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A NOTE FROM THE GENERAL MANAGER



With 2017 officially in the books, I wanted to take this opportunity to extend my gratitude to the many different people involved in New Afton’s continued success. From our dedicated and hard-working employees to our community stakeholders and First Nations partners, New Afton saw continued growth over the past year and we have all of you to thank.

As General Manager, I get the unique position of having a wide-angle view of the entire operation. Our Safety Department had some positive change, bringing in new advisors and Joint Occupational Health and Safety Committee (JOHSC) members. While participating in a Mine Ops lineout meeting, I heard the phrase “be your brother’s or sister’s keeper” used. I ask all employees to reinvigorate your commitment to ensuring we all go home safe, regardless of which department we work in. Don’t accept the norm, ask questions and always focus on the task at hand. Let’s get back on track for 2018!

I also get to see the incredible work being done by our Environment Department, made evident by their recognition at the 2017 Kamloops Chamber of Commerce Business Excellence Awards. I’m excited by the continued innovation being implemented in our Assay lab and the use

of automated equipment underground to increase safety and efficiency. Our Maintenance group has achieved best practice systems and results. It’s inspiring to watch all departments collaborating to ensure we get to where we need to be. The past year hasn’t come without its fair share of challenges, but the success and development we have experienced far outweigh them.

As an operation, we remain committed to being engaged in and supportive of the community we live and work in not only through sponsorship and donations, but by truly walking the walk. From supporting firefighting efforts in our neighbouring communities during what was an unprecedented wildfire season, to teaching safe habits and practices to youth in area high schools - at New Afton we don’t just say we engage with the community, we actually do it.

Looking ahead, we have elected to defer capital development for the decline portion of C-zone in 2018. The current mine life for New Afton is 2022 and this has not changed. Though we are unsure when development will commence, we are looking forward to evaluating new opportunities that have the potential to further optimize the economic feasibility of C-zone throughout 2018.

If you would like to learn more or would like to provide feedback, please use our feedback hotline (250) 377-2100 or email info@newgold.com.

John Ritter

HEALTH AND SAFETY PERFORMANCE

New Afton’s commitment to protecting the health and safety of all workers is an integral component of maintaining a high standard for responsible mining.

2017 proved to be another excellent year in terms of safety performance for New Afton. The site celebrated a number of safety achievements, most notably the first place victories claimed by the New Afton Fire and Mine Rescue competition team at both the Provincial Mine Rescue Competition and Western Regional Mine Rescue Competition. The site is also pleased to announce the reception of two prestigious safety awards;

the John T. Ryan Award and the Safest Large Underground Mine Award for Mines in BC.

New Afton continuously improved its site safety performance, ending the year with a 1.45 Total Reportable Injury Frequency Rate (TRIFR) on a 1.42 target, and reaching a milestone for the year of over half a million hours lost time injury free. This achievement would not have been possible without the commitment to safety demonstrated by all employees and contractors working at New Afton throughout 2017. Our commitment is to continually provide a safe and healthy working environment for our people.

AWARDS AND RECOGNITION

Environmental Stewardship Award

Environment Department

Chief Inspector of Mines Recognition Award

Safety Initiative Committee

John T. Ryan Award (BC/Yukon)

Lowest Reortable Injury Frequency

Safest Large Underground Mine Award

Provincial Mine Safety Award

AUDITS

External ISO 140001: 2015 audit

Zero major non-conformances

Internal CEDMS audit

Zero major non-conformances

External ISO 50001 audit

Zero major non-conformances

Internal COR audit

Zero major non-conformances

BY THE NUMBERS

PRODUCTION PERFORMANCE

OUTPUTS	2017	2016
Ore Processed (thousand tonnes)	5,993	5,772
Tailings Produced (thousand tonnes)	5,842	5,624
Average gold grade of ore (g/tonne)	0.56	0.65
Average copper grade of ore (%)	0.85	0.81
Copper Produced (million pounds)	90.6	87.3
Gold Produced (ounces)	86,163	98,100

EXPENDITURE DATA SUMMARY

BY DISTRIBUTION (CAD)	2017	2016
Supplier	\$144,411,407	\$141,585,732
Insurance - wage	\$2,456,240	\$2,591,968
Insurance - commercial	\$2,445,768	\$2,598,591
Wages and salaries	\$45,084,203	\$46,073,723
Change in inventory	(\$3,141,946)	(\$3,551,800)
Sponsorship and donations	\$172,803	\$213,303

SAFETY CHAMPION SPOTLIGHT

ADRIAN REGAN, MOBILE MAINTENANCE TEAM



Adrian’s experience and proactive attitude enabled him to rectify an identified safety and environmental hazard related to the underground blockholer drill. Hydraulic pressures were causing hose failures on the machine and Adrian resolved the issue by substituting the hoses. Since the improvements were made, there has been a significant increase in unit availability and a reduced potential of operators being exposed to hydraulic oil leaks. Adrian has proven himself as a Safety Champion by proactively identifying hazards in the workplace and by ensuring that mitigating controls are communicated and actioned. He promotes safety with a positive attitude during morning safety huddles and while filling in as a maintenance lead hand. Keep up the good work Adrian, thanks for making New Afton a safer place to work!



Photo credit: Lisa Novak Photography

Pictured left to right: Rocky Mountaineer's Jackie Lloyd, New Afton's First Nations Coordinator Martha Manuel, Kamloops Chamber President Paul Ross, New Afton's Environmental Technician Chrystal Simon, New Afton's Manager of Environment, Social Responsibility and Tailings Scott Davidson, and TD's Gunveet Singh .



ENVIRONMENT DEPARTMENT RECOGNIZED

New Afton's Environment Department won the Environmental Stewardship Award from the Kamloops Chamber of Commerce at the 2017 Business Excellence Awards in October for their work ensuring the well-being and sustainability of the local environment.

The judging panel was impressed with how the site has taken ownership of a proactive approach toward environmental responsibility. The award criteria required New Afton to demonstrate at least one practice in three or more categories including energy and water conservation, waste prevention, recycling and involving stakeholders in environmental initiatives, among others. The team credits a portion of their success to the increased focus through all site departments on identifying, reporting and mitigating environmental hazards in 2017. The Environment Department has also recently implemented a Super E bulletin process which celebrates actions of individuals or departments that go over and above, to ensure continual improvement of environmental performance.

ENVIRONMENT PERFORMANCE

ENVIRONMENTAL SCORECARD

INCIDENTS	2017	2016	2015
Environmental Non-Compliances	1	1	0
Externally Reported Spills	3	2	9
Number of Fines Incurred	0	0	0
External Complaint	4	0	0

DID YOU KNOW?

Did you know it takes 28 days to advance a tunnel 112 meters?



FINDING SUCCESS AS A CO-OP STUDENT

CONTRIBUTED BY HAILEY MANKE, THOMPSON RIVERS UNIVERSITY

As I wrap up my twelve-month co-op work term at New Afton, I have taken time to reflect on all of the things I learned and the challenges I faced over the past year. I developed more than I ever expected during my time as an Environment co-op student, however the thing I was most surprised by was realizing the significance of relationships with people in various departments and the importance of gaining an understanding of what they do.

Throughout the first few months of my work term, I made it a priority to visit a variety of

different work areas across site to meet the people who collectively contribute to New Afton's success. I was interested not only in who they were as individuals and their stories, but also how their role was integrated within the rest of the mine site. While establishing these relationships and connections, I learned the impact these relationships would have on my ability to do my job and the influence these people would have on me personally and professionally throughout my career. After experiencing first-hand the importance and value of building relationships with my



co-workers, my biggest recommendation for anyone beginning a new position, or current employees in any workplace to consider for that matter, is to build genuine relationships within one's workplace across all departments. Thank you, New Afton!

EMPLOYEE SPOTLIGHT

BRYAN MADSEN P.ENG, SENIOR RELIABILITY ENGINEER



Originally from Saskatchewan, Bryan and his family moved to Kamloops in 2006. While working in the heavy equipment industry, Bryan's desire for a new challenge led him to a role as a Maintenance Planner with New Afton in February of 2012. After just one year, he began a new role as the Reliability Engineer tasked with ensuring unplanned downtime due to equipment failure was minimized, among other things. At that time, New Afton Maintenance Management introduced our focus on Reliability and Bryan was able to lean on his engineering background to develop the role. From working with the Environment Department and warehouse to use a new lubricant product on site or discussing equipment function with the Maintenance Department, Bryan enjoys the aspects of his job that require him to connect with a variety of different departments and employees across site. Read more about the work done by the Reliability team at New Afton on page seven of this newsletter!

IN THE NEWS

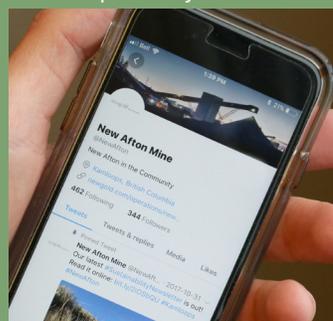
NEW GOLD DEFERRING DEVELOPMENT OF C-ZONE IN 2018

Consistent with the New Gold's commitment to maximizing free cash flow, the Company has elected to defer development of the C-zone in 2018. While the 2016 Feasibility Study for the project includes solid project economics at spot prices, the Company intends to defer the commencement of capital spending while evaluating opportunities that have the potential to further optimize the C-zone project. Some of the opportunities identified, and not included in the original feasibility study, that are being investigated include different tailings options (such as dry stack or thickened/amended tailings), as well as mining approaches based on operating experience in the B-zone (including reassessing the amount of required underground development in the cave as well as optimizing draw bell and pillar designs).

TWEET TWEET! DO YOU FOLLOW US ON TWITTER?



Did you know that can stay up to date with New Afton Mine from the palm of your hand! You can follow us on Twitter @NewAfton for even more photos, updates and information about our involvement in the community. We look forward to engaging with you online!



OUR PEOPLE

Year-End 2017	2017	
Total # of Employees on Payroll	430	100%
Employees from BC	396	92%
Employees hired from Kamloops region	342	80%
Employees hired from BC, outside Kamloops	54	13%
Employees from outside BC	29	7%
Employees from outside Canada	5	1%
First Nations Employees	94	22%
First Nations Employees from Tk'emlúps te Secwepemc and Skeetchestn Indian Band	46	11%
Female Employees	45	11%
Male Employees	385	89%
Average Age	40	



For information on current employment opportunities please visit our website or follow us on Twitter.

newgold.com/careers/new-afton-project/careers

ENVIRONMENTAL MANAGEMENT COMMITTEE

New Afton's Environment Management Committee (*EMC*) is comprised of members from a variety of departments across site. From the Finance, Safety and Processing Departments to the warehouse and everything in between, the group meets quarterly to develop long-term environmental management strategies, set targets, track progress and discuss environmental opportunities for improvement across all departments. The



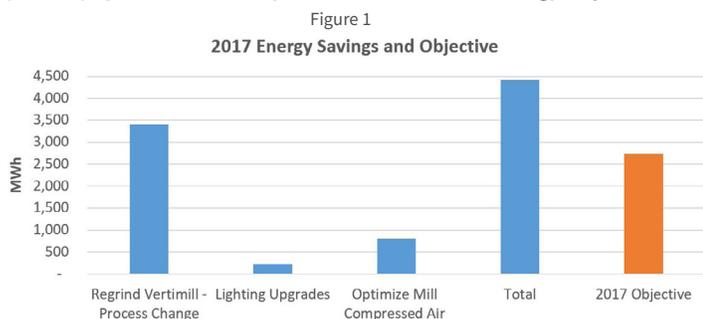
EMC was started in 2012 when production began. Since its inception, it has been a symbol of New Afton's commitment to excellence in environmental stewardship through interdepartmental cooperation.

At the committee's 2017 Q4 meeting, members discussed and developed a number of environment and social responsibility lead indicators that aim to contribute to even better environmental performance in 2018. Included is an increased commitment to identify environmental hazards across all departments and continued publication of site-wide environmental bulletins, among others.

Through consistent dialogue, proactive strategies and ensuring all departments are at the table, the Environmental Management Committee is a key component of New Afton's environmental stewardship.

ENERGY PERFORMANCE NEW AFTON PROVES THAT ENERGY MATTERS

It is said that with absolute belief in something, hard work and enthusiasm, the universe will conspire to make anything happen. This philosophy became a reality for New Afton's 2017 Energy Objective.



Just four short weeks before the end of the year, we had reached only 37% of our 2017 objective. In the spirit of follow-through, we didn't give up and continued to focus on objective awareness and the completion of our energy performance improvement projects. Then, out of left field, came an energy saving larger than our entire 2017 energy objective. Thanks to an operating change on the regrind vertimill, New Afton is saving enough energy to supply 380 average BC homes with power for a year - roughly 3.404 MWh! With this incredible initiative, we ended the year exceeding our 2017 energy objective of 2,740 MWh by 161%, marking the fourth year in a row for us.

BREAKING DOWN THE NUMBERS

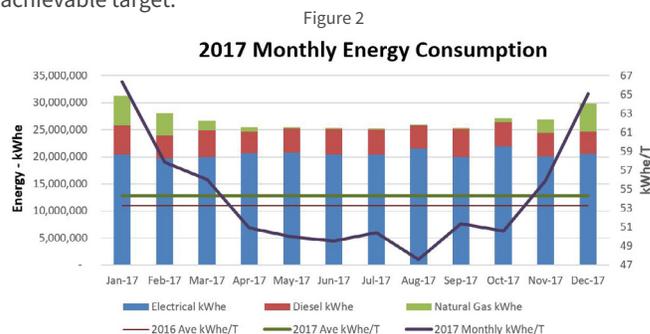
Figure 2 shows the 2017 energy consumption and energy intensity. The 2017 average total energy per dry tonne of ore processed (2017 Ave kWhe/T) was 54.3 kWhe/T, 1.9% up from our 2016 average (2016 Avg. kWhe/T) of 53.3 kWhe/T.

This slight increase was largely attributed to a 39% increase in natural gas consumption, due to 24% more heating degree days (15°C base) in 2017 than in 2016. This 2017 energy intensity will become the new baseline for 2018.

The energy objective for 2018 is to implement energy performance improvement initiatives which give an annualized energy savings of 1,535 MWhe. Initiatives planned, or in progress, to help us achieve this objective are:

- Continue with the idle reduction campaign. There will be a big focus on collecting data to assess the impact of this initiative
- A study of the underground compressed air system was completed. We will continue with the implementation of energy savings recommendations arising from this study.
- High efficiency impellers have been purchased for one of the tailings pumps.
- An upgrade to the mill HVAC systems will reduce both natural gas and electricity consumption.
- There will be an upgrade to the underground shop lighting. Lighting and controls for this are already on site.

With belief, hard work and our Energy Matters attitude, this should be an achievable target.



SAMPLE PREP AUTOMATION IN THE ASSAY LAB



In an effort to reduce the risk of musculoskeletal injury and increase efficiency of sample preparation in the lab, elements of the process were automated in December 2017. Prior to automation, contract personnel handled heavy rock samples throughout the preparation of each sample. Now, the process is more ergonomic, as handling of the samples is minimized and assayers are only required to pour samples into a waist-height crusher and then transfer much smaller samples from the crusher to the pulverizer in a small cup. Lab employees estimate that automation has meant a decrease in the manual handling of sample material and equipment as part of the preparation process by as much as 70%.

In addition to minimizing the potential for injury, sample prep automation has led to increased efficiency. Assayers are able to load up numerous samples to be prepared autonomously, leaving them free to accomplish other tasks. Automation has also meant a more streamlined and efficient waste rock management process. When the 500 grams of material is taken from each 7kg sample, the waste is then transferred onto a conveyor and deposited into a bin, where it is retrieved and fed back into the mill.

This sample prep automation system was custom built for New Afton's assay lab by New Zealand company Rocklabs and the custom automated crusher is one of only a few in North America, a symbol of New Afton's commitment to workplace safety, efficiency and innovation.

RETURN ON RELIABILITY: THE PROS OF BEING PROACTIVE

For an operation to run like a well-oiled machine, it is important to ensure that an operation's machines are in fact, well oiled. That's where New Afton's Reliability Engineering group comes in.

From managing all lubricant choices on site to evaluating root causes of equipment breakdowns and implementing solutions to prevent failures, Reliability Engineers are key to ensuring that machinery failure is minimized and availability and reliability are maximized. Just how is this done? New Afton uses numerous Reliability tools, including Reliability Centered Maintenance (RCM) analysis. Originating in the airline industry, RCM is an intensive process that involves assembling a panel of experts to evaluate failure possibilities for each component of a machine or system. Reliability Engineers can then optimize maintenance strategies in order to minimize future downtime.



Other Reliability principles employed at New Afton include lubrication excellence and condition-based maintenance – all in the interest of maximum equipment uptime and minimum operating costs.

HELPING HUNGER AT THE MOUNT PAUL FOOD CENTRE

SUBMITTED BY THE UNITED WAY THOMPSON-NICOLA CARIBOO

The Mount Paul Community Food Centre focuses on increasing food access, skills, and education. The centre promotes healthy changes in our community aimed at engaging community members and enabling healthy, informed food choices.

The Community Food Centre currently houses the following programs:

- **Community Gardens** – 8 gardens city-wide with 258 plots and 350 gardeners
- **Community Kitchens** – 54 kitchens in 2015 with 1900 portions of food made for 540 participants
- **Public Produce** – Public space where food production is maintained and freely accessible
- **Meals on Wheels** – Delivered 4405 meals in 2015. Program has been running in Kamloops since 1993
- **Food Fit** – 12 week program that focuses on nutrition, education, and exercise
- **Communal Garden** - 5000 sq ft garden located on-site
- **Farm to School** – Brings healthy, local food into schools and provides students with hands-on learning opportunities to foster food literacy and strengthen local food system
- **Gleaning Abundance Project** - Surplus food collected from fruit trees, farms, and home gardens and shared between home-owners, volunteers, and community food outreach programs



New Gold dollars were invested into renovations of the Food Centre and have substantially impacted the functionality of programs housed through the centre.

Executive Director of United Way Thompson Nicola Cariboo, Danalee Baker, emphasizes, “Not only has the kitchen renovation increased the capacity for volunteers and the quality of training opportunities for the community, but it has enabled the food centre to feed more people with the ability to store harvested food on site.”

This project has allowed increased collaboration opportunities and centralized local programming and resources. This has led to a direct impact on the sustainability and affordability of good food in this community we call home.

“The renovations at the Food Centre have allowed for a more usable space for direct programming, increased access to food storage, and the ability to handle multiple user groups at one time,” says Dawn Christie, Community Resource Manager of Interior Community Services.

NEW AFTON WELCOMES YOUR FEEDBACK ON OUR NEWSLETTER

CALL US AT 250.377.2100 OR EMAIL OUR COMMUNITY SPECIALIST: SAMUEL.NUMSEN@NEWGOLD.COM
FOR A CHANCE TO WIN A PRIVATE TOUR UNDERGROUND!

1. Was the report clear and understandable?
2. Number 1 to 5 (one being highest your level of interest in the following) : Production, Health & Safety, Environment, Our People and Community Relations.
3. Did the report provide adequate information for your top two interests?
4. Any other comments.

FURTHER INFORMATION

 @NewAfton

If you have any comments on this report or would like further information on the New Afton Operation, please contact either of the following:

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New Afton welcomes your feedback: Call us at 250.377.2100 or email us at info@newgold.com

To learn about New Afton's current career opportunities please visit: www.newgold.com under the careers link.

While every effort has been made to ensure accuracy of the information presented, please note that all figures are unaudited.