



Compensation Committee Charter

1. Purpose

The overall purpose of the Compensation Committee (the “**Committee**”) is to assist the Board of Directors (the “**Board**”) of New Gold Inc. (the “**Company**”) in approving and monitoring guidelines and practices with respect to compensation and benefits provided by the Company, as well as administering the Company’s equity-linked compensation plans.

2. Composition, Procedures and Organization

- a. The Committee shall consist of at least three members of the Board, all of whom have been affirmatively determined by the Board to be “independent”, as that term is defined in National Instrument 58-101 – Disclosure of Corporate Governance Practices and under the applicable rules of the TSX, the NYSE MKT and any other exchange upon which the securities of the Company may be listed to the extent required by the rules of such exchange. In affirmatively determining the independence of any director who will serve on the Committee, the Board will consider all factors specifically relevant to determining whether a director has a relationship to the Company which is material to that director’s ability to be independent from management in connection with the duties of a Committee member, including, but not limited to:
 - (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director; and
 - (ii) whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.
- b. 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. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- c. Unless the Board shall have appointed a chair (“**Chair**”) of the Committee, the members of the Committee shall elect a Chair from among their number.
- d. The Chair will appoint a secretary of each meeting of the Committee, who need not be a member of the Committee and who will maintain the minutes of the meeting.
- e. A quorum for meetings shall be a majority of the 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.
- f. The President and Chief Executive Officer (the “**CEO**”) of the Company shall be available to advise the Committee, shall receive notice of all meetings of the Committee and may attend meetings at the invitation of the Chair. Each of the CEO and the Chair of the Board, respectively, shall not be present when the Committee discusses or votes on his or her compensation.

- g. The Committee shall have access to such officers and employees of the Company, its external auditors and its legal counsel and to such information respecting the Company as the Committee considers to be necessary or advisable in order to perform its duties and responsibilities.
- h. The Committee may, in its sole discretion, engage compensation consultants, independent legal counsel or other advisers (any of which, an “**Adviser**”) at the expense of the Company, all as it considers to be necessary or advisable in order to perform its duties and responsibilities. Prior to selecting an Adviser, the Committee will take into consideration all relevant factors, including:
 - (i) the provision of other services to the Company by the Adviser (or, if applicable, his or her employer);
 - (ii) the amount of fees received from the Company by the Adviser (or, if applicable, his or her employer) as a percentage of the total revenue of the Adviser (or, if applicable, his or her employer);
 - (iii) the policies and procedures of the Adviser (or, if applicable, his or her employer) that are designed to prevent conflicts of interest;
 - (iv) any securities of the Company owned by the Adviser (or, if applicable, his or her employer);
 - (v) any business or personal relationship of the Adviser with a member of the Committee; and
 - (vi) any business or personal relationship of the Adviser with an executive officer of the Company.

3. Meetings

The Committee shall meet on a regular basis and no less than twice per year. Any member of the Committee may call a meeting of the Committee. The Committee shall hold in camera sessions without the presence of management at each meeting (unless the members of the Committee present determine that such a session is not required).

4. Duties and Responsibilities

The duties and responsibilities of the Committee shall be as follows:

- a. to review corporate goals and objectives relevant to the compensation of the CEO and other executive officers and make recommendations to the Board regarding such goals and objectives, evaluate the CEO’s performance in light of those corporate goals and objectives, and make recommendations to the Board regarding the CEO’s compensation and performance review based on this evaluation;
- b. to make recommendations to the Board with respect to other officer compensation and equity-linked compensation grants for other officers based on performance in light of corporate goals and objectives;
- c. to ensure that the Company has in place programs to attract and develop management of the highest calibre;

- d. to establish a compensation philosophy for the Company;
- e. to review the terms of the Company's equity-linked compensation plans, and any other compensation plans and policies, including any internal equity-linked compensation policy, and make recommendations to the Board;
- f. to review at least annually succession plans for the Company's executive officers and report to the Board on succession planning;
- g. to the extent determined appropriate by the Committee, to review recommendations from the CEO for option grants and other equity-linked compensation grants for employees who are not officers of the Company and, as appropriate, recommend such grants to the Board;
- h. to exercise the rights and obligations provided to the Committee under the Company's equity-linked compensation plans or delegated to the Committee by the Board with respect to the equity-linked compensation plans;
- i. to review the adequacy and form of the compensation of directors and to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director, and to make recommendations to the Board;
- j. to evaluate and approve any compensation to be paid to any director for providing services other than in his or her capacity as a director of the Company;
- k. to report regularly to the Board on all of the Committee's activities and findings during that year;
- l. to oversee and consider the implications of the risks associated with the Company's compensation policies and practices, including (i) overseeing practices of the Company for identifying and mitigating compensation policies and practices that could encourage an executive or individual at a principal business unit or division to take inappropriate or excessive risks; and (ii) ensuring that identified risks arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company are disclosed by management in the Company's annual executive compensation disclosure; and
- m. to review executive compensation disclosure before the Company publicly discloses this information.

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 twice per year;

- 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 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 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 Advisers;
- l. facilitates effective communication between members of the Committee and management; and
- m. performs such other duties and responsibilities as may be delegated to the Chair 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.