



2009

SUSTAINABILITY REPORT

newgold

Western Mesquite Mines, Inc.
Mesquite Mine

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A Message From The GM



R. Cory Atiyeh
Vice President & General Manager

Welcome to Western Mesquite Mines' inaugural Sustainability report. Sustainability and mining, two terms seemingly at odds with one another, have become entwined over the past two decades. Mine operators, while delivering on traditional targets, must also develop trusted relationships with local and regional communities. Mesquite personnel have focused on this aspect of our business, and the mine enjoys healthy relationships with regulatory and community organizations. It is now incumbent on us to maintain these relationships throughout the mine's life and leave a positive, lasting legacy for the surrounding communities.

Gold was first discovered in the Mesquite district in the mid 1800's, coincident with the California gold rush. The area has produced over 3 million ounces of gold and is part of a larger trend which stretches well into Mexico. Modern mining began in the early 1980's and continued with several owners through 2001. Western Goldfields re-started the operation in 2007 and subsequently merged into New Gold Inc. in 2009.

In 2009, the Mesquite operation emerged from startup status and experienced an exceptional year. On the safety front, we have successfully trained over 150 equipment operators and mechanics, the majority of which had never seen a mine. In August of last year, we surpassed one year without a lost time accident and our injury frequency rate dipped well below the industry average. We are keenly focused on safety and believe good safety is good business.

Another of our core beliefs is sound environmental stewardship. We experienced several minor incidents in 2009, but overall our environmental record is outstanding. Solid relationships have been established with all regulatory agencies and we are building on our reputation for operating in a sound and responsible environmental manner.

On a broad scale, the mine is a small contributor to industry as the surrounding communities are dominated by agriculture. However, we have established a community relations presence and will continue to build on that foundation. Numerous mine

tours and meetings for local and regional dignitaries were hosted during the year. Additionally, several staff employees are active with numerous civic organizations and hold advisory positions.

Production in 2009 met or exceeded forecast targets. Just short of 60 million total tons were mined and over 14.4 million tons of ore were placed on the leach pad. Gold production exceeded 150,000 ounces for the year. Process operators achieved numerous production records and succeeded in optimizing our process systems.

Mesquite has endured a challenging start-up period and emerged in 2009 with a solid performance. With the current metal price climate, the mine is poised to continue operating at profitable levels for many years. We have established a great team here at Mesquite and we will continue to build on our successes. We recognize our role in the larger community and hope our stakeholders appreciate the sincere effort to communicate our story in this report.

R. Cory Atiyeh
Vice President & General Manager





Our Performance

Financial

For the year ended December 2008, Western Mesquite Mines, Inc. recorded revenues of \$95.4 million (USD) from the sales of 110,880 ounces of gold at a realized gold price of \$861. Earnings from operations totaled \$22.8 million. Gold production for the year totaled 108,325 ounces.

For the year ended December 2009, Western Mesquite Mines, Inc. recorded revenues of \$134.5 million on gold sales of 143,509 ounces. During the year, the average realized gold price increased to \$937. Gold production increased to 150,002 ounces. Earnings from operations, before any impairment charges, were \$37.9 million.

Mining

The mine continued to "ramp-up" production during 2009 and faced many challenges during the year in the areas of equipment availabilities, personnel changes and block model reconciliations. As a result, the challenges were met and the mine moved 59.5 million total tons, placed over 14 million ore tons on the pad containing 216,012 ounces. These totals were an increase of 9% in total tons, 61.3% in ore tons and 7.4% in contained ounces as compared to 2008.

The plan was to mine the Rainbow 3 pit in the first 9 months of the year and mine into significant ore in the Rainbow 2 pit the last three months of the year. The decision was made in the second quarter to facilitate mining by contracting some of the waste removal and move ounces from the fourth quarter into the third quarter. However, ore in Rainbow 3 did not meet expectations as modeled and coupled with lower than expected truck availabilities, the contractor mined for an additional one month, from June through September. The contractor mined a total of 5.6 million tons from Rainbow 2 and 3 and an additional 400,000 tons from the north wall in Rainbow 2 to unburden the wall for geotechnical considerations.

The mine improved during the year on several fronts. Mine safety and training were improved during the year with a different management philosophy. The change saw a reduction

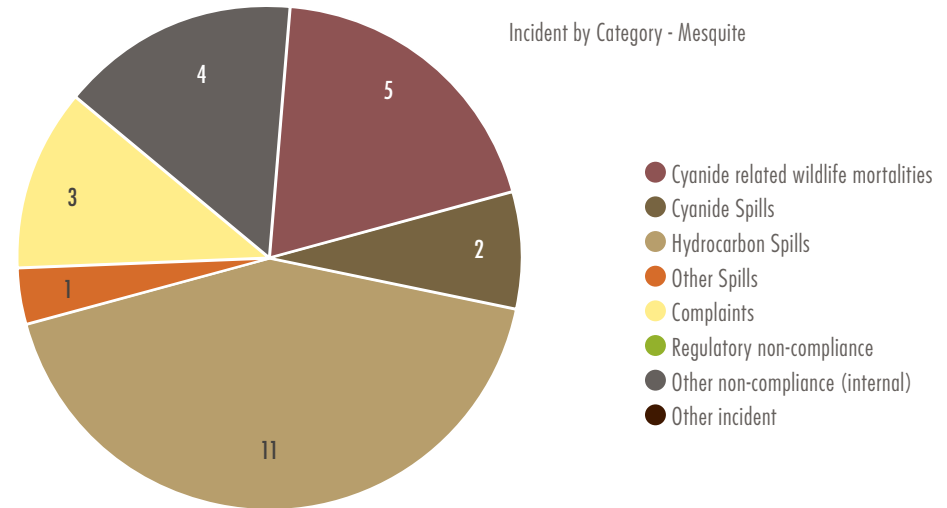
in the number of incidents, particularly in equipment damage. For example, only one minor incident occurred in the mine during December. A truck simulator was purchased to train haul truck drivers on some of the major issues found in the mine. Examples of specific training were the proper techniques of operating to extend tire life and to properly handle a truck fire.

By year-end, all crews had been re-trained with the simulator in two phases. A Mine Progression Policy was introduced to the mine operating crews. The policy incorporates company policies with knowledge and skills and encourages the development of a multi-skilled work force. In addition to this policy, the mine workforce was introduced to an improved Employee Handbook with new time and attendance guidelines to reduce absenteeism.



With the downturn in the copper industry, Western Mesquite was able to attract a number of skilled employees in both Mine Operations and Mine Maintenance. The maintenance technicians contributed significantly to the reversal in mechanical availabilities, particularly with the haul trucks. The mine was able to reduce its dependency on outside labor supplied by the equipment dealers. Additionally, Western Mesquite secured a supply of radial tires from the three major tire manufacturers by mid-2009 and moved away from the more expensive bias ply tires. Two radial tire companies are now seeking long-term relationships with Western Mesquite.

FIGURE 1 – Category and Number of Environmental Incidents - 2009



The mine made significant improvements in high-wall stability with changes in slope angles and blasting techniques. Work with a reputable geotechnical firm proved significant in establishing slope stability in the Rainbow 2 and 3 pits. Additionally, another firm has provided guidance in the area of blasting to minimize damage to the pit high-walls. Both of these programs will continue in future years as we expand the Big Chief and Vista pits.

Processing

2009 was a milestone year for the Western Mesquite Mine, with over 14.4 million tons of ore processed, representing an increase of some 5.4 million tons of ore (+60%) above 2008. A total of 150,000 ounces of gold was produced, representing an increase of more than 40,000 ounces from the production level of 2008.

Since the re-start (or "start up") of the Mesquite Mine in Q1 2008, increased processing performance has been achieved with a general focus on:

- ◆ Full utilization of installed capital (new and existing facilities)
- ◆ Optimization of new and existing process circuits
- ◆ Plant improvements (existing facilities)
- ◆ Operating improvements (procedures, scheduling, etc.)

In conjunction with a relative improvement in operating costs, the increased production level has been obtained through a number of initiatives including:

- ◆ Optimization of the Run Of Mine (ROM) heap leaching circuit
 - Maximization of solution leaching capacity with over 20 million tons of solution applied and treated
 - Minimization of untreated ore inventory through systematic operating procedures
 - Optimization of application and distribution of leach solutions
 - Optimization of reagent addition
 - Achievement of near steady-state operation of the circuit as a whole

- ◆ Process plant improvements (new and existing facilities)
 - Refurbishment of the existing CIC (carbon in columns) Circuit for additional capacity
 - Increase in gold extraction from leach solutions through efficiency improvements in the thermal regeneration of carbon
 - Optimization of operating procedures and scheduling related to the primary unit operations of Heap Leaching, CIC Circuits, Gold Stripping Plant and the Refinery

Building on our strengths, we look forward to sustainable operation with continued emphasis on production, process optimization, cost control, safety/health/hygiene performance and environmental responsibility.

HSES

Ending the year, Mesquite achieved 499 days without a lost time accident and our all injury incident rate was well below the industry average. As we were developing our programs, we did experience several less-than-favorable Mine Safety & Health Administration (MSHA) inspections, resulting in citations and fines. Subsequent MSHA inspections have been much more

TABLE 1 – Production Numbers

Activity	2008	2009
Ore mined	8,944,027	14,422,500
Average gold grade (oz/ton)	0.022	0.015
Overburden mined	45,605,758	45,036,181
Backfill material placed	6,000,000	11,600,000
Gold produced (ounces)	108,325	150,002
Silver produced (ounces)	3,343	7,317

favorable, as the result of hard work, training and culture change, which have begun to show very positive results.

Mesquite has begun the process to become ISO14001 and OHSAS 18001 compliant by 2012. Mesquite will apply for certification to the International Cyanide Management Code by the end of 2010. In pursuit of these targets, Mesquite began assessing the policies and programs already in place and has scheduled a gap audit to be conducted in mid 2010. MSDS software and electronic EMS software have been evaluated and will likely be purchased in 2010.



FIGURE 2 – Incident Type

	Cyanide Related Fauna Deaths	Cyanide Spills	Hydro-carbon Spills	Other Spills	Regulatory Non-Compliance	Other Non-Compliance (internal)	Other Incident	Total
Jan								0
Feb								0
Mar			4					4
Apr			1					1
May								0
Jun			1					1
Jul		1		1	1			3
Aug	5		1		1	4		11
Sep			1					1
Oct		1	3					4
Nov								0
Dec					1			1
YTD	5	2	11	1	3	0	4	26

FIGURE 3 – Incident Severity

	Extreme	Major	Moderate	Minor	Low	Total
Jan 09						0
Feb 09						0
Mar 09				2	2	4
Apr 09			1			1
May 09						0
Jun 09			1			1
Jul 09					3	3
Aug 09			1			1
Sep 09					1	1
Oct 09				1	3	4
Nov 09						0
Dec 09						0
YTD	0	0	3	3	9	15

Late in 2009, organizational changes have re-emphasized the need for direct community involvement and a full-time professional is now charged with that responsibility. Implementation of the longstanding Community Outreach Plan is proceeding with new vigor.

Incidents

The number of reported environmental incidents was 26 for 2009. This was due to a strong focus on reporting low and minor environmental incidents to prevent major incidents from arising.

There were five wildlife mortalities in a single incident. Songbirds were observed at the new CIC plant, adjacent to the cyanide distribution tank. The standard operating procedure for cyanide delivery area wash down was updated with additional precautions as a result.

A carbon trailer tipped over due to a trailer hitch and safety chains that snapped while on a curve. The spill was primarily carbon. Less than the Reportable Quantity of cyanide was spilled. The carbon was recovered along with the contaminated soils.

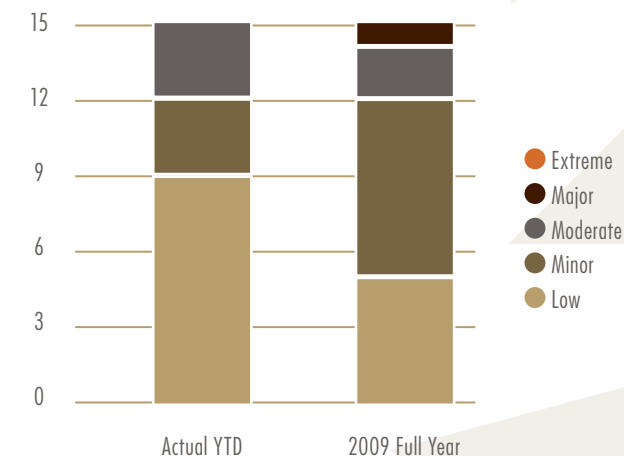
Approximately 3000 gallons of cyanide bearing solution containing 1.5 pounds of sodium cyanide escaped the containment berm, but remained on the well compacted perimeter access road. All affected soils were collected and replaced on the heap. Monitoring was carried out to determine any adverse impacts but no environmental damage was detected.

Global Reporting Initiative (GRI)

The Global Reporting Initiative and GRI Reporting Framework are intended to serve as a universally accepted framework for reporting sustainability (economic, environmental & social) activities and overall performance. Organizations of any size can utilize GRI to more consistently and transparently report its concepts.

At the end of this report, we have included a table which indicates the GRI indices reported this year and where they can be referenced. Our goal is to share this information with a broad range of stakeholders including the financial, regulatory and community sectors.

FIGURE 4 – Incident Numbers By Severity



Our People

Occupational Health & Safety

Mesquite Mine has developed and implemented safety, health and wellness programs that surpass both regulatory requirements and industry norms.

Observation, inspection and auditing systems to ensure compliance and continuing improvement have allowed Mesquite to establish an enviable safety record. The effectiveness of these systems is evidenced by Mesquite's all injury incident rate of less than 1.0, and having completed over 499 days without a lost time injury.

Significant accomplishments during 2009 included:

- Full implementation of a Loss Prevention Program
- Implementation of Workplace Safety, Employee Health, and Employee Wellness Programs
- Initiated OHSAS 18001 Hazard Identification and Risk Assessment processes preparatory to mid 2010 GAP Audit.
- Received regional recognition from American Red Cross for emergency preparedness efforts

Training & Assessment

Mesquite Mine retains approximately 240 full time employees, and utilizes the services of approximately 25 independent contractors on a regular basis. Mesquite's equal opportunity employment practices are well reflected in our culturally and ethnically diverse workforce.

Mesquite's location, in a primarily agricultural region, has necessitated the implementation of varied and comprehensive training programs. These programs, developed both in-house and imported through vendors and other sources, are designed to accomplish both the skills and personal development desired



to realize the full potential that the diverse experience of our people presents to us.

Department and craft specific progression plans enable the equitable assessment of performance levels, and the ability to determine development needs.

Mine Emergency Services

Mesquite has developed its very own Mine Emergency Response Team (MERT), which is currently comprised of over 20 members. This group is given specialized training during full-day sessions every month. All members are certified Emergency Responders, with twelve (12) certified Emergency Responder Instructors. MERT has received additional training in emergency vehicle (ambulance)/first aid equipment, fire fighting and extrication techniques. In addition, the entire workforce has been trained in CPR/AED.

The mine has its own permitted heliport and has support arrangements with Imperial County Sheriff's Department for outside ambulance service, air transport and fire fighting assistance, if needed. We are very proud of our MERT and extend our thanks and gratitude to its members.

Human Resources

Mesquite strives to offer a safe, diverse and fair place to work, with excellent wages and benefits. We are still experiencing fairly high rates of turnover, which is typical of a startup operation and an inexperienced local workforce. We have invested heavily in skill training and along with a dedicated equipment trainer; we have acquired a state-of-the-art simulator for our truck drivers. We are already seeing the positive benefits from this investment.



FIGURE 5 – Employee & Contractor Numbers

TYPE	2009
Executive	8
Mining	126
Mining Contractors	13
Mob. Maint.	44
Mob. Maint. Contractors	6
Processing	46
Process Contractors	0
EHS	8
EHS Contractors	0
Explor./Geol.	8
Explor./Geol. Contractors	0
Project Contractors	0
Total	259

(1) All contractors adjusted to full-time employee equivalents



TABLE 2 – Environmental, Health & Safety Summary

TYPE	2009
External medical treatment injuries	5
Restricted work day injuries	4
Lost time injuries	0
Lost time injury frequency rate	0
All injury frequency rate	1.96
Work related fatalities	0
Environmental non-compliances	2
Number of fines imposed by regulators	32
Safety & Health regulatory fines	\$26,105
Environmental regulatory fines	\$500
Other regulatory fines (1)	\$538
Total regulatory fines	\$27,143
Safety & Health complaints	31
Environmental complaints	3
Labor complaints	3
Total complaints	37

(1) State Use Tax penalty (\$538)

TABLE 3 – Health Monitoring

TYPE	2009
Drug tests	312
Medicals	76
Blood tests - in-house	0
Blood tests - off site	96
X-rays, CT's, MRI's	4
Hydration tests	12
Functional assessments	6
Totals	506



TABLE 4 – Human Resource Data

TYPE	2008	2009
Full Time Workforce	221	240
Part Time Workforce	0	0
Contracted Workforce	N/A	25
TURNOVER DATA		
Total Turnover	–	68
Annualized Rate	–	28%
Over 40	–	62%
Under 40	–	38%
Turnover Male	–	90%
Turnover Female	–	10%
Turnover Hispanic	–	47%
Turnover White	–	47%
Turnover Other	–	4%
Turnover Mine	–	53%
Turnover Process	–	13%
Turnover Maintenance	–	21%
Turnover Other	–	13%
% Employees in bargaining unit	0	0
Minimum notice oper. change	–	Various
% Employees receiving regular performance reviews	N/A	100%
EEO BREAKDOWN		
Over 40	–	57%
Under 40	–	43%
Male	–	89%
Female	–	11%
Hispanic	–	62%
White	–	35%
Black / African American	–	1.50%
American Indian	–	1.50%
Ratio entry level pay to Ca. minimum wage	1.88:1	1.94 : 1
# of Discrimination incidents	0	0

FIGURE 6 – Safety Performance

TYPE	2009
LTIFR	0.00
AIFR	1.97

Injuries per 200,000 hours worked

Open Pit Metal Mining Industry Averages:

LTIFR = 2.18 AIFR = 3.22 (Source: MSHA 2008)

Our Community

Economic Contribution

Mesquite is very aware of the positive impacts we have on our employees and the communities in which they live. We provide some of the best wages and benefits in the region. Our positive economic impacts are summarized below:

- Direct payroll = \$14,542,190
- Payroll taxes = \$1,236,511
- Benefits = \$2,975,460
- Workers Compensation = \$933,646
- Property tax (real & personal) = \$1,422,842
- Gold tax (@\$5 per ounce) = \$709,776
- Sales tax (w/fuel tax) = \$5,371,791

We make every effort to utilize local services whenever possible, while carefully monitoring our operating expenses to maintain a robust and viable business to better serve our shareholders and stakeholders.

Community Involvement

Western Mesquite Mines is proud to be part of the Desert Southwest Communities. Over the last year we continued to participate and be proactive in several community organizations. Members of our team participate and take active roles in several area organizations. They include the Yuma Boys & Girls Club, Imperial Valley's Small Business Development Center, Brawley Chamber of Commerce, Brawley and El Centro Chambers Governmental Affairs Committee, The Imperial Valley's Economic Development Corporation, State of California's Employer Advisory Council, Veteran Affairs Committee, and both the Arizona Western College and Imperial Valley College Applied Sciences Advisory Boards.

Community Consultation (Enterprise Facilitation)

Western Mesquite Mines continues to encourage and facilitate open lines of communication with the local communities. In 2009, several Mining, Processing, and Environmental tours



were provided to Federal, State, and Local stakeholders. Participants of these tours included elected officials, Federal and State regulators, as well as regional mining and mineral enthusiast groups and community-based organizations. Lines of communication were initiated to better understand the financial and educational needs of area, California based, as well as Tribal-based school districts.

Community

Archaeological evidence indicates settlement in the area began 1,000 to 1,500 years ago in the Colorado River area, near present-day Yuma, Arizona. The very early inhabitants were ancestors of the Desert Cahuilla, Chemehuevi, Cocopah, Kumeyaay, and Quechan. In 1540, Hernando de Alarcon sailed up the Colorado River and had the first documented encounter by a European with the native inhabitants. In 1775, an expedition by Spaniard Juan Bautista de Anza resulted in the formation of two missions but by 1781 they were destroyed by an uprising of the Yuma Indians.

In 1846, General Kearney, along with 100 men of the Mormon Battalion, crossed the Colorado River to Warner's Ranch during the war with Mexico. The United States acquired the area in 1848. In 1850, Americans operated a ferry across the Colorado River but were massacred. This resulted in the Governor of California sending the state's militia to suppress the uprising

and to establish Fort Yuma. Mail by mule was inaugurated in 1857 and ran through 1861. The adobe ruins of some of the Butterfield stage stations can still be found today.

In the 1860's gold was discovered in the Picacho and Cargo Muchacho mountains. The township of Tumco was a thriving gold mining community from approximately 1884 to 1914. Gold mining continues today at the Western Mesquite Mine.

Today, Imperial County is experiencing significant population growth. The proximity to Mexico and large urbanized areas in California and Arizona provide unlimited growth opportunities for the local communities.

Already home to one of the largest geothermal energy industries in the world, Imperial Valley has high potential for renewable energy from solar, wind, biomass and biofuel production.

Awards

Mine Emergency Response Team training was the cornerstone of our efforts this past year, with over 20 members receiving Advance First Aid, with 12 others becoming certified instructors and 100% of the workforce becoming CPR/AED certified. As a result of these efforts, Mesquite was recognized by receiving the national American Red Cross "Real Heroes" award from the San Diego/Imperial County Chapter. This



annual award is only given to one company in the Chapter, which represents a population of over 5,000,000 people and thousands of businesses.

Open House/Family Day

On December 2009, Western Mesquite Mines held its first Employee and Family Day Open House. With almost 500 people in attendance, the event was a complete success. This event provided an opportunity for employees to show their loved ones the property and work environment. The event provided guided tours as well as ample photo opportunities with mining equipment and tools of the trade.

Recycling

Mesquite believes that recycling of wastes is an essential part of good environmental practice. During 2009, Mesquite initiated a Waste Management Plan which will be finalized during 2010. Scrap metal is recycled, as are calibration check gas cylinders, toner cartridges and batteries. Some wastes are processed legally as "excluded recyclable materials", including antifreeze, used oil, and drained oil filters.

Complaints

Mesquite takes all complaints seriously and believes steps must be taken to prevent small issues from becoming larger issues. Every effort is made to come to a mutually beneficial

outcome with the complainant or to ensure that the complainant is satisfied with the result of the corresponding investigation. A total of 3 external complaints were received during 2009. Most of the complaints were dust related, and are due to the close proximity to a state highway.

Mesquite has reviewed its procedures and believes they are of a high standard which minimizes the dust emitted from its mining operations. Permit stipulations require that the operation maintains two water trucks on shift. A dust palliative, magnesium chloride, is applied quarterly throughout the year to haul roads and to secondary access roads.

FIGURE 7 – Expenditures by Location

Type	\$
Local	23,981,901
State	36,432,508
National	32,598,530
International	476,850
Total	\$93,489,790

Local = Yuma & Imperial counties

FIGURE 8 – Distribution of Operating Expenses

Category	\$ Spent	% of Total
Suppliers	67,584,309	72.5%
Royalties	2,950,098	3.2%
Insurance	1,531,802	1.6%
Wages & Salaries	19,687,808	21.1%
Taxes - All	1,422,843	1.5%
Total	\$93,176,859	100.0%



Our Environment

Water - Water Management

The predominant uses of water are for dust control on the mine haul roads and for makeup water in the process, due to water tied up in the rock and some evaporative losses. Mesquite applies dust control palliatives on a quarterly basis to assist with dust control on the mine haul roads and to reduce water consumption, but in such an arid environment, routine water application is a must to adequately control fugitive dust. Approximately 69% of the ground water extracted is used for dust control.

Evaporative losses in the process are kept to a minimum through careful monitoring of solution application rates and constant recycling of process solutions. At total of 5.2 billion gallons of process solution were recycled, as compared to 237 million gallons of makeup water (4.5% of total solution). Potable drinking water is supplied by an outside vendor and the volume was not tracked separately during the year.

Land – Concurrent Reclamation

Due to an active mining footprint, very little disturbed area was resloped (earthwork). As areas of the mine become inactive, we will aggressively reslope and recontour these areas to improve the visual aesthetics of our operation. Mesquite continues to monitor the success of earlier rehabilitation of the waste rock dumps.

During 2009, Mesquite undertook a review of its closure plan and associated costs. The plan and costs will continue to be reviewed as they progress from the conceptual phase to a more detailed and rigidly costed strategy and to maintain compliance with the three (3) reclamation and conditional use permits, which also incorporate weed control, erosion control, and revegetation.

Wildlife and Cyanide Use

Like most modern gold mines, Mesquite uses a diluted cyanide solution as part of the process of extracting gold from its ore. The use of cyanide is strictly controlled for the safety of personnel and the environment alike. Mesquite, while not a signatory to the International Cyanide Management Code (ICMC), adopts

this international standard when transporting, storing and using cyanide. The ICMC is renowned as the international benchmark for cyanide management. One high priority aspect of the Code is the provision of controls that minimize the risks to wildlife from cyanide use. During 2009, only five (5) wildlife mortalities related to cyanide were experienced. Five (5) birds died, in a single incident. Mesquite reported these mortalities to the BLM as required by permit stipulations.

Air - Climate Change & Energy Efficiency

In early 2009, Mesquite underwent a comprehensive audit of its energy consumption, which also included a qualitative calculation of our greenhouse gas (GHG) emissions. This audit also identified opportunities for innovative energy saving projects. Two of these projects were evaluated further and will be implemented as appropriate. In 2010, a more quantitative estimate of GHG emissions will be undertaken.

Dust Control

As part of its permitting requirements, Mesquite carries out dust monitoring on a monthly basis and reports the results on a quarterly basis. The dust monitors are located at various points around the site, nominally north, south, east and west near the perimeter of mining activities. Dust monitoring demonstrates that operations are within the accepted permit limits. During 2009, Mesquite did not exceed permitted air quality limits.

During 2009, a dust suppressant was applied quarterly to main and selected secondary roads. Magnesium Chloride is a naturally occurring salt that is hydrophilic, meaning that it absorbs available moisture and is used in conjunction with water trucks. Other chemicals have been reviewed, but no trials have been undertaken as yet. Mesquite also completed the stormwater diversion around the Rainbow pit which will reduce dust by shielding a part of the pit from the highway.

Despite best efforts, Mesquite received three (3) complaints related to dust generation.

Ground Control

High wall stability has been a constant issue at Mesquite since open-pit mining began on the property in 1985. Because of the nature of the geology and orientations of buried structures that criss-cross the property, high walls that face north, south, east and west all have different stability characteristics. Technical stability experts have visited the property throughout the years to evaluate the high walls and propose slope angles, blasting practices and monitoring techniques to minimize the risk of wall failures and allow for the Mesquite Mine to operate safely for many years of historical production. Building upon this earlier work, the current mining operation utilizes two outside consultants, in blasting and geotechnical slope stability, to assist the mine site technical group in providing for a safe work environment for employees while allowing for the efficient extraction of ore.

The blasting consultant has evaluated current blasting methods and has made recommendations in blast designs that minimize blast-induced energy from damaging adjacent highwalls and compounding the slope stability hazards inherently present. Utilizing several seismographs and detailed individual blast reports prepared by Mesquite's blasting contractor, pit blasts are currently being monitored and tabulated, with the data to be reviewed by the consultant during Q1 and Q2 2010 to make possible additional recommendations to further improve blast designs.

FIGURE 9 – Annual Rainfall & Temperatures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec Total/Avg.	
Rainfall - Inches	0.00	0.01	0.00	0.02	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.27	0.32
Avg. Temp. - F	56	56	61	65	80	80	93	91	86	70	62	52	71

(Compiled from local and regional sources)

TABLE 5 – Water Use Efficiency

Type	2009
Ore Processed - tons	14,422,500
Raw Water Usage - gallons	512,571,110
Efficiency Index (gallons water/ton ore)	36



FIGURE 10 – Water Use

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Process	30,203,150	22,677,325	28,454,567	27,700,000	34,140,000	61,490,342	42,829,238	69,576,554	56,277,348	45,681,288	50,114,996	43,328,302	512,473,110
Mine	18,725,953	14,059,942	17,641,832	17,174,000	12,290,400	22,136,523	15,418,526	25,047,559	20,259,845	16,445,264	31,071,298	26,863,547	237,134,688
Gallons per month	48,929,103	36,737,267	46,096,399	44,874,000	46,430,400	83,626,865	58,247,764	94,624,113	76,537,193	62,126,552	81,186,294	70,191,849	749,607,798

Process = 31% for makeup/evaporativelosses & pore space inventory of total pumped

Mine = 69% for dust control of total pumped

Total solution applied = 5,238,470,327 gallons (@21,845,164 tons @ 239.8 tons/gallon)

Process makeup @ 237,134,688 gallons = 4.5% of the total solution recycled

TABLE 6 – Cyanide Wildlife Mortalities

TYPE	2008	2009
Wildlife mortalities due to cyanide	0	5

TABLE 7 – Disturbed & Reclaimed Acres

Total Permitted Acres	Expected Total Disturbance Acres*	Currently Disturbed Acres*	Reclaimed Acres in Current Year *(1)	Regulatory Financial Obligation (2, 3)
5104	3750	3565	15	\$11,303,183

* Source: Robison Engineering, Inc.

1 - Earthwork only

2 - Surety bonds held by county, state & federal agencies

3 - Asset Retirement Obligation @ Year End = \$8,130,665

TABLE 8 – Energy Efficiency

Energy Efficiency Index (btu)	2008	2009
Per ton mined	–	14,960
Per ton leached	–	3,594
Per ounce produced (per million BTU)	–	896,107

Mine Dept.	BTU's	
Electricity for water - kwh	1,381,529	4,715,158,477
Diesel consumed - gallons	6,791,103	886,238,941,500
Gasoline consumed - gallons	44,807	5,152,805,000
Total BTU's	–	896,106,904,977
Total tons mined	59,898,681	

Process Dept.	BTU's	
Electricity for processing - kwh	12,132,541	41,408,362,433
Propane consumed - gallons	21,805	1,997,338,000
Diesel consumed - gallons	47,873	6,247,426,500
Gasoline consumed - gallons	18,930	2,176,950,000
Total BTU's	–	51,830,076,933
Total tons leached	–	14,422,500
Ounces produced	–	150,002

BTU per gallon of propane	91,600
BTU per gallon of diesel	130,500
BTU per gallon of gasoline	115,000
BTU per kwh	3,413



Our Future

Exploration & Mine Life

No exploration was performed at the mine during 2009. Based on the exploratory drilling performed at the Brownie prospect on the western edge of the historical Big Chief pit in 2006, 2007 and 2008, if the necessary permits are secured, an additional year of production could be added to the mine life which is currently slated to end in 2023.

Under current California law that requires proposed mining properties to be back-filled at the end of the mine life, precious metals' exploration throughout the state is at a relative standstill. If this law were to change, exploration opportunities in the district and region would no doubt exist, since the Mesquite mineralized trend extends for over 200 miles to the southeast of the mine site. Several gold properties with known mineral resources, some of which have historical production, lie within 20 miles to the southeast of the Mesquite Mine along this trend.

Planned Projects

During Q1 of 2010, an effort will be made to analyse the potential of the sulphide resources known to exist at depth throughout much of the property and occurring with some concentration underneath the east end of the historical Vista pit. Of the more than 6,400 exploration and development drill holes that exist on the property project-to-date (i.e. from 1982 – 2008), many holes encountered sulphides at depth but were terminated while still in mineralization; the drilling emphasis for many years at Mesquite was to target oxide mineralization only because of its higher gold recovery rate during heap leaching. With the current high gold price environment, the economics of mining sulphides may have improved to the point where some of these deeper resources could be included in subsequent life-of-mine plans, extending the mine life past the current 2023 extent.

In Q2 of 2010, a re-modelling effort will be undertaken to improve the block model grade predictability and to improve the definition of the oxide / non-oxide surface that exists in the current model. Modelling parameters have not been modified since the original 2006 resource model was generated and little geologic information was included in this model. Now, with two and one-half years of mine production and associated actual mined vs. model predicted data for comparison, some modelling parameters can likely be fine-tuned to improve model performance, while the inclusion of more detailed geologic information into the model (e.g. rock type, oxidation levels, etc.) can have benefits in better mine planning that lead to improved gold recovery estimates.



Closure Planning

In modern mining, closure planning is part of the way we do business. From property acquisition, to operations, to ultimate closure, planning and cost estimation are an integral part of the business plan. This past year we have completely updated the way we calculate and track closure costs. This new system is overseen and certified by a California Registered Professional Engineer.

Our operations are also bonded and these bonds are held by county, state and federal agencies. The bonds are structured in such a way, that if the mine was abandoned tomorrow, sufficient funds would be available to properly close the mine.

Looking to the future, we are already evaluating post-mining land uses like solar power generation and by using the mine's existing infrastructure we hope to be able to develop a viable business entity that will last long after the mine has closed.



Annual Sustainability Target Review

Target for 2009

SAFETY

No formal targets set for 2009

Performance in 2009

LTIFR was zero

AFIR was 1.97

Supervisory turnover with high quality replacements that fully support our Loss Management Program.

No Lost-Time accidents for the year.

Routine Safety Committee property-wide monthly (in weekly increments) inspections.

Enhanced/improved equipment inspections, reporting and repairs.

Implemented an Employee Health Program (Wellness & Industrial Hygiene Monitoring):

- Heat Illness Prevention Program.
- Baseline and annual pulmonary function testing.
- Hearing Conservation Program (baseline & annual hearing tests).
- Employee Wellness newsletter and weight loss competitions.
- Company sponsored Health Club memberships.

Began the property-wide risk assessment process, as part of the goal for full OHSAS 18001 compliance.

Completed the Electrical Safety Program which is OSHA & NEC Code compliant.

Implemented the Confined Space Program with property-wide employee training.

- Assisted and reviewed all SOPs and reviewed all Task Training procedures property-wide.

Purchased a state-of-the-art simulator for haul truck driver training.

Maintain a dedicated full-time equipment training coordinator with trainers on each shift.

Considerable effort and focus on Emergency Preparedness:

- Mine Emergency Rescue Team training with members receiving Advance First Aid, with 13 others becoming certified instructors.
- 100% of the workforce is CPR/AED certified.

Target for 2010

Sustain a LTIFR of zero

Reduce AFIR by 20%

Complete new programs consistent with OHSAS 18001 compliance

ENVIRONMENTAL

No formal targets set for 2009

3 environmental complaints

Achieved water quality compliance

Adopted corporate risk assessment protocols

Updated closure costs including asset retirement obligations, regulatory financial assurances & insurance policy tracking (totally new management system)

Maintain compliance - no citations/fines

Complete property-wide risk assessment

Complete annual updates as required by accounting and permit stipulations - update Closure Plan narrative to match current mine plan

Updated several regulatory documents including the Hazardous Materials Business Plan, the Spill Prevention Countermeasures Control Plan, demolition costs/ building & tank inventory and the Waste Management & Monitoring Plans.
 Completed some concurrent reclamation of the Rainbow 2 dump.
 Currently recycle used oil, Freon, antifreeze and some greases.

Update documents and management systems as needed
 Identify areas for concurrent reclamation and complete as possible
 Investigate paper recycling opportunities and implement as appropriate
 Investigate paper recycling opportunities and implement as appropriate

SUSTAINABILITY

No formal targets set for 2009

Completed an energy audit, including identifying potential projects to improve efficiency as well as a preliminary estimate of our carbon footprint.
 Evaluated an enterprise facilitation program.

Complete a verifiable carbon footprint inventory and implement energy efficiency projects if deemed economically viable
 Implement enterprise facilitation program.

Resource Inputs & Outputs

	2008	2009		2008	2009	
Water (MG)	Ground water ('000s gallons)	2,009	CO2 Emissions (tonnes)[1]	From electricity	–	3,830
	Recycled process solution ('000s gallons)	5,238,470		From diesel	–	67,060
	Potable water (vendor supplied)	NR		From gasoline	–	1,020
	Total			From propane	–	960
Energy Use	Grid demand (MWh)		From explosives	–	NR	
	Diesel, mobile ('000s gallons)	6,839	Total	–	72,870	
	Gasoline, mobile ('000s gallons)	64	Products & Process	Gold (oz.)	108,325	150,002
	Propane ('000s gallons)	222		Silver (oz.)	3,343	7,317
	Explosives (tons)	5,544		Ore mined leached ('000s tons)	8,944	14,423
Total	6,554	6,129		Rock placed in dumps ('000s tons)	39,606	33,436
Ore	Ore mined (tons)	8,944,000	14,423,000	Rock backfilled into pits ('000s tons)	6,000	11,600
				Leached ore rinsed/closed ('000s tons)[2]	19,300	–
			Economic Impacts	Direct payroll	\$12,757,522	\$14,542,190
				Payroll taxes	\$1,072,203	\$1,236,511
				Benefits	\$2,654,721	\$2,975,460
				Workers Compensation	\$144,362	\$933,646
				Property tax (real & personal)	\$742,509	\$1,422,842
				Gold tax (@\$5 per ounce)	\$554,399	\$709,776
			Sales tax (including fuel tax)	\$4,737,789	\$5,371,791	

[1] Qualitative carbon footprint assessment as part of energy audit

[2] The Vista pad was successfully rinsed and released by the RWQCB

GRI Indicator Table

Management Approach And Performance Indicators

Table #		Location	WMMI 2009
1.0	STRATEGY AND ANALYSIS	MSR	x
1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy.	MSR	x
1.2	Description of key impacts, risks and opportunities.	MSR	x
2.0	ORGANIZATIONAL PROFILE		
2.1	Name of the organization.	NGW	x
2.2	Understanding and describing significant indirect economic impacts including the extent of impacts.	NGW	x
2.3	Operational structure including main divisions, operating companies, subsidiaries and joint ventures.	NGW	x
2.4	Location of organization's headquarters.	NGW	x
2.5	Number and name of countries where the organization operates.	NGW	x
2.6	Nature of ownership and legal form.	NGW	x
2.7	Markets served including geographic locations, sectors and customers.	NGW/MSR	x
2.8	Scale of the reporting organization including:	NGW/MSR	x
2.8.1	Number of employees	NGW/MSR	x
2.8.2	Net sales	NGW/MSR	x
2.8.3	Total capitalization broken down in terms of department and equity	NGW/MSR	x
2.8.4	Quantity of products provided	MSR	x
2.9	Significant changes during the reporting period regarding the size, structure or ownership.	MSR	x
2.10	Awards received in the reporting period.	MSR	x
3.0	REPORT PARAMETERS		
	Report Profile		
3.1	Reporting period, e.g., fiscal/calendar year, for information provided.	NGW/MSR	x
3.2	Date of most recent previous report.	NGW/MSR	x
3.3	Reporting cycle (annual, biennial, etc.).	MSR	x
3.4	Contact point for questions regarding the report.	NR	A
	Report Scope and Boundary		
3.5	Process for defining report content, including:	NR	A
3.5.1	Determining materiality.	NR	A
3.5.2	Prioritizing topics within the report.	NR	A
3.5.3	Identifying stakeholders the organization expects to use the report.	MSR	x
3.6	Boundary of the report (e.g., countries, divisions, JVs).	NR	A
3.7	State any specific limitations on the scope or boundary of the report.	NR	A
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	NR	A
3.9	Data measurement techniques and the basis of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	MSR	x
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	MSR	x
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods.	MSR	x
	GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report.	NR	A

Table #		Location	WMMI 2009
	Assurance		
3.13	Policy and update with regard to seeking external assurance for the report. If not included in the assurance report, explain the scope and basis of any external assurance provided.	NGW	x
4.0	GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
	Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks.	NGW	x
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	NGW	x
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independents.	NGW	x
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	NGW	x
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		
4.6	Processes in place for the highest governance body to ensure that conflicts of interest are avoided.	NGW	x
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	NGW	x
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	NGW	x
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles.	NGW	x
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	NGW	x
	Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach of principle is addressed by the organization. (...could address the organization's approach to risk management in operational planning...)	MSR	x
4.12	Externally developed economic, environmental, and social charter, principles, or other initiatives to which the organization subscribes or endorses.	NGW	x
4.13	Memberships in associations (such as industry associations), and/or National/International advocacy organizations.	MSR	x
4.14	List of stakeholder groups engaged by the organization.	MSR	x
	Stakeholder Engagement		
4.15	Basis for identification and selection of stakeholders with whom to engage.	MSR	x
4.16	Approaches to stakeholder engagement, including frequency of engagements by type and by stakeholder group.	MSR	x
4.17	Key topics and concerns that have been raised through stakeholder engagement.	MSR	x

Abrev.

MSR
NGW
TRI
AEMR
NA
NR
A

Location Legend

WMMI Sustainability Report
New Gold Inc. website (www.newgold.com)
Environmental Protection Agency Toxic Release Inventory (www.epa.gov/tri)
Annual Environmental Management Review
Not applicable to this operation
Not reported this year
Applicable, but perhaps not every year

GRI Guidelines

Management Approach And Performance Indicators

GRI #		Location	WMMI 2009
Economic Performance Indicators			
<i>Economic Performance</i>			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, community investments and payments to capital providers and governments.	MSR	x
EC2	Financial Implications and other risks and opportunities for the organization's activities due to climate change.	MSR	2010
EC3	Coverage of the organization's defined benefit plan obligations.	MSR	2010
EC4	Significant financial assistance received from the government.	NA	NA
<i>Market Presence</i>			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of the operation.	MSR	x
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations.	MSR	x
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	NR	2010
<i>Indirect Economic Impacts</i>			
EC8	Development and Impact of Infrastructure investments provided primarily for public benefit.	NR	2010
EC9	Understanding and describing significant indirect economic impacts including the extent of impacts.	NR	2010
MM1	Revenues.	NR	2010
MM2	Value added.	NR	2010
Environmental Performance Indicators			
<i>Energy</i>			
EN1	Materials used by weight or volume.	MSR/TRI	x
EN2	Percentage of materials used that are recycled input materials.	NA	A
EN3	Direct energy consumption by primary energy source.	MSR	x
EN4	Indirect energy consumption by primary source.	NR	A
EN5	Energy saved due to conservation and efficiency improvements.	NR	A
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	MSR	x
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	MSR	x
<i>Water</i>			
EN8	Total water withdrawal by source.	MSR	x
EN9	Water sources significantly affected by use of water.	NA	NA
EN10	Percentage and total volume of water recycled and reused.	MSR	x
<i>Biodiversity</i>			
EN11	Location and size of land owned, leased or managed in or adjacent to high biodiversity value habitats.	MSR	x
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	MSR	2010
EN13	Habitats protected or restored.	NR	2010
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	AEMR	x
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	NR	A

GRI #		Location	WMMI 2009
	Emissions, Effluents and Waste		
EN16	Total direct and indirect greenhouse gas emissions.	MSR	x
EN17	Other relevant indirect greenhouse gas emissions.	MSR	x
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	MSR	x
EN19	Emissions of ozone-depleting substances by weight.	MSR	x
EN20	NOx, SOx, and other significant air emissions by type.	MSR	x
EN21	Total water discharge by quality and destination.	TRI	x
EN22	Total weight of waste by type and disposal method.	TRI	x
EN23	Total number and volume of significant spills.	MSR	x
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, & VIII, and percentage of transported waste shipped internationally.	NA	NA
EN25	Identify size protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	NA	NA
	Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	NR	A
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	NA	NA
	Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	MSR	x
EN29	Significant environmental impacts of transporting products, goods and the workforce for the operations.	MSR	x
EN30	Total environmental protection expenditures and investments by type.	MSR	x
MM3	Biodiversity management plans.	NR	2010
MM6	Process wastes.	NR	A
	Human Rights Indicators		
	Investment & Procurement Practices		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	NR	A
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and action taken.	NR	A
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	NA	NA
	Non-Discrimination		
HR4	Total number of incidents of discrimination and actions taken.	MSR	x
	Freedom of Association & Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	NA	NA
	Child Labor		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to elimination of child labor.	NA	NA

GRI #		Location	WMMI 2009
	Forced & Compulsory Labor		
HR7	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of forced or compulsory labor.	NA	NA
	Security Practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	NA	NA
	Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	NA	NA
MM11	Land rights.	NA	NA
	Labor Practices & Decent Work Indicators		
	Employment		
LA1	Total workforce by employment type (full-time/part-time), employment contract and region.	MSR	x
LA2	Total number and rate of employee turnover by age group, gender, and region.	MSR	x
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	NR	A
	Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements.	MSR	x
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	MSR	x
	Occupational Health and Safety		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	MSR	x
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities by region.	MSR	x
LA8	Education, training, counseling, prevention, and risk control programs in place to assist workforce members, their families or community members regarding serious diseases.	MSR	x
LA9	Health and safety topics covered in formal agreements with trade unions.	NA	NA
	Training and Education		
LA10	Average hours of training per year per employee by employee category.	MSR	x
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	MSR	x
LA12	Percentage of employees receiving regular performance and career development reviews.	MSR	x
	Diversity & Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	MSR	x
LA14	Ratio of basic salary of men to women by employee category.	NR	A
MM12	Emergency response.	NR	A
MM13	Occupational health.	NR	A



GRI #		Location	WMMI 2009
Society Indicators			
<i>Community</i>			
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating & exiting.	NR	A
<i>Corruption</i>			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	MSR	2010
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	NR	A
SO4	Actions taken in response to incidents of corruption.	NR	A
<i>Public Policy</i>			
SO5	Public policy positions and participation in public policy development and lobbying.	NR	A
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	NR	A
<i>Anti-Competitive Behavior</i>			
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	NR	A
<i>Compliance</i>			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	MSR	x
MM7	Significant community incidents.	NR	A
MM8	Resettlement.	NR	NA
MM9	Artisanal mining.	NR	NA
Product Responsibility Indicators			
PR1-9	Not applicable to a gold mining operation.	NA	NA

Abrev.

MSR
NGW
TRI
AEMR
NA
NR

Location Legend

WMMI Sustainability Report
New Gold Inc. website (www.newgold.com)
Environmental Protection Agency Toxic Release Inventory (www.epa.gov/tri)
Annual Environmental Management Review
Not applicable to this operation
Not reported this year



newgold Western Mesquite Mines, Inc.
Mesquite Mine