



Conflict Free Gold Report for New Gold Inc.

New Gold Inc. (New Gold) acknowledges that it is its obligation as a responsible gold producer to demonstrate appropriate controls such that gold is extracted or used in a manner that does not fuel armed conflict or contribute to violations of Human Rights or international law. New Gold takes this responsibility seriously and as such, has adopted the Conflict Free Gold Standard (Standard).

This Conflict Free Gold Report summarizes how New Gold conforms to the requirements of the Standard for the year-ended 31 December 2016. The Chief Executive Officer, Hannes Portman, has the ultimate responsibility for New Gold's compliance. The governance structure of New Gold can be found on our website at www.newgold.com.

Reporting Boundary

The reporting boundary of this Conflict-Free Gold Report includes all mining and processing operations over which New Gold has direct control. This includes the Cerro San Pedro mine in San Luis Potosi (Mexico), the Mesquite mine in California (USA), the Peak mine in New South Wales (Australia) and the New Afton mine in British Columbia (Canada).

Standard's requirements

The Standard is comprised of assessments Parts A–E:

Part A – Conflict Assessment

Part B – Company Assessment

Part C – Commodity Assessment

Part D – External Sources of Gold Assessment, and

Part E – Management Statement of Conformance.

Part A of the Standard requires companies to assess whether they are adhering to international sanctions and to undertake a risk assessment based upon the recognition of conflict. Applying the Standard's criteria, operations that are in an area ranked as 5 (war) or 4 (limited war) within the last two years in the Heidelberg Conflict Barometer have been classified as 'conflict-affected or high-risk' and must complete all remaining assessments in Parts B–E of the Standard. For operations not considered in a 'conflict-affected or high-risk' area and where the company does not transport gold while in its custody, the remaining assessments are Parts D and E.

New Gold's Evaluation

Following our Part A – Conflict Assessment, New Gold concluded that we did not breach any international sanctions as provided by the Government of Canada, United States, European Union, and UN Security Council sanction lists, and none of our mines are considered to be in a 'conflict-affected or high-risk' area, as determined by the Heidelberg Conflict Barometer.



The Cerro San Pedro Mine is located in the San Luis Potosi a state of Mexico, which has been identified by the Conflict Barometer as a zone of *no violent conflict* for the last three years. Because at a country level, Mexico has been identified at the highest level of conflict, we have, for the last three years, conservatively carried out a very detailed comparison of our practices at Cerro San Pedro against the Conflict-Free Gold Standard. In 2016, following the start of the gradual closure of the mine and consequent reduction in gold production, our approach has been to perform a level of assessment similar to those applied at our operations in Canada, USA and Australia.

We also complied with Part D – Externally Sourced Gold Assessment none of our mines sources gold from third parties. A letter signed by our Chief Finance Officer – Brian Penny – was provided to EY as assurance that this is the case.

Lastly, we have complied with Part E of the Standard by providing a Statement of Conformance which is included as a supplement to this report (see Appendix).

In conclusion, New Gold did not deviate from conformance with the Conflict-Free Gold Standard for the reporting year end 31 December 2016.

New Gold engaged the services of the assurance provider EY LLP and their independent limited assurance statement can be viewed on our website (www.newgold.com).

The Standard includes several areas where evidence of public disclosure is required. The following information can be viewed in the 2016 Corporate Responsibility Report which is available on our website at <http://2016sustainabilityreport.newgold.com>:

- Public commitment(s) to human rights (in the form of our Human Rights and Anti-Corruption Policy. Also on New Gold website at: http://s1.q4cdn.com/240714812/files/documents_corporate/2015/Human-Rights-Policy-2015.pdf
- Disclosure of payments to governments and government entities
- Processes in place by which local stakeholders can raise concerns

To achieve conformance, New Gold has adopted the methodology as outlined in the World Gold Council, Conflict-free Gold Standard which can be found at http://www.gold.org/about_gold/sustainability/conflict_free_standard/

If users of this report wish to provide any feedback to New Gold with respect to the Conflict-Free Gold Report, they can contact us at sustainability@newgold.com.



Appendix

Conflict Free Gold Statement of Conformance – New Gold Inc.

New Gold Inc. (New Gold) confirms, to the best of our knowledge, the gold or gold-bearing material that has been produced by all our operating mine sites - Cerro San Pedro mine in San Luis Potosi (Mexico), the Mesquite mine in California (USA), the Peak mine in New South Wales (Australia) and the New Afton mine in British Columbia (Canada) – has been produced with appropriate controls such that gold is extracted or used in a manner that does not fuel armed conflict or contribute to violations of Human Rights or international law.

All New Gold mines have the appropriate systems and controls in place to ensure that all gold or gold bearing material leaving the mine's area of control is being dispatched in conformance with the World Gold Council's Conflict-Free Gold Standard (CFGS).

New Gold engaged EY to conduct limited level assurance over New Gold's World Gold Council's Conflict-Free Gold Standard Report for the period 1 January 2016 to 31 December 2016. The criteria for this assurance engagement consisted of relevant sections of the CFGS and the CFGS Guidance for Implementing Companies (October 2012) (the "CFGS Guidance"). Specifically, EY was engaged to express an assurance opinion as to whether anything has come to their attention that would cause them to believe that New Gold's Report does not fairly describe the activities undertaken to demonstrate compliance with the requirements of the CFGS.

This Statement of Conformance is provided by New Gold, Inc. as part of the conformance requirements for the World Gold Council's CFGS and in order to provide a good faith representation to the next participant in the chain of custody.