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, 2014 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, 2014**, the Registrant had outstanding 504,677,822 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

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, 2014 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, 2014 and 2013, 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, 2014 is filed as Exhibit 3 to this annual report on Form 40-F.

EXPLANATORY NOTE

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

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

Information concerning the properties and operations of New Gold has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" used in this annual report on Form 40-F are Canadian mining terms as defined in the Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**") Definition Standards for Mineral Resources and Mineral Reserves adopted by CIM Council on 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 Report concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the United States Securities and Exchange Commission.

An "Inferred Mineral Resource" has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher confidence category. Readers are cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists or is economically or legally mineable.

Under United States standards, mineralization may not be classified as a "Reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the Reserve estimation is made. Readers are cautioned not to assume that all or any part of the Measured or Indicated Mineral Resources 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; the expected throughput rate at New Afton and targeted timing for commissioning the mill expansion and achieving expected throughput rates; planned modifications to other operations; expected future mining activities; expected mining activities; planned exploration activities and the goals and expected results of exploration activities; the estimation of Mineral Reserves and Resources and the realization of such estimates; the results of the Rainy River feasibility study, the Blackwater feasibility study and the New Afton Mine C-zone scoping study, including expected production, costs, mine life, mining and processing methods and rates, grades, stripping ratio, stockpiling plan, infrastructure, NPV, IRR, and payback period (and related sensitivities), as the case maybe; the results of the El Morro feasibility study; expected timing of permitting activities; expected timing of project development activities, including targeting timing for commissioning and full production at the Rainy River Project; plans to advance the New Afton Mine C-zone, including permitting requirements, impact on the historic Afton tailings facility, capital expenditures and potential timelines; and expected reclamation costs.

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 Information Form, 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 Information Form 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 Resource estimates; (4) the exchange rate between the Canadian dollar, U.S. dollar, Australian dollar and Mexican peso being approximately consistent with current levels; (5) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (6) labour and materials costs increasing on a basis consistent with New Gold's current expectations; (7) arrangements with First Nations and other Aboriginal groups in respect of the Rainy River and Blackwater projects being consistent with New Gold's current expectations; (8) all required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; and (9) the results of the feasibility studies for the Rainy River project and the Blackwater project being realized.

Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such factors include, without limitation: significant capital requirements 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, Mexico and Chile; discrepancies between actual and estimated production, between actual and estimated Mineral Reserves and Resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Canada, the United States, Australia, Mexico and Chile or any other country in which New Gold currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which New Gold does or may carry on business; the speculative nature of mineral exploration and development, including the risks of obtaining and maintaining the validity and enforceability of the necessary licenses and permits and complying with the permitting requirements of each jurisdiction in which New Gold operates, including, but not limited to: in Canada, obtaining the necessary permits for the Rainy River and Blackwater projects; in Mexico, where Cerro San Pedro has a history of ongoing legal challenges related to our environmental authorization (EIS); and in Chile, where certain activities at El Morro have been delayed due to litigation relating to its environmental permit; the lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law; the uncertainties inherent to current and future legal challenges New Gold is or may become a party to; diminishing quantities or grades of Mineral Reserves; 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 the Rainy River and Blackwater projects and the New Afton mine C-zone scoping study; the uncertainty with respect to prevailing market conditions necessary for a positive development 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 or interests in 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 processes for the Blackwater project. 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, 2014. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as at December 31, 2014 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, 2014. 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, 2014, 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, 2014 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, 2014 and 2013, 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, 2014 and 2013 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, 2014, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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

AUDIT COMMITTEE IDENTIFICATION AND FINANCIAL EXPERT

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

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

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information provided under the headings "Pre-Approval Policies and Procedures" (page 78) 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 19, 2015. 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 19, 2015, the Board amended the Code. The amendments clarified certain provisions relating to conflicts of interest, anti-corruption and waivers of the Code and a copy of the amended Code is filed as Exhibit 4 to this annual report on Form 40-F. Additionally, on July 8, 2008, the Board approved the adoption of a Whistleblower Policy ("**Whistleblower Policy**"). The Whistleblower Policy has been reviewed and ratified or updated annually since its adoption, with the most recent review by the Board on February 19, 2015. 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, 2014	Payments due by period				
Contractual obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Long-term debt	800,000	0	0	0	800,000
Interest payable on long-term debt	357,154	52,228	104,522	104,478	95,926
Operating Leases	17,570	15,211	1,156	1,107	97
Capital Commitments	242,980	141,431	101,549	0	0
Asset retirement obligations	82,505	1,669	5,595	3,028	72,213
Total contractual obligations	1,500,210	210,539	212,822	108,613	968,236

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.

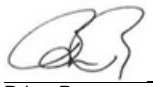
CONSENT TO SERVICE OF PROCESS

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: 
Name: Brian Penny
Title: Chief Financial Officer

Date: March 27, 2015

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, 2014
2.	Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013, including the report of independent registered public accounting firm with respect thereto
3.	Management's Discussion and Analysis for the year ended December 31, 2014
4.	New Gold's Code of Business Conduct and Ethics, as approved by the Company's board of directors on February 19, 2015
5.	Report on Mine Safety as required by section 13 of the Exchange Act
6.	Certification of Chief Executive Officer as Required by Rule 13a-14(a) under the Exchange Act
7.	Certification of Chief Financial Officer as Required by Rule 13a-14(a) under the Exchange Act
8.	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
9.	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
10.	Consent of Deloitte LLP
11.	Consent of Roscoe Postle Associates Inc.
12.	Consent of David Rennie
13.	Consent of Holger Krutzelmann
14.	Consent of Dennis Bergen
15.	Consent of Wayne Valliant
16.	Consent of Kathleen A. Altman
17.	Consent of Richard Lambert
18.	Consent of Ian T. Blakley
19.	Consent of Colin Hardie
20.	Consent of David Runnels
21.	Consent of Patrice Live
22.	Consent of BBA Inc.
23.	Consent of Sheila E. Daniel
24.	Consent of David G. Ritchie
25.	Consent of Adam Coulson
26.	Consent of AMEC
27.	Consent of Glen Cole
28.	Consent of Dorota El-Rassi
29.	Consent of SRK Consulting (Canada) Inc.
30.	Consent of Colm Keogh

Exhibit	Description
31.	Consent of Mo Molavi
32.	Consent of AMC Mining Consultants (Canada), Ltd.
33.	Consent of Ronald G. Simpson
34.	Consent of GeoSim Services Inc.
35.	Consent of Jay Horton
36.	Consent of Norwest Corporation
37.	Consent of Bruno Borntraeger
38.	Consent of Knight Piésold Ltd.
39.	Consent of Ignacy (Tony) Lipiec
40.	Consent of Gary Christie
41.	Consent of AMEC Americas Limited
42.	Consent of Mark Petersen

Exhibit 99.1

newgold™

Annual Information Form for the Financial Year Ended December 31, 2014

MARCH 27, 2015

TABLE OF CONTENTS

CORPORATE STRUCTURE 7

GENERAL DEVELOPMENT OF THE BUSINESS 8

- Developments - Projects and Mines 8
- Developments - Financial 10
- Developments - Corporate Governance 11

DESCRIPTION OF THE BUSINESS 11

- Specialized Skills and Knowledge 11
- Principal Products 11
- Competitive Conditions 11
- Operations 12
- Technical Information 14
- Summary of Mineral Reserve and Mineral Resource Estimates 14

MINERAL PROPERTIES 20

- New Afton Mine, Canada 20
- Mesquite Mine, United States 26
- Peak Gold Mines, Australia 31
- Cerro San Pedro Mine, Mexico 35
- Rainy River Project, Canada 37
- Blackwater Project, Canada 43
- El Morro Project, Chile 48

RISK FACTORS 50

NOTES 67

DIVIDENDS 68

DESCRIPTION OF CAPITAL STRUCTURE 68

MARKET FOR SECURITIES 70

DIRECTORS AND OFFICERS 71

LEGAL PROCEEDINGS AND REGULATORY ACTIONS 78

INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS 79

TRANSFER AGENT AND REGISTRAR 80

MATERIAL CONTRACTS 80

INTERESTS OF EXPERTS 80

SCHEDULE A AUDIT COMMITTEE CHARTER A-1

SCHEDULE B DEFINITIONS B-1

SCHEDULE C ABBREVIATIONS AND MEASUREMENT CONVERSION C-1

SCHEDULE D CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION D-1

newgold

ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

All information in this annual information form ("**Annual Information Form**") is as at December 31, 2014 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; the expected throughput rate at New Afton and targeted timing for commissioning the mill expansion and achieving expected throughput rates; planned modifications to other operations; expected future mining activities; expected mining activities; planned exploration activities and the goals and expected results of exploration activities; the estimation of Mineral Reserves and Resources and the realization of such estimates; the results of the Rainy River feasibility study, the Blackwater feasibility study and the New Afton Mine C-zone scoping study, including expected production, costs, mine life, mining and processing methods and rates, grades, stripping ratio, stockpiling plan, infrastructure, NPV, IRR, and payback period (and related sensitivities), as the case may be; the results of the El Morro feasibility study; expected timing of permitting activities; expected timing of project development activities, including targeting timing for commissioning and full production at the Rainy River Project; plans to advance the New Afton Mine C-zone, including permitting requirements, impact on the historic Afton tailings facility, capital expenditures and potential timelines; and expected reclamation costs.

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 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 Resource estimates; (4) the exchange rate between the Canadian dollar, U.S. dollar, Australian dollar and Mexican peso being approximately consistent with current levels; (5) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (6) labour and materials costs increasing on a basis consistent with New Gold's current expectations; (7) arrangements with First Nations and other Aboriginal groups in respect of the Rainy River and Blackwater projects being consistent with New Gold's current expectations; (8) all required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; and (9) the results of the feasibility studies for the Rainy River project and the Blackwater project being realized.

Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such factors include, without limitation: significant capital requirements 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, Mexico and Chile; discrepancies between actual and estimated production, between actual and estimated Mineral Reserves and Resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Canada, the United States, Australia, Mexico and Chile or any other country in which New Gold currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which New Gold does or may carry on business; the speculative nature of mineral exploration and development, including the risks of obtaining and maintaining the validity and enforceability of the necessary licenses and permits and complying with the permitting requirements of each jurisdiction in which New Gold operates, including, but not limited to: in Canada, obtaining the necessary permits for the Rainy River and Blackwater projects; in Mexico, where Cerro San Pedro has a history of ongoing legal challenges related to our environmental authorization (EIS); and in Chile, where certain activities at El Morro have been delayed due to litigation relating to its environmental permit; the lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law; the uncertainties inherent to current and future legal challenges New Gold is or may become a party to; diminishing quantities or grades of Mineral Reserves; 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 the Rainy River and Blackwater projects and the New Afton mine C-zone scoping study; the uncertainty with respect to prevailing market conditions necessary for a positive development 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 or interests in 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 processes for the Blackwater project. 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, 2014 (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 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 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 total cash cost information in this Annual Information Form is net of by-product sales.

Total cash costs are intended to provide additional information only and do not have any standardized 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, 2014 (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 further evaluate the Company's results of operations in each reporting period. Operating margin is calculated as revenues less operating expenses and therefore does not include depreciation and depletion. Operating margin is intended to provide additional information only and does not have any standardized 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

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

TECHNICAL INFORMATION

Unless otherwise stated, the scientific and technical information in this Annual Information Form has been reviewed and approved by Mark A. Petersen, Vice President, Exploration at New Gold. Mr. Petersen is an AIPG Certified Professional Geologist and a "Qualified Person" under NI 43-101 and an officer of New Gold. Mr. Petersen is not independent of New Gold for purposes of NI 43-101.

The estimates of Mineral Reserves and Mineral Resources discussed in this Annual Information Form may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other relevant issues. New Gold's current NI 43-101 Technical Reports, which are available at www.sedar.com, contain further details regarding mineral reserve and 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 year ended December 31, 2014. These documents and other information about the Company are available under the Company's profile on SEDAR.

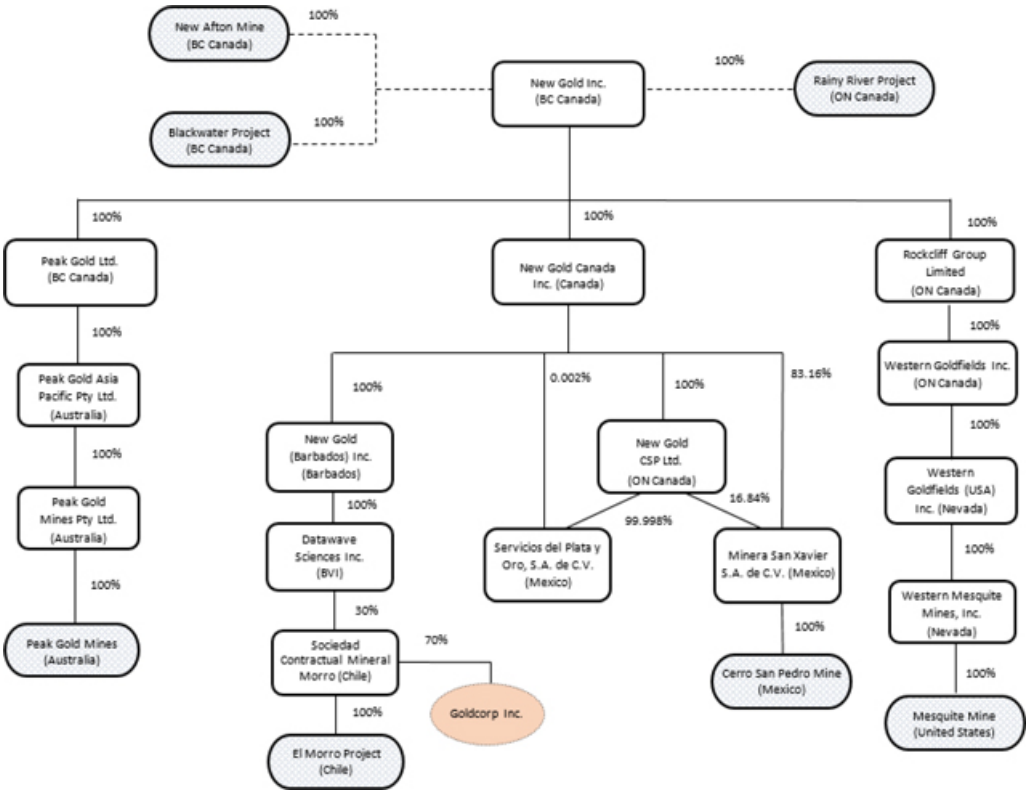
CORPORATE STRUCTURE

The Company was incorporated on January 31, 1980 as DRC Resources Corporation under the *Company Act* (British Columbia) and was transitioned on May 10, 2005 under the *Business Corporations Act* (British Columbia) ("**Act**"). On May 4, 2005, the shareholders of the Company passed a special resolution to remove the pre-existing company provisions and 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. 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 Gold Mines**")
- 100% interest in the Cerro San Pedro gold-silver mine in San Luis Potosi, Mexico (" **Cerro San Pedro Mine** ")
- 100% interest in the Rainy River gold project in Ontario, Canada (" **Rainy River Project**")
- 100% interest in the Blackwater gold-silver project in British Columbia, Canada (" **Blackwater Project**")
- 30% interest in the El Morro copper-gold project in the Atacama Region, Chile (" **El Morro Project**")

New Gold has been 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, respectively. Since the middle of 2009, New Gold has been successful in enhancing the value of its portfolio of assets, while also continuously looking for compelling external growth opportunities. The Company's focus is primarily on adding assets in jurisdictions where it already has an established presence and where the asset has the potential to provide New Gold shareholders with meaningful gold production, cash flow and exploration potential, all while ensuring that any potential acquisition is accretive on key "per share" metrics. Part of the Company's strategy is also to maintain a strong financial position by continuously reviewing strategic alternatives for its assets with a view to maximizing shareholder value. In short, New Gold continually strives to pursue corporate development initiatives that will leave the Company and its shareholders in a fundamentally stronger position.

DEVELOPMENTS - PROJECTS AND MINES

New Afton Mine

In June 2012, the New Afton Mine successfully achieved production start-up. This was followed by the New Afton mill achieving commercial production (defined as 60% of its design capacity of 11,000 tonnes per day) on July 31, 2012, ahead of schedule. New Afton subsequently increased its mill throughput beyond its design capacity to achieve an average throughput in excess of 13,000 tonnes per day during 2014.

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. On completion of the expansion, the mill is expected to sustainably operate at a throughput rate of 14,000 tonnes per day while also optimizing recovery levels. Construction of the expansion project commenced in 2014 and the Company anticipates completion of the mill expansion in mid-2015.

On February 4, 2015, the Company 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.

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 expected to be mined in 2015. The current mine plan for the Cerro San Pedro Mine anticipates completion of active mining in late 2015 followed by up to eight years of residual leaching, subject to future gold and silver prices.

In late 2013 the annual construction and operations licenses issued by the Municipality of Cerro de San Pedro in San Luis Potosì were subject to numerous inappropriate conditions. The application of the conditions was suspended by the State Contentious and Administrative Tribunal and in August 2014 the Tribunal issued a ruling with the effect that the inappropriate conditions were annulled. MSX subsequently applied for its operations license for 2015 and was advised by the Municipality that the license would also be subject to inappropriate conditions. On February 3, 2015, the State Contentious and Administrative Tribunal granted MSX an injunction against the Municipality which ensures the continued operation of the Cerro San Pedro Mine pending the Tribunal's ruling regarding the inappropriate conditions. MSX may not ultimately prevail in proceedings regarding the terms and conditions of such licenses. This could result in a suspension or termination of operations at the Cerro San Pedro Mine and/or additional costs, any of which could adversely affect the Company's production, cash flow and profitability.

Rainy River Project

In 2013, New Gold successfully completed its friendly take-over bid of Rainy River Resources Ltd. (" **RRRL**") and subsequent compulsory acquisition, and as a result became the owner of the Rainy River Project, an advanced-stage gold project located approximately 50 kilometres northwest of Fort Frances in Northwestern Ontario. Effective January 1, 2015, New Gold completed the acquisition of Bayfield Ventures Corp. ("**Bayfield**"), further consolidating the Company's position 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 both the Federal Environmental Assessment (" **EA**") approval and the Provincial EA approval for the Rainy River Project. Receipt of the EA approvals enables the Company to apply for other permits through the development and operational phases of the Project and to commence preliminary development work at the Project. Site clearing activities at the Rainy River Project began in the first quarter of 2015.

Blackwater Project

On December 12, 2013, New Gold announced the results of its Feasibility Study for the Blackwater Project. The study confirmed the parameters of a conventional truck and shovel open pit mine with a 60,000 tonne per day processing plant with average annual gold production of 485,000 ounces during the first nine years of the mine's anticipated 17-year life. However, due to 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 2015.

El Morro Project

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

New Gold holds a fully carried 30% interest in Sociedad Contractual Mineral El Morro (" **El Morro**"), the Chilean developer and operator of the El Morro Project, with the remaining 70% held by Goldcorp. Since 2011, the resolution by the Chilean Environmental Permitting Authority ("**Servicio de Evaluación Ambiental**" or "**SEA**") approving the Environmental Impact Study for the El Morro Project has been the subject of various claims and appeals. At various times during these proceedings, the El Morro Project's environmental permit has been suspended and reinstated, and as a result activities at the El Morro Project have been limited. Most recently, on October 7, 2014 the Chilean Supreme Court invalidated the project's environmental permit. El Morro subsequently withdrew its environmental permit in November 2014 and has commenced studies to determine the optimal development plan for the project. El Morro remains committed to productive interaction and engagement with the adjacent communities and regional authorities. See "Legal Proceedings and Regulatory Actions".

DEVELOPMENTS - FINANCIAL

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

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

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**"). The Credit Facility has a term of four years and replaces the Company's previous $150 million revolving credit facility. As the previous revolving credit facility was put in place in late 2010 and set to expire in December 2014, the Credit Facility provides New Gold with additional financial flexibility.

When compared to the previous revolving credit facility, the key terms of the Credit Facility, including standby fees, pricing and covenants, are more favourable to New Gold. The Credit Facility also provides New Gold the option, subject to commitments, to draw an additional $50 million above and beyond the base $300 million. As at March 26, 2015 the Company has used a portion of the Credit Facility to issue letters of credit primarily related to New Gold's reclamation requirements at its operations and projects.

DEVELOPMENTS - CORPORATE GOVERNANCE

On March 23, 2012, New Gold adopted a shareholder rights plan (" **Original 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. The Original Plan was approved by shareholders on May 22, 2012 and will expire on the close of business on the date of the Company's annual and special meeting of shareholders, scheduled for April 29, 2015, unless extended by the shareholders of the Company. The board has approved an amended and restated shareholder rights plan agreement (the "**Shareholder Rights Plan**"), which will, upon receipt of shareholder approval, become effective for a three-year period unless further extended.

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 Gold 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 also holds a 30% interest in the El Morro Project in Chile.

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, 2014, 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, silver and copper, which generally require refining or smelting to the product into marketable metal. As described in more detail with respect to each operation, the Company uses the services of refiners to refine gold doré into bullion. Gold bullion is sold to bullion banks or gold trading counterparties at market prices. Copper concentrate produced by the New Afton Mine and Peak Gold Mines is sold to various smelters or concentrate marketing firms. There are worldwide gold, silver and copper markets into which the Company can sell and, as a result, the Company is not dependent on a particular purchaser with regard to the sale of the gold, silver and copper which it produces. Further, due to the availability of alternative refineries and smelters, the Company is not dependent on the services on any one refiner or smelter.

COMPETITIVE CONDITIONS

The precious and base mineral exploration and mining business is competitive. The Company competes with numerous other companies and individuals in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire mineral properties in the future will depend on its ability to develop its present properties, and on its ability to select and acquire suitable producing properties or prospects for development or mineral exploration.

OPERATIONS

Mineral Reserves and Mineral Resources

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

Foreign Operations

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

Employees

As at December 31, 2014, the Company had the following employees and contractors:

LOCATION	FULL-TIME	CONTRACTORS
Vancouver Corporate Office	28	1
Toronto Corporate Office	32	1
Corporate Exploration Team	7	-
New Afton Mine	416	50
Mesquite Mine	317	44
Peak Gold Mines	347	33
Cerro San Pedro Mine(1)	522	184
Rainy River Project	59	9
Blackwater Project	29	33
El Morro Project	-	-
	1,757	**355**

(1) As at December 31, 2014, 331 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.

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 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 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 local stakeholders.

New Gold is committed to establishing relationships based on mutual benefit and active participation with 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 the interests of Indigenous peoples. 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, 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 16 of the Company's audited consolidated financial statements for the year ended December 31, 2014.

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 $82.5 million as at December 31, 2014. As at December 31, 2014, the Company had posted letters of credit or other financial assurance in aggregate amount of $41.7 million to address, in part, these liabilities. Subsequent to year-end, a review by the New South Wales government of its security requirements resulted in the financial assurance amount required to be posted by Peak Gold Mines increasing from A$11.1 million to A$21.1 million. The Company has accordingly posted a new letter of credit to satisfy this requirement. In addition, the Company posted an initial reclamation bond of C$14.3 million for the Rainy River Project on January 19, 2015, concurrent with submission of the final version of the closure plan for the Project to the Ontario Ministry of Northern Development and Mines.

TECHNICAL INFORMATION

CIM Standards Definitions

The estimated Mineral Reserves and Mineral Resources for the New Afton Mine, the Mesquite Mine, Peak Gold Mines, the Cerro San Pedro Mine, the Rainy River Project, the Blackwater Project and the El Morro Project have been calculated in accordance with the CIM Definitions Standards for Mineral Reserves and Mineral Resources adopted by 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 4, 2015, the Company reported consolidated Mineral Reserve and Mineral Resource estimates for its mines and development projects as at December 31, 2014. A consolidated summary of total gold, silver and copper contained within New Gold's global Mineral Reserves and Mineral Resources is set out in the table below. New Gold's Mineral Reserve and Mineral Resource estimate as at December 31, 2013, which was included in New Gold's annual information form for the year ended December 31, 2013, had included Mineral Reserves in Mineral Resources, as permitted by NI 43-101. New Gold has revised its approach to the reporting of Measured and Indicated Mineral Resources. Measured and Indicated Mineral Resources are now reported exclusive of Mineral Reserves. As a result, in the Mineral Reserve and Mineral Resource estimates presented below, Mineral Resources do not include 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	**17,646**	**82**	**2,821**
New Afton	760	3	781
Mesquite	1,679	-	-
Peak Mines	375	1	89
Cerro San Pedro	215	8	-
Rainy River	3,772	9	-
Blackwater	8,170	61	-
El Morro (30%)	2,675	-	1,951
Measured and Indicated Resources (exclusive of Reserves)	**8,094**	**34**	**1,728**
Inferred Resources	**3,488**	**21**	**1,746**

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 18 and 19 of this Annual Information Form.

Mineral Reserves

Mineral Reserve estimates for the New Afton Mine, Mesquite Mine, Peak Gold Mines, Cerro San Pedro Mine, Rainy River Project, Blackwater Project and El Morro Project as at December 31, 2014, are presented in the following table.

MINERAL RESERVE ESTIMATES							
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
NEW AFTON							
Proven	-	-	-	-	-	-	-
Probable	42,026	0.56	2.3	0.84	760	3,119	781
Total New Afton P&P	**42,026**	**0.56**	**2.3**	**0.84**	**760**	**3,119**	**781**
MESQUITE							
Proven	16,330	0.48	-	-	250	-	-
Probable	77,392	0.57	-	-	1,429	-	-
Total Mesquite P&P	**93,722**	**0.56**	**-**	**-**	**1,679**	**-**	**-**
PEAK MINES							
Proven	1,520	4.35	7.2	1.21	213	351	41
Probable	1,800	2.79	6.5	1.23	162	377	49
Total Peak Mines P&P	**3,330**	**3.51**	**6.8**	**1.22**	**375**	**728**	**89**
CERRO SAN PEDRO							
Proven	4,616	0.55	18.8	-	82	2,798	-
Probable	7,514	0.55	21.2	-	133	5,126	-
Total CSP P&P	**12,130**	**0.55**	**20.3**	**-**	**215**	**7,924**	**-**
RAINY RIVER							
Direct processing material							
Open Pit							
Proven	15,839	1.47	2.0	-	746	1,038	-
Probable	46,866	1.26	3.1	-	1,896	4,594	-
Open Pit P&P (direct processing)	62,705	1.31	2.8	-	2,642	5,632	-
Underground							
Proven	-	-	-	-	-	-	-
Probable	4,187	4.96	10.3	-	668	1,388	-
Underground P&P (direct processing)	4,187	4.96	10.3	-	668	1,388	-
Stockpile material							
Open Pit							
Proven	6,843	0.38	1.5	-	84	332	-
Probable	30,541	0.39	2.1	-	378	2,058	-
Open Pit P&P (stockpile)	37,384	0.39	2.0	-	462	2,390	-
Total P&P							
Proven	22,682	1.14	1.9	-	830	1,370	-
Probable	81,594	1.12	3.1	-	2,942	8,040	-
Total Rainy River P&P	**104,276**	**1.13**	**2.8**	**-**	**3,772**	**9,410**	**-**
BLACKWATER							
Direct processing material							
Proven	124,500	0.95	5.5	-	3,790	22,100	-
Probable	169,700	0.68	4.1	-	3,730	22,300	-
P&P (direct processing)	294,200	0.79	4.7	-	7,520	44,400	-

MINERAL RESERVE ESTIMATES							
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
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**	**-**
EL MORRO		**100% Basis**				**30% Basis**	
Proven	321,814	0.56	-	0.55	1,746	-	1,163
Probable	277,240	0.35	-	0.43	929	-	788
Total El Morro P&P	**599,054**	**0.46**	**-**	**0.49**	**2,675**	**-**	**1,951**
Total P&P					**17,646**	**81,981**	**2,821**

Notes to the Mineral Reserve estimates are provided on pages 18 and 19 of this Annual Information Form.

Mineral Resources

Mineral Resource estimates for the New Afton Mine, Mesquite Mine, Peak Gold Mines, Cerro San Pedro Mine, and El Morro Project, as at December 31, 2014, and for the Rainy River Project and Blackwater Project as at March 10, 2015, in each case exclusive of Mineral Reserves, are presented in the following tables:

MEASURED AND INDICATED MINERAL RESOURCE ESTIMATES (EXCLUSIVE OF MINERAL RESERVES)							
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
NEW AFTON							
A&B Zones							
Measured	15,878	0.76	2.3	0.95	390	1,183	334
Indicated	9,031	0.50	2.4	0.75	146	705	149
A&B Zone M&I	24,909	0.67	2.3	0.88	535	1,878	483
C-Zone							
Measured	10,187	1.11	2.5	1.18	364	819	266
Indicated	27,766	0.76	2.1	0.90	682	1,848	548
C-Zone M&I	37,953	0.86	2.2	0.97	1,046	2,672	814
HW Lens							
Measured	-	-	-	-	-	-	-
Indicated	10,180	0.52	2.1	0.45	170	691	100
HW Lens M&I	10,180	0.52	2.1	0.45	170	691	100
Total New Afton M&I	**73,042**	**0.75**	**2.2**	**0.87**	**1,751**	**5,235**	**1,397**
MESQUITE							
Measured	6,571	0.45	-	-	94	-	-
Indicated	80,613	0.44	-	-	1,153	-	-
Total Mesquite M&I	**87,184**	**0.44**	**-**	**-**	**1,242**	**-**	**-**
PEAK MINES							
Measured	1,700	3.77	5.5	0.77	210	300	29
Indicated	2,100	2.97	7.2	1.00	200	480	46
Total Peak Mines M&I	**3,800**	**3.33**	**6.4**	**0.90**	**410**	**780**	**75**
CERRO SAN PEDRO							
Measured	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-
Total CSP M&I	**-**	**-**	**-**	**-**	**-**	**-**	**-**

MEASURED AND INDICATED MINERAL RESOURCE ESTIMATES (EXCLUSIVE OF MINERAL RESERVES)							
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
RAINY RIVER							
Direct processing material							
Open Pit							
Measured	3,416	1.35	1.8	-	148	199	-
Indicated	36,899	1.30	3.6	-	1,548	4,284	-
Open Pit M&I (direct processing)	40,315	1.31	3.5	-	1,696	4,483	-
Underground							
Measured	-	-	-	-	-	-	-
Indicated	5,595	3.99	15.2	-	718	2,728	-
Underground M&I (direct processing)	5,595	3.99	15.2	-	718	2,728	-
Total M&I Direct Processing	45,910	1.64	4.9	-	2,414	7,211	-
Stockpile material							
Open Pit							
Measured	1,232	0.35	1.2	-	14	49	-
Indicated	34,118	0.43	2.5	-	468	2,739	-
Open Pit M&I (stockpile)	35,350	0.42	2.5	-	482	2,788	-
Total M&I							
Measured	4,648	1.08	1.7	-	162	248	-
Indicated	76,612	1.11	2.9	-	2,734	9,751	-
Total Rainy River M&I	**81,260**	**1.11**	**3.8**	**-**	**2,896**	**9,999**	**-**
BLACKWATER							
Direct processing material							
Measured	293	1.38	6.7	-	13	63	-
Indicated	36,411	0.85	4.6	-	999	5,385	-
M&I (direct processing)	36,703	0.86	4.6	-	1,011	5,448	-
Stockpile material							
Measured	-	-	-	-	-	-	-
Indicated	12,659	0.31	3.9	-	124	1,587	-
M&I (stockpile)	12,659	0.31	3.9	-	124	1,587	-
Total Blackwater M&I	**49,362**	**0.72**	**4.4**	**-**	**1,136**	**7,035**	**-**
CAPOOSE							
Indicated	16,071	0.57	21.7	-	293	11,233	-
EL MORRO			**100% Basis**			**30% Basis**	
Measured	19,790	0.53	-	0.51	102	-	67
Indicated	72,563	0.38	-	0.39	265	-	189
Total El Morro M&I	**92,353**	**0.41**	**-**	**0.42**	**366**	**-**	**256**
Total M&I					**8,094**	**34,283**	**1,728**

Notes to the Mineral Resource estimates (exclusive of Mineral Reserves) are provided on pages 18 and 19 of this Annual Information Form.

Inferred Mineral Resource

INFERRED MINERAL RESOURCE ESTIMATES							
		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
NEW AFTON							
A&B-Zone	6,154	0.35	1.4	0.37	69	269	50
C-Zone	6,965	0.47	1.5	0.53	105	329	82
HW Lens	966	0.69	1.5	0.46	21	45	10
New Afton Inferred	**14,085**	**0.43**	**1.4**	**0.46**	**195**	**643**	**142**
MESQUITE	6,619	0.33	-	-	70	-	-
PEAK MINES	1,600	1.77	6.2	1.33	92	320	47
CERRO SAN PEDRO	199	0.56	19.1	-	4	122	-
RAINY RIVER							
Direct processing							
Open Pit	7,785	0.82	2.7	-	206	665	-
Underground	2,609	4.20	7.6	-	352	635	-
Total Direct Processing	10,394	1.67	3.9	-	558	1,300	-
Stockpile							
Open Pit	7,694	0.32	4.2	-	79	1,036	-
Rainy River Inferred	**18,088**	**1.10**	**4.0**	**-**	**637**	**2,336**	**-**
BLACKWATER							
Direct processing	8,915	0.81	3.5	-	233	1,003	-
Stockpile	1,881	0.32	3.3	-	19	200	-
Blackwater Inferred	**10,796**	**0.73**	**3.5**	**-**	**252**	**1,203**	**-**
CAPOOSE	19,776	0.48	26.2	-	302	16,670	-
EI MORRO			**100% Basis**			**30% Basis**	
El Morro - Open Pit	564,217	0.16	-	0.26	871	-	970
El Morro - Underground	113,840	0.97	-	0.78	1,065	-	587
Total Inferred					**3,488**	**21,294**	**1,746**

Notes to the Inferred Mineral Resource estimates are provided on pages 18 and 19 of this Annual Information Form.

Notes to Mineral Reserve and Resource Estimates

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

2. Year-end 2014 Mineral Reserves for the Company's mineral properties have been estimated based on the following metal prices and lower cut-off criteria:

MINERAL PROPERTY	GOLD $/OUNCE	SILVER $/OUNCE	COPPER $/POUND	LOWER CUT-OFF
New Afton	$1,200	$18.00	$3.00	$21.00/t B1 & B2 Zone; $24.00/t B3 Zone
Mesquite	$1,200	--	--	0.21 g/t Au – Oxide and transition reserves 0.41 g/t Au – Non-oxide reserves
Peak Mines	$1,200	$18.00	$3.00	A$88 to A$142/t NSR
Cerro San Pedro	$1,200	$18.00	--	$4.00/t
Rainy River	$1,200	$18.00	--	Open Pit direct processing: 0.30 – 0.70 g/t AuEq Open Pit stockpile: 0.30 g/t AuEq Underground: 3.50 g/t AuEq
Blackwater	$1,200	$18.00	--	Direct processing: 0.26 – 0.38 g/t AuEq Stockpile: 0.32 g/t AuEq
El Morro	$1,300	--	$3.00	0.20% CuEq

3. 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.

4. Year-end 2014 Mineral Resources for the Company's mineral properties (other than the Mineral Resource estimates for the Rainy River Project and Blackwater Project, which are effective March 10, 2015) have been estimated based on the following metal prices and lower cut-off criteria:

MINERAL PROPERTY	GOLD $/OUNCE	SILVER $/OUNCE	COPPER $/POUND	LOWER CUT-OFF
New Afton	$1,300	$20.00	$3.25	0.40% CuEq
Mesquite	$1,300	--	--	0.12 g/t Au – Oxide and transition resources 0.24 g/t Au – Non-oxide resources
Peak Mines	$1,300	$20.00	$3.25	A$93 to A$133/t NSR
Cerro San Pedro	$1,300	$20.00	--	0.10 g/t AuEq – Open Pit oxide resources 0.30 g/t AuEq – Open Pit sulphide resources
Rainy River	$1,300	$20.00	--	Open Pit direct processing: 0.30 – 0.45 g/t AuEq Open Pit stockpile: 0.30 g/t AuEq Underground: 2.50 g/t AuEq
Blackwater	$1,300	$20.00	--	Direct processing: 0.40 g/t AuEq Stockpile: 0.30 – 0.40 g/t AuEq
Capoose	$1,300	$20.00	--	0.40 g/t AuEq
El Morro	$1,500	--	$3.50	0.20% CuEq

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

6. All Mineral Resource and Mineral Reserve estimates for New Gold's operating properties and El Morro Project are effective December 31, 2014. For the Rainy River and Blackwater Projects, the Mineral Resource estimates are effective March 10, 2015 and the Mineral Reserve estimates are effective December 31, 2014. For the Rainy River Project, the Mineral Resource estimate reflects New Gold's acquisition of Bayfield, which was effective January 1, 2015.

MINERAL PROPERTIES

NEW AFTON MINE, CANADA

The following disclosure relating to the New Afton Mine is based, in part, on information derived from the technical report entitled "Technical Report on the New Afton Mine, British Columbia, Canada", dated March 23, 2015 ("**New Afton Report**"). The New Afton Report is available under the Company's profile on SEDAR at www.sedar.com. See "Interests of Experts" for details of the Qualified Persons who prepared the New Afton Report and approved the following disclosure (other than the Mineral Resource and Mineral Reserve estimates).

Project Description, Location, Access and Other Information

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

The New Afton Mine occupies the site of the historic Afton Mine, a previous operation of Teck Resources Limited, 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 is comprised of the A&B-zone mineral resource and the C-zone Mineral Resource. The A&B-zone hosts the Mineral Reserve which is currently being mined. The C-zone resource is undergoing evaluation for possible future development.

The Company's holdings in the mine area comprise the Afton group of claims and the Ajax group of claims. The New Afton deposit lies within the Afton group. The Afton group consists of a nine square kilometre (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 78 square kilometres (7,915 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 may exercise the options on or before 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 before a court of law any New Gold interests or permits related to the mine. New Gold undertakes to provide the SSN with certain economic and social benefits including preferential hiring, education, training and business opportunities. In accordance with the Participation Agreement, New Gold must make annual payments into a trust created for the benefit of SSN members. Furthermore, New Gold must pay the trust, in each year in which commercial production occurs at the mine, a percentage of net smelter returns ranging from 0.5% to 2%, depending on the price of copper and whether New Gold has recovered its development and construction costs, subject to an annual minimum amount.

The New Afton Mine is located in the rain shadow of the Coast Mountains with average precipitation of 257 millimetres per year (of which 175 millimetres is rainfall). The Mine has a continental, semi-arid climate, with light winter snow and infrequent rain during the spring and fall. Summer temperatures can reach 38 degrees Celsius and winter temperatures are generally at, or near, freezing. The Mine's landscape is characterized by hilly terrain and dispersed, small water bodies with a surface elevation of approximately 750 metres above sea level. Vegetation at the Mine consists of scrub, open grasslands and sparse coniferous forests.

History

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

Teck 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 began a concerted exploration program for the New Afton deposit.

Geological Setting and Mineralization

The New Afton deposit is a copper-gold, silica-saturated, 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 the mineralization processes 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 hypogene 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. Native gold is rare. Gold and silver generally occur as electrum grains within the chalcopyrite and bornite.

The bulk of the 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 electromagnetic surveying of the Afton and Ajax claims and commissioned a Feasibility Study which laid the foundation for the current operations. Tensor Magnetotelluric, DC Resistivity and IP surveys totalling 34.5 line-kilometres were completed in 2008.

In addition to the work at Afton, New Gold has carried out 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 radiometric surveys and collected 2,040 geochemical soil samples. The results of these programs are described in the New Afton Report.

A series of core drilling programs were conducted at New Afton during the period 2000 to 2008 testing the C-zone, the hanging wall zone and the pothook pit area half a kilometer 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. According to the New Afton Report, 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.

According to the New Afton Report, sampling and analytical protocols 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 Resource and Mineral Reserve Estimates

The New Afton Mineral Reserves, effective December 31, 2014, 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, 2014, 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 Mineral Reserve and Mineral Resource estimates for the entire New Afton deposit as at December 31, 2014 are based on 105,226 individual assays from 450 drill holes totalling 228,457 metres out of a total 279,772 metres of core from 691 drill holes that the Company has drilled on the property to date. The Mineral Resource estimate is based on an updated block model prepared by independent mineral resource consultants and Qualified Persons under NI 43-101 engaged by the Company during 2014. The Mineral Resource estimate was independently reviewed by the authors of the New Afton Report. The Mineral Reserve estimate was prepared by the Company and reviewed by the authors of the New Afton Report.

It is the opinion of the authors of the New Afton Report that the parameters, assumptions and methodologies applied in generating the Mineral Resource estimate are reasonable and appropriate. Furthermore, the authors of the New Afton Report consider that the mining, metallurgical, infrastructure, permitting and other relevant factors relating to the New Afton Mineral Reserve do not pose a material risk to the Mineral Reserve estimate. It was noted that the configuration of subsidence presently occurring above the west cave is different from the original model, although the reason and potential impact of this difference 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 to enhance predictability.

Mining Operations

The New Afton Mine began commercial production on July 31, 2012 and has a current projected life of eight years based on Mineral Reserves contained within the B-zone reserve.

Mining Methods

The New Afton Mine is a block cave mining operation designed to produce 4 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, average daily throughput levels were increased to over 13,000 tonnes (4.7 Mtpa). The mill processes a blend of primary, transition and 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. Tailings are deposited in a tailings storage facility using a conventional tailings facility design.

A mill expansion project is underway to increase processing capacity for the mill and downstream processes to a nameplate capacity of 14,000 tpd. The expansion involves the installation of tertiary grinding and additional flotation capacity, as well as construction of an addition to the mill building to accommodate the new equipment. Mill installation, commissioning and ramp-up to 14,000 tpd are targeted by mid-2015, following which the Company anticipates operating at a higher throughput rate to optimize free cash flow.

Markets and Contracts

The New Afton Mine's principal commodities are copper concentrates containing copper, gold and silver. Off-take agreements are in place for 100% of projected concentrates over the next several years. Concentrates are dried to approximately 7% moisture and then trucked to the port of North Vancouver where they are stored in a third party concentrate shed and then shipped in bulk carriers in lots varying from 5,000 to 20,000 tonnes.

Environmental Conditions

On October 31, 2007, the Ministry of Energy, Mines and Petroleum Resources issued Mine Permit M-229 approving the work system and reclamation program for the New Afton Mine. The Mine Permit will need to be amended in the future to include the B3-zone. The Mine Permit obligates New Gold to post reclamation security of C$9.5 million in total. As at December 31, 2014, 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, 2014 is estimated to be C$11.6 million based on a third party cost estimate. New Gold expects to incur this obligation between 2015 and 2029. 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.

Tax Regime

The taxes applicable to the New Afton Mine include British Columbia provincial income tax at a rate of 11% and Canadian federal income tax at a rate of 15%. The New Afton Mine is also subject to British Columbia mineral taxes as legislated by the *Mineral Tax Act* (British Columbia). The British Columbia mineral taxes are a two tier tax with companies initially subject to a tax of 2% of net proceeds (as determined under the *Mineral Tax Act*), eventually transitioning to a net revenue tax of 13% with a credit for the net proceeds tax previously paid.

Economic Analysis

The projected life of the New Afton Mine extends through 2022 based on current Mineral Reserves and throughput levels. During 2014, the New Afton Mine produced 104,589 ounces gold at total cash costs per ounce sold, net of by-product sales, of negative $1,248 per ounce, and all-in sustaining costs of negative $650 per ounce. The New Afton Mine's 2014 co-product total cash costs were $409 per ounce of gold and $0.99 per pound of copper. The New Afton Mine is expected to produce 105,000 to 115,000 ounces of gold in 2015 at total cash costs per ounce sold, net of by-product sales, of negative $1,070 to negative $1,030 per ounce and all-in sustaining costs of negative $560 to negative $520 per ounce. On a co-product basis, total cash costs for 2015 at the New Afton Mine are expected to be $400 to $440 per ounce of gold and $0.90 to $1.05 per pound of copper. 2015 cash costs guidance assumes a $2.75 per pound copper price, $16.00 per ounce silver price and a foreign 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 3.

Exploration and Development

The Company completed the 2014 C-zone exploration and resource delineation drilling program during the fourth quarter. During 2015 the Company will focus on detailed engineering and related technical studies to further evaluate the economic potential of the C-zone. The Company has no plans to conduct further exploration drilling at New Afton during 2015.

Other Relevant Data and Information

Mill Expansion

The mill expansion project remains on schedule for mid-2015 commissioning. After spending $20 million on the project in 2014, an additional $20 million of capital expenditures are estimated for the first half of 2015. In total, the expansion project is expected to cost less than the original $45 million estimate due to the depreciation of the Canadian dollar and the likelihood that the full estimated contingency may not be required.

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. Subsequent to the year end, New Gold completed a scoping study for the C-zone to evaluate the potential for the C-zone to extend the life of the New Afton Mine. The results of the study are highlighted below:

- Five years of additional mine life, including ramp-up period. The C-zone would be sequenced after completion of B-zone mining.
- 21.5 million tonnes at 0.76 grams per tonne gold and 0.80% copper - 522 thousand ounces of gold and 377 million pounds of copper contained.
- Gold and copper recovery of 86%.
- Full-year average annual production of 107,000 ounces of gold and 77 million pounds of copper.
- Development capital costs of $350 million at an exchange rate assumption of C$1.25/US$, including $39 million of contingency. Total sustaining capital costs of $110 million.
- Total operating costs, including mining, processing and general and administrative, of $19.23 per tonne. Cash costs are expected to remain in line with current levels.
- Project economics – at $1,300 per ounce gold, $3.00 per pound copper and a C$1.25/US$ exchange rate, the C-zone project has an after-tax 5% NPV of $129 million, an IRR of 13% and payback period of 3.0 years.

The scoping study relates to the economic potential of the C-zone Mineral Resources at the New Afton property and is not part of, and should be distinguished from, the current mining of the B-zone Mineral Reserves. The key parameters and assumptions associated with the C-zone scoping study do not impact the current New Afton mining operation or the New Afton B-zone Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The reader is cautioned that a scoping study is preliminary in nature and accordingly is subject to a high degree of uncertainty. The scoping study includes Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty the scoping study will be realized. A preliminary and/or definitive feasibility study will be required to further evaluate the C-zone's economics.

Based on the results of the scoping study, New Gold is targeting the completion of a feasibility study on the C-zone in the first quarter of 2016. Subject to the completion of a positive feasibility study, a development decision by the Company and receipt of the requisite permits, development of the C-zone could begin in 2017, with the main access ramps being completed by the end of 2020. Thereafter, development of the block cave production levels would begin. The C-zone extraction level would be approximately 550 metres below the current B-zone extraction level. Based on this development schedule, production could begin in early 2023 with an 18-month ramp up to full production in mid-2024. As discussed above, a scoping study is preliminary in nature. There can be no assurance that the results of the C-zone feasibility study will be positive or that the C-zone will ultimately be developed.

One of the opportunities that the Company will pursue as the access ramps are developed is to further drill test the C-zone to expand and upgrade the resource classification of the minable tonnage. The deposit remains open at depth and to the west.

One of the key focuses of the scoping study was to begin to assess the 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 associated with the historic Afton mine is located within the predicted area of subsidence. To mitigate the potential risk associated with the tailings, it is anticipated that the tailings would be stabilized within the existing facility through a dewatering and consolidation program. New Gold holds an option to acquire the land on which the tailings are located. As the Company moves towards the completion of a feasibility study, additional studies and testwork will be completed on the tailings stabilization plan.

In 2015, the Company has planned capital expenditures of $5 million to further advance the C-zone project toward a feasibility study. Work during the year will include additional subsidence modeling, completion of a tailings stabilization test program as well as other supporting studies.

MESQUITE MINE, UNITED STATES

The following disclosure relating to the Mesquite Mine is based, in part, on information derived from the technical report entitled “Technical Report on the Mesquite Mine, Imperial County, California, U.S.A.”, dated February 28, 2014 (“**Mesquite Report**”). The Mesquite Report is available under the Company’s profile on SEDAR at www.sedar.com. The following disclosure has been updated to include information about the Mesquite Mine subsequent to the Mesquite Report. See “Interests of Experts” for details of the Qualified Persons who prepared the Mesquite Report and approved the following disclosure (other than the Mineral Resource and Mineral Reserve estimates).

Project Description, Location, Access and Other Information

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

The Company became the owner of the Mesquite Mine in 2009 following New Gold’s 2009 business combination with Western Goldfields Inc. (“**WGI**”). The mine is operated by the Company’s wholly owned subsidiary, Western Mesquite Mines, Inc. (“ **WMMI**”).

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

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

The mineral rights at the Mesquite Mine cover a total area of approximately 2,104 hectares (5,200 acres) controlled by WMMI. They include 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 LA County Sanitation District. 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.

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

In November 2003, WGI acquired the Mesquite Mine from Newmont Mining Corporation (“ **Newmont**”). Under the terms of the agreement, WGI assumed the environmental reclamation and closure liability at the Mesquite Mine along with liability for production royalties. Newmont’s NSR royalty on newly mined ore from the project 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 addition, WMMI pays a 6% to 9% NSR royalty (depending on the relevant gold price) to the California State Lands Commission on production from certain California State leased lands under a Mineral Extraction Lease between WMMI and the California State Lands Commission. As at December 31, 2014, the Mineral Extraction Lease does not cover any areas to be mined under the current mine plan, however it does remain applicable to certain ounces of gold remaining on the leach pad.

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

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

History

Gold was discovered at Mesquite around 1876. Gold Fields Mining Corporation (" **Gold Fields**") began a commercial heap leach gold operation at Mesquite in March 1986. Santa Fe Pacific Gold Corporation ("**Santa Fe**") acquired the mine from Gold Fields in 1993. Newmont acquired the Mesquite Mine in 1997 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.

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 amphibolite-grade metamorphic rocks of the upper plate of the Vincent-Chocolate Mountain Thrust. These upper plate rocks represent a fragment of Precambrian and Mesozoic continental crust of extremely complex history.

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

The gold mineralization at Mesquite was deposited in an epithermal setting, within 150 to 300 metres (500 feet to 1,000 feet) of the surface and subsequent to amphibolite grade 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. Test work on unoxidized ore indicates that 65% to 78% of the gold is liberated free-milling gold, 13% is associated with refractory sulphide minerals, and the remainder is associated with iron oxides and carbonates.

Exploration and Drilling

Most of the exploration work conducted at Mesquite pre-dates New Gold's ownership. The Mesquite Mine historical database represents approximately 886,400 metres, or 2.9 million feet, of drilling in 6,573 drill holes, most of which are RC holes. A total of 103 holes in the database are diamond drill holes. Most of the diamond drill holes are vertical and have not been subjected to down hole surveys. In general, the disseminated mineralization appears to be flat-lying or slightly dipping. Consequently, the vertical drilling provides a reasonable estimate of the true mineralization thickness.

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

The potential for lateral extensions of mineralization is largely limited by mining permit boundaries. The potential for extensions of mineralization at depth was investigated in 2010 and 2011 by New Gold via an exploration drilling program seeking to expand the sulphide portion of the mineral resource beneath the mineral reserve pit. The program consisted of 36 holes totalling 11,077 metres (36,341 feet) of combined diamond drilling and RC drilling. A significant mineral resource was not delineated and additional exploration was not recommended.

In 2013, New Gold undertook an infill drilling program to assist in grade control. The program comprised 344 RC holes totalling 27,203 metres. During 2014, the Company completed a 23,733 metre delineation and infill drilling program to upgrade the classification status of Mineral Resources scheduled for mining in 2015 and 2016. The results have been incorporated into the Company's 2014 year-end mineral resource and reserve estimates.

Sampling and Analysis

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

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

Samples collected during New Gold's drilling programs were analyzed for gold via two methods: fire assay with an AA finish and cyanide-soluble gold. A pulp from each sample is stored at the Mesquite Mine site.

The Company's QA/QC program at the Mesquite Mine employed industry best practices consistent with the QA/QC protocols at all of its exploration and development projects. Key elements of the Company's QA/QC program include chain of custody of samples, regular insertion of certified reference standards and blanks, and duplicate check assays. Core is halved and shipped in sealed bags to an independent analytical service provider in Reno, Nevada.

Refer to the Mesquite Report for specifics of the quality control and data verification programs. As stated in the Mesquite Report, the data quality was considered adequate for resource estimation and the present protocols for data acquisition and management were considered reasonable.

Mineral Resource and Mineral Reserve Estimates

The Mesquite Mineral Reserves, effective December 31, 2014, 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, 2014, 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. Mine production in 2014 has averaged a nominal 140,000 tonnes per day of total material, including a nominal 36,500 tonnes per day of ore hauled to the leach pad. The production rate is within the current tonnage allowed (60 million short tons per year) allowed under the air quality permit.

In 2013, there was a negative reconciliation between actual grades mined at the Mesquite Mine and the mine plan. An infill drilling program was undertaken to improve confidence in the Mineral Resource estimate for the areas scheduled for mining through 2014 and 2015. As a result of the infill drilling program, reconciliations during 2014 were back in-line with expectations. 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.

Recovery Methods

Mineral processing is by heap leach using a sodium cyanide solution and in a carbon-in-column circuit. Lime is added to the ore to ensure a basic pH which ensures that the gold remains soluble and does not precipitate. The leach solution is distributed over the leach pads using the drip method which saves water. Process recoveries are determined by oxidation of the ore type. The mine's 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.

Markets and Contracts

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

Environmental Conditions

There are no notable environmental conditions affecting mining operations, and WMMI is in material compliance with all permits. WMMI is required to post security of $5.2 million for reclamation and $9.5 million for closure with Imperial County, California as lead agency under the California Surface Mining and Reclamation Act, and $0.1 million for pit backfill with the California State Lands Commission under a public/private land lease agreement. As at December 31, 2014, 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 at December 31, 2014 is estimated at $12.8 million excluding salvage value of the assets. New Gold expects to incur this obligation between 2015 and 2028.

Tax Regime

The statutory U.S. federal income tax on taxable income is 35% and California State income taxes are 8.8% (deductible against U.S. federal tax) yielding a combined income tax burden of 40.75%. However, due to tax preference items such as percent depletion and domestic production tax credits, WMMI taxable income is reduced such that it becomes subject to the Alternate Minimum Tax ("**AMT**") regime. The applicable AMT rate is 20% federally and 6.65% (deductible against U.S. federal tax) at the state level, yielding a combined AMT tax burden of 25.3%.

Economic Analysis

The Mesquite Mine is projected to operate through 2022 based on current Mineral Reserves, followed by several years of residual leaching. During 2014, Mesquite produced 106,670 ounces gold at total cash costs of $909 per ounce and all-in sustaining costs of $1,266 per ounce. The Mesquite Mine is expected to produce 110,000 to 120,000 ounces of gold in 2015 at total cash costs of $925 to $965 per ounce, and all-in sustaining costs of $1,290 to $1,330 per ounce. 2015 cash cost guidance assumes a diesel price of $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 3.

Exploration and Development

New Gold is proceeding with permitting the expansion of the Brownie pit with approval expected during the first half of 2015. Additionally, subject to future mine planning requirements, the Company may complete additional delineation and infill drilling to convert Indicated Mineral Resources targeted for mining during 2016 and 2017 to Measured classification status.

PEAK GOLD MINES, AUSTRALIA

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

Project Description, Location, Access and Other Information

Peak Gold Mines is operated by New Gold's subsidiary Peak Gold Mines Pty Ltd (" **PGM**") and is located within the Cobar mining district approximately eight kilometres south of the town of Cobar in New South Wales, Australia. Regional road access to Cobar is provided by an all-weather highway (Mitchell Highway No. 32) connecting Sydney and Adelaide. Cobar has a population of approximately 3,800 people, with an additional 900 people in the surrounding local area, and is well serviced by local shopping, banking, accommodation and supplies.

The Peak Gold Mines currently comprise four commercially active mines and a copper-gold processing plant. The deposits, all currently mined from underground, extend along a 10 kilometre trend informally referred to as the Peak Mine Corridor. The four operating mines, 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.

PGM's mineral rights consist of approximately 86,820 hectares of mining leases and exploration licenses, including 33,832 hectares subject to option agreements. The exclusively owned rights include: four consolidated mining leases covering the Tharsis to the Peak Gold Mines area, the Coronation-Beechworth area and the Queen Bee area; 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. Typically, such claims are determined without a trial; they are either dismissed, or a consent determination is negotiated by the parties to the claim. PGM is a party in the proceedings to participate in negotiations with respect to any final determination. Native title claims in Australia may impact applications for changes to existing authorizations or new authorizations.

PGM is required to pay a production royalty to the Australian Department of Primary Industries of approximately 3% of gross revenue, before treatment charges and all other costs.

Cobar's climate is semi-arid, with an average maximum high temperature of 39 degrees Celsius during the summer and an average minimum low of 2 degrees Celsius during the winter. In years of normal rainfall, average precipitation is approximately 390 millimetres per year. The landscape is predominantly flat, composed of hard red, clay loam plains with minor undulations. The mine is named after the "Peak," a small conical hill 324 metres above sea level, with the Peak deposit located at its southern base. The vegetation at the mine consists largely of semi-arid low woodland, with minor seasonal drainage lines bordered by taller eucalypt species.

History

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

Various companies conducted exploration in the district from the late 1940s to late 1970s with no significant success. In early 1980, Rio Tinto plc. acquired the leases containing the New Occidental (now closed), New Cobar and Chesney mines, and in 1981, the Peak gold deposit was discovered. Between 1982 and 1985, a total of 30,840 metres 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 Gold 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**"), is defined as a 10-kilometre north-trending belt of historical gold mines located east of Cobar, extending from the Peak and Perseverance mines, south-southeast of Cobar, to the Tharsis workings, north of Cobar. The CGF is located on the eastern margin of the Early Devonian (402 million to 385 million years ago) Cobar Basin, which lies within the northern part of the Central Belt of the Lachlan Orogen, and is marked by increased folding and faulting along a zone referred to as the Rookery Fault system.

The Peak Gold Mines occupy a 10 kilometre section of the regional Rookery Fault shear zone along the eastern margin of the Cobar sedimentary basin, referred to informally as the "Peak Mine Corridor". The mineral deposits occur within high strain zones of 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.

Exploration and Drilling

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

During 2013, total underground drilling at Peak Gold Mines included 45,440 metres of exploration and delineation drilling in 218 holes around New Cobar, Chesney, Peak and Perseverance. Additionally in 2013, PGM completed 8,549 metres of surface drilling in 18 holes drilled on multiple targets within the greater region.

Infill and exploration drilling conducted at PGM during 2014 totaled 68,391 metres in 329 holes. Exploration drilling at the north end of the Peak Mine Corridor intercepted a new lens of high grade copper-gold mineralization 150 metres south of the historic underground workings of the Great Cobar mine at a depth of 600 metres. Exploration to test the dimensions of the lens is ongoing.

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

All samples are stored on-site in a secure shed, which is behind an electronic gate manned by security personnel 24 hours a day. Samples are transported to ALS 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 and sulphur, and bismuth. For gold and base metals assaying, current site QA/QC practices include routine use of: certified standards and blanks; replicate and duplicate samples; laboratory standards and blanks; calibration of density recording equipment; umpire laboratories; check assays; and field duplicates. Data are automatically subjected to QA/QC validation as part of the drilling database loading process, and flagged if outside acceptable limits.

Mineral Resource and Mineral Reserve Estimates

The Peak Gold Mines Mineral Reserves, effective of December 31, 2014, 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 Gold Mines Mineral Resources, effective of December 31, 2014, 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 Gold Mines currently comprise four distinct underground zones. Current mining is from zones contiguous with, or near, mined out areas. Production operations have been underway at Peak since 1992, at Perseverance since 2003, at New Cobar underground since 2005, and at Chesney since 2009.

Mining Methods

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

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

Recovery Methods

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

Gold and silver are recovered in a gravity circuit with Knelson concentrators, further concentrated in an intensive leach reactor, then electrowon. Copper is recovered as a copper concentrate in a conventional flotation circuit. The flotation concentrate is thickened, dewatered and stockpiled before transporting to a third party smelter located offshore for further processing. A second method of gold and silver recovery is by cyanidation leaching of the flotation tailings followed by carbon stripping and electrowinning. The resulting sludge from the gravity and cyanidation is smelted in a gas-fired furnace to produce gold doré bars along with the Knelson concentrate product. For accounting purposes, the dry sludges from the gravity and carbon-in-leach circuits are smelted individually. Metal recoveries are approximately 92% and 90% for gold and copper, respectively.

Markets and Contracts

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

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

Environmental Conditions

PGM has a responsibility under state law to rehabilitate areas of historic and current mining activities on its leases to an agreed end land use. A closure plan is updated yearly. As at December 31, 2014, PGM was required to post reclamation security of A$10.2 million with the New South Wales Department of Trade and Investment and had lodged this security in the form of an irrevocable standby letter of credit. Subsequent to year-end, a review by the New South Wales government of its security requirements resulted in the financial assurance amount required to be lodged by PGM increasing to A$21.1 million. The Company has accordingly lodged a new letter of credit to satisfy this requirement. The undiscounted closure cost liability for the Peak Gold Mines as at December 31, 2014 is estimated to be A$25.2 million. The Company expects to incur this obligation between 2015 and 2025.

Tax Regime

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

Economic Analysis

The projected life of the Peak Gold Mines extends to 2021 based on Measured and Indicated Mineral Resources and Mineral Reserves. During 2014, the Peak Gold Mines produced 99,030 ounces gold at total cash costs of $658 per ounce and all-in sustaining costs of $1,025 per ounce. The Peak Gold Mines' 2014 co-product cash costs were $816 per ounce of gold and $2.06 per pound of copper. The Peak Gold Mines are expected to produce 85,000 to 95,000 ounces of gold in 2015 at total cash costs of $660 to $700 per ounce, and all-in sustaining costs of $1,005 to $1,045 per ounce. 2015 cash costs guidance assumes a $2.75 per pound copper price, $16.00 per ounce silver price and a foreign exchange rate of AU$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 3.

Exploration and Development

Current and future exploration at the Peak Gold 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.

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, Minera San Xavier, S.A. de C.V. ("**MSX**").

The mineral rights at the Cerro San Pedro Mine consist of 16 mineral concessions covering an area of 6,910 hectares. The mineral concessions begin to expire in December 2036 through October 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. In March 2011, the municipality of Cerro de San Pedro approved a new municipal land use plan, after public consultation, which clearly designates the area of the Cerro San Pedro Mine for mining. New Gold believes this plan resolves any ambiguity regarding the land use in the area in which the Cerro San Pedro Mine is located. In April 2011, a request was filed for a new EIS based on the new Municipal Plan and on August 5, 2011 a new EIS was granted.

In addition, some authorizations necessary for the operation of the Cerro San Pedro Mine have durations of one year or one quarter, or other periods that are shorter than the remaining mine life. While historically these authorizations have been renewed extended or re-issued without incident, in late 2013 the annual construction and operations licenses issued by the Municipality of Cerro de San Pedro in San Luis Potosì were issued 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. MSX subsequently applied for its operations license for 2015 and was advised by the Municipality that the license would also be subject to inappropriate conditions. On February 3, 2015 the State Contentious and Administrative Tribunal granted MSX an injunction against the Municipality which ensures the continued operation of the Cerro San Pedro Mine pending the Tribunal's ruling regarding the inappropriate conditions. See "Legal Proceedings and Regulatory Actions" for additional information.

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 2014, mine production was a nominal 95,000 tonnes per day of total material, including a nominal 29,000 tonnes per day of ore. Operational issues arising from a pit wall movement and lower recoveries of porphyry ore during 2013 led to adjustments to Cerro San Pedro's mine plan for its final phase of mining.

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 unrefined doré leaves site, with advance cash payment financed via an adjustment to the spot price, or sold on the spot market when out-turned at the refinery. Current life-of-mine recovery is estimated to be 55% gold and 20% silver.

Economic Analysis

During 2014, the Cerro San Pedro Mine produced 69,847 ounces of gold and 1,067,281 ounces of silver at total cash costs net of by-product sales of $1,251 per ounce, and all-in sustaining costs of $1,354 per ounce. Cerro San Pedro's 2014 co-product cash costs were $1,252 per ounce of gold and $18.95 per ounce of silver. The Cerro San Pedro Mine is expected to produce 90,000 to 100,000 ounces of gold and 1.75 to 1.95 million ounces of silver in 2015 at total cash costs per ounce sold, net of by-product sales, of $955 to $995 per ounce and all-in sustaining costs of $1,005 to $1,045 per ounce. 2015 cash costs guidance assumes a $16 per ounce silver price and foreign exchange rate of 15.00 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 3.

The Cerro San Pedro Mine is projected to conclude mining operations in 2015 based on current Mineral Reserves, with residual leaching continuing for up to eight years thereafter, subject to future gold and silver prices. 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, 2014.

Mine Closure

The schedule for completing the activities relating to the closure of Cerro San Pedro is dictated by the EIS. Specifically, the site reclamation must be completed within four years of final processing, however this may be extended if the residual leaching and recovery of silver remains economic for longer. MSX is required to post reclamation security of approximately $18.8 million with the Mexican environmental regulatory agency, SEMARNAT, under the general law for ecological balance and environmental protection. As at December 31, 2014, 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, 2014 is estimated to be $22.2 million. New Gold expects to incur this obligation between 2015 and 2024.

RAINY RIVER PROJECT, CANADA

The following disclosure relating to the Rainy River Project is based, in part, on information derived from the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014 ("**Rainy River Report**"). The Rainy River Report is available under the Company's profile on SEDAR at www.sedar.com. The following disclosure has been updated to include information about the Rainy River Project subsequent to the Rainy River Report. See "Interests of Experts" for details of the Qualified Persons who prepared the Rainy River Report and approved the following disclosure (other than the Mineral Resource and Mineral Reserve estimates).

Project Description, Location, Access and Other Information

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

New Gold acquired the Rainy River Project through its purchase of RRRL in 2013. In addition, on January 2, 2015, the Company acquired Bayfield, including a 100% interest in twelve mineral claims totalling approximately 11 square kilometres adjacent to the Rainy River Project. As at January 1, 2015, the Rainy River Project occupied 180 square kilometres, comprising 168 patented mining rights and surface rights claims (including three leasehold interest mining claims) and 89 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 or its affiliates excepting two groups of unpatented claims in which the Company has the option to acquire a 100% interest. The currently defined Mineral Resource lies within six 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 as agreed to financial participation in the project in the form of royalties in favour of certain First Nations.

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

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

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. Receipt of the EA approvals enables the Company to apply for other permits through the development and operational phases of the Project and to commence preliminary development work.

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. 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. An additional C$66.4 million of bonding is to be provided pursuant to the closure plan by December 31, 2015, with the amount increasing in stages during the production phase.

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. Additionally, 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 community, respectively, will benefit from the development of the Rainy River Project and throughout the life of the mine. New Gold continues to meet with Aboriginal groups and anticipates completion of additional agreements. The Company 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 totalled 449 diamond drill holes (239,329 metres).

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

RRRL drilled an additional 225 diamond drill holes (77,969 metres) between August 2012 and June 2013, focusing on the Intrepid Zone situated one kilometre east of the proposed open pit. By June 2013, a number of significant gold mineralized zones had been defined over a 3.5 kilometre strike length.

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 on "History".

New Gold took over exploration at the Rainy River Project in August 2013. Principal non-drilling exploration activities through January 2015 have included a complete review of RRRL drill results, an independent study of the structural setting of the project area and a geochemical grid soil sampling program. This work has identified a number of new targets, both in the immediate vicinity of the deposit (down-plunge extensions of the 280 Zone and a western ODM link) and regionally.

In February 2014 New Gold completed an updated Feasibility Study for the project based on all exploration drilling completed through August 16, 2013 (1,665 diamond drill holes totalling 742,464 metres). The updated Feasibility Study is based on the November 2, 2013 Mineral Resource estimate and recent project definition activities including metallurgical test work.

New Gold completed 232 diamond drill holes (69,762 metres) from mid-August 2013 to January 1, 2015. Ninety-six of these (17,412 metres) were condemnation and geotechnical holes, while 136 (52,350 metres) were exploration holes. The results of this drilling have been incorporated into the current mineral resource estimate (as of December 31, 2014) for the Project.

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

Sampling and Analysis

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

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

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

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

Mineral Resource and Mineral Reserve Estimates

The Rainy River Project Mineral Reserves, effective December 31, 2014, 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 March 10, 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 Mineral Resource estimate effective March 10, 2015 is based on the results of 2,293 diamond drill holes totalling 938,923 metres. Open pit and underground Mineral Reserve estimates, effective December 31, 2014, are based on the December 2014 mineral resource model.

Mining Operations

The Rainy River Project is planned to be an open pit and underground mining operation with production of 21,000 tpd (19,500 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 first quarter of 2015 with site clearing activities, and commissioning is projected for Q3 2017. Underground production is expected to begin in 2019.

Mining Methods

Surface mining of the Project will utilize open pit standard practices dependent upon a truck and shovel mining fleet. Benches will be 10 metres.

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

Recovery Methods

Run-of-mine material will be delivered to a common gyratory crusher for size reduction, stockpiling and delivery to the processing plant. The processing plant will be a SAG/ball mill/crusher circuit feeding a whole ore leach gold-silver recovery plant at a milling rate of 21,000 tonnes per day, or 7.7 million tonnes per year. A portion of the coarser material will be subjected to a gravity circuit. The gravity concentrate will be sent to a cyanidation reactor and electrowinning cell for gold and silver extraction. Ground mineralized material will be thickened, passed through a leaching and carbon-in-pulp extraction circuit, and subjected to carbon stripping and electrowinning prior to being smelted into a gold-silver doré. Life-of-mine recoveries are expected to be 91% for gold and 64% for silver.

Markets and Contracts

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

Environmental Conditions

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. See “Environmental Permits and Liabilities”.

On January 19, 2015, the Company posted an initial reclamation bond of C$14.3 million for the Project, concurrent with submission of the final draft closure plan for the Project to the Ontario Ministry of Northern Development and Mines. The 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.

Tax Regime

The taxes applicable to the Rainy River Project include Ontario provincial income tax at a rate of 10% and Canadian federal income tax at a rate of 15%. Additionally, the Ontario mining tax will apply at a rate of 10% to taxable resource profits in excess of C$500,000. For a three year period, the first C$10 million of profits generated will be exempt from Ontario mining tax. A processing allowance, based on the value of the processing assets, of 15% to 65% of mining and processing income after deduction of all expenses may be available against Ontario mining tax. The Ontario corporate minimum tax, with a rate of 2.7%, may apply to the extent that it exceeds the liability for provincial income tax.

Economic Analysis

The Rainy River Project is expected to produce approximately 3.4 million ounces of gold and 5.1 million ounces of silver over a 14 year mine life, averaging 325,000 ounces of gold and 480,000 ounces of silver annually for the first nine years of 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 capital costs are estimated to be $1,219 million ($877 million for initial capital and $342 million for sustaining capital), assuming an exchange rate of C$1.25 to one United States dollar. The initial capital portion is expected to comprise 80% Canadian dollar and 20% U.S. dollar expenses. Life of mine total operating costs are estimated to be $19.77 per tonne milled. Average life-of-mine cash costs per ounce of gold are projected to be $595. Cash costs are expected to be highly variable from year to year and markedly higher in the latter years of production due to the lower grades associated with the processing of stockpiled material. The life of mine all-in sustaining costs per ounce of gold is expected to be $699. Total cash costs per ounce assume a $16.00 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 3.

The after-tax net present value at a 5% discount rate is projected to be $484 million. The after-tax internal rate of return is estimated to be 13.7%, with a payback period of 5.2 years. The foregoing estimates are based on annual average gold and silver prices of $1,300 per ounce and $16.00 per ounce, respectively, and an exchange rate of C$1.25 to one United States dollar. In addition, they are based on the allocation of certain corporate tax attributes as between Rainy River, New Afton and New Gold's other operations in a manner consistent with the approach currently used in New Gold's tax returns.

A summary of the results of the Rainy River Feasibility Study is included in the annual MD&A and further details of the study are provided in the Rainy River Report.

Exploration and Development

Exploration activities planned for 2015 will involve a shift in focus to identify and test potential new bodies of high grade mineralization within a 5 kilometre radius of the main mine development area. Following receipt of construction permits in the first quarter of 2015, road and power line construction, pre-stripping, bench preparation, and construction of the plant site and infrastructure has begun.

BLACKWATER PROJECT, CANADA

The following disclosure relating to the Blackwater Project is based, in part, on information derived from the technical report entitled "Blackwater Project, British Columbia, NI 43-101 Technical Report on Feasibility Study" dated January 22, 2014 ("**Blackwater Report**"). The Blackwater Report is available under the Company's profile on SEDAR at www.sedar.com. The following disclosure has been updated to include information about the Blackwater Project subsequent to the Blackwater Report. The disclosure does not contain detailed information pertaining to the Capoose, Auro and Key claim blocks, which are peripheral to the Blackwater deposit. See "Interests of Experts" for details of the Qualified Persons who prepared the Blackwater Report and approved the following disclosure (other than the Mineral Resource and Mineral Reserve estimates and the Project's capital costs, operating costs and all-in sustaining costs ("**Updated Blackwater Economic Information**") which reflect an updated exchange rate) from that used in the Blackwater Report.

Project Description, Location, Access 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. Helicopter access is available from bases in Vanderhoof, Quesnel or Prince George.

As at January 10, 2015, New Gold holds a 100% interest in 231 mineral claims covering an area of 1,053 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. All claims are in good standing, most 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 as determined by the Blackwater Report.

The deposit is located on the north slope of Mt. Davidson, and the proposed project infrastructure will be sited predominantly in the Davidson Creek watershed. According to the Blackwater Report, there is sufficient suitable land for future mine infrastructure within the mineral claims. 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.

The climate in the project area is sub-continental, characterized by brief warm summers and long cold winters. It is expected that mining activities will be conducted year-round. The elevation of the property ranges from just over 1,000 metres in low-lying areas northeast of the proposed mine site to 1,800 metres at the summit of Mt. Davidson on the southwest side of the property. The property has minimal exposed bedrock. Most of the area is covered with thick glacial deposits of two metres or more.

Property Agreements

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

Dave Option: The optionors retained a 2.5% NSR royalty. New Gold purchased 40% of the Dave Claim NSR royalty for C$1,000,000, and a 1.5% NSR royalty remains. The claim (Mineral Tenure No. 515809) covers a portion of the Blackwater deposit.

Jarrit Option: The optionors retained a 2% NSR royalty. New Gold purchased half the Jarrit Claim NSR royalty for C$1,200,000, and a 1% NSR royalty remains. The claim (Mineral Tenure No. 515810) covers a portion of the Blackwater deposit.

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

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

Environmental Liabilities and Permits

The Blackwater Project is subject to review under the British Columbia Environmental Assessment Act and the Canadian Environmental Assessment Act, 2012. The EA process was initiated in October 2012. The final EA report was submitted for regulatory screening during 2014. New Gold anticipates receiving EA approval in late 2015.

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 2014. Approvals for all permits, licenses, authorizations and certificates necessary to proceed to construction are expected in 2016.

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, limited geologic mapping and drilled 6,300 metres in 75 holes. A further 1,333 metres in seven holes were drilled in the winter of 2005-06 by Silver Quest. The work focused on high-grade vein deposits.

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

During 2010, Richfield contracted a resistivity and IP chargeability survey which showed good correspondence between known mineralization and survey results. Other notable exploration activities during Richfield's tenure included a detailed aerial topographic survey, and petrographic, X-ray diffraction and whole-rock lithogeochemical analyses on selected drill samples. During the period from 2009 to 2011 Richfield drilled 134 diamond drill holes 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. It is the opinion of the authors of the Blackwater Report that the quantity and quality of the lithological, geotechnical, collar and down-hole survey data collected in the exploration and infill drill programs completed by Richfield and New Gold from 2009 to 2013 are sufficient to support Mineral Resource estimation.

2014 exploration focused on targets elsewhere within the Company's broader land package. The Company drilled 23 holes totalling 11,045 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 in an area several kilometres immediately to the south of the Blackwater deposit. Exploration of these targets and others will continue during 2015.

Sampling and Analysis

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

New Gold's primary laboratory for the Blackwater Project is ALS Global 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. Data from holes drilled between 1981 and 1994 have no documented QA/QC information and were not deemed acceptable for use in resource estimation.

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

Mineral Resource and Mineral Reserve Estimates

The Blackwater Project Mineral 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.

The Mineral Resource estimate, effective March 10, 2015, is based on a mineral resource block model completed March 31, 2013, incorporating 286,966 individual assays from 1,003 core holes totalling 309,516 metres. No new drilling has been completed within the Blackwater deposit since the March 2013 mineral resource block model. The Mineral Reserve estimate, effective December 31, 2014, is likewise based on the March 2013 mineral resource block model noted above.

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.

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.

Markets and Contracts

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

Environmental Conditions

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

New Gold has posted an irrevocable standby letter of credit totalling approximately C$2.7 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, 2014 is estimated to be $18 million.

Tax Regime

The taxes applicable to the Blackwater Project include British Columbia provincial income tax at a rate of 11% and Canadian federal income tax at a rate of 15%. The Blackwater Project is also subject to British Columbia mineral taxes as legislated by the *Mineral Tax Act* (British Columbia). The British Columbia mineral taxes are a two tier tax, with companies initially subject to a tax of 2% of net proceeds (as determined under the *Mineral Tax Act*), eventually transitioning to a net revenue tax of 13% with a credit for the net proceeds tax previously paid.

Economic Analysis

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

Total project capital costs are estimated to be $1,576 million including a $160 million contingency. Life of mine total operating costs are estimated to be $11.59 per tonne milled. Average life of mine cash costs per ounce of gold are projected to be $499. The life of mine all-in sustaining costs per ounce of gold is expected to be $577. Total cash costs per ounce assume a $1,300 per ounce gold price, $16.00 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 3.

Details of the Blackwater Feasibility Study are provided in the Blackwater Report.

Exploration and Development

The project area offers good potential for the discovery of additional gold and silver mineralization that may add to the current Mineral Resources and reserves inventory. Work to develop this potential is ongoing and involves additional drilling, expanded geologic mapping, geochemical sampling, and airborne and ground-based geophysical methods.

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

EL MORRO PROJECT, CHILE

The El Morro Project is a copper-gold development project situated approximately 4,000 metres above sea level in Region III of northern Chile approximately 660 kilometres north of Santiago. The El Morro Project comprises three centers of porphyry style copper-gold mineralization (the La Fortuna, El Negro and El Morro areas). A portion of the El Morro Project is subject to a 2% NSR royalty which may be payable to two third-parties once production begins. New Gold also holds a 30% interest in a 2% NSR royalty in respect of any mining that occurs on certain mining exploitation concessions covering a combined area of 1,849 hectares of the El Morro Project. The remaining 70% interest in this NSR royalty is held by Xstrata Copper Chile S.A.

Goldcorp holds a 70% interest in the El Morro Project and is the project operator, with New Gold holding the remaining 30% interest through its subsidiary Datawave Sciences Inc. Goldcorp is responsible for funding New Gold's share of development and construction capital for the El Morro Project (estimated at approximately $1.2 billion in the feasibility study completed in 2011) under a carried funding loan to be repaid from project cash flows on completion of development and construction. At December 31, 2014, the outstanding carried funding loan balance was $88.5 million, including accrued interest.

In 2011, El Morro completed a feasibility study for the El Morro Project which contemplated an open pit mine truck and shovel operation, supplying material for crushing and processing in a copper flotation mill producing a copper-gold concentrate. The mine development plan would also involve a new access route from the Pan American Highway; a new power substation with overhead transmission lines to the mine; and a concentrate filtration plant and seawater desalination plant to supply water to the mine, both adjacent to a port approximately 200 kilometres from the mine. According to the 2011 feasibility study, total capital required to achieve commercial production at the mine (100% basis) was estimated at approximately $3.9 billion. As noted below, El Morro has commenced studies to determine an optimal development plan for the project. No assurance can be given that the project will be developed.

Total closure costs at the El Morro Project are estimated to be in the range of $25 million net of the salvage value of the assets. Chile does not require reclamation and closure bonding. Under Chilean law, sufficient title to develop a mining project requires easement rights and/or rights of way over the surface properties where the project pit and facilities will be placed. The surface rights for the on-site portion of the El Morro Project are owned principally by the Los Huasco Altinos Community ("**CAHA**"), a grazing and livestock cooperative. Strategic access to these properties has been partially secured through a judicial mining easement. Linear and other off-site infrastructure such as a concentrate pipeline, power lines, aqueducts, concentrate filtering and desalination plants are spread over properties where easement rights are partially secured.

Since 2011, the resolution by SEA approving the Environmental Impact Study for the El Morro Project has been the subject of various claims and appeals. At various times during these proceedings, the El Morro Project's environmental permit has been suspended and reinstated, and as a result activities at the El Morro Project have been limited. Most recently, on October 7, 2014 the Chilean Supreme Court invalidated the project's environmental permit. El Morro subsequently withdrew its environmental permit in November 2014 and has commenced studies to determine the optimal development plan for the project. El Morro remains committed to productive interaction and engagement with the adjacent communities and regional authorities. See "Legal Proceedings and Regulatory Actions".

The El Morro Project Mineral Resources, effective December 31, 2014, 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."

The El Morro Project Mineral Reserves, effective December 31, 2014, are summarized in the "Mineral Reserve Estimates" table. See "Description of the Business – Summary of Mineral Reserve and Mineral Resource Estimates – Mineral Reserves."

RISK FACTORS

New Gold's business activities are subject to significant risks, including 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 the forward-looking statements relating to the Company. Additional risks related to our material properties are discussed in the technical reports filed by the Company from time to time on SEDAR. In addition, other risks and uncertainties not presently known by management of the Company 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, silver and copper. World gold prices have historically fluctuated widely. World gold prices are affected by numerous factors beyond the Company's control, including:

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

The price of gold was $1,206 per ounce as at December 31, 2014, largely unchanged compared to December 31, 2013. Future metal price declines could cause continued development of, and commercial production from, the Company's properties to be uneconomic. In addition, there is a time lag between the shipment of gold and copper and final pricing, and changes in pricing can significantly impact the Company's revenue and working capital position. Depending on the price of gold, copper and silver, the Company's cash flow from mining operations may be insufficient to meet its operating needs and capital expenditures, and as a result the Company could experience losses and / or may curtail or suspend some or all of its exploration, development and mining activities (including residual leaching) or otherwise revise its mine plans, and exploration and development 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 resource estimates and revisions in the Company's life-of-mine plans, which in turn could result in material write-downs of its investments in mining properties and increased depletion, reclamation and closure charges. Depending on the price of gold or other metals, the Company may determine that it is impractical to commence or, if commenced, to continue commercial production at a particular site. Metal price fluctuations also create adjustments to the provisional prices of sales made in previous periods that have not yet been subject to final pricing, and these adjustments could have an adverse impact on the Company's financial results and financial condition. In addition, cash costs and all-in sustaining costs of gold production are calculated net of by-product credits, and therefore may also be impacted by downward fluctuations in the price of by-product metals. Any of these factors could result in a material adverse effect on the Company's results of operations and financial condition.

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

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

PRODUCTION ESTIMATES

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

VOLATILITY IN THE MARKET PRICE OF THE COMPANY'S SECURITIES

The Company's common shares are listed on the Toronto Stock Exchange and NYSE MKT, and the Company also has warrants listed on the Toronto Stock Exchange. Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. Other factors unrelated to the Company's performance that may have an effect on the price of the common shares and warrants include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not continue to follow the Company's securities; the lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares; and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities. The price of the Company's common shares and warrants are also likely to be significantly affected by short-term changes in gold, and, to a lesser extent, silver and copper, prices, 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, and has development projects in Canada and Chile. As a result of its activities in multiple jurisdictions the Company is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary for each country and include, but are not limited to: fluctuations in currency exchange rates; high rates of inflation; labour unrest; environmental controls and permitting; restrictions on the use of land and natural resources; renegotiation or nullification of existing concessions, licenses, permits and contracts; delays in obtaining or the inability to obtain necessary governmental licenses and permits; illegal mining; corruption; higher rate of criminality; unstable 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 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 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.

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, since 2011, the resolution by the Chilean Environmental Permitting Authority approving the Environmental Impact Study for the El Morro Project has been the subject of various claims and appeals. At various times during these proceedings, the El Morro Project's environmental permit has been suspended and reinstated, and as a result activities at the El Morro Project have been limited. Most recently, on October 7, 2014 the Chilean Supreme Court invalidated the project's environmental permit. El Morro subsequently withdrew its environmental permit in November, 2014 and has commenced studies to determine the optimal development plan for the project. It is possible that any new environmental permit may be subject to further regulatory challenges, which could result in a material delay in the development of the El Morro Project and/or additional costs to complete such development, any of which could adversely affect the Company's future cash flows, results of operations or financial condition.

In addition, there have been a number of challenges relating to the Company's EIS for the Cerro San Pedro Mine. While a new EIS was granted for Cerro San Pedro Mine in August 2011, it is subject to a number of ongoing conditions that will need to be fulfilled through the continued operation and eventual closure of the mine.

There can be no assurance that the Company will receive or continue to hold all permits necessary to develop or continue operating at any particular property or to pursue the Company's exploration activities. To the extent that required permits cannot be obtained or maintained, the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties. Even if permits or renewals are available, the terms of such permits may be unattractive to the Company and result in the applicable operations or activities being 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 28% of the Company's gold production and 83% of its copper production in 2014 and are expected to account for approximately 27% of the Company's gold production and 85% of its copper production in 2015. Also, in 2014 the New Afton Mine accounted for approximately 80% 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, silver and copper including unusual and unexpected geologic formations, seismic activity, rock bursts, rock slides, cave-ins, slope or pit wall failures, flooding, fire, metal loses, periodic interruption due to inclement or hazardous weather conditions and other conditions involved in the drilling and removal of material, any of which could result in reduced production, damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. In addition, production may be adversely impacted by operational problems such as a failure of a production hoist, filter press, SAG mill or other equipment, or industrial accidents, as well as other potential issues such as actual ore mined varying from estimates of grade, tonnage, dilution, 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 the 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 three projects currently in the development phase: the Rainy River Project, the Blackwater Project and the El Morro Project (in which the Company has a 30% interest). In addition, the Company is engaged in an expansion project at its New Afton Mine, and may engage in expansion activities at its operating mines from time to time. Expansion projects, including expansions of facilities and extensions to new ore bodies or new portions of existing ore bodies, can have risks and uncertainties similar to development projects.

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

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

NEED FOR ADDITIONAL MINERAL RESERVES AND MINERAL RESOURCES

Because mines have limited lives based on proven and probable Mineral Reserves, the Company continually seeks replace and expand its Mineral Reserves and Mineral Resources. The Company's ability to maintain or increase its annual production of gold, silver and copper depends in significant part on its ability to find and/or acquire new Mineral Reserves and Mineral Resources and bring new mines into production, and to expand Mineral Reserves and Mineral Resources at existing mines. Exploration is highly speculative in nature. New Gold's exploration projects involve many risks and are frequently unsuccessful. See "Exploration and Development Risks" above. There is a risk that depletion of reserves will not be offset by discoveries or acquisitions. The mineral base of New Gold may decline if reserves are mined without adequate replacement and the Company.

UNCERTAINTY IN THE ESTIMATION OF MINERAL RESERVES AND MINERAL RESOURCES

Mineral Reserves and Mineral Resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves can be mined or processed profitably. Mineral reserve and mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other relevant issues. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work, drilling or actual production experience.

Fluctuations in gold and copper prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties may require revision of reserve and resource estimates. Prolonged declines in the market price of gold (or applicable byproduct metal prices) may render Mineral Reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's Mineral Reserves. Mineral resource estimates for properties that have not commenced production or at deposits that have not yet been exploited are based, in most instances, on very limited and widely-spaced drill hole information, which is not necessarily indicative of conditions between and around the drill holes. Accordingly, such mineral resource estimates may require revision as more 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, 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 and probable Mineral Reserves as a result of continued exploration.

IMPAIRMENT

On a quarterly basis, the Company reviews and evaluates its mining interests for indicators of impairment. Impairment assessments are conducted at the level of cash-generating units ("**CGU**"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each operating mine, development and exploration project represents a separate CGU. If an indication of impairment exists, the recoverable amount of the CGU is estimated. An impairment loss is recognized when the carrying amount of the CGU is in excess of its recoverable amount. The assessment for impairment is subjective and requires management to make significant 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, silver and copper prices, discount rates, foreign exchange rates, and observable net asset value multiples. It is possible that the actual fair value could be significantly different than those estimates. In addition, should management's estimate of the future not reflect actual events, further impairment charges may materialize, and the timing and amount of such impairment charges is difficult to predict.

TITLE CLAIMS AND RIGHTS OF INDIGENOUS PEOPLES

Certain of New Gold's properties may be subject to the rights or the asserted rights of various community stakeholders, includi ng 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, Mexico and Chile 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 and development 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, as well as in Canada and Chile with respect to its development properties. In addition, the Company will be subject to environmental regulation in any other jurisdictions in which it may operate or have 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 require, in certain jurisdictions, stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. No certainty exists that future changes in environmental regulation, or the application of such regulations, if any, will not adversely affect the Company's operations or development properties. The Company cannot give any assurance that, notwithstanding its precautions, breaches 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. While appropriate steps will be taken to prevent discharges of pollutants into the ground water and the environment, the Company may become subject to liability for hazards against which it may not be insured against and such liability could be material.

INSURANCE AND UNINSURED RISKS

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

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, such insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available on acceptable terms or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration, 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, 2014, the total estimated undiscounted reclamation liability for New Gold's operations was approximately $82 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. For example, in January 2015, a review by the New South Wales government of its security requirements resulted in the financial assurance amount required to be lodged by Peak Gold Mines increasing from A$11.1 million to A$21.1 million. 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 assets are located in Canada, Australia, Mexico and Chile, as well as in the United States. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk the Company faces are:

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

- *exposure to currency risk*: New Gold is exposed to currency risk through a portion of the following assets and liabilities denominated in currencies other than the U.S. dollar: cash and cash equivalents, investments, accounts receivable, reclamation deposits, accounts payable and accruals, reclamation and closure cost obligations and long-term debt; and

- *translation exposure*: New Gold's functional and reporting currency is U.S. dollars. Certain of the Company's operations have assets and liabilities denominated in currencies other than the U.S. dollar, with translation foreign exchange gains and losses included from these balances in the determination of profit or loss. Therefore, exchange rate movements in the Canadian dollar, Mexican peso, Australian dollar and Chilean peso can have a significant impact on the Company's consolidated operating results.

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

GLOBAL FINANCIAL CONDITIONS

Global financial conditions have been subject to continued volatility. Government debt and the risk of sovereign defaults in many countries have been causing significant uncertainties in the markets. These severe disruptions in the credit and capital markets have had a negative impact on the availability and terms of credit and capital. If uncertainties in these markets continue, or these markets deteriorate further, it could have a material adverse effect on the Company's liquidity, ability to raise capital and cost of capital. High levels of volatility and market turmoil could also adversely impact commodity prices, exchange rates and interest rates and have a detrimental effect on the Company's business.

DEBT AND LIQUIDITY RISK

As of December 31, 2014, the Company had aggregate consolidated indebtedness of $874.3 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, 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 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 require the Company to satisfy various affirmative and negative covenants and to meet certain financial ratios and tests. In addition, the terms of the Company's 2020 Notes and 2022 Notes require the Company to satisfy various affirmative and negative covenants. These covenants limit, among other things, the Company's ability to incur further indebtedness, create certain liens on assets or engage in certain types of transactions. There are no assurances that in future, the Company will not, as a result of these covenants, be limited in its ability to respond to changes in its business or competitive activities or be restricted in its ability to engage in mergers, acquisitions or dispositions of assets. Furthermore, a failure to comply with these covenants, including, in the case of the Credit Facility, a failure to meet the financial tests or ratios, would likely result in an event of default under the Credit Facility and/or the 2020 Notes and/or the 2022 Notes and would allow the lenders or noteholders, as the case may be, to accelerate the debt.

FINANCING RISKS

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

TAXATION

New Gold has operations and conducts business in a number of different jurisdictions and is accordingly subject to the taxation laws of each such jurisdiction, as well as tax reviews and assessments in the ordinary course. Taxation laws are complicated, 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.

JOINT VENTURES

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

AVAILABILITY AND PRICE OF INPUTS

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

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

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

INFRASTRUCTURE

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

COMMUNITY RELATIONS AND LICENSE TO OPERATE

The Company's relationship with the host communities where it operates is critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain non-governmental organizations ("**NGOs**"), some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of cyanide and other hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or New Gold's operations specifically, could have an adverse effect on the Company's reputation. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, which could have a material adverse impact on the Company's results of operations, financial condition and 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 331 employees that belong to a union at the Cerro San Pedro Mine. Negotiations for a new collective agreement at the Cerro San Pedro Mine were successfully completed in February 2015, and the new agreement will remain effective until February 2016. Adverse changes in the schemes of labour relations in different jurisdictions or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations and financial condition.

LITIGATION AND DISPUTE RESOLUTION

From time to time New Gold is subject to legal claims, with and without merit. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations. Defense and settlement costs may be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the Company's future cash flows, results of operations or financial condition. See "Legal Proceedings and Regulatory Actions".

TITLE RISKS

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of such properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interest, including prior unregistered liens, agreements, transfers, royalties or claims, including Aboriginal land claims, and title may be affected by, among other things, undetected defects. In some cases, title to mineral rights and surface rights has been divided, and the Company may hold only surface rights or only mineral rights over a particular property, which can lead to potential conflict with the holder of the other rights. As a result of these issues, the Company may be constrained in its ability to operate its properties or unable to enforce its rights with respect to its properties or the economics of is mineral properties may be impacted. An impairment to or defect in the Company's title to its properties or a dispute regarding property or other related rights could have a material adverse effect on the Company's business, financial condition or results of operations.

COMPETITION

The mining industry is competitive in all of its phases. New Gold faces strong competition from other mining companies in connection with the identification and acquisition of properties producing, or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than New Gold. As a result of this competition, the Company may be unable to identify, maintain or acquire attractive mining properties on acceptable terms or at all. Consequently, the Company's 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.

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

CONFLICTS OF INTEREST

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

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 by not only 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 system failures, delays and/or increase 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 installments on April 15 and October 15 each year. On or after April 15, 2016, the Company has the option to redeem the 2020 Notes at a price ranging from 103.5% to 100% of face value, with the rate decreasing based on the length of time the 2020 Notes are outstanding, and before April 15, 2016, the Company may redeem the 2020 Notes at 100% of face value plus a "make whole" premium.

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

6.25% SENIOR NOTES DUE 2022

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

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

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

DIVIDENDS

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

DESCRIPTION OF CAPITAL STRUCTURE

COMMON SHARES

The Company is authorized to issue an unlimited number of common shares without par value, of which 508,892,014 common shares were issued and outstanding at the close of business March 26, 2014. Holders of common shares are entitled to receive notice of any meetings of shareholders of the Company, and to attend and to cast one vote per common share at all such meetings. Holders of common shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the common shares entitled to vote in any election of directors may elect all directors standing for election.

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

The Company also has options, warrants and notes outstanding. See the notes to the Company's audited consolidated financial statements for the year ended December 31, 2014 for additional information regarding the Company's convertible securities.

On March 23, 2012, New Gold adopted a shareholder rights plan (" **Original 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. The Original Plan was approved by shareholders on May 22, 2012 and will expire on the close of business on the date of the Company's annual and special meeting of shareholders, scheduled for April 29, 2015, unless extended by the shareholders of the Company. The board has approved an amended and restated shareholder rights plan agreement (the "**Shareholder Rights Plan**"), which will, upon receipt of shareholder approval, become effective for a three-year period unless further extended.

RATINGS

Below are the ratings for New Gold's corporate debt as at December 31, 2014:

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

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

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

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

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

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME

Common Shares

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

2014	HIGH (C$)	LOW (C$)	VOLUME
January	6.66	5.48	22,638,261
February	7.24	5.95	22,547,736
March	7.18	5.42	23,257,924
April	5.95	5.28	24,664,209
May	5.82	5.26	18,663,684
June	7.28	5.65	19,911,413
July	7.23	6.47	24,052,680
August	7.13	6.39	12,174,015
September	6.96	5.66	15,059,072
October	5.85	3.98	20,345,793
November	5.25	3.85	28,172,135
December	5.46	4.38	27,719,133

The price of the common shares as quoted by the TSX at the close of business on December 31, 2014, the last trading day prior to year end, was C$4.98 and on March 26, 2015 was C$4.51.

Series A Warrants

The Company's Series A Warrants are listed and posted for trading on the TSX under the symbol "NGD.WT.A". Holders are entitled to purchase one common share for C$15.00 for each warrant held. These warrants expire June 28, 2017. As at March 26, 2015, 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.

2014	HIGH (C$)	LOW (C$)	VOLUME
January	1.33	1.07	439,028
February	1.39	1.20	898,184
March	1.37	0.96	871,959
April	1.03	0.85	387,707
May	1.01	0.83	366,043
June	1.35	0.93	282,409
July	1.39	1.10	354,845
August	1.33	1.15	230,191
September	1.26	0.87	416,372
October	0.91	0.75	420,091
November	0.90	0.75	376,614
December	0.87	0.60	156,273

The price of the Series A Warrants as quoted by the TSX at the close of business on December 31, 2014, the last trading day prior to year end, was C$0.70 and on March 26, 2015 was C$0.52.

DIRECTORS AND OFFICERS

The names, positions or offices held with the Company, province/state and country of residence, and principal occupation of the directors and executive officers of the Company as at March 26, 2015 are set out below. In addition, the principal occupations of each of the Company's directors and executive officers within the past five years are disclosed in their biographies.

As at March 26, 2015, directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 14,749,262 common shares of the Company, representing approximately 3% of its issued and outstanding shares.

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

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

David Emerson P.C., OBC is a Corporate Director, Public Policy Advisor and serves as a senior advisor to CAI Managers, a private equity fund. He has served as a minister in the Government of Canada including Minister of Foreign Affairs, Minister of International Trade and Minister of Industry. He has also held a number of senior positions in the public service in British Columbia. In the private sector, he was President and Chief Executive Officer of Canfor Corporation, President and Chief Executive Officer of the Vancouver International Airport Authority and Chairman and Chief Executive Officer of Canadian Western Bank. Mr. Emerson serves on the board of Stantec Inc., and is Chair of Maple Leaf Foods Inc. and TimberWest Forest Corp., a private timber and land management company. Mr. Emerson is a recipient of the Order of British Columbia and the Peter Lougheed Award of Excellence in Public Policy. Mr. Emerson holds bachelors and masters degrees in economics from the University of Alberta and a doctorate in Economics from Queen's University. Mr. Emerson's principal occupation is as a Corporate Director and Public Policy Advisor.

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

James Estey is the retired Chairman of UBS Securities Canada Inc. and has over 30 years of experience in the financial markets. Mr. Estey joined Alfred Bunting and Company as an institutional equity salesperson in 1980 after working at A.E. Ames & Co. for seven years. In 1994, Mr. Estey became the head of the Canadian Equities business, 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's principal occupation is President and Chief Executive Officer of New Gold. Mr. Gallagher has worked in the mining industry for over 35 years and spent 15 years with Placer Dome Inc., and from August 2000 to December 2007 with Newmont Mining Corporation, most recently as Vice President, Operations, Asia Pacific. Before the June 2008 business combination of Peak Gold 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.

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. Within his activities in 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 holds BA and LL.B. degrees. Mr. Kololian is also co-founder and Chairman of the Mosaic Institute, whose purpose is to bring together and promote dialogue among Canadians of differing ethnicities whose homelands are in conflict with one another. Mr. Kololian's principal occupation is Managing Partner of TerraNova Partners LP.

MARTYN KONIG
Jersey, 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, the private family office for partners and senior management of the Trafigura Group. Mr. Konig also has been the Chairman of Euromax Resources Ltd. since May 2012. 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's principal occupation is Executive Chairman of New Gold. From 1999 to 2003, Mr. Oliphant was the President and Chief Executive Officer of Barrick Gold Corporation, and since that time he has served on the boards of a number of public companies and not-for-profit organizations. In addition, Mr. Oliphant was the Chairman of Western Goldfields Inc. from 2006 until its business combination with New Gold in 2009, at which time he became the Executive Chairman of the combined company. Mr. Oliphant presently serves on the advisory board of Metalmark Capital LLC, and on the board of directors of Franco-Nevada Corporation, WesternZagros Resources Ltd. and Newmarket Gold Inc. In addition, in 2013 Mr. Oliphant was elected as Chairman of the World Gold Council. Mr. Oliphant is a Chartered Professional Accountant, CA.

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

Raymond Threlkeld has over 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 the development of the Pierina Mine in Peru, the Bulyanhulu Mine in Tanzania and the Veladero Mine in Argentina. Mr. Threlkeld has had exploration acquisition success in the Western United States in addition to his management and project development experience. In March 2014, Mr. Threlkeld was appointed Chair of the Board of Newmarket Gold Inc. Mr. Threlkeld's principal occupation is a Corporate Director and consultant on natural resource development.

BRIAN PENNY
Ontario, Canada
Executive Vice President and Chief Financial Officer

Mr. Penny has over 30 years' experience in mine finance and accounting. He has been the Executive Vice President and Chief Financial Officer of the Company since June 2009. He was the Chief Financial Officer of Western Goldfields from 2006 to 2009. From 2005 to spring 2012, Mr. Penny was also the Chief Financial Officer of Silver Bear Resources Inc. From 2004, Mr. Penny was a Director of and chaired the Audit Committee of Equinox Minerals Limited until the acquisition of the company by Barrick in 2012. Mr. Penny was the Chief Financial Officer of Kinross Gold Corporation from 1993 to 2004. Mr. Penny is a Chartered Professional Accountant, CMA. Mr. Penny's principal occupation is Executive Vice President and Chief Financial Officer of New Gold.

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 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.

HANNES PORTMANN
Ontario, Canada
Vice President, Corporate Development

Mr. Portmann has been working with mining companies in a financial capacity since his career began. He has been the Vice President, Corporate Development of New Gold since January 2010 and before that he was the Director of Corporate Development from June 2009. Mr. Portmann was the Director of Corporate Development and Investor Relations of Western Goldfields Inc. from 2008 to May 2009. Before joining Western Goldfields, Mr. Portmann was part of the Merrill Lynch Investment Banking Mining Group, where he worked in an advisory role on merger and acquisition mandates as well as equity and debt offerings. Previously, Mr. Portmann held roles in both the assurance and advisory practices of PricewaterhouseCoopers LLP. Mr. Portmann holds a Bachelor of Science in Mining Engineering from Queen's University, a Masters of Management and Professional Accounting from the Rotman School of Management, University of Toronto and is a Chartered Professional Accountant, CA. Mr. Portmann's principal occupation is Vice President, Corporate Development of New Gold.

STANDING COMMITTEES OF THE BOARD

There are currently four standing committees of the board 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	James Estey (Chair) David Emerson Martyn Konig	Independent Independent Independent
Compensation Committee	Martyn Konig (Chair) James Estey Pierre Lassonde	Independent Independent Independent
Corporate Governance and Nominating Committee	David Emerson (Chair) Vahan Kololian Pierre Lassonde	Independent Independent Independent
Health, Safety, Environment and Corporate Social Responsibility Committee	Raymond Threlkeld (Chair) Vahan Kololian Martyn Konig	Non-Independent Independent 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 26, 2015:

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

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

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

Relevant Education and Experience

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

James Estey, the Chair of the Audit Committee, is the retired Chairman of UBS Securities Canada Inc. and has over 30 years of experience in the financial markets. Mr. Estey joined Alfred Bunting and Company as an institutional equity salesperson in 1980 after working at A.E. Ames & Co. for seven years. In 1994, Mr. Estey became the head of the Canadian Equities business, 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.

David Emerson P.C., OBC is a Corporate Director, Public Policy Advisor and serves as a senior advisor to CAI Managers, a private equity fund. He has served as a minister in the Government of Canada including Minister of Foreign Affairs, Minister of International Trade and Minister of Industry. He has also held a number of senior positions in the public service in British Columbia. In the private sector, he was President and Chief Executive Officer of Canfor Corporation, President and Chief Executive Officer of the Vancouver International Airport Authority and Chairman and Chief Executive Officer of Canadian Western Bank. Mr. Emerson serves on the board of Stantec Inc. and is Chair of Maple Leaf Foods Inc. and TimberWest Forest Corp., a private timber and land management company. Mr. Emerson is a recipient of the Order of British Columbia and the Peter Lougheed Award of Excellence in Public Policy. Mr. Emerson holds bachelors and masters degrees in economics from the University of Alberta and a doctorate in Economics from Queen's University.

Martyn Konig has over 35 years of experience in investment banking and the commodity markets as well as extensive experience in the natural resource sector. Mr. Konig is Chief Investment Officer for T Wealth Management SA, the private family office for partners and senior management of the Trafigura Group. Mr. Konig also has been the Chairman of Euromax Resources Ltd. since May 2012. 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.

Pre-Approval Policies and Procedures

The Committee is responsible for the pre-approval of all audit, audit-related and non-audit services provided by the independent auditor. The Chair of the Committee is responsible for proper implementation of and compliance with this policy. In accordance with this policy, 100% of external auditor services described below were pre-approved by the Audit Committee. None of the audit-related services described below were approved by the Audit Committee pursuant to the de minimis exception provided by Section (c)(7)(i)(C) of Rule 2-01 of Regulation S-X. The Committee has delegated to the Chair the authority to pre-approve proposals for non-audit related services to be provided by the Company's auditors up to a value of C$100,000 per engagement, and to report any such approvals to the Committee as a whole at the next Committee meeting.

External Auditor Service Fees (by category)

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

FINANCIAL YEARS ENDING DECEMBER 31	AUDIT FEES (1)	AUDIT RELATED FEES (2)	TAX FEES (3)	ALL OTHER FEES
2014	C$2,230,462	C$15,700	C$40,933	nil
2013	C$2,038,781	C$193,250	C$76,426	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

SEA, the Chilean Environmental Permitting Authority, approved the El Morro Project's environmental permit in March 2011. However, a constitutional action was filed against SEA in May 2011 by the CAHA seeking annulment of the environmental permit. El Morro, the Chilean company jointly held by the Company and Goldcorp, which owns and operates the El Morro Project, participated in the legal proceedings as an interested party and beneficiary of the environmental permit. In February 2012, the Court of Appeals of Antofagasta ruled against approval of the environmental permit, for the primary reason that SEA had not adequately consulted or compensated the indigenous people that form the CAHA. SEA and El Morro appealed the ruling; however, the ruling was confirmed by the Supreme Court of Chile on April 27, 2012. Based on the Supreme Court's decision, El Morro immediately suspended all project field work being executed under the terms of the environmental permit. On June 22, 2012, SEA initiated the administrative process to address the deficiencies identified by the Chilean Court and on October 22, 2013, the environmental permit for El Morro was reinstated. Certain local communities and groups, including CAHA, filed constitutional actions challenging the reinstated permit, and on November 22, 2013 the Copiapo Court of Appeals granted an injunction suspending development of the El Morro Project. On April 28, 2014, the Copiapo Court of Appeals rejected the constitutional actions and consequently the injunction was lifted. However, on October 7, 2014, the Chilean Supreme Court overturned the decision of the Copiapo Court of Appeals, thereby invalidating the El Morro Project's environmental permit. El Morro subsequently withdrew its environmental permit in November 2014 and has commenced studies to determine the optimal development plan for the project.

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 addition, some authorizations necessary for the operation of the Cerro San Pedro Mine have durations of one year or one quarter, or other periods that are shorter than the remaining mine life. While historically these authorizations have been renewed extended or re-issued without incident, in late 2013 the annual construction and operations licenses issued by the Municipality of Cerro de San Pedro in San Luis Potosì were subject to numerous inappropriate conditions. The application of the conditions was suspended by the State Contentious and Administrative Tribunal and in August 2014 the Tribunal issued a ruling with the effect that the inappropriate conditions were annulled. MSX subsequently applied for its operations license for 2015 and was advised by the Municipality that the license would also be subject to inappropriate conditions. On February 3, 2015 the State Contentious and Administrative Tribunal granted MSX an injunction against the Municipality which ensures the continued operation of the Cerro San Pedro Mine pending the Tribunal's ruling regarding the inappropriate conditions. MSX may not ultimately prevail in proceedings regarding the terms and conditions of the license. 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.

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. 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, 2012 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 friendly take-over bid made by New Gold 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:

- Acquisition and Funding Agreement dated January 6, 2010 between New Gold Inc., Datawave Sciences Inc., Inversiones El Morro Limitada and Goldcorp Inc. See "El Morro Project, Chile" for more information about this agreement.
- 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 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".

INTERESTS OF EXPERTS

The following table sets out the individuals who were the Qualified Persons as defined by NI 43-101 in connection with the technical reports (**"Technical Reports"**) for various Company properties, as set out opposite their name(s). The Qualified Persons who prepared the New Afton Report, the Mesquite Report, the Peak Report, the Rainy River Report and the Blackwater Report approved the disclosure regarding the New Afton Mine, the Mesquite Mine, the Peak Gold Mines, the Rainy River Project and the Blackwater Project, respectively, in the "Mineral Properties" section of this AIF, in each case other than Mineral Resource and Reserve estimates, and for the Blackwater Project excluding the Updated Blackwater Economic Information. Each of the Technical Reports listed below is available under the Company's profile on SEDAR at www.sedar.com and a summary of each Technical Report is contained in this Annual Information Form under "Description of the Business – Mineral Properties".

MINERAL PROPERTY AND TITLE OF TECHNICAL REPORT	QUALIFIED PERSON(S)
New Afton Mine Technical Report on the New Afton Project, British Columbia, Canada, dated March 23, 2015	David W. Rennie, P.Eng., Principal Geologist for Roscoe Postle Associates, Inc.
	Holger Krutzelmann, P.Eng., Associate Principal Metallurgist for Roscoe Postle Associates, Inc.
	R. Dennis Bergen, P.Eng., Associate Principal Mining Engineer for Roscoe Postle Associates, Inc.
Mesquite Mine Technical Report on the Mesquite Mine, Imperial County, California, USA dated February 28, 2014	Mr. Wayne W. Valliant, P. Geo., and Principal Geologist for Roscoe Postle Associates, Inc.
	Dr. Kathleen A. Altman, P. E. and Principal Metallurgist for Roscoe Postle Associates, Inc.
	Mr. Richard J. Lambert, P.E., and Principal Mining Engineer of Roscoe Postle Associates, Inc.
Peak Gold Mines Technical Report on Peak Gold Mines, New South Wales, Australia, dated March 25, 2013	Mr. Richard J. Lambert, P.E., and Principal Mining Engineer of Roscoe Postle Associates, Inc.
	Mr. Ian T. Blakley, P.Geo., and Principal Geologist of Roscoe Postle Associates, Inc.
Rainy River Project Technical Report on the Rainy River Project, Ontario, Canada, dated February 14, 2014	Colin Hardie, P. Eng., BBA Inc.
	David Runnels, Eng., BBA Inc.
	Patrice Live, Eng., BBA Inc.
	Sheila E. Daniel, M.Sc., P. Geo., AMEC
	David G. Ritchie, P. Eng., AMEC
	Adam Coulson, PhD., P. Eng., AMEC
	Glen Cole, P.Geo., SRK Consulting (Canada) Inc.
	Dorota El-Rassi, P. Eng., SRK Consulting (Canada) Inc.
	Colm Keogh, P. Eng., AMC Mining Consultants (Canada), Ltd.
	Mo Molavi, P. Eng., AMC Mining Consultants (Canada), Ltd.
Blackwater Project Technical Report on Feasibility Study for the Blackwater Project, dated January 22, 2014	Mr. Ronald G. Simpson, P Geo, and Professional Geoscientist for GeoSim Services Inc.
	Mr. Jay Horton, P.Eng., and Technical Services Manager for Norwest Corporation.
	Mr. Bruno Borntraeger, P. Eng., and Specialist Engineer/Project Manager for Knight Piésold Ltd.
	Mr. I.A. (Tony) Lipiec, P. Eng., and Process Engineering Director for AMEC Americas Limited.
	Mr. Gary Christie, P Eng., and Project Manager for AMEC Americas Limited.

Except as otherwise stated, Mark Petersen, Vice President, Exploration, New Gold Inc., who is a Qualified Person as defined by NI 43-101, has reviewed and approved the technical and scientific disclosure contained in this Annual Information Form, including New Gold's Mineral Reserve and Mineral Resource Estimates as at December 31, 2014. At no time has Mr. Petersen held an interest in the Company's securities representing more than 1% of the Company's issued and outstanding common shares.

Other than Mr. Petersen, who is an officer of the Company, none of the Qualified Persons held any securities of the Company or of any associate or affiliate of the Company when they prepared the technical reports referred to above or following the preparation of such reports. None of these Qualified Persons received any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such reports.

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

SCHEDULE A
AUDIT COMMITTEE CHARTER

1. Purpose and Authority

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

The Committee shall have access to such officers and employees of the Company, its external auditor and 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 employed by the Committee and to the external auditor employed by the Company for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

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

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

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

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

2. Membership and Composition

The Committee shall consist of at least three independent directors who shall serve on behalf of the Board. The Board, at its organizational meeting held in conjunction with each annual general meeting of the Shareholders, shall appoint the members of the Committee for the ensuing year. Each member shall meet the independence, financial literacy and experience requirements of the TSX and the NYSE MKT, and any other exchange upon which the securities of the Company may be listed to the extent required by the rules of such exchange, National Instrument 52-110 – Audit Committees, the *U.S. Sarbanes-Oxley Act of 2002*, Rule 10A-3 under the *Securities Exchange Act of 1934*, and other regulatory agencies as required. Each member of the Committee must not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time in the preceding three years. The Board may, at any time, remove or replace any member of the Committee and may fill any vacancy in the Committee.

Financial literacy requires that all members of the Committee shall have the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements. At least one member of the Committee shall be able to analyze and interpret a full set of financial statements, including the 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 the Chief Financial Officer of the Company or any member of the Committee, the Chair of the Committee will convene a meeting of the Committee. In advance of every meeting of the Committee, the Chair, with the assistance of the Chief Financial Officer, will ensure that the agenda and meeting materials are distributed in a timely manner.

The Committee shall meet regularly and at least on a quarterly basis. The Committee shall hold in camera sessions 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 employed by the Company. The external auditor shall report directly to the Committee. The Committee shall be responsible to resolve any disagreements, if any, between management and the external auditor regarding financial reporting.

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

c. 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 Chief Executive Officer and Chief Financial Officer during their certification process required under applicable Canadian and United States securities laws. Review any significant deficiencies in the design and operation of internal controls over financial reporting or disclosure controls and procedures and any fraud involving management or other employees who have a significant role in the Company's internal controls.

4.4 General

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

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

c. Conduct or authorize investigations into any matter within the scope of this Charter. The Committee may request 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 specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation. Rather, the role of a member of the Committee who is identified as having accounting or related financial expertise, like the role of all members of the Committee, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

5. Chair of the Committee

The Chair of the Committee:

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

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

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

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

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

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

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

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

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

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

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

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

m. addresses, or causes to be addressed, all concerns communicated to him or her under the Company's Whistleblower Policy or Code of Conduct; and

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

This Charter will be reviewed annually and any recommended changes will be submitted to the Board for approval.

Last reviewed and approved by the Board on February 19, 2015

SCHEDULE B
DEFINITIONS

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

TERM	DEFINITION
atomic absorption (AA)	A spectroanalytical procedure for the quantitative determination of chemical elements employing the absorption of optical radiation (light) by free atoms in the gaseous state.
alluvial	Material which has been placed by the action of surface water.
alteration	Change in the mineralogical composition of a rock, typically brought about by the action of hydrothermal solutions.
amphibolite	A metamorphic rock consisting mainly of an amphibole and some plagioclase.
andesite	An extrusive igneous, volcanic rock of intermediate composition, with aphanitic to porphyritic texture.
arsenopyrite	The most common arsenic mineral and principal ore of arsenic; occurs in many sulphide ore deposits, particularly those containing lead, silver and gold.
assay	Analysis to determine the amount or proportion of the element of interest contained within a sample.
ball mill	A horizontal rotating steel cylinder which grinds ore to fine particles. The grinding is carried out by the pounding and rolling of a charge of steel balls carried within the cylinder.
batholith	A very large igneous intrusion extending deep in the earth's crust.
block cave	Used to mine massive, steeply-dipping ore bodies. An undercut with haulage access is driven under the ore body, with "drawbells" excavated between the top of the haulage level and the bottom of the undercut. The drawbells serve as a place for caving rock to fall into. The ore body is drilled and blasted above the undercut, and the ore is removed via the haulage access.
block model	A three-dimensional model that forms the basic framework of a mineral resource estimate.
bornite	A brittle reddish-brown crystalline mineral with an iridescent purple tarnish, consisting of a sulphide of copper and iron.
breccia	A coarse-grained clastic rock, composed of angular broken rock fragments held together by a mineral cement or in a fine-grained matrix; it differs from conglomerate in that the fragments have sharp edges and unworn corners.
bullion	Gold or silver in bulk before coining, or valued by weight.
by-product	A secondary metal or mineral product that is recovered along with the primary metal or mineral product during the ore concentration process.

TERM	DEFINITION
Cache Creek Terrane	A geologic terrane in British Columbia and southern Yukon, Canada. It consists of volcanics, carbonate rocks, coarse clastic rocks and small amounts of ultramafic rock, chert and argillite.
calc-alkalic	Rocks are rich in alkaline earths (magnesia and calcium oxide) and alkali metals and make up a major part of the crust of the earth's continents.
carbon-in-leach (CIL)	A process step wherein granular activated carbon particles much larger than the ground ore particles are introduced into the ore pulp. Cyanide leaching and precious metals adsorption onto the activated carbon occurs simultaneously. The loaded activated carbon is mechanically screened to separate it from the barren pulp, processed to remove the precious metals and finally prepared for reuse.
Cenozoic	The current and most recent of the three Phanerozoic geological eras, following the Mesozoic Era and covering the period from about 65 million years ago to the present.
center-return hammer	A type of reverse circulation drilling bit and pneumatic hammer system that collects the sampled material at the operating face of the drill bit.
chalcocite	A dark gray mineral that is an important ore of copper.
chalcopyrite	A copper mineral composed of copper, iron and sulphur. It tarnishes easily; going from bronze or brassy yellow to yellowish or grayish brown, has a dark streak, and is lighter in weight and harder than gold.
colluvium	Loose, unconsolidated sediments that have been deposited at the base of hillslopes by either rain-wash, sheet wash, slow continuous downslope creep, or a variable combination of these processes.
comminution	The action of reducing an ore by crushing and grinding to minute particles or fragments.
concentrate	A processing product containing the valuable ore mineral from which most of the waste mineral has been eliminated.
conventional rotary	A drilling method that produces rock chips similar to reverse circulation except that the sample is collected using a single-walled drill pipe. Air or water circulates down through the center of the drill pipe and returns chips to the surface around the outside of the pipe.
core	Cylindrical rock cores produced by diamond drilling method that uses a rotating barrel and an annular-shaped, diamond-impregnated rock-cutting bit to produce cores and lift them to the surface to be examined.
Cretaceous	A geologic period and system from circa 145 to 66 million years ago. The Cretaceous follows the Jurassic period and is followed by the Paleogene period of the Cenozoic era. It is the last period of the Mesozoic Era, and, spanning 80 million years, the longest period of the Phanerozoic Eon.
crushing	Breaking of ore into smaller and more uniform fragments to be then fed to grinding mills or to a leach pad.

TERM	DEFINITION
crust	The outermost solid shell of a rocky planet, which is chemically distinct from the underlying mantle.
cut-off grade	The minimum metal grade at which a tonne of rock can be processed on an economic basis.
cyanidation	A method of extracting exposed gold or silver grains from crushed or ground ore by dissolving the contained gold and silver in a weak cyanide solution.
direct current (DC) resistivity	Observation of electric fields caused by current introduced into the ground as a means of studying earth resistivity in geophysical exploration. Resistivity is the property of a material that resists the flow of electrical current.
decline	A downward inclined underground tunnel.
deformation	Change in the form or in the dimensions of a body produced by stress.
Devonian	A geologic period and system of the Paleozoic Era spanning from the end of the Silurian Period, about 419 million years ago, to the beginning of the Carboniferous Period, about 359 million years ago.
differential flotation	Process of separation of a complex ore into two or more mineral components and gangue by flotation.
dike	A discordant tabular body of igneous rock that, when molten, was injected into a fissure that cuts across the structure of the adjacent country rocks and which usually has a high angle of dip.
dilution	The effect of waste or low-grade ore being included unavoidably in the mine ore, lowering the recovered grade.
diorite	A grey to dark grey intermediate intrusive igneous rock composed principally of plagioclase feldspar (typically andesine), biotite, hornblende, and/or pyroxene.
doré	Unrefined gold and silver bullion bars, which will be further refined to almost pure metal.
drift	A horizontal tunnel generally driven within or alongside an ore body and aligned parallel to the long dimension of the ore.
easement	An incorporeal right, distinct from the ownership of the soil, consisting of a liberty, privilege, or use of another's land without profit or compensation; a right-of-way.
ejido	In Mexico, a piece of land farmed communally under a system supported by the state.
electromagnetic survey	Using a geophysical method of measuring electromagnetic waves in a specific area of the earth's surface.
electrowinning	Recovery of a metal from a solution by means of electro-chemical processes.

TERM	DEFINITION
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.
granodiorite	A coarse-grained, plutonic rock containing quartz and plagioclase, between granite and diorite in composition.
gravity recovery circuit	Equipment used within a plant to recover gold from the ore using the difference in specific gravity between the gold and the host rock.
grinding (milling)	Powdering or pulverising of ore, by pressure or abrasion, to liberate valuable minerals for further metallurgical processing.

TERM	DEFINITION
heap leaching	A process whereby gold is extracted by “heaping” broken ore on sloping impermeable pads and repeatedly spraying the heaps with a weak cyanide solution which dissolves the gold content. The gold-laden solution is collected for gold recovery.
hectares	A metric unit of area measuring 100 metres by 100 metres.
hedging	Taking a buy or sell position in a futures market opposite to a position held in the cash market to minimize the risk of financial loss from an adverse price change.
hypogene	Producing or occurring under the surface of the earth.
Indicated Mineral Resource*	The part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics 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.
inductively-coupled plasma (ICP)	Analytical technique whereby a sample is diluted and shaken, then aspirated into a high energy argon plasma where it is vaporized. The amount of light measured by the ICP for the characteristic elemental wavelengths is converted to elemental concentrations parts per million (ppm).
induced polarization (IP)	A surface-based geophysical survey method used in mineral exploration.
Inferred Mineral Resource*	The part of a Mineral Resource for which quantity and grade or quality 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.
long-hole open stoping	A method of underground mining involving the drilling of holes up to 30 metres or longer into an ore-bearing zone and then blasting a slice of rock which falls into an open space. The broken rock is extracted and the resulting open chamber may or may not be filled with supporting material.

TERM	DEFINITION
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).
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.

TERM	DEFINITION
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.
offtake agreement	A contractual agreement for one party to supply another with a product within certain conditions such as purity, timing, and volume. It obligates the off-taker to accept the product regardless of market conditions.
open-pit mine	A mine where materials are removed entirely from a working that is open to the surface.
ore	Rock, generally containing metallic or non-metallic minerals, which can be mined and processed at a profit.
outcrop	A rock formation that is visible on the surface.
oxidation	Reaction of a material with an oxidizer such as pure oxygen or air in order to alter the state of the material.
oxide ore	Mineralized rock in which some of the original minerals have been oxidized. Oxidation tends to make the ore more amenable to cyanide solutions so that minute particles of gold will be readily dissolved.
Paleozoic	An era of geologic time that includes the Cambrian, Ordovician, Silurian, Devonian, Mississippian, Pennsylvanian and Permian periods and is characterized by the appearance of marine invertebrates, primitive fishes, land plants and primitive reptiles.
preliminary economic assessment (PEA)	A study, other than a pre-feasibility study or feasibility study, which includes an economic analysis of the potential viability of Mineral Resources. The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves and there is no certainty that the PEA based on these Mineral Resources will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
porphyry	A variety of igneous rock consisting of large-grained crystals, such as feldspar or quartz, dispersed in a fine-grained feldspathic matrix or groundmass.
Pre-Feasibility Study	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.

TERM	DEFINITION
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.
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.

TERM	DEFINITION
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.
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."

TERM	DEFINITION
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
ICP	Induction Coupled Plasmaspectrometry
in	inch
IRR	internal rate of return
J	joule
K	kilo (thousand)
kg	kilogram
km	kilometre
km2	kilometres squared
L	litre
lb	pound
m	metre
m2	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 cm2
1 square ft (ft2)	=	0.0929 m2
1 square yd (yd2)	=	0.8361 m2
1 acre (4840 yd2)	=	4046.9 m2
1 square mile (640 acres)	=	2.59 km2
short ton	=	0.907 metric tonnes

SCHEDULE D
EXCHANGE RATE AND METAL PRICE INFORMATION

The high, low, average and closing exchange rates for Canadian dollars in terms of the United States dollar (noon) for each of the three years ended December 31, 2014, 2013 and 2012, as quoted by the Bank of Canada, were as follows:

	2014	2013	2012
High	1.1643	1.0697	1.0418
Low	1.0614	0.9839	0.9710
Average [1]	1.1045	1.0299	0.9996
Closing	1.1601	1.0636	0.9949

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

On March 26, 2015, 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$1.2471 and C$1= US$0.8019.

GOLD, SILVER AND COPPER PRICES

Gold Prices

The high, low, average and closing afternoon fixing gold prices per troy ounce for each of the three years ended December 31, 2014, 2013 and 2012, as quoted by the London Bullion Market Association, were as follows:

	2014 ($)	2013 ($)	2012 ($)
High	1,385	1,694	1,792
Low	1,142	1,192	1,540
Average	1,266	1,411	1,669
Closing	1,206	1,205	1,658

On March 26, 2015, the closing afternoon LBMA gold price per troy ounce, as quoted by the London Bullion Market Association, was $1,203.15.

Silver Prices

The high, low, average and closing silver prices per troy ounce for each of the three years ended December 31, 2014, 2013 and 2012, as quoted by the London Bullion Market Association, were as follows:

	2014 ($)	2013 ($)	2012 ($)
High	22.05	32.23	37.23
Low	15.28	18.61	26.67
Average	19.08	23.79	31.15
Closing	15.97	19.50	29.95

On March 26, 2015, the closing LBMA silver price per troy ounce, as quoted by the London Bullion Market Association, was $17.13.

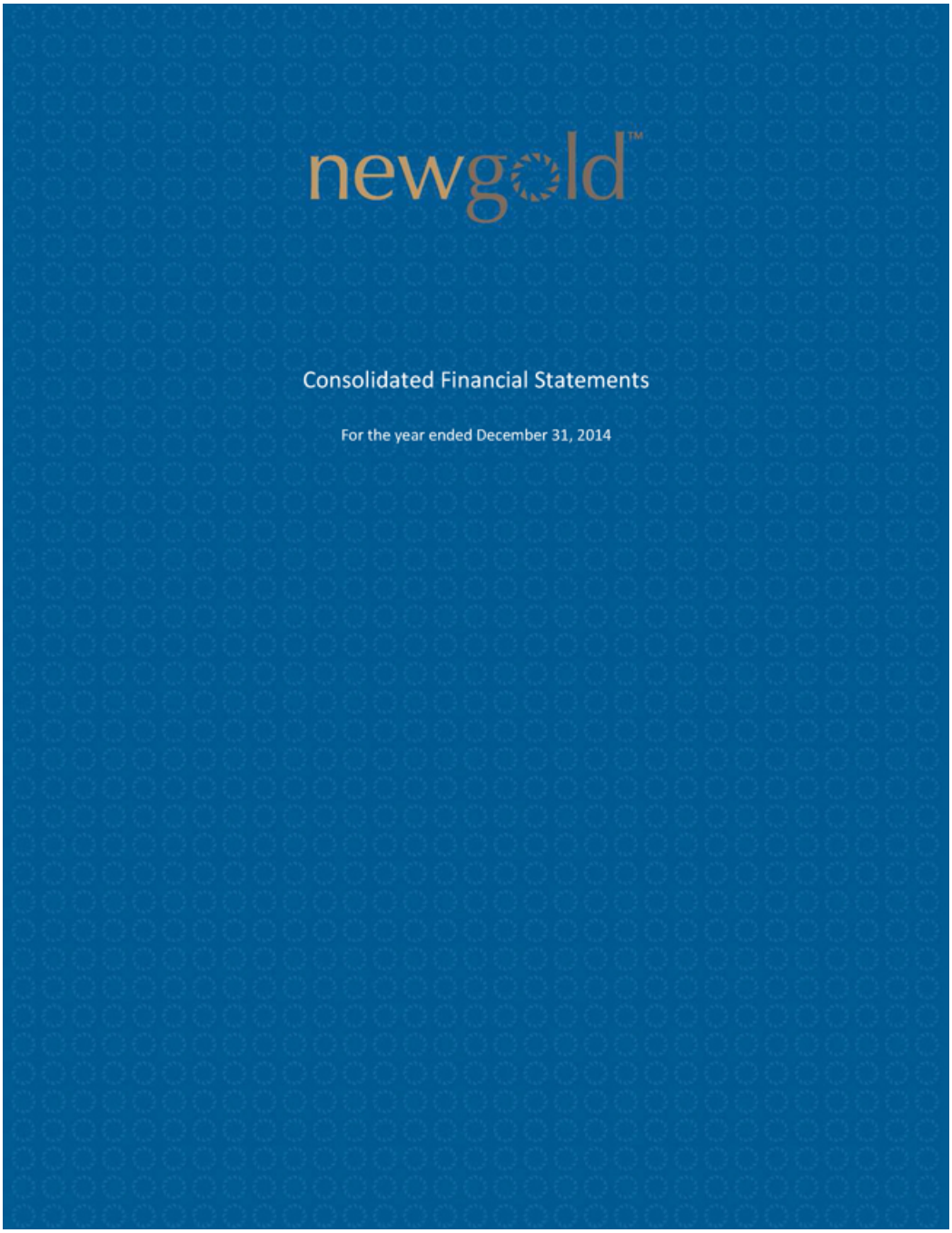
Copper Prices

The high, low, average and closing official cash settlement copper prices per pound for each of the three years ended December 31, 2014, 2013 and 2012, as quoted by the London Metal Exchange, were as follows:

	2014 ($)	2013 ($)	2012 ($)
High	3.37	3.74	3.93
Low	2.86	3.01	3.30
Average	3.11	3.32	3.61
Closing	2.88	3.35	3.59

On March 26, 2015, the closing official cash settlement copper price per pound, as quoted by the London Metal Exchange, was $2.83.

Exhibit 2


newgold™
Consolidated Financial Statements
For the year ended December 31, 2014

newgold

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 19, 2015

newgold

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, 2014. 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, 2014, 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, 2014 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, 2014.

(Signed) Robert Gallagher

Robert Gallagher
Chief Executive Officer

(Signed) Brian Penny

Brian Penny
Executive Vice-President and
Chief Financial Officer

Toronto, Canada
February 19, 2015

newgold

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, 2014 and December 31, 2013, 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.

(Signed) Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
February 19, 2015

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, 2014, 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, 2014, 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, 2014 of the Company and our report dated February 19, 2015 expressed an unmodified opinion on those financial statements.

(Signed) Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
February 19, 2015

Contents

CONSOLIDATED INCOME STATEMENTS 2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS 3

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 4

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY 5

CONSOLIDATED STATEMENTS OF CASH FLOW 6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 7

1. Description of business and nature of operations 7
2. Signficant accounting policies 7
3. Critical judgments and estimation uncertainties 19
4. Future changes in accounting policies 22
5. Expenses 24
6. Trade and other receivables 25
7. Trade and other payables 26
8. Inventories 26
9. Mining interest 27
10. Impairment 29
11. Investment in associate 32
12. Long-term debt 33
13. Derivative instruments 36
14. Share capital 38
15. Income and mining taxes 43
16. Reclamation and closure cost obligations 46
17. Supplemental cash flow information 47
18. Segmented information 48
19. Capital risk management 50
20. Financial risk management 51
21. Fair value measurement 56
22. Provisions 59
23. Operating leases 60
24. Compensation of directors and other key management personnel 60
25. Commitments and contingencies 60

CONSOLIDATED INCOME STATEMENTS

		Year ended December 31	
(in millions of U.S. dollars, except per share amounts)	**Note**	**2014**	**2013**
Revenues		**726.0**	779.7
Operating expenses	5	**411.1**	435.5
Depreciation and depletion		**217.6**	177.4
Earnings from mine operations		**97.3**	166.8
Corporate administration		**25.4**	26.7
Share-based payment expenses	14	**7.5**	8.5
Asset impairment	10	**395.8**	272.5
Exploration and business development		**11.8**	34.1
Loss from operations		**(343.2)**	(175.0)
Finance income	5	**1.1**	2.7
Finance costs	5	**(26.7)**	(40.3)
Rainy River acquisition costs		**-**	(5.0)
Other (losses) gains	5	**(40.7)**	26.0
Loss before taxes		**(409.5)**	(191.6)
Income tax (expense) recovery	15	**(67.6)**	0.4
Net loss		**(477.1)**	(191.2)
Loss per share			
Basic	14	**(0.95)**	(0.39)
Diluted	14	**(0.95)**	(0.39)
Weighted average number of shares outstanding *(in millions)*			
Basic	14	**503.9**	488.0
Diluted	14	**503.9**	488.0

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

		Year ended December 31	
(in millions of U.S. dollars)	**Note**	**2014**	**2013**
Net loss		**(477.1)**	(191.2)
Other comprehensive income[1]			
Unrealized gains on mark-to-market of gold contracts		**-**	18.1
Realized gains on settlement of gold contracts		**-**	13.8
Reclassification of discontinued gold contracts	13	**27.3**	18.7
Reclassification of unrealized losses on impairment of available-for-sale securities		**-**	3.0
Deferred Income tax related to gold contracts	13	**(11.2)**	(20.7)
Total other comprehensive income		**16.1**	32.9
Total comprehensive loss		**(461.0)**	(158.3)

1. All items recorded in other comprehensive income will be reclassified in subsequent periods to net earnings.

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31	
(in millions of U.S. dollars)	**Note**	**2014**	**2013**
ASSETS			
Current assets			
Cash and cash equivalents		**370.5**	414.4
Trade and other receivables	6	**34.8**	19.3
Inventories	8	**187.5**	182.0
Current income tax receivable		**31.1**	35.1
Prepaid expenses and other		**10.6**	10.5
Total current assets		**634.5**	661.3
Non-current inventories	8	**66.5**	31.0
Mining interests	9	**3,008.7**	3,336.5
Deferred tax assets	15	**168.3**	171.0
Other		**3.8**	2.5
Total assets		**3,881.8**	4,202.3
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	**97.0**	90.2
Current income tax payable		**7.9**	3.3
Total current liabilities		**104.9**	93.5
Reclamation and closure cost obligations	16	**63.5**	61.4
Provisions	22	**9.4**	9.4
Share purchase warrants	13	**16.9**	27.8
Long-term debt	12	**874.3**	862.5
Deferred tax liabilities	15	**494.9**	381.0
Deferred benefit	11	**46.3**	46.3
Other		**0.4**	0.5
Total liabilities		**1,610.6**	1,482.4
Equity			
Common shares	14	**2,820.9**	2,815.3
Contributed surplus		**96.7**	90.0
Other reserves		**(1.5)**	(17.6)
Deficit		**(644.9)**	(167.8)
Total equity		**2,271.2**	2,719.9
Total liabilities and equity		**3,881.8**	4,202.3

See accompanying notes to the consolidated financial statements.

Approved and authorized by the Board of Directors on February 19, 2015

"Robert Gallagher"
Robert Gallagher, Director

"James Estey"
James Estey, Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Year ended December 31	
(in millions of U.S. dollars)	**Note**	**2014**	**2013**
COMMON SHARES			
Balance, beginning of year		**2,815.3**	2,618.4
Acquisition of Rainy River		**-**	188.2
Shares issued for exercise of options and land purchases	14	**5.6**	8.5
Shares issued for exercise of warrants		**-**	0.2
Balance, end of year		**2,820.9**	2,815.3
CONTRIBUTED SURPLUS			
Balance, beginning of year		**90.0**	85.2
Exercise of options		**(1.0)**	(3.5)
Equity settled share-based payments		**6.3**	8.1
Purchase of non-controlling interest		**-**	0.2
Reclassification of share-based payments[1]		**1.4**	-
Balance, end of year		**96.7**	90.0
OTHER RESERVES			
Balance, beginning of year		**(17.6)**	(50.5)
Change in fair value of available-for-sale investments		**-**	3.0
Change in fair value of hedging instruments (net of tax)	13	**16.1**	29.9
Balance, end of year		**(1.5)**	(17.6)
RETAINED (DEFICIT) EARNINGS			
Balance, beginning of year		**(167.8)**	23.4
Net (loss) earnings		**(477.1)**	(191.2)
Balance, end of year		**(644.9)**	(167.8)
Total equity		**2,271.2**	2,719.9

1. *On April 30th, 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**	**2014**	**2013**
OPERATING ACTIVITIES			
Net loss		**(477.1)**	(191.2)
Adjustments for:			
Realized losses on gold contracts	13	**27.3**	15.2
Realized and unrealized foreign exchange losses	5	**47.5**	25.7
Settlement payment of gold hedge contracts	13	**-**	(65.7)
Payment of Rainy River acquisition expenses		**-**	(12.9)
Reclamation and closure costs paid	16	**(1.4)**	(2.2)
Loss on disposal and impairment of assets		**397.5**	275.1
Depreciation and depletion		**218.1**	178.6
Other non-cash adjustments	17	**1.3**	(46.5)
Income tax expense (recovery)	15	**67.6**	(0.4)
Finance income	5	**(1.1)**	(2.7)
Finance costs	5	**26.7**	40.3
		306.4	213.3
Change in non-cash operating working capital	17	**(41.6)**	(9.7)
Income taxes refunded (paid)		**4.0**	(31.7)
Net cash generated from operations		**268.8**	171.9
INVESTING ACTIVITIES			
Mining interests		**(279.3)**	(289.3)
Government grant received	9	**20.5**	5.7
Proceeds from the sale of assets		**0.4**	0.4
Acquisition of Rainy River (net of cash received)		**-**	(112.6)
Interest received		**0.7**	2.1
Cash used in investing activities		**(257.7)**	(393.7)
FINANCING ACTIVITIES			
Issuance of common shares on exercise of options and warrants	14	**1.6**	5.5
Financing initiation costs		**(2.2)**	(0.3)
Interest paid		**(52.3)**	(52.3)
Cash used by financing activities		**(52.9)**	(47.1)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(2.1)**	(4.5)
Change in cash and cash equivalents		**(43.9)**	(273.4)
Cash and cash equivalents, beginning of year		**414.4**	687.8
Cash and cash equivalents, end of year		**370.5**	414.4
Cash and cash equivalents are comprised of:			
Cash		**250.5**	274.4
Short-term money market instruments		**120.0**	140.0
		370.5	414.4

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013
(Amounts expressed in millions of U.S. dollars, except per share amounts and except where 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, and a 30% interest in the El Morro copper-gold project ("El Morro") in Chile.

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

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

2. SIGNFICANT 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 19, 2015.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the following, which are measured at fair value:

- derivative financial instruments;
- financial instruments at fair value through profit or loss; and
- available-for-sale securities.

(c) Basis of consolidation

Subsidiaries

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ("Subsidiaries"). Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary. The financial statements of Subsidiaries are included in the consolidated financial statements.

Associates

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

THE PRINCIPAL SUBSIDIARIES AND ASSOCIATES OF THE COMPANY ARE AS FOLLOWS:

Name of subsidiary/ associate	Principal activity	Method of accounting	Country of incorporation and operation	Interest as at December 31, 2014	Interest as at December 31, 2013
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%	100%
Sociedad Contractual Minera El Morro	Mining	Equity	Chile	30%	30%
Western Mesquite Mines Inc	Mining	Consolidated	USA	100%	100%

(d) Business combinations

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.

Asset acquisitions

The Company accounts for the purchase of assets and assumption of liabilities as an acquisition of net assets. The transactions do not qualify as a business combination under IFRS 3R, *Business Combinations,* as the significant inputs and processes that constitute a business are not identified. Therefore, the transactions 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 income statement.

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

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 in 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.

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;
- The completion of a reasonable period of testing of the mine plant and equipment;
- The mine or mill has reached a pre-determined percentage of design capacity; and
- The ability to sustain ongoing production of ore.

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

Stripping costs in surface mining

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

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

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

Derecognition

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

(h) Impairment of long-lived assets

The Company reviews and evaluates its mining interests for indicators of impairment at the end of each reporting period. Impairment assessments are conducted at the level of cash-generating units ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each operating mine and development project represents a separate CGU as each mine site or development project has the ability or the potential to generate cash inflows that are separately identifiable and independent of each other. If an indication of impairment exists, the recoverable amount of the CGU is estimated. An impairment loss is recognized when the carrying amount of the CGU is in excess of its recoverable amount.

The recoverable amount of a mine site is the greater of its fair value less costs to dispose and value in use. In determining the recoverable amounts of the Company's mine sites, the Company uses the fair value less costs to dispose as this will generally be greater than or equal to the value in use. When there is no binding sales agreement, fair value less costs to dispose is estimated as the discounted future after-tax cash flows expected to be derived from a mine site, less an amount for costs to dispose estimated based on similar past transactions. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. When discounting estimated future cash flows, the Company uses an after-tax discount rate that would approximate what market participants would assign. Estimated cash flows are based on expected future production, metal selling prices, operating costs and capital costs. If the recoverable amount of a mine site is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The carrying amount of each mine site includes the carrying amounts of mining properties, plant and equipment, goodwill and related deferred tax balances. Impairment losses are recognized as other operating expenses in the period they are incurred. The allocation of an impairment loss, if any, for a particular mine site to its mining properties and plant and equipment is based on the relative book values of these assets at the date of impairment.

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

(i) Reclamation and closure cost obligations

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

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

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

(j) Income taxes

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

Current Tax

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

Deferred Tax

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

Deferred tax liabilities are generally recorded for all taxable temporary differences. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in Subsidiaries 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 balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

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

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

Current and deferred tax for the year

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

Government assistance and tax credits

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

(k) Foreign currency translation

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

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

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

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

- Mining interest and equity method investments using historical exchange rates;
- Financial instruments measured at fair value through profit or loss using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in net earnings;
- Available-for-sale securities using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in other comprehensive income;
- Deferred tax assets and liabilities using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in net earnings;
- Other assets and liabilities using the closing exchange rate as at the balance sheet date with translation gains and losses recorded in net earnings; 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 shares 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 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 and DSUs, are initially measured at fair value and recognized as an obligation at the grant date. The liabilities are re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in net earnings. The fair value of RSUs 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 change in the Company’s share price. The non-current portion of RSU and DSU liabilities are included in provisions on the consolidated statement of financial position, and changes in the fair value of the liabilities are recorded in the consolidated income statement.

Equity-settled transactions which include 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 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) Non-derivative financial assets

The Company recognizes all financial assets initially at fair value and classifies them into one of the following four categories:

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

Financial assets held to maturity and loans and receivables are measured at amortized cost. AFS assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net earnings.

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

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

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

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) Non-derivative financial liabilities

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

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

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

(q) Derivative instruments, including hedge accounting

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

Hedge accounting

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

Gains and losses for the effective portion of the hedging instruments were included in other comprehensive income. Gains and losses for any ineffective portion of hedging instruments were included in net earnings. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to net earnings in the period when the hedged items is recognized in profit or loss in the same line of the income statement. Upon discontinuation of hedge accounting, any cumulative gain or loss on the hedging instrument recognized in equity remains deferred in equity until the original forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in net earnings.

Provisional pricing

Certain products are “provisionally priced” whereby the selling price is subject to final adjustment up to 150 days after delivery to the customer. The final price is based on the market price at the relevant quotation point stipulated in the contract. As is customary in the industry, revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on relevant forward market prices. At each reporting date, provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as gold and copper, for which there exists active and freely traded commodity markets. The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue.

Copper swaps

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

Share purchase warrants

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

(r) Trade and other receivables

Trade and other receivables are carried at amortized cost less impairment. Trade and other receivables are impaired as they are determined to be uncollectible.

(s) Leases

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

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

(t) Changes in accounting policies

The Company has adopted the following new and revised IFRS policies along with any amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRIC 21, Levies

IFRIC 21, *Levies* ("IFRIC 21"), an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments was issued by the IASB in May 2013. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of IFRIC 21 did not have a significant impact on the Company's consolidated financial statements.

IAS 32, Financial instruments: presentation

IAS 32, *Financial instruments: presentation* ("IAS 32"), was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of this standard did not have any significant impact on the Company's consolidated financial statements.

IAS 36, Impairment of assets

IAS 36, *Impairment of assets* ("IAS 36"), was amended by the IASB in May 2013. The amendment requires the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The adoption of this standard did not have any significant impact on the Company's consolidated financial statements.

IFRS 2, Share-based payments

IFRS 2, *Share-based payments* ("IFRS 2") was amended by the IASB in December 2013. The amendment changes the definitions of "vesting condition" and "market condition" in the standard, and add definitions for "performance condition" and "service condition". They also clarify that any failure to complete a specified service period, even due to the termination of an employee's employment or a voluntary departure, would result in a failure to satisfy a service condition. This would result in the reversal, in the current period, of compensation expense previously recorded reflecting the fact that the employee failed to complete a specified service condition. These amendments are effective for transactions with a grant date on or after July 1, 2014. These amendments had no impact on the Company's consolidated financial statements.

IFRS 3, Business combinations (contingent consideration)

IFRS 3, *Business combinations* ("IFRS 3") was amended by the IASB in December 2013. The amendment clarifies the guidance in respect of the initial classification requirements and subsequent measurement of contingent consideration. This will result in the need to measure the contingent consideration at fair value at each reporting date, irrespective of whether it is a financial instrument or a non-financial asset or liability. Changes in fair value will need to be recognized in profit and loss. These amendments are effective for transactions with acquisition dates on or after July 1, 2014. These amendments had no impact on the Company's consolidated financial statements.

3. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

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

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

(a) Critical judgments in the application of accounting policies

(i) Commencement of commercial production

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

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

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

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

(ii) Functional currency

The functional currency for each of the Company's Subsidiaries and 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 Blackwater, Rainy River 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 and evidence of long-term reduced production of the asset. If an impairment indicator is identified, the Company compares the carrying value of the asset against the recoverable amount. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Indicators of impairment existed at the Mesquite CGU and the Cerro San Pedro CGU (both operating mines) and the Blackwater CGU and the El Morro CGU (both development properties). At Cerro San Pedro and Mesquite the Company updated its Mineral Reserves and Mineral Resources statement, which has reduced the Mineral Reserves and Mineral Resource estimate at the CGU, and updated the LOM plan, which revised the expected production profiles going forward. At Blackwater the decision was made to close the exploration camp and slow down related project activity. On October 7, 2014 the Chilean Supreme Court invalidated the El Morro project's environmental permit and the permit was subsequently withdrawn by Sociedad Contractual Minera El Morro. The Company has identified the revised production profile of Cerro San Pedro and Mesquite, along with the reduction in Blackwater activity and the continued delays imposed in connection with various legal challenges at El Morro 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 10.

(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.

(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

Depreciation

On May 12, 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16"), and IAS 38, *Intangible Assets* ("IAS 38"). In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for reporting periods beginning on or after January 1, 2016 with early application permitted. The Company is currently evaluating the impact of applying the amendments but does not anticipate that there will be any impact on its current method of calculating depreciation or amortization.

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, 2017 with early application permitted. The Company has not yet determined the effect of adoption of IFRS 15 on its consolidated financial statements.

Financial instruments

On July 24, 2014 the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9") as a complete standard. This standard replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018. The Company has not yet determined the effect of adoption of IFRS 9 on its consolidated financial statements.

Joint Arrangements

On May 6, 2014 the IASB amended IFRS 11, *Joint Arrangements* ("IFRS 11"). The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Operating Segments

On December 12, 2013 the IASB amended IFRS 8, *Operating Segments* ("IFRS 8"). The amendments add a disclosure requirement for the aggregation of operating segments and clarify the reconciliation of the total reportable segments' assets to the entity's assets. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Fair Value Measurement

On December 12, 2013 the IASB amended IFRS 13, *Fair Value Measurement* ("IFRS 13"). The amendments clarify that the portfolio exception applies to all contracts within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") or IFRS 9 regardless of whether they are financial assets or financial liabilities. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Presentation of Financial Statements

On December 18, 2014 the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"). The amendments to existing IAS 1 requirements relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Property, Plant and Equipment

On May 12, 2014 the IASB amended IAS 16, *Property, Plant, and Equipment* ("IAS 16"). The amendments to IAS 16 clarify that the use of revenue-based methods to determine the depreciation of an asset is not appropriate. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Employee Benefits

On November 13, 2013 the IASB amended IAS 19, *Employee Benefits* ("IAS 19"). The amendments provide additional guidance to IAS 19 on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendments are effective for annual periods beginning on or after July 1, 2014. IAS 19 was further amended on July 30, 2014. The amendments to IAS 19 clarify the application of the requirements of IAS 19 on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Related Party Disclosures

On December 12, 2013 the IASB amended IAS 24, *Related Party Disclosures* ("IAS 24"). The amendments clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Intangible Assets

On May 12 2014 the IASB amended IAS 38, *Intangible Assets* ("IAS 38"). The amendments clarify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material 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)	**2014**	**2013**
OPERATING EXPENSES BY NATURE		
Raw materials and consumables	**174.9**	168.4
Salaries and employee benefits	**118.0**	120.7
Redundancy charges	**-**	2.4
Repairs and maintenance	**27.9**	30.1
Contractors	**44.1**	45.3
Royalties	**12.8**	13.8
Change in inventories and work-in-progress	**(35.7)**	(15.5)
Inventory write down (Note 8)	**9.0**	6.5
Operating leases	**25.0**	23.5
Drilling and analytical	**7.9**	7.8
General and administrative	**24.3**	30.3
Other	**2.9**	2.2
Total operating expenses	**411.1**	435.5

(b) Finance costs and income

	Year ended December 31	
(in millions of U.S. dollars)	**2014**	**2013**
FINANCE COSTS		
Interest on senior unsecured notes	**54.0**	53.7
Other interest	**3.8**	3.3
Unwinding of the discount on decommissioning obligations	**1.8**	1.5
Other finance costs	**2.4**	3.5
	62.0	62.0
Less: amounts included in cost of qualifying assets	**(35.3)**	(21.7)
Total finance costs	**26.7**	40.3
FINANCE INCOME		
Interest income	**1.1**	2.7

(c) Other (losses) gains

	Year ended December 31	
(in millions of U.S. dollars)	**2014**	**2013**
OTHER (LOSSES) GAINS		
Unrealized gain on share purchase warrants (i)	**8.5**	49.3
Loss on foreign exchange	**(47.5)**	(25.7)
Loss on disposal of assets	**(1.7)**	(2.6)
Impairment of AFS securities	**(0.1)**	(3.0)
Ineffectiveness of hedging instruments (ii)	**-**	9.5
Company's share of the net loss of El Morro	**(0.7)**	-
Other	**0.8**	(1.5)
Total other (losses) gains	**(40.7)**	26.0

(i) Share purchase warrants

The Company has outstanding share purchase warrants ("Warrants"), as at December 31, 2014. The Warrants have an exercise price denominated in a currency other than the Company's functional currency and therefore are classified as a non-hedged derivative liability. The Warrants are measured at fair value on initial recognition, and subsequently re-measured at fair value at the end of each reporting period. Gains or losses are recognized in net earnings.

At December 31, 2014, the fair value of the Warrants was $16.9 million (2013 - $27.8 million). For the year ended December 31, 2014, the change in fair value resulted in a gain of $8.5 million and a foreign exchange gain of $2.4 million (2013 – fair value gain of $49.3 million and a foreign exchange gain of $3.2 million).

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

	Year ended December 31	
(in millions of U.S. dollars)	**2014**	**2013**
REALIZED GAIN ON FAIR VALUE OF SHARE PURCHASE WARRANTS		
Silver Quest Warrants - B	**-**	0.1
	-	0.1
UNREALIZED GAIN (LOSS) ON FAIR VALUE OF SHARE PURCHASE WARRANTS		
New Gold Series A	**8.5**	49.3
Rainy River Warrants	**-**	(0.1)
	8.5	49.2
Total gain on fair value of share purchase warrants	**8.5**	49.3

(ii) Ineffectiveness of hedging instruments

On May 15, 2013, the Company settled its outstanding gold hedge contracts, paying $65.7 million to fully close all hedges dated to December 31, 2014 (as described in Note 13(b)). At the settlement date the hedge was deemed to be fully effective and the Company reclassified the cumulative ineffective portion of the hedge from other comprehensive income to net earnings. The Company reclassified $10.0 million upon settlement to net earnings and recognized a loss on the ineffective portion of $0.5 million during the year ended December 31, 2013.

6. TRADE AND OTHER RECEIVABLES

	As at December 31	
(in millions of U.S. dollars)	**2014**	**2013**
TRADE AND OTHER RECEIVABLES		
Trade receivables	**4.8**	10.0
Sales tax receivable	**28.7**	9.9
Unsettled provisionally priced concentrate derivatives and copper swap contracts	**(0.4)**	(1.2)
Other	**1.7**	0.6
Total trade and other receivables	**34.8**	19.3

7. TRADE AND OTHER PAYABLES

	As at December 31	
(in millions of U.S. dollars)	**2014**	**2013**
TRADE AND OTHER PAYABLES		
Trade payables	**31.4**	30.5
Interest payable	**8.4**	8.4
Accruals	**55.5**	49.7
Current portion of decommissioning obligations (Note 16)	**1.7**	1.6
Total trade and other payables	**97.0**	90.2

8. INVENTORIES

	As at December 31	
(in millions of U.S. dollars)	**2014**	**2013**
INVENTORIES		
Heap leach ore	**185.0**	146.2
Work-in-process	**12.8**	8.9
Finished goods[1]	**11.5**	14.5
Stockpile ore	**2.4**	2.5
Supplies	**42.3**	40.9
	254.0	213.0
Less: non-current inventories[2]	**(66.5)**	(31.0)
Total current inventories	**187.5**	182.0

1. *The amount of inventories recognized in operating expenses for the year ended December 31, 2014 was $384.1 million (2013 – $421.7 million).*
2. *Heap leach inventories of $66.5 million (December 31, 2013 – $31.0 million) are expected to be recovered after one year.*

During the year ended December 31, 2014 the Company wrote down $10.4 million of inventory of which $9.0 million was included in operating expenses and $1.4 million was included in depreciation and depletion. (2013 – $6.5 million in operating expenses and $0.8 million in depreciation and depletion) as a result of net realizable value and recoverability analysis performed at the reporting date, the majority of 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 silver ounces on the pad at Cerro San Pedro had reduced by 1.3 million ounces. In addition, the net realizable value of finished goods was lower than the weighted average production costs. As a result, the Company wrote down the silver inventory and recorded a charge of $9.7 million in net loss. The write-down consisted of $8.5 million included in operating expenses and $1.2 million included in depreciation and depletion.

9. MINING INTEREST

	Depletable	Non-depletable	Plant & equipment	Construction in progress	Exploration & evaluation	Total
(in millions of U.S. dollars)						
COST						
As at December 31, 2012	1,499.7	1,327.9	664.3	54.7	9.7	3,556.3
Additions	66.6	113.9	31.3	120.4	-	332.2
Acquisition of Rainy River	-	352.2	1.3	-	-	353.5
Disposals	-	-	(9.3)	-	-	(9.3)
Impairments	(338.1)	(70.7)	(6.3)	-	-	(415.1)
Government grants	-	(5.7)	-	-	-	(5.7)
Transfers	121.9	(26.9)	54.4	(149.4)	-	-
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 (Note 10)	(75.0)	(334.7)	(18.7)	(6.7)	-	(435.1)
Government grants	-	(25.7)	-	-	-	(25.7)
Transfers	81.5	(36.0)	44.0	(89.5)	-	-
As at December 31, 2014	1,425.3	1,352.6	749.4	137.8	7.5	3,672.6
ACCUMULATED DEPRECIATION						
As at December 31, 2012	254.6	-	166.8	-	-	421.4
Depreciation for the year	134.2	-	68.7	-	-	202.9
Disposals	-	-	(6.3)	-	-	(6.3)
Impairments	(139.8)	-	(2.8)	-	-	(142.6)
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 (Note 10)	(29.4)	-	(9.9)	-	-	(39.3)
As at December 31, 2014	376.8	-	287.1	-	-	663.9
CARRYING AMOUNT						
As at December 31, 2013	1,101.1	1,690.7	509.3	25.7	9.7	3,336.5
As at December 31, 2014	1,048.5	1,352.6	462.3	137.8	7.5	3,008.7

The Company capitalized interest of $35.3 million for the year ended December 31, 2014 (2013 – $21.7 million) to qualifying development projects. The Company's annualized capitalization rate is 6.74% (2013 – 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, 2014, the Company received $24.4 million (2013 - $5.7 million) with $20.5 million reducing mining interest and $3.9 million included within net loss (2013 – $5.7 million reducing mining interest).

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, 2014, the Company received $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. Under the terms of the acquisition, the Company acquired all of Bayfield's assets which include a 100% interest in three mineral properties, totalling 10 square kilometres, located adjacent to New Gold's Rainy River project in northwestern Ontario. The acquisition will be accounted for as a purchase of assets and assumption of liabilities by the Company.

Disposal of exploration and evaluation asset

On October 14, 2014 the Company disposed of its interest in the Rio Figueroa exploration and evaluation asset located in Chile, in exchange for a 3% NSR royalty. The transaction was accounted for as an exchange of assets with the 3% NSR royalty recognized at its fair value of $7.5 million at the date of acquisition.

Carrying amount by property as at December 31, 2014:

	As at December 31, 2014				
(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	-	383.7	1.1	81.9	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**	**1,360.1**	**462.3**	**137.8**	**3,008.7**

1. *Other includes corporate balances and exploration properties.*

Carrying amount by property as at December 31, 2013:

					As at December 31, 2013
(in millions of U.S. dollars)	**Depletable**	**Non-depletable**	**Plant & equipment**	**Construction in progress**	**Total**
MINING INTEREST BY SITE					
New Afton	783.1	-	300.3	3.7	1,087.1
Mesquite	166.3	26.2	86.3	1.1	279.9
Peak Mines	121.4	27.4	84.5	17.0	250.3
Cerro San Pedro	30.3	-	9.6	3.9	43.8
Rainy River	-	377.0	1.2	-	378.2
Blackwater	-	827.0	18.9	-	845.9
El Morro	-	433.1	-	-	433.1
Other[1]	-	9.7	8.5	-	18.2
Carrying amount as at December 31, 2013	1,101.1	1,700.4	509.3	25.7	3,336.5

1. Other includes corporate balances and exploration properties.

10. 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 Mesquite CGU and the Cerro San Pedro CGU (both operating mines) and the Blackwater CGU and the El Morro CGU (both development properties). At Mesquite and Cerro San Pedro the Company updated its Mineral Reserves and Mineral Resources statements, which has reduced the Mineral Reserves and Mineral Resource estimate at the CGUs, and updated the LOM plans, which revised the expected production profiles for each mine going forward. At Blackwater the decision was made to close the exploration camp and slow down related project activity. On October 7, 2014 the Chilean Supreme Court invalidated the El Morro project's environmental permit and the permit was subsequently withdrawn by Sociedad Contractual Minera El Morro. The Company has identified the revised production profile of Mesquite and Cerro San Pedro, along with the reduction in Blackwater activity and the continued delays imposed in connection with various legal challenges at El Morro as indicators of impairment and performed an impairment assessment to determine the recoverable amount of these CGUs.

For the year ended December 31, 2014, the Company recorded after-tax impairment charges of $393.8 million within income from operations (2013 - $206.3), 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**

	Year ended December 31, 2013		
(in millions of U.S. dollars)	**Cerro San Pedro**	**Peak Mines**	**Total**
IMPAIRMENT CHARGE INCLUDED WITHIN INCOME FROM OPERATIONS			
Cerro San Pedro plant & equipment	3.5	-	3.5
Cerro San Pedro depletable mining interest	191.9	-	191.9
Cerro San Pedro non-depletable mining interest	70.7	-	70.7
Peak Mines depletable mining interest	-	6.4	6.4
Total impairment charge before tax	266.1	6.4	272.5
Tax recovery	(64.2)	(2.0)	(66.2)
Total impairment charge after tax	201.9	4.4	206.3

(i) Methodology and key assumptions

Impairment is recognized when the carrying amount of a CGU exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each operating mine and development project represents a separate CGU as each mine site or project has the ability to, or the potential to, generate cash inflows that are separately identifiable and independent of each other. The Company has the following CGUs: New Afton, Mesquite, Peak Mines, Cerro San Pedro, Rainy River, Blackwater and El Morro. 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 one to 17 years with an average mine life of 10 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 using 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 and active development CGUs while a lower in-situ value has been applied to longer term development projects. Estimated exploration potential has been determined by the Company based on industry standard multiples.

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

Discount rates
When discounting estimated future cash flows, the Company uses a real after-tax discount rate that 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, 2014 impairment analysis, real discount rates of between 5% and 8% 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, 2014 impairment analysis the following commodity prices and exchange rate assumptions were used:

(in U.S. dollars, except where noted)	2015 - 2019 Average	Long term
COMMODITY PRICES		
Gold ($/ounce)	**1,260**	**1,300**
Silver ($/ounce)	**20.14**	**20.00**
Copper ($/pound)	**3.20**	**3.00**
EXCHANGE RATES		
CAD:USD	**1.13**	**1.11**
AUD:USD	**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, 2014, it was determined that there were indicators of impairment for the Mesquite CGU, the Cerro San Pedro CGU, the Blackwater CGU and the El Morro 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, 2014 the Company recorded pre-tax impairment charges of $395.8 million, $393.8 million net of tax (2013 - $272.5 million, $206.3 million net of tax) within income from operations related to CGU level impairments, as noted above.

The fair value of the Cerro San Pedro CGU has been significantly impacted by the short and medium-term gold and silver commodity prices and the revised expected residual leach production profile. The fair value of the Blackwater CGU has been significantly impacted by the timing of expected cash flows and the lower in-situ value applied to longer term development projects, in addition to a lower gold price assumption.

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.

(iii) Sensitivity analysis

After effecting the impairments for Cerro San Pedro and Blackwater, the fair value of each of these CGUs is assessed as being equal to their respective carrying amounts as at December 31, 2014. 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 Cerro San Pedro and Blackwater 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**

11. INVESTMENT IN ASSOCIATE

The Company holds a 30% interest in Sociedad Contractual Minera El Morro ("SCM El Morro"), which holds the El Morro project, a development copper-gold project located in the Atacama region of north-central Chile. Goldcorp Inc. ("Goldcorp") holds the remaining 70% interest in the project after completion of the Acquisition and Funding Agreement (the "Agreement") with the Company on February 16, 2010.

As part of the Agreement, the Company received $50.0 million from Goldcorp. The Company has recorded the $50.0 million, net of $3.7 million of transaction costs, as a deferred benefit which will be amortized into net earnings at the commencement of commercial production over the life of the amended shareholder's agreement. Goldcorp has agreed to fund 100% of the Company's El Morro funding commitments until commencement of commercial production, as outlined in Note 12 (c).

The Company accounts for its investment in SCM El Morro using equity method accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Company's share of the net earnings after the date of acquisition. The Company adjusts 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, 2014 related to SCM El Morro is a loss of $0.7 million (2013 – $nil). The Company does not capitalize general borrowing interest to the project as it is accounted for as an equity investment. The Company includes the carrying amount of SCM El Morro within mineral interests.

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

	As at December 31	
(in millions of U.S. dollars)	**2014**	**2013**
INVESTMENT IN SCM EL MORRO		
Current assets	**3.1**	1.2
Non-current assets	**291.3**	271.5
Current liabilities	**(16.0)**	(14.7)
Equity	**278.4**	258.0
Portion of the Company's ownership	**30%**	30%
The Company's share of net assets in Associate	**83.5**	77.4
Initial purchase price allocation and other consolidation entries	**355.9**	355.7
Company's share of the net loss of El Morro[1]	**(0.7)**	-
Carrying amount of the investment	**438.7**	433.1

1. *The Company's share of the net loss of SCM El Morro has been included within other (losses) gains.*

12. LONG-TERM DEBT

Long-term debt consists of the following:

	As at December 31	
(in millions of U.S. dollars)	**2014**	**2013**
LONG-TERM DEBT		
Senior unsecured notes - due April 15, 2020 (a)	**294.2**	293.3
Senior unsecured notes - due November 15, 2022 (b)	**491.6**	490.8
El Morro funding loan (c)	**88.5**	78.4
Revolving credit facility (d)	**-**	-
Total long-term debt	**874.3**	862.5

(a) Senior Unsecured Notes – due April 15, 2020

On April 5, 2012, the Company issued $300.0 million of Senior Unsecured Notes ("2020 Unsecured Notes"). As at December 31, 2014 the face value was $300.0 million. The 2020 Unsecured Notes are denominated in U.S. dollars, mature and become due and payable on April 15, 2020, and bear interest at the rate of 7% per annum. Interest is payable in arrears in equal semi-annual instalments on April 15 and October 15 in each year.

The Company incurred transaction costs of $8.0 million which have been offset against the carrying amount of the 2020 Unsecured Notes and 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.

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 December 31, 2014 the face value was $500.0 million. The 2022 Unsecured Notes are denominated in U.S. dollars, mature and become due and payable on November 15, 2022, and bear interest at the rate of 6.25% per annum. Interest is payable in arrears in equal semi-annual instalments on May 15 and November 15 in each year.

The Company incurred transaction costs of $9.9 million which have been offset against the carrying amount of the 2022 Unsecured Notes and 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.

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) El Morro funding loan

The Company owns a 30% interest in the Chilean company SCM El Morro with Goldcorp Inc. ("Goldcorp") holding the remaining 70% interest. SCM El Morro is the operator of the El Morro project.

Goldcorp has agreed to fund 100% of the Company's El Morro funding commitments until commencement of commercial production. These amounts, plus interest, will be repaid out of 80% of the Company's distributions once El Morro is in production.

The interest rate on the Company's share of the capital funded by Goldcorp is 4.58%. For the year ended December 31 2014, non-cash investing activities were $6.3 million (2013 – $9.9 million) excluding accrued interest, and represent the Company's share of contributions to El Morro funded by Goldcorp. The loan is 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.

(d) 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 "Facility") which expires on August 14, 2018. The Facility also provides the Company with the option, subject to commitments, to draw an additional $50.0 million above and beyond the base $300.0 million. The terms of the Facility result in a reduction in pricing compared to the replaced revolving credit facility. Net debt will continue to be used to calculate leverage for the purpose of covenant tests and pricing levels and the Facility contains two financial covenant tests, minimum interest coverage ratio and maximum leverage ratio, with the Facility no longer requiring the minimum tangible net worth test which was required under the replaced revolving credit facility. The Facility also contains a lower limit on the minimum interest coverage ratio and a higher limit on the maximum leverage ratio.

The Facility contains various covenants customary for a loan facility of this nature, including limits on indebtedness, asset sales and liens. Significant financial covenants are as follows:

		Year ended December 31	
	Financial covenant	**2014**	**2013**
FINANCIAL COVENANTS			
Minimum interest coverage ratio (EBITDA to interest)	>3.0 : 1	**5.3 : 1**	5.7 : 1
Maximum leverage ratio (net debt to EBITDA)	<3.5 : 1	**1.6 : 1**	1.3 : 1

The interest margin on drawings under the Facility ranges from 1.00% to 3.25% over LIBOR, the Prime Rate or the Base Rate, based on the Company's debt to EBITDA ratio and the currency and type of credit selected by the Company. The standby fees on undrawn amounts under the Facility range 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 0.51% as at December 31, 2014 (2013 – 0.63% under the previous facility).

As at December 31, 2014, the Company has not drawn any funds under the Facility; however the Facility has been used to issue letters of credit of $18.8 million relating to environmental and reclamation requirements at Cerro San Pedro, A$10.2 million for Peak Mines' reclamation bond for the State of New South Wales, C$9.5 million for New Afton's reclamation requirements, C$3.2 million for New Afton's commitment to B.C. Hydro for power and transmission construction work (the B.C. Hydro letter of credit will be released over time as New Afton consumes and pays for power in the early period of operations), C$3.3 million for Blackwater's reclamation requirements, and $1.5 million relating to workers' compensation security at Mesquite. The annual fees are 1.35% of the value of the outstanding letters of credit which totalled $41.7 million as at December 31, 2014 (2013 - $43.1 million).

Subsequent to the year end, on January 16, 2015 a letter of credit for C$14.3 million was issued to the Ministry of Northern Development and Mines in Ontario, to satisfy the first part of the closure plan phased bonding requirement at the Rainy River project. The 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.

13. DERIVATIVE INSTRUMENTS

(a) Provisionally priced contracts

During the period, the Company had provisionally priced sales for which price finalization is outstanding at the statement of financial position date. Realized and unrealized non-hedged derivative gains (losses) on the provisional pricing of concentrate sales are classified as revenue. The following tables summarize these realized and unrealized gains (losses):

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

	Year ended December 31, 2013		
(in millions of U.S. dollars)	**Gold**	**Copper**	**Total**
GAINS (LOSSES) ON THE PROVISIONAL PRICING OF CONCENTRATE SALES			
Realized	(7.4)	(8.6)	(16.0)
Unrealized	(1.5)	2.8	1.3
Total gains (losses)	(8.9)	(5.8)	(14.7)

As at December 31, 2014 the Company's exposure to the impact of movements in market metal prices for provisionally priced contracts was 30,000 ounces of gold and 51.2 million pounds of copper.

The Company enters into copper swap contracts to reduce exposure to copper prices. Realized and unrealized gains (losses) are recorded as revenue. The following table summarizes these realized and unrealized gains (losses):

	Year ended December 31	
(in millions of U.S. dollars)	**2014**	**2013**
GAINS (LOSSES) ON COPPER SWAP CONTRACTS		
Realized	**1.6**	4.3
Unrealized	**8.0**	(2.5)
Total gains (losses)	**9.6**	1.8

As at December 31, 2014, the notional amount of copper underlying the swaps outstanding was 48.4 million pounds with settlement periods ranging from January 2015 to June 2015.

(b) Gold hedging contracts

On May 15, 2013, the Company eliminated its legacy gold hedges that were associated with the 2008 project financing put in place to develop Mesquite. The Company paid $65.7 million to fully close all hedges dated to December 2014. Hedge accounting with respect to these contracts was discontinued on May 15, 2013.

Prior to the discontinuance of hedge accounting, the net amount of existing gains (losses) arising from the unrealized fair value of the Company's gold hedging contracts, which are derivatives that are designated as cash flow hedges and are reported in other comprehensive income, was reclassified to net earnings as contracts were settled on a monthly basis. The amount of such reclassification was dependent upon fair values and the amounts of the contracts settled.

At the closing date of the hedge on May 15, 2013, the Company had unrecognized losses related to the gold hedging contracts of $46.3 million, which remained deferred in other reserves and are released to net loss in the same period in which the original designated underlying forecast sales were to occur. For the year ended December 31, 2014 the Company transferred $27.3 million of these losses to net loss (2013 - $18.7 million).

The following table summarizes hedging gains (losses) in other comprehensive income:

	Year ended December 31	
(in millions of U.S. dollars)	**2014**	**2013**
EFFECTIVE PORTION OF CHANGE IN FAIR VALUE OF HEDGING INSTRUMENTS		
Gold hedging contracts – unrealized	**-**	18.1
Gold hedging contracts – realized	**27.3**	32.5
Deferred income tax	**(11.2)**	(20.7)
Total hedging gains (losses) in other comprehensive income	**16.1**	29.9

(c) Share purchase Warrants

The following table summarizes information about the outstanding Warrants.

Warrant Series	Number of warrants	Common shares issuable	Exercise price	Expiry date
	(000s)	**(000s)**	**C$**	
OUTSTANDING WARRANTS				
At December 31, 2014				
New Gold Series A	**27,850**	**27,850**	**15**	**June 28, 2017**
Rainy River Warrants	**50**	**50**	**20**	**February 2, 2017**
Total outstanding warrants	**27,900**	**27,900**		
At December 31, 2013				
New Gold Series A	27,850	27,850	15	June 28, 2017
Rainy River Warrants	50	50	20	February 2, 2017
Total outstanding warrants	27,900	27,900		

The Warrants are classified as a non-hedged derivative liability recorded at FVTPL liability due to the currency of the Warrants. The Warrants are priced in Canadian dollars, which is not the functional currency of the Company. Therefore, the Warrants are fair valued using the market price with gains or losses recorded in net loss.

14. SHARE CAPITAL

At December 31, 2014, the Company had unlimited authorized common shares and 504.7 million common shares outstanding.

(a) No par value common shares issued

	Number of shares	
(in millions of U.S. dollars, except where noted)	**(000s)**	
NO PAR VALUE COMMON SHARES ISSUED		
Balance at December 31, 2012	476,003	2,618.4
Exercise of options (i)	1,521	8.5
Exercise of warrants	39	0.2
Acquisition of Rainy River	25,874	188.2
Balance at December 31, 2013	**503,437**	**2,815.3**
Exercise of options (i)	**560**	**2.6**
Issuance of shares for land purchases	**681**	**3.0**
Balance at December 31, 2014	**504,678**	**2,820.9**

(i) Exercise of options

For the year ended December 31, 2014, the Company issued 0.6 million common shares pursuant to the exercise of stock options (2013 – 1.5 million). The Company received proceeds of $1.6 million (2013 - $5.0 million) from these exercises and transferred $1.0 million (2013 - $3.5 million) from contributed surplus.

(ii) Acquisition of Bayfield Ventures

Subsequent to the year end, 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)	**2014**	**2013**
SHARE-BASED PAYMENT EXPENSES		
Stock option expense (i)	**5.2**	8.1
Performance share unit expense (ii)	**1.8**	0.8
Restricted share unit expense[1] (iii)	**2.3**	0.3
Deferred share unit expense (iv)	**0.2**	(0.1)
	9.5	9.1

1. *For the year ended December 31, 2014 $2.0 million (2013 – $0.6 million) of restricted share unit expense was recognized in operating expenses.*

(i) Stock options

Under the Company's Stock Option Plan (the "Plan"), the maximum number of shares reserved for exercise of all options granted by the Company may not exceed 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 the changes in the Plan:

	Number of options	Weighted avg. exercise price
	(000s)	C$
CHANGES TO THE PLAN		
Balance at December 31, 2012	10,939	5.96
Granted	1,689	9.46
Exercised	(1,521)	3.40
Forfeited	(198)	10.41
Expired	(595)	7.89
Balance at December 31, 2013	**10,314**	**6.72**
Granted[1]	**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**

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

The weighted average fair value of the stock options granted during the year ended December 31, 2014 was C$2.10 (2013 – C$4.40). 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	
	2014	**2013**
WEIGHTED AVERAGE ASSUMPTIONS IN THE BLACK-SCHOLES OPTION-PRICING MODEL		
Grant price	**C$5.39**	C$10.01
Expected dividend yield	**-**	-
Expected volatility	**49%**	60%
Risk-free interest rate	**1.18%**	0.61%
Expected life of options	**3.7 years**	3.7 years

At December 31, 2014 the Company had 7.8 million stock options that were exercisable with a weighted average exercise price of C$6.14 (2013 – 6.8 million with a weighted average exercise price of C$5.05). For the year ended December 31, 2014, the weighted average share price on the date of exercise was C$6.03 (2013 – C$8.31). The options vest one third a year over a three-year period beginning on the first anniversary of the grant date.

The following table summarizes information about the stock options outstanding as at December 31, 2014:

	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$**	**(years)**	**(000s)**	**C$**
0.87 - 0.99	0.7	100.0	0.87	0.7	100.0	0.87
2.00 - 2.99	1.1	610.6	2.64	1.1	610.6	2.64
3.00 - 3.99	1.4	2,440.0	3.21	1.4	2,440.0	3.21
4.00 - 4.99	4.2	3,626.9	4.67	2.1	998.0	4.39
5.00 - 5.99	2.8	494.1	5.69	0.9	216.3	5.88
6.00 - 6.99	4.2	1,792.8	6.32	3.8	65.3	6.40
7.00 - 7.99	3.1	1,513.8	7.65	3.1	1,359.3	7.66
8.00 - 8.99	2.6	273.0	8.70	2.7	232.0	8.73
9.00 - 9.99	1.4	93.5	9.59	1.4	93.5	9.59
10.00 - 10.99	3.1	1,336.3	10.05	3.0	541.5	10.10
11.00 - 11.99	2.1	1,574.0	11.87	2.1	1,053.0	11.87
12.00 - 12.22	1.9	75.0	12.22	1.9	75.0	12.22
Total options	3.0	13,930.0	6.35	2.0	7,784.5	6.14

(ii) Performance share units

Performance share units ("PSUs") are granted under the Company's long-term incentive plan ("LTIP"). PSUs vest on their entitlement date. The number of shares to be issued (or the amount of cash to be paid) on the entitlement date of PSU will vary from 50% to 150% of the number of the PSUs granted, depending on ("Achieved Performance") New Gold's total shareholder return compared to the return of the S&P/TSX Global Gold Index (the "Index") for each year in the three calendar years after the year of service to which the award relates and over that three-year period (each, a "Measurement Period"). If New Gold's total shareholder return exceeds the return of the Index in a Measurement Period, the Achieved Performance for that period will be over 100%. Similarly, if New Gold's total shareholder return is less than the return of the Index in a Measurement Period, the Achieved Performance for that period will be less than 100%. 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) at the discretion of the Board, by the issuance of the equivalent number of common shares of New Gold as the number of PSUs multiplied by the Achieved Performance, in lieu of a cash payment, or (iii) a combination of both. Under the Company's LTIP, the maximum number of shares reserved for exercise of PSUs granted by the company may not exceed 1.25% of the Company's shares issued and outstanding at the time the PSUs are granted.

On April 30th, 2014, at the Company's annual general and special meeting of shareholders, the terms of the PSUs were modified to allow, at the discretion of the Board, the issuance of the equivalent number of common shares in lieu of a cash payment. This modification resulted in the PSUs being reclassified as equity settled share-based payments and the outstanding liability at April 30, 2014 was transferred to contributed surplus. The fair value of PSUs is established using the Monte Carlo option pricing model which considers 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 Index. As outlined above the correlation between the Company's total return performance relative to the Index will determine number of units expected to vest, which is estimated at the grant date. The fair value of PSUs is amortized as part of compensation expense over the vesting period.

The Company issued 1.6 million PSUs for the year ended December 31, 2014 (2013 – 0.6 million). At December 31, 2014 the Company had 2.0 million PSUs outstanding with a weighted average fair value of C$5.37. 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 (2013 – 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 performance measurement criteria. The table below presents the changes to the DSU plan.

(in thousands of units)	**PSU number of units**	**RSU number of units**	**DSU number of units**
CHANGES TO THE LTIP AND DSU PLAN			
Balance at December 31, 2012	-	610	79
Granted	560	575	68
Settled/Exercised	-	(606)	-
Forfeited	(20)	(82)	-
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**

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

(c) Loss per share

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

	Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**
COMPUTATION OF DILUTED LOSS PER SHARE		
Net loss	**(477.1)**	(191.2)
Basic weighted average number of shares outstanding (in millions)	**503.9**	488.0
Dilution of securities:		
Stock options	**-**	-
Diluted weighted average number of shares outstanding (in millions)	**503.9**	488.0
Net (loss) earnings per share:		
Basic	**(0.95)**	(0.39)
Diluted	**(0.95)**	(0.39)

The following table lists the equity securities excluded from the computation of diluted earnings per share. The securities were excluded as the exercise prices relating to the particular security exceed the average market price of the Company's common shares of C$5.95 for the year ended December 31, 2014 (2013 – C$7.48), or the inclusion of the 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 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)	**2014**	**2013**
EQUITY SECURITIES EXCLUDED FROM THE COMPUTATION OF DILUTED EARNINGS PER SHARE		
Stock options	**13.9**	10.3
Warrants	**27.9**	27.9

15. 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)	**2014**	**2013**
CURRENT INCOME AND MINING TAX EXPENSE (RECOVERY)		
Canada	**4.4**	2.0
United States	**(8.3)**	(2.1)
Australia	**6.5**	(5.9)
Mexico	**1.0**	11.9
Other	**0.9**	(0.2)
	4.5	5.7
DEFERRED INCOME AND MINING TAX EXPENSE (RECOVERY)		
Canada	**47.4**	17.9
United States	**(15.5)**	25.0
Australia	**(5.7)**	10.0
Mexico	**(7.9)**	(58.7)
Other	**44.8**	(0.3)
	63.1	(6.1)
Total income tax expense	**67.6**	(0.4)

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)	**2014**	**2013**
Loss before taxes	**(409.5)**	(191.6)
Canadian federal and provincial income tax rates	**25.9%**	25.8%
Income tax expense based on above rates	**(106.1)**	(49.4)
INCREASE (DECREASE) DUE TO		
Non-taxable income	**(20.1)**	(3.3)
Non-deductible expenditures	**17.3**	12.5
Non-deductible Blackwater impairment charge	**86.7**	-
Different statutory tax rates on earnings of foreign subsidiaries	**(7.4)**	(5.9)
Foreign exchange on non-monetary assets and liabilities	**(2.1)**	4.0
Other foreign exchange differences	**26.4**	10.7
Prior years adjustments relating to tax provision and tax returns	**4.4**	4.9
Canadian mining tax	**9.5**	4.2
Mexican special duty tax	**(1.5)**	3.0
Uncertain tax position	**0.2**	1.2
Withholding tax	**0.6**	0.7
Rate change in period	**47.9**	0.2
Change in unrecognized deferred tax assets	**12.1**	18.2
Other	**(0.3)**	(1.4)
Income tax expense	**67.6**	(0.4)

Effective April 1, 2013, the British Columbia corporate tax rate increased from 10% to 11%. This resulted in an increase to the statutory tax rate to 25.9% compared to 25.8% in the comparative periods.

A Mexican Tax Reform Bill was published by the *Official Gazette* on December 11, 2013 and took effect on January 1, 2014. This enacted legislation included the imposition of a tax deductible 7.5% Special Mining Duty based on earnings before the deduction of interest, taxes, depreciation and amortization. The legislation also included the imposition of an additional 0.5% Extraordinary Mining Duty on precious metals revenue as well as maintaining the corporate tax rate at 30% as opposed to reducing it to 28% as originally planned. For the year ended December 31, 2014, the Company recognized a non-cash deferred tax recovery of $1.5 million (2013 – expense of $3.0 million) in relation to the Special Mining Duty, which is recorded within the income tax expense section of the consolidated income statement, as it is considered an income tax. The Extraordinary Mining Duty is considered a royalty and it is recorded in operating expenses.

A deferred tax expense of $46.8 million has been recorded during the year ended December 31, 2014 as a result of the change in the tax rate used in Chile from 20% to 35% due to the enactment of new legislation which was published in the *Chilean Official Gazette* on September 29, 2014. This adjustment is included in the rate reconciling item of $47.9 million for rate change in the year.

The following tables provides analysis of the deferred tax assets and liabilities as at December 31, 2014:

						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)**

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, 2013	
(in millions of U.S. dollars)	**Canada**	**USA**	**Australia**	**Mexico**	**Chile**	**Other**	**Total**
DEFERRED TAX ASSETS							
Unused non-capital losses	66.9	2.9	-	-	-	0.2	70.0
Investment tax credits / government assistance	44.2	-	-	-	-	-	44.2
Alternative minimum tax credits	-	10.3	-	-	-	-	10.3
Derivative instruments / hedging	-	5.7	-	-	-	-	5.7
Decommissioning obligations	4.5	4.3	5.0	6.5	-	-	20.3
Accrued liabilities and provisions	0.6	0.3	3.3	0.6	-	-	4.8
British Columbia Mining Tax	3.0	-	-	-	-	-	3.0
Ontario Mining Tax	4.2	-	-	-	-	-	4.2
Other	6.9	-	-	1.6	-	-	8.5
	130.3	23.5	8.3	8.7	-	0.2	171.0
DEFERRED TAX LIABILITIES							
Mining interests	(160.2)	(69.2)	(49.4)	3.8	(71.4)	-	(346.4)
Property, plant and equipment	21.4	(33.8)	1.3	(3.8)	-	-	(14.9)
British Columbia Mining Tax	(2.5)	-	-	-	-	-	(2.5)
Mexican Mining Royalty	-	-	-	(2.7)	-	-	(2.7)
Other	(3.6)	(4.4)	(1.8)	(2.5)	-	(2.2)	(14.5)
	(144.9)	(107.4)	(49.9)	(5.2)	(71.4)	(2.2)	(381.0)
Deferred income tax liabilities, net[1]	(14.6)	(83.9)	(41.6)	3.5	(71.4)	(2.0)	(210.0)

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

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

	Year ended December 31	
(in millions of U.S. dollars)	**2014**	**2013**
MOVEMENT IN THE NET DEFERRED TAX LIABILITIES		
Balance at the beginning of the year	**(210.0)**	(128.8)
Recognized in net loss	**(63.2)**	5.7
Recognized in other comprehensive income	**(11.2)**	(20.7)
Recognized as reduction in mineral properties	**5.2**	(0.2)
Recognized as foreign exchange	**(47.4)**	(32.1)
Recognized on acquisition of Rainy River Resources Inc.	**-**	(35.9)
Other	**-**	2.0
Total movement in the net deferred tax liabilities	**(326.6)**	(210.0)

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 $34.5 million expire between 2015 to 2034;
- Canadian capital loss carry-forwards of $39.6 million with no expiry date;
- United States loss carry-forwards of $6.8 million expire between 2021 to 2028;
- Mexican loss carry forwards of $29.3 million expire between 2015 to 2017; and
- Other loss carry-forwards of $7.2 million with varying expiry dates.

In addition to the above, the Company did not recognize deductible temporary differences of $182.3 million (2013 - $76.6 million) on other temporary differences.

The Company has $100.7 million (2013 - $62.6 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 exist to demonstrate that it is probable that a deferred tax asset will be realized. The main factors that the Company considers, but are not limited to, are:

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

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

16. 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	Blackwater	Total
CHANGES TO RECLAMATION AND CLOSURE COST OBLIGATIONS						
Balance – December 31, 2012	10.4	11.4	22.6	18.7	8.7	71.8
Reclamation expenditures	(0.9)	(0.9)	(0.2)	(0.2)	-	(2.2)
Unwinding of discount	0.2	0.2	0.7	0.2	0.2	1.5
Revisions to expected cash flows	(0.9)	(0.1)	(3.9)	0.1	1.0	(3.8)
Foreign exchange movement	(0.6)	-	(3.2)	(0.1)	(0.4)	(4.3)
Balance – December 31, 2013	8.2	10.6	16.0	18.7	9.5	63.0
Less: current portion of closure costs (Note 7)	(0.3)	(0.7)	(0.5)	(0.1)	-	(1.6)
Non-current portion of closure costs	7.9	9.9	15.5	18.6	9.5	61.4
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**

Each period the Company reviews cost estimates and other assumptions used in the valuation of the obligations at each of its mining properties and development properties to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the obligation. The fair values of the obligations are measured by discounting the expected cash flows using a discount factor that reflects the credit-adjusted risk-free rate of interest. The Company prepares estimates of the timing and amount of expected cash flows when an obligation is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in Reserves and a corresponding change in the life-of-mine plan; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. When expected cash flows increase, the revised cash flows are discounted using a current discount factor whereas when expected cash flows decrease, the reduced cash flows are discounted using a historic discount factor, and then in both cases any change in the fair value of the obligation is recorded. The fair value of an obligation is recorded when it is incurred.

For the year ended December 31, 2014, the Company updated the reclamation and closure cost obligations for each of its mine sites. The impact of these assessments was an increase of $6.9 million (2013 – $3.8 million), which related to a decrease in the current discount factor and changes in future reclamation activities at the mine sites. A significant portion of this increase occurred at Cerro San Pedro as a result of a decrease in the current discount factor.

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 1.5% and 2.7% for the year ended December 31, 2014 (2013 – 2.5% and 4.1%), and the inflation rate used was between 1.7% and 4.1% for the year ended December 31, 2014 (2013 – 2.0% and 4.2%).

Regulatory authorities in certain jurisdictions require that security be provided to cover the estimated reclamation and remediation obligations. As at December 31, 2014, letters of credit totalling $37.7 million (2013 - $39.1 million) had been issued to various regulatory agencies to satisfy financial assurance requirements for this purpose. The letters of credit are secured by the revolving credit facility (Note 12 (d)), and the annual fees are 1.35% of the value of the outstanding letters of credit.

17. 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)	**2014**	**2013**
CHANGE IN NON-CASH OPERATING WORKING CAPITAL		
Trade and other receivables	**(21.4)**	(0.2)
Inventories	**(27.6)**	(15.0)
Prepaid expenses and other	**2.1**	3.4
Trade and other payables	**5.3**	2.1
Total change in non-cash operating working capital	**(41.6)**	(9.7)

(in millions of U.S. dollars)	Year ended December 31 2014	2013
OTHER NON-CASH ADJUSTMENTS		
Unrealized gains on share purchase warrants	**(8.5)**	(49.3)
Unrealized losses on concentrate contracts	**2.7**	1.2
Impairment loss on AFS securities	**0.1**	3.0
Equity settled share-based payment expense	**6.3**	8.1
Company's share of net loss in El Morro	**0.7**	-
Realized and unrealized losses on cash flow hedging items	**-**	(9.5)
Total other non-cash adjustments	**1.3**	(46.5)

18. 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:

(in millions of U.S. dollars)	New Afton	Mesquite	Peak Mines	Cerro San Pedro	Corporate	Other[1]	Total
	Year ended December 31, 2014						
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 10.*
2. *Segmented revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period.*

	Year ended December 31, 2013						
(in millions of U.S. dollars)	**New Afton**	**Mesquite**	**Peak Mines**	**Cerro San Pedro**	**Corporate**	**Other[1]**	**Total**
OPERATING SEGMENT RESULTS							
Gold revenues	105.1	113.7	135.9	139.1	-	-	493.8
Copper revenues	210.1	-	39.8	-	-	-	249.9
Silver revenues	3.5	-	2.0	30.5	-	-	36.0
Revenues[2]	318.7	113.7	177.7	169.6	-	-	779.7
Operating expenses	105.7	94.3	126.4	109.1	-	-	435.5
Depreciation and depletion	93.7	25.2	32.4	26.1	-	-	177.4
Earnings (loss) from mine operations	119.3	(5.8)	18.9	34.4	-	-	166.8
Corporate administration	-	-	-	-	26.7	-	26.7
Share-based payment expenses	-	-	-	-	8.5	-	8.5
Asset impairment	-	-	6.4	266.1	-	-	272.5
Exploration and business development	11.1	3.5	5.7	-	0.4	13.4	34.1
Income from operations	108.2	(9.3)	6.8	(231.7)	(35.6)	(13.4)	(175.0)
Finance income	0.1	-	0.9	-	0.8	0.9	2.7
Finance costs	(0.6)	(0.2)	(0.9)	(0.3)	(34.8)	(3.5)	(40.3)
Rainy River acquisition costs	-	-	-	-	(5.0)	-	(5.0)
Other gains (losses)	(18.0)	7.2	(1.4)	(0.9)	49.6	(10.5)	26.0
Earnings (loss) before taxes	89.7	(2.3)	5.4	(232.9)	(25.0)	(26.5)	(191.6)
Income tax recovery (expense)	(36.2)	(22.9)	(4.2)	46.9	11.6	5.2	0.4
Net earnings (loss)	53.5	(25.2)	1.2	(186.0)	(13.4)	(21.3)	(191.2)

1. *Other includes balances relating to the development and exploration properties that have no revenues or operating costs.*
2. *Segmented revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period.*

(b) Segmented assets and liabilities

The following table present the segmented assets and liabilities as at December 31:

	Total assets		Total liabilities		Capital expenditure[1]	
(in millions of U.S. dollars)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
SEGMENTED ASSETS AND LIABILITIES						
New Afton	**1,177.1**	1,161.8	**133.9**	77.5	**90.9**	122.2
Mesquite	**475.8**	437.9	**134.3**	129.8	**33.2**	17.4
Peak Mines	**300.4**	310.1	**88.9**	88.2	**30.9**	43.0
Cerro San Pedro	**145.1**	178.5	**57.8**	53.0	**29.3**	24.5
Rainy River	**507.5**	453.7	**76.1**	70.5	**80.5**	21.2
Blackwater	**542.9**	886.7	**53.7**	38.7	**13.0**	60.7
El Morro [2]	**438.7**	433.1	**247.4**	190.5	**-**	-
Other[3]	**294.3**	340.5	**818.5**	834.2	**1.5**	0.3
Total assets and liabilities	**3,881.8**	4,202.3	**1,610.6**	1,482.4	**279.3**	289.3

1. *Capital expenditure per consolidated statement of cash flows.*
2. *Capital expenditure at El Morro is funded by the El Morro funding loan.*
3. Other includes corporate balances and exploration properties.

(c) Geographical information

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

	Revenue[1]		Non-current assets[2]	
(in millions of U.S. dollars)	**2014**	**2013**	**2014**	**2013**
REVENUE AND NON-CURRENT ASSETS BY LOCATION				
Canada	**350.2**	318.7	**2,042.4**	2,310.6
United States	**102.4**	113.7	**324.6**	279.9
Australia	**168.3**	177.7	**230.8**	250.2
Mexico	**105.1**	169.6	**26.1**	74.8
Chile	**-**	-	**446.2**	442.8
Other	**-**	-	**5.1**	6.1
Total	**726.0**	779.7	**3,075.2**	3,364.4

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 78% (2013 – 81%) of the Company's concentrate and doré sales revenue for the year ended December 31.

		Year ended December 31	
(in millions of U.S. dollars)		**2014**	**2013**
CUSTOMER	REPORTING SEGMENT		
1	Mesquite[1]	**101.6**	110.1
	Cerro San Pedro[1]	**53.2**	99.4
2	New Afton	**126.7**	135.9
3	New Afton	**119.1**	110.5
4	Peak Mines	**86.5**	92.8
5	Peak Mines	**82.0**	85.0
Total sales to customers exceeding 10% of annual sales		**569.1**	633.7

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 can be sold through numerous commodity market traders worldwide. Refer to Note 20(a) for further discussion on the Company's exposure to Credit Risk.

19. 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)	**2014**	**2013**
CAPITAL (AS DEFINED ABOVE) IS SUMMARIZED AS FOLLOWS		
Equity	**2,271.2**	2,719.9
Long-term debt	**874.3**	862.5
	3,145.5	3,582.4
Cash and cash equivalents	**(370.5)**	(414.4)
Investments	**(0.4)**	(0.5)
Total	**2,774.6**	3,167.5

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may 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.

20. 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, 2014 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)	**2014**	**2013**
CREDIT RISK EXPOSURE		
Cash and cash equivalents	**370.5**	414.4
Trade receivables	**34.8**	19.3
Total financial instrument exposure to credit risk	**405.3**	433.7

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 19.

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**	**2014 Total**	**2013 Total**
AGING TRADE AND OTHER RECEIVABLES							
New Afton	1.7	-	2.1	-	-	**3.8**	5.9
Mesquite	1.1	-	-	-	-	**1.1**	0.4
Peak Mines	2.9	-	-	-	-	**2.9**	3.0
Cerro San Pedro	2.5	1.6	2.1	1.1	17.7	**25.0**	8.5
Rainy River	1.7	-	-	-	-	**1.7**	0.8
Blackwater	0.2	-	-	-	-	**0.2**	0.5
Corporate	0.1	-	-	-	-	**0.1**	0.2
Total trade and other receivables	10.2	1.6	4.2	1.1	17.7	**34.8**	19.3

A significant portion of the accounts receivable balance at Cerro San Pedro aged over 120 days was received in January 2015.

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.

(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 19.

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**	**2-3 years**	**4-5 years**	**After 5 years**	**2014 Total**	**2013 Total**
DEBT COMMITMENTS						
Trade and other payables	96.2	0.8	-	-	**97.0**	90.2
Long-term debt[1]	-	-	-	888.5	**888.5**	878.4
Interest payable on long-term debt	52.2	104.5	104.5	95.9	**357.1**	417.8
Provisionally priced contracts net of copper swap contracts	(0.4)	-	-	-	**(0.4)**	(2.5)
Total debt commitments	148.0	105.3	104.5	984.4	**1,342.2**	1,383.9

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

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, 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.

(c) Currency Risk

The Company operates in Canada, the United States, Australia, Mexico and Chile. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk for the Company can be categorized as follows:

(i) Transaction exposure

The Company's operations sell commodities and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

(ii) Exposure to currency risk

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the U.S. dollar: cash and cash equivalents, investments; accounts receivable, accounts payable and accruals, reclamation and closure cost obligations and long-term debt.

The currencies of the Company's financial instruments and other foreign currency denominated liabilities, based on notional amounts, were as follows:

	As at December 31, 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)**

	As at December 31, 2013		
(in millions of U.S. dollars)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	61.5	2.0	0.8
Trade and other receivables	7.3	3.0	8.6
Income tax receivable	2.3	7.4	16.6
Deferred tax asset	130.3	8.3	8.7
Trade and other payables	(41.3)	(22.2)	(22.6)
Deferred tax liability	(144.9)	(49.9)	(5.2)
Reclamation and closure cost obligations	(17.3)	(15.6)	(18.6)
Warrants	(27.8)	-	-
Employee benefits	-	(7.7)	-
Restricted share units	(1.6)	-	-
Total exposure to currency risk	(31.5)	(74.7)	(11.7)

(iii) Translation exposure

The Company's functional and reporting currency is U.S. dollars. The Company's operations translate their operating results from the host currency to U.S. dollars. Therefore, exchange rate movements in the Canadian dollar, Australian dollar, Mexican peso and Chilean peso can have a significant impact on the Company's consolidated operating results. A 10% strengthening (weakening) of the U.S. dollar against the following currencies would have decreased (increased) the Company's net loss from the financial instruments presented by the amounts shown below.

	Year ended December 31	
(in millions of U.S. dollars)	**2014**	**2013**
IMPACT OF 10% CHANGE IN FOREIGN EXCHANGE RATES		
Canadian dollar	**15.3**	3.2
Australian dollar	**7.7**	7.5
Mexican peso	**0.4**	1.2

(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, 2014.

The Company is exposed to interest rate risk on its short-term investments which are included in cash and cash equivalents. The short-term investment interest earned is based on prevailing money market and bank account interest rates which may fluctuate. A 1.0% change in the interest rate would result in an annual difference of approximately $4.0 million in interest earned by the Company. The Company has not entered into any derivative contracts to manage this risk.

(e) Price Risk

The Company's earnings, 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, 2014, the Company's revenues and cash flows were impacted by gold prices in the range of $1,142 to $1,385 per ounce, and by copper prices in the range of $2.97 to $3.24 per pound. Metal price decline 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, 2014, working capital includes unpriced gold and copper concentrate receivables totalling 30,000 ounces of gold and 2.8 million pounds of copper not offset by copper swap contracts. A $100 change in the gold price per ounce would have an impact of $3.0 million on the Company's working capital. A $0.10 change in the copper price per pound would have an impact of $0.3 million on the Company's working capital position.

The Company is also subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. The Company's costs are affected by the prices of commodities and other inputs it consumes or uses in its operations, such as lime, sodium cyanide and explosives. The prices of such commodities and inputs are influenced by supply and demand trends affecting the mining industry in general and other factors outside our control. Increases in the price for materials consumed in the Company's mining and production activities could materially adversely affect its results of operations and financial condition. The Company has no fuel hedge contracts at this time.

The Company is also subject to price risk for changes in the Company's common stock price per share. The Company has 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.

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, 2014		Year ended December 31, 2013	
(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	**47.8**	**-**	52.4	-
Copper price	**30.7**	**-**	26.6	-
Silver price	**2.0**	**-**	3.0	-
Fuel price	**7.0**	**-**	7.2	-
Warrants	**1.7**	**-**	2.8	-
Restricted share units	**0.3**	**-**	0.2	-

21. FAIR VALUE MEASURMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

The Company's financial assets and liabilities are classified and measured as follows:

	As at December 31, 2014				
(in millions of U.S. dollars)	**Loans and Receivables at amortized cost**	**Fair Value though Profit or Loss**	**Available for sale at fair value**	**Financial liabilities at amortized cost**	**Total**
FINANCIAL ASSETS					
Cash and cash equivalents	370.5	-	-	-	**370.5**
Trade and other receivables	35.2	-	-	-	**35.2**
Provisionally prices contracts	-	(8.4)	-	-	**(8.4)**
Copper swap contracts	-	8.0	-	-	**8.0**
Investments	-	-	0.4	-	**0.4**
FINANCIAL LIABILITIES					
Trade and other payables[1]	-	-	-	95.3	**95.3**
Long-term debt	-	-	-	874.3	**874.3**
Warrants	-	16.9	-	-	**16.9**
Restricted share units	-	1.5	-	-	**1.5**

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

	As at December 31, 2013				
(in millions of U.S. dollars)	**Loans and Receivables at amortized cost**	**Fair Value though Profit or Loss**	**Available for sale at fair value**	**Financial liabilities at amortized cost**	**Total**
FINANCIAL ASSETS					
Cash and cash equivalents	414.4	-	-	-	414.4
Trade and other receivables	20.5	-	-	-	20.5
Provisionally prices contracts	-	1.3	-	-	1.3
Copper swap contracts	-	(2.5)	-	-	(2.5)
Investments	-	-	0.5	-	0.5
FINANCIAL LIABILITIES					
Trade and other payables[1]	-	-	-	88.6	88.6
Long-term debt	-	-	-	862.5	862.5
Warrants	-	27.8	-	-	27.8
Performance share units	-	0.8	-	-	0.8
Restricted share units	-	0.9	-	-	0.9

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, 2014		As at December 31, 2013	
(in millions of U.S. dollars)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
FINANCIAL ASSETS				
Cash and cash equivalents	**370.5**	**370.5**	414.4	414.4
Trade and other receivables	**34.8**	**34.8**	19.3	19.3
Investments	**0.4**	**0.4**	0.5	0.5
FINANCIAL LIABILITIES				
Trade and other payables[1]	**95.3**	**95.3**	88.6	88.6
Long-term debt	**874.3**	**882.3**	862.5	870.4
Warrants	**16.9**	**16.9**	27.8	27.8
Performance share units	**-**	**-**	0.8	0.8
Restricted share units	**1.5**	**1.5**	0.9	0.9

1. *Trade and other payables exclude the short term portion of reclamation and closure cost obligations.*
2. *The Company has not offset financial assets with financial liabilities.*

The Company has certain financial assets and liabilities that are held at fair value. The investments, 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.

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

	As at December 31, 2014		
(in millions of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**
ASSET (LIABILITY) MEASURED AT FAIR VALUE			
Investments	**0.4**	**-**	**-**
Provisionally priced contracts	**-**	**(8.4)**	**-**
Copper swap contracts	**-**	**8.0**	**-**
Warrants	**(16.9)**	**-**	**-**
Restricted share units	**(1.5)**	**-**	**-**

	As at December 31, 2013		
(in millions of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**
ASSET (LIABILITY) MEASURED AT FAIR VALUE			
Investments	0.5	-	-
Provisionally priced contracts	-	1.3	-
Copper swap contracts	-	(2.5)	-
Warrants	(27.7)	(0.1)	-
Performance share units	(0.8)	-	-
Restricted share units	(0.9)	-	-

There were no transfers among Levels 1, 2 and 3 during the year ended December 31, 2014 or the year ended December 31, 2013. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Valuation methodologies for Level 2 financial assets and liabilities:

Provisionally priced contracts and copper swap contracts

The fair value of the provisionally priced contracts and the 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.

22. PROVISIONS

In addition to the environmental rehabilitation provision in Note 16, 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, 2012	-	4.0	8.7	12.7
Additional provisions recognized	0.8	0.3	3.9	5.0
Used during the year	-	(2.8)	(3.9)	(6.7)
Foreign exchange	-	(0.2)	(1.0)	(1.2)
As at December 31, 2013	0.8	1.3	7.7	9.8
Less: current portion	-	(0.4)	-	(0.4)
Non-current portion of provisions	0.8	0.9	7.7	9.4
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**

23. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Year ended December 31	
(in millions of U.S. dollars)	**2014**	**2013**
NON-CANCELLABLE OPERATING LEASE RENTALS		
Less than 1 year	**15.2**	16.2
Between 1 and 5 years	**2.4**	18.8
More than 5 years	**-**	-
Total non-cancellable operating lease rentals	**17.6**	35.0

The Company leases office space and mobile equipment fleet at Cerro San Pedro. The leases typically run for a period of one to five years, with an option to review the leases after that date.

For the year ended December 31, 2014, an amount of $25.0 million was recognized as an expense in profit or loss in respect of operating leases (2013 - $23.5 million). There was no contingent rent or sublease revenue recognized during the period ended December 31, 2014, or for the comparative period in 2013.

24. 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)	**2014**	**2013**
KEY MANAGEMENT PERSONNEL REMUNERATION		
Short-term benefits[2]	**3.9**	4.3
Post-employment benefits	**0.1**	0.1
Other long-term benefits	**-**	-
Share-based payments	**4.2**	5.0
Termination benefits	**-**	-
Total key management personnel remuneration	**8.2**	9.4

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 balance sheet date and other annual employee benefits.*

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity

The remuneration of key executives is determined by the compensation committee having regard to the performance of individuals and market trends.

25. 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.

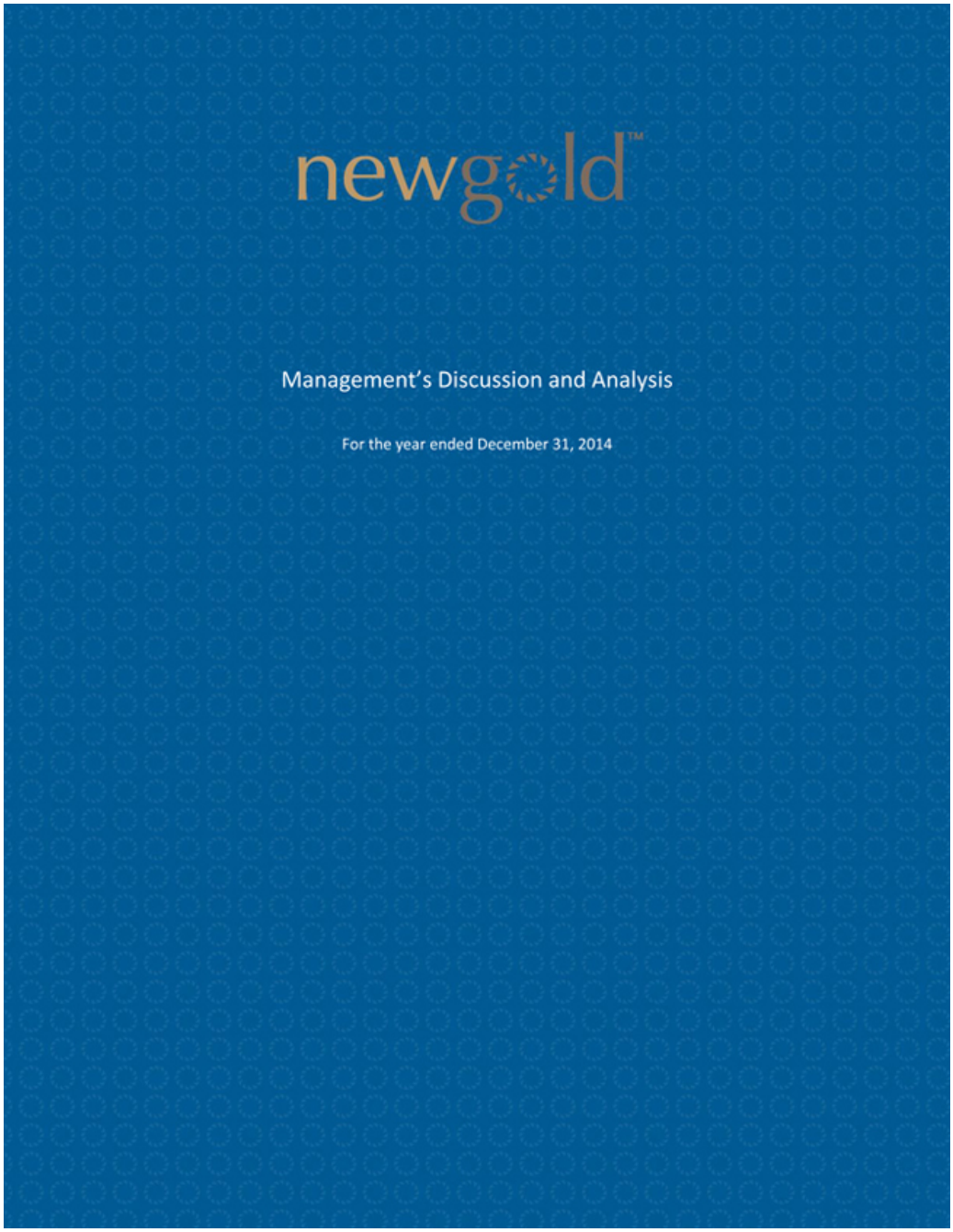
Contractual commitments

The Company has entered into a number of contractual commitments for capital items related to operations and development. At December 31, 2014, these commitments totalled $243.0 million (2013 – $44.5 million, all expected to fall due within 12 months), $141.4 million of which are expected to fall due over the next 12 months. Certain contractual commitments may contain cancellation clauses, however the Company discloses the commitments based on management's intent to fulfill the contacts.

Cerro San Pedro

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 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. While historically these authorizations have been renewed, extended or re-issued without incident, in late 2013 the annual construction and operations licenses issued by the Municipality of Cerro de San Pedro in San Luis Potosí 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 that inappropriate conditions were annulled. Cerro San Pedro subsequently applied for its operation license for 2015 and was advised by the Municipality the license would also be subject to inappropriate conditions. On February 3, 2015 the State Contentious and Administrative Tribunal granted Cerro San Pedro an injunction against the Municipality which assures the continued operation of the mine pending the Tribunal's ruling regarding the inappropriate conditions. Cerro San Pedro may not ultimately prevail in proceedings regarding the terms and conditions of the license. This could result in a suspension or termination of operations at the Cerro San Pedro Mine and/or additional costs, any of which could adversely affect the Company's production, cash flow and profitability.

Exhibit 3


newgold™
Management's Discussion and Analysis
For the year ended December 31, 2014

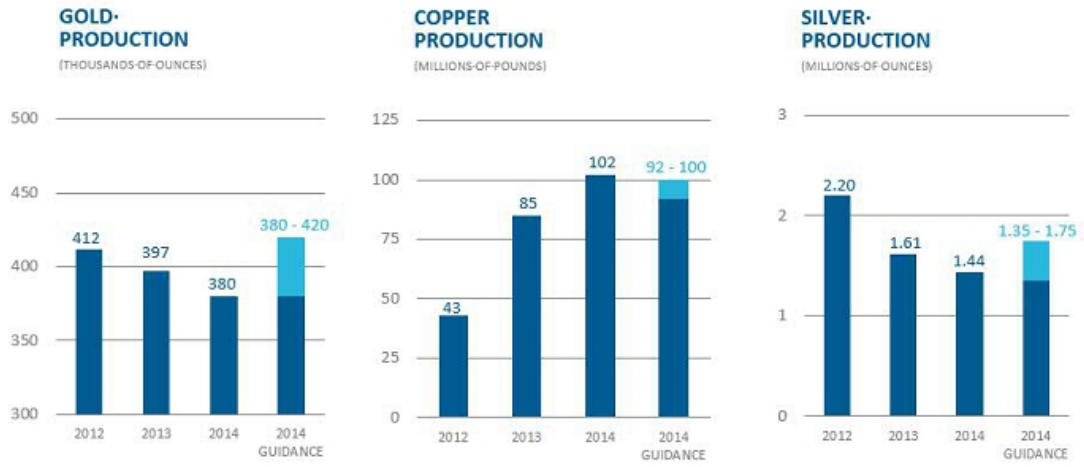
newgold™

OPERATIONAL AND FINANCIAL HIGHLIGHTS

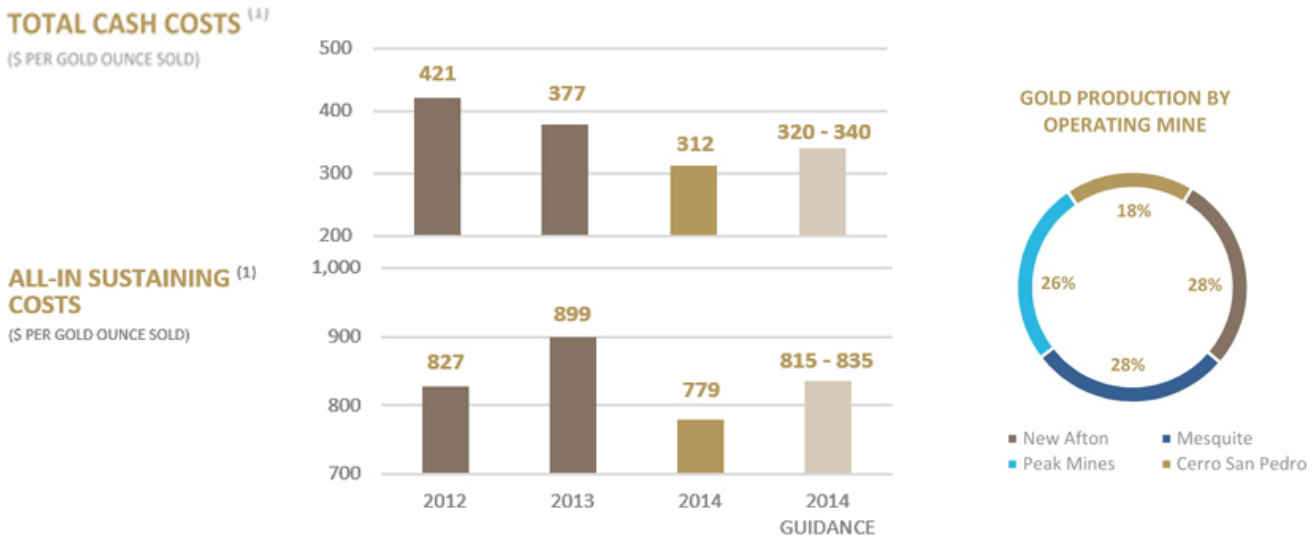
OPERATIONAL HIGHLIGHTS

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 and Chile. For the full year 2014, the New Afton Mine in Canada ("New Afton"), the Mesquite Mine in the United States ("Mesquite"), Peak Mines in Australia ("Peak Mines") and the Cerro San Pedro Mine in Mexico ("Cerro San Pedro") combined to produce 380,135 gold ounces, 101.5 million pounds of copper and 1.4 million silver ounces, achieving gold and silver production guidance and exceeding copper production guidance for 2014. The fourth quarter of 2014 represented New Gold's strongest gold production of the year with 105,992 gold ounces, 24.5 million pounds of copper and 0.4 million silver ounces produced.



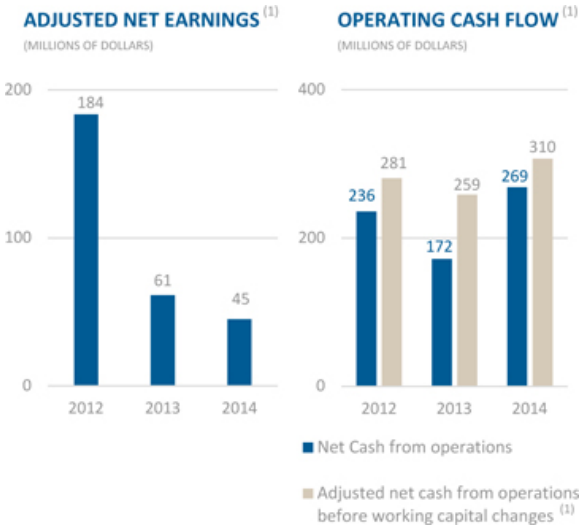
New Gold's production costs remained competitive compared to the broader gold mining space as New Gold had total cash costs[(1)] of $312 per gold ounce sold and all-in sustaining costs[(1)] of $779 per gold ounce sold, achieving costs below guidance for 2014. In the fourth quarter of 2014, New Gold achieved total cash costs[(1)] of $414 per gold ounce sold and all-in sustaining costs[(1)] of $845 per gold ounce sold. 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 liquidity of $629.0 million as of December 31, 2014. In August 2014, New Gold announced the completion of a $300.0 million revolving credit facility which replaces the Company's previous $150.0 million revolving credit facility.





(in millions of U.S. dollars, except where noted)	2014	2013	2012
OPERATING INFORMATION			
Gold production (ounces)	380,135	397,688	411,892
Gold sales (ounces)	371,179	391,823	395,535
Average realized price ($/ounce)(1)	1,256	1,337	1,551
Total cash costs per gold ounce sold ($/ounce)(1)	312	377	421
All-in sustaining costs per gold ounce sold ($/ounce)(1)	779	899	827
FINANCIAL INFORMATION			
Revenues	726.0	779.7	791.3
Net (loss) earnings	(477.1)	(191.2)	199.0
Adjusted net earnings(1)	45.2	61.3	183.5
Net cash generated from operations	268.8	171.9	235.8
Adjusted net cash generated from operations(1)	268.8	248.9	235.8
Cash and cash equivalents	370.5	414.4	687.8
Capital expenditures	279.3	289.3	516.0
SHARE DATA			
Earnings (loss) per basic share from continuing operations ($)	(0.95)	(0.39)	0.43
Adjusted net earnings per basic share(1) ($)	0.09	0.13	0.40

1. *The Company uses certain non-GAAP financial performance measures throughout the 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. *Of the $300 million credit facility, $41.7 million is utilized for letters of credit as at December 31, 2014.*

newgold

Contents

OPERATIONAL HIGHLIGHTS	1
FINANCIAL HIGHLIGHTS	2
OUR BUSINESS	4
OPERATING AND FINANCIAL HIGHLIGHTS	5
CORPORATE DEVELOPMENTS	9
CORPORATE SOCIAL RESPONSIBILITY	10
NEW GOLD'S INVESTMENT THESIS	12
OUTLOOK FOR 2015	13
KEY PERFORMANCE DRIVERS	14
FINANCIAL AND OPERATING RESULTS	17
REVIEW OF OPERATING MINES	28
DEVELOPMENT AND EXPLORATION REVIEW	42
MINERAL RESERVES AND RESOURCES UPDATE	48
FINANCIAL CONDITION REVIEW	49
NON-GAAP FINANCIAL PERFORMANCE MEASURES	55
ENTERPRISE RISK MANAGEMENT	61
CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES	68
CONTROLS AND PROCEDURES	73
CAUTIONARY NOTES	74

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and year ended December 31, 2014

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of New Gold Inc. and its subsidiaries ("New Gold" or the "Company"), including its predecessor entities. This MD&A should be read in conjunction with New Gold's audited consolidated financial statements for the years ended December 31, 2014 and 2013 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 a 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 19, 2015. 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 and Chile. The Company's principle operating assets consist of the New Afton gold-copper mine in Canada, the Mesquite gold mine in the United States, the Peak Mines gold-copper mine in Australia and the Cerro San Pedro gold-silver mine in Mexico. In addition, New Gold's principle development projects are its 100% owned Rainy River ("Rainy River") and Blackwater ("Blackwater") projects, both in Canada. New Gold also owns 30% of the El Morro ("El Morro") project located in Chile.

New Gold's operating portfolio is diverse both geographically and in the range of commodities that its operations produce. The assets produce gold with copper and silver by-products at total cash costs and all-in sustaining costs well 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 AND FINANCIAL HIGHLIGHTS

OPERATING HIGHLIGHTS

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**	**2012**
OPERATING INFORMATION					
Gold (ounces):					
Produced (1)	**105,992**	106,520	**380,135**	397,688	411,892
Sold (1)	**104,224**	104,523	**371,179**	391,823	395,535
Silver (millions of ounces):					
Produced (1)	**0.4**	0.4	**1.4**	1.6	2.2
Sold (1)	**0.4**	0.4	**1.4**	1.6	2.1
Copper (millions of pounds):					
Produced (1)	**24.5**	24.0	**101.5**	85.4	42.8
Sold (1)	**25.5**	23.8	**97.6**	82.6	35.6
Average realized price (2):					
Gold ($/ounce)	**1,188**	1,233	**1,256**	1,337	1,551
Silver ($/ounce)	**15.73**	20.10	**18.86**	23.16	30.87
Copper ($/pound)	**2.92**	3.24	**3.02**	3.24	3.56
Total cash costs per gold ounce sold (2)(3)	**414**	316	**312**	377	421
All-in sustaining costs per gold ounce sold (2)(3)	**845**	883	**779**	899	827
Total cash costs per gold ounce sold on a co-product basis (2)(3)	**695**	658	**675**	712	679
All-in sustaining costs per gold ounce sold on a co-product basis (2)(3)	**957**	1,000	**952**	1,042	988
Proven and Probable Reserves as at December 31 (4)					
Gold (thousands of ounces)	**17,646**	18,538	**17,646**	18,538	7,752
Silver (millions of ounces)	**82.0**	90.1	**82.0**	90.1	31.2
Copper (millions of pounds)	**2,821**	2,953	**2,821**	2,953	3,282
Measured and Indicated Resources as at December 31 (4)					
Gold (thousands of ounces)	**7,807**	9,134	**7,807**	9,134	13,651
Silver (millions of ounces)	**36.0**	35.0	**36.0**	35.0	100.6
Copper (millions of pounds)	**1,728**	1,552	**1,728**	1,552	779

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 our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis. If silver and copper revenues were treated as co-products, co-product total cash costs for the three months ended December 31, 2014 would be $9.12 per silver ounce (2013 – $8.67) and $1.86 per pound of copper (2013 - $1.88) and co-product all-in sustaining costs for the three months ended December 31, 2014 would be $12.60 per silver ounce (2013 - $13.22) and $2.51 per pound of copper (2013 - $2.78). For the year ended December 31, 2014 co-product total cash costs would be $9.96 per silver ounce (2013 - $10.24) and $1.77 per pound of copper (2013- $1.86) and co-product all-in sustaining costs for the year ended December 31, 2014 would be $14.12 per silver ounce (2013 -$15.09) and $2.43 per pound of copper (2013 - $2.66).*
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, see New Gold's Mineral Reserve and Resource Estimates as at December 31, 2014 in the news release entitled "New Gold Finishes 2014 Further Solidifying its Low-Cost Position; 2015 Scheduled to Deliver Production Growth in Gold, Copper and Silver", dated February 5, 2015 and our Technical Reports filed on www.sedar.com. The scientific and technical information in this MD&A has been reviewed and approved by Mark Petersen, a Qualified Person under National Instrument 43-101 and an officer of the Company.*

Gold production for the year ended December 31, 2014 was 380,135 ounces, meeting the published guidance range of 380,000 to 420,000 ounces. However, full-year production was lower when compared to prior-year production of 397,688 ounces. Production increases from New Afton and consistent production at Peak Mines and Mesquite were offset by planned lower production at Cerro San Pedro. New Afton's production increased 20% compared to the prior year as the mine increased average daily throughput levels to over 13,000 tonnes during the year. However, offsetting the production increase at New Afton was a planned production decrease at Cerro San Pedro as a result of a waste stripping initiative during the first eight months of 2014 as the Company prepares for the final year of active mining in 2015. The fourth quarter was the strongest production quarter of 2014, with gold production of 105,992 ounces compared to 93,367 ounces in the third quarter of 2014 and 106,520 ounces in the prior-year period.

Gold sales were 371,179 ounces for the year ended December 31, 2014 compared to 391,823 ounces in the prior year. Gold sales volumes were lower than the prior year primarily due to lower production. Gold sales in the fourth quarter of 2014 were 104,224 ounces, compared to 104,523 ounces in the prior-year period.

Copper production for the year ended December 31, 2014 was 101.5 million pounds, exceeding the guidance range of 92.0 to 100.0 million pounds. Copper production for the year also improved over prior-year production of 85.4 million pounds. This increase was driven by both New Afton and Peak Mines. Copper production at New Afton increased 17% compared to the prior year due to increasing throughput levels, while copper production at Peak Mines increased 27% compared to the prior year as it benefitted from higher copper grade and recovery. Copper production for the fourth quarter of 2014 was 24.5 million pounds compared to 24.0 million pounds in the prior-year period.

Copper sales were 97.6 million pounds for the year ended December 31, 2014 compared to 82.6 million pounds in the prior year. This increase was driven by increased copper production from both New Afton and Peak Mines for the year. Copper sales were 25.5 million pounds for the fourth quarter of 2014 compared to 23.8 million pounds in the prior-year period. The timing of copper sales from previous quarters increased sales above production levels in the fourth quarter of 2014.

Silver production for the year ended December 31, 2014 was 1.4 million ounces, within the production guidance range of 1.35 to 1.75 million ounces. However, silver production was lower than prior-year production of 1.6 million ounces. Cerro San Pedro's 2014 full-year production of 1.1 million ounces was below that of the prior year of 1.3 million ounces due to a combination of lower ore tonnes placed and lower grade, however, the silver contributions from New Afton and Peak Mines were both in line with expectations. Silver production in the fourth quarter of 2014 was 0.3 million ounces, consistent with the prior-year period.

Total cash costs per gold ounce sold, net of by-product sales, were $312 per ounce for the year ended December 31, 2014, compared to $377 per ounce in the prior year and below the guidance range of $320 to $340 per ounce for the year. The reduction in cash costs was primarily driven by increased copper by-product revenue from higher copper sales volumes and a benefit from weakening foreign currency exchange rates in all jurisdictions that we operate in, relative to the U.S. dollar. Total cash costs per gold ounce sold for the fourth quarter of 2014, net of by-product sales, were $414 per ounce compared to $316 per ounce in the prior-year period.

All-in sustaining costs per gold ounce sold were $779 per ounce for the year ended December 31, 2014, compared to $899 per ounce in the prior year and below the guidance range of $815 to $835 per ounce for the year. This decrease was primarily due to the lower cash cost component and lower sustaining capital expenditures offset by lower gold sales. All-in sustaining costs per gold ounce sold for the fourth quarter of 2014 were $845 per ounce compared to $883 per ounce in the prior-year period.

FINANCIAL HIGHLIGHTS

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**	**2012**
FINANCIAL INFORMATION					
Revenues	**188.1**	198.4	**726.0**	779.7	791.3
Operating margin (1)	**65.0**	76.7	**314.9**	344.2	447.0
Earnings from mine operations	**5.4**	24.0	**97.3**	166.8	330.6
Net (loss) earnings	**(431.9)**	(254.7)	**(477.1)**	(191.2)	199.0
Adjusted net earnings (loss) (1)	**13.4**	16.7	**45.2**	61.3	183.5
Net cash generated from operations	**69.9**	99.7	**268.8**	171.9	235.8
Adjusted net cash generated from operations (1)	**69.9**	93.2	**268.8**	248.9	235.8
Adjusted net cash generated from operations before changes in non-cash operating working capital (1)	**69.8**	71.8	**310.4**	258.6	280.6
Capital expenditures	**88.7**	88.2	**279.3**	289.3	516.0
Total assets	**3,881.8**	4,202.3	**3,881.8**	4,202.3	4,283.7
Cash and cash equivalents	**370.5**	414.4	**370.5**	414.4	687.8
Long-term debt	**874.3**	862.5	**874.3**	862.5	847.8
SHARE DATA					
Earnings (loss) per share:					
Basic ($)	**(0.86)**	(0.51)	**(0.95)**	(0.39)	0.43
Diluted ($)	**(0.86)**	(0.51)	**(0.95)**	(0.39)	0.42
Adjusted net earnings (loss) per basic share ($) (1)	**0.03**	0.04	**0.09**	0.13	0.40
Share price as at December 31 (TSX – Canadian dollars)	**4.99**	5.56	**4.99**	5.56	11.01
Weighted average outstanding shares (basic) (millions)	**503.9**	503.3	**503.9**	488.0	463.4

1. *The Company uses certain non-GAAP financial performance measures throughout this MD&A. Operating margin, adjusted net earnings (loss), adjusted net earnings (loss) per basic share, adjusted net cash generated from operations and adjusted net 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 $726.0 million for the year ended December 31, 2014, compared to $779.7 million in the prior year. The benefit from increased copper sales was offset by lower gold and silver sales as well as lower average realized commodity prices compared to the prior year. The average realized prices for 2014 were $1,256 per gold ounce, $3.02 per pound of copper and $18.86 per silver ounce, compared to $1,337 per gold ounce, $3.24 per pound of copper and $23.16 per silver ounce in 2013. Revenue was $188.1 million for the fourth quarter of 2014, compared to $198.4 million in the prior-year period.

Earnings from mine operations were $97.3 million for the year ended December 31, 2014, compared to $166.8 million in the prior year. The decrease in earnings from mine operations was attributed primarily to lower gold and silver sales, lower average realized commodity prices as well as an increase in non-cash depreciation. Earnings from mine operations was $5.4 million for the fourth quarter of 2014, compared to $24.0 million in the prior-year period.

Net loss of $477.1 million or $0.95 per basic share for the year ended December 31, 2014, compared to a net loss of $191.2 million or $0.39 per basic share in the prior year. The current year includes after-tax impairment charges of $393.8 million, of which $334.7 million is related to Blackwater and $59.1 million is related to Cerro San Pedro. The prior year included after-tax asset impairment charges of $206.3 million relating to Cerro San Pedro and Peak Mines.

The net loss was also impacted by the change in earnings from mine operations discussed above and the impact of items in non-operating "Other gains and losses", where a loss of $40.7 million was recorded for the year ended December 31, 2014, compared to a gain of $26.0 million in 2013. These costs were partly offset by lower exploration and finance costs as more finance costs were capitalized in 2014.

Adjusted net earnings for the year ended December 31, 2014 were $45.2 million or $0.09 per basic share, compared to $61.3 million or $0.13 per basic share in the prior year. Adjusted net earnings were impacted by the change in earnings from mine operations, partly offset by decreased exploration and finance costs. Adjusted net earnings for the fourth quarter of 2014 were $13.4 million or $0.03 per basic share, compared to adjusted net earnings of $16.7 million or $0.04 per basic share in the prior-year period.

Net cash generated from operations for the year ended December 31, 2014 was $268.8 million compared to $171.9 million in the prior year. New Afton significantly added to New Gold's net cash generated from operations, however, this benefit was offset by lower average realized prices and reduced net cash generated by Mesquite and Cerro San Pedro. Net cash generated from operations for the fourth quarter of 2014 was $69.9 million compared to $99.7 million in the prior-year period.

Adjusted net cash generated from operations before changes in working capital for the year ended December 31, 2014 was $310.4 million, compared to $258.6 million in the prior year. In the prior year, adjustments to net cash included $65.7 million of cash used to close the outstanding hedge position in May 2013, $17.9 million of Rainy River acquisition expenses and $6.6 million received relating to amended tax returns for Peak Mines. Adjusted net cash generated from operations before changes in working capital for the fourth quarter of 2014 was $69.8 million compared to $71.8 million in the prior-year period.

Cash and cash equivalents were $370.5 million at December 31, 2014 compared to $414.4 million at December 31, 2013. Net cash generated from operations of $268.8 million was offset by cash used in investing activities of $257.7 million, cash used by financing activities of $52.9 million and $2.1 million from the impact of foreign exchange on cash and cash equivalents.

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

On December 29, 2014, the shareholders of Bayfield Ventures Corp. ("Bayfield") voted in favour of a plan of arrangement with New Gold (the "Arrangement") in which Bayfield shareholders would receive 0.0477 of a New Gold common share for each Bayfield common share held. The Arrangement was closed subsequent to year end on January 1, 2015. As a result of this acquisition, New Gold acquired all of Bayfield's assets, which include a 100% interest in three mineral properties, totalling 10 square kilometres, located adjacent to New Gold's Rainy River project in northwestern Ontario. One of the three properties, the Burns Block, lies between the eastern edge of the planned open pit and the underground Intrepid zone at Rainy River.

Effective September 2014, David Schummer was appointed as Executive Vice President and Chief Operating Officer of New Gold. Mr. Schummer previously spent 22 years at Newmont Mining Corporation, ultimately becoming the Senior Vice President of African Operations. As New Gold's Chief Operating Officer, Mr. Schummer is responsible for the Company's operating mines and will work closely with Robert Gallagher, President and Chief Executive Officer, on advancing New Gold's growth projects.

On August 14, 2014, New Gold completed a $300.0 million revolving secured credit facility. The facility has a term of four years and replaces the Company's previous $150.0 million revolving credit facility. The facility further enhances the Company's financial position and provides additional financial flexibility.

DEVELOPMENT AND EXPLORATION HIGHLIGHTS OF 2014

New Afton

- The scoping study for the New Afton C-zone [(1)] was completed.
- Measured and Indicated gold resource at the New Afton C-zone increased by 51% and the C-zone copper resource increased by 58% when compared to year-end 2013.

Rainy River

- Detailed engineering 70% complete.
- Impact and Benefits Agreements completed with key First Nations and Métis.
- Subsequent to year end, received Federal and Provincial approval of Environmental Assessment.
- Subsequent to year end, New Gold completed the acquisition of Bayfield on January 1, 2015 further consolidating New Gold's holdings in the district.

1. *For further information on the New Afton C-zone, please refer to the "Development and Exploration Review" section of this MD&A.*

CORPORATE SOCIAL RESPONSIBILITY

New Gold is committed to excellence in corporate social responsibility. We consider our ability to make a lasting and positive contribution toward sustainable development a key driver to achieving a productive and profitable business. We aim to achieve these objectives through the protection of the health and well-being of our people and our 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"), our operations adopt the MAC's Towards Sustainable Mining protocols.

New Gold's corporate social responsibility objectives include promoting and protecting the welfare of our employees through safety-first work practices, upholding fair employment practices and encouraging a diverse workforce, where people are treated with respect and are supported to realize their full potential. At New Gold, we believe that our people are our most valued assets. We strive to create a culture of inclusiveness that begins at the top and is reflected in our hiring, promotion and overall human resources practices. We encourage tolerance and acceptance in worker-to-worker relationships. In each of our host communities, we strive 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.

We are committed to preserving the long-term health and viability of the natural environments that host our operations. Wherever New Gold operates – in all stages of mining activity, from early exploration and planning, to commercial mining operations through to eventual closure – we are committed to excellence in environmental management. From the earliest site investigations, we carry out comprehensive environmental studies to establish baseline measurements for flora, fauna, earth, air and water. During operations we promote the efficient use of raw materials and resources, work to minimize environmental impacts and maintain robust monitoring programs. After mining activities are complete, our objective is to restore the land to a level of productivity equivalent to its pre-mining capacity or to an alternative land-use determined through consultation with local stakeholders.

We are committed to establishing relationships based on mutual benefit and active participation with our host communities to contribute to healthy and sustainable communities. Wherever our operations interact with Indigenous peoples, we promote understanding of, and respect for traditional values, customs and culture. We take meaningful action to consider their interests through collaborative agreements aimed at creating jobs, training and lasting socio-economic benefits. We foster open communication with local residents and community leaders and strive to partner in the long-term sustainability of those communities. We believe that by thoroughly understanding the people, their histories, and their needs and aspirations, we can engage in a meaningful and sustainable development process.

ENVIRONMENTAL HIGHLIGHTS OF 2014

- New Gold Environmental Standards were implemented at all New Gold operations.
- New Afton was nominated as a finalist for the Platts Global Energy award for becoming first mine in North America to achieve ISO 50001 Energy Management Systems certification.
- Cerro San Pedro achieved certification under the International Cyanide Management Code.
- Subsequent to year end, 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 Rainy River.
- The updated Environmental Impact Assessment for Blackwater was submitted.

COMMUNITY HIGHLIGHTS OF 2014

- New Gold Community Engagement and Development Standards were implemented at all New Gold operations.
- New Gold achieved compliance with the World Gold Council Conflict Free Gold Standard.
- Cerro San Pedro engaged employees and local community members in identifying priorities for local economic development.
- Rainy River successfully concluded an Impacts and Benefits Agreement with the Rainy River First Nations and Naicatchewenin First Nation on October 10, 2014 and Participation Agreements with the Métis Nation of Ontario on November 6, 2014.

2015 INITIATIVES

- Implementation of the Cerro San Pedro Community Entrepreneurship Development Program in partnership with local universities and Sustainable Economic Futures, as part of the closure planning process.
- Review of tailings management practices and design across New Gold operations.
- Negotiation toward forming mutually beneficial Participation Agreements with affected First Nations.

NEW GOLD'S INVESTMENT THESIS

Our primary focus is the exploration, development and operation of our portfolio of gold assets. We currently have an established foundation with our four producing assets providing us with the cash flow that should position us to grow the business organically as we further explore and develop our 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, and the Company's 30% interest in the El Morro project in Chile. All assets are located in jurisdictions that have been ranked in the top five mining jurisdictions based on the Behre Dolbear Report "2014 Ranking of Countries for Mining Investment". In 2014, 28% of our gold revenue was generated from Canada, 28% from the United States, 26% from Australia and 18% from Mexico, and over 70% 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 2014, New Gold achieved its production and outperformed its cost guidance. New Gold produced 380,135 gold ounces at total cash costs of $312 per gold ounce sold net of by-product sales and all-in sustaining costs of $779 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 profiles. As at December 31, 2014, Rainy River contains Proven and Probable Mineral Reserves of 3.8 million gold ounces and 9.4 million silver ounces, Blackwater contains Proven and Probable Mineral Reserves of 8.2 million gold ounces and 60.8 million silver ounces and El Morro provides New Gold with 2.7 million gold ounces of Proven and Probable Mineral Reserves. The capital cost for El Morro is fully funded by our 70% partner, Goldcorp Inc.

A HISTORY OF VALUE CREATION

Since the middle of 2008, New Gold has grown through the combination of largely single asset companies which has further strengthened the Company. New Gold has also continued to look for opportunities to increase the value of each of its operations organically. In 2014, New Gold increased the C-zone Measured and Indicated gold and copper resources through infill drilling and completed the acquisition of Bayfield which consolidates New Gold's position in the Rainy River district. The experience of our management team and Board of Directors has allowed the Company to be opportunistic in its corporate development initiatives.

OUTLOOK FOR 2015

	Gold Production	Copper Production	Silver Production	Total Cash Costs[1]	All-in Sustaining Costs[1]
	(thousands of ounces)	*(millions of pounds)*	*(millions of ounces)*	*(per gold ounce sold)*	*(per gold ounce sold)*
New Afton	105 - 115	85 - 95	-	($1,070) - ($1,030)	($560) - ($520)
Mesquite	110 - 120	-	-	$925 - $965	$1,290 - $1,330
Peak Mines	85 - 95	15 - 17	-	$660 - $700	$1,005 - $1,045
Cerro San Pedro	90 - 100	-	1.75 - 1.95	$955 - $995	$1,005 - $1,045
Total	390 - 430	100 - 112	1.75 - 1.95	$340 - $380	$745 - $785

1. *Net of by-product silver and copper revenues.*

Production

In 2015, New Gold is scheduled to deliver production increases in all three of the metals that the Company produces. Consolidated gold production is expected to increase approximately 8% relative to 2014, driven by targeted production increases at three of the Company's four operations. At the same time, copper production is scheduled to increase by approximately 4% with the benefit of the planned mill expansion at New Afton, and silver production should increase by over 25% as Cerro San Pedro places more ore on its leach pad.

Consistent with previous years, New Gold's 2015 full-year production is not scheduled to be evenly distributed across the four quarters. The first half of 2015 is expected to contribute approximately 45% of the full-year production, with the balance of production scheduled for the second half of the year.

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

The Company's 2015 all-in sustaining costs are expected to remain among the lowest in the industry and stay consistent with the low costs of $779 per ounce achieved in 2014. Total cash costs, which form a component of all-in sustaining costs, are expected to increase slightly when compared to cash costs of $312 per ounce in 2014. This is driven by the combination of the increased production weighting from the Company's higher cost mines and the lower by-product pricing assumptions for 2015 of $2.75 per pound of copper and $16.00 per ounce of silver, relative to the prices of $3.02 per pound of copper and $18.86 per ounce of silver realized in 2014. At the same time, the 2015 assumptions for the Canadian dollar, Australian dollar and Mexican peso exchange rates of $1.25, $1.25 and $15.00 to the U.S. dollar, as well as a $2.25 per gallon assumption for Mesquite's diesel price, should benefit costs relative to the actual 2014 rates.

Category	Copper Price	Silver Price	AUD/USD	CDN/USD	MXN/USD	Diesel
Base Assumption	**$2.75**	**$16.00**	**$1.25**	**$1.25**	**$15.00**	**$2.25**
Sensitivity	**+/- $0.25**	**+/- $1.00**	**+/- $0.05**	**+/- $0.05**	**+/- $1.00**	**+/- $0.25**
COST PER OUNCE IMPACT						
New Afton	+/-$200	-	-	+/-$90	-	-
Mesquite	-	-	-	-	-	+/-$15
Peak Mines	+/-$40	-	+/-$90	-	-	-
Cerro San Pedro	-	+/-$20	-	-	+/-$50	-
Total	+/-$65	+/-$5	+/-$20	+/-$25	+/-$10	+/-$5

Capital Expenditures and Other Costs

New Gold's 2015 total sustaining capital, exploration, general and administrative, and amortization of reclamation expenditures are scheduled to be approximately $65 per ounce below those of 2014. These are the additional cost components, in addition to total cash costs, that comprise all-in sustaining costs.

KEY PERFORMANCE DRIVERS

There is a range of key performance drivers that is critical to the successful implementation of New Gold's strategy and the achievement of its goals. The key internal drivers are production volumes and costs. The key external drivers are spot prices of gold, copper and silver, as well as foreign exchange rates.

Production Volumes and Costs

New Gold's portfolio of operating mines produced 380,135 gold ounces for the full year and 105,992 gold ounces in the fourth quarter of 2014.

Full year 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, net of by-product sales, were $414 and $845 per gold ounce sold, respectively.

New Gold continues to deliver against guidance with respect to the key internal drivers.

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, 2014, New Gold achieved an average realized gold price of $1,256 per ounce compared to the London PM fix average gold price of $1,266 per ounce. For the fourth quarter of 2014, New Gold achieved an average realized gold price of $1,188 per ounce compared to the London PM fix average gold price of $1,200 per ounce. New Gold achieved a lower realized gold price compared to the London PM fix 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 marked-to-market of un-settled ounces at the end of the year.

The outlook for the gold price remains subject to volatility in the near term, but as interest rates remain low and the economic recovery is uncertain, the fundamentals that support the gold price remain in place. As a lower 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 our growth projects.

Copper Prices

For the year ended December 31, 2014, New Gold achieved an average realized copper price of $3.02 per pound compared to the average London Metals Exchange copper price of $3.11 per pound. The current year was moderately impacted by certain 2013 sales settling in 2014 at a lower copper price than recorded at year end 2013. For the fourth quarter of 2014, New Gold's average realized copper price was $2.92 per pound compared to the average London Metals Exchange copper price of $3.00 per pound.

Silver Prices

For the year ended December 31, 2014, New Gold had an average realized silver price of $18.86 per ounce compared to an average London PM fix price of $19.02 per ounce. For the fourth quarter of 2014, New Gold had an average realized silver price of $15.73 per ounce compared to an average London PM fix price of $16.22 per ounce.

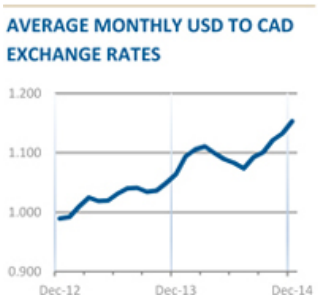
Foreign Exchange Rates

The Company operates in Canada, the United States, Australia, Mexico and Chile, 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, Rainy River and Blackwater, 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 9% for the full year 2014 and weakened by approximately 4% in the fourth quarter of 2014. A weaker Canadian dollar decreases costs in U.S. dollar terms at the Company's Canadian operations, as well as the capital cost at the Company's Canadian development properties.

The Australian dollar weakened against the U.S. dollar by approximately 9% for the full year 2014 and weakened by approximately 7% in the fourth quarter of 2014. A weaker Australian dollar decreases costs in U.S. dollar terms at the Company's Australian operations, Peak Mines.

The Mexican peso weakened against the U.S. dollar by approximately 13% for the full year 2014 and weakened by approximately 10% in the fourth quarter of 2014. 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 as significant a driver of U.S. dollar-denominated costs.







For an analysis of the impact of foreign exchange fluctuations on operating costs in 2014 relative to 2013, refer to the “Review of Operating Mines” sections for New Afton, Peak Mines and Cerro San Pedro for details.

Economic Outlook

Metal prices moved through the final quarter of 2014, with gold ending flat over both the quarter and the year. Copper declined on global growth concerns, particularly in China, which outweighed the relatively positive news from the U.S. economy. Interest rates and inflation both remain low and are likely to remain so for the foreseeable future, and in early 2015 the European Central Bank unveiled a quantitative easing program while the Canadian central bank, among others, cut interest rates further. The U.S. dollar has continued to strengthen relative to most major currencies, with the markets considering the U.S. the most likely contender to lead the return to more normal growth rates. U.S. dollar strength increases purchasing power compared to gold as well as other goods, services and currencies, putting pressure on the gold price, which is denominated in U.S dollars. Nevertheless, as other currencies weaken, particularly the Canadian dollar, New Gold tends to benefit, as revenues are denominated in U.S. dollars while costs are incurred largely in non-U.S. currencies. 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.

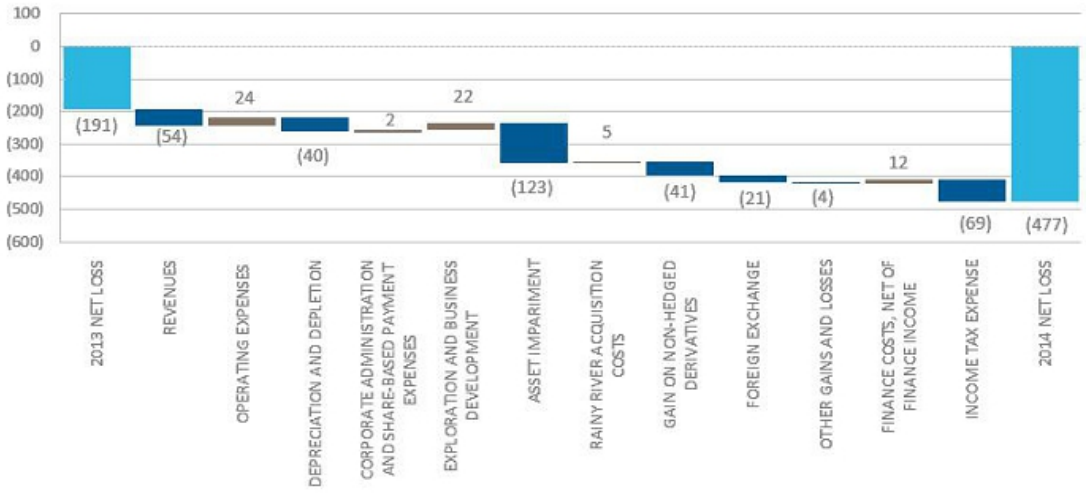
Economic events can have significant effects on the price of gold, through currency rate fluctuations, the relative strength of the U.S. dollar, supply of and demand for gold, and macroeconomic factors such as interest rates and inflation expectations. Management anticipates that the long-term economic environment should provide support for precious metals and for gold in particular, and believes the prospects for the business are favourable. The Company has not hedged foreign exchange rates or metal prices, with the exception of the gold hedge mandated by Mesquite’s 2008 project financing that was monetized on May 15, 2013. 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 AND OPERATING RESULTS

Summary of Annual Financial and Operating Results

RECONCILIATON OF NET EARNINGS – 2013 TO 2014

(IN MILLIONS OF DOLLARS)



Production

New Gold's consolidated gold production in 2014 was 380,135 ounces compared to 397,688 ounces in 2013. Production increases from New Afton and consistent production at Peak Mines and Mesquite were offset by planned lower production at Cerro San Pedro. New Afton's production increased 20% compared to the prior year as the mine increased average daily throughput levels to over 13,000 tonnes during the year. However, production at Cerro San Pedro was lower than the prior year as mining activity in the first eight months of 2014 was primarily focused on a waste stripping initiative to prepare for the final year of active mining in 2015.

Consolidated copper production increased in 2014 to 101.5 million pounds compared to 85.4 million pounds in 2013, representing a 19% increase as a result of increased production from both New Afton and Peak Mines.

Consolidated silver production decreased in 2014 to 1.4 million ounces, compared to 1.6 million ounces in 2013, due to lower silver production at Cerro San Pedro partly offset by increases at New Afton and Peak Mines.

Revenue

Revenue for 2014 was $726.0 million compared to $779.7 million in the prior year. The decrease in revenue was due to increased copper sales volumes being only partially offset by lower gold sales and the decrease in commodity prices of all metals. Additionally, revenue was impacted by the reclassification of the loss on the monetization of the hedge of $27.3 million compared to $18.7 million in the prior year. The average realized prices for 2014 were $1,256 per gold ounce, $3.02 per pound of copper and $18.86 per silver ounce, compared to $1,337 per gold ounce, $3.24 per pound of copper and $23.16 per silver ounce in the prior year.

Operating expenses

Operating expenses were $411.1 million in 2014 compared to $435.5 million in the prior year. The decrease in operating expenses is primarily driven by New Afton and Peak Mines reflecting improved operational efficiencies, offset by increased expenses from cyanide and reagent costs incurred at Cerro San Pedro in an effort to increase recoveries through side slope leaching.

Depreciation and depletion
Depreciation and depletion was $217.6 million in 2014, compared to $177.4 million in the prior year, primarily due to increased depreciation at New Afton from increased production and a change to the reserve base at December 31, 2013, which is the basis for units of production depletion in 2014.

Earnings from mine operations
Earnings from mine operations were $97.3 million in 2014, compared to $166.8 million in the prior year. Earnings from mine operations were primarily impacted by lower average realized commodity prices as well as increased depreciation at New Afton, partly offset by lower operating costs at New Afton and Peak Mines.

Corporate administration
Corporate administration costs were $25.4 million in 2014, compared to $26.7 million in the prior year. These costs were positively impacted by the weaker Canadian dollar.

Share-based compensation
Share-based compensation costs were $7.5 million in 2014, compared to $8.5 million in the prior year. The reduction primarily reflects a decrease in options granted that relate to 2014 as well as a lower fair value for options granted.

Exploration and business development
Exploration and business development costs were $11.8 million in 2014, compared to $34.1 million in the prior year. The current year included a refundable tax credit of $3.6 million at Blackwater related to the British Columbia Mining Exploration Tax Credit. The prior year included exploration costs relating to the C-zone exploration program at New Afton, which were capitalized in 2014.

Impairment of non-monetary assets
In the fourth quarter of 2014, New Gold determined that there were triggering events to test for impairment at Mesquite, Cerro San Pedro, Blackwater and El Morro. The Company has identified the revised production profile of Mesquite and Cerro San Pedro, along with the reduction in Blackwater activity and the continued delays imposed in connection with various legal challenges at the El Morro project as indicators of impairment and performed an impairment assessment to determine the recoverable amount of these cash generating units (“CGUs”).

It has been determined that the fair value of the Cerro San Pedro CGU has been significantly impacted by the short and medium-term gold and silver commodity prices and the revised expected residual leach production profile, and the fair value of the Blackwater CGU has been significantly impacted by the timing of expected cash flows and the lower in-situ resource value applied to longer term development projects, in addition to a lower gold price assumption. As a result of this impairment testing, the Company recorded an after-tax impairment expense of $334.7 million for Blackwater and $59.1 million for Cerro San Pedro for a total of $393.8 million. The recoverable amount of Mesquite and El Morro exceeded their carrying value and accordingly no impairment charges were recorded for these CGUs.

This compares to $206.3 million in the prior year due to impairment of Cerro San Pedro and Peak Mines. This amount will be added back for purposes of adjusted earnings.

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

Non-hedged derivatives

For the year ended December 31, 2014, the Company recorded a gain of $8.5 million compared to a gain of $49.3 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.

Foreign exchange

For the year ended December 31, 2014, the Company recognized a foreign exchange loss of $47.5 million compared to a loss of $25.7 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 by 9% compared to the U.S. dollar in the year.

Ineffectiveness of hedge instruments

For the year ended December 31, 2014, there was no gain or loss recorded for the ineffective portion of the gold hedge. New Gold eliminated the remaining hedge position in May 2013 which resulted in a gain of $9.5 million in 2013.

Income tax

Income and mining tax expense for 2014 was $67.6 million compared to a recovery of $0.4 million in the prior year, reflecting an effective tax rate of 17% in 2014 compared to 0.2% in 2013. The primary reason for the higher tax expense in 2014 is a $46.8 million tax expense related to the change in the tax rate used in Chile from 20% to 35% due to the enactment of new legislation which was published in the *Chilean Official Gazette* on September 29, 2014. The Company also wrote off deferred tax liabilities of $2.0 million and increased the unrecognized deferred tax asset by $18.3 million as a result of the impairment at Cerro San Pedro. The impairment at Blackwater also resulted in an increase in the effective tax rate for 2014 as the Company did not write off deferred tax liabilities, as no deferred tax liability was originally set up on acquisition of Blackwater in 2011.

The Company continues to monitor tax legislation in each of the jurisdictions where it operates. In 2014, the Company recognized additional deferred tax liabilities of $46.8 million in Chile as a result of the enactment of an increase in the tax rate from 20% to 35%. In 2013, the Company recognized additional deferred tax liabilities of $3.0 million in Mexico as a result of the enactment of the 2014 Mexican Tax Reform by the Mexican Senate in December 2013.

In 2014, the Company did not recognize a deferred tax asset in Mexico of $34.0 million following the impairment of the mining assets in Mexico as it cannot meet the more likely than not criteria for recognizing the asset. Additionally, the Company reassessed the deferred tax asset with respect to the Alternate Minimum Tax ("AMT") credits and only recognized the deferred tax asset that meets the more likely than not recognition criteria at its U.S. operation. For the 2014 year end, the Company did not recognize $5.6 million of deferred tax asset relating to AMT credits at the Mesquite operation.

During the year, the Company received tax refunds in the amount of $4.0 million compared to taxes paid of $31.7 million in the prior year. The decrease in cash tax payments is primarily due to the geographical mix of profits. Specifically, a higher proportion of profits in 2014 was earned in Canada where the Company is utilizing its tax attributes compared to the prior-year period where a greater proportion of profits was earned in the U.S., Australia and Mexico. Additionally, the Company also received $24.4 million of refundable tax credits provided by the Province of British Columbia as an incentive for exploration. This compares to $5.7 million in 2013.

On an adjusted net earnings basis, the effective tax rate for 2014 was 30% compared to 31% in the prior year. The adjusted effective tax rates exclude the impact of the hedge settlement, the impact of any asset impairments and any associated changes in the recognition of deferred tax assets, as well as the impact of the tax rate change in Chile.

Net loss

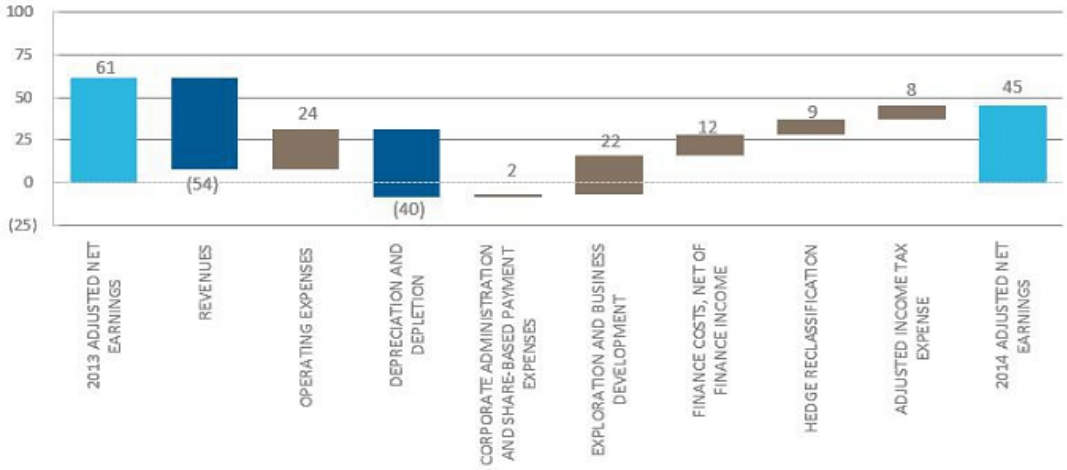
For the year ended December 31, 2014, New Gold had a net loss of $477.1 million, or $0.95 per basic share, primarily due to an impairment charge in the fourth quarter of 2014. This compares with a net loss of $191.2 million, or $0.39 per basic share in the prior year.

Adjusted net earnings

For the year ended December 31, 2014, adjusted net earnings were $45.2 million or $0.09 per basic share, compared to $61.3 million or $0.13 per basic share in the prior year.

RECONCILIATON OF ADJUSTED NET EARNINGS – 2013 TO 2014

(IN MILLIONS OF 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 fair value changes for share purchase warrants; foreign exchange gain or loss; and other non-recurring items. Net loss is also adjusted for asset impairment, inventory write-downs, transaction costs related to Rainy River and severance charges. Other adjustments to the net loss 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 year, the net loss is adjusted for charges related to an asset impairment at Cerro San Pedro and Blackwater and an inventory write-down primarily at Cerro San Pedro. In the prior year, the net loss was adjusted for asset impairment charges primarily related to Cerro San Pedro, transaction costs related to Rainy River, silver inventory write-down at Cerro San Pedro and severance charges at Peak Mines and New Afton. 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 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
OPERATING INFORMATION									
Gold production (ounces)	**105,992**	93,367	89,460	91,317	106,520	94,038	102,435	94,695	112,883
Gold sales (ounces)	**104,224**	88,168	84,736	94,052	104,523	94,082	98,037	95,181	109,766
Revenues	**188.1**	169.3	178.1	190.5	198.4	196.0	183.5	201.8	250.9
Net (loss) earnings	**(431.9)**	(59.6)	16.2	(1.8)	(254.7)	12.2	15.0	36.3	123.9
Per share:									
Basic	**(0.86)**	(0.12)	0.03	0.00	(0.51)	0.02	0.03	0.08	0.26
Diluted	**(0.86)**	(0.12)	0.03	0.00	(0.51)	0.02	0.03	0.08	0.26
Adjusted net earnings (loss)	**13.4**	5.4	8.2	18.2	16.7	20.0	4.3	20.6	49.7
Per share:									
Basic	**0.03**	0.01	0.02	0.04	0.04	0.04	0.01	0.04	0.11
Diluted	**0.03**	0.01	0.02	0.04	0.03	0.04	0.01	0.04	0.11

Production

The Company's consolidated gold production during the fourth quarter of 2014 was 105,992 ounces compared to 93,367 ounces in the third quarter of 2014 and 106,520 ounces in the prior-year period. Production in the fourth quarter of 2014 was the strongest of the year as scheduled increases in production at Mesquite and Cerro San Pedro were offset by a decrease in production at Peak Mines due to unscheduled mill downtime. At Peak Mines, a total of seven days was lost due to a combination of a SAG mill motor failure as well as a belt tear on the SAG mill feed conveyor.

Consolidated copper production during the fourth quarter of 2014 was 24.5 million pounds compared to 24.0 million pounds in the prior-year period as copper production increased at Peak Mines from higher copper grade and increased recovery.

Consolidated silver production during the fourth quarter of 2014 was 0.4 million ounces compared to 0.4 million ounces in the prior-year period. Increased silver production at New Afton and Peak Mines was offset by lower production at Cerro San Pedro.

Impairment of non-monetary assets

The Company has determined that each mine site and development project qualify as an individual CGU. 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 Mesquite CGU and Cerro San Pedro CGU (both operating mines) and the Blackwater CGU and El Morro CGU (both development properties). At Mesquite and Cerro San Pedro, the Company updated its Mineral Reserves and Mineral Resources statements, which has reduced the Mineral Reserves and Mineral Resource estimate at the CGUs, and updated the respective Life-of-Mine ("LOM") plans, which revised the expected production profiles for each mine going forward. At Blackwater, the decision was made to close the exploration camp and slow down related project activity. On October 7, 2014 the Chilean Supreme Court invalidated the El Morro project's environmental permit and the permit was subsequently withdrawn by Sociedad Contractual Minera El Morro. The Company has identified the revised production profile of Mesquite and Cerro San Pedro along with the reduction in Blackwater activity and the continued delays imposed in connection with various legal challenges at El Morro as indicators of impairment and performed an impairment assessment to determine the recoverable amount of these CGUs.

For the year ended December 31, 2014, the Company recorded after-tax impairment charges of $393.8 million within income from operations (2013 - $206.3), as noted below:

	Year ended December 31, 2014		
(in millions of U.S. dollar, except where noted)	**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 before tax	**61.1**	**334.7**	**395.8**
Tax recovery	**(2.0)**	**-**	**(2.0)**
Total after tax	**59.1**	**334.7**	**393.8**

	Year ended December 31, 2013		
(in millions of U.S. dollars, except where noted)	**Cerro San Pedro**	**Peak Mines**	**Total**
IMPAIRMENT CHARGE INCLUDED WITHIN INCOME FROM OPERATIONS			
Cerro San Pedro plant & equipment	3.5	-	3.5
Cerro San Pedro depletable mining interest	191.9	-	191.9
Cerro San Pedro non-depletable mining interest	70.7	-	70.7
Peak Mines depletable mining interest	-	6.4	6.4
Total before tax	266.1	6.4	272.5
Tax recovery	(64.2)	(2.0)	(66.2)
Total after tax	201.9	4.4	206.3

(i) Methodology and key assumptions

Impairment is recognized when the carrying amount of a CGU exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each operating mine and development project represents a separate CGU as each mine site or project has the ability to, or the potential to, generate cash inflows that are separately identifiable and independent of each other. The Company has the following CGUs: New Afton, Mesquite, Peak Mines, Cerro San Pedro, Rainy River, Blackwater and El Morro. 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 one to 17 years with an average mine life of 10 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 using 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 and active development CGUs while a lower in-situ value has been applied to longer term development projects. Estimated exploration potential has been determined by the Company based on industry standard multiples.

Land Holdings

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

Discount rates

When discounting estimated future cash flows, the Company uses a real after-tax discount rate that 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, 2014 impairment analysis, real discount rates of between 5% and 8% 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, 2014 impairment analysis the following commodity prices and exchange rate assumptions were used:

	Year ended December 31, 2014	
(in U.S. dollars, except where noted)	**2015 - 2019 Average**	**Long term**
COMMODITY PRICES		
Gold ($/ounce)	**1,260**	**1,300**
Silver ($/ounce)	**20.14**	**20.00**
Copper ($/pound)	**3.20**	**3.00**
EXCHANGE RATES		
CAD:USD	**1.13**	**1.11**
AUD:USD	**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, 2014, it was determined that there were indicators of impairment for the Mesquite CGU, Cerro San Pedro CGU, the Blackwater CGU and the El Morro 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, 2014 the Company recorded pre-tax impairment charges of $395.8 million, $393.8 million net of tax (2013 - $272.5 million, $206.3 million net of tax) within income from operations related to CGU level impairments, as noted above.

The fair value of the Cerro San Pedro CGU has been significantly impacted by the short and medium-term gold and silver commodity prices and the revised expected residual leach production profile. The fair value of the Blackwater CGU has been significantly impacted by the timing of expected cash flows and the lower in-situ value applied to longer term development projects, in addition to a lower gold price assumption.

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.

(iii) Sensitivity analysis

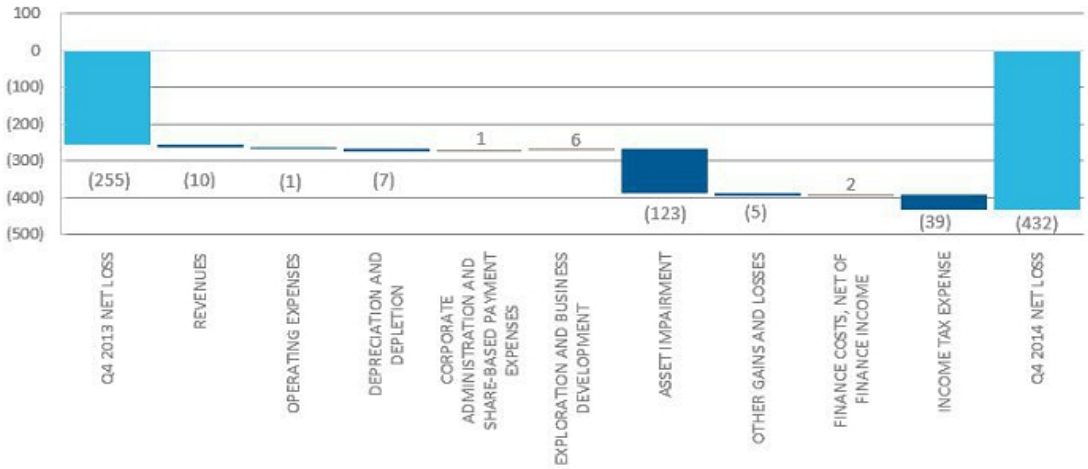
After effecting the impairments for Cerro San Pedro and Blackwater, the fair value of each of these CGUs is assessed as being equal to their respective carrying amounts as at December 31, 2014. Any variation in the key assumptions used to determine fair value would result in a change of the assessed 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 Cerro San Pedro and Blackwater at December 31, 2014:

	Year ended December 31, 2014	
(in millions of U.S. dollars, except where noted)	**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**

Summary of Quarterly Financial and Operating Results

RECONCILIATON OF FOURTH QUARTER NET EARNINGS – 2013 TO 2014

(IN MILLIONS OF DOLLARS)



Revenue

Revenue was $188.1 million for the fourth quarter of 2014, compared to $198.4 million in the prior-year period. When compared to previous quarters of 2014, increased gold and copper sales were the primary drivers of increased revenue despite declines in average realized commodity prices. The decrease in revenue compared to the prior-year period is driven primarily by increased copper sales and consistent gold sales being offset by the decrease in average realized commodity prices. The average realized prices for the fourth quarter of 2014 were $1,188 per gold ounce, $2.92 per pound of copper and $15.73 per silver ounce, compared to $1,233 per gold ounce, $3.24 per pound of copper and $20.10 per silver ounce in the prior-year period.

Operating expenses

Operating expenses for the fourth quarter of 2014 were $123.1 million compared to $121.7 million in the prior-year period. Operating expenses include an inventory write-down of $9.1 million compared to $6.5 million in the prior-year period.

Depreciation and depletion

Depreciation and depletion for the fourth quarter of 2014 was $59.6 million compared to $52.7 million for the prior-year period, primarily due to increased depreciation at New Afton due to increased production and a change to the reserve base at December 31, 2013, which is the basis for units of production depletion in 2014.

Earnings from mine operations

Earnings from mine operations for the fourth quarter of 2014 were $5.4 million compared with $24.0 million in the prior-year period. The decrease in earnings from mine operations is attributed primarily to lower average realized commodity prices and increased depreciation.

Corporate administration

Corporate administration costs were $5.2 million in the fourth quarter of 2014 compared to $5.6 million incurred in the prior-year period. These costs were positively impacted by the weaker Canadian dollar.

Share-based compensation
Share-based compensation costs were $1.5 million in the fourth quarter of 2014 compared to $2.0 million the prior-year period. This reflects a decrease in options granted that relate to 2014 as well as a lower fair value for options granted.

Exploration and business development
Exploration and business development recovery was $0.6 million in the fourth quarter of 2014 compared to an expense of $5.7 million for the prior-year period. This was due to the Company receiving a refundable tax credit of $3.6 million at Blackwater related to the British Columbia Mining Exploration Tax Credit. Exploration was primarily incurred on Peak Mines and the Blackwater project. The prior year included exploration costs relating to the C-zone exploration program at New Afton.

Impairment of non-monetary assets
For details on impairment of non-monetary assets, refer to the "Key Quarterly Operating and Financial Information" section of this MD&A.

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

Non-hedged derivatives
In the fourth quarter of 2014, the Company recorded a gain of $4.1 million related to the mark-to-market of the share purchase warrants. This compares to a gain of $4.5 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.

Foreign exchange
In the fourth quarter of 2014, the Company recognized a foreign exchange loss of $21.4 million compared to a loss of $13.9 million in the prior-year period. The foreign exchange loss is due to the revaluation of the monetary assets and liabilities to the balance sheet date and the depreciation of the Canadian and Australian dollars during the fourth quarter of 2014.

Income tax
Income and mining tax expense in the fourth quarter of 2014 was $11.4 million compared to a recovery of $27.1 million in the prior-year period, reflecting an effective tax rate of 3% for the fourth quarter of 2014 compared to 10% in the prior-year period. The primary reason for the lower tax expense in the fourth quarter of 2014 is the reversal of deferred tax liabilities of $2.5 million and an increase in the unrecognized deferred tax asset by $18.3 million as a result of the asset impairment at Cerro San Pedro. The primary reason for the recovery in the fourth quarter of 2013 was due to the reversal of deferred tax liabilities in Mexico and Australia, as a result of the asset impairment. The Company did not write off deferred tax liabilities on the impairment of Blackwater as no deferred tax liability was originally set up on acquisition in 2011.

On an adjusted net earnings basis, the effective tax rate in the fourth quarter of 2014 was 21% compared to 19% in the prior-year period. The adjusted effective tax rate excludes the impact of the hedge settlement, the impact of any asset impairments and any associated changes in the recognition of deferred tax assets

Net loss

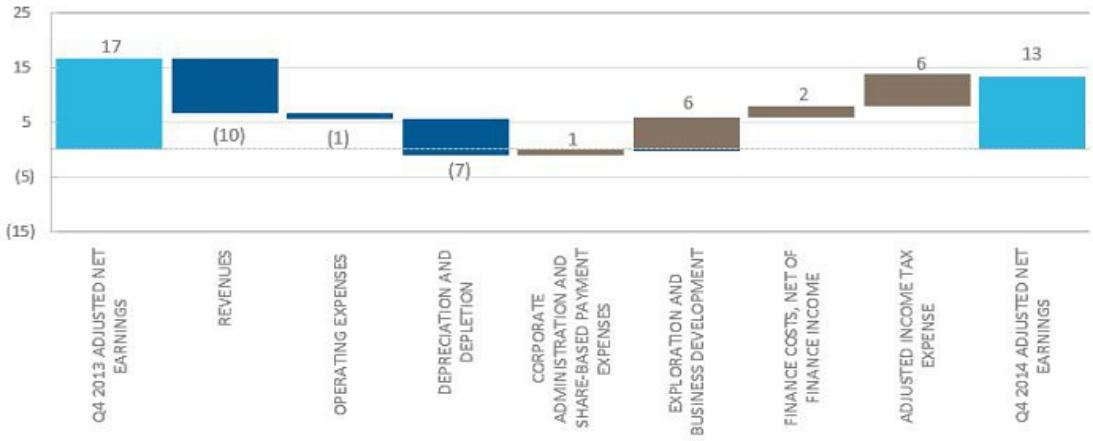
For the fourth quarter of 2014, New Gold had a net loss of $431.9 million, or $0.86 per basic share, primarily driven by impairment charges in the quarter. This compares with a net loss of $254.7 million, or $0.51 per basic share in the prior-year period.

Adjusted net earnings

For the fourth quarter of 2014, adjusted net earnings were $13.4 million or $0.03 per basic share, compared to adjusted net earnings of $16.7 million or $0.04 per basic share in the prior-year period.

RECONCILIATON OF FOURTH QUARTER ADJUSTED NET EARNINGS – 2013 TO 2014

(IN MILLIONS OF 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 fair value changes for share purchase warrants; foreign exchange gain or loss; and other non-recurring items. Net loss is also adjusted for asset impairment, inventory write-downs, transaction costs related to Rainy River and severance charges. Other adjustments to net loss 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 Cerro San Pedro and Blackwater and an inventory write-down primarily at Cerro San Pedro. In the prior year, the net loss was adjusted for asset impairment charges primarily relating to Cerro San Pedro, transaction costs related to Rainy River, silver inventory write-down at Cerro San Pedro and severance charges at Peak Mines and New Afton. 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.

REVIEW OF OPERATING MINES

New Afton Mine, British Columbia, Canada

The New Afton gold-copper Mine is located in Kamloops, British Columbia, Canada. The mine is a large underground gold-copper deposit. New Afton's property package consists of the nine square kilometre Afton mining lease which centers on the New Afton Mine as well as 118 square kilometres of exploration licenses covering multiple mineral prospects within the historic Iron Mask mining district. At December 31, 2014, the mine had 0.8 million ounces of Proven and Probable gold Mineral Reserves and 781 million pounds of Proven and Probable copper Mineral Reserves, with 1.8 million ounces of Measured and Indicated gold Mineral Resources, exclusive of Mineral Reserves, and 1.4 billion 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

2015 GUIDANCE:
GOLD: 105,000 - 115,000 OUNCES
COPPER: 85 - 95 MILLION POUNDS
TOTAL CASH COSTS/OZ: ($1,070) - ($1,030)
ALL-IN SUSTAINING COSTS/OZ: ($560) - ($520)

2014 PRODUCTION:
GOLD: 104,589 OUNCES
COPPER: 84.5 MILLION POUNDS
TOTAL CASH COSTS/OZ: ($1,248)
ALL-IN SUSTAINING COSTS/OZ: ($650)

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**	**2012**
OPERATING INFORMATION [1]					
Ore mined (thousands of tonnes)	**1,218**	1,139	**4,792**	4,078	813
Ore processed (thousands of tonnes)	**1,213**	1,146	**4,792**	4,087	1,970
Average grade:					
Gold (grams/tonne)	**0.80**	0.81	**0.81**	0.78	0.73
Copper (%)	**0.93**	0.95	**0.94**	0.93	0.79
Recovery rate (%):					
Gold	**80.7**	84.4	**83.4**	85.1	80.1
Copper	**82.3**	85.3	**84.9**	85.9	83.5
Gold (ounces):					
Produced [2]	**25,301**	25,211	**104,589**	87,177	36,807
Sold [2]	**25,835**	24,176	**102,060**	85,030	29,735
Copper (millions of pounds):					
Produced [2]	**20.4**	20.5	**84.5**	72.0	28.5
Sold [2]	**20.9**	20.2	**81.5**	69.3	22.6
Silver (millions of ounces):					
Produced [2]	**0.1**	0.1	**0.2**	0.2	0.1
Sold [2]	**0.1**	0.1	**0.2**	0.2	0.1
Average realized price [2]:					
Gold ($/ounce)	**1,164**	1,168	**1,248**	1,314	1,681
Copper ($/pound)	**2.93**	3.23	**3.03**	3.23	3.58
Silver ($/ounce)	**13.99**	19.35	**18.21**	20.91	33.04
Total cash costs per gold ounce sold ($/ounce) [3][4]	**(1,199)**	(1,428)	**(1,248)**	(1,196)	(1,043)
All-in sustaining costs per gold ounce sold ($/ounce) [3][4]	**(560)**	12	**(650)**	(133)	358
Total cash costs on a co-product basis [3][4]					
Gold ($/ounce)	**395**	391	**409**	486	656
Copper ($/pound)	**1.00**	1.08	**0.99**	1.19	1.40
All-in sustaining costs on a co-product basis [3][4]					
Gold ($/ounce)	**603**	822	**610**	837	1,183
Copper ($/pound)	**1.52**	2.27	**1.48**	2.05	2.52

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**	**2012**
FINANCIAL INFORMATION:					
Revenues	**85.3**	88.3	**350.2**	318.7	127.3
Operating margin[3]	**60.9**	62.5	**254.7**	213.0	81.0
Earnings from mine operations	**28.2**	35.9	**125.2**	119.3	46.0
Capital expenditures (sustaining capital) [5]	**16.2**	34.7	**59.7**	90.2	36.9
Capital expenditures (growth capital) [5]	**10.5**	0.3	**31.2**	32.0	265.1

1. *Comparatives for 2012 reflect New Afton reaching commercial production on July 31, 2012.*
2. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.*
3. *We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price and operating margin are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
4. *The calculation of total cash costs per 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.*
5. *For the full year 2012, capital expenditures are net of proceeds received from sale of pre-commercial production inventory of $14.5 million.*

Annual and Quarterly Operating Results

Production

For the year ended December 31, 2014, New Afton gold production increased 20% to 104,589 gold ounces compared to 87,177 gold ounces in the prior year, within the guidance range of 102,000 to 112,000 gold ounces. Copper production increased 17% to 84.5 million pounds of copper compared to 72.0 million pounds of copper in the prior year, above the guidance range of 78.0 to 84.0 million pounds of copper. This is primarily due to increased average daily throughput levels to over 13,000 tonnes in the year, and increased gold grades which also helped offset a planned decrease in gold recoveries stemming from higher throughput.

In the fourth quarter of 2014, New Afton produced 25,301 gold ounces compared to 25,211 ounces in the prior-year period. Copper production in the fourth quarter of 2014 was 20.4 million pounds compared to 20.5 million pounds in the prior-year period.

Revenue

For the year ended December 31, 2014, revenue was $350.2 million compared to $318.7 million in the prior year as increased gold and copper sales were only partially offset by lower average realized commodity prices. The average realized gold price for 2014 was $1,248 per gold ounce compared to $1,314 per gold ounce in the prior year and the London PM fix average of $1,266 per gold ounce. The average realized copper price for 2014 was $3.03 per pound of copper compared to $3.23 per pound of copper in the prior year and the London Metals exchange copper price of $3.11 per pound.

In the fourth quarter of 2014, revenue was $85.3 million compared to $88.3 million in the prior-year period as lower average realized commodity prices were only partly offset by increased gold and copper sales. The average realized gold price for the fourth quarter of 2014 was $1,164 per gold ounce compared to $1,168 per gold ounce in the prior-period and the London PM fix average of $1,200 per gold ounce. The average realized copper price for 2014 was $2.93 per pound of copper compared to $3.23 per pound of copper in the prior-year period and the London Metals exchange copper price of $3.00 per pound.

Average realized gold and copper prices for the year and the fourth quarter fell below the London PM fix average primarily due to certain sales settling in the year and fourth quarter at lower prices than recorded at previous quarters, which impacted revenue as gold and copper prices declined throughout the year and in the latter part of the fourth quarter of 2014. Additionally, un-settled ounces at the end of the quarter were marked-to-market at a forward price of $1,184 per gold ounce and $2.87 per pound of copper, which negatively impacted the average realized price.

At the end of the quarter, the Company's exposure to the impact of movements in market metal prices for provisionally priced contracts was 25,787 ounces of gold and 45.3 million pounds of copper. Exposure to these movements in market metal prices is reduced by 42.8 million pounds of copper swaps outstanding at the end of 2014, with settlement periods ranging from January 2015 to June 2015.

Earnings from mine operations

For the year ended December 31, 2014, New Afton generated $125.2 million in earnings from mine operations compared to $119.3 million in the prior year. Increased revenues from higher gold and copper sales were offset by lower average realized prices, and increased depreciation due to higher production and a lower reserve base at December 31, 2013.

New Afton contributed $28.2 million to the Company's earnings from mine operations in the fourth quarter of 2014, compared to $35.9 million for the prior-year period. While production improved in 2014, the impact of lower commodity prices offset this positive impact.

Total cash costs and all-in sustaining costs

For the year ended December 31, 2014, total cash costs per gold ounce sold, net of by-product sales, were ($1,248) per ounce compared to ($1,196) per ounce in the prior year. Cash costs were within the guidance range of ($1,260) to ($1,240) benefitting from higher by-product sales volumes and higher ounces sold. All-in sustaining costs per gold ounce sold were ($650) per ounce in 2014 compared to ($133) per ounce in the prior year and below the guidance range of ($620) to ($600) per ounce, impacted by the benefit from cash costs as well as decreased sustaining capital expenditures per ounce.

In the fourth quarter of 2014, total cash costs per gold ounce sold, net of by-product sales were ($1,199) per ounce compared to ($1,428) per ounce in the prior-year period, negatively impacted by lower average realized prices on by-products. All-in sustaining costs per gold ounce sold were ($560) per ounce compared to $12 per ounce for the prior-year period due to a planned decrease in sustaining capital expenditures.

Capital expenditures

For the year ended December 31, 2014, capital expenditures totalled $90.9 million, of which $59.7 million related to sustaining capital and $31.2 related to non-sustaining, or growth capital. This compares to $122.2 million in the prior year, of which $90.2 million related to sustaining capital and $32.0 million related to growth capital. In 2014, sustaining capital expenditures primarily related to mine development costs and the dam raise project, while the prior year sustaining capital primarily related to the East Cave development. Growth capital in 2014 related to capitalized exploration, the C-zone and the mill expansion project.

In the fourth quarter of 2014, capital expenditures totalled $26.7 million, of which $16.2 million related to sustaining capital and $10.5 million related to growth capital. This compares to $35.0 million in the prior-year period, of which $34.7 million related to sustaining capital and $0.3 million related to growth capital.

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 2014 averaged $1.10 against the Canadian dollar compared to $1.03 for 2013, resulting in a positive impact on cash costs of $86 per gold ounce sold.

The value of the U.S. dollar for the fourth quarter of 2014 averaged $1.14 against the Canadian dollar compared to $1.05 in the prior-year period, resulting in a positive impact on cash costs of $97 per gold ounce sold.

Exploration Activities

The Company's exploration focus at New Afton continues to be on the C-zone portion of the deposit which extends along strike and below the B-zone block cave reserve that is currently being mined. A total of 6,515 metres in 14 core holes was completed during the fourth quarter of 2014, bringing total drilling for 2014 to 42,630 metres in 62 holes. Since commencing exploration of the C-zone in July 2012 the Company has completed 84,239 metres in 138 core holes. The results of this drilling have been incorporated into the Company's 2014 year-end Mineral Resource estimate. For further information on the New Afton C-zone, please refer to the "Development and Exploration Review" section of this MD&A.

Outlook for 2015

Gold production at New Afton is expected to increase by approximately 5% in 2015 and copper production is scheduled to increase by approximately 6%. The targeted increase in production of both metals is driven by the planned increase in throughput resulting from the completion of the mill expansion project which remains on schedule for commissioning in mid-2015. Gold and copper grades as well as recoveries are expected to remain in line with those realized in 2014.

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 in 2015. The anticipated increase in total cash costs relative to ($1,248) per ounce in 2014 is attributable to the combination of the lower copper price assumption of $2.75 per pound compared to the average realized price of $3.03 per pound in 2014 and the increase in processing costs per tonne related to a higher use of reagents and labour resulting from completion of the mill expansion. The impact of these costs is expected to be partially offset by the assumption of a lower Canadian dollar of C$1.25/US$ relative to the average 2014 foreign exchange rate of C$1.10/US$. 2015 sustaining capital expenditures are estimated to be $55 million, or $500 per ounce, which includes $35 million of underground development and $8 million for a tailings lift.

On a co-product basis, New Afton's targeted 2015 all-in sustaining costs of $575 to $615 per ounce of gold and $1.30 to $1.45 per pound of copper are expected to remain in line with those achieved in 2014. Similarly, co-product total cash costs of $400 to $440 per ounce of gold and $0.90 to $1.05 per pound of copper also remain comparable to 2014.

The mill expansion project remains on schedule for a mid-2015 commissioning. After spending $20 million on the project in 2014, an additional $20 million of capital expenditures are estimated for the first half of the year. In total, the expansion project is expected to come in below the original $45 million cost estimate driven by the depreciation of the Canadian dollar and the likelihood that the estimated contingency may not be required.

Looking forward to 2016 and 2017, New Afton is expected to maintain its strong performance. Annual gold production is expected to average approximately 90,000 ounces as a scheduled decrease in gold grade is partially offset by higher mill throughput. At the same time, copper production should remain at approximately 90 million pounds per year.

Mesquite Mine, California, USA

The Company's Mesquite Mine is located in Imperial County, California, approximately 70 kilometres northwest of Yuma, Arizona and 230 kilometres east of San Diego, California. It is an open pit, run-of-mine heap leach operation. The mine was operated between 1985 and 2001 by Goldfields Mining Corporation, subsequently Santa Fe Minerals Corporation, and finally Newmont Mining Corporation with Western Goldfields Inc. acquiring the mine in 2003. New Gold acquired Mesquite as part of the business combination with Western Goldfields in mid-2009. The mine resumed production in 2008. At December 31, 2014, the mine had 1.7 million ounces of Proven and Probable gold Mineral Reserves and 1.2 million 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

2015 GUIDANCE:

GOLD: 110,000 - 120,000 OUNCES
TOTAL CASH COSTS/OZ: $925 - $965
ALL-IN SUSTAINING COSTS/OZ: $1,290 - $1,330

2014 PRODUCTION:

GOLD: 106,670 OUNCES
TOTAL CASH COSTS/OZ: $909
ALL-IN SUSTAINING COSTS/OZ: $1,266

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**	**2012**
OPERATING INFORMATION [1]					
Ore mined and placed on leach pad (thousands of tonnes)	**5,371**	5,233	**13,550**	14,297	14,503
Waste mined (thousands of tonnes)	**8,284**	5,459	**37,107**	33,909	31,164
Ratio of waste to ore	**1.54**	1.04	**2.74**	2.37	2.15
Average grade:					
Gold (grams/tonne)	**0.39**	0.42	**0.40**	0.37	0.46
Gold (ounces):					
Produced [1][2]	**36,235**	34,893	**106,670**	107,016	142,008
Sold [1]	**34,370**	32,239	**103,654**	104,794	142,491
Average realized price [3][4]:					
Gold ($/ounce)	**1,198**	1,251	**1,254**	1,263	1,338
Total cash costs per gold ounce sold ($/ounce) [3][4]	**852**	841	**909**	907	690
All-in sustaining costs per gold ounce sold ($/ounce) [3][4]	**1,090**	988	**1,266**	1,108	768
FINANCIAL INFORMATION [1]:					
Revenues	**34.4**	33.4	**102.4**	113.7	190.7
Operating margin [3]	**5.4**	6.4	**9.1**	19.4	93.3
Earnings (loss) from mine operations	**(3.1)**	(2.0)	**(16.9)**	(5.8)	67.6
Capital expenditures (sustaining capital)	**7.9**	2.1	**33.2**	17.4	10.9

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 and operating margin are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
4. *Average realized price per gold ounce for Mesquite includes realized gains and losses from gold hedge settlements but excludes the revenue reduction related to the hedge monetization over the original term of the hedge.*

Annual and Quarterly Operating Results

Production

For the year ended December 31, 2014, gold production at Mesquite was 106,670 ounces compared to 107,016 ounces in the prior year. Production at Mesquite was impacted by a planned decrease in ore tonnes placed on the leach pad in the first half of 2014 as a result of transitioning between pits and additional waste stripping activity. However, the mine benefitted from higher gold grades throughout the year. Mesquite's full-year production was below its guidance range of 113,000 to 123,000 ounces primarily as a result of recoverable ounces being placed on the leach pad towards the end of the year and thus not having sufficient time to fully work through the leach process. This has positively impacted production in early 2015.

In the fourth quarter of 2014, Mesquite achieved the strongest production quarter of the year. Production for the quarter was 36,235 ounces compared to 34,893 ounces in the prior-year period and 38% higher than the third quarter of 2014. The fourth quarter benefitted from a combination of the increase in ore tonnes placed on the leach pad and higher grade during the second half of 2014.

Revenue

For the year ended December 31, 2014, revenue was $102.4 million compared to $113.7 million in the prior year. Revenue was negatively impacted by slightly lower gold sales and a lower average realized gold price. The average realized gold price for 2014 was $1,254 per ounce compared to $1,263 per gold ounce sold in the prior year and the London PM fix average of $1,266 per gold ounce. Revenue was also impacted by 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 over the original term of the hedge contract. This compares to $18.7 million in the prior-year period.

For the fourth quarter of 2014, revenue was $34.4 million compared to $33.4 million in the prior-year period as an increase in gold sales was offset by a lower average realized gold price. The average realized gold price during the fourth quarter of 2014 was $1,198 per ounce compared to $1,251 per gold ounce sold in the prior-year period and the London PM fix average of $1,200 per gold ounce. The non-cash charge related to the monetization of the Company's legacy hedge position was $6.8 million in the fourth quarter of 2014 compared to $7.0 million in the prior-year period.

Mesquite will no longer be impacted by the monetization of the hedge position as of 2015.

Earnings (loss) from mine operations

For the year ended December 31, 2014, Mesquite had a $16.9 million loss from mine operations as a result of the negative impacts to revenue, compared to a $5.8 million loss in the prior year.

Mesquite generated a $3.1 million loss from mine operations for the fourth quarter of 2014, compared to a $2.0 million loss in the prior-year period.

Total cash costs and all-in sustaining costs

Total cash costs per gold ounce sold for the year ended December 31, 2014 were $909 per ounce compared to $907 per ounce in the prior year and below the guidance range of $930 to $950 per ounce. When compared to guidance, cash costs benefitted from a combination of lower total tonnes moved and lower diesel prices. All-in sustaining costs per gold ounce sold were $1,266 in 2014 compared to $1,108 for the prior year, and below the guidance range of $1,310 to $1,330 per ounce. When compared to the prior year, all-in sustaining costs were impacted by the purchase of four haul trucks and initial costs for the leach pad expansion. Sustaining capital expenditures were lower compared to guidance, as a portion of planned capital for the leach pad expansion was rescheduled to 2015.

In the fourth quarter of 2014, total cash costs per gold ounce sold were $852 per ounce, compared to $841 per ounce in the prior-year period. All-in sustaining costs per gold ounce sold were $1,090 per ounce for the fourth quarter of 2014 compared to $988 per ounce for the prior-year period due to a planned increase in sustaining capital expenditures.

Capital expenditures

For the year ended December 31, 2014, capital expenditures totalled $33.2 million, all of which is sustaining capital, compared to $17.4 million in the prior year, with the increase being driven primarily by the planned purchase of four haul trucks and the initial spending on the leach pad expansion.

For the fourth quarter of 2014, capital expenditures totalled $7.9 million compared to $2.1 million in the prior-year period.

Exploration Activities

In the first quarter of 2014, the Company commenced a 24,000 metre delineation and infill drilling program to upgrade the classification status of mineral resources scheduled for mining during 2015. The program was completed during the second quarter of 2014. The Company did not conduct any exploration work at Mesquite during the third and fourth quarters of 2014.

Outlook for 2015

Production at Mesquite in 2015 is expected to increase by approximately 8% driven by an expected increase in gold grade. Ore tonnes placed on the leach pad and recovery are expected to remain in line with 2014 levels.

Mesquite's total cash costs are expected to be approximately $35 per ounce above the $909 per ounce achieved in 2014 as the mine is scheduled to move approximately 15% more total tonnes than in the prior year. The cost impact of this increased mining activity is expected to be partially offset by the diesel price assumption of $2.25 per gallon as well as increased production. This $2.25 per gallon assumption compared to an average price paid in 2014 of $3.12 per gallon is above the average monthly price paid in December 2014 and January 2015. Sustaining capital expenditures are expected to be $40 million in 2015, which includes $25 million for the expansion of the leach pad and $15 million for major equipment components and repairs. Approximately, $7 million of the 2015 capital will be carried forward from 2014. Sustaining capital per ounce is expected to remain consistent with 2014 and, as a result, the anticipated change in all-in sustaining costs relative to 2014 is primarily attributable to the above-noted increase in total cash costs.

In 2016 and 2017, Mesquite is expected to average production of approximately 150,000 ounces per year at weighted average all-in sustaining costs of $800 per ounce. This improved performance is scheduled to be driven by the combination of increases in ore tonnes placed on the leach pad, grade moving to reserve grade and sustaining capital expenditures decreasing to an average of $12 million per year.

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, 2014, the mine had 0.4 million ounces of Proven and Probable gold Mineral Reserves and 89 million pounds of Proven and Probable copper Mineral Reserves, with 0.4 million ounces of Measured and Indicated gold Mineral Resources, exclusive of Mineral Reserves, and 75 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

2015 GUIDANCE:

GOLD: 85,000 – 95,000 OUNCES
COPPER: 15 – 17 MILLION POUNDS
TOTAL CASH COSTS/OZ: $660 - $700
ALL-IN SUSTAINING COSTS/OZ: $1,005 - $1,045

2014 PRODUCTION:

GOLD: 99,030 OUNCES
COPPER: 17.0 MILLION POUNDS
TOTAL CASH COSTS/OZ: $658
ALL-IN SUSTAINING COSTS/OZ: $1,025

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**	**2012**
OPERATING INFORMATION [1]					
Ore mined (thousands of tonnes)	**178**	190	**761**	768	786
Ore processed (thousands of tonnes)	**175**	201	**772**	814	778
Average grade:					
Gold (grams/tonne)	**3.94**	4.00	**4.25**	4.14	4.18
Copper (%)	**1.13**	0.88	**1.10**	0.85	0.97
Recovery rate (%):					
Gold	**98.9**	93.6	**94.0**	92.9	91.3
Copper	**93.4**	89.6	**91.0**	88.0	86.0
Gold (ounces):					
Produced [1]	**21,889**	24,237	**99,030**	100,700	95,522
Sold [1]	**24,614**	25,323	**98,002**	102,811	89,269
Copper (millions of pounds):					
Produced [1]	**4.1**	3.5	**17.0**	13.4	14.4
Sold [1]	**4.5**	3.6	**16.1**	13.4	13.0
Silver (millions of ounces):					
Produced [1]	**0.0**	0.0	**0.1**	0.1	0.1
Sold [1]	**0.0**	0.0	**0.1**	0.1	0.1
Average realized price [2]:					
Gold ($/ounce)	**1,196**	1,251	**1,266**	1,370	1,677
Copper ($/pound)	**2.87**	3.28	**2.98**	3.29	3.51
Silver ($/ounce)	**15.87**	19.65	**18.53**	21.36	31.30
Total cash costs per gold ounce sold [2][3]	**707**	778	**658**	850	764
All-in sustaining costs per gold ounce sold [2][3]	**1,231**	1,106	**1,025**	1,331	1,360
FINANCIAL INFORMATION:					
Revenues	**41.3**	42.1	**168.3**	177.7	191.1
Operating margin [2]	**11.5**	9.9	**59.1**	51.3	81.6
Earnings (loss) from mine operations	**(2.0)**	(0.5)	**7.9**	18.9	58.8
Capital expenditures (sustaining capital)	**11.9**	7.8	**30.9**	43.0	46.8

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 and operating margin 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 was treated as a co-product, the average total cash costs at Peak Mines for the fourth quarter of 2014 would be $842 per gold ounce (2013 - $886) and $2.17 per pound of copper (2013 - $2.56). All-in sustaining costs on a co-product basis for the fourth quarter of 2014 would be $1,201 per gold ounce (2013 - $1,122) and $3.03 per pound of copper (2013 - $3.18). For the year ended December 31, 2014, the total cash costs on a co-product basis would be $816 per gold ounce (2013 - $958) and $2.06 per pound of copper (2013 - $2.50). All-in sustaining costs on a co-product basis would be $1,077 per gold ounce (2013 - $1,321) and $2.68 per pound of copper (2013 - $3.37).*

Annual and Quarterly Operating Results

Production

For the year ended December 31, 2014, Peak Mines produced 99,030 gold ounces compared to 100,700 gold ounces in the prior year, and was within the guidance range of 95,000 to 105,000 gold ounces. Copper production increased 27% to 17.0 million pounds of copper compared to 13.4 million pounds of copper in the prior year, and was above the guidance range of 14.0 to 16.0 million pounds. Peak Mines benefitted from higher gold and copper grade and recovery, however, in the fourth quarter of 2014, production was impacted by unscheduled mill downtime resulting in lower tonnes processed.

In the fourth quarter of 2014, Peak Mines produced 21,889 gold ounces and 4.1 million pounds of copper compared to 24,237 gold ounces and 3.5 million pounds of copper for the prior-year period. Lower gold production in the quarter was primarily due to a combination of a SAG mill motor failure as well as a belt tear on the SAG mill feed conveyor resulting in a total of seven days of unscheduled mill downtime and lower gold grades of ore processed.

Revenue

For the year ended December 31, 2014, revenue was $168.3 million compared to $177.7 million in the prior year. Higher copper sales were offset by lower gold sales as well as lower average realized commodity prices. The average realized gold price was $1,266 per ounce in 2014 compared to $1,370 per ounce in the prior year and the London PM fix average of $1,266 per gold ounce. The average realized copper price was $2.98 per pound compared to $3.29 per pound in the prior year and the London Metals exchange copper price of $3.11 per pound.

In the fourth quarter of 2014, revenue was $41.3 million, compared to $42.1 million in the prior-year period as higher copper sales were offset by a decrease in gold sales and average realized commodity prices. The average realized gold price was $1,196 per ounce compared to $1,251 per ounce in the prior-year period and the London PM fix average of $1,200 per gold ounce. The average realized copper price was $2.87 per pound compared to $3.28 per pound in the prior-year period and London Metals exchange copper price of $3.00 per pound.

Average realized copper prices for 2014 and the fourth quarter were lower than the London Metals exchange copper price primarily due to certain concentrate sales settling during 2014 and the fourth quarter at lower prices than recorded in previous periods, which impacted revenue as copper prices declined in the year and latter part of the fourth quarter. Additionally, unsettled pounds at the quarter end were marked-to-market at a forward price of $2.87 per pound of copper, which negatively impacted the average realized price.

At the end of the fourth quarter, the Company's exposure to the impact of movements in market metal prices for provisionally priced contracts was 3,804 ounces of gold and 5.9 million pounds of copper. Exposure to these movements in market metal prices was reduced by 5.6 million pounds of copper swaps outstanding at the end of the quarter, with settlement periods ranging from January 2015 to May 2015.

Earnings (loss) from mine operations

For the year ended December 31, 2014, Peak Mines generated $7.9 million in earnings from operations compared to $18.9 million in the prior year.

For the fourth quarter of 2014, Peak Mines generated a $2.0 million loss from operations compared to $0.5 million loss in the prior-year period.

Total cash costs and all-in sustaining costs

For the year ended December 31, 2014, total cash costs per gold ounce sold, net of by-product sales, were $658 per ounce compared to $850 per ounce in the prior year and slightly above the guidance range of $630 to $650 per ounce. When compared to the prior year, total cash costs benefitted from increased productivity as well as the depreciation of the Australian dollar. All-in sustaining costs per gold ounce sold were $1,025 per ounce in 2014 compared to $1,331 for the prior year and below the guidance range of $1,065 to $1,085 per ounce as total sustaining capital expenditures were lower in 2014.

In the fourth quarter of 2014, total cash costs per gold ounce sold were $707 per ounce compared to $778 per ounce in the prior-year period. All-in sustaining costs per gold ounce sold were $1,231 per ounce for the fourth quarter of 2014 compared to $1,106 for the prior-year period due to a planned increase in sustaining capital expenditures.

Capital expenditures

For the year ended December 31, 2014, capital expenditures totalled $30.9 million, all of which is sustaining capital compared to $43.0 million in the prior year. Capital expenditures related to mine development, loader and truck purchases and capitalized exploration.

In the fourth quarter of 2014, capital expenditures totalled $11.9 million compared to $7.8 million for the prior-year period.

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 2014 averaged $1.11 against the Australian dollar compared to $1.03 for 2013, resulting in a positive impact on cash costs of $84 per gold ounce sold.

The value of the U.S. dollar for the fourth quarter of 2014 averaged $1.17 against the Australian dollar compared to $1.08 in the prior-year period, resulting in a positive impact on cash costs of $98 per gold ounce sold.

Exploration Activities

As in previous years, exploration at Peak Mines continues to primarily target the addition and upgrading of mineral resources through infill drilling of the previously identified underground deposits. In addition, during the fourth quarter, exploration drilling continued to focus on the area adjoining the historic Great Cobar mine, located near the northern end of the Peak Mines corridor, where the Company intercepted a new lens of high grade copper-gold mineralization in the third quarter of 2014. Exploration around Great Cobar and elsewhere along the Peak Mines corridor and greater regional land holdings continues. Exploration initiatives at Peak Mines have historically led to the replacement of gold and copper reserves.

Drilling for the fourth quarter was comprised of 61 holes totalling 16,651 metres. For the year, 329 holes totalling 68,391 metres were completed at Peak Mines through December 31, 2014, with over 85% of this total focused on exploration and resource delineation around the currently producing deposits.

Outlook for 2015

Gold production in 2015 at Peak Mines is expected to be slightly below that of 2014, as a scheduled increase in tonnes processed is expected to be more than offset by gold grade moving back toward reserve grade. Copper production should remain in line with 2014 as the planned increase in mill throughput and decrease in copper grade should offset.

All-in sustaining costs are scheduled to be in line with the $1,025 per ounce achieved in 2014, while total cash costs are expected to increase slightly relative to the prior year as the benefit of the lower Australian dollar assumption of AUD$1.25/US$ relative to the average 2014 foreign exchange rate of AUD$1.11/US$ only partially offsets the combined unfavourable impact of the lower copper price assumption of $2.75 per pound relative to the average realized price of $2.98 per pound in 2014 and lower gold production. 2015 sustaining capital expenditures, including exploration expense, are expected to be $30.0 million.

In 2016, the Company anticipates continued steady performance from Peak Mines. As the mine moves through 2016 into 2017, the current mine plan estimates that an increasing percentage of ore could be sourced from the copper-rich ore bodies, resulting in increased copper production with an offsetting decrease in gold production. Ultimately, the mine plan in future periods will be re-optimized given the potential for Peak Mines to continue its history of successful underground mineral resource delineation. Annual sustaining capital costs are expected to average approximately $25.0 million over the two-year period.

Cerro San Pedro Mine, San Luis Potosi, 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, 2014, the mine had 0.2 million ounces of Proven and Probable gold Mineral Reserves and 7.9 million ounces of Proven and Probable silver Mineral Reserves. A summary of Cerro San Pedro's operating results is provided below:

AT-A-GLANCE

2015 GUIDANCE:
GOLD: 90,000 – 100,000 OUNCES
SILVER: 1.75 – 1.95 MILLION OUNCES
TOTAL CASH COSTS/OZ: $955 - $995
ALL-IN SUSTAINING COSTS/OZ: $1,005 - $1,045

2014 PRODUCTION:
GOLD: 69,847 OUNCES
SILVER: 1.1 MILLION OUNCES
TOTAL CASH COSTS/OZ: $1,251
ALL-IN SUSTAINING COSTS/OZ: $1,354

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**	**2012**
OPERATING INFORMATION [1]					
Ore mined and placed on leach pad (thousands of tonnes)	**5,641**	2,877	**10,550**	13,463	16,531
Waste mined (thousands of tonnes)	**3,056**	5,588	**24,479**	17,556	14,374
Ratio of waste to ore	**0.54**	1.94	**2.32**	1.30	0.87
Average grade:					
Gold (grams/tonne)	**0.51**	0.32	**0.39**	0.47	0.47
Silver (grams/tonne)	**21.65**	10.80	**18.65**	20.91	21.43
Gold (ounces)					
Produced [1][2]	**22,567**	22,179	**69,847**	102,795	137,555
Sold [1]	**19,404**	22,785	**67,463**	99,188	134,040
Silver (millions of ounces)					
Produced [1][2]	**0.3**	0.3	**1.1**	1.3	1.9
Sold [1]	**0.3**	0.3	**1.1**	1.3	1.9
Average realized price [3]:					
Gold ($/ounce)	**1,191**	1,257	**1,258**	1,403	1,664
Silver ($/ounce)	**16.13**	20.28	**19.04**	23.61	30.78
Total cash costs per gold ounce sold ($/ounce) [3][4]	**1,413**	911	**1,251**	676	232
All-in sustaining costs per gold ounce sold ($/ounce) [3][4]	**1,447**	1,076	**1,354**	766	358
FINANCIAL INFORMATION [1]:					
Revenues	**27.1**	34.6	**105.1**	169.6	282.2
Operating margin [3]	**(12.8)**	(2.1)	**(8.0)**	60.5	191.1
Earnings (loss) from mine operations	**(17.7)**	(9.4)	**(18.9)**	34.4	158.2
Capital expenditures (sustaining capital)	**0.4**	3.7	**6.0**	8.7	11.4
Capital expenditures (growth capital)	**1.3**	7.1	**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 and operating margin 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 was treated as a co-product, the average total cash costs at Cerro San Pedro for fourth quarter of 2014, would be $1,380 per gold ounce (2013 - $971) and $18.69 per silver ounce (2013 - $15.66). All-in sustaining costs on a co-product basis for the fourth quarter of 2014 would be $1,409 per gold ounce (2013 - $1,108) and $19.08 per silver ounce (2013 - $17.86). For the year ended December 31, 2014, average total cash costs would be $1,252 per gold ounce (2013 - $806) and $18.95 per silver ounce (2013 - $13.57). For the year ended December 31, 2014, the all-in sustaining costs on a co-product basis would be $1,336 per gold ounce (2013 - $881) and $20.21 per silver ounce (2013 - $14.83).*

Annual and Quarterly Operating Results

Production

For the year ended December 31, 2014, Cerro San Pedro's gold production was 69,847 ounces compared to 102,795 ounces in the prior year, and at the lower end of the guidance range of 70,000 to 80,000 ounces. Per the Company's plans, the mine spent the first eight months of the year primarily focused on a waste stripping initiative to prepare for the final year of active mining in 2015. Silver production was 1.1 million ounces for 2014 compared to 1.3 million ounces in the prior year and guidance of 1.1 million ounces. Silver production was impacted by heavy rainfall affecting leach pad performance in the second and third quarters of 2014.

In the fourth quarter of 2014, Cerro San Pedro achieved the strongest production quarter of the year. Gold production was 22,567 ounces compared to 22,179 ounces produced in the prior-year period and 71% higher than the third quarter of 2014. Gold production benefitted from a combination of the increase in ore tonnes placed on the leach pad and higher grade. Silver production in the fourth quarter was 0.3 million ounces compared to 0.3 million ounces in the prior-year period and 0.1 million ounces in the third quarter of 2014.

Revenue

For the year ended December 31, 2014, revenue was $105.1 million compared to $169.6 million in the prior year, due to lower gold and silver sales volumes, as well as lower average realized commodity prices. The average realized gold price for 2014 was $1,258 per ounce compared to $1,403 per ounce in the prior year and the London PM fix average of $1,266 per gold ounce. The average realized silver price for 2014 was $19.04 per ounce compared to $23.61 per ounce for the prior year and the London PM fix average of $19.02 per silver ounce.

In the fourth quarter of 2014, revenue was $27.1 million compared to $34.6 million in the prior-year period, due to lower gold and silver sales volumes and lower average realized commodity prices. Although gold production was higher than the prior-year period, gold sales were lower due to timing of sales and shipments. The average realized gold price for the fourth quarter of 2014 was $1,191 per ounce compared to $1,257 per ounce in the prior-year period and the London PM fix average of $1,200 per gold ounce. The average realized silver price during the fourth quarter of 2014 was $16.13 per ounce compared to $20.28 per ounce in the prior-year period and the London PM fix average of $16.22 per silver ounce.

Earnings (loss) from mine operations

For the year ended December 31, 2014, Cerro San Pedro generated an $18.9 million loss from mine operations compared to earnings of $34.4 million in the prior year. The current year operating expenses include an inventory write down of $8.5 million.

In the fourth quarter of 2014, Cerro San Pedro generated a $17.7 million loss from mine operations compared to a $9.4 million loss in the prior-year period. Earnings in the prior year included a write-down of $7.3 million to reduce the carrying amount of long-term silver inventory that was not expected to be recovered.

Total cash costs and all-in sustaining costs

For the year ended December 31, 2014, total cash costs per gold ounce sold were $1,251 per ounce compared to $676 per ounce in the prior year and above the guidance range of $1,030 to $1,050 per ounce. Cash costs were impacted by a combination of increased reagent costs and lower silver by-product revenue as lower tonnes were placed on the leach pad as the focus was on Phase 5 stripping for 2015. All-in sustaining costs per gold ounce sold were $1,354 per ounce for the year ended December 31, 2014 compared to $766 for the prior year and above guidance of $1,125 to $1,145 per ounce. All-in sustaining costs per gold ounce sold were primarily impacted by the variance in total cash costs, offset by lower sustaining capital expenditures in 2014 relative to 2013.

In the fourth quarter of 2014, total cash costs per gold ounce sold were $1,413 per ounce compared to $911 per ounce in the prior-year period. All-in sustaining costs per gold ounce sold were $1,447 per ounce for the fourth quarter of 2014 compared to $1,076 per ounce for the prior-year period.

Capital expenditures

For the year ended December 31, 2014, capital expenditures totalled $29.3 million, which includes $6.0 million of sustaining capital and $23.3 million of growth capital relating to stripping required to access Phase 5. This compares to $24.5 million in the prior year, which included $8.7 million of sustaining capital and $15.8 million of growth capital.

In the fourth quarter of 2014, capital expenditures totalled $1.7 million, which includes $0.4 million of sustaining capital and $1.3 million of growth capital. This compares to $10.8 million in the prior-year period, which included $3.7 million of sustaining capital and $7.1 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 12.76 to the U.S. dollar for 2013 to 13.30 to the U.S. dollar for 2014. This had a positive impact on cash costs of $40 per gold ounce sold.

The value of the Mexican peso weakened from an average of 13.00 to the U.S. dollar in the fourth quarter of 2013 to 13.88 to the U.S. dollar in the fourth quarter of 2014. This had a positive impact on cash costs of $63 per gold ounce sold.

Outlook for 2015

2015 is Cerro San Pedro's final year of active mining and is expected to deliver an approximate 35% increase in gold production coupled with an even greater increase in silver production compared to 2014. The increase in production of both metals is driven by a combination of an expected 30% increase in ore tonnes placed on the leach pad and higher gold and silver grades. For gold, these benefits are partially offset by the planned processing of ore with lower expected recoveries.

All-in sustaining costs of $1,005 to $1,045 per gold ounce, as well as total cash costs, are expected to be well below those of 2014. The decrease in total cash costs is driven by the combination of the higher silver by-product revenue and increased gold production, while all-in sustaining cash costs are expected to further benefit from sustaining capital expenditures decreasing to $2 million.

After 2015, Cerro San Pedro is scheduled to transition into residual leaching. Gold production from residual leaching in 2016 is expected to be approximately 30% of the targeted 2015 production, with 2017 expected to be 30% of 2016 production. At the same time, as silver leaches over a longer time period, 2016 silver production is expected to be approximately 75% of the targeted 2015 production, with 2017 expected to be 60% of 2016 production. At today's metal prices, the cash flow during the residual leach period is expected to exceed Cerro San Pedro's mine closure costs.

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 patented and unpatented mining and surface rights land claims and leasehold interests. Additionally, on January 1, 2015, New Gold completed the acquisition of Bayfield, further consolidating its holdings in the district.

AT-A-GLANCE

AS AT DECEMBER 31, 2014

PROVEN AND PROBABLE RESERVES
GOLD: 3.8 MILLION OUNCES
SILVER: 9.4 MILLION OUNCES

MEASURED AND INDICATED RESOURCES
(Exclusive of reserves)
GOLD: 2.7 MILLION OUNCES
SILVER: 6.4 MILLION OUNCES

Feasibility Study
On January 16, 2014, New Gold announced the results of its Feasibility Study for Rainy River.

Key updates of the Rainy River project include:

- Extension of project development timeline by six months with commissioning now targeted for mid-2017 in response to the current commodity price environment.
- Current total development capital cost estimate of $877 million including $69.4 million spent in 2014 at an assumed exchange rate of C$1.25/US$(1).
- Project economics - at $1,300 per ounce gold, $16.00 per ounce silver and a C$1.25/US$ exchange rate, Rainy River has an after-tax 5% net present value ("NPV") of $484 million, an internal rate of return ("IRR") of 13.7% and a payback period of 5.2 years.

Through the detailed engineering process, elements of the project scope and related capital estimates were refined. The key updates include the addition of temporary accommodations and related services during the construction period in order to best support project execution ($39 million), additional access roads and adjustments to the tailings facility construction ($12 million), further strengthening construction management support ($11 million) and the addition of an escalation factor to account for any unexpected increases to costs of materials or services during the development period ($15 million). In aggregate, the capital cost impact of these adjustments has been more than offset by the impact of the continued depreciation of the Canadian dollar relative to the U.S. dollar. At the Company's assumed exchange rate of C$1.25/US$, Rainy River's development capital cost estimate, inclusive of the $69.4 million spent in 2014, is $877 million. The estimated remaining development capital is $808 million.

Exploration
The Company's 2014 exploration program at Rainy River was targeting the areas offering the best potential for additional Mineral Resources that could be incorporated into the near-to medium-term mine plan to further enhance project economics. Two zones of near surface mineralization located immediately adjacent to the current open pit reserves are being targeted where one is situated to the west of the deposit and the other is to the southeast. At the same time, several zones of deeper Inferred Mineral Resources proximal to the current underground Mineral Reserve stopes are being drilled to test their potential to be upgraded to Measured and Indicated status and incorporated into the underground mine plan.

1. Reflects the combination of estimated capital adjustments from the detailed engineering work completed over the last 12 months and offsetting depreciation of the Canadian dollar relative to the U.S. dollar.

In the fourth quarter of 2014, drilling involved the completion of 8,103 metres in 25 holes. For the year ended December 31, 2014, 212 holes totalling 61,801 metres were completed at Rainy River, with drilling apportioned evenly between the open pit and underground targets. The results of both the open pit and underground drilling have been incorporated into the Company's year-end Mineral Resource estimate and future mine planning.

Project Advancement

In 2014, work progressed on engineering, procurement and preparation for construction of the project and the following activities were completed:

- In addition to 2014 project expenditures, the Company has entered into capital purchase commitments for the initial mining fleet, mills, crushers and major mechanical and electrical equipment.
- Detailed engineering is approximately 70% complete.
- The contracting plan has been finalized and bid documents for early works construction have been prepared for a bid expected in early 2015.

Permitting Activities

During 2014, Rainy River was reviewed through a coordinated Federal Environmental Assessment ("EA") and Provincial Individual EA process. The Province of Ontario completed a five week public consultation period in support of concluding the Provincial EA process on October 24, 2014. The Federal government concluded its 30 day EA public consultation period on November 8, 2014. Subsequent to the year end, 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 Rainy River. This now enables the processing of construction-related permits.

Additionally, on January 16, 2015 a letter of credit for C$14.3 million was issued to the Ministry of Northern Development and Mines in Ontario, to satisfy the first part of the closure plan phased bonding requirement at the Rainy River project. The 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. Amounts will be deducted from the credit facility to satisfy these future bonding requirements.

Subsequent to year end, on January 1, 2015, New Gold also completed the acquisition of Bayfield, further consolidating its holdings in the district.

Environmental and Community Activities

New Gold successfully concluded two agreements with Aboriginal groups during the fourth quarter of 2014.

An Impacts and Benefits Agreement with Rainy River First Nations and Naicatchewenin First Nation was concluded on October 10, 2014. The Agreement embraces commitments to environmental and sustainable development and ensures 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 on November 6, 2014, and the Big Grassy River First Nation subsequent to year end, in January, 2015. The Participation Agreements provide for how the local Métis community and the Big Grassy River community, respectively, will benefit from the development of Rainy River and throughout the life of the mine. New Gold continues to meet with Aboriginal groups and anticipates completion of additional agreements.

Project Costs

For the year ended December 31, 2014, capital expenditures totalled $80.5 million which includes $69.4 million for development capital costs and the remainder primarily on exploration costs. This compares to $21.2 million in the prior year. In the fourth quarter of 2014, capital expenditures totalled $36.1 million compared to $13.7 million in the prior-year period.

Outlook for 2015

In 2015, New Gold's planned capital expenditures at Rainy River are $300 million which is approximately $120 million lower than the capital that was estimated for 2015 under the 24-month Feasibility Study construction schedule. Capital expenditures in 2015 are scheduled to include: payments upon delivery of the capital purchase commitments for the fleet and major mill equipment and costs related to land clearing, clearing the power line right of way, temporary accommodations, road building, pouring of concrete foundation and erecting steel for the mill building as well as the construction of a waterline, pump station and initial tailings dam foundation.

In 2015, New Gold looks forward to the following targeted key activities:

- Finalize detailed control estimate and schedule
- Tender, award and execute site clearing
- Prepare and award major civil works contracts
- Complete plant site, infrastructure and water management earth works,
- Construct highway realignment and mine access road
- Construct mill building foundation
- Commission first phase of mine fleet
- Commence prestripping

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.

Exploration

The Company's exploration team is currently focused on four high priority prospects, the most significant of which, the Blackwater South prospect and the adjacent Key prospect, are located within three kilometres of the southern edge of the primary Blackwater deposit. Recent drilling at these prospects has intercepted a cluster of mineralized porphyry intrusive centres that locally host significant levels of silver, copper, molybdenum and gold. The Blackwater exploration team has further confirmed clear geologic links between this porphyry-style mineralization and the epithermal-style gold and silver mineralization in the Blackwater deposit, underscoring the potential for additional discoveries in the immediate Blackwater area. The results of the 2014 exploration program further support potential for new discoveries proximal to the Blackwater deposit and across the Company's 1,000 square kilometre property position. For the year ended December 31, 2014, 23 holes totalling 11,045 metres were completed.

AT-A-GLANCE

AS AT DECEMBER 31, 2014
PROVEN AND PROBABLE RESERVES
GOLD: 8.2 MILLION OUNCES
SILVER: 60.8 MILLION OUNCES

MEASURED AND INDICATED RESOURCES
(Exclusive of reserves)
GOLD: 1.1 MILLION OUNCES
SILVER: 12.7 MILLION OUNCES

Environmental and Permitting Activities

The following related to permitting and environmental activities at Blackwater in 2014:

- Comments from key regulatory agencies and First Nations on the Environmental Assessment report were addressed.
- Completed key engineering studies for components such as the airstrip design, transmission line, the tailings storage facility and water management, in order to support the broader permitting effort.
- Continued discussions with key First Nations on Participation Agreements.

Project Costs

For the year ended December 31, 2014, capital expenditures totalled $13.0 million compared to $60.8 million for the prior year. Expenditures in the current year related to the continued advancement of the environmental assessment process and related environmental and engineering studies. In the fourth quarter of 2014, capital expenditures totalled $3.0 million compared to $18.6 million in the prior-year period. These amounts exclude the British Columbia Mineral Tax Credit received for Blackwater.

Outlook for 2015

Capital expenditures at Blackwater in 2015 are scheduled to be $8 million, with the focus being to advance the project through the permitting phase.

New Afton C-zone, British Columbia, Canada

The C-zone is the down plunge extension of the B-zone block cave that is currently being mined at New Afton. Subsequent to the year end, New Gold completed a scoping study for the C-zone to evaluate the potential for the C-zone to extend the mine's life. The scoping study relates to the economic potential of the C-zone mineral resources at the New Afton property and is not part of, and should be distinguished from, the current mining of the B-zone reserves. The results of the study are highlighted below:

AT-A-GLANCE

AS AT DECEMBER 31, 2014
MEASURED AND INDICATED RESOURCES
(Included in New Afton Measured and Indicated Resources))
GOLD: 1.05 MILLION OUNCES
COPPER: 814 MILLION POUNDS

Highlights of the scoping study include:

- Five years of additional mine life, including ramp-up period.
- 21.5 million tonnes at 0.76 grams per tonne gold and 0.80% copper - 522 thousand ounces of gold and 377 million pounds of copper contained.
- Gold and copper recovery of 86%.
- Full-year average annual production of 107,000 ounces of gold and 77 million pounds of copper.
- Development capital costs of $349 million at an exchange rate assumption of C$1.25/US$, including $40 million of contingency. Total sustaining capital costs of $110 million.
- Total operating costs, including mining, processing and general and administrative, of $19.24 per tonne; cash costs are expected to remain in line with current levels.
- Project economics – at $1,300 per ounce gold, $3.00 per pound copper and a C$1.25/US$ exchange rate, the C-zone project has an after-tax 5% NPV of $138 million, an IRR of 13.5% and payback period of 3.0 years.

The scoping study relates to the economic potential of the C-zone mineral resources at the New Afton property and is not part of, and should be distinguished from, the current mining of the B-zone reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The reader is cautioned that a scoping study is preliminary in nature and accordingly subject to a high degree of uncertainty. A preliminary and/or definitive feasibility study will be required to further evaluate the C-zone project's economics.

The scoping study was prepared by New Gold with Roscoe Postle Associates Inc. ("RPA") providing an independent third party review. The independent Qualified Persons who reviewed and approved the disclosure contained on the C-zone scoping study were David W. Rennie, P.Eng., Principal Geologist, RPA; Holger Krutzellmann, P.Eng. Associate Principal Metallurgist, RPA; and R. Dennis Bergen, P.Eng., Associate Principal Mining Engineer, RPA.

Project Advancement

Based on the results of the scoping study, New Gold is targeting the completion of a feasibility study on the C-zone in the first quarter of 2016. Subject to the completion of a positive feasibility study, a development decision by the Company and receipt of the requisite permits, development of the C-zone could begin in 2017, with the main access ramps being completed by the end of 2020. Thereafter, development of the block cave production levels would begin. The C-zone extraction level would be approximately 550 metres below the current B-zone extraction level. Based on this development schedule, production could begin in early 2023 with an 18-month ramp up to full production in mid-2024. One of the opportunities that the C ompany will pursue as the access ramps are developed is to further drill test the C-zone to expand and upgrade the resource classification of the minable tonnage. The deposit remains open at depth and to the west.

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.

A first phase metallurgical program that was designed to assess the amenability of the C-zone ore to be processed via the current mill flowsheet was successful. The mill recoveries are expected to be similar to those achieved since the start of commercial production at New Afton in mid-2012.

After assessing various tailings storage options for the C-zone, it was concluded that the optimal approach would likely involve the expansion of the current New Afton tailings storage facility.

Beyond the tailings storage plan, one of the key focuses of the scoping study was to begin to assess the 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 associated with the historic Afton mine is located within the predicted area of subsidence. To mitigate the potential risk associated with the tailings, it is anticipated that the tailings would be stabilized within the existing facility through a dewatering and consolidation program. New Gold holds an option to acquire the land on which the tailings are located. As the Company moves towards the completion of a feasibility study, additional studies and testwork will be completed on the tailings stabilization plan.

Permitting Activities

It is expected that the permits for the C-zone project will involve amendments to current permits rather than applications for new permits. The project plan should not result in significant additional surface disturbance or environmental impact. 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 an amendment made to incorporate the historic tailings. The incremental costs associated with any amendments to the closure plan have been included in the project economics.

Outlook for 2015

In 2015, the Company has planned capital expenditures of $5 million to further advance the C-zone project toward a feasibility study. Work during the year will include additional subsidence modeling, completion of a tailings stabilization test program as well as other supporting studies.

The key parameters and assumptions associated with the C-zone scoping study do not impact the current New Afton mining operation or the New Afton B-zone mineral reserves. The C-zone is to be sequenced after completion of B-zone mining.

The scoping study discussed above is based on measured and indicated resources and is preliminary in nature. Accordingly, the scoping study is subject to a high degree of uncertainty. The scoping study includes mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty the scoping study will be realized.

El Morro Project, Atacama Region, Chile

El Morro is a gold-copper development project located in north-central Chile, Atacama Region, and approximately 80 kilometres east of the city of Vallenar. El Morro is a world-class project with low expected cash costs and great organic growth potential. The El Morro and La Fortuna deposits represent the two principal zones of gold-copper mineralization that have been identified to date. Future exploration efforts will also test the potential bulk-mineable gold and copper production below the bottom of the current La Fortuna open pit.

AT-A-GLANCE

AS AT DECEMBER 31, 2014

PROVEN AND PROBABLE RESERVES (30%)
GOLD: 2.7 MILLION OUNCES
COPPER: 2.0 BILLION POUNDS

MEASURED AND INDICATED RESOURCES
(Exclusive of reserves)
GOLD: 0.4 MILLION OUNCES
COPPER: 0.3 BILLION POUNDS

Under the terms of New Gold's agreement with Goldcorp Inc. ("Goldcorp"), Goldcorp is responsible for funding New Gold's 30% share of capital costs. The carried funding accrues interest at a fixed rate of 4.58%. New Gold will repay its share of capital plus accumulated interest out of 80% of its share of the project's cash flow with New Gold retaining 20% of its share of cash flow from the time production commences. Pursuant to the above agreement, New Gold has drawn down $88.5 million of carried funding at December 31, 2014. New Gold had no cash outlay in 2014. New Gold's 30% of project spending, excluding interest, was $6.3 million and $9.9 million for 2014 and 2013, respectively. For the fourth quarters of 2014 and 2013, project spending, excluding interest was $0.9 million and $1.5 million for 2014 and 2013, respectively.

Since 2011, the resolution by the Chilean Environmental Permitting Authority ("Servicio de Evaluación Ambiental" or "SEA") approving the Environmental Impact Study ("EIS") for the El Morro project has been the subject of various claims and appeals based on inadequate consultation and constitutional protections. At various times during these proceedings, the El Morro project's environmental permit has been suspended and reinstated, and as a result activities at the El Morro Project have been limited. Most recently, on October 7, 2014, the Chilean Supreme Court invalidated the project's environmental permit. Sociedad Contractual Minera El Morro subsequently withdrew its environmental permit in November 2014 and has commenced studies to determine the optimal development plan for the project. El Morro remains committed to productive interaction and engagement with the adjacent communities and regional authorities.

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 slightly to 17.6 million ounces from 18.5 million ounces at December 31, 2013 primarily due to a combination of 2014 mine depletion, lower metal price assumptions and updated mine plans.

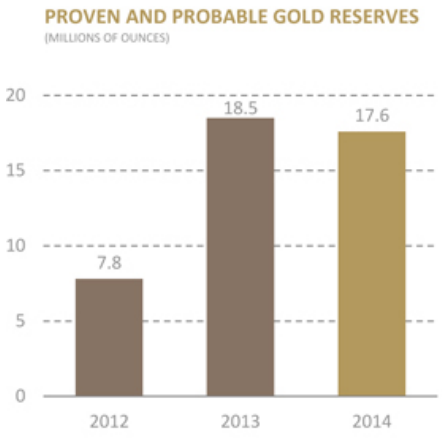
2014 YEAR-END MINERAL RESERVES AND RESOURCES HIGHLIGHTS [2]

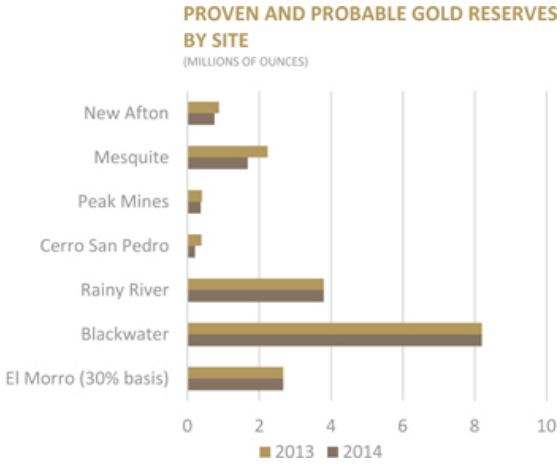
New Afton: Proven and Probable Mineral Reserves decreased due to mine depletion and a lower metal price assumption. C-zone Measured and Indicated gold Mineral Resource at New Afton has increased by 51% and the C-zone copper Mineral Resource by 58% when compared to year-end 2013. The C-zone is the down plunge extension of the B-zone block cave that is currently being mined at New Afton.

Mesquite: Proven and Probable Mineral Reserves decreased due to a combination of a revised pit design, results of the infill program, mine depletion and a lower metal price assumption.

Cerro San Pedro: Proven and Probable Mineral Reserves decreased primarily due to mine depletion and a lower metal price assumption which removed low grade material from the mine plan.

Peak Mines: Proven and Probable Mineral Reserves decreased primarily due to mine depletion and a lower metal price assumption, however 2014 exploration initiatives led to replacement of over 90% of gold and copper reserves.





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, see New Gold's Mineral Reserve and Resource Estimates as at December 31, 2014 in the news release entitled "New Gold Finishes 2014 Further Solidifying its Low-Cost Position; 2015 Scheduled to Deliver Production Growth in Gold, Copper and Silver", dated February 5, 2015 and our Technical Reports filed on www.sedar.com. The scientific and technical information in this MD&A has been reviewed and approved by Mark Petersen, a Qualified Person under National Instrument 43-101 and an officer of the Company.*
2. *Mineral Reserve estimations are based on a $1,200 gold price, $18.00 silver price and $3.00 copper price. Mineral Resource estimations are based on a $1,300 gold price. Assumptions for the Canadian dollar and Australian dollar exchange rates are $1.25 and $1.25 to the U.S. dollar.*

FINANCIAL CONDITION REVIEW

Balance Sheet Review

	Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**
BALANCE SHEET INFORMATION		
Cash and cash equivalents	**370.5**	414.4
Current assets	**264.0**	246.9
Non-current assets	**3,247.3**	3,541.0
Total assets	**3,881.8**	4,202.3
Current liabilities	**104.9**	93.5
Non-current liabilities excluding long-term debt	**631.4**	526.4
Long-term debt	**874.3**	862.5
Total liabilities	**1,610.6**	1,482.4
Total equity	**2,271.2**	2,719.9
Total liabilities and equity	**3,881.8**	4,202.3

Assets

Total assets were $3,881.8 million at December 31, 2014 compared to $4,202.3 million at December 31, 2013. The decrease in total assets is primarily attributable to impairment charges relating to Blackwater and Cerro San Pedro.

Inventories

The increase in current assets is primarily from inventory as levels at Mesquite and Cerro San Pedro have increased in the last quarter due to increased recoverable ounces placed on leach pads. This is expected to be realized in 2015.

Mining Interests

Mining interests consist of the Company's mining properties, development projects and property, plant and equipment. For the year ended December 31, 2014, the Company spent $279.3 million primarily focused on mine development at New Afton, continued project advancement at Rainy River and the purchase of new haul trucks at Mesquite. Mining interests also included an impairment charge of $395.8 million relating to Blackwater and Cerro San Pedro.

Liabilities

Total liabilities were $1,610.6 million at December 31, 2014, compared to $1,482.4 million at December 31, 2013. The increase in liabilities is attributable to deferred tax liabilities and reclamation obligations.

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, 2014 is $63.5 million compared to $61.4 million at December 31, 2013. Changes in the liability are primarily due to decreases in the discount rate used in the fair value calculation of the liability. The Company intends to spend $1.7 million in 2015 on reclamation activities, and the remainder in future periods.

Long-Term Debt

The majority of the Company's contractual obligations consist of long-term debt and interest payable. At December 31, 2014, the Company had $874.3 million in long-term debt compared to $862.5 million at December 31, 2013. In the year ended December 31, 2014, the Company capitalized interest of $35.3 million to qualifying development projects, with $20.1 million allocated to Blackwater, $13.6 million to Rainy River, $1.5 million to Phase 5 at Cerro San Pedro and $0.1 million to the C-zone at New Afton. This compares to $21.7 million of capitalized interest for the year ended December 31, 2013, of which $17.0 million was allocated to Blackwater and $4.7 million to Rainy River.

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, 2014, the face value of these notes totalled $300 million and the carrying amount totalled $294.2 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, 2014, the face value of these notes totalled $500 million and the carrying amount totalled $491.6 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 2:1. 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.

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 "Facility") which expires on August 14, 2018. The Facility also provides the Company with the option, subject to commitments, to draw an additional $50.0 million above and beyond the base $300.0 million. The terms of the Facility resulted in a reduction in pricing compared to the previous facility. Net debt will continue be used to calculate leverage for the purpose of covenant tests and pricing levels. The Facility contains two covenant tests, but does not require the minimum tangible net worth test which was required under the previous facility. The Facility also contains a lower limit on the minimum interest coverage ratio and a higher limit on the maximum leverage ratio.

The Facility contains various covenants customary for a loan facility of this nature, including limits on indebtedness, asset sales and liens. Significant financial covenants are as follows:

		Year ended December 31	
	Financial Covenant	**2014**	**2013**
FINANCIAL COVENANTS			
Minimum interest coverage ratio (EBITDA to interest)	> 3.0 : 1	**5.3 : 1**	5.7 : 1
Maximum leverage ratio (net debt to EBITDA)	< 3.5 : 1	**1.6 : 1**	1.3 : 1

The interest margin on drawings under the Facility ranges from 1.00% to 3.25% over LIBOR, the Prime Rate or the Base Rate, based on the Company's debt to EBITDA ratio and the currency and type of credit selected by the Company. The standby fees on undrawn amounts under the Facility range 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 0.51% as at December 31, 2014 (2013 – 0.63% under the previous facility).

As at December 31, 2014, the Company has not drawn any funds under the Facility; however the Facility has been used to issue letters of credit for Cerro San Pedro where $18.8 million relate to environmental and reclamation requirements, A$10.2 million for Peak Mines' reclamation bond for the State of New South Wales, C$9.5 million for New Afton's reclamation requirements, C$3.2 million for New Afton's commitment to B.C. Hydro for power and transmission construction work (the B.C. Hydro letter of credit will be released over time as New Afton consumes and pays for power in the early period of operations), C$3.3 million for Blackwater's reclamation requirements, and $1.5 million relating to workers' compensation security at Mesquite. The annual fees are 1.35% of the value of the outstanding letters of credit which totalled $41.7 million as at December 31, 2014 (2013 - $43.1 million).

Subsequent to the year end, on January 16, 2015 a letter of credit for C$14.3 million was issued to the Ministry of Northern Development and Mines in Ontario, to satisfy the first part of the closure plan phased bonding requirement at the Rainy River project. The 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.

Current and Deferred Income Taxes

The net deferred income tax liability increased from $210.0 million on December 31, 2013 to $326.6 million at December 31, 2014. This increase is mainly due to the recognition of a deferred tax liability of $46.8 million as a result of the change in the tax rate used in Chile from 20% to 35% due to the enactment of new legislation on September 26, 2014, and an increase in deferred tax liability relating to mining taxes of $26.0 million.

The current income tax receivable balance was $31.1 million at December 31, 2014 compared to $35.1 million at December 31, 2013 as the Company is still awaiting refunds in the U.S. and Mexico from prior-year returns. A significant portion of the Mexican tax was received in January 2015.

Liquidity and Cash Flow

As at December 31, 2014, the Company had cash and cash equivalents of $370.5 million compared to $414.4 million at December 31, 2013. 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, 2014:

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**
CASH FLOW INFORMATION				
Cash generated (used) in operating activities	**69.9**	99.7	**268.8**	171.9
Cash generated (used) in investing activities	**(88.6)**	(86.2)	**(257.7)**	(393.7)
Cash generated (used) in financing activities	**(25.9)**	(25.7)	**(52.9)**	(47.1)
Effect of exchange rate changes on cash and cash equivalents	**(1.0)**	(2.2)	**(2.1)**	(4.5)
Change in cash and cash equivalents	**(45.6)**	(14.4)	**(43.9)**	(273.4)

Operating Activities

Net cash generated from operating activities for the year ended December 31, 2014 was $268.8 million compared to $171.9 million for the prior-year period. There was no adjustment to net cash from operations in the current year. Adjusted net cash from operations in the prior year was $248.9 million. The prior year was adjusted for a payment related to the hedge settlement of $65.7 million, a payment of Rainy River costs and acquisition expenses of $17.9 million and a tax refund from an amended tax return for Peak Mines of $6.6 million. When compared to the adjusted net cash from the prior year, the Company improved operational cash flow through increased copper sales and lower taxes paid offset by lower gold and silver sales and average realized prices on all metals.

Adjusted net cash generated from operations before changes in non-cash operating working capital for the year ended December 31, 2014 was $310.4 million compared to $258.6 million in the prior year. Despite a decrease in revenue, operating cash flow increased compared to the prior year due to lower cash taxes paid, lower corporate administration costs, lower exploration and business development costs and lower operating expenses. Working capital used during the year was driven by the combination of an increase in recoverable ounces being placed on the leach pads at Mesquite and Cerro San Pedro and the increase in Mexican tax receivables.

During the year, the Company received tax refunds in the amount of $4.0 million compared to taxes paid of $31.7 million in the prior year. The decrease in cash tax payments is primarily due to the geographical mix of profits. Specifically, a higher proportion of profits in 2014 was earned in Canada where the Company is utilizing its tax attributes compared to the prior-year period where a greater proportion of profits was earned in the U.S., Australia and Mexico.

Investing Activities

Cash used in investing activities is primarily for the continued capital investment in the Company's operations. Spending was lower than the prior year, with the Company spending $257.7 million in 2014 compared to $393.7 million in the prior year. Expenditures are lower primarily due to reductions at Blackwater and New Afton offset by development at Rainy River as the project moves towards the construction phase. Investing activities are further reduced by $20.5 million for Blackwater relating to the British Columbia Mineral Tax Credit as well as proceeds received from the sale of assets, and interest received.

In the prior-year period, the Company acquired Rainy River. The acquisition was completed on July 24, 2013, and the Company incurred an investing activity cash outflow of $112.6 million.

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, 2014:

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**
MINING INTERESTS BY SITE				
New Afton	**26.7**	35.0	**90.9**	122.2
Mesquite	**7.9**	2.1	**33.2**	17.4
Peak Mines	**11.9**	7.8	**30.9**	43.0
Cerro San Pedro	**1.7**	10.8	**29.3**	24.5
Rainy River	**36.1**	13.7	**80.5**	21.2
Blackwater	**3.0**	18.6	**13.0**	60.7
Corporate	**1.4**	0.3	**1.5**	0.3
Total Mining Interests	**88.7**	88.2	**279.3**	289.3

Financing Activities

Cash used in financing activities were primarily related to interest paid on the Senior Unsecured Notes.

In the opinion of management, the working capital at December 31, 2014, together with cash flows from operations, are sufficient to support the Company's normal operating requirements on an ongoing basis. New Gold is not required to fund any of the development capital for El Morro, as under the agreement with Goldcorp, the Company's 30% share is fully funded and both principal and interest will be repaid solely from future cash generated from New Gold's share of El Morro's distributable cash flows. The Company also expects it will not need external financing to repay its outstanding debt in 2020 and 2022, assuming the continuation of prevailing commodity prices, exchange rates and operations per mine plans.

However, the Company's future 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, 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. These statements are based on the current financial position of the Company and are subject to change if any acquisitions or external growth opportunities are realized.

Commitments

The Company has entered into a number of contractual commitments for capital items related to operations and development. At December 31, 2014, these commitments totalled $243.0 million, $141.4 million of which are expected to fall due over the next 12 months. This compares to commitments of $44.5 million at December 31, 2013, expected to fall due within 12 months. The increase is due to Rainy River signing the Engineering Procurement and Construction Management contract with AMEC Consultants Ltd. and commitments for long lead time items. Certain contractual commitments may contain cancellation clauses, however the Company discloses the commitments based on management's intent to fulfill the contacts.

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, 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 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. While historically these authorizations have been renewed, extended or re-issued without incident, in late 2013 the annual construction and operations licenses issued by the Municipality of Cerro de San Pedro in San Luis Potosí 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. MSX subsequently applied for its operation license for 2015 and was advised by the Municipality the license would also be subject to inappropriate conditions. On February 3, 2015 the State Contentious and Administrative Tribunal granted MSX an injunction against the Municipality which ensures the continued operation of the mine pending the Tribunal's ruling regarding the inappropriate conditions. MSX may not ultimately prevail in proceedings regarding the terms and conditions of the license. This could result in a suspension or termination of operations at the Cerro San Pedro Mine and/or additional costs, any of which could adversely affect the Company's production, cash flow and profitability.

Contractual Obligations

The following is a summary of the Company's payments due under contractual obligations:

				Year ended December 31, 2014	
(in millions of U.S. dollars, except where noted)	**> 1 year**	**2-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
CONTRACTUAL OBLIGATIONS[1]					
Long-term debt	-	-	-	888.5	**888.5**
Interest payable on long-term debt	52.2	104.5	104.5	95.9	**357.1**
Operating Lease commitments	15.2	1.2	1.1	0.1	**17.6**
Capital expenditure commitments	141.4	101.6	-	-	**243.0**
Reclamation and closure cost obligations	1.7	5.6	3.0	72.2	**82.5**
Total contractual obligations	210.5	212.9	108.6	1,056.7	**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, 2013 and November 15, 2013. Refer to the section "Financial Condition Review – Balance Sheet Review – Long-term debt" for further details.*

Related Party Transactions

The Company did not enter into any related party transactions during the year ended December 31, 2014.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Shares

As at February 19, 2015, there were 508,691,114 common shares of the Company outstanding. The Company had 13,758,026 stock options outstanding under its share option plan, exercisable for up to 13,758,026 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 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 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.

Total Cash Costs and All-in Sustaining Costs per Ounce Reconciliation

The following table reconciles these non-GAAP measures to the most directly comparable IFRS measure. The reconciliation of total cash costs to all-in sustaining costs is below.

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**
CASH COSTS RECONCILIATION				
Operating expenses from continuing operations	**123.1**	121.7	**411.1**	435.5
Treatment and refining charges on concentrate sales	**8.8**	8.0	**34.5**	29.4
Adjustments[1]	**(8.7)**	(12.3)	**(8.1)**	(13.3)
Total cash costs before by-product revenue	**123.2**	117.4	**437.5**	451.6
By-product copper and silver sales	**(80.0)**	(84.5)	**(321.8)**	(303.8)
Total cash costs net of by-product revenue	**43.2**	32.9	**115.7**	147.8
Gold ounces sold	**104,224**	104,523	**371,179**	391,823
Total cash costs per gold ounce sold ($/ounce)	**414**	316	**312**	377
Total cash costs per gold ounce sold on a co-product basis[2] ($/ounce)	**695**	658	**675**	712
Total cash costs net of by-product revenue	**43.2**	32.9	**115.7**	147.8
Sustaining Capital Expenditures[3]	**35.4**	48.4	**126.0**	157.0
Sustaining exploration - expensed & capitalized	**1.5**	3.0	**10.2**	11.6
Corporate G&A including share-based compensation[4]	**6.6**	7.3	**32.1**	34.4
Reclamation expenses	**1.4**	0.5	**5.4**	1.5
Total all-in sustaining costs	**88.1**	92.1	**289.2**	352.4
All-in sustaining costs per gold ounce sold ($/ounce)	**845**	883	**779**	899
All-in sustaining costs per gold ounce sold on a co-product basis[2] ($/ounce)	**957**	1,000	**952**	1,042

1. *Adjustments include non-cash items related to asset retirement obligations and inventory write-downs. The prior year also includes charges related to severance at New Afton and Peak Mines.*
2. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
3. *See "Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
4. *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.*

Sustaining Capital Expenditure Reconciliation

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**
SUSTAINING CAPITAL EXPENDITURE				
Mining Interests per statement of cash flows	**88.7**	88.2	**279.3**	289.3
New Afton growth capital expenditure [1]	**(10.5)**	(0.3)	**(31.2)**	(32.0)
Cerro San Pedro growth capital expenditure[2]	**(1.3)**	(7.1)	**(23.3)**	(15.8)
Rainy River growth capital expenditure	**(36.2)**	(13.7)	**(80.6)**	(21.2)
Blackwater growth capital expenditure	**(3.0)**	(18.6)	**(13.0)**	(60.8)
Other growth capital expenditure	**(1.4)**	-	**(1.4)**	-
Sustaining capitalized exploration included in mining interests	**(0.9)**	(0.1)	**(3.8)**	(2.5)
Sustaining capital expenditures	**35.4**	48.4	**126.0**	157.0

1. *Current year growth capital expenditures at New Afton relate to the mill expansion and scoping study for the C-zone. Prior year costs relate to acceleration of the East Cave development.*
2. *Growth capital expenditures at Cerro San Pedro relate to capitalized stripping costs for Phase 5.*

Adjusted Net Earnings and Adjusted Net Earnings per Share

"Adjusted net earnings" and "adjusted net earnings per share" are non-GAAP financial measures with no standard meaning under IFRS which excludes the following from net earnings:

- Impairment losses;
- 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 loss has 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 fair value changes for share purchase warrants, foreign exchange gain or loss and other non-recurring items. Other adjustments to net earnings also include 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. As the loss on the fair value change of non-hedged derivatives is only minimally tax affected in unadjusted net loss, the reversal of tax on an adjusted basis is also minimal. The current period adjusted tax removes the impact of the increase in the Chilean income tax rate used by the Company which was enacted in the third quarter of 2014. There is no similar adjustment in the third quarter of 2013. Also, the prior period tax is adjusted for the foreign exchange impact of deferred tax on non-monetary assets.

The Company uses this measure for its own internal purposes. Management's internal budgets and forecasts and public guidance do not reflect fair value changes on senior notes and non-hedged derivatives, foreign currency translation and fair value through profit or loss and financial asset gains/losses. Consequently, the presentation of adjusted net earnings enables investors and analysts to better understand the underlying operating performance of our core mining business through the eyes of management. Management periodically evaluates the components of adjusted net earnings based on an internal assessment of performance measures that are useful for evaluating the operating performance of our business and a review of the non-GAAP measures used by mining industry analysts and other mining companies.

Adjusted net earnings is intended to provide additional information only and 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. The reconciliation of net earnings to adjusted net earnings is below:

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**
ADJUSTED NET EARNINGS RECONCILIATION				
Net (loss) earnings before taxes	**(420.5)**	(281.8)	**(409.5)**	(191.6)
Loss on disposal of assets	**1.9**	0.9	**1.7**	2.6
Ineffectiveness on hedging instruments	**-**	-	**-**	(9.5)
Realized and unrealized gain on non-hedged derivatives	**(4.1)**	(4.5)	**(8.5)**	(49.3)
Loss (gain) on foreign exchange	**21.4**	13.9	**47.5**	25.7
Other	**(0.7)**	2.8	**(0.7)**	4.5
Loss on hedge monetization over original term of hedge	**6.8**	7.0	**27.3**	18.7
Rainy River transaction costs	**-**	0.1	**-**	5.0
Redundancy charges	**-**	2.4	**-**	2.4
Asset impairment	**395.8**	272.5	**395.8**	272.5
Inventory write-down	**10.5**	7.3	**10.5**	7.3
Adjusted net earnings (loss) before tax	**11.1**	20.6	**64.1**	88.3
Income tax expense	**(11.4)**	27.1	**(67.6)**	0.4
Income tax adjustments	**13.7**	(31.0)	**48.7**	(27.4)
Adjusted income tax expense	**2.3**	(3.9)	**(18.9)**	(27.0)
Adjusted net earnings (loss)	**13.4**	16.7	**45.2**	61.3
Adjusted earnings (loss) per share (basic)	**0.03**	0.04	**0.09**	0.13
Adjusted effective tax rate	**21%**	19%	**30%**	31%

Adjusted Net Cash Generated from Operations

"Adjusted net cash generated from operations" is a non-GAAP financial measure with no standard meaning under IFRS, which excludes certain non-recurring operating cash flow items. Management uses this measure to further evaluate the Company's results of operations in each reporting period.

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**
ADJUSTED NET CASH RECONCILIATION				
Net cash (used) generated from operations	**69.9**	99.7	**268.8**	171.9
Add back: Hedge settlement payment	**-**	-	**-**	65.7
Add back: Rainy River transaction costs	**-**	0.1	**-**	5.0
Add back: Payment of Rainy River acquisition expenses	**-**	-	**-**	12.9
Deduct: Amended tax returns	**-**	(6.6)	**-**	(6.6)
Adjusted net cash generated from operations	**69.9**	93.2	**268.8**	248.9
Add back (deduct): Change in non-cash operating working capital	**(0.1)**	(21.4)	**41.6**	9.7
Adjusted net cash generated from operations before changes in non-cash working capital	**69.8**	71.8	**310.4**	258.6

Operating Margin

"Operating margin" is a non-GAAP financial measure with no standard meaning under IFRS, which management uses to further evaluate the Company's results of operations in each reporting period. Operating margin is calculated as revenues less operating expenses and therefore does not include depreciation and depletion.

Operating margin is intended to provide additional information only and does not have any standardized 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, except where noted)	**2014**	**2013**	**2014**	**2013**
OPERATING MARGIN				
Revenues	**188.1**	198.4	**726.0**	779.7
Less: Operating expenses	**(123.1)**	(121.7)	**(411.1)**	(435.5)
Operating margin	**65.0**	76.7	**314.9**	344.2

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 includes realized gains and losses from gold hedge settlements up until May 15, 2013 but excludes from revenues unrealized gains and losses on non-hedged derivative contracts and the revenue reduction related to the 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.

	Three months ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**	**2014**	**2013**
AVERAGE REALIZED PRICE				
Revenues from gold sales	**123.8**	128.9	**466.3**	524.0
Gold ounces sold	**104,224**	104,523	**371,179**	391,823
Average realized price per gold ounce sold	**1,188**	1,233	**1,256**	1,337

ENTERPRISE RISK MANAGEMENT

Readers of this MD&A should give careful consideration to the information included or incorporated by reference in this document and the Company's unaudited consolidated financial statements and related notes, as well as other continuous disclosure documents. Significant risk factors for the Company include metal prices, production and cost estimates, government regulations, foreign operations, environmental compliance, the ability to obtain additional financing, risk relating to recent acquisitions, dependence on management, title to the Company's mineral properties, and litigation. For details of risk factors, please refer to the 2014 year end audited consolidated financial statements and our latest Annual Information Form, filed on SEDAR at www.sedar.com.

General Risks

Environmental Risk

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

Environmental legislation is evolving in a manner which will require, in certain jurisdictions, stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. No certainty exists that future changes in environmental regulation, or the application of such regulations, if any, will not adversely affect the Company's operations or development properties. The Company cannot give any assurance that, notwithstanding its precautions, breaches 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.

Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against the Company, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. The Company could be forced to compensate those suffering loss or damage by reason of its mining operations or exploration or development activities and could face civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such regulatory or judicial action could materially increase the Company's operating costs and delay or curtail the Company's operations.

Other Regulatory Risk

The Company is and will also be subject to other government regulations such as tax reforms in the Company's operating jurisdictions.

A tax reform legislation was enacted by the Chilean government and published on September 29, 2014 in the *Chilean Official Gazette.* The tax reform introduces substantial changes to the Chilean tax system and increased the tax rate in Chile from 20% to 35% and, as a result, New Gold's deferred tax expense increased by $46.8 million.

A Mexican Tax Reform Bill was published by the *Official Gazette* on December 11, 2013. This enacted legislation included the imposition of a tax deductible 7.5% mining tax royalty based on earnings before the deduction of interest, taxes, depreciation and amortization. The legislation also included an additional 0.5% on precious metals revenue as well as maintaining the corporate tax rate at 30% as opposed to reducing it to 28% as originally planned. These changes were in effect from January 1, 2014.

New Gold continues to monitor the progress of changes in tax reform in the Company's mining jurisdictions.

Financial Risk Management

The Company holds a mixture of financial instruments, which are classified and measured as follows. For a discussion of the methods used to value financial instruments, as well as any significant assumptions, refer to Note 2 to our audited consolidated financial statements for the year ended December 31, 2014.

	As at December 31, 2014				
(in millions of U.S. dollars, except where noted)	**Loans and Receivables at amortized cost**	**Fair Value though Profit and Loss**	**Available for sale at fair value**	**Financial liabilities at amortized cost**	**Total**
FINANCIAL ASSETS					
Cash and cash equivalents	370.5	-	-	-	**370.5**
Trade and other receivables	35.2	-	-	-	**35.2**
Provisionally priced contracts	-	(8.4)	-	-	**(8.4)**
Copper swap contracts	-	8.0	-	-	**8.0**
Investments	-	-	0.4	-	**0.4**
FINANCIAL LIABILITIES					
Trade and other payables[1]	-	-	-	95.3	**95.3**
Long-term debt	-	-	-	874.3	**874.3**
Warrants	-	16.9	-	-	**16.9**
Restricted share units	-	1.5	-	-	**1.5**

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

	As at December 31, 2013				
(in millions of U.S. dollars, except where noted)	**Loans and Receivables at amortized cost**	**Fair Value though Profit and Loss**	**Available for sale at fair value**	**Financial liabilities at amortized cost**	**Total**
FINANCIAL ASSETS					
Cash and cash equivalents	414.4	-	-	-	414.4
Trade and other receivables	20.5	-	-	-	20.5
Provisionally priced contracts	-	1.3	-	-	1.3
Copper swap contracts	-	(2.5)	-	-	(2.5)
Investments	-	-	0.5	-	0.5
FINANCIAL LIABILITIES					
Trade and other payables[1]	-	-	-	88.6	88.6
Long-term debt	-	-	-	862.5	862.5
Warrants	-	27.8	-	-	27.8
Performance share units	-	0.8	-	-	0.8
Restricted share units	-	0.9	-	-	0.9

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, 2014 is not considered to be high.

The Company's maximum exposure to credit risk at December 31, 2014 and 2013 is as follows:

	Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2014**	**2013**
CREDIT RISK EXPOSURE		
Cash and cash equivalents	**370.5**	414.4
Trade receivables	**34.8**	19.3
Total financial instrument exposure to credit risk	**405.3**	433.7

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 19 to our audited consolidated financial statements for the year ended December 31, 2014.

The aging of trade and other receivables at December 31, 2014 and 2013 is as follows:

						As at December 31	
(in millions of U.S. dollars, except where noted)	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**Over 120 days**	**2014 Total**	**2013 Total**
AGING trade and other RECEIVABLE							
New Afton	1.7	-	2.1	-	-	**3.8**	5.9
Mesquite	1.1	-	-	-	-	**1.1**	0.4
Peak Mines	2.9	-	-	-	-	**2.9**	3.0
Cerro San Pedro	2.5	1.6	2.1	1.1	17.7	**25.0**	8.5
Rainy River	1.7	-	-	-	-	**1.7**	0.8
Blackwater	0.2	-	-	-	-	**0.2**	0.5
Corporate	0.1	-	-	-	-	**0.1**	0.2
Total trade and other receivables	10.2	1.6	4.2	1.1	17.7	**34.8**	19.3

A significant portion of the accounts receivable balance at Cerro San Pedro aged over 120 days was received in January 2015.

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 19 to our audited consolidated financial statements for the year ended December 31, 2014.

The following are the contractual maturities of debt commitments. The amounts presented represent the future undiscounted principal and interest cash flows, and therefore, do not equate to the carrying amounts on the consolidated statements of financial position.

					As at December 31	
(in millions of U.S. dollars, except where noted)	**< 1 year**	**2-3 years**	**4-5 years**	**After 5 years**	**2014 Total**	**2013 Total**
DEBT COMMITMENTS						
Trade and other payables	96.2	0.8	-	-	**97.0**	90.2
Long-term debt	-	-	-	888.5	**888.5**	878.4
Interest payable on long-term debt	52.2	104.5	104.5	95.9	**357.1**	417.8
Provisionally priced contracts net of copper swap contracts	(0.4)	-	-	-	**(0.4)**	(2.5)
Total debt commitments	148.0	105.3	104.5	984.4	**1,342.2**	1,383.9

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, 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, Mexico and Chile. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk for the Company can be categorized as follows:

Transaction exposure

The Company's operations sell commodities and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company has not hedged its exposure to currency fluctuations.

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, 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)**

	Year ended December 31, 2013		
(in millions of U.S. dollars, except where noted)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	61.5	2.0	0.8
Trade and other receivables	7.3	3.0	8.6
Income tax receivable/(payable)	2.3	7.4	16.6
Deferred tax asset	130.3	8.3	8.7
Trade and other payables	(41.3)	(22.2)	(22.6)
Deferred tax liability	(144.9)	(49.9)	(5.2)
Reclamation and closure cost obligations	(17.3)	(15.6)	(18.6)
Warrants	(27.8)	-	-
Employee benefits	-	(7.7)	-
Restricted share units	(1.6)	-	-
Total exposure to currency risk	(31.5)	(74.7)	(11.7)

Translation exposure

The Company's functional and reporting currency is U.S. dollars. The Company's operations translate their operating results from the host currency to U.S. dollars. Therefore, exchange rate movements in the Canadian dollar, Australian dollar, Mexican peso and Chilean peso can have a significant impact on the Company's consolidated operating results. A 10% strengthening (weakening) of the U.S. dollar against the following currencies would have decreased (increased) the Company's net loss from the financial instruments presented by the amounts shown below.

(in millions of U.S. dollars, except where noted)	Year ended December 31 2014	2013
IMPACT OF 10% CHANGE IN FOREIGN EXCHANGE RATES		
Canadian dollar	**15.3**	3.2
Australian dollar	**7.7**	7.5
Mexican peso	**0.4**	1.2

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, 2014.

The Company is exposed to interest rate risk on its short-term investments which are included in cash and cash equivalents. The short-term investment interest earned is based on prevailing money market and bank account interest rates which may fluctuate. A 1.0% change in the interest rate would result in an annual difference of approximately $4.0 million in interest earned by the Company. The Company has not entered into any derivative contracts to manage this risk.

Price Risk

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

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

For the year ended December 31, 2014, the Company's revenues and cash flows were impacted by gold prices in the range of $1,142 to $1,385 per ounce, and by copper prices in the range of $2.97 to $3.24 per pound. 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. As at December 31, 2014, working capital includes unpriced gold and copper concentrate receivables totalling 30,000 ounces of gold and 2.8 million pounds of copper not offset by copper swap contracts. A $100 change in gold price per ounce would have an impact of $3.0 million on the Company's working capital. A $0.10 change in copper price per pound would have an impact of $0.3 million on the Company's working capital position.

The Company is also subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. The Company's costs are affected by the prices of commodities and other inputs it consumes or uses in its operations, such as lime, sodium cyanide and explosives. The prices of such commodities and inputs are influenced by supply and demand trends affecting the mining industry in general and other factors outside our control.

Increases in the price for materials consumed in the Company's mining and production activities could materially adversely affect its results of operations and financial condition. The Company has no fuel hedge contracts at this time.

The Company is also subject to price risk for changes in the Company's common stock price per share. The Company has 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.

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			
(in millions of U.S. dollars, except where noted)	**2014 Net Earnings**	**2014 Other Comprehensive Income**	**2013 Net Earnings**	**2013 Other Comprehensive Income**
IMPACT OF 10% CHANGE IN COMMODITY PRICES				
Gold price	**47.8**	-	52.4	-
Copper price	**30.7**	-	26.6	-
Silver price	**2.0**	-	3.0	-
Fuel price	**7.0**	-	7.2	-
Warrants	**1.7**	-	2.8	-
Restricted share units	**0.3**	-	0.2	-

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 Blackwater and Rainy River and the 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 LOM plans.

(iv) Carrying value of long-lived assets and impairment charges

In determining whether the impairment of the carrying value of an asset is necessary, management first determines whether there are external or internal indicators that would signal the need to test for impairment. These indicators consist of but are not limited to the prolonged significant decline in commodity prices, unfavourable changes to the legal environment in which the entity operates and evidence of long-term reduced production of the asset. If an impairment indicator is identified, the Company compares the carrying value of the asset against the recoverable amount. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Indicators of impairment existed at the Cerro San Pedro CGU and the Mesquite CGU (both operating mines) and the Blackwater CGU and the El Morro CGU (both development properties). At Cerro San Pedro and Mesquite the Company updated its Reserves and Resources statement, which has reduced the Reserves and Resource estimate at the CGU, and updated the LOM plan, which revised the expected production profiles going forward. At Blackwater the decision was made to close the exploration camp and slow down related project activity. On October 7, 2014, the Chilean Supreme Court invalidated the El Morro project's environmental permit and the permit was subsequently withdrawn by Sociedad Contractual Minera El Morro. The Company has identified the revised production profile of Cerro San Pedro and Mesquite, along with the reduction in Blackwater activity and the continued delays imposed in connection with various legal challanges at El Morro as indicators of impairment and performed an impairment assessment to determine the recoverable amount of these CGUs.

(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 qualify as an individual CGU. Each of these assets generate or will have the ability to generate cash inflows that are independent of the other assets and therefore qualify 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 fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities. This requires management to make judgments and estimates to determine the fair value, including the amount of Mineral Reserves and Resources acquired, future metal prices, future operating costs, capital expenditure requirements and discount rates. The Company employs third party independent valuators to assist in this process.

Key Sources of Estimation Uncertainty in the Application of Accounting Policies

(i) Revenue recognition

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

(ii) Inventory valuation

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

Depreciation

On May 12, 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16"), and IAS 38, *Intangible Assets* ("IAS 38"). In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for reporting periods beginning on or after January 1, 2016 with early application permitted. The Company is currently evaluating the impact of applying the amendments but does not anticipate that there will be any impact on its current method of calculating depreciation or amortization.

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. 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, 2017 with early application permitted. The Company has not yet determined the effect of adoption of IFRS 15 on its consolidated financial statements.

Financial instruments

On July 24, 2014, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9") as a complete standard. This standard replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018. The Company has not yet determined the effect of adoption of IFRS 9 on its consolidated financial statements.

Joint Arrangements

On May 6, 2014 the IASB amended IFRS 11, *Joint Arrangements* ("IFRS 11"). The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Operating Segments

On December 12, 2013 the IASB amended IFRS 8, *Operating Segments* ("IFRS 8"). The amendments add a disclosure requirement for the aggregation of operating segments and clarify the reconciliation of the total reportable segments' assets to the entity's assets. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Fair Value Measurement

On December 12, 2013 the IASB amended IFRS 13, *Fair Value Measurement* ("IFRS 13"). The amendments clarify that the portfolio exception applies to all contracts within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") or IFRS 9 regardless of whether they are financial assets or financial liabilities. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Presentation of Financial Statements

On December 18, 2014 the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"). The amendments to existing IAS 1 requirements relate to materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Property, Plant and Equipment

On May 12, 2014 the IASB amended IAS 16, *Property, Plant, and Equipment* ("IAS 16"). The amendments to IAS 16 clarify that the use of revenue-based methods to determine the depreciation of an asset is not appropriate. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Employee Benefits

On November 13, 2013 the IASB amended IAS 19, *Employee Benefits* ("IAS 19"). The amendments provide additional guidance to IAS 19 on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendments are effective for annual periods beginning on or after July 1, 2014. IAS 19 was further amended on July 30, 2014. The amendments to IAS 19 clarify the application of the requirements of IAS 19 on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Related Party Disclosures

On December 12, 2013 the IASB amended IAS 24, *Related Party Disclosures* ("IAS 24"). The amendments clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity. The amendments are effective for annual periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

Intangible Assets

On May 12 2014 the IASB amended IAS 38, *Intangible Assets* ("IAS 38"). The amendments clarify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments is not expected to have a material 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. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at 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, 2014 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, 2014.

The Company's internal controls over financial reporting as at December 31, 2014 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm who also audited the Company's Consolidated Financial Statements for the year ended December 31, 2014. Deloitte LLP as stated in their report that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2014, 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.

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 CIM Council on May 10, 2014 and incorporated by reference in NI 43-101. While the terms “Mineral Resource”, “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource” are recognized and required by Canadian securities regulations, they are not defined terms under standards of the United States Securities and Exchange Commission. As such, certain information contained in this MD&A concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the United States Securities and Exchange Commission.

An “Inferred Mineral Resource” has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies. It cannot be assumed that all or any part of an “Inferred Mineral Resource” will ever be upgraded to a higher confidence category. Readers are cautioned not to assume that all or any part of an “Inferred Mineral Resource” exists or is economically or legally mineable.

Under United States standards, mineralization may not be classified as a “Reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the Reserve estimation is made. Readers are cautioned not to assume that all or any part of the Measured or Indicated Mineral Resources that are not Mineral Reserves will ever be converted into Mineral Reserves. In addition, the definitions of “Proven Mineral Reserves” and “Probable Mineral Reserves” under CIM standards differ in certain respects from the standards of the United States Securities and Exchange Commission.

Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this MD&A, including any information relating to New Gold’s future financial or operating performance 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 “Corporate Developments”, “New Gold’s Investments Thesis”, “Outlook for 2015”, “Key Performance Drivers”, “Economic Outlook”, “Liquidity and Cash Flow”, “Contractual Obligations” 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; planned activities for 2015 and beyond at the Company’s operations and projects, as well as planned exploration activities and expenses; the results of the C-zone study, including operating parameters and expected mine life, production, costs, and project economics; plans to advance the C-zone project, including permitting requirements, impact on the historic tailings facility from the historic Afton mine, capital expenditures and potential timelines; expected production for the Blackwater project; targeting timing for commissioning and full production (and other activities) related to the New Afton mill expansion, Rainy River and the sequencing of Blackwater; and cash flow expected from Cerro San Pedro to the end of the residual leach period relative to expected closure costs.

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 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 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 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; and (10) in the case of production, cost and expenditure outlooks at operating mines for 2016 and 2017, and (11) commodity prices and exchange rates being consistent with those estimated for the purposes of 2015 guidance.

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, Mexico and Chile; discrepancies between actual and estimated production, between actual and estimated Reserves and Resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Canada, the United States, Australia, Mexico and Chile or any other country in which New Gold currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which New Gold does or may carry on business; the speculative nature of mineral exploration and development, including the risks of obtaining and maintaining the validity and enforceability of the necessary licenses and permits and complying with the permitting requirements of each jurisdiction in which New Gold operates, including, but not limited to: in Canada, obtaining the necessary permits for the Rainy River and Blackwater projects; in Mexico, where Cerro San Pedro has a history of ongoing legal challenges related to our environmental authorization; and in Chile, where certain activities at El Morro have been delayed due to litigation relating to its environmental permit; the lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law; the uncertainties inherent to current and future legal challenges New Gold is or may become a party to; diminishing quantities or grades of Reserves and 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 and Blackwater and the C-zone study; 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 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 4, 2015 news release entitled “New Gold Finishes 2014 Further Solidifying its Low-Cost Position; 2015 Scheduled to Deliver Production Growth in Gold, Copper and Silver” and 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 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 ("CEO") and Chief Financial Officer ("CFO")), contractor and employee of New Gold Inc. or its subsidiaries (collectively the "Company"). For the purposes of this Code, the term "employee" includes contractors and any individual who is paid on the Company's payroll.

To further the Company's values of integrity, creativity, commitment, development of employees and teamwork, we have established this Code. Our Code strives to deter wrongdoing and promote the following objectives:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, understandable and transparent disclosure in periodic reports and documents required to be filed by the Company 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 another officer as may be designated by the CEO from time to time, 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 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.

Table of Contents

Accounting Policies	1
Commitment	1
Compliance with Laws, Rules and Regulations	1
Computer and Information Systems	1
Confidential Information Belonging to Others	2
Confidential and Proprietary Information	2
Conflicts of Interest	3
Corporate Opportunities and Use and Protection of Company Assets	4
Disclosure Policies and Controls	4
Fair Dealing with Others	5
Filing of Government Reports	5
Bribery	5
Foreign Corrupt Practices Act	5
Health, Safety, Environment & Corporate Social Responsibility	5
Political Contributions	7
Prohibited Substances	7
Record Retention	7
Relations, Respect and Contribution	7
Reporting of Code Violations	8
Non-Retaliation for Reporting	8
Anonymous Reporting	9
Waivers	9
Amendments and Modifications of this Code	9
Conclusion	9
Discipline for Noncompliance with this Code	10

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. Business should always be conducted in a fair and forthright manner. Directors, officers and employees are expected to act according to high ethical standards.

Computer and Information Systems

For business purposes, officers and employees are provided telephones, tablets, mobile devices and computers and software, including network access to computing systems such as the Internet and e-mail, to improve personal productivity and to efficiently manage proprietary information in a secure and reliable manner. As with other equipment and assets of the Company, we are each responsible for the appropriate use of these assets. Except for limited personal use of the Company's telephones, tablets, mobile devices and computers, such equipment may be used only for business purposes. Officers and employees should not expect a right to privacy of their e-mail, Internet or network use. All communications, e-mails or Internet use on Company equipment or networks may be subject to monitoring by the Company for legitimate business purposes.

Confidential Information Belonging to Others

You must respect the confidentiality of information, including, but not limited to, trade secrets and other information given in confidence by others, including but not limited to partners, suppliers, contractors, competitors or customers, just as we protect our own confidential information. However, certain restrictions 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 private interests interfere or conflict with the interests of the Company. We must strive to handle in an ethical and practical manner actual or apparent conflicts of interest between personal and professional relationships. We must each make decisions in the best interest of the Company. Business, financial or other relationships with suppliers, customers or competitors that might impair or appear to impair the exercise of our judgment should be avoided.

Here are some examples of potential conflicts of interest:

Family Members. Actions of family members may create a conflict of interest. For example, gifts to family members by a supplier of the Company are considered gifts to you and should be reported if they involve more than ordinary social amenity or 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. Officers and Directors should report any actual or potential conflict of interest involving yourself or others of which you become aware to the Chair of the Audit Committee of the Board of Directors.

Corporate Opportunities and Use and Protection of Company Assets

You are prohibited from:

- 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 and participation by members of the Disclosure Committee and, on request, other officers, managers and employees in the disclosure process is a requirement of this Code.

Officers and employees must fully comply with their disclosure responsibilities in an accurate and timely manner (within the guidelines of applicable securities regulatory authorities) or be subject to discipline of up to and including termination of employment.

Fair Dealing with Others

No director, officer or employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

Filing of Government Reports

Any reports or information provided 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 of any of the above, which is prohibited by law.

Those paying a bribe may subject the Company and themselves to civil and criminal penalties. When dealing with government customers or officials and private parties, no improper payments will be tolerated. If you become aware of or receive any solicitation for, or offer of, money or gifts 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. 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 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 payoffs to foreign 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, as well as corporate social responsibility. It is our policy to comply, in all material respects, with applicable health, safety and environmental laws and regulations. Each employee is also expected to comply with our policies, programs, standards and procedures.

Political Contributions

You must refrain from making any use of Company, personal or other funds or resources on behalf of the Company for political or other purposes which are improper or prohibited by the applicable federal, provincial, territorial, state, local or foreign laws, rules or regulations. Company contributions or expenditures in connection with election campaigns may be permitted only to the extent allowed by federal, provincial, territorial, state, local or foreign election laws, rules and regulations 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 legal drugs which affect the ability to perform your work duties, while on Company premises. You are also prohibited from the possession or use of alcoholic beverages, firearms, weapons or explosives on our property unless authorized by the CEO. You are also prohibited from reporting to work while under the influence of alcohol or illegal drugs.

Record Retention

We have document retention policies to establish retention periods for records created or received in the normal course of business. A record is any information, regardless of physical format, which has been created or received in the transaction of the Company's business. Physical format of a record includes hard copy, electronic, magnetic tape, disk, audio, video, optical image, etc. Each corporate department is responsible for the maintenance, retrieval, transfer, and destruction of its records in accordance with the established filing procedures, records retention schedules and procedures.

The alteration, destruction or falsification of corporate documents or records may constitute a criminal act. Destroying or altering documents with the intent to obstruct a pending or anticipated official government proceeding is a criminal act and could result in large fines and a prison sentence of up to 20 years. Document destruction or falsification in other contexts can result in a violation of the federal securities laws or the obstruction of justice laws.

Before any destruction of any documents or records, you must consult the Company's document retention procedures. You are required to review, follow and abide by the terms of those procedures. If the procedure is not clear, questions arise, or there is a pending or anticipated official proceeding, then the CEO, CFO or General Counsel must approve any document destruction.

Relations, Respect and Contribution

We function as a team. Your success as part of this team depends on your contribution and ability to inspire the trust and confidence of your coworkers and supervisors. Respect for the rights and dignity of others and a dedication to the good of our Company are essential.

A cornerstone of our success is the teamwork of our directors, officers and employees. We must each respect the rights of others while working as a team to fulfill our objectives. To best function as part of a team, you must be trustworthy and dedicated to high standards of performance. The relationships between business groups also require teamwork.

To facilitate respect and contribution among employees, we have implemented the following employment policies:

- To hire, pay and assign work on the basis of qualifications and performance;
- Not to discriminate on the basis of race, religion, ethnicity, national origin, color, gender, age, sexual orientation, citizenship, veteran's status, marital status or disability;
- To attract and retain a highly talented workforce;
- To encourage skill growth through training and education and promotional opportunities;
- To encourage an open discussion between all levels of employees and to provide an opportunity for feedback from the top to the bottom and from the bottom to the top;
- To prohibit harassment (including sexual, physical, verbal) by others while an employee is on the job;
- To make the safety and security of our employees while at Company facilities a priority;
- To recognize and reward additional efforts that go beyond our expectations; and
- To respect all workers' rights to dignity and personal privacy by not disclosing employee information, including protected health information, unnecessarily.

Reporting of Code Violations

You should be alert and sensitive to situations that could result in actions that might violate federal, state, or local laws or the standards of conduct set forth in this Code. If you believe your own conduct or that of an employee, director or officer may have violated any such laws or this Code, you have an obligation to report the matter in accordance with this Code and/or the Whistleblower Policy.

Generally, you should raise such matters first with an immediate supervisor. However, if you are not comfortable bringing the matter up with your immediate supervisor, or do not believe the supervisor has dealt with the matter properly, then you should raise the matter with the CEO or CFO or, if a law, rule or regulation is in question, then consult with the CFO, who will consult with legal counsel. Alternatively, complaints may be made in accordance with the Whistleblower Policy. The most important point is that possible violations should be reported and we support all means of reporting them.

Directors and officers should report any potential violations of this Code to the Chair of the Audit Committee of the Board of Directors.

Non-Retaliation for Reporting

In no event will the Company take or threaten any action against you as a reprisal or retaliation for making a complaint in good faith in accordance with this Code or the Company's Whistleblower Policy. However, if a reporting individual was involved in improper activity the individual may be appropriately disciplined even if he or she was the one who disclosed the matter to the Company. In these circumstances, we may consider the conduct of the reporting individual in reporting the information as a mitigating factor in any disciplinary decision.

We will not allow retaliation against a reporting individual for reporting, in good faith, a concern regarding compliance with this Code in accordance with this Code or the Company's Whistleblower Policy. Retaliation for reporting an offense 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 and each Vice President, including, for greater certainty, the Corporate Controller) except by a vote of the Board of Directors or a designated Board committee that will ascertain whether a waiver is appropriate under all the circumstances. If a waiver (or implicit waiver) is granted to a director or executive officer, notice of such waiver will be disclosed to the extent required by applicable law or stock exchange rules. For these purposes, the term "waiver" means the approval by the Company of a material departure from a provision of the Code, and the term "implicit waiver" means a failure of the Company to take action within a reasonable period of time regarding a material departure from a provision of the Code that has been made known to an executive officer. Any notices of waiver posted on our website shall remain there for a period of 12 months and shall be retained in our files as required by applicable law.

A waiver for a specific event arising under this Code may be granted to an employee that is not a director or executive officer on the approval of two of the following: the CEO, COO, CFO and a director. No other waivers of this Code are permitted.

Amendments and Modifications of this Code

There shall be no amendment or modification to this Code except by a vote of the Board of Directors or a designated Board committee that will ascertain whether an amendment or modification is appropriate.

In case of any amendment or modification of this Code that applies to an officer or director of the Company, the amendment or modification shall be posted on the Company's website within five days of the Board vote or shall be otherwise disclosed as required by applicable law or applicable exchange rules. Notice posted on the website shall remain there for a period of 12 months and shall be retained in the Company's files as required by law.

Conclusion

This Code is an attempt to point all of us at the Company in the right direction, but no document can achieve the level of principled compliance that we are seeking. In reality, each of us must strive every day to maintain our awareness of these issues and to comply with the Code's principles to the best of our abilities. Before we take an action, we must always ask ourselves:

Does it feel right?

Is this action ethical in every way?

Is this action in compliance with the law?

Could my action create an appearance of impropriety?

Am I trying to fool anyone, including myself, about the propriety of this action?

If an action would elicit the wrong answer to any of these questions, do not take it. We cannot expect perfection, but we do expect good faith. If you act in bad faith or fail to report illegal or unethical behavior, then you will be subject to disciplinary procedures. We hope that you agree that the best course of action is to be honest, forthright and loyal at all times.

Discipline for Noncompliance with this Code

Disciplinary actions for violations of this Code can include oral or written reprimands, suspension or termination of employment or a potential civil lawsuit against you.

The violation of laws, rules or regulations, which can subject the Company to fines and other penalties, may result in your criminal prosecution.

Last reviewed and approved by the Board on February 19, 2015

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 coal mine safety included in section 1503(a)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank Act**"), the table below presents the following information for the Mesquite Mine, for which the Company is the operator, for the year ended December 31, 2014 ("**Period**"):

Reporting Requirement	Disclosure for Mesquite Mine for the Period
The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the FMSH Act for which the operator received a citation from the MSHA	2
The total number of orders issued under section 104(b) of the FMSH Act	0
The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the FMSH Act	0
The total number of flagrant violations under section 110(b)(2) of the FMSH Act	0
The total number of imminent danger orders issued under section 107(a) of the FMSH Act	0
The total dollar value of proposed assessments from MSHA under the FMSH Act	$500
The total number of mining-related fatalities	0
Notices received from MSHA during the Period regarding a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the FMSH Act	None
Notices received from MSHA during the Period regarding the potential to have a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the FMSH Act	None
The total number of legal actions before the Federal Mine Safety and Health Review Commission ("FMSHRC") pending as of the last day of the Period	5
The total number of legal actions before FMSHRC instituted during the Period	5
The total number of legal actions before FMSHRC resolved during the Period	0

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 27, 2015

/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 27, 2015

/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, 2014 (the " **Report**") by New Gold Inc. (the "**Company**"), I, Robert J. Gallagher, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2015

/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, 2014 (the " **Report**") by New Gold Inc. (the "**Company**"), I, Brian W. Penny, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2015

/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 19, 2015 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, 2014.

"Deloitte LLP"

Chartered Professional Accountants, Chartered Accountants Licensed Public Accountants
March 27, 2015

Exhibit 11



CONSENT OF ROSCOE POSTLE ASSOCIATES INC.

We consent to the inclusion in this annual report on Form 40-F of New Gold, Inc., which is being filed with the United States Securities and Exchange Commission, of references to our name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the New Afton Project, British Columbia, Canada" dated March 23, 2015; the technical report entitled "Technical Report on the Mesquite Mine, Brawley, California, USA" dated February 28, 2014; the technical report entitled "Technical Report on the Cerro San Pedro Mine, San Luis Potosí, Mexico" dated February 16, 2010, and amended March 22, 2010; the technical report entitled "Technical Report on the Peak Gold Mines, New South Wales, Australia" dated March 25, 2013; and the technical report entitled "Technical Report on the El Morro Project, Region III, Chile" dated March 23, 2012, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

ROSCOE POSTLE ASSOCIATES INC.

/s/ Deborah A. McCombe
Name: Deborah A. McCombe, P.Geo.

Exhibit 12

CONSENT OF DAVID W. RENNIE

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the New Afton Mine, British Columbia, Canada", dated March 23, 2015, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, 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 27 day of March, 2015

/s/ David W. Rennie
David W. Rennie, P.Eng.

Exhibit 13

CONSENT OF HOLGER KRUTZELMANN

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the New Afton Mine, British Columbia, Canada", dated March 23, 2015, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Holger Krutzelmann
Holger Krutzelmann, P.Eng.

Exhibit 14

CONSENT OF R. DENNIS BERGEN

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the New Afton Mine, British Columbia, Canada", dated March 23, 2015, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Dennis Bergen
R. Dennis Bergen, P.Eng.

Exhibit 15

CONSENT OF WAYNE VALLIANT

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the Mesquite Mine, Imperial County, California, U.S.A.", dated February 28, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Wayne Valliant
Wayne Valliant, P.Geo.

Exhibit 16

CONSENT OF KATHLEEN ALTMAN

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the Mesquite Mine, Imperial County, California, U.S.A.", dated February 28, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Kathleen Altman
Kathleen Altman, P.E.

Exhibit 17

CONSENT OF RICHARD J. LAMBERT

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical reports entitled "Technical Report on the Mesquite Mine, Imperial County, California, U.S.A.", dated February 28, 2014, and "Technical Report on the Peak Gold Mines, New South Wales, Australia," dated March 25, 2013, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Richard J. Lambert
Richard J. Lambert, P.E.

Exhibit 18

CONSENT OF IAN T. BLAKLEY

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on the Peak Gold Mines, New South Wales, Australia," dated March 25, 2013, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Ian T. Blakley
Ian T. Blakley, P. Geo.

Exhibit 19

Consent of Colin Hardie

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Colin Hardie
Name: Colin Hardie
Title: Senior Metallurgist

Exhibit 20

Consent of David Runnels

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ David Runnels
Name: David Runnels
Title: Project Director

Exhibit 21

Consent of Patrice Live

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Patrice Live
Name: Patrice Live
Title: Project Manager

Exhibit 22

Consent of BBA Inc.

We consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of references to our name in connection with, and to the use of information derived from, the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014 and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

BBA Inc.

/s/ André Allaire
By: André Allaire
Title President

Exhibit 23

Consent of Sheila Ellen Daniel

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada”, dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Sheila Ellen Daniel

Name: Sheila Ellen Daniel
Title: Senior Associate Geoscientist; Head, Environmental Management
Amec Foster Wheeler Environment & Infrastructure,
a Division of Amec Foster Wheeler Americas Limited

Exhibit 24

Consent of David Grafton Ritchie

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report “NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada”, dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ David G. Ritchie

Name: David G. Ritchie, M.Eng., P.Eng.
Title: Geotechnical Engineering Group Manager
Senior Associate Geotechnical Engineer
Amec Foster Wheeler Environment & Infrastructure,
a Division of Amec Foster Wheeler Americas Limited

Exhibit 25

Consent of Adam Coulson

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Adam Coulson

Name: Adam Coulson, Ph.D., P.Eng.
Title: Rock Engineering Group Manager
Senior Associate Rock Mechanics Engineer
Amee Foster Wheeler Environment & Infrastructure,
a Division of Amee Foster Wheeler Americas Limited.

Exhibit 26

Consent of Amec Foster Wheeler Americas Limited

We consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to Amec Foster Wheeler Americas Limited, formerly known as AMEC Americas Limited, in connection with, and to the use of information derived from, the technical report entitled "Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

On behalf of Amec Foster Wheeler Americas Limited

/s/ Kris Homer

Name: Kris Homer
Title: Vice President Operations, South America

Exhibit 27

Consent of Glen Cole, P.Geo

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada dated February 14, 2014”, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333- 160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Glen Cole

Name: Glen Cole, P.Geo
Title: Principal Consultant (Resource Geology)

Exhibit 28

Consent of Dorota El-Rassi

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled “NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada dated February 14, 2014”, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333- 160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Dorota El-Rassi
Name: Dorota El-Rassi
Title: Resource Geologist

Exhibit 29

Consent of SRK Consulting (Canada) Inc.

We consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of references to our name in connection with, and to the use of information derived from, the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada" effective date February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014 and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

SRK Consulting (Canada) Inc.

/s/ Glen Cole

By: Glen Cole, P.Geo
Title Principal Consultant (Resource Geology)

Exhibit 30

Consent of Colm Keogh

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Colm Keogh
Name: Colm Keogh
Title: Principal Mining Engineer

Exhibit 31

Consent of Mo Molavi

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Mo Molavi
Name: Mo Molavi
Title: Mining Services Manager/Principal Mining Engineer

Exhibit 32

Consent of AMC Mining Consultants

We consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of references to our name in connection with, and to the use of information derived from, the technical report entitled "NI 43-101 Technical Report Feasibility Study of the Rainy River Project, Ontario, Canada", dated February 14, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014 and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

AMC Mining Consultants

/s/ Bert Smith

By: Bert Smith
Title General Manager/Principal Mining Engineer

Exhibit 33

Consent of Ronald G. Simpson

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on Feasibility Study for the Blackwater Project", dated January 22, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Ronald G. Simpson

Name: Ronald G. Simpson
Title: Professional Geoscientist
GeoSim Services Inc.

Exhibit 34

Consent of GeoSim Services Inc.

We consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of references to our name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on Feasibility Study for the Blackwater Project" effective date January 22, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014 and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

GeoSim Services Inc.

/s/ Ronald G. Simpson

By: Ronald G. Simpson, P. Geo.

Title: President

Exhibit 35

Consent of Jay Horton

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on Feasibility Study for the Blackwater Project", dated January 22, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Jay Horton

Name: Jay Horton, P. Eng.
Title: Manager, Technical Services
Norwest Corporation

Exhibit 36

Consent of Norwest Corporation

We consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of references to our name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on Feasibility Study for the Blackwater Project", dated January 22, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014 and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

Norwest Corporation

/s/ Sean Ennis
By: Sean Ennis
Title Vice President, Mining

Exhibit 37

Consent of Bruno Borntraeger

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on Feasibility Study for the Blackwater Project", dated January 22, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Bruno Borntraeger

Name: Bruno Borntraeger, P.Eng.
Title: Specialist Engineer/Project Manager
Knight Piésold Ltd.

Exhibit 38

Consent of Knight Piésold Ltd.

We consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of references to our name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on Feasibility Study for the Blackwater Project", dated January 22, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014 and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

Knight Piésold Ltd.

/s/ Ken Brouwer
By: Ken Brouwer, P.Eng.
Title President

Exhibit 39

Consent of I.A. (Tony) Lipiec

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on Feasibility Study for the Blackwater Project", dated January 22, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Tony Lipiec

Name: I.A. (Tony) Lipiec
Title: Technical Director, Process Engineering
Amec Foster Wheeler

Exhibit 40

Consent of Gary Christie

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to my name in connection with, and to the use of information derived from, the technical report entitled "Technical Report on Feasibility Study for the Blackwater Project", dated January 22, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/s/ Gary Christie
Name: Gary Christie
Title: Project Manager

Exhibit 41

Consent of Amec Foster Wheeler Americas Limited

We consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of reference to Amec Foster Wheeler Americas Limited, formerly known as AMEC Americas Limited, in connection with, and to the use of information derived from, the technical report entitled "Technical Report on Feasibility Study for the Blackwater Project", dated January 22, 2014, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and we consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

On behalf of Amec Foster Wheeler Americas Limited

/s/ Kris Homer
Name: Kris Homer
Title: Vice President Operations, South America

Exhibit 42

Consent of Mark Petersen

I consent to the inclusion in this annual report on Form 40-F of New Gold Inc., which is being filed with the United States Securities and Exchange Commission, of references to my name in connection with, mineral reserve and resource estimates for the New Afton Project, Mesquite Mine, Peak Gold Mines, Cerro San Pedro Mine, Rainy River Project, Blackwater Project and El Morro Project, included in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2014, and I consent to the incorporation by reference of such information in the registration statement on Form S-8 (File No. 333-160500) of New Gold Inc.

Dated this 27th day of March, 2015

/Mark Petersen/

Name: Mark A. Petersen

Title: Vice President, Exploration of New Gold Inc.

AIPG Certified Professional Geologist – CPG N^{O} 10563

SME Registered Member N^{O} 2519520