



COMMUNITY SPOTLIGHT

- **30th Annual KEG Conference & Trade Show**

April 4th & 5th 2017

- **BC Wildlife Park's Easter Eggs-Citement Event Sponsored by New Gold**

April 14th to 17th 2017

- **Juvenile Diabetes Research Foundation Meet a Machine Event**

April 22nd 2017

- **New Gold's 1st Annual Charity Golf Tournament in Support of the Kamloops Foodbank**

June 16th 2017

NOTE FROM OUR FINANCE MANAGER

The Finance department is made up of three key areas: Information Technology (IT), Finance and Procurement. Each area is actively working to provide support to various initiatives throughout the New Afton Mine site and are committed to driving efficiencies, leading with innovation and keeping safety and the environment top of mind.

IT is implementing updates to software to maintain digital security with a focus on environment, looking at power friendly hardware. Additionally, we are providing innovative solutions to business processes like the Inventory Change Request (ICR) system for inventory requests and the digital displays for the Mill and Mine. These help streamline our processes and allow our people to be more efficient.

A key focus for Finance is to provide economic analysis and support for various capital and

business improvement projects. We are also pursuing paperless options for month-end and accounts payable in the near future.

The Procurement area is currently working on how to optimize supplies inventory and assets through the disposal and sale of slow moving and surplus inventory items. We are also adding value via contract negotiations by obtaining price reductions on critical items such as grinding media, Lime, Mill liners and equipment purchases. Environmentally, we are giving preference to vendors with "Energy Star Appliances" in our contracts.

If you would like to learn more about our department or would like to provide feedback, please use our feedback hotline 250.377.2100 or email us at info@newgold.com

Bryan Swanton

Finance Manager



OUR PERFORMANCE

During 2017, the mine is expected to operate at similar throughput levels to 2016.

Year End December 31			
OUTPUTS	2016	2015	2014
Ore Processed (tonnes)	5,772,502	5,097,440	4,792,149
Tailings Produced (tonnes)	5,624,591	4,951,026	4,639,348
Average gold grade of ore (g/tonne)	0.646	0.780	0.814
Average copper grade (%)	0.813	0.90	0.94
Copper Produced (million lbs)	87.3	86.0	84.5
Gold Produced (thousand ounces)	98.1	105.5	104.6

HEALTH AND SAFETY PERFORMANCE

At New Afton we understand that responsible mining starts with keeping our people safe and healthy. From the ground up, our people are passionate about doing the right thing and holding true to our values: Integrity, Commitment, Creativity, Employee Development and Teamwork.

New Afton Mine is pleased to report an excellent year in terms of safety performance for 2016. The site celebrated a new milestone of 2 years and over 2 million hours lost time injury free on December 18th, 2016. This achievement would not have been possible without the commitment to safety from the Joint Occupational Health & Safety Committee (JOHSC) and all of our employees and contractors on site. The Management Team recognized this milestone by presenting each worker, and long term contractor, with an award to celebrate this accomplishment. Everyone played a part in achieving over 2 million hours lost time injury free. We believe that with the right people and proper training we can continue to be a safe working environment.



OUR ACHIEVEMENTS

AWARDS AND RECOGNITION

2016 Towards Sustainable Mining Leadership Award

2016 Large Underground Mines Award - presented for the underground mine that had the lowest injury frequency rate.

AUDITS

ISO 50,001 Recertification Audit, Zero Major Non Conformances

ISO 14,001 Surveillance Audit, Zero Non Conformances

Certificate Of Recognition - Health & Safety Management System Maintenance Audit, overall 93% rating

SAFETY STATISTICS	2016	2015	2014
Work related fatalities	0	0	0
Lost Time Injuries (LTI)	0	0	5
Lost Time Injury Frequency Rate (LTIFR)	0	0	0.85
Restricted Work Injuries	4	5	4
Medical Treatments	4	4	3
Total Reportable Injury Frequency Rate (TRIFR)	1.49	1.62	2.05
Safety and Health Complaints	0	0	0
Person Hours	1,073,428	1,111,604	1,171,777
Safety Training Hours	21,602	15,549	24,318

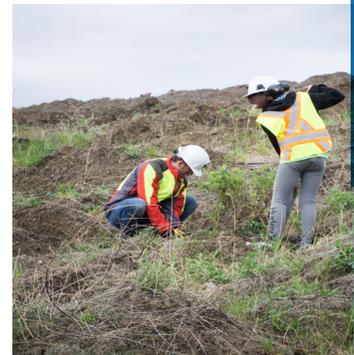


ENVIRONMENT PERFORMANCE

New Afton prides itself on its environmental performance and continual improvement. At New Afton we work with our First Nations partners and other Communities of Interest to ensure

we achieve this goal. New Afton has had a positive year in 2016 with many significant activities supporting environmental management and improved performance.

ENVIRONMENTAL SCORECARD	2016	2015	2014
Environmental Non-Compliances	1	0	1
Externally Reported Spills	2	9	14
Number of Fines Incurred	0	0	0
Environmental Complaints	0	0	1



WATER MANAGEMENT

New Afton understands that water is an important resource to our communities and First Nations partners. We strive to minimize water withdrawal from Kamloops Lake, and at any time are only using the minimum required for efficient use in our operations and for drinking water. The amount of freshwater used from Kamloops Lake per tonne processed remained at 2015 levels (0.4 m³/tonne).

Water used at the mine is contained within the site to maximize recycling and reuse of water and protect the environment. For example, in 2016, 12,289 ML of water was recycled and reused from the Tailings Storage Facility – this is a 5% increase in water recycled per tonne of ore processed in the mill and accounts for 75% of water used on site. Further, water was transferred from the historic Afton tailings facility to reduce the amount of withdrawal from Kamloops lake.

ENERGY PERFORMANCE

2016 was another successful year for Energy Management at New Afton.

- The mine exceeded its energy saving objective for the year
- In 2016, the energy per tonne of ore milled was the lowest since the mill came on line in 2012
- The mine won two energy awards, the 2016 CEM Energy Management Award of Excellence and the 2016 CIPEC Energy Management National Award

The success of the energy management program at New Afton is largely due to its people, so engaging these employees continued to be a focus with two “Power Saving Agent” programs during the year. For the home energy monitor program, “Agents” purchased a discounted energy monitor to identify energy waste in their home. During the program period, they exceeded a 5% savings target at their homes. In recognition of this effort, New Afton donated \$1,500 to the Red Cross Ft. McMurray Fire Relief Fund, the cause unanimously selected by the “Agents”.

Towards the end of 2016 and into 2017, “Power Saving Agents” had the opportunity to participate in “Mission: Thermal Vision”. “Agents” signed out a thermal imaging camera to plug into their smart phone. With the thermal imager app, they could identify areas of energy loss in their homes and in the workplace. Findings and ideas were shared on a social media platform on the New Afton SharePoint site.



Looking ahead to 2017, New Afton is looking at some exciting opportunities to both improve energy performance and reduce greenhouse gas emissions.

Energy Matters at New Afton.

ANNUAL INPUTS & CARBON OUTPUTS

INPUTS	2016	2015	2014
WATER			
Water drawn from Kamloops Lake (ML)	2,556	2,311	1,216
ENERGY USE			
Electricity (MWh)	238,894	219,298	197,079
Diesel fuel, mobile sources (kL)	4,754	3,548	3,297
Propane (kL)	18	22	25
Gasoline (kL)	123	114	131
Natural Gas (GJ)	55,282	51,881	69,835
Explosives (t)	404	326	575

OUTPUTS	2016	2015	2014
CO2 emissions			
From electricity (TCO2e)	2,549	3,071	2,760
From diesel (TCO2e)	12,503	9,677	8,989
From propane (TCO2e)	28	33.8	39
From gasoline (TCO2e)	293	254	291
From natural gas (TCO2e)	2,757	2,564	3,506
From explosives (TCO2e)*	76	40.6	71.7

Note: Measurements estimated based on partial data set

All factors used for the calculation of energy and greenhouse emissions were taken from the British Columbia Best Practices Methodology for Quantifying Greenhouse Gas Emissions, http://www2.gov.bc.ca/assets/gov/environment/climate-change/policy-legislation-and-responses/carbon-neutral-government/measure-page/2016-2017_bc_best_practices_methodology_for_quantifying_ghg_emissions.pdf

Except * which is taken from Mining Association of Canada Management Guidance Document <http://mining.ca/resources/guides-manuals>



POWER SAVING AGENTS
MISSION: ZERO ENERGY WASTE
NEW OBJECTIVE: THERMAL VISION

- ATTACH THE FLIR THERMAL CAMERA TO YOUR PHONE
- SEE SOURCES THAT MAY INDICATE HEAT LOSS
- LOCATE CEILING JOISTS, WALL STUDS, LEAKING PIPES
- SPOT OVERLOADED CIRCUITS, HOT AND COLD PIPES
- MAKE ASSESSMENTS AND REPAIRS EASIER

AIR QUALITY & DUST MANAGEMENT

As the tailings storage facility grows New Afton has increased its efforts to suppress transportation of dust to the atmosphere from the exposed sand areas. 2016 saw the first full year of implementation of our Operational Dust Management Plan developed by an independent qualified environmental professional. Results, from monitoring indicate that fugitive dust, measured as PM2.5, PM10 and total dust

fall, didn't increase and remained below applicable guidelines. In 2016 we did have a helping hand as monthly rainfall was above normal for most of the summer helping to prevent fugitive dust.

For 2017 New Afton will also be managing for dust on the historic Afton TSF. This will require an extension of current efforts and present new challenges on the old

facility. As part of our internal reporting system, any dust noted by any employee leads to internal reporting of an incident. This ensures that controls to eliminate dust are carried out. Further, any external notifications to our Feedback Hotline, regarding dust or other feedback, are logged and reported to the public through our Newsletter.

OUR PEOPLE

At New Afton, we acknowledge our success can be attributed back to our workforce. Together we can accomplish the goals set before us as a mine site.

One of the New Gold Values is employee development. At New Afton we encourage employees to continually develop their skills and abilities. This issue, New Afton would like to spotlight Bob Arrowsmith, who recently became a certified tradesperson, obtaining his Millwright Inter-provincial Red Seal. Great work Bob!

YEAR ENDED	2016	
	Total # of Employees on Payroll	446
Employees from BC	416	93%
Employees hired from Kamloops region	348	79%
Employees hired from BC, outside Kamloops	62	14%
Employees from outside BC	30	8%
Employees from outside Canada	6	1%
First Nations Employees	103	23%
First Nations Employees from Tk'emlúps te Secwepemc and Skeetchestn Indian Band	33	7%
Female Employees	52	11%
Male Employees	387	89%
Average Age	40.1	

EMPLOYEE SPOTLIGHT

ROBERT ARROWSMITH JOURNEYMAN MILLWRIGHT

I graduated college with a mining engineering technologist diploma and started working in the mines as a hard rock miner in Northern Ontario in the late 1990's. I made the move to Kamloops with the support of New Gold in 2009, where I spent the first couple of years as a jumbo/bolter operator for "D" crew. I then spent one year as a trainer, at which time I was accepted into the Millwright apprenticeship program here at New Afton. With the support of New Gold, I was able to successfully obtain my Red Seal Certification, while supporting my family, something that I would not have been able to do without the backing from New Gold. With the guidance of my fellow millwrights, my knowledge and experience grows exponentially every day. My family and I are very grateful to New Gold for giving us this opportunity.

- Robert Arrowsmith



OUR COMMUNITY

New Afton is a proud member of the local Kamloops Community. Together our team has participated in JDRF Meet a Machine Event, the Heart & Stroke Big Bike, having the largest corporate team at Boogie the Bridge, volunteering to hand out food at the Kamloops Food Bank and volunteering for Toys for Kids Breakfast to raise funds for the pediatric ward at the Royal Inland Hospital.

In addition to volunteering time at events, we pride ourselves on sponsoring local events and/or programs that have a direct impact to the community of Kamloops. New Afton has provided sponsorship to over 30 local events or programs, some of which included: BC Wildlife Park, Boogie the Bridge, Kamloops Foodbank Basic for Babies, MWS Hospice, KISSM First Whole Notes Program, SPCA Kamloops, Kamloops Therapeutic Riding Association, Kamloops Search & Rescue, Western Canada Theatre and Operation Red Nose to name a few during 2016.

Our goal is to support local initiatives that contribute significantly to the development and well-being of the community as a whole.

AREA SPOTLIGHT

TAILINGS QUALITY CONTROL TEAM

The New Afton Quality Control (QC) Team provides a critical link between management, construction, and operations. The QC team works with the engineers and managers to develop specifications, schedules, and procedures. These technical requirements, as well as the promotion of safe working practices, are communicated to the contractors and operation crews through ongoing construction monitoring. The team members alternate between a field construction monitoring role and a technical laboratory support role.

The typical responsibilities change from day to day, depending on the current priorities and conditions. Daily field reviews are completed to monitor construction and operation activities, deficiencies, and repairs. Additionally, weekly inspections are completed to identify general conditions that may compromise dam stability. Additional support is provided, upon request from other departments, which may include:

- Installing, monitoring, and repairing geotechnical instrumentation
- Laboratory testing and analysis for the mill, batch plant, assay lab, and consultants
- Monitoring and identifying areas of improvement to optimize production

Whatever the task might be, the QC team holds paramount the safety of the public and the protection of the environment.

EXPENDITURE DATA

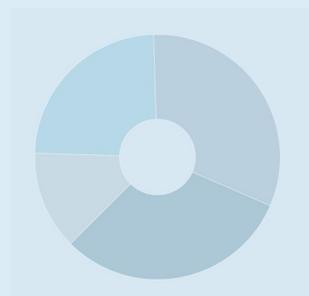
INCLUDING TOTAL FUNDING AND TOTAL DONATIONS

Taxes	CDN\$ in 2016
Mine Taxes	\$3,210,000

Expenditure by Area	CDN\$ in 2016
Local (Kamloops area)	91,407,527
Province	46,697,538
National (excluding BC)	35,067,592
International	19,850,015

Distribution	CDN\$ in 2016
Suppliers, Contractors	141,585,732
Insurance – WCB & Extended Benefits	2,591,968
Insurance – Commercial	2,598,591
Wages and Salaries	46,073,723
Change inventory	(3,551,800)

LOCAL EXPENDITURE DISTRIBUTION



- 13% INTERNATIONAL
- 24% NATIONAL
- 32% PROVINCIAL
- 31% KAMLOOPS



COMMUNITY - SAFETY IN THE COMMUNITY PROGRAM



New Afton's vision is to enhance youth's safety knowledge and awareness by sharing 'practical hands-on industrial experience' through volunteer mentorship in a Safety Initiative Committee. New Afton has employee volunteers from different departments that are committed to safety and are working with School District 73 to ultimately have our youth go home safe and healthy every day.

A big thanks to employee volunteers of our Safety Initiative Committee. They have been successful in taking Safety into the community by delivering safety presentations to high school students in Grade 10 in the local community. This initiative was developed directly by volunteers at New Afton to help prepare young workers entering the workforce and encourage safety as a top priority. The goal of the committee is to educate local students on the importance of safety both at work and at home. With the support of WorkSafe BC, the committee developed a 3 Module program with the following topics:

1. On the Job Safety: This module introduces students to the rationale for workplace safety, and the very real consequences that can occur when safety procedures are not followed.

2. Addressing Hazards on the Job: This module addresses common causes of workplace injuries; common hazards in a range of jobs and workplace settings; strategies for avoiding hazards and minimizing risks on the job; how the proper use of PPE (personal protective equipment) can minimize the risk of workplace injuries.

3. Work safe for Life: This module provides opportunities for students to think about safety in a broader context, connecting workplace safety skills and attitudes to school, home and community settings.

All modules are designed to engage students and utilize different ways of teaching. A presentation is delivered using questions and videos followed by hands-on activities, in order to help further the learnings taught

in the presentations. During the 2016/2017 school year, the committee delivered the program to over 140 Grade 10 students at Valleyview Secondary School and the Kamloops School of Arts. The Principal at Valleyview Secondary provided feedback saying, "The volunteers were so good with the students! It was hard to believe that they did not have a background in education because they were able to connect very easily with a classroom full of 15 year olds. Students were engaged and they really liked the hands on portion of the session."

One teacher indicated that, "The visuals were great! Speakers gave interesting and real life examples that held the interest of the kids."

The New Afton employee volunteers are very excited to continue the program in the 2017/2018 school year and will continue to work with School District 73 to identify schools for the safety program. These efforts are in hopes to create a culture of community safety in school, work and the local community of Kamloops.

NEW AFTON WELCOMES YOUR FEEDBACK ON OUR NEWSLETTER

CALL US AT 250.377.2100 OR EMAIL OUR COMMUNITY SPECIALIST: KORAH.DEWALT-GAGNON@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.

Thank you to everyone who provided feedback on our last Fall Issue of our New Afton Sustainability Newsletter. As promised, the following was a winner of our New Gold Swag Basket: Shirley Forsyth.

FURTHER INFORMATION

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

Scott Davidson

Environment and Social Responsibility Manager

New Afton

Ph: +1 250 377 2785

Fax: +1 250 377 2702

New Gold Inc. Corporate Office

Brookfield Place

181 Bay Street, Suite 3510

Toronto, Ontario

M5J 2T3

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.