, grinding tests, flotation tests, gravity tests, variability tests and dewatering tests. It was determined that conventional crushing, grinding and concentration processes were appropriate given the mineralogy of the deposit.

The deposit consists primarily of primary hypogene sulphide mineralization, but some secondary supergene sulphide and native copper mineralization is also present. Localized elevated arsenic concentrations in the deposit may pose an economic concern for the concentrate produced. Supergene ore is expected to impact the New Afton mill feed around 2019 and will require an additional step in the processing circuit to recover native copper and free gold. Current metallurgical studies are investigating gravity separation, jigging, dense media separation and coarse particle flotation methods to address the requirements of the supergene ore.

Mineral Resource and Mineral Reserve Estimates

The New Afton Mineral Reserves, effective December 31, 2015, are summarized in the “Mineral Reserve Estimates” table. See “Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves”.

The New Afton Mineral Resources, effective December 31, 2015, are summarized in the “Measured and Indicated Mineral Resource Estimates (Exclusive of Mineral Reserves)” and “Inferred Mineral Resource Estimates” tables. See “Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources”.

The parameters, assumptions and methodologies applied in generating the Mineral Resource and Mineral Reserve estimates are considered reasonable and appropriate. Furthermore, the mining, metallurgical, infrastructure, permitting and other relevant factors relating to the New Afton Mineral Reserve and Mineral Resources fully support these estimates. It has been noted, however, that the configuration of subsidence presently occurring above the west cave is slightly offset from the original model, although the reason and potential impact of this observed surface expression offset is not yet known. The subsidence is being monitored and evaluated on an ongoing basis to ensure the Company has accurate and up-to-date information and can implement appropriate measures, such as draw control strategies, to mitigate any potential impact of such subsidence, including any impact on the Mineral Reserves. In addition, the Company regularly updates its subsidence model for improved calibration to enhance predictability.

Mining Operations

The New Afton Mine began commercial production on July 31, 2012 and has a current projected life extending through 2022 based on Mineral Reserves contained within the A&B-zones.

Mining Methods

The New Afton Mine is a block cave mining operation. Other mining methods, including open pit mining and sublevel caving, were considered but block caving was chosen for the New Afton deposit because this method starts from the bottom and is conducive to large-scale low-cost mining. The operation is designed to produce close to 5 Mtpa of copper-gold ore for processing in a flotation plant. Each block in the block cave 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 tramming level is 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 by conveyor and deposited in an area apart from the ore via a belt plow. The waste 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. During 2014, and through the first half of 2015, average daily throughput levels were increased to over

13,000 tpd (4.7 Mtpa). A mill expansion was commissioned mid-year 2015 to increase processing capacity to 14,000 tpd. The expansion involved the installation of tertiary grinding and additional pre-cleaner flotation capacity.

The mill processes a blend of primary hypogene and secondary, supergene ore types 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 85% for copper, 81% for gold and 73% for silver.

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 will need to be amended in the future to allow mining of the B3-block and C-zone. The Mine Permit obligates New Gold to post reclamation security of C$9.5 million. As at December 31, 2015, 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, 2015 is estimated to be C$8.4 million based on a third party cost estimate. New Gold expects to incur this obligation between 2016 and 2028. The site is considered a zero discharge facility with regard to liquid effluents. All waste waters are either deposited in the tailings area and recycled to the processing plant or treated offsite.

Economic Analysis

The projected life of the New Afton Mine extends through 2022 based on current Mineral Reserves and throughput levels. In addition, the C-zone area could provide over five additional years of mine life based on current Mineral Reserves and Mineral Resources. During 2015, the New Afton Mine produced 105,487 ounces of gold at total cash costs per ounce sold, net of by-product sales, of negative $724 per ounce, and all-in sustaining costs of negative $242 per ounce. The New Afton Mine's 2015 co-product total cash costs were $464 per ounce of gold and $0.96 per pound of copper. The New Afton Mine is expected to produce 90,000 to 100,000 ounces of gold in 2016 at total cash costs per ounce sold, net of by-product sales, of negative $335 to negative $295 per ounce and all-in sustaining costs of $95 to $135 per ounce. On a co-product basis, total cash costs for 2016 at the New Afton Mine are expected to be $660 to $700 per ounce of gold and $1.20 to $1.35 per pound of copper. 2016 cash costs guidance assumes a $2.00 per pound copper price, $14.00 per ounce silver price and a foreign exchange rate of C$1.40 to one United States dollar. Total cash costs per ounce and all-in sustaining costs per ounce are non-GAAP measures. See "Non-GAAP Measures" on page 4. Sustaining capital expenditures at the New Afton Mine are expected to be approximately $35 million in 2016. Below is a breakdown of expected capital expenditures and expected all-in sustaining costs at the New Afton Mine for 2016.

2016 Expected Capital Expenditures[1]	
Sustaining Capital[2]	$38
Growth Capital[2]	$5
Total	$43

2016 Expected All-in Sustaining Costs/oz	
Total Cash Costs	($335) – ($295)
Sustaining Expenditures[3]	~$430
Total All-in Sustaining Costs	$95 – $135

(1) In millions.

(2) Based on the Company's 2016 estimated capital expenditures. Sustaining capital excludes expenditures related to growth-related initiatives. Growth capital excludes sustaining capital.

(3) Includes sustaining capital expenditures, capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs.

Other Relevant Data and Information

New Afton C-zone

The C-zone is the down plunge extension of the B-zone block cave that is currently being mined at New Afton. The Company has completed a Feasibility Study which indicated positive economics for mining the C-zone. Specifically, assuming $1,200 per ounce gold, $2.75 per pound copper and a C$1.25/US$ exchange rate, consistent with our reserve assumptions, the C-zone project has an after-tax 5% NPV of $84 million, an IRR of 10.3% and payback period of 3.4 years.

The C-zone extraction level would be approximately 550 metres below the current B-zone extraction level. From the results of the testwork programs completed, the mineralogy in the C-zone is expected to be consistent with the mineralogy in the west cave of New Afton's B-zone. Operationally, the same development, production and materials handling strategies would be used for the C-zone as are currently being used to mine the B-zone reserve. The Feasibility Study results support storage of the C-zone tailings in an expanded New Afton tailings storage facility.

Subject to prevailing market conditions and receipt of the requisite permits, development of the C-zone would begin after the start of production at the Rainy River Project. Once development starts, construction of the main access ramps to the bottom of the C-zone is expected to take approximately four years to complete. Thereafter, development of the block cave production levels would begin, with first ore production expected two years later, resulting in a total of approximately six years from the start of development to first production from the C-zone. The C-zone is expected to have a mine life of five years, with average annual production of 108,000 ounces of gold and 81 million pounds of copper.

Estimated development capital costs are $402 million (assuming an exchange rate of C$1.25/US$), including $47 million of contingency and a $41 million provision for capital escalation given the six-year development timeline. In addition, total sustaining capital costs are expected to be $107 million, or approximately $20 million per year. Total operating costs, including mining, processing and general and administrative, are expected to be $19.35 per tonne.

As a part of the Feasibility Study, detailed modelling was completed to estimate the area of subsidence from development and mining of the C-zone, and it was determined that a portion of the tailings dam from the historic Afton mine is located within the predicted area of subsidence. To manage and mitigate the potential risk associated with the historic tailings, New Gold expects to stabilize the historic facility through a dewatering and consolidation program which would include pumping the water and implementing a pre-loading and wick drain program.

It is expected that the permits for the C-zone project will involve amendments to the current Mines Act permit and effluent discharge permit. The project would not require additional annual water consumption as the mill throughput is not scheduled to change. The currently contemplated closure plan for New Afton would remain in place for the C-zone project with any required amendments to be made as part of the permit amendment process.

As the C-zone remains open to the west and at depth, New Gold plans to spend approximately $5 million in 2016 to further drill test the ore body and advance permitting activities.

MESQUITE MINE, UNITED STATES

Project Description, Location, Access, Infrastructure 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. Mesquite's climate is arid, with high temperatures in the summer and an average annual temperature of 22.7 degrees Celsius (73 degrees Fahrenheit).

Power is supplied through a powerline directly to the Mesquite Mine by the Imperial Irrigation District Power Company. Water is pumped from the Vista well field located approximately three kilometres (two miles) to the south.

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**").

The mineral rights at the Mesquite Mine cover a total area of approximately 2,104 hectares (5,200 acres) controlled by WMMI. They include 212 unpatented and 53 patented mining lode claims, 127 patented and 97 unpatented mill site claims, 266 hectares (658 acres) of California state leased land and 128 hectares (315 acres) of fee lands. Patented claims on federal land represent a secure title to the land. Some of the patented mill site claims are leased by WMMI from the Los Angeles County Sanitation District ("**LACSD**"). Unpatented claims are valid as long as annual claim maintenance fees are paid (in lieu of assessment work) and the land is held for mining purposes. All mineral rights and other property interests are reviewed at least annually to identify any payments or commitments required to maintain such interests.

The Mesquite Mine is subject to a security interest 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 NSR royalty on newly mined ore from the mine was transferred to Franco-Nevada Corporation ("**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, depending on the claim group.

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 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.

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 through its acquisition of Santa Fe, and mined the

deposit to May 2001 when a slope failure in the Big Chief pit and the low price of gold caused the then existing Mineral _Reserves to be uneconomic.

Under the ownership of WGI, the Mesquite Mine received regulatory approval to resume mining operations 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 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 (23 million to 34 million years ago) mineral deposits: 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 and subsequent to regional scale metamorphism. 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 of gold in the oxidized zone. A second type of gold is silver-bearing coarse gold typically found in the unoxidized zone. Testwork 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 predates New Gold's ownership. The Mesquite Mine historical database represents approximately 864,300 metres, or 2.8 million feet, of drilling in 6,392 drill holes, most of which are reverse circulation ("**RC**") holes. A total of 103 holes in the database are diamond drill holes. Most of the historic 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.

Gold Fields conducted the majority of the drilling on the property. 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 and 2011 by New Gold. The program consisted of 86 holes totalling 15,522 metres (50,925 feet) of combined diamond drilling and RC drilling. A significant mineral resource was not delineated and additional exploration was not recommended.

During each of 2013, 2014 and 2015, New Gold undertook infill RC drilling programs to better-delineate mineralization and improve the classification status of Mineral Resources scheduled for mining in subsequent years. The programs comprised of 344 holes and 27,222 metres (89,310 feet) in 2013, 223 holes and 23,703 metres (77,765 feet) in 2014, and

30 holes and 3,988 metres (13,085 feet) in 2015. All results have been incorporated into the Mineral Reserve and Mineral Resource estimates for Mesquite effective December 31, 2015.

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. Mineral Resource estimates reconcile reasonably well with actual production, supporting the assertion of no sampling method deficiencies.

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 1.5 metre (five foot) intervals. This interval is considered to be representative of the width and style of mineralization for the deposit. Each sample was split to create a duplicate sample. One set of samples was shipped off-site 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 two methods: fire assay with an AA finish and cyanide-soluble gold. Pulps from selected samples are stored at the off-site independent laboratory used to generate the original assays.

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. Data quality is considered adequate for resource estimation and the present protocols for data acquisition and management are considered reasonable.

Mineral Processing and Metallurgical Testing

Significant metallurgical testwork was conducted on Mesquite ores by its previous owners prior to New Gold's ownership. Testwork included laboratory column tests, large diameter column tests, bulk sample test heaps, and cyanidation leach testing by bottle rolling. The results of this testwork suggest that ore crushing does not significantly affect leaching rate and that the oxide and non-oxide ores have significantly different average recovery and variability of recovering. Metallurgical tests are continuously conducted on-site to confirm that the ore placed on the leach pad performs as expected.

Mineral Resource and Mineral Reserve Estimates

The Mesquite Mineral Reserves, effective December 31, 2015, are summarized in the "Mineral Reserve Estimates" table. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves".

The Mesquite Mineral Resources, effective December 31, 2015, are summarized in the "Measured and Indicated Mineral Resource Estimates (Exclusive of Mineral Reserves)" and "Inferred Mineral Resource Estimates" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources".

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, ore is mined from multiple open pits. Run-of-mine ore is hauled

directly to the leach pad for processing. Rock not containing economically recoverable metal is deposited in areas as close as possible to the mining area and may be placed in mined out pits. The pit design was optimized using prior geological information, metallurgical results, pit stability analysis and operating and processing cost estimates. The pit design also took into account the protection of a barrier around State Highway 78.

Mine production in 2015 averaged a nominal 177,800 tonnes per day of total material, including a nominal 60,000 tonnes per day of ore hauled to the leach pad. The production rate was within the current tonnage allowed (65 million short tons per year) under the air quality permit.

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 on the heap are determined by the level of oxidation in the ore. The mine's Mineral Reserves and life-of-mine production plan are currently based on 75% recovery of the oxide ores and 35% recovery of the non-oxide ores.

A leach pad expansion project, adding approximately nine million square feet (approximately 840,000 square metres) of liner, was undertaken in 2015 and is scheduled to be completed by the second quarter of 2016. Following the expansion, leach pad capacity will be sufficient to hold current life-of-mine reserves.

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 for reclamation and for closure with Imperial County, California as lead agency under the California Surface Mining and Reclamation Act, and for pit backfill with the California State Lands Commission under a public/private land lease agreement. As at December 31, 2015, the Company has met its security requirements in the form of bonds posted through a surety underwriter. The undiscounted closure cost liability for the Mesquite Mine as of December 31, 2015 is $15.7 million. New Gold expects to incur this obligation between 2016 and 2032.

Economic Analysis

The Mesquite Mine is projected to operate through 2022 based on current Mineral Reserves, followed by several years of residual leaching. During 2015, Mesquite produced 134,868 ounces gold at total cash costs of $743 per ounce and all-in sustaining costs of $1,156 per ounce. The Mesquite Mine is expected to produce 130,000 to 140,000 ounces of gold in 2016 at total cash costs of $590 to $630 per ounce, and all-in sustaining costs of $1,015 to $1,055 per ounce. 2016 cash cost guidance assumes a diesel price of $2.25 per gallon. Seventy-five percent of 2016 diesel exposure has been hedged at approximately $2.25 per gallon. Total cash costs per ounce and all-in sustaining costs per ounce are non-GAAP measures. See "Non-GAAP Measures" on page 4. Capital expenditures at the Mesquite Mine are expected to be $55 million in 2016. Below is a breakdown of expected capital expenditures and expected all-in sustaining costs at the Mesquite Mine for 2016.

2016 Expected Capital Expenditures[1]	
Sustaining Capital[2]	$55
Growth Capital[2]	-
Total	$55

2016 Expected All-in Sustaining Costs/oz	
Total Cash Costs	$590 – $630
Sustaining Expenditures[3]	~$425
Total All-in Sustaining Costs	$1,015 – $1,055

(1) In millions.

(2) Based on the Company's 2016 estimated capital expenditures. Sustaining capital excludes expenditures related to growth-related initiatives. Growth capital excludes sustaining capital.

(3) Includes sustaining capital expenditures, capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs.

Exploration and Development

New Gold is proceeding with permitting the expansion of the Brownie pit with approval expected during the first half of 2016. Additionally, subject to future mine planning requirements, the Company may complete additional delineation and infill drilling to convert Indicated Mineral Resources to Measured classification status.

PEAK MINES, AUSTRALIA

Project Description, Location, Access, Infrastructure and Other Information

Peak 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 ("**NSW**"), Australia. Regional road access to Cobar is provided by an all-weather highway (Mitchell Highway No. 32) connecting Sydney and Adelaide. 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. 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.

The Peak Mines currently comprise four commercially active mines and a gold-copper processing plant. The deposits, all currently mined from underground, extend along a nine-kilometre trend informally referred to as the Peak Mine Corridor. The four operating mines, from south to north are Perseverance, Peak, Chesney and New Cobar. 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 historic New Cobar open pit. The Peak site hosts the processing facility and administration buildings.

Power is supplied to the Peak Mines through its connection to the NSW state grid through a substation located adjacent to the mine site. Water is supplied via a pipeline from Cobar, which is initially sourced via a pipeline from Nyngan that connects to the Macquarie River.

PGM's mineral rights consist of approximately 77,320 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 Mines area, the Coronation-Beechworth area and the Queen Bee area; 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 87% interest. All mineral rights and related property interests are reviewed regularly to identify any payments or commitments required to maintain such interests.

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 and

PGM is a party in the proceedings to participate in negotiations with respect to any final determination. Native title claims in Australia may impact applications for changes to existing authorizations or new authorizations. Typically, such native title claims are determined without a trial; they are either dismissed, or a consent determination is negotiated by the parties to the claim.

PGM is required to pay a production royalty to the NSW Government Office of State Revenue of approximately 3% of gross revenue, before treatment charges and all other costs.

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 (now closed), which produced 700,000 ounces between 1935 and 1952.

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

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

On June 30, 2008, New Gold, Metallica Resources Inc. (" **Metallica**") and Peak Gold Ltd., the parent company of PGM, completed a business combination and asset acquisition, which resulted in Metallica and Peak Gold Ltd. becoming subsidiaries of New Gold.

Geological Setting and Mineralization

The Cobar mining district, referred to locally as the Cobar Gold Field (" **CGF**"), comprises a north-trending belt of historical gold and base metal 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 age (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.

The Peak Mines occupy a nine-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 structural deformation characterized by intensely cleaved zones, shears and faults. Individual deposits have characteristically steep-dipping pipe-like geometries with uniformly short strike lengths (less than 300 metres), narrow widths (10 to 30 metres), and extensive vertical dimensions. For example, the Peak and Perseverance deposits have vertical extents of 500 to 700 metres. The Chesney and New Cobar deposits are currently defined over a shorter vertical range, however, all of the deposits remain open at depth. Mineralization 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. Copper typically occurs as chalcopyrite. Lead and zinc are present as galena and sphalerite.

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 Mines' Geology Department hosts a large library of technical documents, including underground survey data, production records, and drill hole data.

The relatively small and discontinuous nature of the Peak Mine ore bodies requires that exploration and resource delineation drilling to replace mined reserves and develop new resources takes place on a continual basis.

Exploration and resource delineation drilling conducted at Peak Mine during 2015 totalled 88,182 metres in 412 holes. Exploration drilling in 2015 at the north end of the Peak Mine Corridor at Great Cobar confirms continuity of mineralization in the Anjea copper-gold and lead-zinc-silver lenses discovered in 2013, over dimensions measuring approximately 1,000 metres vertically, 150 to 200 metres along strike and 30 to 80 metres in width. Underground drilling at the southern end of the Peak Mine Corridor at Perseverance delineated the Chronos gold-lead-zinc-copper zone, discovered in late 2014, over a vertical height of 280 metres, a strike length of 40 to 50 metres and an average true width that ranges from 10 to 25 metres. Chronos intersects the top of the Perseverance deposit at a vertical depth of approximately 850 metres from surface and remains open along strike to the north and south and upward for an additional 450 to 500 metres toward the surface. Additional information regarding the exploration activities at Peak Mines is available in the news release "New Gold has continued exploration success at the Peak Mines" dated November 15, 2015 on www.sedar.com.

All drilling is performed by independent contractors under PGM's direct supervision. 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

All exploration and mineral resource delineation and reserves definition is done by 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. Core and RC sampling methods are considered reasonable for the style of mineralization and samples are considered 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 Geochemistry in Orange, NSW, an independent ISO-certified assaying laboratory, and are subject to 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 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 Processing and Metallurgical Testing

Metallurgical testing is completed on an ongoing basis for each of the four operating mines, following a strategy to identify variance between different ore lenses and/or stopes within each of the deposits. Results of mineralogical

analysis suggest gold is generally present as native gold and electrum in lenses located within the base metal sulphide mineralization envelope. Copper is present as chalcopyrite.

In addition to mineralogical analysis, metallurgical testing focused on gravity recoverable gold content, comminution parameters and flotation. Flotation testing is used to characterize copper recovery, concentrate grade, and deleterious element content. Flotation tails are evaluated for gold recovery via bottle roll cyanidation testing. Localized elevated lead, zinc, bismuth and antimony concentrations in the ore may pose an economic concern for the copper concentrate produced. The concentrate is evaluated for levels of each of these elements and mineral processing techniques are used to minimize the overall content of lead and zinc in the final concentrate.

Metallurgical tests have also shown that the increased oxidation typical of upper and transitional level ores at Chesney and Peak may lead to poor copper recovery from the flotation circuit and a corresponding increase in oxygen demand and cyanide consumption in the leach circuit. Similarly, elevated pyrrhotite levels at Perseverance may also drive up oxygen demand.

Mineral Resource and Mineral Reserve Estimates

The Peak Mines Mineral Reserves, effective of December 31, 2015, are summarized in the “Mineral Reserve Estimates” tables. See “Description of the Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves.”

The Peak Mines Mineral Resources, effective of December 31, 2015, are summarized in the “Measured and Indicated Mineral Resource Estimates (Exclusive of Mineral Reserves)”, and “Inferred Mineral Resource Estimates,” tables. See “Description of the Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources.”

Mining Operations

Mining operations at the Peak 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. The deposits are considered amenable to this mining method due to their depth and geology. 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 Mines specifically for use at Perseverance to increase stope stability and maximize ore recovery.

During the first half of 2015, the main stoping area of the Perseverance ore body experienced geotechnical challenges resulting in reduced production from this ore body during 2015. Work to address the geotechnical issues was completed during the second quarter of 2015.

Recovery Methods

Ore from the New Cobar and Chesney deposits is hauled by highway trailer to a run-of-mine stockpile. Ore from the Perseverance and Peak deposits is crushed underground and hoisted to a surface stockpile at the Peak mine shaft. It is discharged onto a surface stockpile and fed to the SAG mill feed conveyor. Stockpiled ore from New Cobar and Chesney is reclaimed by front end loader and blended via a hopper onto the SAG mill feed conveyor.

Gold and silver are recovered as a concentrate in a gravity circuit by batch centrifugal concentrators, leached in an intensive leach reactor by cyanidation, then electrowon. Copper and gold are recovered as a copper concentrate by a conventional flotation circuit. The concentrate is thickened, filtered, and stockpiled before transporting to a third-party smelter for further processing. A second method of gold and silver recovery is by cyanidation leaching of the flotation tailings followed by carbon stripping, electrowinning and smelting to produce gold doré bars. Overall, metal recoveries are approximately 92% and 90% for gold and copper, respectively.

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. As at December 31, 2015, PGM was required to post reclamation security of A$21.1 million with the NSW Department of Trade and Investment and had lodged this security in the form of an irrevocable standby letter of credit. The undiscounted closure cost liability for the Peak Mines as at December 31, 2015 is estimated to be A$24.9 million. The Company expects to incur this obligation between 2016 and 2025.

Economic Analysis

The projected life of the Peak Mines extends to 2021 based on Mineral Reserves. During 2015, the Peak Mines produced 89,852 ounces of gold at total cash costs of $791 per ounce and all-in sustaining costs of $1,071 per ounce. The Peak Mines' 2015 co-product cash costs were $858 per ounce of gold and $2.00 per pound of copper. The Peak Mines are expected to produce 80,000 to 90,000 ounces of gold in 2016 at total cash costs of $800 to $840 per ounce, and all-in sustaining costs of $1,020 to $1,060 per ounce. 2016 cash costs guidance assumes a $2.00 per pound copper price, $14.00 per ounce silver price and a foreign exchange rate of AU$1.40 to one United States dollar. Total cash costs per ounce and all-in sustaining costs per ounce are non-GAAP measures. See "Non-GAAP Measures" on page 4. Capital expenditures at the Peak Mines are expected to be $12 million in 2016. Below is a breakdown of expected capital expenditures and expected all-in sustaining costs at the Peak Mines for 2016.

2016 Expected Capital Expenditures[1]	
Sustaining Capital[2]	$12
Growth Capital[2]	-
Total	$12

2016 Expected All-in Sustaining Costs/oz	
Total Cash Costs	$800 – $840
Sustaining Expenditures[3]	~$220
Total All-in Sustaining Costs	$1,020 – $1,060

(1) In millions.

(2) Based on the Company's 2016 estimated capital expenditures. Sustaining capital excludes expenditures related to growth-related initiatives. Growth capital excludes sustaining capital.

(3) Includes sustaining capital expenditures, capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs.

Exploration and Development

Current and future exploration at the Peak Mines comprises 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 main focus of exploration drilling in 2016 will be the addition of Mineral Resources at Chronos and Anjea.

CERRO SAN PEDRO MINE, MEXICO

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 mine is operated by the Company's wholly owned subsidiary, MSX.

The mineral rights at the Cerro San Pedro Mine consist of 16 mineral concessions covering an area of 7,871 hectares. The mineral concessions begin to expire in December 2036 through March 2062. The surface rights to the Cerro San Pedro Mine are controlled by private parties and ejidos (communal agrarian entities). MSX holds a Temporary Occupancy and Right of Way Authorization for land belonging to certain local ejidos, providing surface rights access over the life of the mine. Franco-Nevada holds a 1.95% gross value royalty relating to the Cerro San Pedro Mine.

The Cerro San Pedro Mine has had a history of ongoing legal challenges related to the environmental authorization (" **EIS**") for the mine. After public consultation, on March 2011, the municipality of Cerro de San Pedro approved a new municipal land use plan, 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 EIS. In April 2011, a request was filed for a new EIS based on the new Municipal Plan and on August 5, 2011 a new EIS was granted. The new EIS is subject to a number of ongoing conditions that will need to be fulfilled through the continued operation and eventual closure of the mine. In addition, some authorizations necessary for the operation of the Cerro San Pedro Mine, such as the municipal functioning license, have durations of one year and others of one quarter, or other periods that are shorter than the remaining mine and leach pad life.

Mining Methods

Mining at Cerro San Pedro 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. In 2015, mine production was a nominal 80,000 tonnes per day of total material, including a nominal 56,000 tonnes per day of ore. The Cerro San Pedro Mine is projected to conclude mining operation activities in 2016 based on current Mineral Reserves, followed by several years of residual leaching, subject to recovery performance and future gold and silver prices.

Recovery Methods

Ore is processed by heap leaching with a Merrill-Crowe processing circuit that recovers both gold and silver. 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. 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 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. Current life-of-mine recovery is estimated to be 55% gold and 20% silver.

Economic Analysis

During 2015, the Cerro San Pedro Mine produced 105,512 ounces of gold and 1,465,253 ounces of silver at total cash costs net of by-product sales of $865 per ounce, and all-in sustaining costs of $879 per ounce. Cerro San Pedro's 2015 co-product cash costs were $910 per ounce of gold and $12.19 per ounce of silver. Total cash costs per ounce and all-in sustaining costs per ounce are non-GAAP measures. See "Non-GAAP Measures" on page 4.

The Cerro San Pedro Mine is expected to produce 60,000 to 70,000 ounces of gold in 2016 at total cash costs of $755 to $795 per ounce, and all-in sustaining costs of $765 to $805 per ounce. 2016 cash costs guidance assumes a $14.00 per ounce silver price and a foreign exchange rate of 18 Mexican pesos to one United States dollar. Total cash costs per ounce and all-in sustaining costs per ounce are non-GAAP measures. See "Non-GAAP Measures" on page 4.

See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates" for the updated Cerro San Pedro Mineral Resources and Mineral Reserves, each effective December 31, 2015.

Mine Closure

The schedule for completing the activities relating to the closure of Cerro San Pedro is dictated by the EIS. The site reclamation must be completed within four years of final processing, including residual leaching. MSX is required to post reclamation security of approximately $19.4 million with the Mexican environmental regulatory agency, SEMARNAT, under the general law for ecological balance and environmental protection. As at December 31, 2015, 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, 2015 is estimated to be $23.8 million. New Gold expects to incur this obligation between 2016 and 2026.

RAINY RIVER PROJECT, CANADA

Project Description, Location, Access, Infrastructure 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 centres 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 and local terrain are accessible, with numerous gravel/paved roads, power and water resources and areas for tailings management facilities available within close proximity. Personnel for the Project, including skilled trades and professions, will be sourced through a combination of local hiring and recruitment. New Gold has ongoing dialogue with local communities in the area surrounding the Rainy River Project about other economic benefits of the Project, including the development of local infrastructure. Temperature extremes range from 35 degrees Celsius to minus 40 degrees Celsius. Annual precipitation averages approximately 60 centimetres rainfall and 150 centimetres snowfall. Mining activities will be conducted year-round.

Power is available via a provincial transmission line approximately 17 kilometres to the east of the Project. There is a supply of water in the area from the Pinewood River, and a pipeline will be constructed from the Pinewood River to the site. A site water management pond will contain water for mineral processing. Other infrastructure planned for construction include open pit and underground mine infrastructure, the processing plant, tailings facility and administrative offices.

New Gold acquired the Rainy River Project through its purchase of RRRL in 2013. In addition, effective January 1, 2015, the Company acquired Bayfield Ventures Corp., including a 100% interest in six patented mining rights claims and six unpatented claims totaling approximately 11 square kilometres adjacent to the Rainy River Project. As at January 1, 2016, the Rainy River Project occupied approximately 204 square kilometres, comprising 236 patented mining rights and surface rights claims (including 21 leasehold interest mining claims) and 60 unpatented claims, which rights and claims are either owned by New Gold or which New Gold 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.

All claims are held in the name of New Gold except four patented claims in which the Company has the option to acquire a 100% interest. The currently defined Mineral Reserves and Mineral Resources lie largely within nine patented claims held in the name of New Gold. Portions of the presently defined Mineral Reserves and Mineral Resources are covered by either a 2% NSR royalty or a 10% net profits interest royalty. In addition, New Gold has agreed to financial participation in the Project in the form of royalties in favour of certain First Nations.

In July 2015, New Gold entered into a $175 million streaming agreement with RGLD Gold AG, a wholly owned subsidiary of Royal Gold. Pursuant to the agreement, Royal Gold will provide New Gold with a deposit of $175 million, to be used for the ongoing development of the Rainy River Project, in return for: (i) 6.5% of the project's gold production up to a total of 230,000 ounces of gold, and 3.25% of the project's gold production thereafter; and (ii) 60% of the project's silver production up to a total of 3.1 million ounces of silver, and 30% of the project's silver production thereafter. In addition to the upfront deposit, Royal Gold will pay 25% of the average spot gold or silver price at the time each ounce of gold or silver is delivered under the stream. Royal Gold paid $100 million of the deposit on signing of the agreement, with the remaining $75 million to be paid when 60% of the project development capital has been spent and other customary conditions precedent have been satisfied.

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 zero 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.

Environmental Liabilities and Permits

On January 30, 2015, New Gold announced receipt of both the Federal EA and Provincial EA approvals for the Rainy River Project. Since then, several key federal construction-related permits have been issued, while provincial construction and operations phase permits are progressing in line with the project development schedule. The required mine waste Schedule 2 authorization from Environment Canada is expected by the end of 2016.

The mine closure plan was accepted by the Ontario Ministry of Northern Development and Mines on February 23, 2015. Concurrent with submission of the final version of the closure plan the Company posted an initial reclamation bond of C$14.3 million for the Project. As of December 31, 2015, additional bonding of C$66.4 million has been posted pursuant to the Closure plan. The Project's bonding requirement will increase through the initial years of the Project according to the phasing plan, in line with expected development and operational activities at the site.

First Nations and Other Aboriginal Groups

In 2012, RRRL and six Rainy River area First Nations entered into a 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 the First Nations as the Project progresses. In 2014 the Company concluded an Impacts and Benefits Agreement with Naicatchewenin First Nation and Rainy River First Nations embracing commitments to environmental and sustainable development and ensuring that First Nation communities and members benefit from opportunities resulting from the Project in their traditional territory. The Company also concluded Participation Agreements with the Métis Nation of Ontario in 2014, and the Big Grassy River First Nation in January, 2015. The Participation Agreements provide for how the local Métis community and the Big Grassy River First

Nation community, respectively, will benefit from the development of the Rainy River Project and throughout the life of the mine.

New Gold has ongoing dialogue with local communities and various First Nations in the area surrounding the Rainy River Project and anticipates completion of additional agreements with other Aboriginal groups.

History

Exploration commenced in the Rainy River area during the period 1967 to 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 through 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 through 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 totaled 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. New Gold completed an Update Feasibility Study in January 2014 incorporating these results.

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.

Three main styles of gold and silver mineralization have been identified within a large cluster of multiple deposits: 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); and sulphide-bearing silver-enriched quartz veinlets in dacitic tuffs and breccias (Intrepid Zone). A fourth style of mineralization characterized by copper-nickel-platinum minerals occurs within a small younger mafic-ultramafic intrusion (34 Zone) situated within the main cluster of gold and silver deposits. All deposits 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 generally follow the regional northwesterly strike and southerly dip of stratigraphy. The largest of these is the 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 entitled "History".

Since New Gold's acquisition of the Rainy River Project in August 2013 the Company has focused its exploration efforts within a five kilometre radius of the central mine development area. As a result of this work the Company has identified a number of new exploration targets, both in the immediate vicinity of the deposit and within its broader property holdings. During 2014 and 2015 the Company drilled 245 core holes totalling 73,620 metres to evaluate the potential to extend the known mineral resource and test new exploration targets in the general vicinity. 96 of these (17,412 metres) were condemnation and geotechnical holes, while 149 (56,208 metres) were exploration holes. The results of this drilling have been incorporated into the Mineral Resource estimate (as of December 31, 2015) for the Project.

Drilling procedures conducted by Nuinsco from 1994 to 1998 are not well documented. Drilling carried out from 2005 through 2015 by RRRL, Bayfield Ventures and New Gold have 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 RRRL and New Gold have realized excellent core recovery and have surveyed all drill holes and collars according to accepted industry standards. The drilling procedures utilized by RRRL and New Gold are considered consistent with industry best practices and 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 and New Gold are considered 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 New Gold, RRRL and Bayfield Ventures drilling programs. Sampling was typically conducted at nominal 1.5 metre intervals, though Bayfield Ventures sampling intervals vary from 0.5 to 1.5 metres in length. 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 Vancouver, British Columbia from 2005 to 2006 and from early 2011 onward; and Accurassay Laboratories in Thunder Bay, Ontario from 2006 to 2011. Bayfield Ventures' drill core was analyzed by Activation Laboratories ("**Actlabs**"), an accredited laboratory located in Thunder Bay, Ontario. 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 Processing and Metallurgical Testing

Metallurgical testing was performed to evaluate the mineralogy of the deposit and contribute to the design of the Rainy River Project's processing plant and tailings facility. A number of studies and tests were performed as part of the testing program, including mineralization, comminution, gravity separation, flotation, flotation concentrate leaching, whole ore leaching, cyanide destruction testwork and environmental testwork. It was determined that whole rock leaching with gravity separation was the most economical processing alternative for the ore mainly because, among other reasons, it required less energy and cyanide inputs than other processing alternatives.

Mineral Resource and Mineral Reserve Estimates

The Rainy River Project Mineral Reserves, effective December 31, 2015, are summarized in the "Mineral Reserve Estimates" table. See "Description of Business – Summary of Mineral Resources and Mineral Reserve Estimates – Mineral Reserves".

The Rainy River Project Mineral Resources, effective December 31, 2015, are summarized in the "Measured and Indicated Mineral Resource Estimates (Exclusive of Mineral Reserves)" and "Inferred Mineral Resource Estimates" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Resources".

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 tpd from the open pit and 1,500 tpd from underground operations). Expected mine life is 14 years, not including two pre-production years. Low grade ore stockpiles will be processed in years nine to 14. In January 2015, EA approval was received from both the federal and provincial governments and the provincial closure plan was subsequently accepted in March, 2015. Construction began in the second quarter of 2015, and has continued to advance with first production on target for mid-2017.

Mining Methods

Surface mining of the Project will use a conventional truck/shovel open-pit mining method, with 10 metre benches. The pit was designed considering the geology of the bedrock, which is considered to have a good rock mass rating and geological strength index for an open pit design.

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 tpd, or 7.7 mtpa. 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 91% for gold and 64% for silver.

Environmental Conditions

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 and the construction activities of New Gold. See “Environmental Permits and Liabilities”.

Economic Analysis

The Rainy River Project has Proven and Probable Mineral Reserves of over 3.8 million ounces of gold and 9.4 million ounces of silver and is expected to have a 14 year mine life. It is expected to produce an average of approximately 325,000 ounces of gold and 480,000 ounces of silver annually for the first nine years of full production. The open pit operation is expected to produce 81% of the gold and 86% of the silver with the remainder of production from underground operations.

Total development capital costs are estimated to be $877 million, based on the development capital spent to date and assuming an exchange rate of C$1.40 to one United States dollar for the remaining capital. Development capital is expected to comprise approximately 80% Canadian dollar and 20% United States dollar expenses. Total sustaining capital is estimated to be $342 million, assuming an exchange rate of C$1.25 to one United States dollar. Life-of-mine total operating costs are estimated to be $15.8 per tonne milled. Average cash costs per ounce of gold are projected to be $570 for the first nine years and $595 over the life of mine. Average all-in sustaining costs per ounce of gold are expected to be $670 for the first nine years and $699 over the life of mine. Total operating costs per tonne milled, total cash costs per ounce and all-in sustaining costs per ounce assume a $15.00 per ounce silver price and an exchange rate of C$1.25 to one United States dollar. Total cash costs per ounce and all-in sustaining costs per ounce are non-GAAP measures. See “Non-GAAP Measures” on page 4. Below is a breakdown of estimated development capital expenditures for the Rainy River Project. The total project development capital spending through December 31, 2015 was $308 million. In 2016, the Company plans to spend approximately $500 million on the development of Rainy River with the balance to be spent in the first half of 2017.

Rainy River Project Estimated Development Capital Expenditures [1]	
Direct Capital Costs	
Mining	$161
On-Site Infrastructure	$92
Process Plant	$304
Tailings Facility	$65
Access Corridor	$19
Off-Site Facilities	$22
Total Direct Capital Costs	**$663**
Total Owners' and Indirect Capital Costs	**$214**
Total Project Development Capital Costs	**$877**

[1] In millions.

The after-tax net present value of the Rainy River Project at a 5% discount rate is projected to be $759 million. The after-tax internal rate of return is estimated to be 14.8%, with a payback period of 5.3 years. Net present value is discounted to December 31, 2015 and excludes historical project development costs. Internal rate of return and payback period are inclusive of all project development costs. The foregoing estimates are based on annual average gold prices of $1,200 per ounce, silver prices of $15.00 per ounce and an exchange rate of C$1.25 to one United States dollar. They include proceeds from the streaming agreement with Royal Gold and assume the second installment of stream proceeds is paid in mid-2016. In addition, they are based on the allocation of certain corporate tax attributes as between New Gold's other operations in a manner consistent with the approach currently used in New Gold's tax returns.

Exploration and Development

Construction of the mine, plant and associated infrastructure commenced following receipt of construction permits in the first quarter of 2015. The total project development capital spending through December 31, 2015 was $308 million. Overall construction progress at the end of 2015 was 21% complete, including plant site earthworks being over 85% complete and concrete placement over 40% complete.

Exploration activities planned for 2016 will involve continued focus on identifying exploration targets within a five- kilometre radius of the mine development area. The 2016 development program is expected to advance overall construction to 75%:

- Ramp up of pre-production mining activities;
- Commission additional mobile equipment;
- Complete concrete and steel work for the processing plant by mid-year;
- Advance mechanical, piping, electrical and instrumental installation in processing plant to 50% completion;
- Complete water management pond and commence storage of water for start up;
- Complete and energize transmission line; and
- Advance tailings dam construction to 60%.

In 2017 the Company will continue to progress the process plant, tailings and water management facilities construction and complete construction activities for commencement of operations in mid-2017.

BLACKWATER PROJECT, CANADA

The following disclosure does not contain detailed information pertaining to the Capoose, Auro and Key claim blocks, which are peripheral to the Blackwater deposit.

Project Description, Location, Access, Infrastructure and Other Information

The Blackwater Project is an advanced-stage gold-silver project located in central British Columbia, approximately 110 kilometres southwest of Vanderhoof and 450 kilometres northeast of Vancouver. The project site is readily accessible by forest service and mine road. A new 16-kilometre road is planned to connect the project site with the Kluskus Forest Service Road. Helicopter access is available from bases in Vanderhoof, Quesnel or Prince George. 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 closest connection to the provincial power grid is 140 kilometres from the Blackwater Project. An overland transmission line is planned to connect to the provincial grid. Freshwater requirements will be met by pumping water from Tatelkuz Lake via a 20-kilometre long pipeline. On-site infrastructure planned to be constructed include a 60 kt/d process plant facility, open pit mine infrastructure, tailings facility and administrative offices.

As at December 31, 2015, New Gold holds a 100% interest in 232 mineral claims covering an area of 1,058 square kilometres 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. Six claims are due for renewal in 2016, with the remainder in good standing until 2022.

The Blackwater deposit spans one Davidson claim (Tenure No. 509273), the Dave claim (Tenure No. 515809) and the Jarrit claim (Tenure No. 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, licenses and authorizations have been granted across the Project area, but none are expected to significantly impact mine design and estimated costs.

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. There is sufficient suitable land for future mine infrastructure within the mineral claims. Personnel to support development and operation of the mine can be drawn from British Columbia's well-developed mining industry. Water for the camp is currently obtained from groundwater wells. The nearest power transmission lines are approximately 100 kilometres to the north.

Property Agreements

New Gold's 100% interest in the Blackwater claim block is subject to four NSR royalties ranging from 1% to 3%, two of which cover the Blackwater deposit.

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 EA process was initiated in October 2012. The final EA report was submitted for public review by the end of 2015 and public review started in January 2016. New Gold anticipates receiving EA approval late in 2016 or early in 2017.

Mine construction and operation will require a large number of federal and provincial permits, many pertaining to potential impacts on surface water and fisheries. A number of key engineering studies in support of the broader permitting effort were completed in 2015. Various engineering studies required to support permit application preparation will continue in 2016. Approvals for all key permits, licenses, authorizations and certificates necessary to proceed to construction are expected in the second half of 2016 or early 2017.

The federal and provincial permitting requirements include public and First Nations consultations. New Gold consults with provincial and federal ministries and agencies about research, design, permits, and environmental assessment questions and issues as they arise. The Company continues to engage a number of First Nations groups who have interests in the Project area, including discussions regarding Participation Agreements for construction and operation of the mine with key local First Nations.

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, and 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 (503050, 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 totalling 44,684 metres.

In 2011, New Gold acquired Richfield (June 2011) followed by Silver Quest and Geo (December 2011). New Gold amalgamated with all three companies effective January 1, 2012, becoming the direct owner of the Blackwater Project. In 2012, 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 the Blackwater deposit as 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.

Drilling for the period 2009-2013 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 programs averaged 92%, with a median of 96%. All drill holes and collars have been surveyed according to accepted industry standards. 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 deemed sufficient to support Mineral Resource estimation.

Exploration subsequent to 2013 has focused on targets elsewhere within the Company's broader land package. During 2014 and 2015 the Company drilled 40 diamond drill holes totaling 16,190 metres to test several exploration targets with generally positive results. The most significant of these (Blackwater South and Key) yielded intercepts into a broad area of intrusive-hosted porphyry and volcanic-hosted epithermal style alteration and mineralization containing locally significant gold, silver, copper, molybdenum within a several square kilometre area extending immediately to the south and west from the Blackwater deposit.

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 in 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. All sampling, analytical, QA/QC, data verification and security procedures used to support geological interpretations and the current Mineral Resource estimate are considered adequate.

Mineral Processing and Metallurgical Testing

An extensive metallurgical testing program was performed to evaluate the mineralogy of the deposit and contribute to the design of the processing plant. A number of studies and tests were performed as part of the testing program, including minerology, comminution, heap leach and column tests, flotation testwork and leach testwork. With the results of this test program, it was determined that whole rock leaching was the most promising processing alternative for the ore.

Mineral Resource and Mineral Reserve Estimates

The Blackwater Project Mineral Reserves estimate is summarized in the "Mineral Reserve Estimates" table. See "Description of Business – Summary of Mineral Resources and Mineral Reserve Estimates – Mineral Reserves".

The Blackwater Project Mineral Resource estimate is summarized in the "Measured and Indicated Mineral Resource Estimates (Exclusive of Mineral Reserves)" and "Inferred Mineral Resource Estimates" tables.

Mining Operations

Mining Methods

The Blackwater deposit has been designed as a conventional open pit mining operation. The estimated operating mine life of 17 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 metre bench heights. The average life-of-mine operational

stripping ratio is 1.88:1 excluding pre-stripping. The pit was designed considering the geology, technical, economic and related environmental characteristics of mineral resource to be mined, and location of the deposit.

Recovery Methods

It is anticipated that run-of-mine ore will be delivered to a primary crusher that feeds a whole ore leach 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 87% for gold and 49% for silver.

Environmental Conditions

New Gold has conducted extensive environmental baseline studies and is preparing 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$1.9 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, 2015 is estimated to be $14.1 million.

Economic Analysis

The Blackwater Project has Proven and Probable Mineral Reserves of over 8.2 million ounces of gold and 60.8 million ounces of silver and is expected to have a 17 year mine life. It is expected to produce approximately 485,000 ounces of gold and 1,800,000 ounces of silver annually for the first nine years of full production.

Based on the 2014 Feasibility Study, total development capital costs are estimated to be $1.576 billion, including a $160 million contingency. Life-of-mine total operating costs are estimated to be $11.59 per tonne milled. The life-of-mine all-in sustaining costs per ounce of gold is expected to be $590. Total cash costs per ounce are based on a $1,200 per ounce gold price, $15.00 per ounce silver price and an exchange rate of C$1.25 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 4. Capital expenditures at the Blackwater Project are expected to be $5 million in 2016. Below is a breakdown of estimated development capital expenditures for the Blackwater Project, assuming an exchange rate of C$1.25 to one United States dollar.

Blackwater Project Estimated Development Capital Expenditures [1]	
Direct Capital Costs	
Mining and Preproduction Development	$230
On-Site Infrastructure	$133
Process Plant	$506
Tailings Facility and Water Reclaim	$72
Access Corridor	$10
Off-Site Infrastructure	$102
Total Direct Capital Costs	**$1,053**
Total Owners' and Indirect Capital Costs	**$363**
Contingency	$160
Total Project Development Capital Costs	**$1,576**

[1] In millions.

The after-tax net present value of the Blackwater Project at a 5% discount rate is $680 million. The after-tax internal rate of return is estimated to be 11.9%, with a payback period of 5.1 years. Net present value is discounted to December 31, 2015 and excludes historical project development costs. The foregoing estimates assume construction begins in 2018 and are based on annual average gold and silver prices of $1,200 per ounce and $15.00 per ounce, respectively, and an exchange rate of C$1.25 to one United States dollar.

Exploration and Development

The Blackwater property offers excellent potential for the future discovery of precious and base metal mineralization that may add to the longer term life of the project. Under the current environment of low metal prices however the Company has determined to suspend its exploration activities at Blackwater until economic conditions improve.

RISK FACTORS

New Gold's business activities are subject to significant risks, including, but not limited to, those described below. Every investor or potential investor in New Gold securities should carefully consider these risks. Any of the following risks could have a material adverse effect on the Company, its business and prospects, and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Additional risks related to our material properties are discussed in the technical reports and other documents filed by the Company from time to time on SEDAR. In addition, other risks and uncertainties not presently known by management of the Company or that management currently believes are immaterial could affect the Company, its business and prospects.

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, copper and silver. 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 United States 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 jewellery containing gold;
- investment activity, including speculation, in gold as a commodity; and
- worldwide production.

The price of gold was $1,060 per ounce as at December 31, 2015, compared to $1,206 as at December 31, 2014. 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, construction and mining activities (including residual leaching) or otherwise revise its mine plans, and exploration, development and construction plans, 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 Mineral 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 Mineral 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 commodity prices will be successful. Hedging may not protect adequately against declines in the price of the hedged commodity. Furthermore, although hedging may protect the Company from a decline in the price of the commodity 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 and Mineral Resource 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 prospects, 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, penalty elements in concentrates, royalties, the price of gold and by-product 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 are listed on the Toronto Stock Exchange (" **TSX**") and NYSE MKT, and the Company also has warrants listed on the TSX. 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, copper and silver, prices, by the Company's financial condition or results of operations as reflected in its quarterly financial statements and by other operational and regulatory matters.

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, the United States, Australia and Mexico. The Company also has development projects in Canada and a stream on gold production from a development project in 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 or unreliable 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 favour 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 and other taxes, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, permit requirements, 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. Amendments to current laws, regulations and permits governing operations or development activities and activities of mining and exploration companies, or more stringent or different 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 or the suspension or curtailment of operations at existing mines. 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 or development activities to cease or be curtailed or suspended, 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 or otherwise negatively impact the Company's operations and other activities.

PERMITTING

The Company's operations, development projects and exploration activities are subject to receiving and maintaining licenses, 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 or obtaining additional 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 or receiving additional required 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 existing or 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, there have been a number of challenges relating to the Company's 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. 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. In January 2015 the Municipality of Cerro de San Pedro advised that the issue of MSX's annual license would be subject to numerous conditions the Company considered inappropriate. On February 3, 2015 the State Contentious and Administrative Tribunal granted MSX an injunction against the Municipality ensuring the continued operation of the mine pending the Tribunal's ruling on the inappropriate conditions. Prior to the Tribunal making its ruling, the Municipality and MSX reached a settlement which resulted in the removal of the inappropriate conditions and the granting of MSX's annual operations licences in May 2015. While the issues regarding the 2015 annual operations license have been resolved and the 2016 annual operations license has been issued, it is possible that authorizations required in the future, including the annual operations license, may also be subject to inappropriate conditions.

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 financially 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 24% of the Company's gold production and 86% of its copper production in 2015 and are expected to account for approximately 25% of the Company's gold production and 92% of its copper production in 2016. Also, in 2015 the New Afton Mine accounted for approximately 60% of the Company's operating margin. 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, copper and silver including unusual and unexpected ground conditions or 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 that would impact 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 or tonnage, dilution, block cave performance 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 a mining operation to be unprofitable in any particular accounting period.

The occurrence of one or more of these events may result in the death of, or personal injury to, employees, other personnel or third parties, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, deferral or unanticipated fluctuations in production, suspension, curtailment or termination of operations, environmental damage and potential legal liabilities, any of which may adversely affect the Company's business, reputation, prospects, results of operations and financial condition.

EXPLORATION AND DEVELOPMENT RISKS

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 accuracy of estimated size, continuity of mineralization, average grade and metallurgical characteristics (see “Uncertainty in the Estimation of Mineral Reserves and Mineral Resources” below); 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 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 two projects currently in the development phase: the Rainy River Project, which is in the construction stage, and the Blackwater Project, which is in the permitting stage. In addition, the Company 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 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, unexpected ground conditions or other unforeseen development challenges, 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 either of the Rainy River Project or the Blackwater Project will continue in accordance with current expectations or at all.

CONSTRUCTION RISKS

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 construction challenges or delays and unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated.

The Rainy River Project is currently at the construction stage of its development. Given the inherent risks and uncertainties associated with the development of a new mine, there can be no assurance that the construction will continue in accordance with current expectations or at all, or that construction costs will be consistent with the budget, or that the mine will operate as planned.

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, construction or production of any or all of the Company's mineral properties. The cost and terms of such financing may significantly reduce the expected benefits from new developments and/or render such developments uneconomic.

NEED FOR ADDITIONAL MINERAL RESERVES AND MINERAL RESOURCES

Because mines have limited lives based on proven and probable Mineral Reserves, the Company continually seeks to replace and expand its Mineral Reserves and Mineral Resources. The Company's ability to maintain or increase its annual production of gold, copper and silver 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 exploration is 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.

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 risks and 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, drilling or actual production experience.

Fluctuations in gold, copper and silver 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 Mineral Reserve and Mineral Resource estimates. Prolonged declines in the market price of gold (or applicable by-product metal prices) may render Mineral Reserves and Mineral Resources containing relatively lower

grades of mineralization uneconomical to recover and could materially reduce the Company's Mineral Reserves and Mineral Resources. 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 geologic and drilling information becomes available and 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 reduced net income or 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 and Mineral Resources, could have a material adverse effect on the Company's projects, 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 or 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 judgments 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, copper and silver 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 or to conduct exploration activities. Accordingly, the Company is subject to the risk that one or more groups may oppose the continued operation, further development or new development or exploration 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, and Mexico in which title or other rights are claimed by indigenous peoples, and may affect the timetable and costs of development and operation 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, development and exploration opportunities in the mining industry. In pursuit of such opportunities, New Gold 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, prospects, results of operations and financial condition.

ENVIRONMENTAL RISKS

The Company is subject to environmental regulation in Canada, the United States, Australia and Mexico where it operates or has exploration or development activities. In addition, the Company will be subject to environmental regulation in any other jurisdictions in which it may operate or have exploration or 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 involve, 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 or exploration activities. The Company cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and results of 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. In addition, measures taken to address and mitigate known environmental hazards or risks may not be fully successful, and such hazards or risks may materialize.

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. The cost of addressing environmental conditions or risks, and liabilities associated with environmental damage, may be significant, and could have a material adverse effect on the Company's business, prospects, results of operations and financial condition. 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 prospects, 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. 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 or other property, 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, development 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 results of operations and financial condition.

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, 2015, the total estimated undiscounted reclamation liability for New Gold's operations was approximately $90.9 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. In addition, reclamation bonds are generally issued under the Company's credit facilities; increases in the amount of reclamation bonds will decrease the amount of the credit facility available for other purposes. 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 mineral properties are located in Canada, Australia, Mexico and the United States. As a result, the Company has foreign currency exposure with respect to items not denominated in United States 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 revenues are denominated in United States 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-United States dollar currencies against the United States 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 United States 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 United States dollars. Certain of the Company's operations have assets and liabilities denominated in currencies other than the United States dollar, with translation foreign exchange gains and losses included in these balances in the determination of profit or loss. Therefore, exchange rate movements in the Canadian dollar, Mexican peso and Australian dollar 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, the risk of sovereign defaults, political instability and wider economic concerns 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 at December 31, 2015, the Company had long-term debt comprised of two series of notes having an aggregate face value of $800 million. The Company's ability to make scheduled payments of principal and 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. The Company is exposed to interest rate risk on variable rate debt, if any. 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 its debt and make necessary or planned 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, borrowing additional funds, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. The Company's ability to borrow additional funds or 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 favourable terms, and increase New Gold's borrowing costs.

If the Company's cash flow and other sources of liquidity are not sufficient to continue operations and make necessary and planned capital expenditures, the Company may cancel or defer capital expenditures and/or suspend or curtail operations. Such an action may impact production at mining operations and/or the timelines and cost associated with development projects, which could have a material adverse effect on the Company's prospects, results of operations and financial condition.

The terms of the Company's Credit Facility and stream agreement with Royal Gold require the Company to satisfy various affirmative and negative covenants and to meet certain financial ratios and tests. In order to provide the Company with additional financial flexibility in the event of a decline in metal prices and/or appreciation of the Canadian dollar, on February 17, 2016, New Gold amended the revolving credit facility to increase the maximum Leverage Ratio to 4.0 to 1.0 at the September 30, 2016 measurement date and to 4.5 to 1.0 for the three subsequent quarter-end measurement periods from the current ratio of 3.5 to 1.0. Thereafter, the maximum Leverage Ratio will return to 3.5 to 1.0. 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 indebtedness, create certain liens on assets or engage in certain types of transactions. There are no assurances that in the 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 and stream agreement with Royal Gold, 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/or the stream agreement and would allow the lenders or noteholders or other contractual counterparty, as the case may be, to accelerate the debt or other obligations, as the case may be.

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, as well as tax reviews and assessments in the ordinary course. Taxation laws are complex, subject to interpretation and subject to change. 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.

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 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 the Company's results of operations and financial condition.

INFRASTRUCTURE

Mining, processing, development and exploration activities depend 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 or development activities 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 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. 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 and results of operations. 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 176 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 on February 19, 2016, and the new agreement will remain effective until February 19, 2017. In addition, we engage contractors who may have unionized employees. Adverse changes in the schemes of labour relations in different jurisdictions or in the relationship between the Company and its employees, or between the Company's contractors and their respective 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. These claims may commence informally and reach a commercial settlement or may progress to a more formal dispute resolution process. The causes of potential future claims 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. In particular, the complex activities and significant expenditures associated with construction activities, such as the construction of the Rainy River Project, may lead to various claims, some of which may be material. 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 its 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 prospects, 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 material adverse effect on the Company. The Company does not maintain any key man insurance with respect to any of its officers or directors.

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; and (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

Counterparty risk is the risk to the Company that a party to a contract will default on its contractual obligations to the Company. 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 U.S. *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.

The Company may fail to maintain the adequacy of its disclosure controls. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosure. The Company has invested resources to document and analyze its system of disclosure controls and its internal control over financial reporting.

No evaluation can provide complete assurance that the Company's financial and disclosure controls will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgments.

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.

CORRUPTION AND BRIBERY LAWS

The Company's operations are governed by, and involve interactions with, many levels of government in numerous countries. The Company is required to comply with anti-corruption and anti-bribery laws, including the Criminal Code, the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act, as well as similar laws in the countries in which the Company conducts its business. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations not only by its employees, but also by its contractors and third party agents. Although the Company has adopted steps to mitigate such risks, such measures may not always be effective in ensuring that the Company, its employees, contractors and third party agents will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation and results of its operations.

INFORMATION SYSTEMS SECURITY THREATS

New Gold has entered into agreements with third parties for hardware, software, telecommunications and other information technology (" **IT**") services in connection with its operations. New Gold's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information systems failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that New Gold will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

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 instalments 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 instalments 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 509,894,743 common shares were issued and outstanding at the close of business March 28, 2016. 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, 2015 for additional information regarding the Company’s convertible securities.

On March 23, 2012, New Gold adopted a shareholder rights plan designed to ensure that, in the context of a formal takeover bid, the Company’s board of directors has additional time to explore and investigate alternatives to enhance shareholder value, including competing transactions that might emerge. An amended and restated shareholder rights plan agreement was approved by the shareholders of the Company on April 29, 2015 and is effective for a three-year period unless further extended.

RATINGS

Below are the ratings for New Gold's corporate debt as at March 28, 2016:

- Standard & Poor's Ratings Services: B+ (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.

The information concerning our credit ratings relates to New Gold's financing costs, liquidity and operations. The availability of funding options may be affected by certain factors, including the global capital market environment and outlook as well as the Company's financial performance. New Gold's ability to access capital markets at competitive rates is dependent on its credit rating and rating outlook, as determined by credit rating agencies such as S&P and Moody's (both as defined below), and if the Company's ratings were downgraded, financing costs and future debt issuances could be unfavourably impacted. A description of the rating agencies' credit ratings listed above is set out below.

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 B+ rating is ranked seventh out of S&P's twelve major rating categories. According to the S&P rating system, an obligor of debt securities rated B+ has the capacity to meet its financial commitment on the debt security, however, adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. 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.

2015	High (C$)	Low (C$)	Volume
January	6.04	4.54	32,902,450
February	5.54	4.25	30,961,597
March	5.04	4.05	21,066,396
April	4.77	3.84	25,203,215
May	4.25	3.76	64,097,296
June	4.08	3.28	28,119,307
July	3.78	2.65	32,539,741
August	3.34	2.52	31,102,099
September	3.44	2.69	31,173,152
October	4.07	2.87	36,094,047
November	3.31	2.69	25,459,822
December	3.50	2.93	31,004,268

The price of the common shares as quoted by the TSX at the close of business on December 31, 2015, the last trading day prior to year end, was C$3.22 and on March 28, 2016 was C$4.63.

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 28, 2016, 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.

2015	High (C$)	Low (C$)	Volume
January	1.03	0.60	274,928
February	0.90	0.65	105,298
March	0.70	0.48	205,900
April	0.55	0.34	601,639
May	0.35	0.23	620,500
June	0.28	0.15	408,988
July	0.23	0.10	481,791
August	0.39	0.16	249,770

2015	High (C$)	Low (C$)	Volume
September	0.37	0.21	112,675
October	0.32	0.20	387,498
November	0.21	0.08	1,906,103
December	0.11	0.04	7,059,239

The price of the Series A Warrants as quoted by the TSX at the close of business on December 31, 2015, the last trading day prior to year end, was C$0.06 and on March 28, 2016 was C$ 0.075.

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 28, 2016 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 28, 2016, directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 15,070,255 common shares of the Company, representing approximately 2.96% 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., O.B.C. has had a long and distinguished career in public service at both the federal and provincial levels, as well as numerous leadership positions in the private sector. He has held a number of senior positions with the Government of Canada, including: Minister of Foreign Affairs, Minister of Industry and Minister of International Trade. In British Columbia, Mr. Emerson was the Province's Deputy Minister of Finance, Secretary to Treasury Board, Deputy Minister to the Premier and Secretary to Cabinet. His roles in the private sector have included: President and CEO of Canfor Corporation; President and CEO of the Vancouver International Airport Authority; and Chairman and CEO of Canadian Western Bank. Mr. Emerson serves on the board of Stantec Inc. and he is currently Chair of the Board of Maple Leaf Foods Inc. In addition, he is Chairman of Global Container Terminals Inc., a private company providing container terminal services, and is Chair of the Board of the Asia Pacific Foundation. Mr. Emerson is a member of the Privy Council of Canada and a recipient of the Order of British Columbia. Mr. Emerson holds Bachelor and Masters Degrees in Economics from the University of Alberta and a Doctorate in Economics from Queens University. Mr. Emerson's principal occupation is as a Corporate Director and Public Policy Advisor.

JAMES ESTEY
Alberta, Canada
Director since:

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

July 8, 2008 Independent	A.E. Ames & Co. for seven years. In 1994, Mr. Estey became the head of the Canadian Equities business, in 2002 he was appointed President and Chief Executive Officer of UBS Securities Canada, and in January 2008, Mr. Estey assumed the role of Chairman. He serves on the board of Gibson Energy Inc. and is Chair of the Board of PrairieSky Royalty Ltd. 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 has worked in the mining industry for over 40 years. He spent 15 years with Placer Dome Inc., and from August 2000 to December 2007 was with Newmont Mining Corporation, most recently as Vice President, Operations, Asia Pacific. Before the June 2008 business combination of Peak Gold Ltd., Metallica Resources Inc. and New Gold, Mr. Gallagher was the President and Chief Executive Officer of Peak Gold Ltd. from February 2008. In addition, Mr. Gallagher presently serves on the boards of Dynasty Gold Corp. and Southern Arc Minerals. Mr. Gallagher holds a Bachelor of Applied Science, Mineral Engineering from the University of British Columbia. Mr. Gallagher's principal occupation is President and Chief Executive Officer of New Gold.
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. As part of his activities with TerraNova Partners, he serves as Chairman of one of TerraNova's investees, Compact Power Equipment Centers LLC, a national U.S. company engaged in the rental of mobile equipment. Mr. Kololian also serves on the board of Lydian International Limited. Mr. Kololian is 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 holds a Bachelor of Arts from the University of Western Ontario and a Bachelor of Laws from the University of Ottawa. 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 35 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, a private multi-family office. Mr. Konig also has been the Chairman of Euromax Resources Ltd. since May 2012, and serves on the board of Nyrstar NV. Previously, 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 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 also serves on the board of directors of Enghouse Systems Limited. 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 has worked in the mining industry in many capacities for 30 years. 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, a leading private equity firm, and 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. Mr. Oliphant's principal occupation is Executive Chairman of New Gold.

KAY PRIESTLY
Utah, United States
Director since:
June 3, 2015
Independent

Ms. Priestly has over 35 years of experience in finance, accounting and executive management. She spent 24 years with Arthur Andersen LLP as a Certified Public Accountant where she provided auditing, tax and consulting services and held various senior leadership positions. She ultimately served on the firm's global executive team as Managing Partner, People. From 2006 to 2014, Ms. Priestly held various executive positions with Rio Tinto and its affiliates, including Chief Financial Officer, Copper for Rio Tinto's global copper product group from 2008 to 2012 and Chief Executive Officer of Turquoise Hill Resources Ltd. from 2012 to 2014. Ms. Priestly currently serves on the boards of directors of Stone Energy Corporation and FMC Technologies, Inc. She holds a Bachelor of Science, Accounting from Louisiana State University. Ms. Priestly's principal occupation is as a Corporate Director.

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

Raymond Threlkeld has over 30 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 in connection with 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 holds a Bachelor of Science in Geology from the University of Nevada Mackay School of Earth Sciences and Engineering. 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 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.
HANNES PORTMANN Ontario, Canada Executive Vice President, Business Development	Mr. Portmann has been working with mining companies in a financial capacity since his career began. He was the Vice President, Corporate Development of New Gold from January 2010 until December 2015, 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 Executive Vice President, Business Development of New Gold.
DAVID SCHUMMER Ontario, Canada Executive Vice President and Chief Operating Officer	Mr. Schummer spent 22 years at Newmont Mining Corporation, moving into progressively more senior operating roles, ultimately becoming the Senior Vice President of African Operations. While running Newmont's African division, Mr. Schummer's responsibilities included management of the successful development and start-up of the $1 billion Akyem open pit project which was delivered on time and on budget, as well as the operation of the Ahafo mine which produced over 500,000 ounces of gold in 2013. Prior to his time in Africa, Mr. Schummer was Newmont's Vice President of North American Operations where he managed a group of eight operating mines, including both open pit and underground operations, which collectively produced approximately two million ounces of gold

	annually. Mr. Schummer's principal occupation is Executive Vice President and Chief Operating Officer of New Gold.
LISA DAMIANI Ontario, 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 24 years' experience in human resources spanning the mining, 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.
MARK PETERSEN Colorado, United States Vice President, Exploration	Mr. Petersen is an economic geologist with over 30 years' of experience in the mining industry. 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 in U.S. and Latin America. 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.

STANDING COMMITTEES OF THE BOARD

There are currently four standing committees of the board of directors: 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 and indicates whether each committee member is considered independent or non-independent:

Board Committee	Committee Members	Status
Audit Committee	Kay Priestly (Chair)	Independent
	James Estey	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, and that 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, that 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. Mr. Oliphant and Raymond Threlkeld are both currently directors of Newmarket Gold Inc. 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 28, 2016:

Kay Priestly (Chair)	Independent (1)	Financially literate (2)
James Estey	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 in their respective biographies set out under the heading "Directors and Officers" on page 71.

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 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 per engagement, and to report any

such approvals to the Committee as a whole at the next Committee meeting. 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 or the Chair of 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 of Regulation S-X.

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
2015	C$2,108,283	nil	C$23,895	C$25,000
2014	C$2,230,462	C$15,700	C$40,933	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 is the independent registered public accounting firm that has been appointed as the external auditor of New Gold, and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

New Gold owns 100% of the Cerro San Pedro Mine through the Mexican Company, MSX. The Cerro San Pedro Mine has a history of ongoing legal challenges related to the EIS for the 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 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. The new EIS is subject to a number of ongoing conditions that will need to be fulfilled through the continued operation and eventual closure of the Mine.

In January 2015, MSX was advised that the annual operations licenses issued by the Municipality of Cerro de San Pedro in San Luis Potosí was subject to numerous conditions considered inappropriate by MSX. On February 3, 2015 the State Contentious and Administrative Tribunal granted MSX an injunction against the Municipality ensuring the continued operation of the mine pending the Tribunal's ruling on the inappropriate conditions. Prior to the Tribunal making its ruling, the Municipality and MSX reached a settlement which resulted in the removal of the inappropriate conditions and the granting of MSX's annual operations license in May 2015. While the issues relating to the 2015 annual operations license have been resolved and the 2016 annual operations license has been issued, it is possible that authorizations required in the future may also be subject to challenges or issues. 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.

A contractor involved in the construction of the Rainy River Project has asserted various claims and potential claims against New Gold for work completed as at year end. In addition, one of that contractor's subcontractors alleges that it is owed $2.5 million by the contractor, and filed a construction lien in respect of that claim February 1, 2016. The Company disputes the validity and/or quantum of the claims and potential claims asserted. The Company intends to vigorously defend itself against the claims that have no merit, and as of December 31, 2015 has accrued a loss of $3.0 million with respect to such asserted claims made by or related to this contractor.

In addition to the foregoing, the Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business, including without limitation the construction actions relating to the Rainy River Project. The Company cannot reasonably predict the likelihood or outcome of these actions.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, since January 1, 2013, 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. Mr. Raymond Threlkeld, a director of New Gold, was the President and Chief Executive Officer of RRRL from June 2009 to July 2013. Mr. Threlkeld tendered all RRRL shares held by him to the negotiated take-over bid made by New Gold during 2013 and consequently received 90,579 common shares of New Gold and $1,232,869 in accordance with the terms of New Gold's bid. 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. See "General Development of the Business – Developments – Mines and Projects – 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:

- Indenture dated as of April 5, 2012 between New Gold Inc., the Guarantors (Metallica Resources Inc., Minera San Xavier S.A. de C.V., Peak Gold Ltd., Peak Gold Mines Pty Ltd., Rockcliff Group Limited, Western Goldfields Inc. and Western Mesquite Mines, Inc.), and Computershare Trust Company, N.A. (as Trustee) relating to the 7% Senior Notes due 2020. See "Notes" for more information.

- Indenture dated as of November 14, 2012 between New Gold Inc., the Guarantors (Metallica Resources Inc., Minera San Xavier S.A. de C.V., Peak Gold Ltd., Peak Gold Mines Pty Ltd., Rockcliff Group Limited,

Western Goldfields Inc. and Western Mesquite Mines, Inc.), and Computershare Trust Company, N.A. (as Trustee) relating to the 6.25% Senior Notes due 2022. See “Notes” for more information.

- Credit Agreement dated as of August 14, 2014, as amended on November 4, 2015 and February 17, 2016, between New Gold Inc. (as borrower) and The Bank of Nova Scotia and RBC Capital Markets (as Co-Lead Arrangers and Joint Book Runners) and The Bank of Nova Scotia (as Administrative Agent) and Royal Bank of Canada (as Syndication Agent) and The Bank of Nova Scotia, Royal Bank of Canada, JPMorgan Chase Bank, N.A., The Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Bank of Montreal, Export Development Canada and Bank of America, N.A., Canada Branch (as Lenders) described under the heading “General Development of the Business - Developments - Financial”.

TECHNICAL REPORTS

Below are the titles, authors and dates of the most recent technical reports for each of New Gold’s material operating mines and development projects, which are all filed in accordance with NI 43-101 and available under the Company’s profile on SEDAR at www.sedar.com.

- The most recent technical report on the New Afton Mine that is filed on SEDAR at www.sedar.com is titled “Technical Report on the New Afton Mine, British Columbia, Canada” dated March 23, 2015 by David W. Rennie, P. Eng, R. Dennis Bergen, P. Eng., and Holger Krutzelmann, P. Eng., for Roscoe Postle Associates Inc.

- The most recent technical report on the Mesquite Mine that is filed on SEDAR at www.sedar.com is titled “Technical Report on the Mesquite Mine, Imperial County, California, U.S.A.” dated February 28, 2014 by Wayne W. Valliant, P. Geo., Kathleen A. Altman, P.E., and Richard J. Lambert, P.E., for Roscoe Postle Associates, Inc.

- The most recent technical report on the Peak Mines that is filed on SEDAR at www.sedar.com is titled “Technical Report on the Peak Gold Mines, New South Wales, Australia”, dated March 25, 2013 by Richard J. Lambert, P.E. and Ian T. Blakely, P. Geo. for Roscoe Postle Associates, Inc.

- The most recent technical report on the Blackwater Project that is filed on SEDAR at www.sedar.com is titled Blackwater Gold Project, British Columbia, NI 43-101 Technical Report on Feasibility Study” dated January 14, 2014 by Ronald G. Simpson, P. Geo., for GeoSim Services Inc.; Jay Horton, P.Eng. for Norwest Corporation; Bruno Borntraeger, P. Eng., for Knight Piesold Ltd.; and I.A. Lipiec, P. Eng., and Gary Christie, P. Eng., for Amec Americas Limited.

- The most recent technical report on the Rainy River Project that is filed on SEDAR at www.sedar.com is titled “Feasibility Study of the Rainy River Project, Ontario, Canada dated February 14, 2014 by Colin Hardie, P. Eng., David Runnels, Eng., and Patrice Live, Eng., for BBA Inc.; Sheila E. Daniel, M.Sc., P. Geo., David G. Ritchie, P. Eng., and Adam Coulson, PhD., P.Eng., for AMEC; Glen Cole, P. Geo., and Dorota El-Rassi, P.Eng., for SRK Consulting (Canada) Inc.; and Colm Keogh, P.Eng., and Mo Molavi, P. Eng., for AMC Mining Consultants (Canada) Ltd.

None of the authors of the technical reports listed above held any securities of the Company or of any associate or affiliate of the Company when they prepared the applicable technical report or received any securities following the preparation of such report.

QUALIFIED PERSON

Mark Petersen, Vice President, Exploration, of the Company, 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, 2015. 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.

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 its legal counsel as the Committee 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 retained by the Committee and to the external auditor engaged 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 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, 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 any other applicable regulatory bodies, 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 and from time to time, remove or replace any member of the Committee, fill any vacancy in the Committee or add a member to 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 related notes, in accordance with International Financial Reporting Standards ("**IFRS**") 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 person performing similar functions to a chief executive officer) ("**CEO**") or the Chief Financial Officer (" **CFO**") 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 CFO, 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 without the presence of management after each meeting.

4. Duties and Responsibilities

The Committee shall take charge of all responsibilities imparted on an audit committee of the Company, as they may apply from time to time, under the *Business Corporations Act* (British Columbia), 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 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 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, prior to their public disclosure, 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, provide their recommendations on such documents to the Board.

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 recommending to the Board the appointment of the Company's external auditor and for the compensation, retention and oversight of the work of the external auditor engaged by the Company. The external auditor shall report directly to the Committee. The Committee shall be responsible to resolve 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. 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.

d. 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.

e. Approve the lead audit partner for the Company's external auditor, confirm that such lead partner 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.

f. 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 CEO and CFO 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. Unless otherwise delegated to another committee by the Board, 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 that any officer or employee of the Company, its external legal counsel or its external auditor attend a meeting of the Committee or 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 not specifically 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 and any recommended changes will be submitted to the Board for approval.

Reviewed and approved by the Board on February 17, 2016

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.
andesite	An extrusive igneous, volcanic rock of intermediate composition, with aphanitic to porphyritic texture.
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.
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.

Term	Definition
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.
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.
CIM	The Canadian Institute of Mining, Metallurgy and Petroleum.
concentrate	A processing product containing the valuable ore mineral from which most of the waste mineral has been eliminated.
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.
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.
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.
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.

Term	Definition
doré	Unrefined gold and silver bullion bars, which will be further refined to almost pure metal.
drift	A horizontal tunnel generally driven within or alongside an ore body and aligned parallel to the long dimension of the ore.
ejido	In Mexico, a piece of land farmed communally under a system supported by the state.
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 applicable Modifying Factors 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). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study.
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.
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.

Term	Definition
hectares	A metric unit of area measuring 100 metres by 100 metres.
hedging	Taking a buy or sell position in a futures market opposite to a position held in the cash market to minimize the risk of financial loss from an adverse price change.
Indicated Mineral Resource*	The part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.
Inferred Mineral Resource*	The part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
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.
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, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.
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).

Term	Definition
mineral claim / property / concession	Authorizes the holder to prospect and mine for minerals and to carry out works in connection with prospecting and mining.
Mineral Reserve*	The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.
Mineral Resource*	A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.
Modifying Factors	Modifying Factors are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.
muscovite	A phyllosilicate mineral of aluminium and potassium. It has a highly-perfect basal cleavage yielding very thin sheets, which are often highly elastic.
NI 43-101	Canadian National Instrument NI 43-101 - Standards of Disclosure for Mineral Projects.
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.
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.

Term	Definition
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	A comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be converted to a Mineral Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.
Probable Mineral Reserve*	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.
Proven Mineral Reserve*	The economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.
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 (i) is an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geosciences, or engineering, relating to mineral exploration or mining; (ii) has at least five years’ experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, that is relevant to his or her professional degree or area of practice; (iii) has experience relevant to the subject matter of the mineral project and the technical report; (iv) is in good standing with a professional association; (v) and in the case of a professional association in a foreign jurisdiction, has a membership designation that (a) requires attainment of a position of responsibility in their profession that requires the exercise of independent judgment; and (ii) requires (1) a favourable confidential peer evaluation of the individual’s character, professional judgment, experience, and ethical fitness; or (2) a recommendation for membership by at least two peers, and demonstrated prominence or expertise in the field of mineral exploration or mining.

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

Term	Definition
stock	A magma that has intruded into pre-existing rock in a columnar shape, typically a kilometre or more in diameter.
stockpile	Broken ore heaped on the surface, pending treatment or shipment.
stockwork	A mineral deposit consisting of a three-dimensional network of planar to irregular veinlets closely enough spaced that the whole mass can be mined.
tailings	The material that remains after all metals considered economic have been removed from ore during milling.
tailings storage facility	A natural or man-made confined area suitable for depositing the material that remains after the treatment of ore.
terrane	Area of land of a particular character, e.g., mountainous, swampy.
tonne	Metric unit of mass equaling 1,000 kilograms or 2,240 pounds. Called a "long ton."
ton	Unit of weight equaling 2,000 pounds. Called a "short ton."
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
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 2.5 inches in diameter (6.35 centimetres)
hr *or* h	hour
ha	Hectare (1 hectare is equal to 0.01 km^2)
ICP	Induction Coupled Plasmaspectrometry
in	inch
IRR	internal rate of return
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
NPV	net present value.
NQ	diamond drill core measuring 1.78 inches in diameter (4.5 centimetres)
NSR	net smelter return
opt, oz/st	ounce per short ton
oz	Troy ounce/ounce (31.1035g)
Pb	Lead

PQ	diamond drill core measuring 3.35 inches in diameter (8.5 centimetres)
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

Exchange Rate

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, 2015, 2014 and 2013, as quoted by the Bank of Canada, were as follows:

	2015	2014	2013
High	1.3990	1.1643	1.0697
Low	1.1728	1.0614	0.9839
Average [1]	1.2767	1.1045	1.0299
Closing	1.3825	1.1601	1.0636

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

On March 28, 2016, 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$1.3184 and C$1= US$0.7585.

Gold Prices

The high, low, average and closing afternoon fixing gold prices per troy ounce for each of the three years ended December 31, 2015, 2014 and 2013, as quoted by the London Bullion Market Association ("**LBMA**"), were as follows:

	2015 ($)	2014 ($)	2013 ($)
High	1,296	1,385	1,694
Low	1,049	1,142	1,192
Average	1,160	1,266	1,411
Closing	1,060	1,206	1,205

On March 24, 2016, the closing afternoon LBMA gold price per troy ounce, as quoted by the London Bullion Market Association, was $1,221.

Silver Prices

The high, low, average and closing silver prices per troy ounce for each of the three years ended December 31, 2015, 2014 and 2013, as quoted by the London Bullion Market Association, were as follows:

	2015 ($)	2014 ($)	2013 ($)
High	18.23	22.05	32.23
Low	13.71	15.28	18.61
Average	15.68	19.08	23.79
Closing	13.82	15.97	19.50

On March 24, 2016, the closing LBMA silver price per troy ounce, as quoted by the London Bullion Market Association, was $15.28.

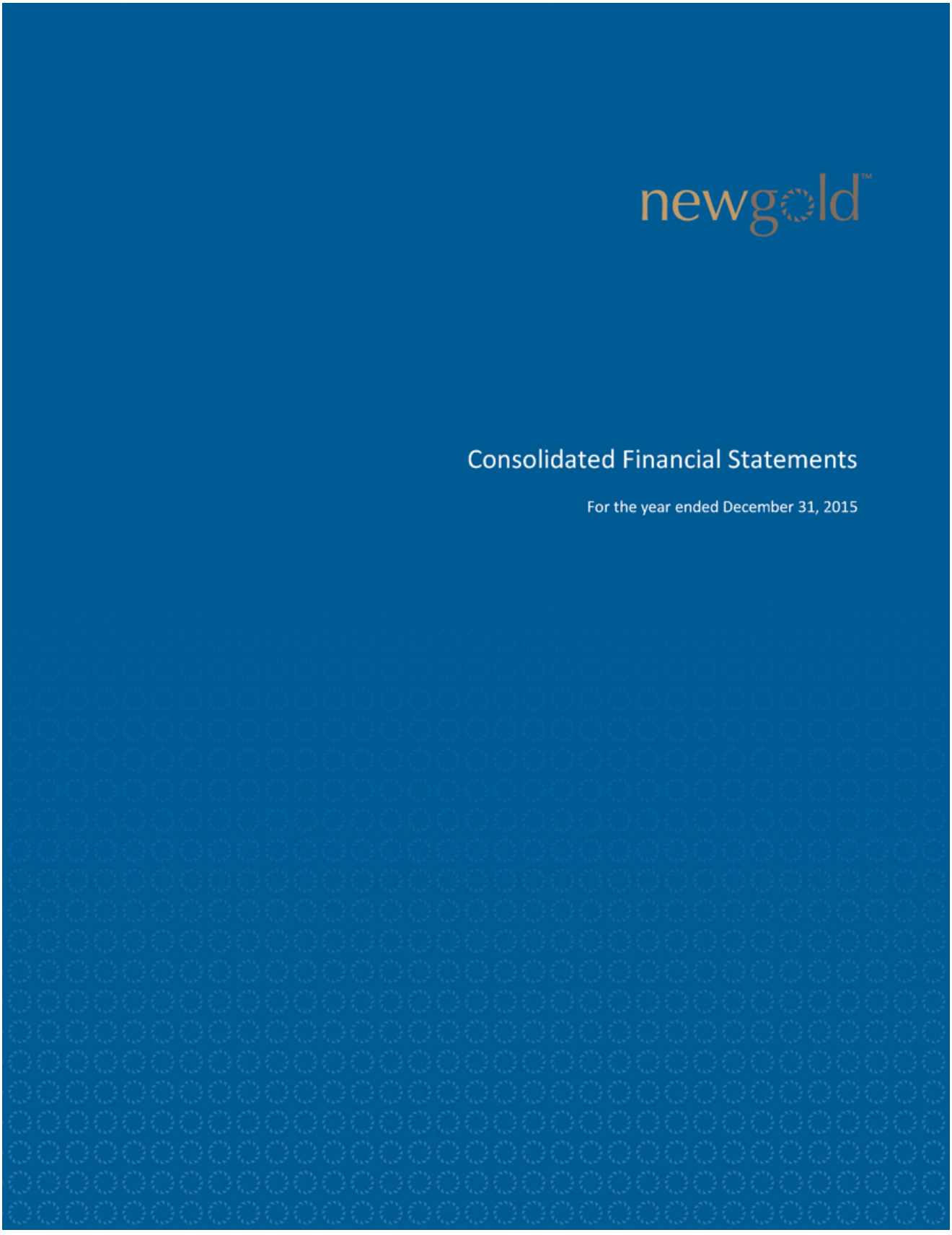
Copper Prices

The high, low, average and closing official cash settlement copper prices per pound for each of the three years ended December 31, 2015, 2014 and 2013, as quoted by the London Metal Exchange, were as follows:

	2015 ($)	2014 ($)	2013 ($)
High	2.92	3.37	3.74
Low	2.05	2.86	3.01
Average	2.49	3.11	3.32
Closing	2.13	2.88	3.35

On March 24, 2016, the closing official cash settlement copper price per pound, as quoted by the London Metal Exchange, was $2.24.

Exhibit 2


newgold™
Consolidated Financial Statements
For the year ended December 31, 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements, the notes thereto and other financial information contained in the Management's 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 public accounting firm, 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 17, 2016

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, 2015. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2015, 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, 2015 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 year ended December 31, 2015.

(Signed) Robert Gallagher

Robert Gallagher
Chief Executive Officer

(Signed) Brian Penny

Brian Penny
Executive Vice-President and
Chief Financial Officer

Toronto, Canada
February 17, 2016

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, 2015 and December 31, 2014, and the consolidated income statements, consolidated statements of comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, 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, 2015 and December 31, 2014, and their financial performance and their cash flows for the years then ended 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, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

(Signed) Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 17, 2016
Toronto, Canada

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, 2015, based on the criteria established in Internal Control—Integrated Framework (2013) 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, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Company and our report dated February 17, 2016 expressed an unmodified opinion on those financial statements.

(Signed) Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 17, 2016
Toronto, Canada

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CONSOLIDATED INCOME STATEMENTS

(in millions of U.S. dollars, except per share amounts)	Note	Year Ended December 31 2015	2014
Revenues		**712.9**	726.0
Operating expenses	5	**419.6**	411.1
Depreciation and depletion		**240.7**	217.6
Earnings from mine operations		**52.6**	97.3
Corporate administration		**20.4**	25.4
Provision for office consolidation		**3.0**	-
Share-based payment expenses	15	**7.3**	7.5
Asset impairment	11	**20.1**	395.8
Exploration and business development		**6.5**	11.8
Loss from operations		**(4.7)**	(343.2)
Finance income	5	**1.4**	1.1
Finance costs	5	**(38.5)**	(26.7)
Other losses	5	**(266.5)**	(40.7)
Loss before taxes		**(308.3)**	(409.5)
Income tax recovery (expense)	16	**106.9**	(67.6)
Net loss		**(201.4)**	(477.1)
Loss per share			
Basic ($/Share)	15	**(0.40)**	(0.95)
Diluted ($/Share)	15	**(0.40)**	(0.95)
Weighted average number of shares outstanding (in millions)			
Basic	15	**509.0**	503.9
Diluted	15	**509.0**	503.9

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

		Year ended December 31	
(in millions of U.S. dollars)	**Note**	**2015**	**2014**
Net loss		**(201.4)**	(477.1)
Other comprehensive Loss[1]			
Unrealized foreign exchange (loss) on cash and cash equivalents designated as hedging instruments	14	**(12.3)**	-
Reclassification of realized foreign exchange loss on cash and cash equivalents designated as hedging instruments	14	**4.2**	-
Unrealized loss on mark-to-market of diesel swap contracts	14	**(4.5)**	-
Reclassification of realized loss on settlement of diesel swap contracts	14	**0.9**	-
Gain on revaluation of gold stream obligation		**21.2**	-
Reclassification of discontinued gold contracts		**-**	27.3
Deferred income tax related to derivative contracts	14	**(5.4)**	-
Deferred income tax related to gold contracts		**-**	(11.2)
Total other comprehensive income		**4.1**	16.1
Total comprehensive loss		**(197.3)**	(461.0)

1. All items recorded in other comprehensive income ("OCI") will be reclassified in subsequent periods to net earnings or mining interest, as appropriate.

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31	
(in millions of U.S. dollars)	**Note**	**2015**	**2014**
ASSETS			
Current assets			
Cash and cash equivalents		**335.5**	370.5
Trade and other receivables	6	**109.0**	34.8
Inventories	8	**145.9**	187.5
Current income tax receivable		**19.2**	31.1
Prepaid expenses and other		**5.0**	10.6
Total current assets		**614.6**	634.5
Non-current inventories	8	**115.4**	66.5
Mining interests	9	**2,803.2**	3,008.7
Deferred tax assets	16	**138.9**	168.3
Other		**3.4**	3.8
Total assets		**3,675.5**	3,881.8
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	**141.1**	97.0
Current income tax payable		**6.2**	7.9
Total current liabilities		**147.3**	104.9
Reclamation and closure cost obligations	17	**67.5**	63.5
Provisions	23	**9.2**	9.4
Gold stream obligation	13	**147.6**	-
Derivative liabilities	14	**2.1**	16.9
Long-term debt	12	**787.6**	874.3
Deferred tax liabilities	16	**414.4**	494.9
Deferred benefit		**-**	46.3
Other		**0.2**	0.4
Total liabilities		**1,575.9**	1,610.6
Equity			
Common shares	15	**2,841.0**	2,820.9
Contributed surplus		**102.3**	96.7
Other reserves		**2.6**	(1.5)
Deficit		**(846.3)**	(644.9)
Total equity		**2,099.6**	2,271.2
Total liabilities and equity		**3,675.5**	3,881.8

See accompanying notes to the consolidated financial statements.

Approved and authorized by the Board of Directors on February 17, 2016

"Robert Gallagher"	**"Kay Priestly"**
Robert Gallagher, Director	Kay Priestly, Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Year ended December 31	
(in millions of U.S. dollars)	**Note**	**2015**	**2014**
COMMON SHARES			
Balance, beginning of year		**2,820.9**	2,815.3
Acquisition of Bayfield Ventures Corp.	15	**16.8**	-
Shares issued for exercise of options, settlement of performance share units, and land purchases	15	**3.3**	5.6
Balance, end of year		**2,841.0**	2,820.9
CONTRIBUTED SURPLUS			
Balance, beginning of year		**96.7**	90.0
Exercise of options and settlement of performance share units		**(0.9)**	(1.0)
Equity settled share-based payments		**7.3**	6.3
Reclassification of share-based payments[1]		**(0.8)**	1.4
Balance, end of year		**102.3**	96.7
OTHER RESERVES			
Balance, beginning of year		**(1.5)**	(17.6)
Change in fair value of hedging instruments (net of tax recovery)	14	**(10.2)**	16.1
Gain on revaluation of financial instruments (net of tax recovery)		**14.3**	-
Balance, end of year		**2.6**	(1.5)
DEFICIT			
Balance, beginning of year		**(644.9)**	(167.8)
Net loss		**(201.4)**	(477.1)
Balance, end of year		**(846.3)**	(644.9)
Total equity		**2,099.6**	2,271.2

1. *On October 28, 2015, the Board passed a resolution indicating that half of the outstanding PSU units from the January 1, 2013 grant will be settled in cash, whereas the other half will be settled in equity. On April 30, 2014, at the Company's annual general and special meeting of shareholders, the terms of the performance share units were modified resulting in the performance share units being reclassified as equity settled share-based payments.*

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

		Year ended December 31	
(in millions of U.S. dollars)	**Note**	**2015**	**2014**
OPERATING ACTIVITIES			
Net earnings (loss)		**(201.4)**	(477.1)
Adjustments for:			
Realized losses on gold contracts		**-**	27.3
Foreign exchange (gains) losses	5	**98.2**	47.5
Reclamation and closure costs paid	17	**(0.5)**	(1.4)
Impairment of assets	11	**20.1**	395.8
Loss on disposal of El Morro	10	**180.3**	-
Depreciation and depletion		**241.4**	218.1
Other non-cash adjustments	18	**(5.3)**	3.0
Income tax (recovery)/ expense	16	**(106.9)**	67.6
Finance income	5	**(1.4)**	(1.1)
Finance costs	5	**38.5**	26.7
Unrealized gain on gold stream liability		**(6.2)**	-
Financial instrument transaction costs		**2.4**	-
		259.2	306.4
Change in non-cash operating working capital	18	**(2.4)**	(41.6)
Income taxes refunded		**5.8**	4.0
Cash generated from operations		**262.6**	268.8
INVESTING ACTIVITIES			
Mining interests		**(389.5)**	(279.3)
Government grant received		**-**	20.5
Proceeds from the sale of assets		**1.2**	0.4
Proceeds from disposal of El Morro	10	**87.6**	-
Tax on proceeds from disposal of El Morro	10	**(25.2)**	-
Interest received		**1.4**	0.7
Cash used by investing activities		**(324.5)**	(257.7)
FINANCING ACTIVITIES			
Proceeds received from exercise of options	15	**0.4**	1.6
Gold stream obligation deposit	13	**100.0**	-
Financing initiation costs		**(2.4)**	(2.2)
Interest paid		**(52.3)**	(52.3)
Cash generated from/(used by) financing activities		**45.7**	(52.9)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(18.8)**	(2.1)
Change in cash and cash equivalents		**(35.0)**	(43.9)
Cash and cash equivalents, beginning of year		**370.5**	414.4
Cash and cash equivalents, end of year		**335.5**	370.5
Cash and cash equivalents are comprised of:			
Cash		**229.7**	250.5
Short-term money market instruments		**105.8**	120.0
		335.5	370.5

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(Amounts expressed in millions of U.S. dollars, except per share amounts and unless otherwise noted)

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

New Gold Inc. ("New Gold" or the "Company") is an intermediate gold mining company engaged in the development and operation of mineral properties. The assets of the Company, directly or through its subsidiaries, are comprised of 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"). Significant projects include the Rainy River ("Rainy River") and Blackwater ("Blackwater") projects, both in Canada.

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 17, 2016.

(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; and
- financial instruments at fair value through profit or loss.

(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 the 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 as at December 31, 2015	Interest as at December 31, 2014
New Gold Canada Inc.	Holding company	Consolidated	Canada	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%
Sociedad Contractual Minera El Morro	Mining	Equity	Chile	-	30%
Western Mesquite Mines Inc.	Mining	Consolidated	USA	100%	100%

(d) Business combinations and asset acquisitions

A business combination is 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.

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 Company, 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.

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 3, *Business Combinations,* as the significant inputs and processes that constitute a business are not identified. Therefore, the transactions are treated as asset acquisitions. The purchase consideration is 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. Acquisition-related costs, other than costs to issue debt or equity securities, of the Company, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are capitalized as part of the asset 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, plant and equipment and advanced exploration expenditures 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 interests.

Mining properties

The costs associated with mining properties are separately allocated to mineral reserves, mineral 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 mineral resources and exploration potential is the value beyond proven and probable mineral reserves assigned through acquisition. The mineral 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 mineral resources with insufficient drill spacing to qualify as proven and probable mineral reserves, and inferred mineral resources in close proximity to proven and probable mineral 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 mineral resources or exploration potential into mineral 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 consolidated 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 estimated recoverable proven and probable mineral reserves at the mine.

Costs related to property acquisitions are capitalized until the viability of the mineral property is determined. When either external or internal triggering events determined that a property is not economically recoverable the capitalized costs are written off.

The costs associated with the acquisition of land holdings are included within mining interest and are not depleted.

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.

Gold stream asset

Agreements for which settlement is called for in gold, the amount of which is based on production at the counterparty mines, are stated at cost less accumulated depletion and accumulated impairment charges, if any. Depletion will be recognized based on production of the related mine. The cost of the asset is comprised of its purchase price and any closing costs directly attributable to acquiring the asset and is included in mining interest. The purchase price is the aggregate cash amount paid and the fair value of any other non-cash consideration given to acquire the asset, if any.

Property, plant and equipment

Plant and equipment consists of buildings and fixtures, and 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, 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.

Asset class	Estimated useful life (years)
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;
- Reasonable period of testing the mine plant and equipment has been completed;
- The mine or mill has reached a pre-determined percentage of design capacity; and
- The ability to sustain ongoing production of ore has been achieved.

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. 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 Statement of Financial Position as a stripping activity asset (included in mining interest) 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 can 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 asset, 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 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, and related deferred tax balances. Impairment losses are recognized as 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 Statement of Financial Position 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 Statement of Financial Position 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 and Associates 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 Statement of Financial Position 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.

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 or loss using the closing exchange rate as at the Statement of Financial Position date with translation gains and losses recorded in net earnings;

- Deferred tax assets and liabilities using the closing exchange rate as at the Statement of Financial Position date with translation gains and losses recorded in net earnings;
- Other assets and liabilities using the closing exchange rate as at the Statement of Financial Position date with translation gains and losses recorded in net earnings; and
- 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 share equivalents issued and outstanding during the year. Diluted earnings per share are calculated using the treasury stock method. This requires the calculation of diluted earnings per share by assuming that outstanding stock options and share purchase warrants ("Warrants") with an average market price that exceeds the average exercise prices of the options and warrants for the year, 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") plan and a stock option plan for employees as well as a Deferred Share Unit ("DSU") plan for directors.

Cash-settled transactions which include RSUs, DSUs and the cash settled portion of the PSUs, 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 or capitalized to the Company's development projects as appropriate. The fair value of RSUs and PSUs determined at the grant date is recognized over the vesting period in accordance with the vesting terms and conditions. The Company values the liabilities based on the Company's share price and in addition for PSUs, the correlation between the Company's total return performance relative to the S&P/TSX Global Gold Index Total Return Index Value. The non-current portion of RSU, DSU and PSU liabilities are included in provisions on the consolidated statement of financial position.

Equity-settled transactions which include the equity settled portion of the PSUs and the stock option plan are measured by reference to the fair value at the grant date. Fair value for stock options 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. Fair value for the equity settled portion of the PSUs is determined using a Monte Carlo options pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the correlation between the Company's total return performance relative to the S&P/TSX Global Gold Index Total Return Index Value. The Company believes these models adequately capture the substantive features of the option awards and PSUs, and are 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) Financial assets

Financial assets are initially measured at fair value and are subsequently measured at either amortized cost or fair value, depending on the classification of the financial assets. The classification of assets is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics.

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

The Company has categorized its financial assets in accordance with International Financial Reporting Standard 9 (2013), Financial Instruments ("IFRS 9") into one of the following two categories:

Category under IFRS 9	Description
Fair value through profit or loss	Includes equity investments, gold and copper swap contracts, and other financial assets designated to this category under the fair value option. The Company has assessed the contractual cash flows of its provisionally priced contracts in accordance with IFRS 9 and has classified these contracts as fair value through profit or loss ("FVTPL").
Loans and receivables at amortized cost	Includes cash and cash equivalents, trade receivables and reclamation deposits at amortized cost.

Under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"), the Company would have categorized its financial assets into one of the following four categories:

Category under IAS 39	Description
Fair value through profit or loss	Includes equity investments; 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.
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.

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

(p) Financial liabilities

Financial liabilities are accounted for as amortized cost except for those at FVTPL which includes liabilities designated as FVTPL and derivatives. Financial liabilities classified as FVTPL or those which are designated as FVTPL under the fair value option are measured at fair value with unrealized gains and losses recognized in net earnings. In cases where financial liabilities are designated as FVTPL, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statements of operations, unless this creates an accounting mismatch. Financial liabilities at amortized cost including borrowings are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost.

The Company has classified its financial liabilities in accordance with IFRS 9 into one of the following two categories:

Category under IFRS 9	Description
Fair value through profit or loss	Includes provisions related to the RSU plans, DSU plans and the cash settled portion of the PSU plans, warrants, and gold stream obligation.
Financial liabilities at amortized cost	Includes trade and other payables and long-term debt.

Under IAS 39, the Company would have categorized its financial liabilities into one of the following two categories:

Category under IAS 39	Description
Fair value through profit or loss	Includes provisions related to the RSU plans, DSU plans and the cash settled portion of the PSU plans, warrants, and gold stream obligation.
Other financial liabilities	Includes trade and other payables, and long-term debt.

Transaction costs related to financial liabilities classified as FVTPL are recognized immediately into earnings. For financial liabilities classified as financial liabilities at amortized cost, 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

Gains and losses for the effective portion of hedging instruments are included in other comprehensive income. Gains and losses for any ineffective portion of hedging instruments are included in net earnings. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to net earnings or mineral interest, as appropriate in the period when the hedged item is recognized in net earnings in the same line of the consolidated income statement.

The Company entered into diesel fuel swap contracts and transferred a portion of cash which had been held in U.S. dollars to Canadian dollars and designated this cash to fund the construction of the Rainy River project. The Company has designated these instruments as a cash-flow hedge under IFRS 9. The adoption of IFRS 9 did not require the Company to restate comparative prior period figures, as the adoption of this standard did not have a material impact on the Company's comparative information. The impact of applying hedge accounting during the year ended December 31, 2015 is disclosed in Note 14.

Gold Stream Obligation

During 2015, the Company entered into a gold stream agreement with RGLD Gold AG, a wholly owned subsidiary of Royal Gold Inc. ("Royal Gold"). In accordance with IFRS 9, management has determined that based on the terms of the agreement, the Company assumes the risks associated with the timing and amount of ounces of gold and silver delivered. As this obligation met the definition of a derivative, the Company has classified the deposit received from Royal Gold as a financial liability at FVTPL, with initial and subsequent measurement at fair value. Transaction costs directly attributable to the gold stream obligation are expensed through profit and loss as incurred.

Fair value of the gold stream obligation on initial recognition is determined by the amount of the cash advance received. Subsequent fair value is calculated on each reporting date with gains and losses recorded in net earnings. Fair value adjustments as a result of the Company's own credit risk will be recorded in the Consolidated Statement of Comprehensive Loss. Components of the adjustment to fair value at each reporting date include:

- Accretion expense due to passage of time
- Change in the risk-free interest rate
- Change in the Company specific credit spread
- Change in any expected ounces to be delivered
- Change in future metal prices

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 revenue.

Gold and 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 gold and copper contracts to swap future contracted monthly average metal prices for fixed metal prices. At each reporting date, these gold and copper swap agreements are marked to market based on corresponding forward gold and copper prices. The marking to market of gold and copper swap agreements is recorded as an adjustment to revenue.

Share purchase warrants

The Company's warrants with Canadian dollar exercise prices are classified as derivative liabilities and accordingly, they are recorded at fair value at each reporting period, with the gains or losses recorded in net earnings 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 if 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 IFRS policy along with any amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions.

IFRS 9 - Financial instruments
The Company early adopted IFRS 9 as a complete standard. This standard replaces the guidance in IAS 39 on the classification and measurement of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value through profit and loss and those measured at amortized cost, with the determination made at initial recognition. The classification depends on an entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is selected for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statements of operations, unless this creates an accounting mismatch. IFRS 9 has also been updated to amend the requirements around hedge accounting.

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 has been completed;
- The mine or mill has reached a pre-determined percentage of design capacity; and
- The ability to sustain ongoing production of ore has been achieved.

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 Associates 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 project, Rainy River project, and New Afton C-zone project have future economic benefits and are economically recoverable. In making this judgment, management has assessed various criteria including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, 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, per ounce multiples, unfavourable changes to the legal environment in which the entity operates, significant adverse change to LOM plans and the factors which lead to the carrying amount of the Company's net assets exceeding its market capitalization. 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 Peak Mines CGU (operating mine) and Rainy River CGU (development property). During the fourth quarter of 2015, the Company updated its reserves and resources statement and updated the LOM plan for its Peak Mines CGU, which has decreased the expected production profile going forward. At December 31, 2015, the carrying amount of the Company's net assets exceeded its market capitalization. Management has determined that the Company's ongoing construction of the Rainy River development project is a significant factor in the decrease in the Company's market capitalization. The Company has identified the decreased production profile of Peak Mines, along with the decrease in the Company's market capitalization as a result of the ongoing construction of Rainy River as indicators of impairment and performed an impairment assessment to determine the recoverable amount of these CGUs. The results of the assessment, including the significant estimates and assumptions used, are set out in Note 11.

(v) 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 qualifies as an individual CGU. Each of these assets generates or will have the ability to generate cash inflows that are independent of the other assets and therefore qualifies as an individual asset for impairment testing purposes.

(vi) 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.

(vii) Classification of Gold Stream Instruments

During 2015, the Company entered into gold stream agreements with counterparties for the purchase and delivery of gold and silver. Management has assessed these gold stream agreements under the scope of IFRS 9, Financial Instruments as to whether or not the agreements constitute a financial instrument. Management has determined that gold stream instruments which are settled net in cash fall under the scope of IFRS 9 and are to be classified as a financial instrument at FVTPL. Gold stream instruments which do not fall under the scope of IFRS 9 are recognized in accordance with the applicable IFRS.

(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 and silver 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

Revenue

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). This standard outlines a single comprehensive model with prescriptive guidance for entities to use in accounting for revenue arising from contacts with its customers. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. This standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted. The Company has not yet determined the effect of adoption of IFRS 15 on its consolidated financial statements.

Leases

On January 6, 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). This standard specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard replaces IAS 17 *Leases*. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Company has not yet determined the effect of adoption of IFRS 16 on its consolidated financial statements.

Annual improvements and narrow scope amendments

In September 2014, the IASB issued the Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after January 1, 2016. The IASB also issued a number of narrow scope amendments to the certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2016.These amendments are not expected to have a significant impact on the Company's consolidated financial statements.

5. EXPENSES

(a) Operating expenses by nature

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
OPERATING EXPENSES BY NATURE		
Raw materials and consumables	**183.0**	202.9
Salaries and employee benefits	**129.8**	143.3
Repairs and maintenance	**30.5**	34.5
Contractors	**48.9**	47.0
Royalties	**12.4**	12.8
Operating leases	**34.0**	37.0
Drilling and analytical	**7.3**	8.3
General and administrative	**22.4**	24.7
Other	**3.4**	3.4
Total production expenses	**471.7**	513.8
Less: Production expenses capitalized	**(54.4)**	(75.9)
Less: Change in inventories and work-in-progress	**2.3**	(26.8)
Total operating expenses	**419.6**	411.1

(b) Finance costs and income

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
FINANCE COSTS		
Interest on senior unsecured notes	**54.0**	54.0
Accretion expense on decommissioning obligations (Note 17)	**1.2**	1.8
Other finance costs	**3.4**	2.4
	58.6	58.2
Less: amounts included in cost of qualifying assets	**(23.6)**	(35.3)
Total finance costs excluding interest on El Morro funding loan	**35.0**	22.9
Interest on El Morro funding loan[1]	**3.5**	3.8
Total finance costs	**38.5**	26.7
FINANCE INCOME		
Interest income	**1.4**	1.1

1. *On November 24, 2015, the Company completed the sale of its 30% interest in El Morro. As part of that transaction, the Company's $94.5 million carried funding loan was cancelled.*

(c) Other losses

(in millions of U.S. dollars)	Note	Year ended December 31 2015	2014
OTHER LOSSES			
Unrealized gains on share purchase warrants[1]		**14.2**	8.5
Loss on foreign exchange		**(98.2)**	(47.5)
Loss on disposal of El Morro (Note 10)		**(180.3)**	-
Other loss on disposal of assets		**(4.8)**	(1.7)
Impairment loss of AFS securities		**(0.2)**	(0.1)
Financial instrument transaction costs (Note 13)		**(2.4)**	-
Unrealized gains on revaluation of gold stream obligation		**6.2**	-
Company's share of the net loss of El Morro		**(0.8)**	(0.7)
Other		**(0.2)**	0.8
Total other losses		**(266.5)**	(40.7)

1. *At December 31, 2015, the fair value of the Warrants was $1.5 million (2014 – $16.9 million). For the year ended December 31, 2015, the change in fair value resulted in a gain of $14.2 million and a foreign exchange gain of $1.8 million (2014 – fair value gain of $8.5 million and foreign exchange gain of $2.4 million).*

6. TRADE AND OTHER RECEIVABLES

(in millions of U.S. dollars)	As at December 31 2015	2014
TRADE AND OTHER RECEIVABLES		
Trade receivables	**7.5**	4.8
Sales tax receivable	**22.2**	28.7
Unsettled provisionally priced concentrate derivatives and copper swap contracts (Note 14)	**3.5**	(0.4)
Gold stream agreement deposit receivable	**75.0**	-
Other	**0.8**	1.7
Total trade and other receivables	**109.0**	34.8

7. TRADE AND OTHER PAYABLES

(in millions of U.S. dollars)	As at December 31 2015	2014
TRADE AND OTHER PAYABLES		
Trade payables	**30.2**	31.4
Interest payable	**8.3**	8.4
Accruals	**98.3**	55.5
Current portion of decommissioning obligations (Note 17)	**1.3**	1.7
Provision for office consolidation	**3.0**	-
Total trade and other payables	**141.1**	97.0

8. INVENTORIES

	As at December 31	
(in millions of U.S. dollars)	**2015**	**2014**
INVENTORIES		
Heap leach ore	**191.6**	185.0
Work-in-process	**12.4**	12.8
Finished goods[1]	**11.2**	11.5
Stockpile ore	**2.7**	2.4
Supplies	**43.4**	42.3
	261.3	254.0
Less: non-current inventories[2]	**(115.4)**	(66.5)
Total current inventories	**145.9**	187.5

1. *The amount of inventories recognized in operating expenses for the year ended December 31, 2015 was $396.2 million (2014 – $384.1 million).*
2. *Heap leach inventories of $115.4 million (December 31, 2014 – $66.5 million) are expected to be recovered after one year.*

During the year ended December 31, 2015 the Company wrote down $12.5 million of inventory of which $11.4 million was included in operating expenses and $1.1 million was included in depreciation and depletion (2014 – $9.0 million in operating expenses and $1.4 million in depreciation and depletion) as a result of recoverability analysis performed at the reporting date which related to Cerro San Pedro. At Cerro San Pedro, during its annual update of its LOM plan, the Company estimated that the long-term recoverable gold and silver ounces on the pad at Cerro San Pedro had reduced by 1.0 million ounces of silver and 21,000 ounces of gold.

9. MINING INTERESTS

	Mining Properties					
	Depletable	Non-depletable	Plant & equipment	Construction in progress	Exploration & evaluation	**Total**
(in millions of U.S. dollars)						
COST						
As at December 31, 2013	1,350.1	1,690.7	735.7	25.7	9.7	3,811.9
Additions	68.7	58.3	3.9	208.3	7.5	346.7
Disposals	-	-	(15.5)	-	(9.7)	(25.2)
Impairments	(75.0)	(334.7)	(18.7)	(6.7)	-	(435.1)
Government grants	-	(17.4)	-	(8.3)	-	(25.7)
Transfers	81.5	(36.0)	44.0	(89.5)	-	-
As at December 31, 2014	1,425.3	1,360.9	749.4	129.5	7.5	3,672.6
Additions	51.7	56.7	116.3	262.8	-	487.5
Acquisition of Bayfield Ventures Corp.	-	19.7	-	-	-	19.7
Disposal of El Morro	-	(440.7)	-	-	-	(440.7)
Disposal of other assets	(0.3)	(3.1)	(25.7)	-	-	(29.1)
Impairments	(31.8)	(4.6)	-	-	-	(36.4)
Government grants	-	-	-	(16.4)	-	(16.4)
Acquisition of gold stream asset	-	32.0	-	-	-	32.0
Transfers	14.6	-	35.8	(50.4)	-	-
As at December 31, 2015	1,459.5	1,020.9	875.8	325.5	7.5	3,689.2
ACCUMULATED DEPRECIATION						
As at December 31, 2013	249.0	-	226.4	-	-	475.4
Depreciation for the year	157.2	-	86.1	-	-	243.3
Disposals	-	-	(15.5)	-	-	(15.5)
Impairments	(29.4)	-	(9.9)	-	-	(39.3)
As at December 31, 2014	376.8	-	287.1	-	-	663.9
Depreciation for the year	181.6	-	79.9	-	-	261.5
Disposals	(0.3)	-	(22.8)	-	-	(23.1)
Impairments	(16.3)	-	-	-	-	(16.3)
As at December 31, 2015	541.8	-	344.2	-	-	886.0
CARRYING AMOUNT						
As at December 31, 2014	1,048.5	1,360.9	462.3	129.5	7.5	3,008.7
As at December 31, 2015	917.7	1,020.9	531.6	325.5	7.5	2,803.2

The Company capitalized interest of $23.6 million for the year ended December 31, 2015 (2014 – $35.3 million) to qualifying development projects. The Company's annualized capitalization rate is 6.74% (2014 – 6.74%).

Government grants

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 affected area. This refundable tax credit is treated as government assistance and reduces mining interest or is included within net earnings when receivable. For the year ended December 31, 2015, the Company received $1.4 million (2014 - $24.4 million) with $nil million reducing mining interest and $1.4 million included within net loss (2014 – $20.5 million reducing mining interest and $3.9 million included within net loss).

The Canadian federal government provides an incentive for pre-production exploration and development as an investment tax credit against future tax payable. The credit is based on 10% of qualifying pre-production exploration and development. This tax credit is treated as government assistance and reduces mining interest or is included within net earnings when receivable. For the year ended December 31, 2015, the Company accumulated $16.4 million (2014 - $5.2 million) of investment tax credits, all of which reduced mining interest.

Asset acquisition

On January 1, 2015 the Company completed the acquisition of Bayfield Ventures Corp. ("Bayfield"), consequently acquiring all of Bayfield's assets, including a 100% interest in three mineral properties, totaling ten square kilometres, located adjacent to New Gold's Rainy River project in northwestern Ontario and valued at $19.7 million. In addition, the Company received cash of $0.1 million and assumed liabilities of $1.3 million, the majority of which related to deferred tax liabilities. The acquisition was accounted for as a purchase of assets and an assumption of liabilities by the Company (asset acquisition).

As consideration for the Bayfield acquisition, the Company issued 3.8 million common shares. The shares issued were valued at $4.49 per share, for total consideration of $16.8 million. In addition, up to 0.2 million common shares of the Company became issuable in connection with the potential exercise of share purchase warrants ("Bayfield warrants") issued by Bayfield, with a consideration value of $0.2 million (refer to Note 14 (b) for additional information on the Bayfield warrants). The Company also incurred transaction costs of $1.5 million comprised of legal, accounting and other closing costs in relation to the acquisition.

Carrying amount by property as at December 31, 2015:

	As at December 31, 2015				
	Mining Properties				
(in millions of U.S. dollars)	**Depletable**	**Non-depletable**	**Plant & equipment**	**Construction in progress**	**Total**
MINING INTEREST BY SITE					
New Afton	**653.2**	**7.6**	**274.8**	**22.5**	**958.1**
Mesquite	**167.9**	**-**	**106.1**	**9.7**	**283.7**
Peak Mines	**95.4**	**13.0**	**69.8**	**4.3**	**182.5**
Cerro San Pedro	**1.2**	**-**	**-**	**-**	**1.2**
Rainy River[1]	**-**	**455.7**	**58.7**	**289.1**	**803.5**
Blackwater	**-**	**512.5**	**15.8**	**-**	**528.3**
Other[2]	**-**	**39.5**	**6.4**	**-**	**45.9**
Carrying amount as at December 31, 2015	**917.7**	**1,028.3**	**531.6**	**325.6**	**2,803.2**

1. *Rainy River project includes non-depletable mineral interest acquired in the acquisition of Bayfield.*
2. *Other includes corporate balances and exploration properties.*

Carrying amount by property as at December 31, 2014:

	As at December 31, 2014				
	Mining Properties				
(in millions of U.S. dollars)	Depletable	Non-depletable	Plant & equipment	Construction in progress	Total
MINING INTEREST BY SITE					
New Afton	745.2	3.7	266.7	33.9	1,049.5
Mesquite	179.5	-	94.8	9.6	283.9
Peak Mines	123.8	17.5	77.1	12.4	230.8
Cerro San Pedro	-	-	-	-	-
Rainy River	-	391.9	1.1	73.7	466.7
Blackwater	-	508.8	15.5	-	524.3
El Morro	-	438.7	-	-	438.7
Other[1]	-	7.7	7.1	-	14.8
Carrying amount as at December 31, 2014	1,048.5	1,368.3	462.3	129.6	3,008.7

1. Other includes corporate balances and exploration properties.

10. DISPOSAL OF EL MORRO

El Morro is a copper-gold project located in the northern end of Chile in the Atacama Region. On November 24, 2015, the Company completed the sale of its 30% interest in the El Morro project to a subsidiary of Goldcorp Inc. ("Goldcorp") in exchange for $62.4 million in net cash ($90.0 million cash less $25.2 million of income tax withheld at source less $2.4 million transaction costs), a 4% stream on gold production from the El Morro property (valued at $32.0 million) and the cancellation of the Company's $94.5 million carried funding loan. The transaction costs of $2.4 million were included in the loss on disposal and recognized on closing.

The Company accounted for its investment in the Chilean company that holds the El Morro project, Sociedad Contracual Minera El Morro ("SCM El Morro"), the holder of the El Morro property, using equity method accounting. Under the equity method, the investment was initially recognized at cost, and the carrying amount was increased or decreased to recognize the Company's share of the net earnings after the date of acquisition. The Company adjusted SCM El Morro's financial results to give effect to uniform accounting policies. The amount recorded in net loss for the year ended December 31, 2015 related to SCM El Morro is a loss of $0.8 million (2014 – $0.7 million). The Company does not capitalize general borrowing interest to the project as it is accounted for as an equity investment. The Company included the carrying amount of SCM El Morro within mineral interests prior to sale.

As at the date of sale, the Company recognized a loss on disposal of $180.3 million which was recorded on the Company's Consolidated Income Statement. The Company determined the fair value based on the cash consideration received and terms of the sale agreement. SCM El Morro is a private entity that is not listed on any public exchange.

	Year ended December 31
(in millions of U.S. dollars)	2015
LOSS ON DISPOSAL OF EL MORRO	
Loss on disposal of El Morro	**(180.3)**
Tax Recovery	**81.5**
Total loss on disposal of El Morro, after tax	**(98.8)**

El Morro funding loan

Under the terms of an agreement between subsidiaries of New Gold and a subsidiary of Goldcorp, Goldcorp was responsible for funding New Gold's 30% share of SCM El Morro's project capital costs through a carried funding arrangement. The loan plus accumulated interest was to be repaid by New Gold out of 80% of its share of the project's cash flow.

The interest rate on the Company's share of the capital funded by Goldcorp was 4.58%. For the year ended December 31, 2015, non-cash investing activities were $2.5 million (2014 – $6.3 million) excluding accrued interest, and represent the Company's share of contributions to SCM El Morro funded by Goldcorp during the year. The loan was secured against all rights and interests of the Company's Chilean subsidiaries, including a pledge of the SCM El Morro shares, limiting recourse to the Company's investment in its Chilean subsidiaries. As of November 24, 2015, the balance of the carried funding loan was $94.5 million. As a part of the sale of El Morro, this loan was cancelled.

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 Peak Mines CGU (operating mine) and Rainy River CGU (development project). During the fourth quarter of 2015, the Company updated its mineral reserves and mineral resource estimates and updated the LOM plan for its Peak Mines CGU, which has decreased the expected production profile going forward. At December 31, 2015, the carrying amount of the Company's net assets exceeded its market capitalization. Management has determined that the Company's ongoing construction of the Rainy River development project is a significant factor in the decrease in the Company's market capitalization. The Company has identified the decreased production profile of Peak Mines, along with the decrease in the Company's market capitalization as a result of the ongoing construction of Rainy River as indicators of impairment and performed an impairment assessment to determine the recoverable amount of these CGUs.

For the year ended December 31, 2015, the Company recorded after-tax impairment charges of $14.1 million within income from operations, as noted below:

	Year ended December 31, 2015
(in millions of U.S. dollars)	**Peak Mines**
IMPAIRMENT CHARGE INCLUDED WITHIN INCOME FROM OPERATIONS	
Peak Mines depletable mining properties	**15.5**
Peak Mines non-depletable mining properties	**4.6**
Total impairment charge before tax	**20.1**
Tax recovery	**(6.0)**
Total impairment charge after tax	**14.1**

At December 31, 2014, indicators of impairment existed at the Mesquite CGU and the Cerro San Pedro CGU (both operating mines) and the Blackwater CGU and the El Morro CGU (both development properties). For the year ended December 31, 2014, the Company recorded after-tax impairment charges of $393.8 million within income from operations, as noted below:

	Year ended December 31, 2014		
(in millions of U.S. dollars)	**Cerro San Pedro**	**Blackwater**	**Total**
IMPAIRMENT CHARGE INCLUDED WITHIN INCOME FROM OPERATIONS			
Blackwater non-depletable mining interest	-	334.7	334.7
Cerro San Pedro depletable mining interest	45.7	-	45.7
Cerro San Pedro plant & equipment	15.4	-	15.4
Total impairment charge before tax	61.1	334.7	395.8
Tax recovery	(2.0)	-	(2.0)
Total impairment charge after tax	59.1	334.7	393.8

(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, and Blackwater. 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 the 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.

Life-of-Mine plans

Estimated cash flows are based on LOM plans which estimate expected future production, commodity prices, exchange assumptions, operating costs and capital costs. Current LOM plans range from 8 to 15 years with an average mine life of 12 years. LOM plans use proven and probable mineral reserves only and do not utilize mineral resource estimates for a CGU. When options exist for the future extraction and processing of these resources, an estimate of the value of the unmined mineral 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 based on an enterprise value per equivalent resource ounce, with the enterprise value based on the market capitalization of a subset of publicly traded companies. A higher in-situ value has been applied to the operating CGUs while a lower in-situ value has been applied to active development projects. Estimated exploration potential value has been determined by the Company based on observable market data.

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 is designed to 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, 2015 impairment analysis, real discount rates of between 5.80% and 6.75% were used with an average rate of 6.28% (2014 - real discount rates of between 5.00% and 8.00% 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, 2015 impairment analysis the following commodity prices and exchange rate assumptions were used:

	As at December 31, 2015		As at December 31, 2014	
(in U.S. dollars, except where noted)	**2016 - 2020 Average**	**Long term**	**2015 – 2019 Average**	**Long term**
COMMODITY PRICES				
Gold ($/ounce)	**1,206**	**1,200**	1,260	1,300
Silver ($/ounce)	**16.96**	**18.00**	20.14	20.00
Copper ($/pound)	**2.66**	**2.88**	3.20	3.00
EXCHANGE RATES				
CAD:USD	**1.28**	**1.25**	1.13	1.11
AUD:USD	**1.32**	**1.20**	1.19	1.11
MXN:USD	**-**	**-**	12.45	11.00
CLP:USD	**-**	**-**	538	538

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 and 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, 2015, it was determined that there were indicators of impairment at the Peak Mines CGU and the Rainy River CGU. The Company calculated the recoverable amount of these CGUs using the fair value less cost of disposal method as noted above. For the year ended December 31, 2015 the Company recorded pre-tax impairment charges of $20.1 million, $14.1 million net of tax, within income from operations related to CGU level impairments, as noted above.

The fair value of the Peak Mines CGU has been significantly impacted by the decreased production profile. The recoverable amount of the Rainy River CGU exceeded its carrying value and accordingly no impairment charges were recorded for this CGU.

At December 31, 2014, it was determined that there were indicators of impairment at the Mesquite CGU, Cerro San Pedro CGU, Blackwater CGU and El Morro CGU. The recoverable amount of Mesquite and El Morro exceeded their carrying value and accordingly no impairment charges were recorded for these CGUs at the CGU level. For the year ended December 31, 2014, the Company recorded pre-tax impairment charges of $395.8 million, $393.8 million net of tax, within income from operations related to the Blackwater and Cerro San Pedro CGUs.

(iii) Sensitivity analysis

After effecting the impairment for the Peak Mines CGU, the fair value of this CGU is assessed as being equal to its respective carrying amount as at December 31, 2015 (2014 – Cerro San Pedro and Blackwater CGUs). 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 the assumptions 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 the Peak Mines CGU (2014 - Cerro San Pedro and Blackwater CGUs) at December 31, 2015:

	As at December 31, 2015
(in millions of U.S. dollars)	**Peak Mines**
IMPACT OF CHANGES IN THE KEY ASSUMPTIONS USED TO DETERMINE FAIR VALUE	
$100 per ounce change in gold price	**20.8**
0.5% change in discount rate	**0.3**
5% change in exchange rate	**18.2**
5% change in operating costs	**16.0**
5% change in in-situ ounces	**5.7**

	As at December 31, 2014	
(in millions of U.S. dollars)	**Cerro San Pedro**	**Blackwater**
IMPACT OF CHANGES IN THE KEY ASSUMPTIONS USED TO DETERMINE FAIR VALUE		
$100 per ounce change in gold price	13.0	221.0
0.5% change in discount rate	0.5	73.0
5% change in exchange rate	7.0	136.0
5% change in operating costs	12.0	67.0
5% change in in-situ ounces	-	3.0

12. LONG-TERM DEBT

Long-term debt consists of the following:

	As at December 31	
(in millions of U.S. dollars)	**2015**	**2014**
LONG-TERM DEBT		
Senior unsecured notes - due April 15, 2020 (a)	**295.1**	294.2
Senior unsecured notes - due November 15, 2022 (b)	**492.5**	491.6
El Morro funding loan (note 10)	**-**	88.5
Revolving credit facility (c)	**-**	-
Long-term debt	**787.6**	874.3

(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 September 30, 2015 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 of 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 are being amortized to net earnings using the effective interest method.

The 2020 Unsecured Notes are subject to a minimum interest coverage incurrence covenant (EBITDA to interest) of 2:1. The test is applied on a pro-forma basis prior to the Company incurring additional debt, entering into business combinations or acquiring significant assets, or certain other corporate actions. There are no maintenance covenants.

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 2020 Unsecured 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 redemption prices below, expressed as a percentage of the principal amount of the 2020 Unsecured Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date:

Date	Redemption prices (%)
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 September 30, 2015 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 of 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 are being amortized to net earnings using the effective interest method.

The 2022 Unsecured Notes are subject to a minimum interest coverage incurrence covenant (EBITDA to interest) of 2:1. The test is applied on a pro-forma basis prior to the Company incurring additional debt, entering into business combinations or acquiring significant assets, or certain other corporate actions. There are no maintenance covenants.

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 2022 Unsecured 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 redemption prices below, expressed as a percentage of the principal amount of the 2022 Unsecured Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date:

Date	Redemption prices (%)
2017	**103.13%**
2018	**102.08%**
2019	**101.04%**
2020 and thereafter	**100.00%**

(c) Revolving credit facility

On August 14, 2014, the Company replaced its $150.0 million revolving credit facility due to expire on December 14, 2014, with a $300.0 million revolving credit facility (the "Credit Facility") which, following an extension of the expiry date in 2015, expires on August 14, 2019. The Credit Facility also provides the Company with the option to draw an additional $50.0 million above and beyond the base $300.0 million, subject to lender participation. Net debt is used to calculate leverage for the purpose of covenant tests and pricing levels. The Credit Facility contains various covenants customary for a loan facility of this nature, including limits on indebtedness, asset sales and liens. The Credit Facility contains two covenant tests, the minimum interest coverage ratio (EBITDA to interest) and the maximum leverage ratio (net debt to EBITDA), both of which are measured on a rolling four-quarter basis at the end of every quarter. On February 17, 2015, the Company amended the Credit Facility to vary the maximum leverage ratio from 3.5 : 1.0. Specifically, for the quarter ending September 30, 2016, the maximum leverage ratio will increase to 4.0 : 1.0 and for the next three quarters, the maximum leverage ratio will increase to 4.5 : 1.0. Following that period, the maximum leverage ratio will return to 3.5 : 1.0. Significant financial covenants applicable as at December 31, 2015 are as follows:

		Year ended December 31	
	Financial covenant	**2015**	**2014**
FINANCIAL COVENANTS			
Minimum interest coverage ratio (EBITDA to interest)	>3.0 : 1	**5.1 : 1**	5.3 : 1
Maximum leverage ratio (net debt to EBITDA)	<3.5 : 1	**2.0 : 1**	1.6 : 1

The interest margin on drawings under the Credit Facility ranges from 1.00% to 3.25% 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 Credit Facility range from 0.45% to 0.73%, depending on the Company's net debt to EBITDA ratio. Based on the Company's net debt to EBITDA ratio, the rate is 0.62% as at December 31, 2015 (2014 – 0.51%). As at December 31, 2015, the Company has not drawn any funds under the Credit Facility; however, the Credit Facility has been used to issue letters of credit of $115.9 million as at December 31, 2015 (at December 31, 2014 - $41.7 million). Letters of credit relate to reclamation bonds, worker's compensation security and other financial assurances required with various government agencies. Letters of credit issued in 2015 primarily related to the Rainy River project.

13. GOLD STREAM OBLIGATION

On July 20, 2015, the Company entered into a $175.0 million streaming agreement with Royal Gold. Under the terms of the agreement, the Company agreed to deliver to Royal Gold 6.5% of gold production from the Rainy River project up to a total of 230,000 ounces of gold and then 3.25% of the project's gold production thereafter. The Company will also deliver to Royal Gold 60% of the project's silver production to a maximum of 3.1 million ounces and then 30% of silver production thereafter. In consideration, Royal Gold paid $100.0 million concurrent with entering into the agreement and the remaining $75.0 million will be paid when 60% of the estimated project development capital has been spent, which is expected to be in mid-2016, and other customary conditions precedent have been met.

In addition to the upfront deposit, Royal Gold will pay 25% of the average spot gold or silver price at the time each ounce of gold or silver is delivered under the stream. The difference between the spot price of metal and the cash received from Royal Gold will reduce the $175.0 million deposit over the life of mine. Upon expiry of the 40-year term of the agreement (which may be extended in certain circumstances), any balance of the $175.0 million upfront deposit remaining unpaid will be refunded to Royal Gold.

The Company assessed the liability at the inception of the agreement and determined that it is a financial liability under the scope of IFRS 9. Accordingly, the Company values the liability at the present value of its expected future cash flows at each reporting period with changes in fair value reflected in the Consolidated Income Statements and Consolidated Statements of Comprehensive Income. The gold stream obligation contained a maximum leverage ratio covenant (net debt to EBITDA) of 3.5 : 1.0, with the exception that the net leverage covenant limit may increase to 4.0 : 1.0 for two consecutive quarters, provided that it thereafter returns to a maximum of 3.5 : 1.0. The leverage ratio contained in the company's agreement with Royal Gold has also been adjusted to match the revised maximum leverage ratio under the revolving credit facility.

The following is a summary of the changes in the Company's gold streaming obligation:

(in millions of U.S. dollars)	
CHANGE IN STREAM OBLIGATION	
Balance, December 31, 2014	**-**
Deposit received during the year	**100.0**
Deposit receivable as at December 31, 2015	**75.0**
	175.0
Deposit repayments during the period	**-**
Fair value adjustments related to changes in the Company's own credit risk[1]	**(21.2)**
Other fair value adjustments[2]	**(6.2)**
Balance as at December 31, 2015	**147.6**

1. *Fair value adjustments related to changes in the Company's own credit risk are included in other comprehensive income.*
2. *Other fair value adjustments are included in the consolidated income statements.*

Fair value adjustments represent the net effect on the gold stream obligation of changes in the variables included in the Company's valuation model between the date of receipt of deposit and the reporting date. These variables include loan accretion, risk-free interest rate, future metal prices, Company-specific credit spread and expected gold and silver ounces to be delivered.

14. DERIVATIVE INSTRUMENTS

	As at December 31	
(in millions of U.S. dollars)	**2015**	**2014**
DERIVATIVE ASSETS		
Unsettled provisionally priced concentrate derivatives and swap contracts	**3.5**	(0.4)
DERIVATIVE LIABILITIES		
Diesel swap contracts	**3.6**	-
Share purchase warrants	**1.5**	16.9
	5.1	16.9
Less: current portion of diesel swap contracts	**(3.0)**	-
Total derivative liabilities	**2.1**	16.9

(a) Hedging instruments

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
EFFECTIVE PORTION OF CHANGE IN FAIR VALUE OF HEDGING INSTRUMENTS		
Unrealized foreign exchange loss on cash and cash equivalents designated as hedging instruments (i)	**(12.3)**	-
Reclassification of realized foreign exchange loss on cash and cash equivalents designated as hedging instrument (i)	**4.2**	-
Unrealized loss on diesel swap contracts (ii)	**(4.5)**	-
Reclassification of realized loss on settlement of diesel swap contracts (ii)	**0.9**	-
Gold hedging contracts – realized	**-**	27.3
Deferred income tax related to derivative contracts	**1.5**	-
Deferred income tax related to gold contracts	**-**	(11.2)
Total hedging gains in other comprehensive income	**(10.2)**	16.1

(i) Cash and cash equivalents designated as hedging instruments

During the year ended December 31, 2015, the Company converted $250.0 million into Canadian dollars and designated this cash to fund the construction of the Rainy River project for the 15-month period beginning April 2015 and ending June 2016. The Company elected to apply hedge accounting to the foreign exchange gains and losses from the date of conversion to the date when costs are incurred by the Rainy River project. The Company holds the Canadian dollars in bank accounts separate from those used in its other operations. Foreign exchange gains and losses are reclassified from other comprehensive income to mining interests as project costs are incurred.

To determine effectiveness of the hedging relationship, the Company assesses the critical terms between the hedged item and the hedging instrument on a qualitative basis. If disconnect is noted, a quantitative assessment is performed to determine the impact of the potential ineffectiveness.

The Company hedged approximately 72% of all Canadian dollar denominated Rainy River project incurred construction costs for the period April 2015 to June 2016. For the year ended December 31, 2015, the Company capitalized a loss of $4.2 million (2014 – $nil) to mineral interests that was reclassified from other comprehensive income. As forecasted capital expenditures are incurred, the Company reclassifies foreign exchange gains and losses from other comprehensive income to mining interests. As of December 31, 2015, the hedge was fully effective and no ineffective portion was realized in net earnings. As at December 31, 2015, $102.5 million of the hedged cash was remaining (2014 – $nil).

(ii) Diesel swap contracts

During the year ended December 31, 2015, the Company entered into diesel swap contracts to hedge diesel cost at Mesquite. During March 2015, the Company entered into swap contracts which hedged the diesel price exposure of approximately 51% of the monthly consumption for the next 12 months beginning in January 2016 and ending in December 2016, at approximately $2.25 per gallon fully loaded price. As at December 31, 2015, the company is contractually obligated to settle four million gallons of diesel associated with these swaps. During August 2015, the Company entered into additional diesel swap contracts which will hedge the diesel price exposure of an additional 19% for the period January to December 2016 and 53% for the period January 2017 to June 2017, at approximately $2.00 per gallon fully loaded price. As at December 31, 2015, the company is contractually obligated to settle 3.6 million gallons of diesel associated with these swaps. The Company has entered into pay fixed/receive floating Gulf Coast ultra-low-sulfur-diesel swaps settled at the monthly average price. Gains and losses are reclassified from other comprehensive income to operating expenses as diesel is consumed at the mine site.

To determine effectiveness of the hedging relationship, the Company assesses the critical terms between the hedged item and the hedging instrument on a qualitative basis. If a disconnect is noted, a quantitative assessment is performed to determine the impact of the potential ineffectiveness.

The Company realized a loss of $0.9 million on settlement of 3.3 million gallons for the year ended December 31, 2015. As at December 31, 2015, the hedge was fully effective and no ineffective portion was realized.

(b) Share purchase warrants

The following table summarizes information about the Company's outstanding share purchase warrants ("Warrants").

Warrant Series	Number of Warrants	Common shares issuable	Exercise price	Expiry date
	(000s)	**(000s)**	**C$**	
OUTSTANDING WARRANTS				
At December 31, 2015				
New Gold Series A	**27,850**	**27,850**	**15.00**	**June 28, 2017**
Bayfield warrants Series A	**91**	**91**	**5.35**	**May 6, 2016**
Bayfield warrants Series B	**90**	**90**	**7.34**	**May 12, 2016**
Bayfield warrants Series C	**34**	**34**	**5.35**	**May 22, 2016**
Rainy River warrants	**50**	**50**	**20.00**	**February 2, 2017**
Total outstanding warrants	**28,115**	**28,115**		
At December 31, 2014				
New Gold Series A	27,850	27,850	15.00	June 28, 2017
Rainy River warrants	50	50	20.00	February 2, 2017
Total outstanding Warrants	27,900	27,900		

The Warrants are classified as a non-hedged derivative liability recorded at FVTPL 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 loss.

The Bayfield warrants originally entitled warrant holders to receive Bayfield shares on exercise. As consequence of the Bayfield acquisition, as described in Note 9, for each Bayfield warrant held, warrant holders will now be entitled to receive 0.0477 of a New Gold common share in lieu of a Bayfield share.

(c) Provisionally priced contracts

During the year, the Company had provisionally priced sales for which price finalization is outstanding at December 31, 2015. Realized and unrealized non-hedged derivative gains (losses) on the provisional pricing of concentrate sales are classified as revenue, with the unsettled provisionally priced concentrate derivatives included in trade and other receivables. The Company enters into gold and copper swap contracts to reduce exposure to gold and copper prices. Realized and unrealized gains (losses) are recorded in revenue, with the unsettled gold and copper swaps included in trade and other receivables. The following tables summarize the realized and unrealized gains (losses) on provisionally priced sales:

	Year ended December 31, 2015		
(in millions of U.S. dollars)	**Gold**	**Copper**	**Total**
LOSS ON THE PROVISIONAL PRICING OF CONCENTRATE SALES			
Realized	**(2.7)**	**(18.7)**	**(21.4)**
Unrealized	**(0.2)**	**(1.5)**	**(1.7)**
Total loss	**(2.9)**	**(20.2)**	**(23.1)**

	Year ended December 31, 2014		
(in millions of U.S. dollars)	**Gold**	**Copper**	**Total**
LOSS ON THE PROVISIONAL PRICING OF CONCENTRATE SALES			
Realized	(1.8)	(7.8)	(9.6)
Unrealized	(0.3)	(8.1)	(8.4)
Total loss	(2.1)	(15.9)	(18.0)

The following tables summarize the realized and unrealized gains (losses) on gold and copper swap contracts:

	Year ended December 31, 2015		
(in millions of U.S. dollars)	**Gold**	**Copper**	**Total**
GAINS ON SWAP CONTRACTS			
Realized	**2.1**	**14.3**	**16.4**
Unrealized	**0.9**	**4.3**	**5.2**
Total gains	**3.0**	**18.6**	**21.6**

	Year ended December 31, 2014		
(in millions of U.S. dollars)	**Gold**	**Copper**	**Total**
GAINS ON SWAP CONTRACTS			
Realized	-	1.6	1.6
Unrealized	-	8.0	8.0
Total gains	-	9.6	9.6

The following table summarizes the net exposure to the impact of movements in market commodity prices for provisionally priced sales:

	As at December 31	
	2015	**2014**
VOLUMES SUBJECT TO FINAL PRICING NET OF OUTSTANDING SWAPS		
Gold ounces (000's)	**5.3**	30.0
Copper pounds (millions)	**1.3**	2.8

15. SHARE CAPITAL

At December 31, 2015, the Company had unlimited authorized common shares and 509.3 million common shares outstanding.

(a) No par value common shares issued

	Number of shares (000s)	
(in millions of U.S. dollars, except where noted)		
NO PAR VALUE COMMON SHARES ISSUED		
Balance at December 31, 2013	503,437	2,815.3
Exercise of options	560	2.6
Issuance of shares for land purchases	681	3.0
Balance at December 31, 2014	**504,678**	**2,820.9**
Exercise of options & vested PSUs	**429**	**1.2**
Issuance of shares under First Nations agreements and land purchases	**582**	**2.1**
Acquisition of Bayfield	**3,780**	**16.8**
Balance at December 31, 2015	**509,469**	**2,841.0**

(i) Exercise of options

For the year ended December 31, 2015, the Company issued 0.2 million common shares pursuant to the exercise of stock options (2014 – 0.6 million). The Company received proceeds of $0.4 million (2014 - $1.6 million) from these exercises and transferred $0.2 million (2014 - $1.0 million) from contributed surplus.

(ii) Acquisition of Bayfield Ventures

On January 1, 2015, the Company acquired Bayfield Ventures Corp. and in connection with that acquisition, the Company issued 3.8 million common shares. The shares issued were valued at C$5.21 for total consideration of $16.8 million.

(b) Share-based payment expenses

The following table summarizes share-based payment expenses for the year ended December 31:

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
SHARE-BASED PAYMENT EXPENSES		
Stock option expense (i)	**5.2**	5.2
Performance share unit expense	**2.2**	1.8
Restricted share unit expense[1]	**1.0**	2.3
Deferred share unit expense	**(0.2)**	0.2
Total share-based payment expense	**8.2**	9.5

1. *For the year ended December 31, 2015, $0.9 million of restricted share unit expenses were recognized in operating expenses (2014 - $2.0 million).*

(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 under the Plan and for all other security-based compensation arrangements, other than the Long Term Incentive Plan, must not exceed 3.5% 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 changes in the Plan:

	Number of options	Weighted average exercise price
	(000s)	**C$**
CHANGES TO THE PLAN		
Balance at December 31, 2013	10,314	6.72
Granted	4,673	5.41
Exercised	(560)	3.15
Forfeited	(320)	9.25
Expired	(177)	7.40
Balance at December 31, 2014	**13,930**	**6.35**
Granted	**3,688**	**3.33**
Exercised	**(247)**	**2.14**
Forfeited	**(155)**	**8.98**
Expired	**(218)**	**4.74**
Balance at December 31, 2015	**16,998**	**5.76**

The weighted average fair value of the stock options granted during the year ended December 31, 2015 was C$1.21 (2014 – C$2.10). 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. 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:

	Year ended December 31	
	2015	**2014**
Grant price	**C$3.33**	C$5.39
Expected dividend yield	**-**	-
Expected volatility	**45.9%**	49.0%
Risk-free interest rate	**1.37%**	1.18%
Expected life of options	**3.7 years**	3.7 years
Fair value	**C$1.21**	C$2.10

At December 31, 2015 the Company had 9.8 million stock options that were exercisable with a weighted average exercise price of C$6.60 (2014 – 7.8 million with a weighted average exercise price of C$6.14). For the year ended December 31, 2015, the weighted average share price on the date of exercise was C$3.67 (2014 – C$6.03). The options vest one third per 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 as at December 31, 2015:

	Options outstanding			Options exercisable		
	Weighted avg. remaining contractual life	Number of options outstanding	Weighted avg. exercise price	Weighted avg. remaining contractual life	Number of options outstanding	Weighted avg. exercise price
Exercise price C$	**(years)**	**(000s)**	**C$**	**(years)**	**(000s)**	**C$**
2.00 - 2.99	0.2	413.6	2.71	0.2	413.6	2.71
3.00 - 3.99	3.1	6,127.7	3.28	0.4	2,440.0	3.21
4.00 - 4.99	3.2	3,617.6	4.67	2.4	1,871.2	4.57
5.00 - 5.99	3.1	326.1	5.57	2.8	140.9	5.60
6.00 - 6.99	3.2	1,755.4	6.32	3.1	618.4	6.33
7.00 - 7.99	2.1	1,503.8	7.65	2.1	1,426.5	7.66
8.00 - 8.99	1.6	273.0	8.70	1.6	273.0	8.70
9.00 - 9.99	0.4	93.5	9.59	0.4	93.5	9.59
10.00 - 10.99	2.1	1,256.3	10.04	2.1	875.9	10.06
11.00 - 11.99	1.1	1,556.0	11.87	1.1	1,556.0	11.87
12.00 - 12.22	0.9	75.0	12.22	0.9	75.0	12.22
Total options	2.7	16,998.0	5.76	1.5	9,784.0	6.60

(ii) Performance share units

PSUs vest on the entitlement date, as determined by the Board in its discretion, which will not be later than December 31 of the year that is three years after the year of service to which the award relates (the "Entitlement Date" with respect to a PSU). In addition, at the time PSUs are granted, the Board makes the payment of such PSU subject to performance conditions or measures to be achieved by the Company, the Participant or a class of Participants, before the relevant Entitlement Date. All PSUs granted under the Long Term Incentive Plan have been granted on the basis that their Entitlement Date is no later than December 31 of the year that is three years after the year of service to which the award relates (subject to acceleration as described below).

For all PSUs granted to date, the number of shares to be issued or the amount of cash to be paid on the Entitlement Date of PSUs will vary based on "Achieved Performance". The Achieved Performance is a percentage from 50% to 150% that is multiplied by the number of PSUs granted to determine the number of shares to be issued and/or the amount of cash to be paid on the Entitlement Date. Achieved Performance is calculated based on the difference (the "TSR Difference") between New Gold's total shareholder return ("TSR") and the TSR of the S&P/TSX Global Gold Index (the "Index") (i.e. New Gold's TSR minus Index TSR) for each of four Measurement Periods (described below). The Measurement Periods are as follows: (i) the first calendar year after the year of service to which the award relates; (ii) the second calendar year after the year of service to which the award relates; (iii) the period beginning at the start of the third calendar year after the year of service to which the award relates, but ending before the relevant Entitlement Date (in order to allow sufficient time to calculate the Achieved Performance and, consequently, the number shares to be issued and/or cash to be paid on the Entitlement Date); and (iv) the period beginning on the first day of the first Measurement Period and ending on the last day of the third Measurement Period. The four Measurement Periods are equally weighted in determining the Achieved Performance for a particular PSU grant.

If New Gold's TSR exceeds the TSR of the Index in a Measurement Period (i.e. the TSR Difference is greater than zero), the Achieved Performance for that period will be over 100%. Similarly, if New Gold's TSR is less than the TSR of the Index in a Measurement Period (i.e. the TSR Difference is less than zero), the Achieved Performance for that period will be less than 100%. For the PSUs, the minimum Achieved Performance for any Measurement Period is 50% and the maximum is 150%. To achieve the maximum Achieved Performance for a Measurement Period, the TSR Difference must be at least 20% (i.e. New Gold's TSR minus the Index TSR ≥ 20%). For example, if the TSR of the Index for a Measurement Period were 5%, New Gold's TSR for that period would have to be 25% or higher to attain Achieved Performance of 150% for that Measurement Period. If New Gold's TSR were the same as the Index TSR for a Measurement Period, the Achieved Performance for the period would be 100%. Finally, if the TSR Difference is negative 20% (or less), the Achieved Performance for the Measurement Period would be 50% (i.e. New Gold's TSR minus the Index TSR ≤ -20%). Regardless of New Gold's TSR relative to the Index, the minimum Achieved Performance for any Measurement Period is 50%.

On the Entitlement Date, a PSU may be settled: (i) in cash equal to the five-day volume weighted average price of the Company's common shares on the TSX multiplied by the number of PSUs and the Achieved Performance; or (ii) by the issuance of the equivalent number of common shares of New Gold as the number of PSUs multiplied by the Achieved Performance, or (iii) a combination of both. The Board may, in its discretion, grant PSUs that can only be satisfied by the issuance of common shares from treasury or by a cash payment or by a combination thereof.

The Company issued 2.3 million PSUs for the year ended December 31, 2015 (2014 – 1.6 million). At December 31, 2015 the Company had 23.8 million PSUs outstanding with a weighted average fair value of C$3.19. The table below presents changes to the number of PSUs outstanding under the LTIP.

(iii) Restricted share units

Restricted share units ("RSUs") are granted under the LTIP. Each RSU 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. RSUs vest in three equal annual instalments 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 RSUs in cash, it will record an accrued liability and record a corresponding compensation expense. The RSU 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. It is expected that the liability will be included in the determination of net earnings over the next 1.7 years (2014 – 1.7 years). The table below presents changes to the number of RSUs outstanding under the LTIP.

(iv) Deferred share units

In 2010, the Company established a 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.

As the Company is currently required to settle this award in cash, it will record an accrued liability and a corresponding compensation expense. DSUs are financial instruments that will be fair valued at each reporting date based on the Company's share price. The table below presents the changes to the DSU plan.

(in thousands of units)	**PSU (# of units)**	**RSU (# of units)**	**DSU (# of units)**
CHANGES TO THE LTIP AND DSU PLAN			
Balance at December 31, 2013	540	497	147
Granted[1]	1,550	2,456	88
Settled/Exercised	-	(611)	-
Forfeited	(101)	(118)	-
Balance at December 31, 2014	**1,989**	**2,224**	**235**
Granted	**2,271**	**2,344**	**140**
Settled/Exercised	**(478)**	**(848)**	**-**
Forfeited	**(7)**	**(269)**	**-**
Balance at December 31, 2015	**3,775**	**3,451**	**375**

1. *During the year ended December 31, 2014, the 2013 PSU and RSU awards were granted in February 2014 and the 2014 PSU and RSU awards were granted in December 2014.*

(c) Loss per share

The following table sets out the calculation of diluted loss per share:

	Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**
CALCULATION OF DILUTED INCOME (LOSS) PER SHARE		
Net loss	**(201.4)**	(477.1)
Basic weighted average number of shares outstanding (in millions)	**509.0**	503.9
Dilution of securities:		
Stock options	**-**	-
Diluted weighted average number of shares outstanding (in millions)	**509.0**	503.9
Net (loss) earnings per share:		
Basic ($/share)	**(0.40)**	(0.95)
Diluted ($/share)	**(0.40)**	(0.95)

The following table lists the equity securities excluded from the calculation of diluted earnings per share. Such equity securities were excluded as their respective exercise prices exceeded the average market price of the Company's common shares of C$3.80 for the year ended December 31, 2015 (2014 – C$5.95), or the inclusion of such equity securities had an anti-dilutive effect on net loss.

For the periods in which the Company records a loss, diluted loss per share is calculated using the basic weighted average number of shares outstanding, as using the diluted weighted average number of shares outstanding in the calculation would be anti-dilutive.

	Year ended December 31	
(in millions of units)	**2015**	**2014**
EQUITY SECURITIES EXCLUDED FROM THE CALCULATION OF DILUTED EARNINGS PER SHARE		
Stock options	**17.0**	13.9
Warrants	**28.1**	27.9

16. INCOME AND MINING TAXES

The following table outlines the composition of income tax expense between current tax and deferred tax:

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
CURRENT INCOME AND MINING TAX EXPENSE (RECOVERY)		
Canada	**3.3**	4.4
Foreign	**29.7**	-
Adjustment in respect of prior year	**(0.4)**	0.1
	32.6	4.5
DEFERRED INCOME AND MINING TAX EXPENSE (RECOVERY)		
Canada	**-**	31.8
Foreign	**(135.5)**	27.0
Adjustment in respect of prior year	**(4.0)**	4.3
	(139.5)	63.1
Total income tax expense	**(106.9)**	67.6

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:

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
Loss before taxes	**(308.3)**	(409.5)
Canadian federal and provincial income tax rates	**25.9%**	25.9%
Income tax expense based on above rates	**(79.8)**	(106.1)
INCREASE (DECREASE) DUE TO		
Permanent differences	**2.9**	(2.8)
Non-deductible Blackwater impairment charge	**-**	86.7
Disposal of El Morro	**(34.1)**	
Different statutory tax rates on earnings of foreign subsidiaries	**(13.0)**	(7.4)
Foreign exchange on non-monetary assets and liabilities	**(24.2)**	(2.1)
Other foreign exchange differences	**46.0**	26.4
Prior years adjustments relating to tax provision and tax returns	**(4.4)**	4.4
Canadian mining tax	**5.2**	9.5
Mexican special duty tax	**(3.5)**	(1.5)
Uncertain tax position	**-**	0.2
Withholding tax	**0.6**	0.6
Rate change in period	**-**	47.9
Change in unrecognized deferred tax assets	**(2.1)**	12.1
Other	**(0.5)**	(0.3)
Income tax expense	**(106.9)**	67.6

A tax recovery of $81.5 million has been recorded during the year ended December 31, 2015 as a result of a lower Chilean income tax rate of 22.5% applicable on the sale of the El Morro asset against 35% in the prior periods.

The following tables provides analysis of the deferred tax assets and liabilities as at December 31, 2015:

					As at December 31 2015
(in millions of U.S. dollars)	**Canada**	**USA**	**Australia**	**Mexico**	**Total**
DEFERRED TAX ASSETS					
Unused non-capital losses	**20.7**	**19.3**	**0.6**	**-**	**40.6**
Property, plant and equipment	**40.1**	**(33.5)**	**4.1**	**(2.7)**	**8.0**
Investment tax credits / government assistance	**51.7**	**-**	**-**	**-**	**51.7**
Alternative minimum tax credits	**-**	**11.7**	**-**	**-**	**11.7**
Decommissioning obligations	**6.1**	**5.4**	**4.3**	**-**	**15.8**
Accrued liabilities and provisions	**0.6**	**0.3**	**2.9**	**0.7**	**4.5**
Other	**5.3**	**0.1**	**-**	**1.2**	**6.6**
	124.5	**3.3**	**11.9**	**(0.8)**	**138.9**
DEFERRED TAX LIABILITIES					
Mining interests	**(251.0)**	**(66.5)**	**(38.8)**	**-**	**(356.3)**
British Columbia Mining Tax	**(35.9)**	**-**	**-**	**-**	**(35.9)**
Ontario Mining Tax	**(1.4)**	**-**	**-**	**-**	**(1.4)**
Derivative instruments	**(6.8)**	**1.5**	**-**	**-**	**(5.3)**
Mexican Mining Royalty	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Other	**(2.3)**	**(13.3)**	**(1.5)**	**2.2**	**(14.9)**
	(297.4)	**(78.3)**	**(40.3)**	**1.6**	**(414.4)**
Deferred income tax liabilities, net[1]	**(172.9)**	**(75.0)**	**(28.4)**	**0.8**	**(275.5)**

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

							As at December 31, 2014
(in millions of U.S. dollars)	**Canada**	**USA**	**Australia**	**Mexico**	**Chile**	**Other**	**Total**
DEFERRED TAX ASSETS							
Unused non-capital losses	68.7	12.5	-	-	-	-	81.2
Investment tax credits / government assistance	44.8	-	-	-	-	-	44.8
Alternative minimum tax credits	-	10.3	-	-	-	-	10.3
Decommissioning obligations	4.8	4.3	4.9	6.2	-	-	20.2
Accrued liabilities and provisions	0.5	0.3	3.3	0.8	-	-	4.9
Ontario Mining Tax	1.1	-	-	-	-	-	1.1
Other	4.2	-	-	1.6	-	-	5.8
	124.1	**27.4**	**8.2**	**8.6**	**-**	**-**	**168.3**
DEFERRED TAX LIABILITIES							
Mining interests	(175.6)	(65.5)	(47.1)	-	(108.9)	-	(397.1)
Property, plant and equipment	(16.1)	(34.8)	2.2	(7.7)	-	-	(56.4)
British Columbia Mining Tax	(24.7)	-	-	-	-	-	(24.7)
Mexican Mining Royalty	-	-	-	(0.8)	-	-	(0.8)
Other	(3.4)	(6.6)	(1.6)	(2.3)	-	(2.0)	(15.9)
	(219.8)	**(106.9)**	**(46.5)**	**(10.8)**	**(108.9)**	**(2.0)**	**(494.9)**
Deferred income tax liabilities, net[1]	**(95.7)**	**(79.5)**	**(38.3)**	**(2.2)**	**(108.9)**	**(2.0)**	**(326.6)**

The following table outlines the movement in the net deferred tax liabilities:

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
MOVEMENT IN THE NET DEFERRED TAX LIABILITIES		
Balance at the beginning of the year	**(326.6)**	(210.0)
Recognized in net loss	**139.5**	(63.2)
Recognized in other comprehensive income	**(5.4)**	(11.2)
Recognized as reduction in mineral properties	**16.4**	5.2
Recognized as foreign exchange	**(98.5)**	(47.4)
Other	**(0.9)**	-
Total movement in the net deferred tax liabilities	**(275.5)**	(326.6)

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 $31.6 million expiring between 2016 to 2034;
- Canadian capital loss carry-forwards of $34.9 million with no expiry date;
- United States loss carry-forwards of $6.8 million expiring between 2021 to 2028; and
- Other loss carry-forwards of $8.0 million with varying expiry dates.

In addition to the above, the Company did not recognize deductible temporary differences of $213.7 million (2014 - $182.3 million) on other temporary differences.

The Company has $108.7 million (2014 - $100.7 million) of temporary differences associated with investment in Subsidiaries on 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 exists 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:

(in millions of U.S. dollars)	New Afton	Mesquite	Peak Mines	Cerro San Pedro	Rainy River	Blackwater	Total
CHANGES TO RECLAMATION AND CLOSURE COST OBLIGATIONS							
Balance – December 31, 2013	8.2	10.6	16.0	18.7	-	9.5	63.0
Reclamation expenditures	(0.3)	(0.2)	(0.1)	(0.8)	-	-	(1.4)
Unwinding of discount	0.2	0.2	0.6	0.5	-	0.3	1.8
Revisions to expected cash flows	0.9	0.5	1.4	3.1	-	1.0	6.9
Foreign exchange movement	(0.7)	-	(1.5)	(2.1)	-	(0.8)	(5.1)
Balance – December 31, 2014	8.3	11.1	16.4	19.4	-	10.0	65.2
Less: current portion of closure costs (note 7)	(0.2)	(0.7)	(0.5)	(0.3)	-	-	(1.7)
Non-current portion of closure costs	8.1	10.4	15.9	19.1	-	10.0	63.5
Balance – December 31, 2014	8.3	11.1	16.4	19.4	-	10.0	65.2
Reclamation expenditures	**-**	**(0.1)**	**(0.3)**	**(0.1)**	**-**	**-**	**(0.5)**
Unwinding of discount	**0.1**	**0.2**	**0.4**	**0.3**	**-**	**0.2**	**1.2**
Revisions to expected cash flows	**0.4**	**2.0**	**(0.5)**	**0.6**	**9.5**	**(0.3)**	**11.7**
Foreign exchange movement	**(1.4)**	**-**	**(1.8)**	**(2.4)**	**(1.6)**	**(1.6)**	**(8.8)**
Balance – December 31, 2015	**7.4**	**13.2**	**14.2**	**17.8**	**7.9**	**8.3**	**68.8**
Less: current portion of closure costs (note 7)	**-**	**(0.1)**	**(0.3)**	**(0.9)**	**-**	**-**	**(1.3)**
Non-current portion of closure costs	**7.4**	**13.1**	**13.9**	**16.9**	**7.9**	**8.3**	**67.5**

Each period the Company reviews cost estimates and other assumptions used in the valuation of the obligations at each of its mining properties and development 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 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, 2015, the Company updated the reclamation and closure cost obligations for each of its mine sites. The impact of these assessments was an increase of $11.7 million (2014 – $6.9 million), which primarily related to the Rainy River project and Mesquite. In June 2015, a reclamation liability was initially recognized at the Rainy River project. Previously the Rainy River project had not performed any activities that would require reclamation activities. The total estimated liability relates to the reclamation of the plant site. This will include rehabilitating the surrounding area, recontouring the land and planting vegetation. As well, the Company will be required to maintain ongoing monitoring to fulfill requirements by the Ministry of Northern Development and Mines. The $2.0 million revision to Mesquite's reclamation and closure cost obligation was driven by an increase in future reclamation activities.

The majority of the expenditures are expected to occur between 2020 and 2025. The discount rates used in estimating the site reclamation and closure cost obligations were between 1.0% and 3.9% for the year ended December 31, 2015 (2014 – 1.5% and 2.7%), and the inflation rate used was between 1.5% and 4.2% for the year ended December 31, 2015 (2014 – 1.7% and 4.1%).

Regulatory authorities in certain jurisdictions require that security be provided to cover the estimated reclamation and remediation obligations. As at December 31, 2015, letters of credit totalling $107.2 million (2014 - $37.7 million) had been issued to various regulatory agencies to satisfy financial assurance requirements for this purpose with the increase in 2015 related to the Rainy River project. The letters of credit are secured by the revolving credit facility (Note 12 (c)), and the annual fees are 1.50% of the value of the outstanding letters of credit.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information (included within operating activities) is as follows:

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
CHANGE IN NON-CASH OPERATING WORKING CAPITAL		
Trade and other receivables	**6.5**	(21.4)
Inventories	**0.9**	(27.6)
Prepaid expenses and other	**2.8**	2.1
Trade and other payables	**(12.6)**	5.3
Total change in non-cash operating working capital	**(2.4)**	(41.6)

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
OTHER NON-CASH ADJUSTMENTS		
Unrealized gains on share purchase warrants	**(14.2)**	(8.5)
Unrealized losses on concentrate contracts	**(2.6)**	2.7
Equity settled share-based payment expense	**7.3**	6.3
Company's share of net loss in El Morro	**0.8**	0.7
Loss on disposal of assets	**4.8**	1.7
Other	**(1.4)**	0.1
Total other non-cash adjustments	**(5.3)**	3.0

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 in the following tables:

							Year ended December 31, 2015
(in millions of U.S. dollars)	New Afton	Mesquite	Peak Mines	Cerro San Pedro	Corporate	Other[1]	Total
OPERATING SEGMENT RESULTS							
Gold revenues	105.5	152.9	99.3	122.6	-	-	480.3
Copper revenues	176.0	-	28.8	-	-	-	204.8
Silver revenues	3.1	-	1.9	22.8	-	-	27.8
Total revenues[2]	284.6	152.9	130.0	145.4	-	-	712.9
Operating expenses	97.7	98.1	98.6	125.2	-	-	419.6
Depreciation and depletion	142.2	42.7	46.8	9.0	-	-	240.7
Earnings (loss) from mine operations	44.7	12.1	(15.4)	11.2	-	-	52.6
Corporate administration	-	-	-	-	20.4	-	20.4
Provision for office consolidation	-	-	-	-	3.0	-	3.0
Share-based payment expenses	-	-	-	-	7.3	-	7.3
Asset Impairment	-	-	20.1	-	-	-	20.1
Exploration and business development	-	0.6	3.4	-	0.4	2.1	6.5
Income (loss) from operations	44.7	11.5	(38.9)	11.2	(31.1)	(2.1)	(4.7)
Finance income	-	-	0.1	-	1.3	-	1.4
Finance costs	(1.0)	(0.2)	(0.6)	(0.3)	(32.6)	(3.8)	(38.5)
Other gains (losses) [3]	(46.3)	(0.3)	(6.5)	(8.7)	2.1	(206.8)	(266.5)
Earnings (loss) before taxes	(2.6)	11.0	(45.9)	2.2	(60.3)	(212.7)	(308.3)
Income tax (expense) recovery	1.7	4.1	12.8	9.9	(1.7)	80.1	106.9
Net earnings (loss)	(0.9)	15.1	(33.1)	12.1	(62.0)	(132.6)	(201.4)

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.*
3. *Other gains (losses) includes foreign exchange revaluation losses and impairment loss on disposal of El Morro.*

	Year ended December 31, 2014						
(in millions of U.S. dollars)	**New Afton**	**Mesquite**	**Peak Mines**	**Cerro San Pedro**	**Corporate**	**Other[1]**	**Total**
OPERATING SEGMENT RESULTS							
Gold revenues	**117.9**	**102.4**	**121.3**	**84.9**	**-**	**-**	**426.5**
Copper revenues	**228.4**	**-**	**44.9**	**-**	**-**	**-**	**273.3**
Silver revenues	**3.9**	**-**	**2.1**	**20.2**	**-**	**-**	**26.2**
Total revenues[2]	**350.2**	**102.4**	**168.3**	**105.1**	**-**	**-**	**726.0**
Operating expenses	**95.5**	**93.3**	**109.2**	**113.1**	**-**	**-**	**411.1**
Depreciation and depletion	**129.5**	**26.0**	**51.2**	**10.9**	**-**	**-**	**217.6**
Earnings (loss) from mine operations	**125.2**	**(16.9)**	**7.9**	**(18.9)**	**-**	**-**	**97.3**
Corporate administration	**-**	**-**	**-**	**-**	**25.4**	**-**	**25.4**
Share-based payment expenses	**-**	**-**	**-**	**-**	**7.5**	**-**	**7.5**
Asset impairment	**-**	**-**	**-**	**61.1**	**-**	**334.7**	**395.8**
Exploration and business development	**-**	**2.9**	**3.3**	**-**	**0.3**	**5.3**	**11.8**
Income (loss) from operations	**125.2**	**(19.8)**	**4.6**	**(80.0)**	**(33.2)**	**(340.0)**	**(343.2)**
Finance income	**0.1**	**-**	**0.2**	**-**	**0.5**	**0.3**	**1.1**
Finance costs	**(0.7)**	**(0.3)**	**(0.8)**	**(0.5)**	**(20.2)**	**(4.2)**	**(26.7)**
Other gains (losses)	**31.2**	**0.3**	**(1.3)**	**(9.1)**	**(38.8)**	**(23.0)**	**(40.7)**
Earnings (loss) before taxes	**155.8**	**(19.8)**	**2.7**	**(89.6)**	**(91.7)**	**(366.9)**	**(409.5)**
Income tax recovery (expense)	**0.1**	**23.9**	**(0.9)**	**6.5**	**(18.1)**	**(79.1)**	**(67.6)**
Net earnings (loss)	**155.9**	**4.1**	**1.8**	**(83.1)**	**(109.8)**	**(446.0)**	**(477.1)**

1. *Other includes balances relating to the development and exploration properties that have no revenues or operating costs. The asset impairment charge included in Other relates to the impairment of the Blackwater non-depletable mining interest, as discussed in Note 11.*
2. *Segmented revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year.*

(b) Segmented assets and liabilities

The following table presents the segmented assets and liabilities:

	Total assets		Total liabilities		Capital expenditure[1]	
(in millions of U.S. dollars)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
SEGMENTED ASSETS AND LIABILITIES						
New Afton	**1,075.1**	1,177.1	**167.0**	133.9	**62.1**	90.9
Mesquite	**469.0**	475.8	**104.3**	134.3	**53.2**	33.2
Peak Mines	**245.0**	300.4	**74.5**	88.9	**20.2**	30.9
Cerro San Pedro	**105.9**	145.1	**35.5**	57.8	**1.3**	29.3
Rainy River	**956.1**	507.5	**320.4**	76.1	**245.5**	80.5
Blackwater	**537.3**	542.9	**53.5**	53.7	**7.1**	13.0
El Morro	**-**	438.7	**-**	247.4	**-**	-
Other[2]	**287.1**	294.3	**820.7**	818.5	**0.1**	1.5
Total assets and liabilities	**3,675.5**	3,881.8	**1,575.9**	1,610.6	**389.5**	279.3

1. *Capital expenditure per consolidated statement of cash flows.*
2. *Other includes corporate balances and exploration properties.*

(c) Geographical information

The Company operates in five principal geographical areas - Canada (country of domicile), the United States, Australia, Mexico, 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.

	Revenue[1]		Non-current assets[2]	
(in millions of U.S. dollars)	**2015**	**2014**	**2015**	**2014**
REVENUE AND NON-CURRENT ASSETS BY LOCATION				
Canada	**284.6**	350.2	**2,291.5**	2,042.4
United States	**152.9**	102.4	**359.9**	324.6
Australia	**130.0**	168.3	**182.5**	230.8
Mexico	**145.4**	105.1	**40.4**	26.1
Chile	**-**	-	**-**	446.2
Other	**-**	-	**44.3**	5.1
Total	**712.9**	726.0	**2,918.6**	3,075.2

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 83% (2014 – 78%) of the Company's concentrate and doré sales revenue for the years ended December 31.

		Year ended December 31	
(in millions of U.S. dollars)		**2015**	**2014**
CUSTOMER	REPORTING SEGMENT		
1	Mesquite[1]	**149.8**	101.6
	Cerro San Pedro[1]	**77.2**	53.2
2	New Afton	**125.1**	126.7
3	New Afton	**95.7**	119.1
4	Peak Mines	**76.2**	86.5
5	Cerro San Pedro	**68.1**	82.0
Total sales to customers exceeding 10% of annual sales		**592.1**	569.1

1. *Mesquite and Cerro San Pedro 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 and other metals 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.

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
CAPITAL (AS DEFINED ABOVE) IS SUMMARIZED AS FOLLOWS		
Equity	**2,099.6**	2,271.2
Long-term debt	**787.6**	874.3
	2,887.2	3,145.5
Cash and cash equivalents	**(335.5)**	(370.5)
Investments	**(0.3)**	(0.4)
Total	**2,551.4**	2,774.6

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 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 United States 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 U.S. treasury bills, bonds, notes or indebtedness of Canada or the Canadian 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.

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 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, 2015 is not considered to be high.

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

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
CREDIT RISK EXPOSURE		
Cash and cash equivalents	**335.5**	370.5
Trade receivables	**109.0**	34.8
Total financial instrument exposure to credit risk	**444.5**	405.3

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 aging of trade and other receivables is as follows:

						As at December 31	
(in millions of U.S. dollars)	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**Over 120 days**	**2015 Total**	**2014 Total**
AGING TRADE AND OTHER RECEIVABLES							
New Afton	4.1	-	3.1	2.8	-	**10.0**	3.8
Mesquite	0.2	-	-	-	-	**0.2**	1.1
Peak Mines	1.8	-	-	-	-	**1.8**	2.9
Cerro San Pedro	5.4	1.5	1.5	1.5	1.8	**11.7**	25.0
Rainy River[1]	83.9	-	-	-	0.4	**84.3**	1.7
Blackwater	0.2	-	-	-	-	**0.2**	0.2
Corporate	0.8	-	-	-	-	**0.8**	0.1
Total trade and other receivables	96.4	1.5	4.6	4.3	2.2	**109.0**	34.8

1. *Included in the 0-30 day aging of trade and other receivables is the $75.0 million instalment receivable in connection with the gold stream agreement. This receivable is to be paid when 60% of the Rainy River project development capital has been spent (subject to the satisfaction of certain customary conditions precedent), which is expected in mid-2016.*

The Company sells its gold and copper concentrate production from New Afton to four 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.

The Company is not economically dependent on a limited number of customers for the sale of its gold and other metals because gold and other metals can be sold through numerous commodity market traders worldwide.

(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 table shows 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.

					As at December 31	
(in millions of U.S. dollars)	**< 1 year**	**1-3 years**	**4-5 years**	**After 5 years**	**2015 Total**	**2014 Total**
DEBT COMMITMENTS						
Trade and other payables	135.8	4.8	0.5	-	**141.1**	97.0
Long-term debt	-	-	300.0	500.0	**800.0**	888.5
Interest payable on long-term debt	52.3	104.5	89.6	58.5	**304.9**	357.1
Provisionally priced contracts net of copper swap contracts	3.5	-	-	-	**3.5**	(0.4)
Gold stream obligation	-	23.5	38.7	173.5	**235.7**	-
Total debt commitments	191.6	132.8	428.8	732.0	**1,485.2**	1,342.2

The Company's future operating cash flow and cash position are highly dependent on metal prices, including gold, silver and copper, as well as other factors. Taking into consideration the Company's current cash position, volatile equity markets, and global uncertainty in the capital markets, the Company is continually reviewing expenditures and assessing business opportunities to enhance liquidity in order to ensure adequate liquidity and flexibility to support its growth strategy, including the development of its projects, while continuing production at its current operations. A period of continuous low gold and copper prices may necessitate the deferral of capital expenditures which may impact the timing of development work and project completion, as well as production from mining operations. In addition, in such a price environment, the Company may be required to adopt one or more alternatives to increase liquidity.

(c) Currency Risk

The Company operates in Canada, the United States, Australia, and Mexico. 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.

(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, accounts payable and accruals, reclamation and closure cost obligations.

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, 2015		
(in millions of U.S. dollars)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	**3.2**	**2.0**	**1.0**
Trade and other receivables	**10.6**	**0.7**	**2.1**
Income tax (payable) receivable	**(0.6)**	**0.1**	**5.8**
Deferred tax asset	**124.5**	**11.9**	**(0.8)**
Trade and other payables	**(81.9)**	**(12.9)**	**(21.2)**
Deferred tax liability	**(297.4)**	**(40.3)**	**1.6**
Reclamation and closure cost obligations	**(23.6)**	**(14.0)**	**(16.8)**
Warrants	**(1.5)**	**-**	**-**
Employee benefits	**-**	**(7.9)**	**-**
Restricted share units	**(1.4)**	**-**	**-**
Total exposure to currency risk	**(268.1)**	**(60.4)**	**(28.3)**

	As at December 31, 2014		
(in millions of U.S. dollars)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	15.3	1.4	0.7
Trade and other receivables	2.7	2.9	25.0
Income tax (payable) receivable	(0.5)	(3.7)	18.7
Deferred tax asset	124.1	8.2	8.6
Trade and other payables	(38.4)	(15.0)	(27.0)
Deferred tax liability	(219.8)	(46.5)	(10.8)
Reclamation and closure cost obligations	(18.1)	(15.9)	(19.1)
Warrants	(16.9)	-	-
Employee benefits	-	(7.9)	-
Restricted share units	(1.7)	-	-
Total exposure to currency risk	(153.3)	(76.5)	(3.9)

(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, and Mexican 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.

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
IMPACT OF 10% CHANGE IN FOREIGN EXCHANGE RATES		
Canadian dollar	**26.8**	15.3
Australian dollar	**6.0**	7.7
Mexican peso	**2.8**	0.4

(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 was undrawn as at December 31, 2015.

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 $3.0 million in interest earned by the Company. The Company has not entered into any derivative contracts to manage this risk.

(e) Metal and Input Price Risk

The Company's earnings, cash flows and financial condition are subject to price risk due to fluctuations in the market price of gold, silver and copper. 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 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 jewellery containing gold; and
- investment activity, including speculation, in gold as a commodity.

For the year ended December 31, 2015, the Company's revenues and cash flows were impacted by gold prices in the range of $1,049 to $1,295 per ounce, and by copper prices in the range of $2.05 to $2.92 per pound. Metal price declines could cause continued development of, and commercial production from, the Company's properties to be uneconomic. 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, 2015, working capital includes unpriced gold and copper concentrate receivables totalling 5,314 ounces of gold and 1.3 million pounds of copper not offset by copper swap contracts. A $100 change in the gold price per ounce would have an impact of $0.5 million on the Company's working capital. A $0.10 change in the copper price per pound would have an impact of $0.1 million on the Company's working capital position.

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.

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 the Company's 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.

An increase in gold, copper and silver prices would decrease the Company's net loss whereas an increase in fuel or restricted share unit vested prices would increase the Company's net loss. A 10% change in commodity prices would impact the Company's net loss before taxes and other comprehensive income before taxes as follows:

	Year ended December 31, 2015		Year ended December 31, 2014	
(in millions of U.S. dollars)	**Net Loss**	**Other Comprehensive Income**	**Net Loss**	**Other Comprehensive Income**
IMPACT OF 10% CHANGE IN COMMODITY PRICES				
Gold price	**49.3**	**-**	47.8	-
Copper price	**22.5**	**-**	30.7	-
Silver price	**2.3**	**-**	2.0	-
Fuel price	**4.5**	**0.9**	7.0	-
Warrants	**0.2**	**-**	1.7	-
Restricted share units	**0.2**	**-**	0.3	-

The Company is also subject to price risk for changes in the Company's common stock price per share. The Company has granted, under its long-term incentive plan, a restricted share 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.

22. FAIR VALUE MEASUREMENT

Fair value is the price that would be received when selling 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 has certain financial assets and liabilities that are held at fair value. The investments, Warrants and restricted share units 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.

There were no transfers among Levels 1, 2 and 3 during the year ended December 31, 2015 or the year ended December 31, 2014. 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 and 3 financial assets and liabilities:

Provisionally priced contracts and gold and copper swap contracts

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

Diesel swap contracts

The fair value of the diesel swap contracts is calculated using the Gulf Coast ULSD forward prices based on the applicable settlement dates of the contracts.

Gold stream obligation

The fair value of the gold stream obligation is calculated using the risk-free interest rate derived from the fifteen year U.S Treasury rate, forward metal prices, company specific credit spread based on the yield on the Company's 2022 Senior Unsecured Notes, and expected gold ounces to be delivered from the Rainy River project life of mine model.

Performance share units

The fair value of the PSU liability is calculated using the quantity of base options subject to cash settlement, the weighted-average three-year achieved performance ratio (calculated using the annualized return of the Company's share price compared to the annualized return of the S&P Global Gold Index) and the expected share price at the end of the vesting period based on analyst consensus on the future share price.

The following table summarizes the Company's financial assets and liabilities by category and information about financial assets and liabilities measured at fair value on a recurring basis in the statement of financial position categorized by level of significance of the inputs used in making the measurements:

		As at December 31, 2015		As at December 31, 2014	
(in millions of U.S. dollars)	**Category**	**Level**		**Level**	
FINANCIAL ASSETS					
Cash and cash equivalents	Loans and receivables at amortized cost		**335.5**		370.5
Trade and other receivables	Loans and receivables at amortized cost		**105.5**		35.2
Provisionally priced contracts	Financial instruments at FVTPL	**2**	**(1.7)**	2	(8.4)
Gold and copper swap contracts	Financial instruments at FVTPL	**2**	**5.2**	2	8.0
Investments	Financial instruments at FVTPL	**1**	**0.3**	1	0.4
FINANCIAL LIABILITIES					
Trade and other payables[1]	Financial liabilities at amortized cost		**139.8**		95.3
Long-term debt	Financial liabilities at amortized cost		**787.6**		874.3
Warrants	Financial Instruments at FVTPL	**1**	**1.5**	1	16.9
Diesel swap contracts	Financial liability at fair value through OCI	**2**	**3.6**	2	-
Gold stream obligation	Financial instruments at FVTPL	**3**	**147.6**		-
Performance share units	Financial instruments at FVTPL	**3**	**0.8**		-
Restricted share units	Financial instruments at FVTPL	**1**	**0.8**	1	1.5

1. Trade and other payables exclude the short term portion of reclamation and closure cost obligations.

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

	As at December 31, 2015		As at December 31, 2014	
(in millions of U.S. dollars)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
FINANCIAL ASSETS				
Cash and cash equivalents	**335.5**	**335.5**	370.5	370.5
Trade and other receivables	**109.0**	**109.0**	34.8	34.8
Investments	**0.3**	**0.3**	0.4	0.4
FINANCIAL LIABILITIES				
Trade and other payables[1]	**139.8**	**139.8**	95.3	95.3
Long-term debt	**787.6**	**667.5**	874.3	882.3
Gold stream obligation	**147.6**	**147.6**	-	-
Warrants	**1.5**	**1.5**	16.9	16.9
Performance share units	**0.8**	**0.8**	-	-
Restricted share units	**0.8**	**0.8**	1.5	1.5

1. Trade and other payables exclude the short term portion of reclamation and closure cost obligations.

The Company has not offset financial assets with financial liabilities.

23. PROVISIONS

In addition to the environmental rehabilitation provision in Note 17, provisions include the cash-settled portion of the Company's PSUs and RSUs as well as employee benefits. The following table presents changes in provisions:

(in millions of U.S. dollars)	Performance share units	Restricted share units	Employee benefits	Total
As at December 31, 2013	0.8	1.3	7.7	9.8
Additional provisions recognized	0.6	3.4	5.3	9.3
Used during the year	-	(2.1)	(4.3)	(6.4)
Reclassified as equity settled share-based payments	(1.4)	-	-	(1.4)
Foreign exchange	-	(0.3)	(0.8)	(1.1)
As at December 31, 2014	-	2.3	7.9	10.2
Less: current portion	-	(0.8)	-	(0.8)
Non-current portion of provisions	-	1.5	7.9	9.4
Additional provisions recognized	**-**	**1.1**	**4.0**	**5.1**
Used during the year	**-**	**(1.6)**	**(3.1)**	**(4.7)**
Reclassified as equity settled share-based payments	**0.8**	**-**	**-**	**0.8**
Foreign exchange	**-**	**(0.2)**	**(0.9)**	**(1.1)**
As at December 31, 2015	**0.8**	**1.6**	**7.9**	**10.3**
Less: current portion	**-**	**(1.1)**	**-**	**(1.1)**
Non-current portion of provisions[(1)]	**0.8**	**0.5**	**7.9**	**9.2**

24. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
NON-CANCELLABLE OPERATING LEASE RENTALS		
Less than 1 year	**5.7**	**15.2**
Between 1 and 5 years	**0.8**	**2.4**
More than 5 years	**-**	**-**
Total non-cancellable operating lease rentals	**6.5**	**17.6**

For the year ended December 31, 2015, an amount of $34.0 million was recognized as an expense in profit or loss in respect of operating leases (2014 - $25.0 million).

25. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and other key management personnel [1] was as follows:

	Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**
KEY MANAGEMENT PERSONNEL REMUNERATION		
Short-term benefits[2]	**3.6**	3.9
Post-employment benefits	**-**	0.1
Other long-term benefits	**0.1**	-
Share-based payments	**4.4**	4.2
Termination benefits	**-**	-
Total key management personnel remuneration	**8.1**	8.2

1. *Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company.*
2. *Short-term benefits include salaries, bonuses payable within twelve months of the Statement of Financial Position 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 negative impact on the Company's financial condition, cash flow and results of operations.

Contractual commitments

The Company has entered into a number of contractual commitments for capital items relating to operations and development. At December 31, 2015, these commitments totalled $262.2 million, $184.4 million of which are expected to fall due over the next 12 months. This compares to commitments of $243.0 million as at December 31, 2014, $141.4 of which were expected to fall due over the upcoming year. The increase is due to the Rainy River project entering into additional capital purchase commitments. Certain contractual commitments may contain cancellation clauses, however the Company discloses its commitments based on management's intent to fulfill the contracts.

Cerro San Pedro

After public consultation, in March 2011, the municipality of Cerro de San Pedro approved a new municipal land use plan, which clearly designates the area of the Cerro San Pedro Mine for mining. New Gold believes this plan resolves any ambiguity regarding the land use in the area in which Cerro San Pedro is located, and which has had a history of ongoing legal challenges related to the environmental authorization ("EIS") for the mine. In April 2011, a request was filed for a new EIS based on the new Municipal Plan and on August 5, 2011 a new EIS was granted. The new EIS is subject to a number of ongoing conditions that will need to be fulfilled through the continued operation and eventual closure of the mine. 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 or leach pad life. During 2015 New Gold experienced challenges relating to its annual operations license. While the issues relating to the 2015 annual operations license have been resolved, it is possible that authorizations required in the future may also be subject to challenges or issues. 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.

Rainy River

A contractor involved in the construction of the Rainy River project has asserted various claims and potential claims against New Gold for work completed as at year end. In addition, one of that contractor's subcontractors alleges that it is owed $2.5 million by the contractor, and filed a construction lien in respect of that claim February 1, 2016. The Company disputes the validity and/or quantum of the claims and potential claims asserted. The Company intends to vigorously defend itself against the claims that have no merit, and has accrued a loss of $3.0 million with respect to such asserted claims made by or related to this contractor.

27. SUBSEQUENT EVENTS

On February 17, 2015, the Company amended the Credit Facility to vary the maximum leverage ratio from 3.5 : 1.0. Specifically, for the quarter ending September 30, 2016, the maximum leverage ratio will increase to 4.25 : 1.0 and for the next three quarters ending September 30, 2017, the maximum leverage ratio will increase to 4.5 : 1.0. Following that period, the maximum leverage ratio will return to 3.5 : 1.0. Furthermore, the leverage ratio contained in the company's agreement with Royal Gold has also been adjusted to match the revised maximum leverage ratio under the revolving credit facility.

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Management's Discussion and Analysis

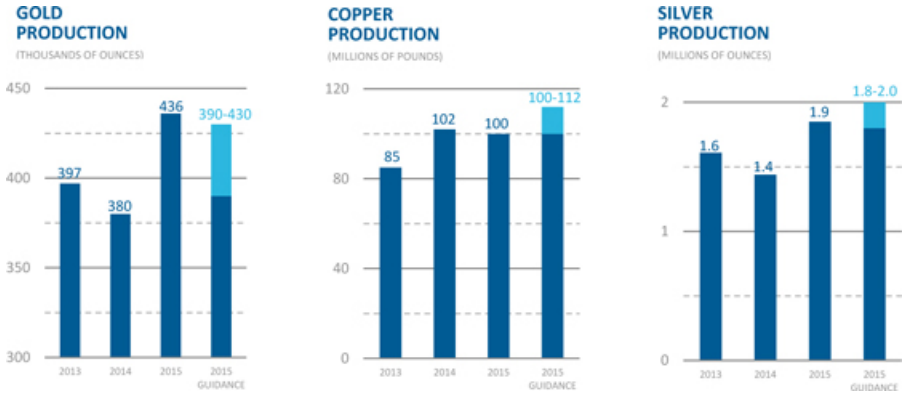
For the year ended December 31, 2015

OPERATING AND FINANCIAL HIGHLIGHTS

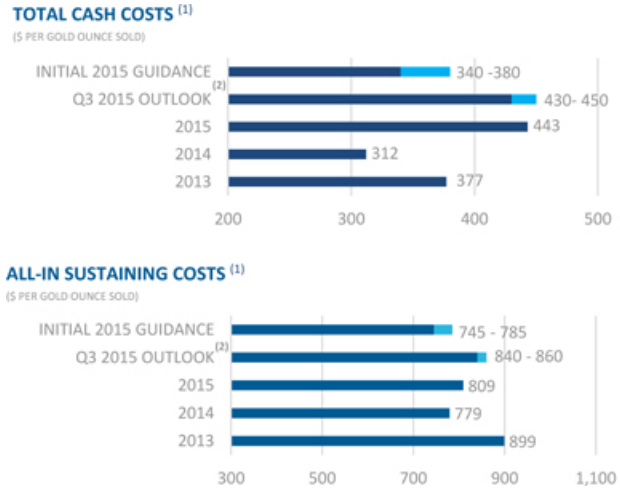
OPERATING HIGHLIGHTS

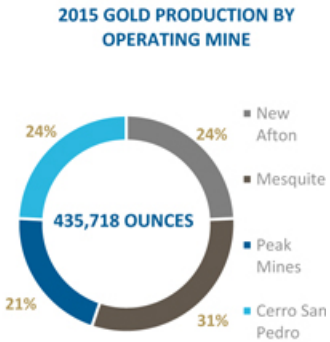
All dollar figures are in United States dollars and tabular dollar amounts are in millions, unless otherwise noted.

New Gold Inc. ("New Gold" or the "Company") is an intermediate gold producer with operating mines in Canada, the United States, Australia and Mexico and development projects in Canada. For the full year ended December 31, 2015, 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 435,718 gold ounces, 100.0 million pounds of copper and 1.9 million silver ounces. During the fourth quarter of 2015 the Company's mine sites produced 131,719 gold ounces, 28.8 million pounds of copper and 0.5 million silver ounces.



New Gold's production costs remained competitive compared to the broader gold mining space as New Gold had total cash costs[(1)] of $443 per gold ounce sold and all-in sustaining costs[(1)] of $809 per gold ounce sold in 2015. We believe New Gold continues to further establish itself as one of the lowest cost producers in the industry.

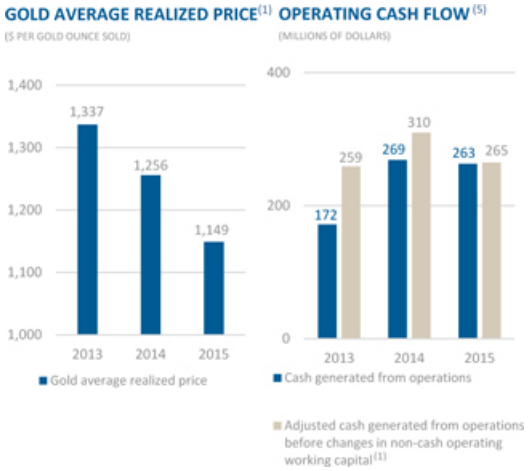




FINANCIAL HIGHLIGHTS

New Gold maintains a strong liquidity position with total available liquidity of $595 million, comprised of $336 million in cash and cash equivalents and $184 million available for drawdown under the Company's $300 million revolving credit facility, each as at December 31, 2015, and $75 million representing the second instalment of the deposit to be paid in connection with the Company's stream agreement relating to the Rainy River project.





1. *The Company uses certain non-GAAP financial performance measures throughout this Management's Discussion & Analysis ("MD&A"). For a detailed description of each of the non-GAAP measures used in the MD&A and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of the MD&A.*
2. *As a result of lower than planned spot commodity prices throughout the first three quarters of 2015, the Company released a revised outlook range for total cash costs per ounce and all-in sustaining costs per ounce.*
3. *Payment of the $75 million second instalment of the stream deposit is expected to be received in mid-2016, subject to certain conditions. Refer to the "Corporate Developments" section of this MD&A for more information.*
4. *Of the $300 million credit facility, $115.9 million is utilized for letters of credit as at December 31, 2015.*
5. *Adjusted cash generated from operations before changes in non-cash operating working capital in 2013 excludes $17.8 million of Rainy River acquisition expenses paid.*

(in millions of U.S. dollars, except where noted)	2015	2014	2013
OPERATING INFORMATION			
Gold production (ounces)	435,718	380,136	397,688
Gold sales (ounces)	428,852	371,179	391,823
Average realized price ($/ounce)(1)	1,149	1,256	1,337
Total cash costs per gold ounce sold ($/ounce)(1)	443	312	377
All-in sustaining costs per gold ounce sold ($/ounce)(1)	809	779	899
FINANCIAL INFORMATION			
Revenues	712.9	726.0	779.7
Net loss	(201.4)	(477.1)	(191.2)
Adjusted net (loss) earnings(1)	(10.9)	45.2	61.3
Cash generated from operations	262.6	268.8	171.9
Adjusted cash generated from operations before changes in non-cash operating working capital(1)	265.0	310.4	258.6
Cash and cash equivalents	335.5	370.5	414.4
Capital expenditures (sustaining capital) (1)	121.5	129.8	159.5
Capital expenditures (growth capital) (1)	268.0	149.5	129.8
SHARE DATA			
Loss per basic share ($)	(0.40)	(0.95)	(0.39)
Adjusted net (loss) earnings per basic share(1) ($)	(0.02)	0.09	0.13

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MANAGEMENT'S DISCUSSION AND ANALYSIS

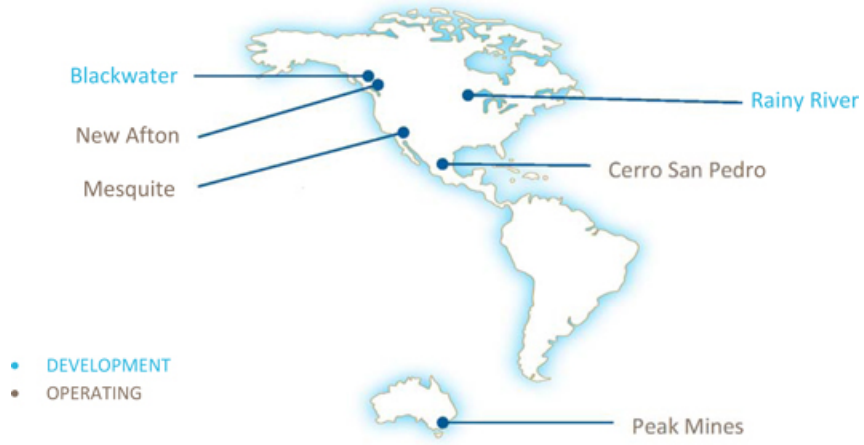
For the three months and year ended December 31, 2015

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"). This MD&A should be read in conjunction with New Gold's audited consolidated financial statements for the years ended December 31, 2015 and 2014 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 risks and uncertainties, as discussed in the cautionary note contained in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements. All dollar figures are in **United States dollars** and tabular dollar amounts are in millions, unless otherwise noted. This MD&A has been prepared as at February 17, 2016. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

OUR BUSINESS

New Gold is an intermediate gold producer with operating mines in Canada, the United States, Australia and Mexico and development projects in Canada. The Company's principal operating assets consist of the New Afton gold-copper Mine in Canada ("New Afton"), the Mesquite gold Mine in the United States ("Mesquite"), the Peak Mines gold-copper Mine in Australia ("Peak Mines") and the Cerro San Pedro gold-silver Mine in Mexico ("Cerro San Pedro"). In addition, New Gold's principal development projects are its 100% owned Rainy River ("Rainy River") and Blackwater ("Blackwater") projects, both in Canada. In November 2015, New Gold announced that it completed the previously announced sale of its 30% interest of the El Morro project ("El Morro") in Chile.

New Gold's operating portfolio is diverse both geographically and in the range of commodities it produces. The assets produce gold with copper and silver by-products at total cash costs and all-in sustaining costs below the industry average. With a strong liquidity position, a simplified balance sheet and an experienced management and Board of Directors, the Company has a solid platform to continue to execute its growth strategy, both organically and through value-enhancing accretive acquisitions, to further establish itself as an industry-leading intermediate gold producer.



OPERATING, DEVELOPMENT AND FINANCIAL HIGHLIGHTS

OPERATING AND DEVELOPMENT HIGHLIGHTS

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
OPERATING INFORMATION					
Gold (ounces):					
Produced (1)	**131,719**	105,992	435,718	380,135	397,688
Sold (1)	**133,005**	104,224	**428,852**	371,179	391,823
Copper (millions of pounds):					
Produced (1)	**28.8**	24.5	**100.0**	101.5	85.4
Sold (1)	**25.5**	25.5	**92.9**	97.6	82.6
Silver (millions of ounces):					
Produced (1)	**0.5**	0.4	**1.9**	1.4	1.6
Sold (1)	**0.5**	0.4	**1.8**	1.4	1.6
Average realized price (1) (2):					
Gold ($/ounce)	**1,094**	1,188	**1,149**	1,256	1,337
Copper ($/pound)	**2.16**	2.92	**2.42**	3.02	3.24
Silver ($/ounce)	**14.44**	15.73	**15.38**	18.86	23.16
Total cash costs per gold ounce sold ($/ounce) (2)(3)	**389**	414	**443**	312	377
All-in sustaining costs per gold ounce sold ($/ounce) (2)(3)	**613**	845	**809**	779	899
Total cash costs per gold ounce sold on a co-product basis ($/ounce) (2)(3)	**580**	695	**661**	675	712
All-in sustaining costs per gold ounce sold on a co-product basis ($/ounce) (2)(3)	**737**	957	**903**	952	1,042
Proven and Probable Reserves as at December 31(4)					
Gold (thousands of ounces)	**14,985**	17,646	**14,985**	17,646	18,538
Copper (millions of pounds)	**1,194**	2,821	**1,194**	2,821	2,953
Silver (millions of ounces)	**75.5**	82.0	**75.5**	82.0	90.1
Measured and Indicated Resources as at December 31(4)					
Gold (thousands of ounces)	**6,659**	7,807	**6,659**	7,807	9,134
Copper (millions of pounds)	**1,065**	1,728	**1,065**	1,728	1,552
Silver (millions of ounces)	**34.5**	36.0	**34.5**	36.0	35.0

1. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.*
2. *The Company uses certain non-GAAP financial performance measures throughout this MD&A. Average realized price, total cash costs and all-in sustaining costs per gold ounce sold and total cash costs and all-in sustaining costs on a co-product basis 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 remove the impact of other metal sales that are produced as a by-product of the Company's 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 three months ended December 31, 2015 would be $7.65 per silver ounce (2014 – $9.12) and $1.30 per pound of copper (2014 -$1.86) and co-product all-in sustaining costs for the three months ended December 31, 2015 would be $9.72 per silver ounce (2014 - $12.60) and $1.61 per pound of copper (2014 - $2.51). For the year ended December 31, 2015 co-product total cash costs would be $8.84 per silver ounce (2014 - $9.96) and $1.55 per pound of copper (2014 - $1.77) and co-product all-in sustaining costs for the year ended December 31, 2015 would be $12.12 per silver ounce (2014 -$14.12) and $2.06 per pound of copper (2014 - $2.43).*
4. *Measured and Indicated Mineral Resources are exclusive of Mineral Reserves and calculated in accordance with CIM standards as required under National Instrument 43-101. For a breakdown of Mineral Reserves and Mineral Resources by category and additional information relating to Mineral Reserves and Mineral Resources and related key assumptions and parameters, refer to the the "Mineral Reserves and Mineral Resources" section of this MD&A. 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.*

Gold production for the year ended December 31, 2015 increased by 15% compared to the prior year, with 435,718 gold ounces produced compared to 380,135 ounces. The Company's 2015 gold production exceeded the high end of the Company's guidance range of 390,000 to 430,000 ounces. The increase was driven by higher gold production at New Afton, Mesquite, and Cerro San Pedro. The Peak Mines' 2015 gold production was within its guidance range for the full year, however, was below prior-year production as expected. Mesquite's 2015 production increased by 26% when compared to 2014, significantly exceeding its guidance range for the full year. New Afton's 2015 gold production remained consistent with 2014 as a planned 6% increase in mill throughput offset an expected decrease in gold grade. As planned, Cerro San Pedro's 2015 production increased by 51% when compared to 2014. The increase in annual production was driven by a 66% increase in ore tonnes placed on the leach pad as mining activity in the prior year was primarily focused on waste stripping.

Gold production for the fourth quarter of 2015 increased by 24% compared to the prior-year period with 131,719 gold ounces produced compared to 105,992 ounces. The significant increase in quarterly gold production compared to the prior-year period was a result of higher production at all operating mines. Production increases at Mesquite were driven by an increase in the number of ore tonnes being mined and placed on the leach pad and faster process recoveries resulting from the Company's investment in the leach pad expansion. These factors combined to deliver Mesquite's highest quarterly production since the first quarter of 2012. Production at Cerro San Pedro benefitted from not only the mine's strong operating performance during the fourth quarter, but also the increase in ore mined and placed on the leach pad throughout 2015. Production at New Afton increased relative to the prior-year period due primarily to a 12% increase in mill throughput, as well as increases in gold grade and recovery. As planned, fourth quarter gold production at the Peak Mines was the highest of the year as the team continued to deliver steady quarter-over-quarter increases in production after the mine experienced geotechnical challenges in March of 2015. These factors combined to deliver the Company's highest quarterly production to date.

Gold sales were 428,852 ounces for the year ended December 31, 2015, compared to 371,179 ounces in the prior year. For the fourth quarter of 2015, 133,005 ounces of gold were sold compared to 104,224 ounces in the prior-year period. Timing of sales at the end of the period resulted in a difference between ounces sold and ounces produced.

Copper production for the year ended December 31, 2015 was 100.0 million pounds compared to 101.5 million pounds produced in the prior year. Copper production was at the low end of the Company's 2015 guidance range of 100 to 112 million pounds. New Afton's 2015 copper production was in line with the prior year, as lower copper grade was offset by higher copper recovery and increased throughput levels. Copper production at Peak Mines decreased by 18% when compared to the prior year due to lower copper grade and recovery. Copper production for the fourth quarter of 2015 was 28.8 million pounds compared to 24.5 million pounds in the prior-year period.

Copper sales were 92.9 million pounds for the year ended December 31, 2015 compared to 97.6 million pounds in the prior year. Copper sales volumes were lower than the prior year primarily due to the timing of sales at the end of the period, which resulted in a difference between pounds sold and pounds produced. Copper sales were 25.5 million pounds for the fourth quarter of 2015, which is consistent with the 25.5 million pounds sold in the prior-year period.

Silver production for the year ended December 31, 2015 was 1.9 million ounces, which was within the guidance range of 1.8 to 2.0 million ounces. Silver production was higher than prior-year production of 1.4 million ounces. This increase was primarily attributed to the second half of 2015. Silver production at Cerro San Pedro benefitted from the additional ore tonnes placed on the leach pad throughout 2015. Silver production for the fourth quarter of 2015 increased to 0.5 million ounces from the prior-year period production of 0.4 million ounces.

Total cash costs per gold ounce sold, net of by-product sales, were $443 per ounce for the year ended December 31, 2015, compared to $312 per ounce in the prior year. Total cash costs per gold ounce sold were higher than the Company's 2015 guidance range but within the Company's third quarter outlook range. The increase in cash costs relative to the prior year was primarily driven by lower copper by-product revenue from lower average realized copper prices. This was partially offset by weakening foreign currency exchange rates in certain jurisdictions where the Company operates, relative to the U.S. dollar. Total cash costs per gold ounce sold for the fourth quarter of 2015, net of by-product sales, were $389 per ounce compared to $414 per ounce in the prior-year period. The decrease in cash costs for the quarter was primarily driven by the Company's strong overall performance in the fourth quarter of 2015.

All-in sustaining costs per gold ounce sold were $809 per ounce for the year ended December 31, 2015, compared to $779 per ounce in the prior-year period. All-in sustaining costs per gold ounce sold were higher than the Company's 2015 guidance range but lower than the Company's third quarter outlook range. Increased cash costs were partially offset by decreased sustaining capital expenditures. All-in sustaining costs per gold ounce sold for the fourth quarter of 2015 were a record low $613 per ounce, compared to $845 per ounce in the prior-year period. This decrease was also driven by the Company's strong overall performance in the fourth quarter of 2015.

During the year ended December 31, 2015 capital expenditures on the Rainy River project totaled $245.5 million, compared to $80.5 million in the prior year. The increased activity during the year resulted in the project team achieving many significant milestones and project advancements; notably, the completion of detailed engineering, the completion of the temporary accommodation facility, the commencement of major earthworks and concrete placement, relocation of Highway 600 and receipt and assembly of the initial mine fleet. For a detailed project update please refer to the "Development and Exploration Review" section of this MD&A.

The Company has continued its exploration success at Peak Mines. The Company's 2015 exploration efforts have resulted in the discovery of two new zones of polymetallic mineralization, Chronos and Anjea, both located immediately adjacent to current and past-producing ore deposits within Peak Mines' main nine-kilometre long mine corridor. Chronos is a zone of gold-silver-copper-lead-zinc mineralization located directly above the Perseverance ore body which is currently in production and adjacent to the Peak Mines mill. Anjea is a zone of copper-gold-silver-lead-zinc mineralization located adjacent to the historic Great Cobar mine and approximately nine kilometres north of the Peak Mines mill. As the 2015 year-end Mineral Reserves and Resources estimate is based on drilling completed through the end of the third quarter of 2015, the results of drilling during the fourth quarter of 2015 will be incorporated into future Mineral Resource estimates to be completed in 2016.

FINANCIAL HIGHLIGHTS

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
FINANCIAL INFORMATION					
Revenues	**199.0**	188.1	**712.9**	726.0	779.7
Operating margin (1)	**82.6**	65.0	**293.3**	314.9	344.2
Earnings from mine operations	**8.5**	5.4	**52.6**	97.3	166.8
Net loss	**(9.5)**	(431.9)	**(201.4)**	(477.1)	(191.2)
Adjusted net earnings (loss) (1)	**2.6**	13.4	**(10.9)**	45.2	61.3
Cash generated from operations	**84.9**	69.9	**262.6**	268.8	171.9
Adjusted cash generated from operations before changes in non-cash operating working capital (1)	**76.5**	69.8	**265.0**	310.4	258.6
Capital expenditures (sustaining capital) (1)	**21.3**	36.3	**121.5**	129.8	159.5
Capital expenditures (growth capital) (1)	**148.3**	52.4	**268.0**	149.5	129.8
Total assets	**3,675.5**	3,881.8	**3,675.5**	3,881.8	4,202.3
Cash and cash equivalents	**335.5**	370.5	**335.5**	370.5	414.4
Long-term debt	**787.6**	874.3	**787.6**	874.3	862.5
SHARE DATA					
Loss per share:					
Basic ($)	**(0.02)**	(0.86)	**(0.40)**	(0.95)	(0.39)
Diluted ($)	**(0.02)**	(0.86)	**(0.40)**	(0.95)	(0.39)
Adjusted net earnings (loss) per basic share ($) (1)	**0.01**	0.03	**(0.02)**	0.09	0.13
Share price as at December 31 (TSX – Canadian dollars)	**3.22**	4.99	**3.22**	4.99	5.56
Weighted average outstanding shares (basic) (millions)	**509.3**	503.9	**509.0**	503.9	488.0

1. *The Company uses certain non-GAAP financial performance measures throughout this MD&A. Operating margin, adjusted net (loss) earnings, adjusted net (loss) earnings per basic share, capital expenditures (sustaining and growth) and adjusted cash generated from operations before changes in non-cash operating working capital 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.*

Revenue was $712.9 million for the year ended December 31, 2015, compared to $726.0 million in the prior year. The $13.1 million, or 2%, decrease in revenue for the year ended December 31, 2015 was attributable to the net impact of a $105.7 million decrease driven by lower metal prices which was offset by a $65.3 million increase in metal sales volumes and a non-cash charge of $27.3 million related to the monetization of the Company's legacy hedge position as it was realized into income from other comprehensive income over the original term of the hedge contract in the prior year. The average realized prices for the year ended December 31, 2015 were $1,149 per gold ounce, $2.42 per pound of copper and $15.38 per silver ounce, compared to $1,256 per gold ounce, $3.02 per pound of copper and $18.86 per silver ounce in the prior-year period.

Revenue was $199.0 million for the fourth quarter of 2015, compared to $188.1 million in the prior-year period. The $10.9 million, or 6%, increase in revenue for the fourth quarter of 2015 was attributed to the net impact of a $36.2 million increase in metals sales volumes and a non-cash charge of $6.8 million related to the monetization of the Company's legacy hedge position as it was realized into income from other comprehensive income over the original term of the hedge contract in the prior-year period which was offset by a $32.1 million decrease driven by lower metal prices. The average realized prices for the fourth quarter of 2015 were $1,094 per gold ounce, $2.16 per pound of copper and $14.44 per silver ounce, compared to $1,188 per gold ounce, $2.92 per pound of copper and $15.73 per silver ounce in the prior-year period.

Earnings from mine operations were $52.6 million for the year ended December 31, 2015, compared to $97.3 million in the prior year. The decrease in earnings from mine operations was attributed primarily to lower average realized metal prices and higher depreciation and depletion, which was partially offset by increased gold and silver sales volumes. The Company's total production expenses (operating expenses before production expenses capitalized and change in inventory and work-in-progress as per Note 5 of the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014) have decreased from the prior year as a result of the depreciation of the Canadian and Australian dollars relative to the U.S. dollar and the company's ongoing cash flow optimization initiatives.

Earnings from mine operations were $8.5 million for the fourth quarter of 2015, compared to $5.4 million in the prior-year period. Increased gold and silver sales volumes were only partially offset by lower average realized metal prices and higher depreciation and depletion. Additionally, the Company's total production expenses have decreased from the prior-year period primarily as a result of the depreciation of the Canadian and Australian dollars relative to the U.S. dollar and the company's ongoing cash flow optimization initiatives. The increase in earnings from mine operations was due to the Company's overall strong performance in the fourth quarter of 2015.

The Company's net loss was $201.4 million or $0.40 per basic share for the year ended December 31, 2015, compared to a net loss of $477.1 million or $0.95 per basic share in the prior year. The net loss was impacted by the change in earnings from mine operations as noted above. In addition, the Company recognized an after-tax impairment charge in the current year of $14.1 million relating to Peak Mines and an inventory write-down of $12.5 million relating to Cerro San Pedro. The prior year included after-tax impairment charges of $393.8 million, of which $334.7 million was related to Blackwater, $59.1 million was related to Cerro San Pedro and $10.4 million was related to an inventory write-down primarily at Cerro San Pedro.

During the year ended December 31, 2015 a loss on disposal of the Company's 30% interest in the El Morro project of $98.8 million ($180.3 million included in other gains and losses less associated tax recovery of $81.5 million) was included in net loss. Please refer to the "Corporate Developments" section of this MD&A for further details on this transaction.

Other gains and losses also included a foreign exchange loss of $98.2 million for the year ended December 31, 2015. The foreign exchange loss is primarily due to the loss on translation of the non-monetary assets and liabilities denominated in currencies other than the U.S. dollar.

The Company's net loss was $9.5 million or $0.02 per basic share for the fourth quarter of 2015, compared to $431.9 million or $0.86 per basic share in the prior-year period. The decrease in net loss was primarily driven by the Company's overall strong performance in the fourth quarter of 2015 and a larger after-tax impairment loss being recognized in the prior-year period, as discussed above.

Adjusted net loss for the year ended December 31, 2015 was $10.9 million or $0.02 per basic share, compared to adjusted net earnings of $45.2 million or $0.09 per basic share in the prior year. Adjusted net loss was impacted by the change in earnings from mine operations, as noted above, and increased finance costs as capitalized interest is no longer applied to the Blackwater project. These changes were partially offset by decreased corporate administration and exploration costs. The adjusted net earnings for the fourth quarter of 2015 were $2.6 million or $0.01 per basic share, compared to adjusted net earnings of $13.4 million or $0.03 per basic share in the prior-year period.

Cash generated from operations for the year ended December 31, 2015 was $262.6 million compared to $268.8 million in the prior year. The negative impact to cash flow due to lower metal prices was partially offset by an increase in gold and silver sales volume, changes in non-cash operating working capital and a decrease in corporate administration and

exploration and business development expenses. Net cash generated from operations for the fourth quarter of 2015 was $84.9 million, increasing from the prior-year period of $69.9 million.

Cash and cash equivalents were $335.5 million as at December 31, 2015 compared to $370.5 million as at December 31, 2014. Cash generated from operations for the year ended December 31, 2015 of $262.6 million and cash generated by financing activities of $45.7 million (which includes the first instalment of the gold stream obligation deposit, net of financing initiation costs, of $97.6 million and interest paid of $52.3 million) was offset by cash used in investing activities of $324.5 million (which includes $121.5 million of sustaining capital expenditures, $268.0 million of growth capital expenditures, primarily on the Rainy River project, and after-tax net cash proceeds of $62.4 million relating to the sale of the Company's 30% interest in the El Morro project) and $18.8 million due to the impact of foreign exchange on cash and cash equivalents.

On July 20, 2015 the Company announced that it had entered into a $175 million streaming transaction with RGLD Gold AG, a wholly-owned subsidiary of Royal Gold Inc. ("Royal Gold"). Royal Gold paid the first $100 million of the deposit concurrent with entering into the transaction. Please refer to the "Corporate Developments" section of this MD&A for further details on this transaction.

CORPORATE DEVELOPMENTS

New Gold's strategy is to continue strong operational execution at its current assets while pursuing disciplined growth both through organic initiatives and value-enhancing mergers and acquisitions. Since the middle of 2009, New Gold has focused on enhancing 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 long-term shareholder value. New Gold's objective is to pursue corporate development initiatives that will leave the Company and its shareholders in a fundamentally stronger position.

On July 20, 2015 New Gold announced that the Company had entered into a $175 million streaming agreement with Royal Gold. Under the terms of the agreement, Royal Gold will provide New Gold with a deposit of $175 million, to be used for the ongoing development of the Company's Rainy River project, in exchange for a percentage of the annual gold and silver production from the project.

STREAMING AGREEMENT HIGHLIGHTS INCLUDE:

Upfront Deposit

- Royal Gold to provide New Gold with a $175 million deposit for the development of the Company's Rainy River project
  - $100 million paid at signing with the remaining $75 million to be paid when 60% of the project development capital has been spent (subject to customary conditions precedent); expected to be in mid-2016

Gold and Silver Stream Percentage

- New Gold to deliver 6.50% of the project's gold production up to a total of 230,000 ounces of gold, and 3.25% of the project's gold production thereafter
- New Gold to deliver 60% of the project's silver production up to a total of 3.1 million ounces of silver, and 30% of the project's silver production thereafter

Ongoing Cash Purchase Price

- In addition to the upfront deposit, Royal Gold to pay New Gold 25% of the spot gold or silver price at the time each ounce of gold or silver is delivered under the stream

The gold and silver stream will cover future production from New Gold's current Rainy River land package, plus an additional two-kilometre area of interest, but excluding any potential future mineralization discovered on New Gold's Off Lake exploration claims located to the northeast of the Rainy River deposit.

On November 24, 2015 New Gold completed the sale of its 30% interest in the El Morro project to a subsidiary of Goldcorp Inc. ("Goldcorp"). In exchange for the Company's 30% interest, New Gold received $62.4 million in cash ($90 million less withholding taxes and transaction costs) and the Company's $94.5 million carried funding loan payable was cancelled. In addition, New Gold will receive a 4% gold stream on gold production from the El Morro property. The transaction provides New Gold with increased financial flexibility, strengthens the balance sheet and enables the Company to maintain exposure to El Morro's significant gold reserves and ongoing exploration potential.

KEY TRANSACTION HIGHLIGHTS

$62.4 million net cash consideration

- $62.4 million, net of applicable withholding taxes and transaction costs, were received at close of the transaction in the fourth quarter of 2015

4% stream on gold production from the El Morro property

- 4% stream on life-of-project gold production from the 417 square kilometre El Morro property
- El Morro's currently estimated gold Mineral Reserves – 599 million tonnes at an average gold grade of 0.46 grams per tonne, totalling 8.9 million ounces
- New Gold to pay fixed $400 per ounce on the first 217,000 ounces of gold delivered as part of the stream

$94 million carried funding loan cancelled

- New Gold will no longer be obligated to repay the $94 million in debt that Goldcorp (and previous joint venture partners) funded on the Company's behalf

In conjunction with the transaction, Goldcorp and Teck Resources Limited ("Teck") have combined their respective El Morro and Relincho projects into a 50/50 joint venture with the interim name of Project Corridor. Based on the results of the Project Corridor Preliminary Economic Assessment, when ore is sourced from El Morro, gold production is expected to average over 400,000 ounces per year which would enable New Gold to purchase over 16,000 ounces of gold per year at $400 per ounce.

CORPORATE SOCIAL RESPONSIBILITY

New Gold is committed to excellence in corporate social responsibility. The Company considers its ability to make a lasting and positive contribution toward sustainable development a key driver to achieving a productive and profitable business. New Gold aims to achieve this objective through the protection of the health and well-being of its people and host communities as well as employing industry leading practices in the areas of environmental stewardship and community engagement and development. The Company is proud to have been listed in the Maclean's/Sustainalytics – Top 50 Socially Responsible Corporations in Canada and in the "Future 40 Most Responsible Corporate Leaders in Canada" by Corporate Knights for the second consecutive year.

ENVIRONMENTAL AND COMMUNITY HIGHLIGHTS FOR 2015

- "Top Five Environmental and Social Responsibility ("ESR") Risks" were reviewed and audited at Mesquite, Rainy River and Cerro San Pedro.
- New Afton hosted a visit by the Company's Independent Tailings Review Board, a group of independent experts that provides comments on the adequacy of all aspects of design and operation of tailings storage facilities.
- Cerro San Pedro completed the 2015 reforestation campaign in the community of Monte Caldera. Cerro San Pedro continues to work with communities as we move toward closure by supporting an entrepreneurship program, including a local fair to encourage small business.
- Peak completed the modelling for reclamation trials of the tailings storage facility.
- Rainy River continues to work with local communities and First Nations and other Aboriginal partners during the project's construction phase.
- New Afton participated in First Nations career fairs and implemented the Stk'emlúpsemc te Secwépemc Nation Job Readiness Program providing career coaching and specialist training.

ENVIRONMENTAL AND COMMUNITY TARGETS FOR 2016

- Conduct Independent Tailings Review Board meetings for our Canadian operations and projects.
- Review the ESR material risk management process.
- Review and standardize management of change processes across all operations.
- Develop a corporate strategy for maximizing local procurement and employment.

As a participant and supporter of the United Nations Global Compact, New Gold's policies and practices are guided by its principles with regard to human rights, labour, environmental stewardship and anti-corruption. As a member of the Mining Association of Canada ("MAC"), New Gold's operations adopt the MAC's Towards Sustainable Mining protocols.

New Gold's corporate social responsibility objectives include promoting and protecting the welfare of its 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. New Gold believes that its people are its most valued assets. The Company strives to create a culture of inclusiveness that begins at the top and is reflected in its hiring, promotion and overall human resources practices. New Gold encourages tolerance and acceptance in worker-to-worker relationships. In each of its host communities, the Company strives to be an employer of choice through the provision of competitive wages and benefits, and through the implementation of policies of recognizing and rewarding employee performance and promoting from within wherever possible.

The Company is committed to preserving the long-term health and viability of the natural environments that host its operations. Wherever New Gold operates – in all stages of mining activity, from early exploration and planning, to

commercial mining operations through to eventual closure – the Company is committed to excellence in environmental management. From the earliest site investigations, New Gold carries out comprehensive environmental studies to establish baseline measurements for flora, fauna, earth, air and water. During operations, the Company promotes the efficient use of raw materials and resources and works to minimize environmental impacts and maintain robust monitoring programs. After mining activities are complete, New Gold's objective is to restore the land to a sustainable end land use or to an alternative land use determined through consultation with local stakeholders.

New Gold is committed to establishing relationships based on mutual benefit and active participation with its host communities to contribute to healthy and sustainable communities. Wherever the Company's operations interact with Indigenous peoples, New Gold promotes understanding of, and respect for traditional values, customs and culture and takes meaningful action to consider their interests through collaborative agreements aimed at creating jobs, training and lasting socio-economic benefits. New Gold aims to foster open communication with local residents and community leaders and strives to partner in the long-term sustainability of those communities. The Company believes that by thoroughly understanding the people, their histories, and their needs and aspirations, we can engage in a meaningful and sustainable development process.

NEW GOLD'S INVESTMENT THESIS

Our primary focus is the exploration, development and operation of our portfolio of gold producing 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 as we further explore and develop our exciting development projects. As we deliver on what we believe is an industry-leading organic growth profile, we intend to remain focused on the following key strengths that have helped New Gold become a leading intermediate producer.

PORTFOLIO OF ASSETS IN TOP-RATED JURISDICTIONS

New Gold has a diverse portfolio of assets. Operating assets consist of New Afton in Canada, Mesquite in the United States, Peak Mines in Australia and Cerro San Pedro in Mexico. Significant development projects include Rainy River and Blackwater in Canada. All assets are located in jurisdictions that have been ranked in the top five mining jurisdictions based on the Behre Dolbear Report "2015 Ranking of Countries for Mining Investment". In 2015, 40% of our revenue was generated from Canada, 21% from the United States, 20% from Mexico and 18% from Australia, and over 85% of our gold reserves are located in Canada.

INVESTED AND EXPERIENCED TEAM

New Gold has an invested and experienced executive management team and Board of Directors with extensive mining sector knowledge, a successful track record of identifying and developing mines and significant experience in leading successful mining companies. Our Board of Directors provides valuable stewardship and includes individuals with a breadth of knowledge across the mining sector that the Company believes provides New Gold with a distinct competitive advantage.

AMONG LOWEST-COST PRODUCERS WITH ESTABLISHED TRACK RECORD

New Gold has a portfolio of mines that have a history of delivering on consolidated Company guidance. In 2015, New Gold exceeded its production guidance at low costs which enable us to generate robust margins. New Gold produced 435,718 gold ounces at total cash costs of $443 per gold ounce sold net of by-product sales and all-in sustaining costs of $809 per gold ounce sold net of by-product sales. New Gold's costs continue to be well below the industry average.

PEER-LEADING GROWTH PIPELINE

In addition to our operating mines, we have development potential that significantly enhances our production base and growth profile. As at December 31, 2015, the Rainy River project contains Proven and Probable Mineral Reserves of 3.8 million gold ounces and 9.4 million silver ounces and the Blackwater project contains Proven and Probable Mineral Reserves of 8.2 million gold ounces and 60.8 million silver ounces. Please refer to the "Mineral Reserves and Mineral Resources" section of this MD&A for further details

A HISTORY OF VALUE CREATION

Since the middle of 2008, New Gold has grown through the acquisition of largely single asset companies which has further strengthened the Company. In 2015, New Gold completed two strategic corporate development initiatives with the sale of a Rainy River stream and the sale of the Company's 30% interest in El Morro. These two transactions collectively increased the Company's liquidity position by approximately $235 million and eliminated $94 million of debt. The experience of our management team and Board of Directors has allowed the Company to be opportunistic in its corporate development initiatives. In addition, New Gold continues to look for opportunities to organically increase the value of each of its operations.

OUTLOOK FOR 2016

	Gold Production	Copper Production	Silver Production[3]	Total Cash Costs[1] [2]	All-in Sustaining Costs[1] [2]
	(thousands of ounces)	*(millions of pounds)*	*(millions of ounces)*	*(per gold ounce sold)*	*(per gold ounce sold)*
New Afton	90 - 100	75 - 85	-	($335) - ($295)	$95 - $135
Mesquite	130 - 140	-	-	$590 - $630	$1,015 - $1,055
Peak Mines	80 - 90	6 – 8	-	$800 - $840	$1,020 - $1,060
Cerro San Pedro	60 - 70	-	1.3 - 1.5	$755 - $795	$765 - $805
Total	**360 - 400**	**81 - 93**	**1.6 - 1.8**	**$435 - $475**	**$825 - $865**

1. *Net of by-product silver and copper revenues.*
2. *For details on the key assumptions, which apply to all 2016 and 2017 production and cost guidance contained in this MD&A, refer to "Total Cash Costs and All-in Sustaining Costs per Gold Ounce Sold" below.*
3. *New Afton and the Peak Mines are expected to contribute a total of approximately 0.3 million ounces of silver production in 2016.*

Production

New Gold's 2016 consolidated gold production is expected to decrease relative to the prior year as a result of the planned transition of Cerro San Pedro from active mining to residual leaching. Gold production at the Company's other three operations should remain in line with 2015 production. Copper production is expected to decrease as a result of lower copper production at New Afton and the Peak Mines. At New Afton, the decrease in production is a result of lower copper grade. At the Peak Mines, given current gold and copper prices, the team is focused on mining and processing the mine's relatively higher grade gold stopes while reducing the overall tonnes mined in light of the geotechnical challenges experienced in 2015. Consolidated silver production is scheduled to remain in line with the prior year.

Total Cash Costs and All-in Sustaining Costs per Gold Ounce Sold

The Company's 2016 total cash costs are expected to remain in line with the $443 per ounce achieved in 2015, despite the expected decrease in by-product revenues resulting from lower assumed copper and silver prices and lower expected copper production. This is offset by of the expected benefits from the continued implementation of cost savings initiatives across the Company's sites as well as the continued depreciation of the Canadian and Australian dollars and lower diesel prices.

New Gold's 2016 total sustaining costs, including sustaining capital, exploration, general and administrative and amortization of reclamation expenditures, are expected to decrease by approximately $10 million, or 6%, relative to the prior year. However, as the company's sustaining costs are forecast to be allocated across a lower gold production base, New Gold's 2016 all-in sustaining costs are expected to increase by approximately $35 per ounce when compared to the $809 per ounce delivered in 2015. In 2016, Mesquite, the Peak Mines and Cerro San Pedro are expected to deliver production at lower all-in sustaining costs.

New Gold's by-product pricing assumptions for 2016 of $2.00 per pound of copper and $14.00 per ounce of silver are in line with current spot prices and below the average prices realized in 2015 of $2.42 per pound of copper and $15.38 per ounce of silver. The 2016 assumptions for the Canadian dollar, Australian dollar and Mexican peso exchange rates of $1.40, $1.40 and MXN18.00 to the U.S. dollar, respectively, are also consistent with spot exchange rates and compare to 2015 actual average exchange rates of $1.28, $1.33 and MXN15.88 to the U.S. dollar, respectively.

It is estimated that changes in key base assumptions would have the following approximate impact on cost per ounce:

Category	Copper Price	Silver Price	CAD/USD	AUD/USD	MXN/USD
Base Assumption	**$2.00**	**$14.00**	**$1.40**	**$1.40**	**$18.00**
Sensitivity	**+/- $0.25**	**+/- $1.00**	**+/- $0.05**	**+/- $0.05**	**+/- $1.00**
COST PER OUNCE IMPACT					
New Afton	+/-$210	-	+/-$55	-	-
Mesquite	-	-	-	-	-
Peak Mines	+/-$20	-	-	+/-$35	-
Cerro San Pedro	-	+/-$20	-	-	+/-$30
Total	+/-$55	+/-$5	+/-$20	+/-$10	+/-$5

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 market prices of gold, copper and silver, as well as foreign exchange rates.

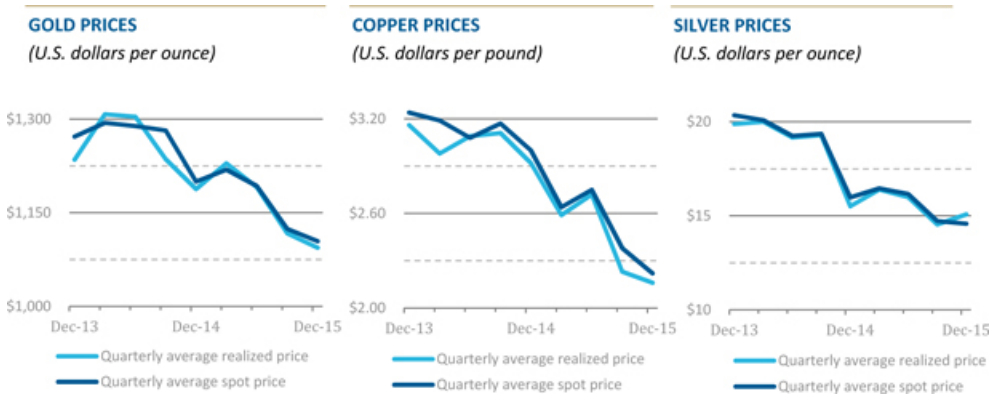
Production Volumes and Costs

New Gold's portfolio of operating mines produced 435,718 gold ounces for the year ended December 31, 2015, compared to 380,135 gold ounces in the prior year. Production was 131,719 gold ounces during the fourth quarter of 2015, compared to 105,992 gold ounces in the prior-year period.

For the year ended December 31, 2015, total cash costs and all-in sustaining costs, net of by-product sales, were $443 and $809 per gold ounce sold, respectively. For the year ended December 31, 2014, total cash costs and all-in sustaining costs, net of by-product sales, were $312 and $779 per gold ounce sold, respectively.

Total cash costs and all-in sustaining costs for the fourth quarter of 2015, net of by-product sales, were $389 and $613 per gold ounce sold, respectively. Total cash costs and all-in sustaining costs for the fourth quarter of 2014, net of by-product sales, were $414 and $845 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 is expected to be closely related to the prevailing price of gold.

For the year ended December 31, 2015, New Gold's average realized gold price was $1,149 per ounce compared to the LBMA p.m average gold price of $1,160 per ounce. For the fourth quarter of 2015, New Gold's average realized gold price was $1,094 per ounce, compared to the LBMA p.m average gold price of $1,104 per ounce. New Gold achieved a lower realized gold price compared to the LBMA p.m average primarily as a result of provisionally priced sales settling in the fourth quarter at a lower price than recorded in previous months and the mark-to-market of unsettled ounces at the end of the year.

As a low cost producer, we believe New Gold is in a strong position to operate both in a low gold price environment and to take advantage of higher gold prices through the Company's existing operations and growth projects.

Copper Prices

For the year ended December 31, 2015, New Gold's average realized copper price was $2.42 per pound, compared to the average London Metals Exchange copper price of $2.50 per pound. For the fourth quarter of 2015, New Gold's average realized copper price was $2.16 per pound, compared to the average London Metals Exchange copper price of $2.22 per pound. The realized copper price was slightly less than the market price during the fourth quarter due to variations in quotational period prices paid to customers.

Silver Prices

For the year ended December 31, 2015, New Gold had an average realized silver price of $15.38 per ounce compared to the LBMA p.m. average silver price of $15.70 per ounce. For the fourth quarter of 2015, New Gold had an average realized silver price of $14.44 per ounce compared to the LBMA p.m average silver price of $14.76 per ounce. The average realized silver price was lower than the market price due to the timing of sales.

Foreign Exchange Rates

The Company operates in Canada, the United States, Australia and Mexico, while revenues are predominantly generated in U.S. dollars. As a result, the Company has foreign currency exposure with respect to costs 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, the Rainy River project and the Blackwater project, 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 against the U.S. dollar by approximately 2% in the fourth quarter of 2015 and weakened by approximately 14% during the year ended December 31, 2015. A weaker Canadian dollar decreases costs in U.S. dollar terms at the Company's Canadian operations, as well as capital costs at the Company's Canadian development properties as a significant portion of the capital costs are denominated in Canadian dollars.

The Australian dollar weakened against the U.S. dollar by approximately 1% in the fourth quarter of 2015 and weakened by approximately 16% during the year ended December 31, 2015. A weaker Australian dollar decreases costs in U.S. dollar terms at the Company's Australian operation, Peak Mines.

The Mexican peso weakened against the U.S. dollar by approximately 2% in the fourth quarter of 2015 and weakened by approximately 17% during the year ended December 31, 2015. 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 U.S. dollar-denominated costs.



For an analysis of the impact of foreign exchange fluctuations on operating costs during the year ended December 31, 2015 and the fourth quarter of 2015 relative to prior-year periods, refer to the “Review of Operating Mines” sections for New Afton, Peak Mines and Cerro San Pedro.

Economic Outlook

The gold price declined by approximately 12% during the year and by approximately 5% during the quarter. The main influence on gold prices through the year was the anticipation that the Federal Reserve would start to increase interest rates for the first time in many years, which eventually occurred in December. However, subsequent economic data has been varied and global markets have been extremely volatile, with the result that the pace of interest rate rises is now expected to be more gradual than previously assumed. This has provided support for gold and allowed the gold price to begin 2016 on a strong footing. As a low cost producer with a pipeline of development projects, New Gold believes it is particularly well positioned both to operate in a lower gold price environment and to take advantage of higher prices in the gold market.

Economic events can have significant effects on the price of gold, 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. New Gold’s growth plan is focused on organic and acquisition-led growth, and the Company plans to remain flexible in the current environment to be able to respond to opportunities as they arise.

FINANCIAL RESULTS

Summary of Annual Financial Results

Revenue

Revenue for the year ended December 31, 2015 was $712.9 million compared to $726.0 million in the prior year. The $13.1 million, or 2%, decrease in revenue for the year ended December 31, 2015 was attributable to the net impact of a $105.7 million decrease driven by lower metal prices which was offset by a $65.3 million increase in metal sales volumes and a non-cash charge of $27.3 million related to the monetization of the Company's legacy hedge position as it was realized into income from other comprehensive income over the original term of the hedge contract in the prior year. A detailed discussion of production is included in the "Review of Operating Mines" section of this MD&A.

Operating expenses

Operating expenses were $419.6 million in the year ended December 31, 2015 compared to $411.1 million in the prior year. The Company's total production costs (operating expenses before production expenses capitalized and change in inventory and work-in-progress as per Note 5 of the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014) have decreased to $471.7 million from $513.8 million in the prior year. The reduction in New Gold's consolidated production costs reflects the combined benefit of the depreciation of the Canadian and Australian dollars relative to the U.S. dollar and the benefit of the Company's newly formed Business Improvement function, highlighted by mine plan and cash flow optimization efforts. The Business Improvement projects implemented aim to consider all key operating costs, mine and mill efficiencies, in addition to appropriate capital deferrals and working capital benefits. Refer to the "Review of Operating Mines" section of this MD&A for more details.

Depreciation and depletion

Depreciation and depletion was $240.7 in the year ended December 31, 2015 compared to $217.6 million in the prior year. The increase was primarily a result of increased gold production and the related impact on depreciation and depletion, as a significant portion of the Company's capital assets are depleted using the units-of-production depletion method.

Earnings from mine operations

Earnings from mine operations for 2015 were $52.6 million compared with $97.3 million in the prior year. The combination of higher depreciation and lower realized metal prices and copper sales volumes was only partially offset by higher gold sales volumes.

Corporate administration and share-based payment expenses

Corporate administration costs were $20.4 million in the year ended December 31, 2015, compared to $25.4 million in the prior year. These costs were positively impacted by the weaker Canadian dollar as the Company's corporate office is located in Toronto, Canada.

During the year, the Company recognized a provision of $3.0 million for relocation, severance and career transition costs related to the Company's plans to consolidate its head office.

Share-based compensation costs were $7.3 million in the year ended December 31, 2015, consistent with the $7.5 million recognized in the prior year.

Exploration and business development

Exploration and business development expense was $6.5 million in the year ended December 31, 2015, compared to $11.8 million in the prior year. The current year included a refundable tax credit of $1.4 million at Blackwater related to the British Columbia Mining Exploration Tax Credit and was also impacted by reduced exploration activity at Blackwater and reduced infill drilling activity at Mesquite as compared to the prior year. Expensed exploration in the current period was

primarily incurred at Peak Mines and the Blackwater project. The prior year included expensed exploration costs at Mesquite, Peak Mines and the Blackwater project. Exploration costs at the Rainy River project were capitalized to mineral interest in both current and prior years.

Capitalized exploration costs were $5.1 million for the year ended December 31, 2015 compared to $21.5 million in the prior year. Capitalized exploration was incurred at the Rainy River project and Peak Mines in the current year and Rainy River, Peak Mines and New Afton in the prior year. The decrease in capitalized exploration costs was due to reduced exploration activity at New Afton and a reduction in resource delineation at the Rainy River project as compared to the prior year.

Please refer to the "Development and Exploration review" section of this MD&A for further details on the Company's exploration and business development activities.

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, 2015, the Company recorded a gain of $14.2 million compared to a gain of $8.5 million in the prior year relating to share purchase warrants. The Company's functional currency is the U.S. dollar, however, the share purchase warrants are denominated in Canadian dollars and are therefore treated as a derivative liability. 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 in earnings.

Loss on disposal of the El Morro project

On November 24, 2015 the Company completed the sale of its 30% interest in the El Morro project to Goldcorp in exchange for $62.2 million in cash ($90 million net of applicable withholding taxes and transaction costs), a 4% stream on gold production from the El Morro property (valued at $32.0 million) and the cancellation of the Company's $94.5 million carried funding loan. New Gold incurred $2.4 million of transaction costs in connection with the sale which were expensed. Included in net loss is a loss on disposal of $98.8 million ($180.3 million included in other gains and losses less associated tax recovery of $81.5 million). Please refer to the "Corporate Developments" section of this MD&A for further details on this transaction.

Gold stream obligation

During the third quarter of 2015 the Company entered into a $175 million streaming agreement which was classified as a derivative liability. The derivative liability is revalued at each period end. Adjustments as a result of changes in the Company's own credit risk are recorded in the statement of other comprehensive income. Gains and losses related to changes in the risk free interest rate, expected ounces to be delivered, future metal prices and accretion due to the passage of time are recorded in other gains and losses. For the year ended December 31, 2015, the Company had an unrealized gain on the revaluation of the derivative instrument of $6.2 million included within other gains and losses and an unrealized gain of $21.2 million included within other comprehensive income related to the change in the risk adjusted discount rate used to value this obligation. The Company also incurred transaction costs of $2.4 million related to the streaming agreement, which are included in other gains and losses. Please refer to the "Corporate Developments" section of this MD&A for further details on this transaction.

Foreign exchange

For the year ended December 31, 2015, the Company recognized a foreign exchange loss of $98.2 million compared to a loss of $47.5 million in the prior year. Movements in foreign exchange are due to the revaluation of the monetary assets

and liabilities at the balance sheet date and the depreciation of both the Canadian and Australian dollars compared to the U.S. dollar in the period.

Income tax

Income and mining tax recovery in the year ended December 31, 2015 was $106.9 million compared to a tax expense of $67.6 million in the prior-year period, reflecting an effective tax rate of 35% in 2015 compared to 17% in 2014. The primary reason for a higher unadjusted effective tax rate is the impact of a lower Chilean income tax rate of 22.5% applicable on the sale of the Company's 30% interest in the El Morro project against 35% in the prior periods. In addition, the unadjusted effective tax rate was higher due to the impact of foreign exchange movements on the deferred tax related to non-monetary assets and liabilities. In the year ended December 31, 2015 the Company recorded a foreign exchange expense of $24.2 million on the deferred tax related to foreign exchange on non-monetary assets and liabilities as compared to $2.1 million in the prior year. The effect on the tax rate is higher in the year ended December 31, 2015, primarily as a result of the stronger U.S. dollar.

For 2015, the Company did not recognize a deferred tax asset in Mexico of $19.8 million ($34.0 million for 2014) as it cannot meet the more likely than not criteria for recognizing the asset. Additionally, the Company reassessed the deferred tax asset with respect to 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. As a result, for the 2015 year end, the Company did not recognize a $3.5 million ($5.6 million for 2014) deferred tax asset relating to AMT credits at the Mesquite operation.

During the year, the Company paid income taxes of $19.4 million compared to a refund of $4.0 million in 2014. The increase in tax payable is primarily due to payment of income tax of $25.2 million on sale of El Morro. The Company also received $1.4 million of refundable tax credits provided by the Province of British Columbia as an incentive for exploration. This compares to refundable tax credits of $24.4 million in 2014.

On an adjusted net (loss) earnings basis, the effective tax rate for the year ended December 31, 2015 was 41% compared to 30% in the prior year. The adjusted effective tax rate excludes the impact of foreign exchange, the impairment loss on the reclassification of the El Morro project as held for sale, the gold stream obligation transaction costs, the loss on revaluation of the gold stream obligation at the period end, the provision for office consolidation, the hedge settlement in the prior-year period, and any associated changes in the recognition of deferred tax assets. The higher adjusted effective tax rate reflects the greater impact of permanent differences over adjusted net loss compared with net earnings in the prior year.

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 Peak Mines CGU (operating mine) and Rainy River CGU (development project). During the fourth quarter of 2015, the Company updated its Mineral Reserve and Mineral Resource estimates and updated the life-of-mine ("LOM") plan for its Peak Mines CGU, which has decreased the expected production profile going forward. At December 31, 2015, the carrying amount of the Company's net assets exceeded its market capitalization. Management has determined that the Company's ongoing construction of the Rainy River development project is a significant factor in the decrease in the Company's market capitalization. The Company has identified the decreased production profile of the Peak Mines, along with the decrease in the Company's market capitalization as a result of the ongoing construction of the Rainy River project as indicators of impairment and performed an impairment assessment to determine the recoverable amount of these CGUs.

For the year ended December 31, 2015, the Company recorded after-tax impairment charges of $14.1 million within income from operations, as noted below:

(in millions of U.S. dollars)	Year ended December 31, 2015 Peak Mines
IMPAIRMENT CHARGE INCLUDED WITHIN INCOME FROM OPERATIONS	
Peak Mines depletable mining interest	**15.5**
Peak Mines non-depletable mining interest	**4.6**
Total impairment charge before tax	**20.1**
Tax recovery	**(6.0)**
Total impairment charge after tax	**14.1**

At December 31, 2014, indicators of impairment existed at the Mesquite CGU and the Cerro San Pedro CGU (both operating mines) and the Blackwater CGU and the El Morro CGU (both development properties). For the year ended December 31, 2014, the Company recorded after-tax impairment charges of $393.8 million within income from operations, as noted below:

(in millions of U.S. dollars)	Year ended December 31, 2014 Cerro San Pedro	Blackwater	Total
IMPAIRMENT CHARGE INCLUDED WITHIN INCOME FROM OPERATIONS			
Blackwater non-depletable mining interest	-	334.7	334.7
Cerro San Pedro depletable mining interest	45.7	-	45.7
Cerro San Pedro plant & equipment	15.4	-	15.4
Total impairment charge before tax	61.1	334.7	395.8
Tax recovery	(2.0)	-	(2.0)
Total impairment charge after tax	59.1	334.7	393.8

(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, and Blackwater. 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 the 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.

Life-of-Mine plans

Estimated cash flows are based on LOM plans which estimate expected future production, commodity prices, exchange assumptions, operating costs and capital costs. Current LOM plans range from 8 to 15 years with an average mine life of 12 years. LOM plans use Proven and Probable Mineral Reserves only and do not utilize Mineral Resource estimates for a CGU. When options exist for the future extraction and processing of these Resources, an estimate of the value of the unmined Mineral Resources (also referred to as in-situ ounces), along with an estimate of value of exploration potential are 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 based on an enterprise value per equivalent resource ounce, with the enterprise value based on the market capitalization of a subset of publicly traded companies. A higher in-situ value has been applied to the operating CGUs while a lower in-situ value has been applied to active development projects. Estimated exploration potential has been determined by the Company based on observable market data.

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 is designed to 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, 2015 impairment analysis, real discount rates of between 5.80% and 6.75% were used with an average rate of 6.28% (2014 - real discount rates of between 5.00% and 8.00% 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, 2015 impairment analysis the following commodity prices and exchange rate assumptions were used:

	As at December 31, 2015		As at December 31, 2014	
(in U.S. dollars, except where noted)	**2016 - 2020 Average**	**Long term**	**2015 - 2019 Average**	**Long term**
COMMODITY PRICES				
Gold ($/ounce)	**1,206**	**1,200**	1,260	1,300
Silver ($/ounce)	**16.96**	**18.00**	20.14	20.00
Copper ($/pound)	**2.66**	**2.88**	3.20	3.00
EXCHANGE RATES				
CAD:USD	**1.28**	**1.25**	1.13	1.11
AUD:USD	**1.32**	**1.20**	1.19	1.11
MXN:USD	**-**	**-**	12.45	11.00
CLP:USD	**-**	**-**	538	538

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 and 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, 2015, it was determined that there were indicators of impairment at the Peak Mines CGU and the Rainy River CGU. The Company calculated the recoverable amount of these CGUs using the fair value less cost of disposal method as noted above. For the year ended December 31, 2015 the Company recorded pre-tax impairment charges of $20.1 million, $14.1 million net of tax, within income from operations related to CGU level impairments, as noted above.

The fair value of the Peak Mines CGU has been significantly impacted by the decreased production profile. The recoverable amount of the Rainy River CGU exceeded its carrying value and accordingly no impairment charges were recorded for this CGU.

At December 31, 2014, it was determined that there were indicators of impairment at the Mesquite CGU, Cerro San Pedro CGU, Blackwater CGU and El Morro CGU. The recoverable amount of Mesquite and El Morro exceeded their carrying value and accordingly no impairment charges were recorded for these CGUs at the CGU level. For the year ended December 31, 2014 the Company recorded pre-tax impairment charges of $395.8 million, $393.8 million net of tax, within income from operations related to the Blackwater and Cerro San Pedro CGUs.

(iii) Sensitivity analysis

After effecting the impairments for the Peak Mines CGU, the fair value of this CGU is assessed as being equal to its respective carrying amount as at December 31, 2015 (2014 – Cerro San Pedro and Blackwater CGUs). 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 the assumptions 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 the Peak Mines CGU (2014 - Cerro San Pedro and Blackwater CGUs) at December 31, 2015:

	As at December 31, 2015
(in millions of U.S. dollars)	**Peak Mines**
IMPACT OF CHANGES IN THE KEY ASSUMPTIONS USED TO DETERMINE FAIR VALUE	
$100 per ounce change in gold price	**20.8**
0.5% change in discount rate	**0.3**
5% change in exchange rate	**18.2**
5% change in operating costs	**16.0**
5% change in in-situ ounces	**5.7**

(in millions of U.S. dollars)	As at December 31, 2014 Cerro San Pedro	Blackwater
IMPACT OF CHANGES IN THE KEY ASSUMPTIONS USED TO DETERMINE FAIR VALUE		
$100 per ounce change in gold price	13.0	221.0
0.5% change in discount rate	0.5	73.0
5% change in exchange rate	7.0	136.0
5% change in operating costs	12.0	67.0
5% change in in-situ ounces	-	3.0

Net loss

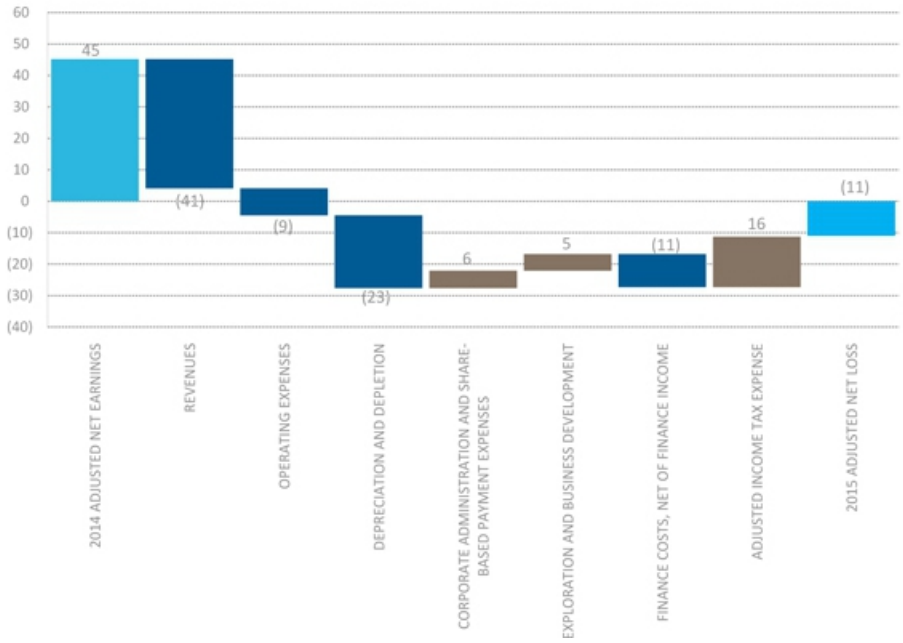
For the year ended December 31, 2015, the Company had a net loss of $201.4 million, or $0.40 per basic share. This compares with net loss of $477.1 million, or $0.95 per basic share in the prior year.

Adjusted net (loss) earnings

For the year ended December 31, 2015, adjusted net loss was $10.9 million or $0.02 per basic share, compared to net earnings of $45.2 million or $0.09 per basic share in the prior year.

RECONCILIATION OF ADJUSTED NET (LOSS) EARNINGS – 2014 TO 2015

(*in millions of U.S. dollars*)



The net loss has been adjusted, including the associated tax impact, for costs in “Other gains and losses” on the condensed consolidated income statement. Key entries in this grouping are: the loss on disposal of the Company’s 30% interest in the El Morro project; the fair value changes for the gold stream obligation and share purchase warrants; gold stream obligation transaction costs; foreign exchange gain or loss; and other non-recurring items. Net loss is also adjusted for inventory write-downs and asset impairment. Other adjustments to net loss in the prior-year period include the non-cash loss incurred on the monetization of the Company’s legacy hedge position as it is realized into net loss from other comprehensive income over the original term of the hedge contract, which is included in revenue.

In the current year, the net loss is adjusted for charges related to an asset impairment at Peak Mines and an inventory write-down primarily at Cerro San Pedro. In the prior year, the net loss was adjusted for asset impairments at Cerro San Pedro and Blackwater and an inventory write-down primarily at Cerro San Pedro. 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 the net loss to adjusted net loss.

Summary of Quarterly Financial Results

Revenue

Revenue was $199.0 million for the fourth quarter of 2015, compared to $188.1 million in the prior-year period. The $10.9 million, or 6%, increase in revenue for the fourth quarter of 2015 was attributed to the net impact of a $36.2 million increase in metals sales volumes and a non-cash charge of $6.8 million related to the monetization of the Company's legacy hedge position as it was realized into income from other comprehensive income over the original term of the hedge contract in the prior-year period which was offset by a $32.1 million decrease driven by lower metal prices. A detailed discussion of production is included in the "Operating Highlights" section of this MD&A.

Operating expenses

Operating expenses for the fourth quarter of 2015 were lower than the prior-year period at $116.4 million compared to $123.1 million, primarily driven by the combined benefit of the depreciation of the Canadian and Australian dollars relative to the U.S. dollar and reduced spending. The Company's total production costs (operating expenses before production expenses capitalized and change in inventory and work-in-progress as per Note 5 of the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014) have decreased to $112.4 million from $132.9 million in the prior-year period. The reduction in New Gold's consolidated production costs reflects the combined benefit of the depreciation of the Canadian and Australian dollars relative to the U.S. dollar and the benefit of the Company's newly formed Business Improvement function, highlighted by mine plan and cash flow optimization efforts. The Business Improvement projects implemented aim to consider all key operating costs, mine and mill efficiencies, in addition to appropriate capital deferrals and working capital benefits. Refer to the "Review of Operating Mines" section of this MD&A for more details.

Depreciation and depletion

Depreciation and depletion for the fourth quarter of 2015 was $74.1 million compared to $59.6 million in the prior-year period. The increase was a result of increased gold and silver production and the related impact on depreciation and depletion as a significant portion of the Company's capital assets are depleted using the units-of-production depletion method.

Earnings from mine operations

Earnings from mine operations for 2015 were $8.5 million compared with $5.4 million in the prior-year period. The increase in earnings from increased gold sales volumes was only partially offset by lower average realized prices and higher depreciation and depletion.

Corporate administration and Share-based compensation

Corporate administration costs were $3.7 million for the fourth quarter of 2015 compared to $5.2 million incurred in the prior-year period. The decrease in corporate administration costs was driven by reductions in corporate administration spending and the benefit of the depreciation of the Canadian dollar relative to the U.S. dollar as the Company's corporate office is located in Toronto, Canada.

Share-based compensation costs were $1.6 million for the fourth quarter of 2015, which is consistent with $1.5 million recognized in the prior-year period.

Exploration and business development

Exploration and business development expense was $1.7 million for the fourth quarter of 2015 compared to a recovery of $0.6 million in the prior-year period. The increase is due to increased exploration activity at Peak Mines relating to exploration drilling at the recently discovered Chronos and Anjea zones as well as increased delineation and infill drilling as compared to the prior-year period. Expensed exploration in the current period was primarily incurred at Peak Mines

and the Blackwater project. The prior-year period included expensed exploration costs at Mesquite, Peak Mines and the Blackwater project.

Capitalized exploration costs were $1.1 million for the fourth quarter of 2015 compared to $5.2 million in the prior-year period. Capitalized exploration was incurred at the Rainy River project and Peak Mines in the current period and Rainy River, Peak Mines and New Afton in the prior-year period. The decrease in capitalized exploration costs was due to reduced exploration activity at New Afton and a reduction in resource delineation at the Rainy River project as compared to the prior-year period.

Please refer to the "Development and Exploration Review" section of this MD&A for further details on the Company's exploration and business development activities.

Other gains and losses

The following other gains and losses are added back for the purposes of adjusted net earnings:

Non-hedged derivatives

For the fourth quarter of 2015, the Company recorded a gain of $4.4 million related to the mark-to-market of the share purchase warrants. This compares to a gain of $4.1 million in the prior-year period. The Company's functional currency is the U.S. dollar, however, the share purchase warrants are denominated in Canadian dollars and are therefore treated as a derivative liability under IFRS. 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 in earnings.

Gold stream obligation

During the third quarter of 2015 the Company entered into a $175 million streaming agreement which was classified as a derivative liability. The derivative liability is revalued at each period end. Adjustments as a result of changes in the Company's own credit risk are recorded in the statement of other comprehensive income. Gains and losses related to changes in the risk free interest rate, expected ounces to be delivered, future metal prices and accretion due to the passage of time are recorded in other gains and losses. For the fourth quarter of 2015, the Company had an unrealized gain on the revaluation of the derivative instrument of $9.4 million included within other gains and losses and an unrealized gain of $6.2 million included within other comprehensive income related to the change in the risk adjusted discount rate used to value this obligation. Please refer to the "Corporate Developments" section of this MD&A for further details on this transaction.

Foreign exchange

For the fourth quarter of 2015, the Company recognized a foreign exchange loss of $25.6 million compared to a loss of $21.4 million in the prior-year period. The foreign exchange loss is primarily due to the Company recognizing a foreign exchange gain on translation in relation to the tax basis of the non-monetary assets and liabilities denominated in currencies other than the U.S. dollar.

Income tax

Income and mining tax recovery for the fourth quarter of 2015 was $30.8 million compared to an expense of $11.4 million in the prior-year period, reflecting an effective tax rate of 76% for the fourth quarter of 2015 compared to 3% in the prior-year period. The primary reason for a higher unadjusted effective tax rate is the impact of foreign exchange movements on the deferred tax related to non-monetary assets and liabilities that have no tax basis. For the fourth quarter of 2015 the Company recorded a foreign exchange expense of $43.3 million on the deferred tax related to foreign exchange on non-monetary assets and liabilities as compared to $7.8 million in the same prior-year period with no associated tax impact.

On an adjusted net earnings basis, the effective tax rate for the fourth quarter of 2015 was 52% compared to 21% in the prior-year period. The adjusted effective tax rate excludes the impact of foreign exchange, the impairment loss on reclassification of the El Morro project as held for sale, the gold stream obligation transaction costs, the loss on revaluation of the gold stream obligation at the period end, the provision for office consolidation, the hedge settlement in the prior-year period, and any associated changes in the recognition of deferred tax assets. The higher adjusted effective tax rate reflects the greater impact of permanent differences over adjusted net loss compared with net earnings in the prior-year period.

Net loss

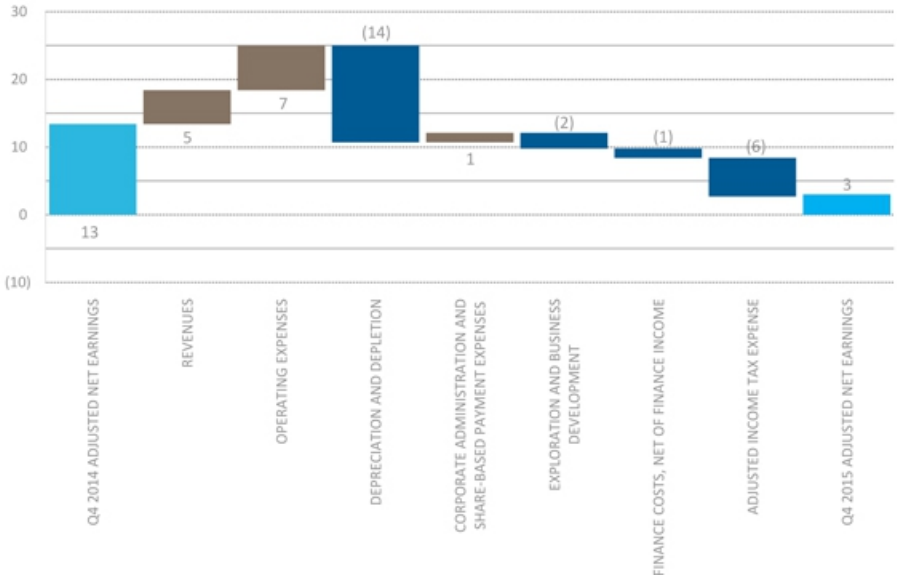
For the fourth quarter of 2015, New Gold had a net loss of $9.5 million, or $0.02 per basic share compared with $431.9 million, or $0.86 per basic share in the prior-year period.

Adjusted net earnings

For the fourth quarter of 2015, adjusted net earnings were $2.6 million or $0.01 per basic share, compared to $13.4 million or $0.03 per basic share in the prior-year period.

RECONCILIATION OF FOURTH QUARTER ADJUSTED NET EARNINGS – 2014 TO 2015

(*in millions of U.S. dollars*)



The net loss has been adjusted, including the associated tax impact, for costs in “Other gains and losses” on the condensed consolidated income statement. Key entries in this grouping are: the loss on disposal of the Company’s 30% interest in the El Morro project; the fair value changes for the gold stream obligation and share purchase warrants; gold stream obligation transaction costs; foreign exchange gain or loss; and other non-recurring items. Net loss is also adjusted for inventory write-downs and asset impairment. Other adjustments to net loss in the prior-year period include the non-cash loss

incurred on the monetization of the Company's legacy hedge position as it is realized into income over the original term of the hedge contract, which is included in revenue.

In the current quarter, the net loss is adjusted for charges related to an asset impairment at Peak Mines and an inventory write-down primarily at Cerro San Pedro. In the prior-year period, the net loss was adjusted for asset impairments at Cerro San Pedro and Blackwater and an inventory write-down primarily at Cerro San Pedro. 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 the net loss to adjusted net earnings.

Key Quarterly Operating and Financial Information

Selected financial and operating information for the current and previous quarters is as follows:

(in millions of U.S. dollars, except where noted)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
OPERATING INFORMATION									
Gold production (ounces)	**131,719**	122,580	86,442	94,977	105,992	93,367	89,460	91,317	106,520
Gold sales (ounces)	**133,005**	115,695	87,754	92,398	104,224	88,168	84,736	94,052	104,523
Revenues	**199.0**	177.3	167.7	168.9	188.1	169.3	178.1	190.5	198.4
Net earnings (loss)	**(9.5)**	(157.8)	9.4	(43.8)	(431.9)	(59.6)	16.2	(1.8)	(254.7)
Per share:									
Basic ($)	**(0.02)**	(0.31)	0.02	(0.09)	(0.86)	(0.12)	0.03	0.00	(0.51)
Diluted ($)	**(0.02)**	(0.31)	0.02	(0.09)	(0.86)	(0.12)	0.03	0.00	(0.51)
Adjusted net (loss) earnings	**2.6**	(8.5)	(1.3)	(4.9)	13.4	5.4	8.2	18.2	16.7
Per share:									
Basic ($)	**0.01**	(0.02)	(0.00)	(0.01)	0.03	0.01	0.02	0.04	0.04
Diluted ($)	**0.01**	(0.02)	(0.00)	(0.01)	0.03	0.01	0.02	0.04	0.03

A detailed discussion of production is included in the "Operating Highlights" section of this MD&A.

REVIEW OF OPERATING MINES

New Afton Mine, British Columbia, Canada

The New Afton gold-copper mine is located near 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 mine as well as 118 square kilometres of exploration licenses covering multiple mineral prospects within the historic Iron Mask mining district. At December 31, 2015, the mine had 1.2 million ounces of Proven and Probable gold Mineral Reserves and 1.1 billion pounds of Proven and Probable copper Mineral Reserves, with 1.2 million ounces of Measured and Indicated gold Mineral Resources, exclusive of Mineral Reserves, and 971 million pounds of Measured and Indicated copper Mineral Resources, exclusive of Mineral Reserves. A summary of New Afton's operating results is provided below.

AT-A-GLANCE

2016 GUIDANCE:
GOLD: 90,000 - 100,000 OUNCES
COPPER: 75 - 85 MILLION POUNDS
TOTAL CASH COSTS/OZ: ($335) - ($295)
ALL-IN SUSTAINING COSTS/OZ: $95 - $135

2015 PRODUCTION:
GOLD: 105,487 OUNCES
COPPER: 86 MILLION POUNDS
TOTAL CASH COSTS/OZ: ($724)
ALL-IN SUSTAINING COSTS/OZ: ($242)

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
OPERATING INFORMATION					
Ore mined (thousands of tonnes)	**1,525**	1,218	**5,255**	4,792	4,078
Ore processed (thousands of tonnes)	**1,355**	1,213	**5,097**	4,792	4,087
Average grade:					
Gold (grams/tonne)	**0.83**	0.80	**0.78**	0.81	0.78
Copper (%)	**0.97**	0.93	**0.90**	0.94	0.93
Recovery rate (%):					
Gold	**83.9**	80.7	**82.5**	83.4	85.1
Copper	**86.2**	82.3	**84.9**	84.9	85.9
Gold (ounces):					
Produced [1]	**30,231**	25,301	**105,487**	104,589	87,177
Sold [1]	**28,473**	25,835	**99,458**	102,060	85,030
Copper (millions of pounds):					
Produced [1]	**25.1**	20.4	**86.0**	84.5	72.0
Sold [1]	**22.2**	20.9	**79.7**	81.5	69.3
Silver (millions of ounces):					
Produced [1]	**0.1**	0.1	**0.3**	0.2	0.2
Sold [1]	**0.1**	0.1	**0.2**	0.2	0.2
Average realized price [1][2]:					
Gold ($/ounce)	**1,099**	1,164	**1,164**	1,248	1,314
Copper ($/pound)	**2.17**	2.93	**2.42**	3.03	3.23
Silver ($/ounce)	**14.00**	13.99	**14.94**	18.21	20.91
Total cash costs per gold ounce sold ($/ounce) [2][3]	**(614)**	(1,199)	**(724)**	(1,248)	(1,196)
All-in sustaining costs per gold ounce sold ($/ounce) [2][3]	**(340)**	(560)	**(242)**	(650)	(133)
Total cash costs on a co-product basis [2][3]					
Gold ($/ounce)	**433**	395	**464**	409	486
Copper ($/pound)	**0.86**	1.00	**0.96**	0.99	1.19
All-in sustaining costs on a co-product basis [2][3]					
Gold ($/ounce)	**539**	603	**642**	610	837
Copper ($/pound)	**1.07**	1.52	**1.34**	1.48	2.05

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
FINANCIAL INFORMATION:					
Revenues	**73.1**	85.4	**284.6**	350.2	318.7
Operating margin[2]	**47.9**	60.9	**186.9**	254.7	213.0
Earnings from mine operations	**7.4**	28.2	**44.7**	125.2	119.3
Capital expenditures (sustaining capital) [2]	**7.4**	16.2	**46.7**	59.7	90.2
Capital expenditures (growth capital) [2]	**0.8**	10.5	**15.4**	31.2	32.0

1. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.*
2. *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, and capital expenditures (sustaining capital and growth capital) are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
3. *The calculation of total cash costs per gold ounce is net of by-product 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.*

Annual and Quarterly Operating Results

Production

For the year ended December 31, 2015, New Afton produced 105,487 gold ounces compared to 104,589 gold ounces in the prior year and produced 86.0 million pounds of copper compared to 84.5 million pounds of copper in the prior year. The increase in gold production was primarily a result of the planned 6% increase in mill throughput, which offset an expected decrease in gold grade. Gold recovery remained in line with the prior year despite the increase in throughput as a result of the Company's successful completion of the mill expansion project in the second quarter of 2015. New Afton's full-year gold production was within its guidance range of 105,000 to 115,000 ounces.

Full-year copper production was also consistent with the prior year. In line with gold production, the higher mill throughput offset an expected decrease in copper grade, while copper recovery remained consistent with the prior year. New Afton's full-year copper production was within its guidance range of 85 to 95 million pounds.

For the fourth quarter of 2015, New Afton produced 30,231 gold ounces compared to 25,301 ounces in the prior-year period. The increase was driven by the combined impact of a 12% increase in mill throughput, a 4% increase in gold grade and a 3% increase in gold recovery. The increase in recovery was driven by the benefits associated with the completion of the mill expansion project earlier in 2015 and the higher gold grade.

Copper production for the fourth quarter of 2015 was 25.1 million pounds compared to 20.4 million pounds in the prior-year period. Consistent with the drivers of the higher quarterly gold production, New Afton's fourth quarter copper production benefitted from higher throughput as well as a 4% increase in copper grade and a 4% increase in copper recovery.

Revenue

For the year ended December 31, 2015, revenue was $284.6 million compared to $350.2 million in the prior year. The $65.6 million, or 19%, decrease in revenue for the year ended December 31, 2015 was attributed to the combined impact of a $56.8 million decrease driven by lower metal prices and an $8.8 million decrease in metals sales volumes. The average realized gold price for the year ended December 31, 2015 was $1,164 per gold ounce compared to $1,248 per gold ounce in the prior year. The average realized copper price for the year ended December 31, 2015 was $2.42 per pound of copper compared to $3.03 per pound of copper in the prior year.

At the end of the quarter, New Afton's exposure to the impact of movements in market metal prices for provisionally priced contracts was 22,500 ounces of gold and 33.7 million pounds of copper. Exposure to these movements in market

metal prices is reduced by 21,800 ounces of gold swaps and 32.6 million pounds of copper swaps outstanding at December 31, 2015, with settlement periods ranging from January 2016 to July 2016.

For the fourth quarter of 2015, revenue was $73.1 million compared to $85.4 million in the prior-year period. The $12.3 million, or 14%, decrease in revenue for the fourth quarter of 2015 was attributed to the net impact of a $19.1 million decrease driven by lower metal prices which was offset by a $6.8 million increase in metals sales volumes. The average realized gold price for the fourth quarter of 2015 was $1,099 per gold ounce compared to $1,164 per gold ounce in the prior-year period. The average realized copper price for the fourth quarter of 2015 was $2.17 per pound of copper compared to $2.93 per pound of copper in the prior-year period.

Earnings from mine operations

For the year ended December 31, 2015, New Afton generated $44.7 million in earnings from mine operations compared to $125.2 million in the prior year. New Afton contributed $7.4 million to the Company's earnings from mine operations for the fourth quarter of 2015, compared to $28.2 million in the prior-year period. These differences were primarily driven by the impact of production and revenue described above combined with the impact of lower realized commodity prices, partially offset by the benefit of the weaker Canadian dollar on operating costs.

Total cash costs and all-in sustaining costs

For the year ended December 31, 2015, total cash costs per gold ounce sold, net of by-product sales, were ($724) per ounce compared to ($1,248) per ounce in the prior year. The increase in costs was primarily attributable to a $55 million, or $488 per ounce, decrease in by-product revenue relative to the prior year driven by a combination of the decrease in the realized copper price and lower copper sales volumes. All-in sustaining costs per gold ounce sold were ($242) per ounce compared to ($650) per ounce in the prior year with the increase primarily attributable to the increase in total cash costs, which was partially offset by a decrease in sustaining capital expenditures compared to the prior year.

For the fourth quarter of 2015, total cash costs per gold ounce sold, net of by-product sales were ($614) per ounce compared to ($1,199) per ounce in the prior-year period. The negative variance was primarily attributable to a $13 million, or $685 per ounce, decrease in by-product revenue relative to the prior-year quarter driven by a decrease in the average realized price along with a decrease in copper sales volume. The quarterly cost impact of the increase in ore tonnes mined and processed was offset by the depreciation of the Canadian dollar relative to the U.S. dollar. All-in sustaining costs per gold ounce sold were ($340) per ounce compared to ($560) per ounce in the prior-year period with the increase primarily attributable to the increase in cash costs, which was partially offset by lower sustaining capital expenditures.

Capital expenditures

For the year ended December 31, 2015, capital expenditures totalled $62.1 million, of which $46.7 million related to sustaining capital and $15.4 million related growth capital. This compares to $90.9 million in the prior-year period, of which $59.7 million related to sustaining capital and $31.2 million related to growth capital. In the year ended December 31, 2015 and in the prior year, sustaining capital expenditures primarily related to mine development costs and the respective dam raise projects. Growth capital for the years ended December 31, 2015 and 2014 related to completing the mill expansion and advancing the C-zone project. The decrease in growth capital expenditures was a result of the completion of the mill expansion in the second quarter of 2015.

For the fourth quarter of 2015, capital expenditures totalled $8.2 million, of which $7.4 million related to sustaining capital and $0.8 million related to growth capital. Fourth quarter growth capital at New Afton related to the C-zone. This compares to $26.7 million in the prior-year period, of which $16.2 million related to sustaining capital and the remainder related to mill expansion and C-zone growth capital. The decrease in growth capital expenditures was a result of the completion of the mill expansion in the second quarter of 2015.

Impact of Foreign Exchange on Operations

New Afton's operations continue to be impacted by fluctuations in the valuation of the U.S. dollar against the Canadian dollar. The value of the U.S. dollar for the year ended December 31, 2015 averaged $1.28 against the Canadian dollar compared to $1.10 in the prior year, resulting in a positive impact on cash costs of $202 per gold ounce sold.

The value of the U.S. dollar for the fourth quarter of 2015 averaged $1.33 against the Canadian dollar compared to $1.14 in the prior-year period, resulting in a positive impact on cash costs of $183 per gold ounce sold.

Exploration Activities

No exploration was conducted at New Afton during 2015. Exploration drilling to test the potential to further expand the C-zone Mineral Resource is expected to resume in 2016.

Outlook for 2016

Gold production at New Afton is expected to decrease by approximately 10% relative to 2015 as a decrease in gold grade is only partially offset by the benefit of the mine operating at the higher throughput rate for the full year. Similarly, 2016 copper production is scheduled to decrease by approximately 7%, due to the mining and processing of lower copper grade ore.

New Afton's all-in sustaining costs and total cash costs, whether measured on a by-product or co-product basis, are expected to remain among the lowest in the industry. The expected increase in total cash costs relative to ($724) per ounce in 2015 is primarily attributable to an expected decrease in by-product revenues of approximately $35 million, or $360 per ounce. The increased operating costs associated with the higher mining and milling rate are expected to be offset by the continued depreciation of the Canadian dollar. 2016 sustaining costs are expected to decrease by approximately $8 million to $40 million, or $430 per ounce, when compared to the prior year.

On a co-product basis, New Afton's 2016 all-in sustaining costs are expected to be $705 to $745 per ounce of gold and $1.25 to $1.40 per pound of copper, which include estimated co-product total cash costs of $530 to $570 per ounce of gold and $0.95 to $1.10 per pound of copper.

Looking forward to 2017, New Afton should continue its strong performance. Gold production is expected to decrease by approximately 10,000 ounces relative to 2016 as a result of lower gold grade, while copper production is expected to increase by approximately 5 million pounds.

Please refer to the "Outlook for 2016" section of this MD&A for details of the relevant key assumptions.

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. The mine resumed production in 2008. New Gold acquired Mesquite as part of the business combination with Western Goldfields in mid-2009. At December 31, 2015, the mine had 1.5 million ounces of Proven and Probable gold Mineral Reserves and 831,000 ounces of Measured and Indicated gold Mineral Resources, exclusive of Mineral Reserves. A summary of Mesquite's operating results is provided below.

AT-A-GLANCE

2016 GUIDANCE:
GOLD: 130,000 - 140,000 OUNCES
TOTAL CASH COSTS/OZ: $590 - $630
ALL-IN SUSTAINING COSTS/OZ: $1,015 - $1,055

2015 PRODUCTION:
GOLD: 134,868 OUNCES
TOTAL CASH COSTS/OZ: $743
ALL-IN SUSTAINING COSTS/OZ: $1,156

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
OPERATING INFORMATION					
Ore mined and placed on leach pad (thousands of tonnes)	**5,436**	5,371	**19,987**	13,550	14,297
Waste mined (thousands of tonnes)	**3,158**	8,284	**38,791**	37,107	33,909
Ratio of waste to ore	**0.58**	1.54	**1.94**	2.74	2.37
Average grade:					
Gold (grams/tonne)	**0.39**	0.39	**0.34**	0.40	0.37
Gold (ounces):					
Produced [1][2]	**43,389**	36,235	**134,868**	106,670	107,016
Sold [1]	**44,474**	34,370	**133,712**	103,654	104,794
Average realized price [3][4]:					
Gold ($/ounce)	**1,098**	1,198	**1,144**	1,254	1,263
Total cash costs per gold ounce sold ($/ounce) [3]	**631**	852	**743**	909	907
All-in sustaining costs per gold ounce sold ($/ounce) [3]	**869**	1,090	**1,156**	1,266	1,108
FINANCIAL INFORMATION					
Revenues	**48.8**	34.4	**152.9**	102.4	113.7
Operating margin [3]	**21.2**	5.4	**54.8**	9.1	19.4
Earnings (loss) from mine operations	**6.6**	(3.1)	**12.1**	(16.9)	(5.8)
Capital expenditures (sustaining capital) [3]	**10.1**	7.9	**53.2**	33.2	17.4

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 gold ounces.*
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, average realized price, operating margin and capital expenditures (sustaining capital) 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 in the prior-year period excludes the revenue reduction related to the hedge monetization over the original term of the hedge.*

Annual and Quarterly Operating Results

Production

For the year ended December 31, 2015, gold production at Mesquite was 134,868 ounces compared to 106,670 ounces in the prior year. The significant increase in annual production was driven by a 48% increase in ore tonnes placed on the leach pad, the benefit of which was only partially offset by lower gold grade. Increased operating efficiencies, driven by higher availabilities, equipment productivity and additional loading capacity increased total tonnes mined. The combination of record ore tonnes placed and accelerated leach times from the successful leach pad expansion resulted in Mesquite's full-year production significantly exceeding its guidance range of 110,000 to 120,000 ounces.

For the fourth quarter of 2015, Mesquite's gold production increased by 20% relative to the prior-year period, producing 43,389 ounces compared to 36,235 ounces. Fourth quarter production benefitted from an increase in ore tonnes placed on the leach pad both during the quarter and earlier in 2015 as well as faster process recoveries resulting from New Gold's investment in the leach pad expansion during 2015.

Revenue

For the year ended December 31, 2015, revenue was $152.9 million compared to $102.4 million in the prior year. The $50.5 million, or 49%, increase in revenue for the year ended December 31, 2015 was attributed to the net impact of a $37.7 million increase in metals sales volume and a non-cash charge of $27.3 million related to the monetization of the Company's legacy hedge position as it was realized into income from other comprehensive income over the original term of the hedge contract in the prior year which was offset by a $14.5 million decrease driven by lower metal prices. The average realized gold price for the year ended December 31, 2015 was $1,144 per ounce compared to $1,254 per ounce in the prior year.

For the fourth quarter of 2015, revenue was $48.8 million compared to $34.4 million in the prior-year period. The $14.4 million, or 41%, increase in revenue for the fourth quarter of 2015 was attributed to the net impact of a $12.1 million increase in metals sales volume and a non-cash charge of $6.8 million related to the monetization of the Company's legacy hedge position as it was realized into income from other comprehensive income over the original term of the hedge contract in the prior year which was offset by a $4.5 million decrease driven by lower metal prices. The average realized gold price during the fourth quarter of 2015 was $1,098 per ounce compared to $1,198 per gold ounce sold in the prior-year period.

Earnings (loss) from mine operations

For the year ended December 31, 2015, Mesquite generated $12.1 million in earnings from mine operations as a result of the increase in gold sales, compared to a $16.9 million loss in the prior year. The increase in earnings from mine operations is attributable to higher production and lower diesel prices, partially offset by lower realized gold prices. Mesquite contributed $6.6 million to the Company's earnings from mine operations for the fourth quarter of 2015, compared to a $3.1 million loss in the prior-year period.

Total cash costs and all-in sustaining costs

Total cash costs for the year ended December 31, 2015 were $743 per ounce compared to $909 per ounce in the prior-year period with the decrease primarily attributable to higher production and lower diesel prices. All-in sustaining costs per gold ounce sold were $1,156 for the year ended December 31, 2015 compared to $1,266 in the prior year. The increase in sustaining capital expenditures at Mesquite, resulting from the Company's planned focus on waste stripping as well as the leach pad expansion, was offset by the higher gold production in 2015.

Total cash costs per gold ounce sold for the fourth quarter of 2015 were $631 per ounce, compared to $852 per ounce in the prior-year period, with the $221 per ounce decrease primarily attributable to the higher quarterly production and

lower diesel prices. All-in sustaining costs per gold ounce sold were $869 per ounce for the fourth quarter of 2015 compared to $1,090 per ounce in the prior-year period. The decrease in all-in sustaining costs was primarily driven by lower cash costs when compared to the prior-year period.

Capital expenditures

For the year ended December 31, 2015, capital expenditures totalled $53.3 million, all of which is sustaining capital, compared to $33.2 million in the prior year, with the increase relating to spending on the leach pad expansion and capitalized waste stripping. The capitalized waste stripping program for 2015 was completed during the first half of 2015. For the fourth quarter of 2015, capital expenditures totalled $10.1 million compared to $7.8 million in the prior-year period.

Exploration Activities

An infill drilling program to upgrade Mineral Resources in areas scheduled for mining in 2016 was completed during the third quarter of 2015. The results of this drilling have been incorporated into the Company's 2015 year-end updated Mineral Resource and reserve estimates for Mesquite.

Outlook for 2016

Production at Mesquite in 2016 is expected to remain in line with 2015 production. A planned increase in gold grade towards reserve grade is scheduled to be offset by a decrease in ore tonnes placed on the leach pad.

Mesquite's 2016 total cash costs and all-in sustaining costs are both expected to decrease when compared to the prior year as the mine benefits from continued operational efficiencies and lower diesel prices. Sustaining costs are expected to be approximately $55 million, or $425 per ounce, of which approximately $35 million, or $260 per ounce, is related to costs associated with periods of elevated waste stripping.

In 2017, Mesquite's gold production is expected to increase to over 150,000 ounces as gold grade should continue to increase. The higher production is expected to be coupled with lower total cash costs and all-in sustaining costs.

Please refer to the "Outlook for 2016" section of this MD&A for details of the relevant key assumptions.

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, 2015, the mine had 267,000 ounces of Proven and Probable gold Mineral Reserves and 82 million pounds of Proven and Probable copper Mineral Reserves, with 440,000 ounces of Measured and Indicated gold Mineral Resources, exclusive of Mineral Reserves, and 94 million pounds of Measured and Indicated copper Mineral Resources, exclusive of Mineral Reserves. A summary of Peak Mines' operating results is provided below:

AT-A-GLANCE

2016 GUIDANCE:
GOLD: 80,000 – 90,000 OUNCES
COPPER: 6 – 8 MILLION POUNDS
TOTAL CASH COSTS/OZ: $800 - $840
ALL-IN SUSTAINING COSTS/OZ: $1,020 - $1,060

2015 PRODUCTION:
GOLD: 89,852 OUNCES
COPPER: 14.0 MILLION POUNDS
TOTAL CASH COSTS/OZ: $791
ALL-IN SUSTAINING COSTS/OZ: $1,071

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
OPERATING INFORMATION					
Ore mined (thousands of tonnes)	**183**	178	**693**	761	768
Ore processed (thousands of tonnes)	**196**	175	**723**	772	814
Average grade:					
Gold (grams/tonne)	**5.65**	3.94	**4.19**	4.25	4.14
Copper (%)	**0.96**	1.13	**1.00**	1.10	0.85
Recovery rate (%):					
Gold	**94.9**	98.9	**93.0**	94.0	92.9
Copper	**89.8**	93.4	**88.3**	91.0	88.0
Gold (ounces):					
Produced [1]	**34,798**	21,889	**89,852**	99,030	100,700
Sold [1]	**34,690**	24,614	**89,265**	98,002	102,811
Copper (millions of pounds):					
Produced [1]	**3.7**	4.1	**14.0**	17.0	13.4
Sold [1]	**3.3**	4.5	**13.2**	16.1	13.4
Silver (millions of ounces):					
Produced [1]	**0.04**	0.04	**0.12**	0.14	0.1
Sold [1]	**0.03**	0.04	**0.10**	0.12	0.1
Average realized price [2]:					
Gold ($/ounce)	**1,083**	1,196	**1,137**	1,266	1,370
Copper ($/pound)	**2.08**	2.87	**2.42**	2.98	3.29
Silver ($/ounce)	**14.42**	15.87	**15.42**	18.53	21.36
Total cash costs per gold ounce sold [2][3]	**552**	707	**791**	658	850
All-in sustaining costs per gold ounce sold [2][3]	**706**	1,231	**1,071**	1,025	1,331
FINANCIAL INFORMATION					
Revenues	**43.8**	41.3	**130.0**	168.3	177.7
Operating margin [2]	**19.3**	11.5	**31.4**	59.1	51.3
Earnings (loss) from mine operations	**2.9**	(2.0)	**(15.4)**	7.9	18.9
Capital expenditures (sustaining capital) [2]	**3.5**	11.9	**20.2**	30.9	43.0

1. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.*
2. *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 and capital expenditures (sustaining capital) are non-GAAP financial performance*

measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.

3. *The calculation of total cash costs per gold ounce 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 revenue were treated as a co-product, the average total cash costs at Peak Mines for the year ended December 31, 2015, the total cash costs on a co-product basis would be $858 per gold ounce (2014 - $816) and $2.00 per pound of copper (2014 - $2.06). All-in sustaining costs on a co-product basis would be $1,067 per gold ounce (2014 -$1,077) and $2.45 per pound of copper (2014 -$2.68). For the fourth quarter of 2015, the total cash costs on a co-product basis would be $622 per gold ounce (2014 - $842) and $1.39 per pound of copper (2014 - $2.17). All-in sustaining costs on a co-product basis for the fourth quarter of 2015 would be $750 per gold ounce (2014 -$1,201) and $1.63 per pound of copper (2014 - $3.03).*

Annual and Quarterly Operating Results

Production

For the year ended December 31, 2015, Peak Mines produced 89,852 gold ounces compared to 99,030 gold ounces in the prior year. The decrease in production relative to 2014 was primarily driven by a 6% decrease in mill throughput. Copper production for the period was 14.0 million pounds of copper compared to 17.0 million pounds of copper in the prior-year period, with the lower copper production primarily due to lower throughput, copper grade and copper recovery.

The decrease in throughput was primarily attributable to geotechnical challenges in the main stoping area of the Perseverance ore body experienced in March of 2015 which led to reduced accessibility and decreased tonnes mined and processed in the first half of the year. Mining activity in Perseverance was successfully restarted in mid-April and increased throughout the year.

For the fourth quarter of 2015, Peak Mines produced 34,798 ounces of gold and 3.7 million pounds of copper compared to 21,889 ounces of gold and 4.1 million pounds of copper in the prior-year period. The increase in gold production was primarily driven by the combined benefit of a 12% increase in mill throughput and a 43% increase in gold grade as a result of mining higher grade areas in the period.

Revenue

For the year ended December 31, 2015, revenue was $130.0 million compared to $168.3 million in the prior year. The $38.3 million, or 23%, decrease in revenue for year ended December 31, 2015 was attributed to the combined impact of a $18.1 million decrease driven by lower metal prices and a $20.2 million decrease in metals sales volumes. The average realized gold price was $1,137 per ounce for the year ended December 31, 2015 compared to $1,266 per ounce in the prior year. The average realized copper price was $2.42 per pound compared to $2.98 per pound in the prior year.

For the fourth quarter of 2015, revenue was $43.8 million, compared to $41.3 million in the prior-year period. The $2.5 million, or 6%, increase in revenue for the fourth quarter of 2015 was attributed to the net impact of an $8.3 million increase in metals sales volumes which was offset by a $5.8 decrease driven by lower metal prices. The average realized gold price was $1,083 per ounce compared to $1,196 per ounce in the prior-year period. The average realized copper price was $2.08 per pound compared to $2.87 per pound in the prior-year period.

At the end of 2015, Peak Mines' exposure to the impact of movements in market metal prices for provisionally priced contracts was 4,600 ounces of gold and 5.1 million pounds of copper. Exposure to these movements in market metal prices was reduced by 4.9 million pounds of copper swaps outstanding at the end of the year, with settlement periods ranging from January 2016 to March 2016.

Earnings (loss) from mine operations

For the year ended December 31, 2015, Peak Mines generated a $15.4 million loss from operations compared to $7.9 million of earnings from operations in the prior year. The loss from operations for the year ended December 31, 2015 was primarily attributable to lower average realized gold and copper prices and lower sales volumes, partially offset by the benefit of the weaker Australian dollar on operating costs. For the fourth quarter of 2015, Peak Mines generated earnings

from operations of $2.9 million compared to a loss from operations of $2.0 million in the prior-year period. The increase in earnings from operations for the fourth quarter of 2015 was primarily attributable to increased gold sales volumes and the benefit of the weaker Australian dollar on operating costs.

Total cash costs and all-in sustaining costs

For the year ended December 31, 2015, total cash costs per gold ounce sold, net of by-product sales, were $791 per ounce compared to $658 per ounce in the prior year. All-in sustaining costs per gold ounce sold were $1,071 per ounce for the year ended December 31, 2015 compared to $1,025 in the prior year. Total cash costs and all-in sustaining costs were impacted by lower copper by-product revenue and lower gold sales volumes, partially offset by the depreciation of the Australian dollar relative to the U.S. dollar. All-in sustaining costs in 2015 also benefitted from a decrease in sustaining capital expenditures.

For the fourth quarter of 2015, total cash costs per gold ounce sold, net of by-product sales, were $552 per ounce compared to $707 per ounce in the prior-year period. The decrease is due to higher gold sales volumes and the depreciation of the Australian dollar relative to the U.S. dollar, partially offset by lower copper by-product revenue.

All-in sustaining costs per gold ounce sold were $706 per ounce for the fourth quarter of 2015 compared to $1,231 in the prior-year period. The decrease was driven by the decrease in cash costs and lower sustaining capital expenditures.

Capital expenditures

For the year ended December 31, 2015, capital expenditures totalled $20.2 million, all of which is sustaining capital compared to $27.0 million in the prior year. For the fourth quarter of 2015, capital expenditures totalled $3.5 million compared to $11.0 million in the prior-year period. The decrease in capital expenditures is as a result of reductions in capital development. Capital expenditures are related to mine and infrastructure development.

Impact of Foreign Exchange on Operations

Peak Mines' operations continue to be impacted by fluctuations in the valuation of the U.S. dollar against the Australian dollar. The value of the U.S. dollar for the year ended December 31, 2015 averaged $1.33 against the Australian dollar compared to $1.11 in the prior year, resulting in a positive impact on cash costs of $227 per gold ounce sold. The value of the U.S. dollar for the fourth quarter of 2015 averaged $1.39 against the Australian dollar compared to $1.17 in the prior-year period, resulting in a positive impact on cash costs of $130 per gold ounce sold.

Exploration Activities

During the fourth quarter of 2015, the Company continued exploration drilling of the recently discovered Chronos and Anjea zones as well as delineation and infill drilling to expand and upgrade Mineral Resources in the Chesney and New Cobar mines along the Peak Mines mine corridor. A total of 19,013 metres in 73 holes of exploration and resource delineation drilling was completed during the quarter. As the 2015 year-end Mineral Reserve and Resource estimate is based on drilling completed through the end of the third quarter, the results of fourth quarter drilling will be incorporated into future Mineral Resource estimates to be completed in 2016.

Outlook for 2016

Gold production at the Peak Mines is expected to remain in line with 2015 as the impacts of a planned increase in gold grade and a decrease in tonnes processed are expected to offset one another. Copper production is scheduled to decrease as the 2016 mine plan intentionally focuses on mining the relatively higher grade gold stopes at the Peak Mines given current gold and copper prices.

All-in sustaining costs are expected to be below the $1,071 per ounce achieved in 2015, while total cash costs are expected to remain in line with 2015. The combined benefit of a decrease in tonnes mined and processed, a decrease in sustaining costs and a lower Australian dollar is expected to offset the impact on costs of the decrease in by-product revenues resulting from an expected decrease in copper production and a lower copper price assumption. The Peak Mines' sustaining costs, including exploration costs, are expected to be $18 million, or $220 per ounce, representing a decrease of approximately 25% from 2015.

Looking forward to 2017, the Peak Mines gold-copper production mix will once again be optimized to maximize cash flow and profitability when taking into account the prevailing gold and copper prices towards the end of 2016.

Please refer to the "Outlook for 2016" section of this MD&A for details of the relevant key assumptions.

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, 2015, the mine had 13,000 ounces of Proven and Probable gold Mineral Reserves and 419,000 ounces of Proven and Probable silver Mineral Reserves. A summary of Cerro San Pedro's operating results is provided below:

AT-A-GLANCE

2016 GUIDANCE:

GOLD: 60,000 – 70,000 OUNCES
SILVER: 1.3 – 1.5 MILLION OUNCES
TOTAL CASH COSTS/OZ: $755 - $795
ALL-IN SUSTAINING COSTS/OZ: $765 - $805

2015 PRODUCTION:

GOLD: 105,512 OUNCES
SILVER: 1.5 MILLION OUNCES
TOTAL CASH COSTS/OZ: $865
ALL-IN SUSTAINING COSTS/OZ: $879

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
OPERATING INFORMATION					
Ore mined and placed on leach pad (thousands of tonnes)	**4,191**	5,641	**17,500**	10,550	13,463
Waste mined (thousands of tonnes)	**705**	3,056	**6,892**	24,479	17,556
Ratio of waste to ore	**0.17**	0.54	**0.39**	2.32	1.30
Average grade:					
Gold (grams/tonne)	**0.37**	0.51	**0.53**	0.39	0.47
Silver (grams/tonne)	**11.45**	21.65	**18.36**	18.65	20.91
Gold (ounces)					
Produced [1][2]	**23,302**	22,567	**105,512**	69,847	102,795
Sold [1]	**25,368**	19,404	**106,417**	67,463	99,188
Silver (millions of ounces)					
Produced [1][2]	**0.4**	0.3	**1.5**	1.1	1.3
Sold [1]	**0.4**	0.3	**1.5**	1.1	1.3
Average realized price [3]:					
Gold ($/ounce)	**1,094**	1,191	**1,152**	1,258	1,403
Silver ($/ounce)	**14.52**	16.13	**15.44**	19.04	23.61
Total cash costs per gold ounce sold ($/ounce) [3][4]	**868**	1,413	**865**	1,251	676
All-in sustaining costs per gold ounce sold ($/ounce) [3][4]	**883**	1,447	**879**	1,354	766
FINANCIAL INFORMATION					
Revenues	**33.3**	27.1	**145.4**	105.1	169.6
Operating margin [3]	**(5.8)**	(12.8)	**20.2**	(8.0)	60.5
Earnings (loss) from mine operations	**(8.4)**	(17.7)	**11.2**	(18.9)	34.4
Capital expenditures (sustaining capital) [3]	**0.3**	0.4	**1.3**	6.0	8.7
Capital expenditures (growth capital) [3]	**-**	1.3	**-**	23.3	15.8

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 gold ounces.*
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 and capital expenditures (sustaining and growth) 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 gold ounce and all-in sustaining costs per gold ounce sold 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 revenue were treated as a co-product, the average total cash costs at Cerro San Pedro for the year ended December 31, 2015 would be $910 per gold ounce (2014 - $1,252) and $12.19 per silver ounce (2014 - $18.95). For the year ended December 31, 2015, all-in sustaining costs on a co-product basis would be $922 per gold ounce (2014 - $1,336) and $12.36 per silver ounce (2014 - $20.21). For the fourth quarter of 2015, the average total cash costs on a co-product basis would be $906 per gold ounce (2014 - $1,380) and $12.02 per silver ounce (2014 - $18.69). All-in sustaining costs on a co-product basis for the fourth quarter of 2015 would be $919 per gold ounce (2014 - $1,409) and $12.19 per silver ounce (2014 - $19.08).*

Annual and Quarterly Operating Results

Production

For the year ended December 31, 2015, Cerro San Pedro's gold production was 105,512 ounces compared to 69,847 ounces in the prior-year period, an increase of 51%. The increase in production was attributable to higher gold grade and an increase in ore tonnes mined and placed on the leach pad compared to the prior year when there was a focus on waste stripping. Silver production was 1.5 million ounces for the year ended December 31, 2015 compared to 1.1 million ounces in the prior year.

For the fourth quarter of 2015, Cerro San Pedro produced 23,302 ounces of gold compared to 22,567 ounces produced in the prior-year period. Silver production for the fourth quarter of 2015 was 0.4 million ounces compared to 0.3 million ounces in the prior-year period. Quarterly silver production benefitted from the additional ore tonnes placed on the leach pad in the fourth quarter as well as prior quarters as the leach recovery cycle for silver is longer than for gold.

Revenue

For the year ended December 31, 2015, revenue was $145.4 million compared to $105.1 million in the prior year. The $40.3 million, or 38%, increase in revenue for the year ended December 31, 2015 was attributed to the net impact of a $56.8 million increase in metals sales volumes which was offset by a $16.5 million decrease driven by lower metal prices. The average realized gold price for the year ended December 31, 2015 was $1,152 per ounce compared to $1,258 per ounce in the prior year. The average realized silver price for the year ended December 31, 2015 was $15.44 per ounce compared to $19.04 per ounce in the prior year.

For the fourth quarter of 2015, revenue was $33.3 million compared to $27.1 million in the prior-year period. The $6.2 million, or 23%, increase in revenue for the fourth quarter of 2015 was attributed to the net impact of a $9.2 million increase in metals sales volumes which was offset by a $3.0 million decrease driven by lower metal prices. The average realized gold price for the fourth quarter of 2015 was $1,094 per ounce compared to $1,191 per ounce in the prior-year period. The average realized silver price for the fourth quarter of 2015 was $14.52 per ounce compared to $16.13 per ounce in the prior-year period.

Earnings (loss) from mine operations

For the year ended December 31, 2015, Cerro San Pedro generated earnings from mine operations of $11.2 million compared to a loss of $18.9 million in the prior year. Earnings from mine operations were positively impacted by the increase in revenue when compared to the prior year. For the fourth quarter of 2015, Cerro San Pedro generated a loss from mine operations of $8.4 million compared to a loss of $17.9 million in the prior-year period. The loss from mine operations for the fourth quarter of 2015 was driven by an inventory write-down of $12.5 million as a result of a recoverability analysis performed at the reporting date.

Total cash costs and all-in sustaining costs

For the year ended December 31, 2015, total cash costs per gold ounce sold were $865 per ounce compared to $1,251 per ounce in the prior year. All-in sustaining costs per gold ounce sold were $879 per ounce for the year ended December 31, 2015 compared to $1,354 in the prior-year period.

Cash costs and all-in sustaining costs per gold ounce sold were positively impacted by a combination of the higher gold production base, the depreciation of the Mexican peso relative to the U.S. dollar and lower sustaining capital expenditures. The increase in silver sales volumes more than offset the decrease in the realized silver price, thus resulting in higher silver by-product revenue.

For the fourth quarter of 2015, total cash costs per gold ounce sold were $868 per ounce compared to $1,413 per ounce in the prior-year period. All-in sustaining costs per gold ounce sold were $883 per ounce for the fourth quarter of 2015 compared to $1,447 per ounce in the prior-year period. Cerro San Pedro's costs benefitted from a combination of a higher gold production base, the depreciation of the Mexican peso relative to the U.S. dollar and lower sustaining capital expenditures.

Capital expenditures

For the year ended December 31, 2015, capital expenditures totalled $1.3 million, all of which was sustaining capital. This compares to $29.3 million in the prior-year period, which included $6.0 million of sustaining capital and $23.3 million of growth capital. Growth capital in the prior year related to the stripping of Phase 5 which extended the mine life of Cerro San Pedro.

For the fourth quarter of 2015, capital expenditures totalled 0.3 million, all of which was sustaining capital. This compares to 1.7 million in the prior-year period, which included $0.4 million of sustaining capital and $1.3 million of growth capital.

Impact of Foreign Exchange on Operations

Cerro San Pedro was impacted by changes in the value of the Mexican peso against the U.S. dollar. The value of the Mexican peso weakened from an average of MXN13.3 to the U.S. dollar for the year ended December 31, 2014 to MXN15.9 to the U.S. dollar for the year ended December 31, 2015. This had a positive impact on cash costs of $123 per gold ounce sold.

The value of the Mexican peso weakened from an average of MXN13.9 to the U.S. dollar for the fourth quarter of 2014 to MXN16.8 to the U.S. dollar for the fourth quarter of 2015. This had a positive impact on cash costs of $133 per gold ounce sold.

Outlook for 2016

As expected, as Cerro San Pedro has completed its final full year of active mining in 2015, gold production in 2016 is scheduled to decline to a range of 60,000 to 70,000 ounces as the mine transitions to residual leaching. Approximately two million tonnes of ore are scheduled to be mined and placed on the leach pad through the first three to four months of 2016, after which Cerro San Pedro will begin residual leaching. Cerro San Pedro's 2016 silver production is expected to remain in line with prior-year production as the slower leach kinetics of silver drive a slower decline rate in annual silver production during the residual leach phase.

Cerro San Pedro's 2016 all-in sustaining costs and total cash costs are expected to remain in line with, or below, those achieved in 2015 despite the mine's lower gold production base and the expected decrease in by-product revenues from the lower silver price assumption. As the mine transitions to residual leaching, Cerro San Pedro's operating costs are scheduled to decrease meaningfully as a result of reduced mining activity and lower general and administrative expenses.

Gold production from residual leaching in 2017 is expected to be approximately 40% of the targeted 2016 production. At the same time, as silver leaches over a longer time period, 2017 silver production is expected to be approximately one million ounces.

Please refer to the "Outlook for 2016" section of this MD&A for details of the relevant key assumptions.

DEVELOPMENT AND EXPLORATION REVIEW

Rainy River Project, Ontario, Canada

Rainy River is a gold project located approximately 50 kilometres northwest of Fort Frances, a town of approximately 8,000 people, in northwestern Ontario, Canada. The project property is located near infrastructure and is comprised of approximately 192 square kilometres of freehold and leasehold patented surface rights and mining rights, properties and unpatented mining claims. Additionally, on January 1, 2015, New Gold completed the acquisition of Bayfield Ventures Corp., further consolidating its holdings in the district.

AT-A-GLANCE

AS AT DECEMBER 31, 2015

PROVEN AND PROBABLE RESERVES

GOLD: 3.8 MILLION OUNCES
SILVER: 9.4 MILLION OUNCES

MEASURED AND INDICATED RESOURCES

(Exclusive of reserves)

GOLD: 2.6 MILLION OUNCES
SILVER: 9.3 MILLION OUNCES

Development activity at the project has continued to advance, with first production remaining on target for mid-2017. The Rainy River project enhances New Gold's growth pipeline through its manageable capital costs, significant production scale at below current industry average costs and exciting regional exploration potential in a great mining jurisdiction. The start of production at Rainy River is expected to generate significant gold production growth for New Gold at costs below the Company's 2016 guidance for all-in sustaining costs. Relative to the Company's consolidated 2016 gold production guidance of 360,000 to 400,000 ounces, Rainy River on its own is expected to produce an average of over 300,000 ounces of gold annually at estimated all-in sustaining costs of approximately $670 per ounce, thus more than offsetting the decrease in production and cash flow from Cerro San Pedro transitioning to residual leaching. The Company looks forward to advancing the Rainy River project and providing further updates on its development through the remainder of 2016 and beyond.

Project Advancement

In 2015, work progressed on engineering, procurement and construction of the project.

RAINY RIVER – 2015 KEY PROJECT UPDATES

- Engineering completed
- Overall construction progress at 21% complete as at the end of 2015
- Bids received for all major construction and installation contracts
- Site earthworks over 85% complete
- Concrete placement over 40% complete
- Relocation of Highway 600 completed on schedule in December 2015
- Assembly of initial mine fleet largely complete – have successfully commissioned seven 218-tonne trucks, two hydraulic shovels, two loaders, three dozers and two blasthole drills
- Exceeded target for mine development material movement by 15% in the fourth quarter of 2015
- No Lost Time Incidents since the company acquired the project in 2013

Permitting Activities

In January 2015, the Canadian Environmental Assessment Agency granted Federal environmental regulatory approval and the Ontario Ministry of Environment and Climate Change granted Provincial environmental regulatory approval for the Rainy River project.

Key construction-related permits have subsequently been issued by the Ontario Ministry of Environment & Climate Change as well as the Ontario Ministry of Natural Resources & Forestry. Receipt of additional provincial construction and

operations phase permits is progressing in line with the project development schedule. New Gold continues to work closely with Environment Canada towards obtaining the required mine waste Schedule 2 authorization expected in early 2016.

Exploration

During the fourth quarter of 2015, the Company completed a 3,450 metre reconnaissance drilling program to test the potential for additional gold mineralization in two prospective areas located within several kilometres of the main mine development area. Results from this program will be used to support plans for ongoing exploration initiatives in 2016.

Environmental and Community Activities

New Gold successfully concluded a Participation Agreement with Big Grassy First Nation during the first quarter of 2015. This agreement is in addition to agreements that have already been signed with Rainy River First Nations, Naicatchewenin First Nation, the Métis Nation of Ontario and four communities of the Fort Frances Chiefs Secretariat.The Participation Agreements provide for how the local Métis and First Nation communities will benefit from the development of the Rainy River project and throughout the life of the mine. New Gold continues to meet with its Aboriginal partners.

Project Costs

The depreciation of the Canadian dollar has helped to offset project development cost increases at Rainy River which related primarily to earthworks, tailings dam construction and the installation of mechanical equipment, piping and electrical in the processing plant. Based on the development capital spent to date, and assuming a C$1.40/US$ exchange rate on capital expenditures going forward, the total Rainy River development capital cost is estimated to be $877 million. The total capital cost includes credits for estimated start-up revenues prior to commercial production and $25 million of investment tax credits receivable associated with 2014 and 2015 project spending. Every $0.05 change in the exchange rate impacts the total capital costs by approximately $15 million.

As of December 31, 2015, 59% of total development capital costs had been spent or committed. Of the outstanding commitments $97 million are for contracts with fixed price and quantities, with $113 million related to contracts with fixed unit prices.

For the year ended December 31, 2015, capital expenditures totalled $245.5 million which includes $240.5 million for development capital costs and the remainder primarily for exploration. This compares to $80.5 million in the prior year. Total project development capital spending through December 31, 2015 was $311.6 million.

For the fourth quarter of 2015, capital expenditures at the Rainy River project totalled $144.8 million which includes $142.3 million for development capital costs with the remainder primarily for exploration. This compares to $36.2 million in the fourth quarter of 2014 as the project was in the permitting stage in 2014.

Outlook for 2016

In 2016, the Company plans to spend approximately $500 million on the development of the Rainy River project with the balance to be spent in the first half of 2017. The 2016 development program is expected to advance overall construction to 75%:

- Ramp up of pre-production mining activities
- Continued commissioning of mobile fleet
- Mid-year completion of concrete and steel work on the processing plant
- Advance mechanical, piping, electrical and instrumental installation in processing plant to 50% completion
- Water management pond completed; commence storage of water for start up

- Transmission line is completed and energized
- Advance tailings dam construction to 60%

In 2017 the Company will continue to progress the process plant, tailings and water management facilities construction and pre-strip and pit development towards production in mid-2017.

Blackwater Project, British Columbia, Canada

Blackwater is a bulk-tonnage gold and silver 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-A-GLANCE

AS AT DECEMBER 31, 2015

PROVEN AND PROBABLE RESERVES

GOLD: 8.2 MILLION OUNCES
SILVER: 60.8 MILLION OUNCES

MEASURED AND INDICATED RESOURCES

(Exclusive of reserves)

GOLD: 1.3 MILLION OUNCES
SILVER: 7.8 MILLION OUNCES

Exploration

During 2015, exploration activities at the Blackwater project included the compilation and evaluation of final results received from the past summer's field program. Although the results continue to indicate good potential for ta new discovery within the Blackwater project area, a decision to temporarily suspend its exploration activities at Blackwater has been made in order to direct our technical and financial resources toward other opportunities.

Environmental and Permitting Activities

The following environmental and permitting related activities occurred at Blackwater in during the year ended December 31, 2015:

- Comments from key regulatory agencies and First Nations on the Environmental Assessment report were addressed.
- The Federal and Provincial governments communicated their acceptance of the Environmental Assessment report into the technical review process in the fourth quarter of 2015.
- The technical review process and a public review of the Environmental Assessment report began in January 2016, with expected receipt of provincial and federal Environmental Assessment approvals in the second half of 2016.
- 30-day public review period commenced on January 20, 2016.
- Continued key engineering studies for advancement of post-Environmental Assessment approval permits.
- Continued discussions with key First Nations on Participation Agreements.

Project Costs

For the year ended December 31, 2015, capital expenditures totalled $7.1 million compared to $13.0 million in the prior year. For the fourth quarter of 2015, capital expenditures totalled $2.7 million compared to $3.0 million in the prior-year period. Expenditures in the current year related to the continued advancement of the environmental assessment process and related environmental and engineering studies.

Outlook for 2016

Capital expenditures at Blackwater in 2016 are scheduled to be $5.0 million. In the current commodity price environment, New Gold 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 followed by the New Afton C-zone. Therefore, the timing of Blackwater's development will be driven by prevailing market conditions over the following years.

New Afton C-zone, British Columbia, Canada

The C-zone is the down plunge extension of the B-zone block cave currently being mined at New Afton. New Gold completed the feasibility for the C-zone to evaluate the potential for the C-zone to extend the mine's life.

At the end of 2015, the B-zone had remaining Mineral Reserves of 36.5 million tonnes at 0.55 grams per tonne and 0.85% copper which should support production from this zone through 2022. Thereafter, ore would need to be surfaced from the C-zone in order to extend New Afton's mine life.

AT-A-GLANCE

AS AT DECEMBER 31, 2015

MEASURED AND INDICATED RESOURCES

(Included in New Afton Measured and Indicated Resources)

GOLD: 1.05 MILLION OUNCES

COPPER: 816 MILLION POUNDS

Feasibility Study Results

NEW AFTON C-ZONE – FEASIBILITY STUDY RESULTS

- Mineral reserves of 25.0 million tonnes at diluted grades of 0.72 grams per tonne gold and 0.78% copper
  - 16% increase in ore tonnes when compared to 2015 scoping study
- Contained metal of 583,000 ounces of gold and 430 million pounds of copper
- Full-year average annual production of 108,000 ounces of gold and 81 million pounds of copper
- Development capital costs of $402 million (exchange rate assumption of C$1.25/US$), including $47 million of contingency and a $41 million provision for capital escalation given the six year development timeline
  - The increase in development capital relative to the 2015 scoping study is primarily driven by the inclusion of the capital escalation estimate
- Total operating costs, including mining, processing and general and administrative, of $19.35 per tonne
- Total sustaining capital costs of $107 million, or approximately $20 million per year
- Project economics – at the company's Mineral Reserve assumptions of $1,200 per ounce gold, $2.75 per pound copper and a C$1.25/US$ exchange rate, the C-zone project has an after-tax 5% NPV of $84 million, an IRR of 10.3% and payback period of 3.4 years
  - For every $100 per ounce change in the gold price (at a constant copper price and foreign exchange rate), the after-tax NPV and IRR changes by approximately $18 million and 1.0%, respectively
  - For every $0.25 per pound change in the copper price (at a constant gold price and foreign exchange rate), the after-tax NPV and IRR changes by approximately $34 million and 1.9%, respectively
  - For every $0.05 change in the foreign exchange rate (at a constant gold and copper price), the after-tax NPV and IRR changes by approximately $24 million and 1.5%, respectively

At consistent input assumptions for gold and copper prices and the Canadian to U.S. dollar exchange rate, the feasibility study economics remain in line with the 2015 scoping study as the increase in contained metal has offset the higher development capital estimate resulting from the addition of the escalation provision. Subject to prevailing market conditions and receipt of the requisite permits, development of the C-zone would begin after the start of production at Rainy River. Once development starts, the completion of the main access ramps to the bottom of the C-zone is expected to take approximately four years to complete. Thereafter, development of the block cave production levels would begin, with first ore production expected two years later, resulting in a total of approximately six years from the start of development to first production from the C-zone. The development capital spending is more weighted to the second half of the development schedule with over 70% of the $402 million of development capital expected to be spent in the final 3.5 years of the C-zone development

The C-zone extraction level would be approximately 550 metres below the current B-zone extraction level. Operationally, the same development, production and materials handling strategies would be used for the C-zone as are currently being used to mine the New Afton B-zone reserve. The majority of the mobile mining equipment would be taken from the current operation, with estimated refurbishment and replacement requirements factored into the capital cost estimate.

From the results of the testwork programs completed, the mineralogy in the C-zone is expected to be consistent with the mineralogy in the west cave of New Afton's B-zone. Metallurgical grades and recoveries for C-Zone ore were calculated using existing New Afton recovery curves and modelled concentrate grades.

The feasibility study results support a plan whereby all of the tailings from New Afton's mine operations, including the C-zone, would be stored in an expanded New Afton tailings storage facility.

One of the key focuses of the feasibility study was to assess the potential impact that the surface subsidence from the C-zone underground mine could have on surface infrastructure. Detailed modelling was completed to estimate the area of subsidence and it was determined that a portion of the tailings dam from the historic Afton mine is located within the predicted area of subsidence. As part of the feasibility study, New Gold engaged three independent geotechnical consultants to evaluate the ways in which the potential risk associated with the historic tailings could be managed and mitigated. Of the options available, the recommended approach involves the stabilization of the historic facility through a dewatering and consolidation program which would include pumping the water and implementing a pre-loading and wick drain program.

It is expected that the permits for the C-zone project will involve amendments to current permits, specifically the Mines Act and Effluent Discharge permit, rather than applications for new permits. The project plan should not result in significant additional surface disturbance or environmental impact as current infrastructure is expected to be used wherever possible. In addition, the project would not require additional annual water consumption as the mill throughput is not scheduled to change. The currently contemplated closure plan for New Afton would remain in place for the C-zone project with any required amendments to be made as part of the permit amendment process.

Project Costs

For the fourth quarter of 2015, project capital expenditures totalled $0.9 million with project capital expenditures totalling $4.0 million for the year ended December 31, 2015. Project advancement activities included optimization of the underground mine and infrastructure designs, production schedule, project costs, tailings and stabilization test work, tailings designs, and continued baseline environmental work.

Outlook for 2016

As the C-zone remains open to the west and at depth, New Gold plans to spend approximately $3 million in 2016 to further drill test the ore body with the objective of adding additional mine life to the C-zone. Based on the feasibility study, during the years of full production from the C-zone, the average annual undiscounted, pre-tax free cash flow is estimated to be approximately $200 million.

MINERAL RESERVES AND RESOURCES UPDATE [1]

New Gold's production profile is underpinned by the Company's Mineral Reserve and Resource base combined with its strong record of organic growth through focused exploration and accretive growth through strategic acquisitions. Proven and Probable gold Mineral Reserves decreased to 15.0 million ounces from 17.6 million ounces at December 31, 2015 due to a combination of the sale of the Company's 30% interest in the El Morro project (2.7 million ounces), 2015 mine depletion as a result of strong gold production (0.7 million ounces), lower copper and silver price assumptions and updated mine plans. These decreases were partially offset by the completion of the C-zone Feasibility Study which added 0.6 million ounces to the Company's Proven and Probable gold Mineral Reserves.

2015 YEAR-END MINERAL RESERVES AND RESOURCES HIGHLIGHTS

New Afton: Proven and Probable Mineral Reserves increased by 469,000 ounces of gold and 330 million pounds of copper compared to the prior year due to the conversion of the C-zone Mineral Resource to reserves, which was partially offset by 2015 mine depletion. Measured and Indicated Resources decreased by 578,000 ounces of gold and 427 million pounds of copper as a result of conversion of the C-zone Mineral Resource to Reserves and a lower copper price assumption.

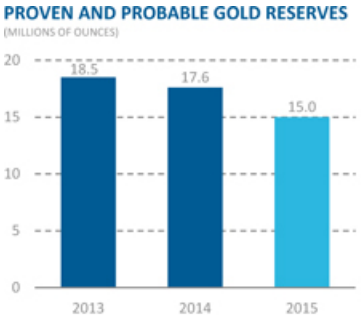
Mesquite: Proven and Probable Mineral Reserves decreased by 187,000 ounces of gold due to a combination of a 2015 mine depletion, revised open pit design and targeted infill drilling in areas selected for mining in 2016. Measured and Indicated Resources decreased by 411,000 ounces of gold as a result of revised open pit design parameters.

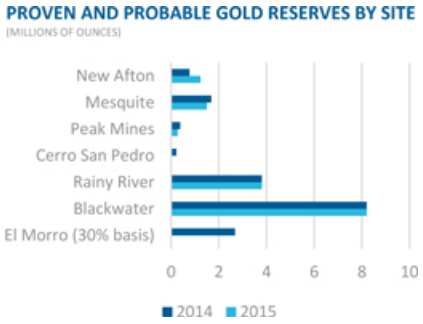
Peak Mines: Proven and Probable Mineral Reserves decreased by 108,000 ounces of gold and 7 million pounds of copper due to a combination of 2015 mine depletion, a lower copper metal price assumption and revisions to the operation life-of-mine plan. As a result of the successful exploration and resource delineation drilling during 2015, primarily at the new Chronos discovery, Measured and Indicated Resources increased by 30,000 ounces of gold and 19 million pounds of copper, and Inferred Resources increased by 108,000 ounces of gold and 2 million pounds of copper.

Cerro San Pedro: Proven and Probable Mineral Reserves decreased by 202,000 ounces of gold and 7.5 million ounces of silver due to 2015 mine depletion and a lower silver price assumption which removed low grade material from the end-of-mine plan. As the Cerro San Pedro operation enters its ninth year, mining is scheduled to conclude during the first half of 2016. Residual leaching of stacked ore is scheduled continue until 2022.

Rainy River: At Rainy River, changes to open pit and underground Mineral Reserves included increases in direct processing material of 179,000 ounces of gold and 454,000 ounces of silver and decreases of 137,000 ounces of gold and 431,000 ounces of silver for lower grade stockpile material. These changes are due primarily to a combination of updates to open pit and underground design criteria, a higher foreign exchange rate and a lower silver metal price assumption. Changes to total Measured and Indicated Resources include a decrease of 283,000 ounces of gold and corresponding decrease of 680,000 ounces of silver as a consequence of conversion of some measured and indicated resources to open pit and underground reserves, as well as the final integration of mineral resources from the Burns block mineral claim acquired from Bayfield Ventures in early 2015. The latter factor is also attributable to increases in Inferred Resources of 116,000 ounces of gold and a decrease of 730,000 ounces of silver.

Blackwater: Blackwater Proven and Probable Mineral Reserves remain unchanged compared to year-end 2014. Measured and Indicated Resources increased by 156,000 ounces of gold and 786,000 ounces silver as a result of revisions to the Mineral Resource pit shell design.





1. *For a breakdown of Mineral Reserves and Mineral Resources by category and additional information relating to Mineral Reserves and Mineral Resources and related key assumptions and parameters, please refer to the "Mineral Reserves and Mineral Resources" section of this MD&A.*

FINANCIAL CONDITION REVIEW

Balance Sheet Review

(in millions of U.S. dollars)	As at December 31 2015	As at December 31 2014
BALANCE SHEET INFORMATION		
Cash and cash equivalents	**335.5**	370.5
Other current assets	**279.1**	264.0
Non-current assets	**3,060.9**	3,247.3
Total assets	**3,675.5**	3,881.8
Current liabilities	**147.3**	104.9
Non-current liabilities excluding long-term debt	**641.0**	631.4
Long-term debt	**787.6**	874.3
Total liabilities	**1,575.9**	1,610.6
Total equity	**2,099.6**	2,271.2
Total liabilities and equity	**3,675.5**	3,881.8

Assets

Total assets were $3,675.5 million at December 31, 2015 compared to $3,881.8 million at December 31, 2014. The decrease in total assets is primarily attributable to the sale of the Company's 30% interest in the El Morro project, which was partially offset by growth capital expenditures at New Afton (completing the mill expansion), the Rainy River project and sustaining capital expenditures at Mesquite.

Cash and cash equivalents

The change in cash and cash equivalents was primarily driven by the increase in growth capital expenditures at the Rainy River project as $245.5 million was spent during the year ended December 31, 2015. This was partially offset by the receipt of $100 million from Royal Gold for the first instalment of its streaming agreement with the Company, as well as the receipt of cash proceeds of $62.4 million (net of transaction costs of $2.4 million and withholding taxes of $25.2 million) associated with the sale of the Company's 30% interest in the El Morro project. During this period the Company sold $250.0 million and bought C$316.9 million of cash and designated this cash for capital expenditures at the Rainy River project and elected to apply hedge accounting for the amount at an average exchange rate of C$1.27/US$. As at December 31, 2015, there remains C$141.8 of cash and cash equivalents pursuant to this hedge. This remaining balance of cash and cash equivalents pursuant to this hedge was marked-to-market at December 31, 2015 using an exchange rate of C$1.38/US$ with the corresponding loss deferred into other comprehensive income.

Cash generated from operations during the year ended December 31, 2015 of $262.6 million was offset by cash used in investing activities of $324.5 million (which includes $121.5 million of sustaining capital expenditure, $268.0 million of growth capital expenditure and net cash proceeds of $62.4 million relating to the sale of the Company's 30% interest in the El Morro project), cash provided by financing activities of $45.7 million (which includes the gold stream obligation deposit, net of financing initiation costs, of $97.6 million and interest paid of $52.3 million) and cash used of $18.8 million from the impact of foreign exchange on cash and cash equivalents.

Current assets

The increase in current assets is primarily due to the $75.0 million instalment receivable in connection with the gold stream agreement. This receivable is to be paid when 60% of the Rainy River project development capital has been spent (subject

to the satisfaction of certain customary conditions precedent), which is expected in mid-2016. Please refer to the "Corporate Developments" section of the MD&A for further details.

Non-current assets

Non-current assets primarily consist of mining interests which include the Company's mining properties, development projects and property, plant and equipment. For the year ended December 31, 2015, the Company spent $389.5 million primarily focused on continued project advancement at Rainy River, completing the mill expansion at New Afton and the leach pad expansion and stripping projects at Mesquite.

Liabilities

Total liabilities were $1,575.9 million at December 31, 2015, compared to $1,610.6 million at December 31, 2014. The decrease in liabilities is primarily attributable to the reduction in long-term debt as a result of the cancellation of the Company's previously outstanding $94.5 million carried funding loan and derecognition of the deferred benefit, which was partially offset by the gold stream obligation and an increase in trade and other payables at the Rainy River project where development activity on the project has increased.

Non-current liabilities

Non-current liabilities consist primarily of reclamation and closure cost obligations, the gold stream obligation, long-term debt and deferred tax liabilities.

Reclamation and closure cost obligations

The Company's asset retirement obligations consist of reclamation and closure costs for New Afton, Mesquite, Peak Mines, Cerro San Pedro, Blackwater and Rainy River. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs.

The long-term discounted portion of the liability at December 31, 2015 is $67.5 million compared to $63.5 million at December 31, 2014. Changes in the liability are primarily due to the recognition of a reclamation liability at Rainy River, which was partially offset by the depreciation of the Canadian and Australian dollars and Mexican peso relative to the U.S. dollar.

During the year ended December 31, 2015, a reclamation liability was recognized at Rainy River. The reclamation liability relates to the reclamation of the plant site, including cleaning and recontouring the site and covering it with vegetation to bring the site back to the original landscape. The liability includes costs related to ongoing monitoring of the Company's closure plan approved by the Ontario Ministry of Northern Development and Mines. The Company's closure plan requires the Company to demonstrate stability of the site from a vegetation cover perspective, to meet applicable guidelines for water quality and to create habitat types supportive of species at risk. The liability also includes costs for restoration of the camp site, shipping items offsite and other reclamation and demobilization activity.

Long-Term Debt and other contractual obligations

The majority of the Company's contractual obligations consist of long-term debt and interest payable. At December 31, 2015, the Company had $787.6 million in long-term debt compared to $874.3 million at December 31, 2014. Long-term debt at December 31, 2015 includes Senior Unsecured Notes, while at December 31, 2014 long term debt also included the El Morro funding loan of $94.5 million.

On November 24, 2015 the Company completed the sale of its 30% interest in the El Morro project to Goldcorp in exchange for cash, a 4% stream on gold production from the El Morro property and the cancellation of the Company's $94.5 million carried funding loan. This resulted in a decrease to the Company's long-term debt.

On July 20, 2015 the Company announced that it had entered into a $175 million streaming transaction with Royal Gold. Please refer to the "Corporate Developments" section of the MD&A for further details. The Company assessed the gold stream obligation liability at the inception of the agreement and determined that it is a financial liability under the scope of IFRS 9. Accordingly, the Company values the liability at the present value of its expected future cash flows at each reporting period with changes in fair value reflected in the Consolidated Income Statements and Consolidated Statements of Comprehensive Income. The gold stream obligation contained a maximum leverage ratio covenant (net debt to EBITDA) of 3.5 : 1.0, with the exception that the net leverage covenant limit may increase to 4.0 : 1.0 for two consecutive quarters, provided that it thereafter returns to a maximum of 3.5 : 1.0. The leverage ratio contained in the company's agreement with Royal Gold has also been adjusted to match the revised maximum leverage ratio under the revolving credit facility.

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, 2015, the face value of these notes totalled $300 million and the carrying amount totalled $295.1 million. Interest is payable in arrears in equal semi-annual instalments on April 15 and October 15 of 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, 2015, the face value of these notes totalled $500 million and the carrying amount totalled $492.5 million. Interest is payable in arrears in equal semi-annual instalments on May 15 and November 15 of each year.

The 2020 and 2022 Unsecured Notes are subject to a minimum interest coverage incurrence covenant (EBITDA to interest) of 2.0 : 1.0. The test is applied on a pro-forma basis prior to the Company incurring additional debt, entering into business combinations or acquiring significant assets, or certain other corporate actions. There are no maintenance covenants with respect to the Company's 2020 and 2022 Unsecured Notes.

On August 14, 2014, the Company replaced its $150.0 million revolving credit facility (due to expire on December 14, 2014) with a $300.0 million revolving credit facility (the "Credit Facility") which, following an extension of the expiry date in 2015, expires on August 14, 2019. The Credit Facility also provides the Company with the option to draw an additional $50.0 million above and beyond the base $300.0 million, subject to lender participation. Net debt is used to calculate leverage for the purpose of covenant tests and pricing levels. The Credit Facility contains various covenants customary for a loan facility of this nature, including limits on indebtedness, asset sales and liens. The Credit Facility contains two covenant tests, the minimum interest coverage ratio (EBITDA to interest) and the maximum leverage ratio (net debt to EBITDA), both of which are measured on a rolling four-quarter basis at the end of every quarter.

The Company regularly reviews its expected financial commitments and financial resources to evaluate covenant compliance. Based on prevailing spot prices of gold, copper and silver and the prevailing exchange rate for the Canadian dollar as of the date of this MD&A, management believes that New Gold has sufficient liquidity and capital resources to complete the construction of the Rainy River project as currently contemplated within the financial covenants initially provided in the Credit Facility. However, in order to provide additional flexibility in the event of a decline in metal prices and/or appreciation of the Canadian dollar relative to the U.S. dollar, on February 17, 2015, the Company amended the Credit Facility to vary the maximum leverage ratio from 3.5 : 1.0. Specifically, for the quarter ending September 30, 2016, the maximum leverage ratio will increase to 4.0 : 1.0 and for the next three quarters, the maximum leverage ratio will increase to 4.5 : 1.0. Following that period, the maximum leverage ratio will return to 3.5 : 1.0.

Significant financial covenants applicable as at December 31, 2015 are as follows:

		Year ended December 31	Year ended December 31
	Financial Covenant	**2015**	**2014**
FINANCIAL COVENANTS			
Minimum interest coverage ratio (EBITDA to interest)	> 3.0 : 1	**5.1 : 1**	5.3 : 1
Maximum leverage ratio (net debt to EBITDA)	< 3.5 : 1	**2.0 : 1**	1.6 : 1

The interest margin on drawings under the Credit Facility ranges from 1.00% to 3.25% 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 Credit Facility range from 0.45% to 0.73%, depending on the Company's net debt to EBITDA ratio. Based on the Company's net debt to EBITDA ratio, the rate is 0.62% as at December 31, 2015 (2014 – 0.51%).

As at December 31, 2015, the Company had not drawn any funds under the Credit Facility; however the Credit Facility has been used to issue letters of credit of $115.9 million as at December 31, 2015 (at December 31, 2014 - $41.7 million). Letters of credit relate to reclamation bonds, worker's compensation security and other financial assurances required with various government agencies. Letters of credit issued in 2015 primarily related to the Rainy River project.

Current and Deferred Income Taxes

The net deferred income tax liability decreased from $326.6 million at December 31, 2014 to $275.5 million at December 31, 2015. The change is mainly driven by a decrease in the deferred tax liabilities associated with the sale of the Company's 30% interest in the El Morro project for which the Company recorded a deferred tax recovery of $108.9 million. In addition, the Company recorded a foreign exchange loss due to revaluation of non-monetary assets of $24.2 million. This was primarily due to the deferred tax liabilities being denominated in currencies other than the U.S. dollar and has no tax impact.

The net current income tax receivable balance was $13.0 million at December 31, 2015 compared to $23.2 million at December 31, 2014 primarily as a result of the receipt of $11.7 million of income tax refunds at Cerro San Pedro during the year ended December 31, 2015.

Liquidity and Cash Flow

As at December 31, 2015, the Company had cash and cash equivalents of $335.5 million compared to $370.5 million at December 31, 2014. 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 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. Surplus corporate funds are only invested with approved government or bank counterparties.

The Company's cash flows from operating, investing and financing activities, as presented in the Condensed Consolidated Statements of Cash Flows, are summarized in the following table for the three months and year ended December 31, 2015:

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**
CASH FLOW INFORMATION				
Cash generated from operating activities	**84.9**	69.9	**262.6**	268.8
Cash used in investing activities (sustaining capital expenditure and other) [1]	**(20.7)**	(36.2)	**(118.9)**	(108.2)
Cash generated from investing activities relating to the sale of the Company's 30% interest in the El Morro project[2]	**62.4**	-	**62.4**	-
Cash used in investing activities (growth capital expenditure) [1]	**(148.3)**	(52.4)	**(268.0)**	(149.5)
Cash generated from financing activities relating to the gold stream obligation deposit, net of financing initiation costs[2]	**-**	-	**97.6**	-
Cash used in other financing activities	**(25.8)**	(25.9)	**(51.9)**	(52.9)
Effect of exchange rate changes on cash and cash equivalents	**(1.6)**	(1.0)	**(18.8)**	(2.1)
Change in cash and cash equivalents	**(49.1)**	(45.6)	**(35.0)**	(43.9)

1. *We use certain non-GAAP financial performance measures throughout our MD&A. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
2. *For further information on these transactions, please refer to the "Corporate Developments" section of this MD&A.*

Operating Activities

Cash generated from operating activities for the year ended December 31, 2015 was $262.6 million compared to $268.8 million in the prior year. Cash generated from operations was consistent with that of the prior year as a result of higher gold sales volumes and the benefit of the weakening Canadian and Australian dollars and the Mexican peso relative to the U.S. dollar being offset by lower average realized prices on all metals and lower copper volumes.

Investing Activities

Cash used in investing activities is primarily for the continued capital investment in the Company's operations. Spending was higher than in the prior year, with the Company spending $324.5 million during the year ended December 31, 2015 compared to $257.7 million in the prior year. Investing activities in the year ended December 31, 2015 primarily focused on continued project advancement at Rainy River, completing the mill expansion at New Afton and the leach pad expansion and stripping projects at Mesquite. Investing activities in the prior year focused on mine development at New Afton, and continued project advancement at the Rainy River and Blackwater projects, as well as sustaining capital expenditures.

The following table summarizes the capital expenditures (Mining Interests per the Condensed Consolidated Statements of Cash Flows) for the three months and year ended December 31, 2015:

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**	**2015**	**2014**
CAPITAL EXPENDITURES BY SITE				
New Afton	**8.2**	26.7	**62.1**	90.9
Mesquite	**10.1**	7.9	**53.2**	33.2
Peak Mines	**3.5**	11.9	**20.2**	30.9
Cerro San Pedro	**0.3**	1.7	**1.3**	29.3
Rainy River	**144.8**	36.1	**245.5**	80.5
Blackwater	**2.7**	3.0	**7.1**	13.0
Corporate	**-**	1.4	**0.1**	1.5
Total Capital Expenditures	**169.6**	88.7	**389.5**	279.3

Financing Activities

Cash provided by financing activities was primarily due to the closing and receipt of the initial $97.6 million of net proceeds from the gold stream obligation deposit, as well as interest paid on the Senior Unsecured Notes of $52.3 million.

On July 20, 2015 the Company entered into a streaming transaction with Royal Gold described in the “Corporate Developments” section of this MD&A.

Upon the start of production at Rainy River, the Company will deliver 6.5% of the project’s monthly gold production and 60% of the monthly silver production to Royal Gold until a total of 230,000 ounces of gold and 3.1 million ounces of silver have been delivered (the “Ounce Thresholds”). Once each of the Ounce Thresholds has been satisfied, the stream percentage for that metal will decrease by 50% such that thereafter the Company will be required to deliver 3.25% of the project’s gold production and 30% of the silver production. In addition to the $175 million deposit, for each ounce sold to Royal Gold, Royal Gold will be required to pay the Company in cash 25% of the average spot gold and silver price, as the case may be, for the prior month.

The Company’s December 31, 2015 cash balance of $335.5 million together with the receivable for Royal Gold’s second instalment under the stream agreement of $75.0 million (the receipt of which is subject to the satisfaction of certain conditions) and the $184.1 million available for drawdown under New Gold’s revolving credit facility provide the Company with approximately $594.6 million of liquidity, in addition to the net cash the Company’s operating mines are expecting to generate.

In the opinion of management, the Company’s liquidity position as at December 31, 2015, together with cash flows from operations, are sufficient to support the Company’s normal operating requirements on an ongoing basis and the remaining development capital expenditure at the Rainy River project. The Company has outstanding notes in the principal amount of $300 million maturing in 2020 and $500 million maturing in 2022. Assuming the continuation of prevailing commodity prices and exchange rates, operations perform in accordance with mine plans, and successful construction of the Rainy River project on schedule, the Company could choose to repay this indebtedness from internally generated cash, depending on management’s views on the attractiveness of other uses of such cash. The Company will decide whether to repay or refinance some or all of such note indebtedness before the respective stated maturities.

The Company’s future operating cash flow and cash position are highly dependent on metal prices, including gold, copper and silver, as well as other factors, including the Canadian/U.S. dollar exchange rate. Based on prevailing spot prices of gold, copper and silver and the prevailing exchange rate for the Canadian dollar as of the date of this MD&A, management believes that New Gold has sufficient liquidity and capital resources to complete the construction of the Rainy River project based on the current construction cost estimate. In addition, as discussed under the heading “Balance Sheet Review”, the Company has amended certain financial ratios in its Credit Facility to provide additional flexibility in the event of a decline in metal prices or appreciation of the Canadian dollar relative to the U.S. dollar.

Taking into consideration the Company’s current cash position, volatile equity markets and foreign exchange rates, global uncertainty in the capital markets and increasing cost pressures, the Company regularly reviews expenditures and assesses business opportunities to enhance liquidity in order to ensure adequate liquidity and flexibility to support its growth strategy, including the development of its projects, while continuing production at its current operations. In addition, the Company regularly evaluates the magnitude and timing of its capital commitments at the Rainy River project in relation to the Company’s current and projected future financial resources, while also taking into account any potential implications to the project’s development schedule. Even with the additional flexibility provided by the amendment to the financial covenants in the Credit Facility, a period of continuous low gold and copper prices may necessitate the deferral of capital expenditures which may impact the timing of development work and project completion, as well as production from

mining operations. In such a price environment, the Company may be required to adopt one or more alternatives to increase liquidity. In addition, a sustained significant appreciation of the Canadian dollar relative to the U.S. dollar could impact the timing of the development work and project completion at the Rainy River project.

Commitments

The Company has entered into a number of contractual commitments for capital items related to operations and development. At December 31, 2015, these commitments totalled $262.2 million, $184.4 million of which is expected to fall due over the next 12 months. This compares to commitments of $243.0 million at December 31, 2014, $141.4 million of which is expected to fall due over the succeeding 12 months. The increase is due to the Rainy River project entering into additional capital purchase commitments as the project continues to advance. Certain contractual commitments may contain cancellation clauses, however the Company discloses the commitments based on management's intent to fulfill the contracts.

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.

Cerro San Pedro Mine

After public consultation, in March 2011, the municipality of Cerro de San Pedro approved a new municipal land use plan, which clearly designates the area of the Cerro San Pedro Mine for mining. New Gold believes this plan resolves any ambiguity regarding the land use in the area in which Cerro San Pedro is located, and which has had a history of ongoing legal challenges related to the environmental authorization ("EIS") for the mine. In April 2011, a request was filed for a new EIS based on the new Municipal Plan and on August 5, 2011 a new EIS was granted. The new EIS is subject to a number of ongoing conditions that will need to be fulfilled through the continued operation and eventual closure of the mine. 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 or leach pad life. During 2015, New Gold experienced challenges relating to its annual operations license. While the issues relating to the 2015 annual operations license have been resolved, it is possible that authorizations required in the future may also be subject to challenges or issues. 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.

Rainy River

A contractor involved in the construction of the Rainy River project has asserted various claims and potential claims against New Gold for work completed as at year end. In addition, one of that contractor's subcontractors alleges that it is owed $2.5 million by the contractor, and filed a construction lien in respect of that claim February 1, 2016. The Company disputes the validity and/or quantum of the claims and potential claims asserted. The Company intends to vigorously defend itself against the claims that have no merit, and has accrued $3.0 million with respect to such asserted claims made by or related to this contractor.

Contractual Obligations

The following is a summary of the Company's payments due under contractual obligations:

(in millions of U.S. dollars, except where noted)	< 1 year	1-3 Years	4-5 Years	After 5 Years	As at December 31 2015 Total	As at December 31 2014 Total
CONTRACTUAL OBLIGATIONS[1]						
Long-term debt[2]	-	-	300.0	500.0	**800.0**	888.5
Interest payable on long-term debt	52.3	104.5	89.6	58.5	**304.9**	357.1
Operating lease commitments	5.7	0.8	-	-	**6.5**	17.6
Capital expenditure commitments	184.4	77.8	-	-	**262.2**	243.0
Reclamation and closure cost obligations	1.4	3.6	2.4	83.5	**90.9**	82.5
Gold stream obligation	-	23.5	38.7	173.5	**235.7**	-
Total contractual obligations	243.8	210.2	430.7	815.5	**1,700.2**	1,588.7

1. *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.*
2. *As a result of the sale of the Company's 30% interest in the El Morro project in the fourth quarter of 2015, Goldcorp cancelled the previously outstanding carried funding loan related to the project.*

Related Party Transactions

The Company did not enter into any related party transactions during the year ended December 31, 2015.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Shares

As at February 18, 2016, there were 509,481,809 common shares of the Company outstanding. The Company had 16,998,004 stock options outstanding under its share option plan, exercisable for up to 16,998,004 common shares. In addition, there are warrants outstanding exercisable for up to 28,114,398 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. New Gold believes that this measure, along with sales, is 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 gold ounce for Cerro San Pedro is net of by-product silver sales revenue, and the calculation of total cash costs per gold ounce sold for Peak Mines and New Afton is net of by-product silver and 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 focused 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, New Gold has 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 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 gold ounces, silver ounces or pounds of copper sold, as the case may be, to arrive at per ounce or per pound figures. Unless indicated 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 meaning 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 meaning 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.

Costs 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.

Cash Costs and All-in Sustaining Costs ("AISC") per Ounce Reconciliation Tables

The following table reconciles these non-GAAP measures to the most directly comparable IFRS measure on an aggregate and mine by mine basis.

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
TOTAL CASH COSTS AND AISC RECONCILIATION					
Operating expenses	**116.4**	123.1	**419.6**	411.1	435.5
Treatment and refining charges on concentrate sales	**8.9**	8.8	**32.9**	34.5	29.4
Adjustments[1]	**(11.1)**	(8.7)	**(9.4)**	(8.1)	(13.3)
Total cash costs before by-product revenue	**114.2**	123.2	**443.1**	437.5	451.6
By-product copper and silver sales	**(62.4)**	(80.0)	**(253.0)**	(321.8)	(303.8)
Total cash costs net of by-product revenue	**51.8**	43.2	**190.1**	115.7	147.8
Gold ounces sold	**133,005**	104,224	**428,852**	371,179	391,823
Total cash costs per gold ounce sold ($/ounce)	**389**	414	**443**	312	377
Total cash costs per gold ounce sold on a co-product basis[2] ($/ounce)	**580**	695	**661**	675	712
Total cash costs net of by-product revenue	**51.8**	43.2	**190.1**	115.7	147.8
Sustaining capital expenditures, excluding capitalized exploration[3]	**21.0**	35.4	**119.2**	126.0	157.0
Sustaining exploration - expensed and capitalized	**1.7**	1.5	**6.3**	10.2	11.6
Corporate G&A including share-based compensation[4]	**5.2**	6.6	**26.7**	32.1	34.4
Reclamation expenses	**1.8**	1.4	**4.6**	5.4	1.5
Total all-in sustaining costs	**81.5**	88.1	**346.9**	289.2	352.4
All-in sustaining costs per gold ounce sold ($/ounce)	**613**	845	**809**	779	899
All-in sustaining costs per gold ounce sold on a co-product basis[2] ($/ounce)	**737**	957	**903**	952	1,042

1. *Adjustments include non-cash items related to inventory write-downs.*
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 "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
4. *Includes the sum of corporate administration costs and share-based payment expense per the income statement, net of any non-cash depreciation within those figures.*

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
NEW AFTON CASH COSTS AND AISC RECONCILIATION					
Operating expenses	**25.2**	24.4	**97.7**	95.5	105.7
Treatment and refining charges on concentrate sales	**7.3**	6.9	**27.6**	28.4	20.2
Adjustments[1]	**(0.9)**	-	**(0.9)**	(0.1)	(0.4)
New Afton cash costs before by-product revenue	**31.6**	31.3	**124.4**	123.8	125.5
By-product copper and silver sales	**(49.1)**	(62.3)	**(196.4)**	(251.2)	(227.2)
New Afton cash costs net of by-product revenue	**(17.5)**	(31.0)	**(72.0)**	(127.4)	(101.7)
Gold ounces sold	**28,473**	25,835	**99,458**	102,060	85,030
New Afton cash costs per gold ounce sold ($/ounce)	**(614)**	(1,199)	**(724)**	(1,248)	(1,196)
New Afton cash costs per gold ounce sold on a co-product basis[2] ($/ounce)	**433**	395	**464**	409	486
New Afton cash costs net of by-product revenue	**(17.5)**	(31.0)	**(72.1)**	(127.4)	(101.7)
Sustaining capital expenditures[3]	**7.4**	16.2	**46.7**	59.7	90.2
Reclamation expenses	**0.4**	0.3	**1.3**	1.3	0.2
New Afton all-in sustaining costs	**(9.7)**	(14.5)	**(24.1)**	(66.4)	(11.3)
All-in sustaining costs per gold ounce sold ($/ounce)	**(340)**	(560)	**(242)**	(650)	(133)
All-in sustaining costs per gold ounce sold on a co-product basis[2] ($/ounce)	**539**	603	**642**	610	837

1. *Adjustments include non-cash items related to supplies inventory write-downs and in 2013, charges related to severance.*
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 "New Afton Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to capital expenditures per the segmented information note.*

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
MESQUITE CASH COSTS AND AISC RECONCILIATION					
Operating expenses	**27.6**	29.0	**98.1**	93.3	94.3
Adjustments[1]	**0.5**	0.3	**1.3**	0.9	0.7
Mesquite cash costs	**28.1**	29.3	**99.4**	94.2	95.0
Gold ounces sold	**44,474**	34,370	**133,712**	103,654	104,794
Mesquite cash costs per gold ounce sold ($/ounce)	**631**	852	**743**	909	907
Mesquite cash costs	**28.1**	29.3	**99.4**	94.2	95.0
Sustaining capital expenditures, excluding capitalized exploration[2]	**10.1**	7.8	**53.2**	33.2	17.4
Sustaining exploration - expensed and capitalized	**-**	-	**0.6**	2.9	3.5
Reclamation expenses	**0.5**	0.4	**1.5**	1.0	0.2
Mesquite all-in sustaining costs	**38.7**	37.5	**154.7**	131.3	116.1
All-in sustaining costs per gold ounce sold ($/ounce)	**869**	1,090	**1,156**	1,266	1,108

1. *Adjustments includes amortization of Mesquite's Purchase Price Allocation ("PPA") associated with Royalties*
2. *For the periods presented all capital expenditures at Mesquite per the segmented information note were sustaining capital expenditures.*

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
PEAK MINES CASH COSTS AND AISC RECONCILIATION					
Operating expenses	**24.5**	29.8	**98.6**	109.2	126.4
Treatment and refining charges on concentrate sales	**1.5**	1.7	**5.4**	6.1	9.2
Adjustments[1]	**0.9**	(0.5)	**0.5**	(0.5)	(2.1)
Peak Mines cash costs before by-product revenue	**26.9**	31.0	**104.5**	114.8	133.5
By-product copper and silver sales	**(7.7)**	(13.6)	**(33.9)**	(50.3)	(46.1)
Peak Mines cash costs net of by-product revenue	**19.2**	17.4	**70.6**	64.5	87.4
Gold ounces sold	**34,690**	24,614	**89,265**	98,002	102,811
Peak Mines cash costs per gold ounce sold ($/ounce)	**552**	707	**791**	658	850
Peak Mines cash costs per gold ounce sold on a co-product basis[2] ($/ounce)	**622**	842	**858**	816	958
Peak Mines cash costs net of by-product revenue	**19.2**	17.4	**70.6**	64.5	87.4
Sustaining capital expenditures, excluding capitalized exploration[3]	**3.1**	11.0	**17.9**	27.0	41.1
Sustaining exploration - expensed and capitalized	**1.7**	1.6	**5.7**	7.2	7.7
Reclamation expenses	**0.5**	0.3	**1.4**	1.8	0.7
Peak Mines all-in sustaining costs	**24.5**	30.3	**95.6**	100.5	136.9
All-in sustaining costs per gold ounce sold ($/ounce)	**706**	1,231	**1,071**	1,025	1,331
All-in sustaining costs per gold ounce sold on a co-product basis[2] ($/ounce)	**750**	1,201	**1,067**	1,077	1,321

1. *Adjustments include non-cash items related to inventory write-downs.*
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. *For the periods presented all capital expenditures at Peak Mines per the segmented information note were sustaining capital expenditures. Sustaining capital expenditures exclude capitalized sustaining exploration.*

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
CERRO SAN PEDRO CASH COSTS AND AISC RECONCILIATION					
Operating expenses	**39.1**	39.9	**125.2**	113.1	109.1
Adjustments[1]	**(11.5)**	(8.4)	**(10.4)**	(8.5)	(11.5)
Cerro San Pedro cash costs before by-product revenue	**27.6**	31.5	**114.8**	104.6	97.6
By-product silver sales	**(5.6)**	(4.1)	**(22.7)**	(20.2)	(30.5)
Cerro San Pedro cash costs net of by-product revenue	**22.0**	27.4	**92.1**	84.4	67.1
Gold ounces sold	**25,368**	19,404	**106,417**	67,463	99,188
Cerro San Pedro cash costs per gold ounce sold ($/ounce)	**868**	1,413	**865**	1,251	676
Cerro San Pedro cash costs per gold ounce sold on a co-product basis[2] ($/ounce)	**906**	1,380	**910**	1,252	806
Cerro San Pedro cash costs net of by-product revenue	**22.0**	27.4	**92.1**	84.4	67.1
Sustaining capital expenditures, excluding capitalized exploration[3]	**0.3**	0.4	**1.3**	6.0	8.7
Reclamation expenses	**0.1**	0.3	**0.2**	1.0	0.2
Cerro San Pedro all-in sustaining costs	**22.4**	28.1	**93.6**	91.4	76.0
All-in sustaining costs per gold ounce sold ($/ounce)	**883**	1,447	**879**	1,354	766
All-in sustaining costs per gold ounce sold on a co-product basis[2] ($/ounce)	**919**	1,409	**922**	1,336	881

1. *Adjustments include non-cash items related to inventory write-downs.*
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 "Cerro San Pedro Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to capital expenditures per the segmented information note.*

Sustaining Capital Expenditure Reconciliation Tables

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
TOTAL SUSTAINING CAPITAL EXPENDITURE					
Mining interests per statement of cash flows	**169.6**	88.7	**389.5**	279.3	289.3
New Afton growth capital expenditure [1]	**(0.8)**	(10.5)	**(15.4)**	(31.2)	(32.0)
Cerro San Pedro growth capital expenditure[2]	**-**	(1.3)	**-**	(23.3)	(15.8)
Rainy River growth capital expenditure	**(144.8)**	(36.2)	**(245.5)**	(80.5)	(21.2)
Blackwater growth capital expenditure	**(2.7)**	(3.0)	**(7.1)**	(13.0)	(60.8)
Other non-sustaining capital expenditure[3]	**-**	(1.4)	**-**	(1.4)	-
Sustaining capitalized exploration included in mining interests	**(0.3)**	(0.9)	**(2.3)**	(3.8)	(2.5)
Total sustaining capital expenditures, excluding capitalized exploration	**21.0**	35.4	**119.2**	126.0	157.0

1. *Current year and prior year growth capital expenditures at New Afton relate to the mill expansion and scoping study/preliminary economic assessment and exploration for the C-zone.*
2. *Growth capital expenditures at Cerro San Pedro related to capitalized stripping costs for Phase 5 in the prior-year period.*
3. *Other non-sustaining capital expenditures includes transaction costs incurred to replace the Company's revolving credit facility.*

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
NEW AFTON SUSTAINING CAPITAL EXPENDITURE					
Capital expenditure per segmented information	**8.2**	26.7	**62.1**	90.9	122.2
New Afton growth capital expenditure[1]	**(0.8)**	(10.5)	**(15.4)**	(31.2)	(32.0)
New Afton sustaining capital expenditures	**7.4**	16.2	**46.7**	59.7	90.2

1. Current year and prior year growth capital expenditures at New Afton relate to the mill expansion and scoping study/preliminary economic assessment and exploration for the C-zone.

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
CERRO SAN PEDRO SUSTAINING CAPITAL EXPENDITURE					
Capital expenditure per segmented information	**0.3**	1.7	**1.3**	29.3	24.5
Cerro San Pedro growth capital expenditure[1]	**-**	(1.3)	**-**	(23.3)	(15.8)
Cerro San Pedro sustaining capital expenditures	**0.3**	0.4	**1.3**	6.0	8.7

1. Growth capital expenditures at Cerro San Pedro related to capitalized stripping costs for Phase 5 in the prior-year period.

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 exclude the following from net earnings:

- Impairment losses;
- Inventory write-downs;
- Gains (losses) on Fair Value through Profit and Loss financial assets;
- Ineffectiveness of hedging instruments and monetization of the Company's legacy hedge position;
- Fair value changes on share purchase warrants;
- 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 statements. Key entries in this grouping are: the loss on disposal of the Company's 30% interest in the El Morro project; the fair value changes for the gold stream obligation and share purchase warrants; gold stream obligation transaction costs; foreign exchange gain or loss; inventory write-downs; impairment losses; and other non-recurring items. Other adjustments to net earnings also include the provision for office consolidation and the non-cash accounting charge as the loss incurred on the monetization of the Company's legacy hedge position is realized into income over the original term of the hedge contract, which is included in revenue. The adjusted entries are also impacted for tax to the extent that the underlying entries are impacted for tax in the unadjusted net loss.

The Company uses adjusted net earnings for its own internal purposes. Management's internal budgets and forecasts and public guidance do not reflect impairment losses on the reclassification of assets as held for sale, fair value changes on non-hedged derivatives, foreign currency translation and fair value through profit or loss financial asset gains/losses. Consequently, the presentation of adjusted net earnings enables shareholders 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 does not have any standardized meaning 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 flows from operations as determined under IFRS.

The following table reconciles this non-GAAP measure to the most directly comparable IFRS measure.

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
ADJUSTED NET EARNINGS RECONCILIATION					
Net loss before taxes	**(40.3)**	(420.5)	**(308.3)**	(409.5)	(191.6)
Loss on disposal of El Morro	**-**	-	**180.3**	-	-
Other loss on disposal of assets	**4.1**	1.9	**4.8**	1.7	2.6
Ineffectiveness on hedging instruments	**-**	-	**-**	-	(9.5)
Realized and unrealized gain on non-hedged derivatives	**(4.4)**	(4.1)	**(14.2)**	(8.5)	(49.3)
Loss on foreign exchange	**25.6**	21.4	**98.2**	47.5	25.7
Other	**(2.8)**	(0.7)	**2.1**	(0.7)	4.5
Loss on hedge monetization over original term of hedge	**-**	6.8	**-**	27.3	18.7
Provision for office consolidation	**-**	-	**3.0**	-	-
Unrealized gain on gold stream obligation	**(9.4)**	-	**(6.2)**	-	-
Rainy River transaction costs	**-**	-	**-**	-	5.0
Severance charges	**-**	-	**-**	-	2.4
Asset impairment	**20.1**	395.8	**20.1**	395.8	272.5
Inventory write-down	**12.5**	10.5	**12.5**	10.5	7.3
Adjusted net earnings (loss) before tax	**5.4**	11.1	**(7.7)**	64.1	88.3
Income tax recovery (expense)	**30.8**	(11.4)	**106.9**	(67.6)	0.4
Income tax adjustments	**(33.6)**	13.7	**(110.1)**	48.7	(27.4)
Adjusted income tax (expense) recovery	**(2.8)**	2.3	**(3.2)**	(18.9)	(27.0)
Adjusted net earnings (loss)	**2.6**	13.4	**(10.9)**	45.2	61.3
Adjusted earnings (loss) per share (basic and diluted)	**0.01**	0.03	**(0.02)**	0.09	0.13
Adjusted effective tax rate	**52%**	21%	**41%**	30%	31%

1. Other includes the reversal of net realizable provisions recorded in prior-year periods and the financing initiation costs associated with the gold stream obligation deposit.

Adjusted Cash Generated from Operations, before Changes in Non-Cash Operating Working Capital

"Adjusted cash generated from operations, before changes in non-cash operating working capital" is a non-GAAP financial measure with no standard meaning under IFRS, which excludes changes in non-cash operating working capital. Management uses this measure to evaluate the Company's ability to generate cash from its operations before temporary working capital changes.

Adjusted cash generated from operations, before non-cash changes in working capital is intended to provide additional information only and does not have any standardized meaning 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 and this measure is unlikely to be comparable to similar measures presented by other companies.

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars)	**2015**	**2014**	**2015**	**2014**	**2013**
ADJUSTED CASH RECONCILIATION					
Cash generated from operations	**84.9**	69.9	**262.6**	268.8	171.9
Add back: Hedge settlement payment	**-**	-	**-**	-	65.7
Add back: Rainy River transaction costs	**-**	-	**-**	-	5.0
Add back: Payment of Rainy River acquisition expenses	**-**	-	**-**	-	12.9
Deduct: Amended tax returns	**-**	-	**-**	-	(6.6)
Adjusted cash generated from operations	**84.9**	69.9	**262.6**	268.8	248.9
Add back (deduct): Change in non-cash operating working capital	**(8.4)**	(0.1)	**2.4**	41.6	9.7
Adjusted cash generated from operations before changes in non-cash operating working capital	**76.5**	69.8	**265.0**	310.4	258.6

Operating Margin

"Operating margin" is a non-GAAP financial measure with no standard meaning under IFRS, which management uses to evaluate the Company's aggregated and mine-by-mine contribution to net earnings before non-cash depreciation and depletion charges. 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 meaning 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 and this measure is unlikely to be comparable to similar measures presented by other companies. The following tables reconcile this non-GAAP measure to the most directly comparable IFRS measure on an aggregated and mine-by-mine basis.

Operating Margin Reconciliation Tables

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
TOTAL OPERATING MARGIN					
Revenues	**199.0**	188.1	**712.9**	726.0	779.7
Less: Operating expenses	**(116.4)**	(123.1)	**(419.6)**	(411.1)	(435.5)
Total operating margin	**82.6**	65.0	**293.3**	314.9	344.2

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
NEW AFTON OPERATING MARGIN					
Revenues	**73.1**	85.4	**284.6**	350.2	318.7
Less: Operating expenses	**(25.2)**	(24.5)	**(97.7)**	(95.5)	(105.7)
New Afton operating margin	**47.9**	60.9	**186.9**	254.7	213.0

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
MESQUITE OPERATING MARGIN					
Revenues	**48.8**	34.4	**152.9**	102.4	113.7
Less: Operating expenses	**(27.6)**	(29.0)	**(98.1)**	(93.3)	(94.3)
Mesquite operating margin	**21.2**	5.4	**54.8**	9.1	19.4

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
PEAK MINES OPERATING MARGIN					
Revenues	**43.8**	41.2	**130.0**	168.3	177.7
Less: Operating expenses	**(24.5)**	(29.7)	**(98.6)**	(109.2)	(126.4)
Peak Mines operating margin	**19.3**	11.5	**31.4**	59.1	51.3

	Three months ended December 31			Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
CERRO SAN PEDRO OPERATING MARGIN					
Revenues	**33.3**	27.1	**145.4**	105.1	169.6
Less: Operating expenses	**(39.1)**	(39.9)	**(125.2)**	(113.1)	(109.1)
Cerro San Pedro operating margin	**(5.8)**	(12.8)	**20.2**	(8.0)	60.5

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 sales. Average realized price excludes from revenues the revenue reduction related to the non-cash accounting charge as the loss incurred on the monetization of the Company's legacy hedge position is realized into income over the original term of the hedge contract.

Average realized price is intended to provide additional information only and does not have any standardized meaning 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 and this measure is unlikely to be comparable to similar measures presented by other companies. The following tables reconcile this non-GAAP measure to the most directly comparable IFRS measure on an aggregate and mine-by-mine basis.

Average Realized Price Reconciliation Tables

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
TOTAL AVERAGE REALIZED PRICE					
Revenues from gold sales	**141.8**	114.0	**480.3**	426.5	493.8
Treatment and refining charges on gold concentrate sales	**3.6**	3.0	**12.4**	12.5	11.5
Loss on hedge monetization over original term of hedge	**-**	6.8	**-**	27.3	18.7
Gross revenue from gold sales	**145.4**	123.8	**492.7**	466.3	524.0
Gold ounces sold	**133,005**	104,223	**428,852**	371,179	391,823
Total average realized price per gold ounce sold ($/ounce)	**1,094**	1,188	**1,149**	1,256	1,337

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
NEW AFTON AVERAGE REALIZED PRICE					
Revenues from gold sales	**28.4**	27.8	**105.5**	117.9	105.1
Treatment and refining charges on gold concentrate sales	**2.9**	2.3	**10.2**	9.6	6.6
Gross revenue from gold sales	**31.3**	30.1	**115.7**	127.5	111.7
Gold ounces sold	**28,473**	25,835	**99,458**	102,060	85,030
New Afton average realized price per gold ounce sold ($/ounce)	**1,099**	1,164	**1,164**	1,248	1,314

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
MESQUITE AVERAGE REALIZED PRICE					
Revenues from gold sales	**48.8**	34.4	**152.9**	102.4	113.7
Loss on hedge monetization over original term of hedge	**-**	6.8	**-**	27.3	18.7
Gross revenue from gold sales	**48.8**	41.2	**152.9**	129.7	132.4
Gold ounces sold	**44,474**	34,370	**133,712**	103,654	104,794
Mesquite average realized price per gold ounce sold ($/ounce)	**1,098**	1,198	**1,144**	1,254	1,263

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
PEAK MINES AVERAGE REALIZED PRICE					
Revenues from gold sales	**36.9**	28.7	**99.3**	121.3	135.9
Treatment and refining charges on gold concentrate sales	**0.7**	0.7	**2.2**	2.7	4.9
Gross revenue from gold sales	**37.6**	29.4	**101.5**	124.0	140.8
Gold ounces sold	**34,690**	24,614	**89,265**	98,002	102,811
Peak Mines average realized price per gold ounce sold ($/ounce)	**1,083**	1,196	**1,137**	1,266	1,370

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2015**	**2014**	**2015**	**2014**	**2013**
CERRO SAN PEDRO AVERAGE REALIZED PRICE					
Revenues from gold sales	**27.7**	23.1	**122.6**	84.9	139.1
Gold ounces sold	**25,368**	19,404	**106,417**	67,463	99,188
Cerro San Pedro average realized price per gold ounce sold ($/ounce)	**1,094**	1,191	**1,152**	1,258	1,403

ENTERPRISE RISK MANAGEMENT

The Company is subject to various financial and other risks that could materially adversely affect the Company's future business, operations and financial condition. The following is a summary of the key risks facing the Company. For a more comprehensive discussion of these and other risks facing Company, please refer to the section entitled "Risk Factors" in the Company's most recent Annual Information Form, filed on SEDAR at www.sedar.com.

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 years ended December 31, 2015 and 2014.

		As at December 31, 2015		As at December 31, 2014	
(in millions of U.S. dollars)	**Category**	**Level**		**Level**	
FINANCIAL ASSETS					
Cash and cash equivalents	Loans and receivables at amortized cost		**335.5**		370.5
Trade and other receivables	Loans and receivables at amortized cost		**105.5**		35.2
Provisionally priced contracts	Financial instruments at FVTPL	**2**	**(1.7)**	2	(8.4)
Gold and copper swap contracts	Financial instruments at FVTPL	**2**	**5.2**	2	8.0
Investments	Financial instruments at FVTPL	**1**	**0.3**	1	0.4
FINANCIAL LIABILITIES					
Trade and other payables[1]	Financial liabilities at amortized cost		**139.8**		95.3
Long-term debt	Financial liabilities at amortized cost		**787.6**		874.3
Warrants	Financial Instruments at FVTPL	**1**	**1.5**	1	16.9
Diesel swap contracts	Financial liability at fair value through OCI	**2**	**3.6**	2	-
Gold stream obligation	Financial instruments at FVTPL	**3**	**147.6**		-
Performance share units	Financial instruments at FVTPL	**1**	**0.8**		-
Restricted share units	Financial instruments at FVTPL	**1**	**0.8**	1	1.5

1. Trade and other payables exclude the short term portion of reclamation and closure cost obligations.

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's 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, 2015 is not considered to be high.

The Company's maximum exposure to credit risk at December 31, 2015 and December 31, 2014 is as follows:

	As at December 31	As at December 31
(in millions of U.S. dollars, except where noted)	**2015**	**2014**
CREDIT RISK EXPOSURE		
Cash and cash equivalents	**335.5**	370.5
Trade and other receivables	**109.0**	34.8
Total financial instrument exposure to credit risk	**444.5**	405.3

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, which is described in Note 21 to our audited consolidated financial statements for the years ended December 31, 2015 and 2014.

The aging of trade and other receivables at December 31, 2015 and December 31, 2014 is as follows:

						As at December 31	
(in millions of U.S. dollars)	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**Over 120 days**	**2015 Total**	**2014 Total**
AGING TRADE AND OTHER RECEIVABLES							
New Afton	4.1	-	3.1	2.8	-	**10.0**	3.8
Mesquite	0.2	-	-	-	-	**0.2**	1.1
Peak Mines	1.8	-	-	-	-	**1.8**	2.9
Cerro San Pedro	5.4	1.5	1.5	1.5	1.8	**11.7**	25.0
Rainy River[1]	83.9	-	-	-	0.4	**84.3**	1.7
Blackwater	0.2	-	-	-	-	**0.2**	0.2
Corporate	0.8	-	-	-	-	**0.8**	0.1
Total trade and other receivables	96.4	1.5	4.6	4.3	2.2	**109.0**	34.8

1. *Included in the 0-30 days aging of trade and other receivables is the $75.0 million instalment receivable in connection with the gold stream agreement. This receivable is to be paid when 60% of the Rainy River project development capital has been spent (subject to the satisfaction of certain customary conditions precedent), which is expected in mid-2016.*

The Company sells its gold and copper concentrate production from New Afton to four 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 21 to our audited consolidated financial statements for the years ended December 31, 2015 and 2014.

The following are the contractual maturities of debt commitments and certain other obligations. The amounts presented represent the future undiscounted cash flows, and therefore, do not equate to the carrying amounts on the consolidated statements of financial position.

					As at December 31	As at December 31
(in millions of U.S. dollars, except where noted)	**< 1 year**	**1-3 years**	**4-5 years**	**After 5 years**	**2015 Total**	**2014 Total**
DEBT COMMITMENTS						
Trade and other payables	135.8	4.8	0.5	-	**141.1**	97.0
Long-term debt[(1)]	-	-	300.0	500.0	**800.0**	888.5
Interest payable on long-term debt	52.3	104.5	89.6	58.5	**304.9**	357.1
Provisionally priced contracts net of copper swap contracts	3.5	-	-	-	**3.5**	(0.4)
Gold stream obligation	-	23.5	38.7	173.5	**235.7**	-
Total debt commitments	191.6	132.8	428.8	732.0	**1,485.2**	1,342.2

2. As a result of the sale of the Company's 30% interest in the El Morro project in the fourth quarter of 2015, the Company's previously outstanding carried funding loan of $93.5 million has been cancelled.

The Company's future operating cash flow and cash position are highly dependent on metal prices, including gold, copper and silver, as well as other factors. 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 continually reviewing expenditures and assessing business opportunities to enhance liquidity in order to ensure adequate liquidity and flexibility to support its growth strategy, including the development of its projects, while continuing production at its current operations. A period of continuous low gold and copper prices may necessitate the deferral of capital expenditures which may impact the timing of development work and project completion, as well as production from mining operations. In addition, in such a price environment, the Company may be required to adopt one or more alternatives to increase liquidity.

Currency Risk

The Company operates in Canada, the United States, Australia and Mexico. 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:

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 designated

$250.0 million for capital expenditures at Rainy River and elected to apply hedge accounting for the amount at an average exchange rate C$1.27/US$.

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, 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:

	Year ended December 31, 2015		
(in millions of U.S. dollars, except where noted)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	**3.2**	**2.0**	**1.0**
Trade and other receivables	**10.6**	**0.7**	**2.1**
Income tax receivable/(payable)	**(0.6)**	**0.1**	**5.8**
Deferred tax asset	**124.5**	**11.9**	**(0.8)**
Trade and other payables	**(81.9)**	**(12.9)**	**(21.2)**
Deferred tax liability	**(297.4)**	**(40.3)**	**1.6**
Reclamation and closure cost obligations	**(23.6)**	**(14.0)**	**(16.8)**
Warrants	**(1.5)**	**-**	**-**
Employee benefits	**-**	**(7.9)**	**-**
Restricted share units	**(1.4)**	**-**	**-**
Total exposure to currency risk	**(268.1)**	**(60.4)**	**(28.3)**

	Year ended December 31, 2014		
(in millions of U.S. dollars, except where noted)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	15.3	1.4	0.7
Trade and other receivables	2.7	2.9	25.0
Income tax receivable/(payable)	(0.5)	(3.7)	18.7
Deferred tax asset	124.1	8.2	8.6
Trade and other payables	(38.4)	(15.0)	(27.0)
Deferred tax liability	(219.8)	(46.5)	(10.8)
Reclamation and closure cost obligations	(18.1)	(15.9)	(19.1)
Warrants	(16.9)	-	-
Employee benefits	-	(7.9)	-
Restricted share units	(1.7)	-	-
Total exposure to currency risk	(153.3)	(76.5)	(3.9)

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 and Mexican 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.

(in millions of U.S. dollars, except where noted)	Year ended December 31 **2015**	Year ended December 31 **2014**
IMPACT OF 10% CHANGE IN FOREIGN EXCHANGE RATES		
Canadian dollar	**26.8**	15.3
Australian dollar	**6.0**	7.7
Mexican peso	**2.8**	0.4

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 was undrawn as at December 31, 2015.

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.

Metal and Input Price Risk

The Company's earnings, cash flows and financial condition are subject to risk due to fluctuations in the market price of gold, copper and silver. 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 jewellery containing gold;
- investment activity, including speculation, in gold as a commodity; and
- world wide production.

For the year ended December 31, 2015, the Company's revenues and cash flows were impacted by gold prices in the range of $1,049 to $1,296 per ounce, and by copper prices in the range of $2.05 to $2.92 per pound. Low metal prices 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 impact the Company's revenue and working capital position. As at December 31, 2015, working capital includes unpriced gold and copper concentrate receivables totaling 5,314 ounces of gold and 1.3 million pounds of copper relating to the Peak Mines and New Afton not offset by copper swap contracts. The Company's exposure to changes in gold prices has been significantly reduced during the year ended December 31, 2015 as the Company has entered into gold swap contracts to reduce exposure to changes in gold prices. A $100 change in the gold price per ounce would have an impact of $0.5 million on the Company's working capital. A $0.10 change in the copper price per pound would have an impact of $0.1 million on the Company's working capital position.

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.

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.

An increase in gold, copper and silver prices would increase the Company's net earnings whereas an increase in fuel or share unit vesting 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		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2015 Net Earnings**	**2015 Other Comprehensive Income**	**2014 Net Earnings**	**2014 Other Comprehensive Income**
IMPACT OF 10% CHANGE IN COMMODITY PRICES				
Gold price	**49.3**	**-**	47.8	-
Copper price	**22.5**	**-**	30.7	-
Silver price	**2.3**	**-**	2.0	-
Fuel price	**4.5**	**0.9**	7.0	-
Warrants	**0.2**	**-**	1.7	-
Restricted share units	**0.2**	**-**	0.3	-

The Company is also subject to price risk for changes in the Company's common stock price per share. The Company has granted, under its long-term incentive plan, restricted share units 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.

Other Risks

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 and Mineral Resource 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 prospects, 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, penalty elements in concentrates, royalties, the 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.

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. Amendments to current laws, regulations and permits governing operations or development activities and activities of mining and exploration companies, or more stringent or different 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 or the suspension or curtailment of operations at existing mines. 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 or development activities to cease or be curtailed or suspended, 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 or otherwise negatively impact the Company's operations and other activities.

Permitting

The Company's operations, development projects and exploration activities are subject to receiving and maintaining licenses, 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 or obtaining additional 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 or receiving additional required 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 existing or 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, there have been a number of challenges relating to the Company's 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. 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. In January 2015 the Municipality of Cerro de San Pedro advised that the issue of MSX's annual license would be subject to numerous conditions the Company considered inappropriate. On February 3, 2015 the State Contentious and Administrative Tribunal granted MSX an injunction against the Municipality ensuring the continued operation of the mine pending the Tribunal's ruling on the inappropriate conditions. Prior to the Tribunal making its ruling, the Municipality and MSX reached a settlement which resulted in the removal of the inappropriate conditions and the granting of MSX's annual operations licences in May 2015. While the issues regarding the 2015 annual operations license have been resolved it is possible that authorizations required in the future, including the annual operations license, may also be subject to inappropriate conditions.

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 financially 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 24% of the Company's gold production and 86% of its copper production in 2015 and are expected to account for approximately 25% of the Company's gold production and 92% of its copper production in 2016. Also, in 2015 the New Afton Mine accounted for approximately 61% of the Company's operating margin. 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, copper and silver 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 that would impact 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 or tonnage, dilution, block cave performance 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 a mining operation to be unprofitable in any particular accounting period. The occurrence of one or more of these events may result in the death of, or personal injury to, employees, other personnel or third parties, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, deferral or unanticipated fluctuations in production, suspension, curtailment or termination of operations, environmental damage and potential legal liabilities, any of which may adversely affect the Company's business, reputation, prospects, results of operations and financial condition.

Exploration and Development Risks

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 accuracy of estimated size, continuity of mineralization, average grade and metallurgical characteristics (see "Uncertainty in the Estimation of Mineral Reserves and Mineral Resources" below); 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 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 two projects currently in the development phase: the Rainy River Project, which is at the construction stage, and the Blackwater Project, which is in the permitting stage. In addition, the Company 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 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 either of the Rainy River Project or the Blackwater Project will continue in accordance with current expectations or at all.

Construction Risks

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 construction challenges or delays and unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated.

The Rainy River Project is currently at the construction stage of its development. Given the inherent risks and uncertainties associated with the development of a new mine, there can be no assurance that the construction will continue in accordance with current expectations or at all, or that construction costs will be consistent with the budget, or that the mine will operate as planned.

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, construction or production on any or all of the Company's mineral properties. The cost and terms of such financing may significantly reduce the expected benefits from new developments and/or render such developments uneconomic.

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 risks and 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, drilling or actual production experience.

Fluctuations in gold, copper and silver 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 Mineral Reserve and Mineral Resource estimates. Prolonged declines in the market price of gold (or applicable byproduct metal prices) may render Mineral Reserves and Mineral Resources containing relatively lower grades

of mineralization uneconomical to recover and could materially reduce the Company's Mineral Reserves and Mineral Resources. 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 geologic and drilling information becomes available and 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 reduced net income or 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 and Mineral Resources, could have a material adverse effect on the Company's projects, 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.

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 CGUs. 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 judgments 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, copper and silver 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 or to conduct exploration activities. Accordingly, the Company is subject to the risk that one or more groups may oppose the continued operation, further development or new development or exploration 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, and Mexico in which title or other rights are claimed by indigenous peoples, and may affect the timetable and costs of development and operation 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.

Environmental Risk

The Company is subject to environmental regulation in Canada, the United States, Australia and Mexico where it operates or has exploration or development activities. In addition, the Company will be subject to environmental regulation in any other jurisdictions in which it may operate or have exploration or 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 involve, 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 or exploration activities. The Company cannot give any assurance that, notwithstanding its precautions, breaches of 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. In addition, measures taken to address and mitigate known environmental hazards or risks may not be fully successful, and such hazards or risks may materialize.

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. The cost of addressing environmental conditions or risks, and liabilities associated with environmental damage, may be significant, and could have a material adverse effect the Company's business, prospects, results of operations and financial condition. 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 prospects, 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. 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 or other property, 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, development 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 results of operations and financial condition.

Debt and Liquidity Risk

As of December 31, 2015, the Company had long-term debt comprising of two series of notes having an aggregate face value of $800 million. 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. The Company is exposed to interest rate risk on variable rate debt, if any. 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 its debt and make necessary or planned 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, borrowing additional funds, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. The Company's ability to borrow additional funds or 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 favourable terms, and increase New Gold's borrowing costs.

If the Company's cash flow and other sources of liquidity are not sufficient to continue operations and make necessary and planned capital expenditures, the Company may cancel or defer capital expenditures and/or suspend or curtail operations. Such an action may impact production at mining operations and/or the timelines and cost associated with development projects, which could have a material adverse effect on the Company's prospects, results from operations and financial condition.

The terms of the Company's Credit Facility and stream agreement with Royal Gold 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 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 and stream agreement with Royal Gold, 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/or stream agreement and would allow the lenders or noteholders or other contractual counterparty, as the case may be, to accelerate the debt or other obligations as the case may be.

Litigation and Dispute Resolution

From time to time New Gold is subject to legal claims, with and without merit. These claims may commence informally and reach a commercial settlement or may progress to a more formal dispute resolution process. The causes of potential future claims 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. In particular, the complex activities and significant expenditures associated with construction activities, such as the construction of the Rainy River Project, may lead to various claims, some of which may be material. 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.

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:

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 Associates 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 project, Rainy River project, and New Afton C-zone project have future economic benefits and are economically recoverable. In making this judgment, management has assessed various criteria including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, 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, per ounce multiples, unfavourable changes to the legal environment in which the entity operates, significant adverse change to LOM plans and the factors which lead to the carrying amount of the Company's net assets exceeding its market capitalization. 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 Peak Mines CGU (operating mine) and Rainy River CGU (development property). During the fourth quarter of 2015, the Company updated its reserves and resources statement and updated the LOM plan for its Peak Mines CGU, which has decreased the expected production profile going forward. At December 31, 2015, the carrying amount of the Company's net assets exceeded its market capitalization. Management has determined that the Company's ongoing construction of the Rainy River development project is a significant factor in the decrease in the Company's market capitalization. The Company has identified the decreased production profile of Peak Mines, along with the decrease in the Company's market capitalization as a result of the ongoing construction of Rainy River as indicators of impairment and performed an impairment assessment to determine the recoverable amount of these CGUs. The results of the assessment, including the significant estimates and assumptions used, are set out in Note 11.

(v) 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 qualifies as an individual CGU. Each of these assets generates or will have the ability to generate cash inflows that are independent of the other assets and therefore qualifies as an individual asset for impairment testing purposes.

(vi) 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.

(vii) Classification of Gold Stream Instruments

During 2015, the Company has entered into gold stream agreements with counterparties for the purchase and delivery of gold and silver. Management has assessed these gold stream agreements under the scope of IFRS 9, Financial Instruments as to whether or not the agreements constitute a financial instrument. Management has determined that gold stream instruments which are settled net in cash fall under the scope of IFRS 9 and are to be classified as a financial instrument at FVTPL. Gold stream instruments which do not fall under the scope of IFRS 9 are recognized in accordance with the applicable IFRS.

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 and silver 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.

Future Changes in Accounting Policies

Revenue

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). This standard outlines a single comprehensive model with prescriptive guidance for entities to use in accounting for revenue arising from contacts with its customers. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. This standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted. The Company has not yet determined the effect of adoption of IFRS 15 on its consolidated financial statements.

Leases

On January 6, 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). This standard specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard replaces IAS 17 *Leases*. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Company has not yet determined the effect of adoption of IFRS 16 on its consolidated financial statements

Annual improvements and narrow scope amendments

In September 2014, the IASB issued the Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after January 1, 2016. The IASB also issued a number of narrow scope amendments to the certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2016.These amendments are not expected to have a significant impact on the Company's 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 as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") and in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, as of December 31, 2015. 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.

Internal Controls over Financial Reporting

New Gold's management, with the participation of its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls 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 International Financial Reporting Standards. New Gold's management assessed the effectiveness of the Company's internal controls over financial reporting as at December 31, 2015 based on the 2013 updated Committee of Sponsoring Organization of the Treadway Commission ("COSO") and has concluded that New Gold's internal controls over financial reporting are effective as at December 31, 2015.

The Company's internal controls over financial reporting as at December 31, 2015 have 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, 2015. Deloitte LLP as stated in their report that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2015, expressed an unqualified opinion on the effectiveness of the Company's internal controls over financial reporting.

Limitations of Controls and Procedures

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. Due to the inherent limitations of 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.

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 controls over financial reporting during the period covered by this MD&A.

MINERAL RESERVES AND MINERAL RESOURCES

Mineral Reserves

Mineral Reserve estimates as at December 31, 2015 are presented in the following table.

MINERAL RESERVE ESTIMATES

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
NEW AFTON				-			
A&B Zones							
Proven	-	-	-	-	-	-	-
Probable	36,510	0.55	2.4	0.85	646	2,765	681
C Zone							
Proven	-	-	-	-	-	-	-
Probable	25,040	0.72	1.8	0.78	583	1,447	430
Total New Afton P&P	**61,550**	**0.62**	**2.1**	0.82	**1,228**	**4,212**	**1,112**
MESQUITE							
Proven	8,473	0.51	-	-	139	-	-
Probable	75,807	0.56	-	-	1,353	-	-
Total Mesquite P&P	**84,280**	**0.55**	**-**	**-**	**1,492**	**-**	**-**
PEAK MINES							
Proven	1,520	3.31	7.2	1.30	162	349	44
Probable	1,360	2.42	6.7	1.29	105	291	38
Total Peak Mines P&P	**2,870**	**2.89**	**6.9**	1.29	**267**	**640**	**82**
CERRO SAN PEDRO							
Proven	289	0.35	9.7	-	3	90	-
Probable	748	0.41	13.7	-	10	329	-
Total CSP P&P	**1,038**	**0.40**	**12.6**	**-**	**13**	**419**	**-**
RAINY RIVER				-			
Direct processing material							
Open Pit							
Proven	17,001	1.40	2.0	-	763	1,075	-
Probable	52,950	1.18	2.8	-	2,003	4,690	-
Open Pit P&P (direct processing)	69,952	1.23	2.6	-	2,766	5,765	-
Underground							
Proven	-	-	-	-	-	-	-
Probable	4,499	5.00	11.8	-	723	1,709	-
Underground P&P (direct processing)	4,499	5.00	11.8	-	723	1,709	-
Stockpile material							
Open Pit							
Proven	5,496	0.37	1.5	-	65	259	-
Probable	23,302	0.35	2.3	-	261	1,701	-
Open Pit P&P (stockpile)	28,798	0.35	2.1	-	325	1,959	-
Total P&P							
Proven	22,498	1.14	1.8	-	828	1,333	-
Probable	80,752	1.15	3.1	-	2,987	8,100	-
Total Rainy River P&P	**103,250**	**1.15**	**2.8**	**-**	**3,814**	**9,433**	**-**
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)	294,200	0.79	4.7	-	7,520	44,400	-
Stockpile material							
Proven	20,100	0.50	3.6	-	325	2,300	-
Probable	30,100	0.34	14.6	-	325	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**	**-**

MINERAL RESERVE ESTIMATES

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
TOTAL P&P					**14,985**	**75,504**	**1,193**

Notes to the Mineral Reserve and Mineral Resource estimates are provided below.

Mineral Resources

Mineral Resource estimates as at December 31, 2015, exclusive of Mineral Reserves, are presented in the following tables:

MEASURED & INDICATED MINERAL (EXCLUSIVE OF RESERVES MINERAL RESOURCE ESTIMATES)

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
NEW AFTON							
A&B Zones							
Measured	16,940	0.69	2.1	0.87	377	1,134	325
Indicated	10,512	0.46	2.2	0.68	156	749	157
A&B Zone M&I	27,451	0.60	2.1	0.80	534	1,878	482
C-Zone							
Measured	2,230	1.05	2.2	1.21	75	161	59
Indicated	15,462	0.79	2.2	0.96	392	1,075	326
C-Zone M&I	17,693	0.82	2.2	0.99	467	1,226	386
HW Lens							
Measured	-	-	-	-	-	-	-
Indicated	10,560	0.51	2.1	0.44	174	703	102
HW Lens M&I	10,560	0.51	2.1	0.44	174	703	102
Total New Afton M&I	**55,704**	**0.66**	**2.1**	**0.79**	**1,175**	**3,809**	**971**
MESQUITE							
Measured	4,595	0.40	-	-	60	-	-
Indicated	50,524	0.47	-	-	771	-	-
Total Mesquite M&I	**55,119**	**0.47**	**-**	**-**	**831**	**-**	**-**
PEAK MINES							
Measured	2,000	3.56	5.9	0.94	220	370	41
Indicated	2,100	3.20	8.9	1.14	220	610	53
Total Peak Mines M&I	**4,100**	**3.37**	**7.5**	**1.04**	**440**	**980**	**94**
CERRO SAN PEDRO							
Measured	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-
Total CSP M&I	**-**	**-**	**-**	**-**	**-**	**-**	**-**
RAINY RIVER							
Direct processing material							
Open Pit							
Measured	3,294	1.19	1.8	-	127	185	-
Indicated	37,530	1.15	3.5	-	1,391	4,189	-
Open Pit M&I (direct processing)	40,824	1.15	3.3	-	1,518	4,374	-
Underground							
Measured	-	-	-	-	-	-	-
Indicated	4,834	3.74	12.6	-	581	1,952	-
Underground M&I (direct processing)	4,834	3.74	12.6	-	581	1,952	-
Stockpile material							
Open Pit							
Measured	1,244	0.35	1.3	-	14	51	-
Indicated	36,360	0.43	2.5	-	500	2,942	-
Open Pit M&I (stockpile)	37,604	0.43	2.5	-	514	2,993	-
Total M&I							
Measured	4,538	0.97	1.6	-	141	236	-

MEASURED & INDICATED MINERAL (EXCLUSIVE OF RESERVES MINERAL RESOURCE ESTIMATES)

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
Indicated	78,724	0.98	3.6	-	2,472	9,083	-
Total Rainy River M&I	**83,262**	**0.98**	**3.5**	**-**	**2,613**	**9,319**	**-**
BLACKWATER							
Direct processing material							
Measured	289	1.39	6.6	-	13	61	-
Indicated	41,128	0.86	4.5	-	1,135	5,950	-
M&I (direct processing)	41,417	0.86	4.5	-	1,147	6,012	-
Stockpile material							
Measured	-	-	-	-	-	-	-
Indicated	14,070	0.32	4.0	-	144	1,809	-
M&I (stockpile)	14,070	0.32	4.0	-	144	1,809	-
Total Blackwater M&I	**55,487**	**0.72**	**4.4**	**-**	**1,292**	**7,821**	**-**
CAPOOSE							
Indicated	**17,671**	**0.54**	**22.1**	**-**	**308**	**12,562**	**-**
TOTAL M&I EXCLUSIVE OF RESERVES					**6,659**	**34,491**	**1,065**

Notes to the Mineral Reserve and Mineral Resource estimates are provided below.

Inferred Mineral Resources

INFERRED MINERAL RESOURCE ESTIMATES

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
NEW AFTON							
A&B-Zone	6,875	0.35	1.3	0.36	77	296	55
C-Zone	6,856	0.48	1.5	0.54	106	328	87
HW Lens	969	0.69	1.5	0.46	21	45	10
New Afton Inferred	**14,702**	**0.43**	**1.4**	**0.45**	**205**	**672**	**145**
MESQUITE	**4,858**	**0.37**	**-**	**-**	**59**	**-**	**-**
PEAK MINES	**2,000**	**3.14**	**10.9**	**1.13**	**200**	**690**	**49**
CERRO SAN PEDRO	**108**	**0.63**	**11.6**	**-**	**2**	**40**	**-**
RAINY RIVER							
Direct processing							
Open Pit	10,699	0.84	1.8	-	289	621	-
Underground	2,591	4.21	7.8	-	351	646	-
Total Direct Processing	13,290	1.50	3.0	-	640	1,267	-
Stockpile							
Open Pit	9,876	0.36	1.1	-	113	339	-
Rainy River Inferred	**23,166**	**1.01**	**2.2**	**-**	**753**	**1,606**	**-**
BLACKWATER							
Direct processing	10,378	0.80	3.7	-	266	1,235	-
Stockpile	2,493	0.33	3.1	-	27	248	-
Blackwater Inferred	**12,871**	**0.71**	**3.6**	**-**	**293**	**1,483**	**-**
CAPOOSE	**23,591**	**0.44**	**26.3**	**-**	**334**	**19,948**	**-**
TOTAL INFERRED					**1,846**	**24,440**	**194**

Notes to the Mineral Reserve and Mineral Resource estimates are provided below.

El Morro Mineral Reserves and Resources

The table below sets out the Mineral Reserve and Mineral Resource estimates, on a 100% basis, for the El Morro project, as well as New Gold's 4% stream interest. The El Morro project, together with the Relincho project in Chile, is now held

by a 50/50 joint venture between Goldcorp and Teck Resources Limited. The following information is based on information available to the Company as of February 17, 2016.

El Morro Property Mineral Reserves & Resources as at December 31, 2015
(Goldcorp 50% - Teck 50% Joint Venture)

		Metal grade		Contained metal		New Gold Stream Interest 4%
	Tonnes 000s	Gold g/t	Copper %	Gold Koz	Copper Mlbs	Gold Koz
Mineral Reserves						
Proven	321,814	0.56	0.55	5,820	3,877	233
Probable	277,240	0.35	0.43	3,097	2,626	124
TOTAL P&P	599,054	0.46	0.49	8,917	6,503	357
Mineral Resources						
Measured	19,790	0.53	0.51	340	223	14
Indicated	72,563	0.38	0.39	880	630	35
TOTAL M&I	92,353	0.41	0.42	1,220	853	49
Inferred						
TOTAL INFERRED	678,066	0.30	0.35	6,453	5,190	258

Notes to the Mineral Reserve and Mineral Resource estimates are provided below.

Notes to Mineral Reserve and Resource Estimates

1. New Gold's Mineral Reserves have been estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards for Mineral Resources and Mineral Reserves adopted by CIM Council on May 10, 2014 and incorporated by reference in National Instrument 43-101 ("NI 43-101"). Complete information on the verification procedures, quality assurance program, quality control procedures, parameters and methods and other factors that may materially affect scientific and technical information presented in this MD&A may be found in the Company's most recent Annual Information Form, filed on SEDAR at www.sedar.com.

2. New Gold's Year-end 2015 Mineral Reserves and Mineral Resources have been estimated based on the following metal prices and foreign exchange rate criteria:

	Gold $/ounce	Silver $/ounce	Copper $/pound	CAD	AUD	MXN
Mineral Reserves	$1,200	$15.00	$2.75	1.25	1.35	17.00
Mineral Resources	$1,300	$17.00	$3.00	1.25	1.35	17.00

Lower cut-offs for the Company's Mineral Reserves and Mineral Resources are outlined in the following table:

Mineral Property		Mineral Reserves LOWER cut-off	Mineral Resources LOWER Cut-off
New Afton	Main Zone – B1 Block: Main Zone – B2 Block: B3 Block & C-Zone:	C$ 21.00/t C$ 33.00/t C$ 24.00/t	All Resources: 0.40% CuEq
Mesquite	Oxide & Transitional: Sulphide:	0.21 g/t Au (0.006 oz/t Au) 0.41 g/t Au (0.012 oz/t Au)	0.12 g/t Au (0.0035 oz/t Au) 0.24 g/t Au (0.007 oz/t Au)

Mineral Property		Mineral Reserves LOWER cut-off	Mineral Resources LOWER Cut-off
Peak Mines	All ore types:	A$ 110/t to A$ 156/t	A$ 113/t to A$ 150/t
Cerro San Pedro	All ore types:	US$ 6.00/t	NA
Rainy River	O/P direct processing: O/P stockpile: U/G direct processing:	0.30 – 0.60 g/t AuEq 0.30 g/t AuEq 3.50 g/t AuEg	0.30 – 0.45 g/t AuEq 0.30 g/t AuEq 2.50 g/t AuEq
Blackwater	O/P direct processing: O/P stockpile:	0.26 – 0.38 g/t AuEq 0.32 g/t AuEq	All Resources: 0.40% AuEq

3. Year-End 2015 El Morro Mineral Reserves and Mineral Resources have been estimated using $1,200/oz gold, US$2.75/lb copper, and 550 Chilean Pesos to one United States dollar, and a lower cut-off of 0.20% CuEq.

4. New Gold reports its Measured and Indicated Mineral Resources exclusive of 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, economic and legal feasibility, do not have demonstrated economic viability, and are likewise exclusive of Mineral Reserves. Numbers may not add due to rounding.

5. Mineral Resources are classified as Measured, Indicated and Inferred based on relative levels of confidence in their estimation and 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 the appropriate mineral processing method and expected payable metal recoveries, and the designators ‘direct processing’ and ‘stockpile’ have been applied to differentiate between material envisioned to be mined and processed directly and material to be mined and stored in a stockpile for future processing. 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 material properties are provided in the respective NI 43-101 Technical Reports which are available at www.sedar.com.

6. Rainy River Project: In addition to the criteria described above, Mineral Reserves and Mineral Resources for the Rainy River project are reported according to the following additional criteria: Underground Mineral Reserves are reported peripheral to and/or below the open pit Mineral Reserve pit shell, which has been designed and optimized based on an $800/oz gold price. Underground Mineral Resources are reported below a larger Mineral Resource pit shell, which has been defined based on a $1300/oz gold price. Approximately forty-four percent (44%) of the gold metal content defined as underground Mineral Reserves is derived from material located between the Mineral Reserve pit shell and the Mineral Resource pit shell; the remaining fifty-six percent (56%) of Mineral Reserves is derived from material located below the Mineral Resource pit shell. Open pit Mineral Resources exclude material reported as underground Mineral Reserves.

7. All Mineral Resource and Mineral Reserve estimates for New Gold's properties and projects and the El Morro project are effective December 31, 2015. New Gold's Mineral Reserve and Mineral Resource estimates have been reviewed and approved by Mr. Mark A. Petersen, a Qualified Person as defined under NI 43-101.

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 MD&A are Canadian mining terms as defined in the CIM Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on May 10, 2014 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 through additional exploration drilling and technical evaluation. 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 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 are "forward looking". All statements in this MD&A, other than statements of historical fact, which 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", "targeted", "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 "Outlook for 2016" and "Mineral Reserves and Resources Update" and include, among others, statements with respect to: guidance for production, total cash costs and all-in sustaining costs, and the factors contributing to those expected results, as well as expected capital expenditures; mine life; Mineral Reserve and Mineral Resource estimates; grades expected to be mined at the Company's operations; the expected production, costs, economics and operating parameters of the Rainy River project and New Afton C-zone; planned activities for 2016 and beyond at the Company's operations and projects, as well as planned exploration activities and expenses; plans to advance the C-zone project, including permitting activities, exploration and stabilization of the estimated area of subsidence; expected permitting and development activities for the Blackwater project; targeting timing for development, first production and other activities related to Rainy River; and statements with respect to the payment of the remaining $75 million from Royal Gold.

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, New Gold's Annual Information Form and its Technical Reports filed on SEDAR at www.sedar.com. 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 significant 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 Mineral 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) equipment, labour and material 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 required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; (9) the results of the feasibility studies for the Rainy River project, the New Afton C-zone and the Blackwater project being realized; (10) (10) in the case of production, cost and expenditure outlooks at operating mines for 2016 and 2017, commodity prices and exchange rates being consistent with those estimated for the purposes of 2016 guidance; ; and (12) conditions to the payment of the remaining $75 million from Royal Gold being satisfied mid-2016.

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 and the availability and management of capital resources; additional funding requirements; price volatility in the spot and forward markets for metals and other commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia and Mexico; discrepancies between actual and estimated production, between actual and estimated Mineral Reserves and Mineral Resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Canada, the United States, Australia and Mexico 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, New Afton C-zone and Blackwater projects; and in Mexico, where Cerro San Pedro has a history of ongoing legal challenges related to our environmental authorization; 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 Mineral Reserves and Mineral Resources; competition; loss of key employees; 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 Rainy River, New Afton C-zone and Blackwater; the uncertainty with respect to prevailing market conditions necessary for a positive development or construction decision at Blackwater; 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 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 process for Blackwater. 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 on SEDAR 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 A. Petersen, Vice President, Exploration, New Gold. Mr. Petersen is an AIPG Certified Professional Geologist and a “Qualified Person” under NI 43-101.

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 February 17, 2016 news release entitled “New Gold Announces 2015 Financial Results with Record Gold Production Leading to Strong Cash Flow”, New Gold’s Annual Information Form and the NI 43-101 Technical Reports for its mineral properties, all of which are available at www.sedar.com, contain further details regarding Mineral Reserve and Mineral Resource estimates, classification and reporting parameters, key assumptions and associated risks 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 or person performing similar functions to a 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 ethical interactions with government officials and 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 and in other public communications made 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 the General Counsel for guidance. 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, the CEO or General Counsel, as the case may be, 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 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 confirm compliance with 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 by or on behalf of New Gold 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 or General Counsel. 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, customers or acquisition or investment targets, just as we protect our own confidential information. However, certain restrictions arising in relation to the information of others may place an unfair or inappropriate 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, if applicable, 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 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 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. 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 personal 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 are 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 gifts, entertainment, loans, or other favors for 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. 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 or employee, 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:

- reduces work efficiency;
- interferes with your ability to act conscientiously in our best interest;
- requires you to utilize our proprietary or confidential procedures, plans or techniques; or

- 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 or General Counsel. Officers and Directors should report any actual or potential conflict of interest involving yourself or another officer or director 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:

- taking for yourself, personally, opportunities that are discovered through the use of Company property, information or position;
- using Company property, information or position for personal gain; or
- 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 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 with members of the Disclosure Committee and 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 by the Company, or 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, directly or indirectly, offering, promising or giving money, gifts, loans, rewards, favors or anything of value to any government official or employee, 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, including any agent or other intermediary, including a close family member or household member, of any of the above, in connection with the business of New Gold, except in full compliance with the Company's Anti-Bribery and Anti-Corruption Policy.

Those paying a bribe may subject the Company and themselves to civil and criminal penalties. When dealing with government representatives or officials and private parties, no improper payments will be tolerated. If you become aware of or receive any solicitation for, or offer of, money or a gift, that is intended to influence an official decision or business decision inside or outside of the Company, it should be reported to your supervisor, the General Counsel 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. Please refer to the Company's Anti-Bribery and Anti-Corruption Policy and procedures implemented in respect of that policy for more information.

Foreign Corrupt Practices Act and the Corruption of Foreign Public Officials Act

The United States Foreign Corrupt Practices Act (" **FCPA**") and the Corruption of Foreign Public Officials Act (Canada) (" **CFPOA**") 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 for or to any person. 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 or employee, 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, including any agent or other intermediary, including a close family member or household member, of any of the above 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 payments to government officials.

In addition to complying with the FCPA and CFPOA, you are required to comply with local anti-bribery and anti-corruption laws in the jurisdictions in which New Gold conducts business.

Each officer, director and employee is also expected to comply with our additional policies, programs, standards and procedures related to anti-corruption compliance. Please refer to the Company's Anti-Bribery and Anti-Corruption Policy and procedures implemented in respect of that policy for more information.

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, respects human rights and involves active engagement with host communities. 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 relating to health, safety, the environment, human rights, community engagement and corporate social responsibility.

Political Contributions

You must refrain from making any use of Company, personal or other funds or resources on behalf of the Company, or which may be attributed to or associated with 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 those which may be associated with the Company, 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 and require the approval of the Executive Chairman or CEO.

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 unauthorized 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 or an Executive Vice President. You are also prohibited from reporting to work while under the influence of alcohol or illegal drugs.

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, CFO or General 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 involving directors or officers 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 may be 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 or the Company's policies and procedures 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, the Chief Operating Officer, each Executive Vice President and each Vice President) 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, any Executive Vice President, and any 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.

Reviewed and approved by the Board on February 17, 2016 **.**

Exhibit 5

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 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, 2015 ("**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 mine safety or health hazard under section 104 of the FMSH Act for which the operator received a citation from the MSHA	3
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	$2,869
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 mine health or safety hazards under section 104(e) of the FMSH Act	0
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 mine health or safety hazards under section 104(e) of the FMSH Act	0
The total number of legal actions before the Federal Mine Safety and Health Review Commission ("**FMSHRC**") pending as of the last day of the Period	13
The total number of legal actions before FMSHRC instituted during the Period	16
The total number of legal actions before FMSHRC resolved during the Period	3

Exhibit 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 29, 2016

/s/ Robert Gallagher
Robert J. Gallagher
Chief Executive Officer

Exhibit 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 29, 2016

/s/ Brian Penny
Brian W. Penny
Chief Financial Officer

Exhibit 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, 2015 (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 29, 2016

/s/ Robert Gallagher
Robert J. Gallagher
Chief Executive Officer

Exhibit 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, 2015 (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 29, 2016

/s/ Brian Penny
Brian W. Penny
Chief Financial Officer

Exhibit 10

Consent of Independent Registered Public Accounting Firm

We consent to the use of our reports dated February 17, 2016 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, 2015.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 29, 2016

Exhibit 11

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 and the property descriptions included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2015, 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 29th day of March, 2016

/s/ Mark Petersen

Name: Mark A. Petersen

Title: Vice President, Exploration of New Gold Inc.

AIPG Certified Professional Geologist – CPG N° 10563

SME Registered Member N° 2519520