



Photo: Richard McCarthy

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A NOTE FROM OUR GENERAL MANAGER



I would like to start by acknowledging the fatal mud-rush incident that occurred on February 2nd, 2021 at New Afton Mine. The health and safety of all who work at New Afton has always been at the forefront of what we do and this tragedy has affected us all profoundly. We extend our deepest condolences to the family, friends and colleagues of the contractor employee who lost his life. I would also like to take this opportunity to thank the entire team at New Afton for their tireless efforts and dedication during the response and ongoing healing process.

As we look ahead, 2021 will likely bring a continuation of the same challenges we faced in 2020 when the world began responding to the COVID-19 pandemic. Here at New Afton, we have been working diligently to ensure the health, safety and wellbeing of our employees, contractors and their families by implementing significant preventative measures. From a mandatory daily pre-shift screening process to physical distancing, work-from-home policies, shift changes and more, we have all done our part to help limit the spread of COVID-19.

While we have reported a handful of cases since November 2020, a thorough investigation process which includes sanitization and contact tracing has meant that we were able to mitigate the potential for on-site

transmission. We are hopeful that the provincial vaccination program and continued adherence to public health guidelines will mean a safe and gradual return to some of the activities we have all been missing.

The past year has provided countless opportunities for New Afton employees across the operation to put our values into action. I love hearing about employees who develop creative solutions to challenging problems. I watch teamwork in action as departments support one another and seek to leverage our collective skills. I see integrity at work when employees go the extra mile to do the right thing, even if it is more difficult. I see the commitment to what we are building each time a haul truck driver begins their shift or an instrumentation technician suggests a safety improvement. And, I get to see how our operations are contributing to the success of communities we are part of and the people who make our work possible.

From our \$300 million strategic partnership with the Ontario Teacher's Pension Plan to the ongoing construction of the innovative Thickened and Amended Tailings facility and our continued progress toward mining B3 and C-Zone, New Afton's outlook is positive and I'm proud of the work we've done and will continue to do.

John Ritter

SAFETY STATISTICS

REPORTABLE INJURIES	2020	2019	2018
Lost Time Injury	0	0	2
Medical Treatment Injury	3	2	4
Restricted Duty Injury	1	5	2

FINANCIAL REPORT - TOTAL SPEND

Taxes	2020	2019
BC Mineral Taxes	\$2,991,000	\$4,930,000
BY GEOGRAPHICAL AREA (CAD)	2020	2019
Local (Kamloops area)	\$96,198,794	\$106,313,386
Regional (BC)	\$91,888,518	\$39,871,644
National (excluding BC)	\$79,145,391	\$33,810,748
International	\$21,080,174	\$15,475,269
BY DISTRIBUTION CATEGORY (CAD)	2020	2019
Supplier	\$205,212,114	\$139,017,307
Insurance - wage	\$3,023,318	\$2,865,733
Insurance - commercial	\$2,385,236	\$2,077,652
Wages and salaries	\$55,461,392	\$51,510,355
Change in inventory	(\$4,863,676)	\$2,454,429
Sponsorship and donations	\$403,529	\$303,743

PRODUCTION PERFORMANCE

OUTPUTS	2020	2019
Ore Processed (thousand tonnes)	5,532	5,584
Tailings Produced (thousand tonnes)	5,411	5,457
Average gold grade of ore (g/tonne)	0.45	0.47
Average copper grade of ore (%)	0.72	0.78
Copper Produced (million pounds)	72.1	79.4
Gold Produced (ounces)	64,220	68,786



MATERIAL ISSUES

A material issue is a topic of significant concern to a stakeholder or group of stakeholders. New Afton regularly reviews material issues as they relate to our operation, incorporating feedback from communities of interest (COI). In 2020, our top material topics were:

- Water
- First Nations engagement
- Tailings management
- Health and safety
- Air quality and dust
- Regulatory commitments
- Climate change
- Indigenous employment and training
- Public reporting and communication
- Impacts on neighbours

Are there other material topics that are important to you? To provide feedback, call (250) 377-2100 or email info@newgold.com.

ENVIRONMENTAL PERFORMANCE

INCIDENTS	2020	2019	2018
Environmental Non-Compliances	1	1	0
Externally Reportable Spills*	3	1	1
Number of Fines Incurred	0	0	0
External Complaints	1	0	1

*Externally Reportable Spill volumes vary, as per ministry spill reporting regulations.



WETLAND RESTORATION PARTNERSHIP

To promote biodiversity within our area, New Afton partnered with the BC Wildlife Federation (BCWF) to work together to protect a 1.3 hectare wetland located north of the mine site, towards Kamloops Lake. This particular area was affected significantly by cattle through over-grazing of wetland plants and soil compaction, impacting the biodiversity in the area. In an effort to enhance the habitat for wildlife, such as the at-risk Great Basin Spadefoot toad, over 700 metres of wildlife-friendly fencing was installed around the wetland area.

“Projects like this help us achieve our commitment to biodiversity and give us the opportunity to work with other organizations within the conservation community.”

Tyne Roberts, Junior Environmental Scientist, New Afton

This fencing also improves water availability and will help to facilitate passive wetland restoration by restricting grazing, which can cause stress on the plants, water and other wildlife. The protection of this area was a meaningful step toward ensuring the natural biodiversity unique to our region is protected. The project was made possible with financial support from the Habitat Conservation Trust Foundation, Royal Bank of Canada’s Blue Water Project, Wildlife Habitat Canada and the Government of British Columbia’s Community Gaming Fund.

ENVIRONMENTAL LIFECYCLE CAMPAIGN

The environmental lifecycle concept considers the environmental impacts associated with a product, activity or process from conception to consumption. At New Afton, this means considering the lifecycle of products like hydrocarbons, natural resources, wood, metals, tires, consumables and more. By understanding the waste, emissions or other environmental impacts involved throughout the lifecycle of these products, New Afton is able to further improve our overall waste management practices and put our commitment to responsible environmental stewardship into action. This process often begins with procurement, when things like the greenhouse gas emissions, energy performance and overall sustainability associated with a product or manufacturer is considered. Once a product is on site, considerations for the appropriate use are determined to ensure any potential risks to the environment are controlled as much as possible. Finally, when the product has to be replaced or is no longer fit for use, the lifecycle comes full circle when we consider responsible methods of waste management. For instance, carbide bits are used for drilling into heavy metals, as they keep a sharp edge longer and have better heat absorption. In 2020, thanks to an idea from our Mine Operations department, a carbide bit recycling program was implemented in partnership with Sandvik. Now, these used carbide bits will be recycled using a zinc process and manufactured into new tools. In addition to this specific program, we increased our overall co-mingled recycling to more than 9.5 tonnes in 2020 - three and a half more tonnes than in 2019. This was in addition to the 4.7 tonnes of cardboard recycled.

Over the past several years, significant efforts have been made to improve equipment laydown facilities across New Afton. Equipment laydowns are used to store tools, materials, equipment, vehicles and other items either until they are used, can be repaired, or until they are able to be properly disposed of. Proper management of these areas is important to reduce the risk of contamination or spills, ensure there is enough space for storage needs and make sure that items are organized effectively. As part of a laydown cleanup at New Afton in 2020, the following was achieved:

- 484 tonnes of scrap metal removed
- 130 intermediate bulk containers (IBC) recycled
- 68 tonnes of wood waste recycled at the Kamloops Resource Recovery Centre and used at the Merritt Green Energy Plant
- 2,000 feet of used ventilation ducting re-purposed instead of discarded as general waste
- Signage added to improve laydown organization

With these accomplishments and a continued focus on the environmental lifecycle, New Afton continues to practice responsible environmental stewardship across all areas of the operation.



ENVIRONMENT, SUSTAINABILITY AND GOVERNANCE

In 2020, New Gold worked to adapt the company’s sustainability efforts in order to align with the environment, sustainability and governance (ESG) issues most relevant to the mining industry. Our ESG approach continues to prioritize the health, safety and well-being of our people. New Gold’s sustainability focus areas are Indigenous peoples, tailings management, climate and water - all of which guide the work we do at all levels of the organization.

At New Afton, the application of these focus areas can be found in our innovative approach to tailings management, significant energy reduction planning and continued relationship-strengthening with our Indigenous partners. In 2020, we began construction of our Thickened and Amended Tailings facility (TAT), which will support more efficient water management and improve long-term environmental impacts. As part of the New Gold’s climate action plan, we are continuing to explore ways to reduce energy use. In 2020, New Afton was able to achieve a reduction in fossil fuel consumption and recently purchased an electric boom truck, two electric haul trucks and one electric scoop. The introduction of these vehicles is an important step in our C-Zone development and greenhouse gas reduction targets. Our long-standing relationships with surrounding Indigenous partners continue to strengthen as we work collaboratively to improve the benefits to the surrounding areas based on mine planning.

INNOVATIVE TAILINGS STABILIZATION METHODS



As we get closer to initiating mining of the B3 resource, stabilization work of tailings storage facilities has been a primary focus. At the New Afton Tailings Storage Facility (NATSF), where our mill tailings are stored, dewatering well trial work is ongoing. Dewatering is the primary method of facility stabilization – the less flowable the tailings material, the more stable the facility.

In addition to the NATSF, we also maintain the Historic Afton Tailings Storage Facility (HATSF) which we acquired from KGHM in 2017. Though not an active tailings deposition site, de-watering activities have been underway at the HATSF since acquisition to ensure the integrity of the historic facility is maintained. Until recently, this was done primarily through the use of wells. In 2020, the installation of innovative wick drain technology was initiated as a means of further stabilization. The wicks are made of a polypropylene material and act as pressure relief for the remaining water in the facility, providing a flow path out. Installed three metres apart on a triangular grid, each wick extends between 30 and 60 metres into the surface of the facility – the deepest this technology has ever been installed in Canada.

A total of 5,259 wicks will be installed to aid in stabilization of the HATSF, further reducing risk as mining activities continue with B3 and eventually C-Zone. Over time, it is expected for the surface of the HATSF to compress by as much as one metre as dewatering progresses.

HUMAN RESOURCES

EMPLOYEE COMPOSITION (12 months ended December 2020)	2020	
Total # of Employees on Payroll	579	100%
Employees from BC	532	92%
Employees hired from Kamloops region	466	81%
Employees hired from BC, outside Kamloops	66	11%
Employees from outside BC	47	8%
Indigenous Employees	121	21%
Indigenous Employees from Tk'emlúps te Secwépemc and Skeetchestn	31	5%
Female Employees	84	15%
Male Employees	495	85%
Average Age	40	

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ENERGY PERFORMANCE

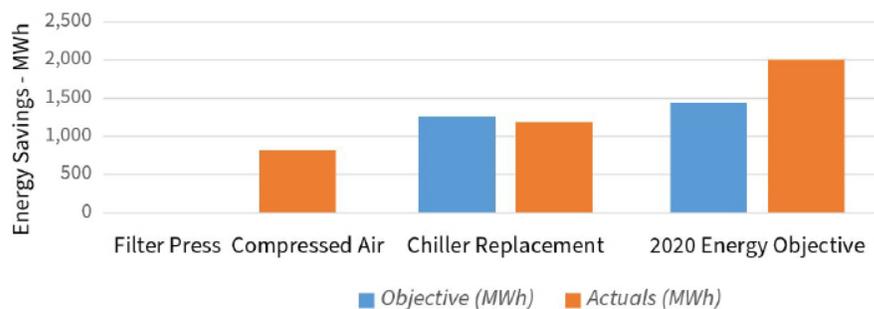
NEW AFTON EXCEEDS ENERGY TARGET FOR 7TH YEAR IN A ROW

When you hear, feel and see the commitment to “Energy Matters” by the employees at New Afton, the fact that mine exceeded its annual energy savings objective for the 7th year in a row should come as no surprise. A significant contributor to these savings was an employee driven initiative to reduce compressed air use on the concentrate filter presses that resulted in 40% of the annual energy savings for zero cost.

In 2020 there was a dramatic global awakening to the importance of combating climate change. With the systems and culture in place at New Afton we are well ahead of this curve, but we cannot rest on our laurels and must continue to improve efficiency and reduce Greenhouse Gas (GHG) emissions. In December, New Afton successfully transitioned to the new ISO 50001:2018 Energy Management Systems Standard to drive this continual improvement.

With another challenging energy savings objective and the Mine Operations team starting the transition to battery electric production equipment, 2021 promises to be an exciting year for New Afton. This all part of our journey to a low carbon future and our employees are the vehicle which will get us there. We will continue to stay ahead of the curve because “Energy Matters” at New Afton.

2020 Energy Savings Objective



BATTERY ELECTRIC CHARGING STATIONS

New Afton remains committed to reducing greenhouse gas (GHG) emissions. In 2020, New Afton installed three battery electric vehicle charging (BEV) stations across site for employee personal use. Instead of using gasoline or diesel, BEVs are powered by electricity that is stored in rechargeable batteries. An electrical charge can be provided either by regenerative braking, during which the electric motor assists in slowing the vehicle and recovering energy normally converted to heat by brakes, or using a charging station like the ones recently installed at New Afton. Some provincial and federal rebates are available for individuals who are considering making the switch.

The installation of these level two charging stations is intended to encourage employees to make the switch to BEVs in order to reduce their personal carbon footprint. According to Environment and Climate Change Canada, transportation is the second-largest contributor to GHG emissions, making up 25% of total national emissions in 2018. By switching to an electric vehicle, individuals can reduce their GHG emissions by approximately 3,000 kg annually, or the equivalent of burning 1,300 litres of gasoline. Halfway through 2018, there were just shy of 69,000 electric vehicles in Canada, making up only 0.2% of total registered vehicles. By installing these charging stations and encouraging employees to make the switch, New Afton is committed to taking steps to encourage employees to reduce their carbon footprint.



EXPLORATION IN CHERRY CREEK

DRILLING PROGRAM INITIATED IN FALL OF 2020

Exploration is one of the first steps taken to initiate any new mining project. Exploration is a phased process that may involve a series of field seasons to identify potential targets that have mineralization potential and warrant further investigation. It is widely considered that fewer than one in 10,000 mineral showings become a producing mine and it is vital to understand the subsurface geology to improve chances of a discovery and for subsequent mine planning. While New Afton is an established operation, exploration activities have been ongoing to investigate the potential for future mine development.

In the fall of 2020, we initiated an exploration drilling program just west of New Afton in Cherry Creek, within New Gold's broader regional claim package. Exploration geologists identified drill targets by interpreting data collected by prospecting, mapping, and conducting geochemical and geophysical surveys. Plans for this exploration program were shared with local residents at an information session held at the New Afton mine site in October 2019. As drilling preparations drew closer, residents were contacted and kept informed regarding the exploration program and planned drilling schedule, as the activity had the potential to be audible or visible from area homes. This first phase of the drill program is meant to develop a better geological understanding and mineralization potential within the claims. Drilling activities are supervised at all times and it can take up to two weeks to complete a single bore hole. The drilling produces 2" diameter core that provides, in effect, a narrow geological snapshot of the targets. From there, the core is sampled and all data is used to improve geological knowledge of the target area and vector towards future targets. This phase is the first step in a long process to determine the potential of future areas for development.

Prior to any drilling taking place, an environmental survey is completed to understand the area and manage impacts effectively. Careful consideration of the environment is maintained throughout the process, including during active drilling, when only biodegradable drill additives are used, and when reclamation activities are initiated following demobilization. The bore holes are grouted and sealed once a hole has been completed and New Afton personnel conduct regular inspections of prior drill sites to observe for invasive species, water seepage and other impacts.

While New Afton continues to practice innovative and responsible mining as we work toward B3 and C-Zone ore bodies, exploration activities continue so that we can better understand all of the future potential that exists for New Afton.



WE WELCOME YOUR FEEDBACK

Call us at (250) 377-2100 or email samuel.numsen@newgold.com for a chance to win a private tour underground.

To enter, simply get in touch and provide responses to the following questions:

1. Was the report clear and understandable?
2. Did the report provide enough detail?
3. What issues related to our operation or mining are you most interested in? Did the report address them to your satisfaction? If not, what could have improved the report?
4. Are there any communities, interest groups or stakeholders, including those whose interests may be issues-based or indirect, you think should be included in our communications?
5. Are there more effective methods of communicating with the general public that you would prefer to this newsletter?

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