



PRESS RELEASE

New Gold Reduces Debt Position by C\$50 Million

(All figures are in Canadian dollars unless otherwise stated)

January 9, 2009 – VANCOUVER, BC – New Gold Inc. (“**New Gold**”) (TSX and AMEX – NGD) today announced that it has reduced its debt position by \$50 million by entering into private contracts with note holders to buy back a portion of its Senior Secured Notes with a face value totalling \$50 million for total consideration of \$30.2 million.

The purchase and cancellation of these notes reduces New Gold’s Senior Secured Notes debt from \$237 million to \$187 million and results in a reduction of \$5 million per year in interest payments. This transaction will also result in an estimated pre-tax gain of approximately US\$14 million in the first quarter of 2009.

Mr. Robert Gallagher, President and Chief Executive Officer said, “The opportunity to purchase \$50 million of our outstanding debt at a considerable discount to face value significantly strengthens our balance sheet and is consistent with our strategy to maintain a solid financial position.”

As a result of this transaction, New Gold’s total debt has been reduced to \$242 million which is comprised of \$187 million of the Senior Secured Notes at an interest rate of 10%, expiring June 2017 and \$55 million of the Convertible Debentures at an interest rate of 5%, expiring June 2014. As previously reported, as of September 30, 2008, New Gold had cash and cash equivalents of US\$251 million.

New Gold is an intermediate gold mining company with operating assets in Mexico and Australia and two development projects in Canada and Chile. For further information on New Gold, please visit our website at www.newgold.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this press release, including any information relating to New Gold’s future financial or operating performance, may be deemed “forward looking”. All statements in this press release, other than statements of historical fact, that address events or developments that New Gold expects to occur, are “forward-looking statements”. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “does not expect”, “plans”, “anticipates”, “does not anticipate”, “believes”, “intends”, “estimates”, “projects”, “potential”, “scheduled”, “forecast”, “budget” and similar expressions, or that events or conditions “will”, “would”, “may”, “could”, “should” or “might” occur. All such forward-looking statements are subject to important risk factors and uncertainties, many of which are beyond New Gold’s ability to control or predict. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors that may cause New Gold’s actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Such factors include, without limitation: the results of the preliminary economic assessment assessing the viability of a new process facility at Amapari; New Gold’s operations are subject to significant capital requirements; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia, Brazil, Mexico and Chile; price volatility in the spot and forward markets for commodities; impact of any hedging activities, including margin limits and margin calls; discrepancies between actual and estimated production, between actual and estimated reserves and resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Canada, the United States, Australia, Brazil, Mexico and Chile or any other country in which New Gold currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which New Gold does or may carry on business; the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses and permits; diminishing quantities or grades of reserves; competition; loss of key employees; additional funding requirements; actual results of current exploration or reclamation activities; changes in project parameters as plans continue to be refined; accidents; labour disputes; defective title to mineral claims or property or contests over claims to mineral properties. In addition, there are risks and

hazards associated with the business of mineral exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance or inability to obtain insurance, to cover these risks) as well as "Risks and Uncertainties" included in New Gold's MD&A filed November 12, 2008 available at www.sedar.com. Forward-looking statements are not guarantees of future performance, and actual results and future events could materially differ from those anticipated in such statements. All of the forward-looking statements contained in this press release are qualified by these cautionary statements. New Gold expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except in accordance with applicable securities laws.

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