U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

¨ Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

x Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2017 Commission File Number 001-31722

New Gold Inc.

(Exact name of Registrant as specified in its charter)

British Columbia	**1000**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Suite 3510 Brookfield Place, 181 Bay Street
Toronto, Ontario, Canada M5J 2T3
(416) 324-6000
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue, New York, NY 10011
(212) 894-8940
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange On Which Registered:
Common Shares, no par value	**NYSE American**

Securities registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

At **December 31, 2017**, the Registrant had outstanding 578,635,838 common shares without par value.

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.
x Yes ¨ No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ¨

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

DOCUMENTS INCORPORATED BY REFERENCE

The Annual Information Form ("**AIF**") of New Gold Inc. (the "**Registrant**", "**New Gold**" or the "**Company**") for the fiscal year ended December 31, 2017 is filed as Exhibit 1 to this annual report on Form 40-F.

The audited consolidated financial statements of the Company for the years ended December 31, 2017 and 2016, including the related report of independent registered public accounting firm, are filed as Exhibit 2 to this annual report on Form 40-F.

The Company's management's discussion and analysis ("**MD&A**") for the year ended December 31, 2017 is filed as Exhibit 3 to this annual report on Form 40-F.

EXPLANATORY NOTE

The Company is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), on Form 40-F. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act. Accordingly, the Company's equity securities are exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 under the Exchange Act.

The Company is permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare the documents incorporated by reference in this annual report on Form 40-F in accordance with Canadian disclosure requirements, which are different from those of the United States.

Information concerning the properties and operations of New Gold has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" used in this annual report on Form 40-F are Canadian mining terms as defined in the Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**") Definition Standards for Mineral Resources and Mineral Reserves adopted by CIM Council on May 10, 2014 and incorporated by reference in National Instrument 43-101 ("**NI 43-101**"). While the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian securities regulations, they are not defined terms under standards of the United States Securities and Exchange Commission. As such, certain information contained in this annual report on Form 40-F concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the United States Securities and Exchange Commission ("**SEC**").

An "Inferred Mineral Resource" has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher confidence category. Readers are cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists or is economically or legally mineable.

Under United States standards, mineralization may not be classified as a "Reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the Reserve estimation is made. Readers are cautioned not to assume that all or any part of the Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. In addition, the definitions of "Proven Mineral Reserves" and "Probable Mineral Reserves" under CIM standards differ in certain respects from the standards of the United States Securities and Exchange Commission.

The Company prepares its financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**"), and the financial statements are subject to Canadian auditing and auditor independence standards. Accordingly, the financial statements of the Company included in this annual report on Form 40-F may not be comparable to financial statements of United States companies.

Unless otherwise indicated, all dollar amounts are reported in U.S. dollars.

FORWARD LOOKING STATEMENTS

Certain information contained in this annual report on Form 40-F is “forward looking”. All statements in this annual report on Form 40-F, other than statements of historical fact, which address events, results, outcomes 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 use of forward-looking terminology such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “targeted”, “estimates”, “forecasts”, “intends”, “anticipates”, “projects”, “potential”, “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will be taken”, “occur” or “be achieved” or the negative connotation of such terms. Forward-looking statements in this annual report on Form 40-F include those under the headings “General Developments of the Business”, “Description of the Business” and “Mineral Properties” and include, among others, statements with respect to: guidance for production, operating expenses per gold ounce sold, total cash costs, all-in sustaining costs and capital costs, and the factors contributing to those expected results, as well as expected capital expenditures; mine life; Mineral Reserve and Mineral Resource estimates; grades expected to be mined at the Company’s operations; the expected production, costs, economics and operating parameters of Blackwater and New Afton C-zone; planned activities for 2018 and beyond at the Company’s operations and projects, as well as planned exploration activities and expenses; targeted timing for permits for the Blackwater Project; and the timing of achievement of closing conditions for the sale of the Peak Mines.

All forward-looking statements in this annual report on Form 40-F are based on the opinions and estimates of management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond New Gold’s ability to control or predict. Certain material assumptions regarding such forward-looking statements are discussed in this annual report on Form 40-F, New Gold’s latest annual MD&A, AIF and Technical Reports filed at www.sedar.com and on the SEC’s Electronic Data Gathering, Analysis and Retrieval database at www.sec.gov. In addition to, and subject to, such assumptions discussed in more detail elsewhere, the forward-looking statements in this annual report on Form 40-F are also subject to the following assumptions: (1) there being no significant disruptions affecting New Gold’s operations; (2) political and legal developments in jurisdictions where New Gold operates, or may in the future operate, being consistent with New Gold’s current expectations; (3) the accuracy of New Gold’s current Mineral Reserve and Mineral Resource estimates; (4) the exchange rate between the Canadian dollar, Mexican peso, Australian dollar and U.S. dollar being approximately consistent with current levels; (5) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (6) equipment, labour and material costs increasing on a basis consistent with New Gold’s current expectations; (7) arrangements with First Nations and other indigenous groups in respect of Rainy River and Blackwater being consistent with New Gold’s current expectations; (8) all required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; (9) the results of the feasibility studies for the New Afton C-zone and Blackwater being realized; (10) and in the case of production, cost and expenditure outlooks at operating mines for 2018, commodity prices and exchange rates being consistent with those estimated for the purposes of 2018 guidance.

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 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: significant capital requirements and the availability and management of capital resources; additional funding requirements; price volatility in the spot and forward markets for metals and other commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia and Mexico; discrepancies between actual and estimated production, between actual and estimated Mineral Reserves and Mineral Resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in the countries in which New Gold does 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 in the future carry on business; the speculative nature of mineral exploration and development, including the risks of obtaining and maintaining the validity and enforceability of the necessary licenses and permits and complying with the permitting requirements of each jurisdiction in which New Gold operates, including, but not limited to: in Canada, obtaining the necessary permits for the Blackwater and New Afton C-zone Projects; the uncertainties inherent to current and future legal challenges to which New Gold is or may become a party; diminishing quantities or grades of Mineral Reserves and Mineral Resources; competition; loss of key employees; rising costs of labour, supplies, fuel and equipment; actual results of current exploration or reclamation activities; uncertainties inherent to mining economic studies including the feasibility studies for the New Afton C-zone and Blackwater Projects; the uncertainty with respect to prevailing market conditions necessary for a positive development or construction decision at the New Afton C-zone and Blackwater Projects; 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; unexpected delays and costs inherent to consulting and accommodating rights of First Nations and other indigenous groups; uncertainties and unanticipated delays associated with obtaining and maintaining necessary licenses, permits and authorizations, complying with permitting requirements, and receiving the environmental assessment approval for the Blackwater Project. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental events and hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and, in each case, the risk of inadequate insurance or inability to obtain insurance to cover these risks) as well as “Risk Factors” included in this annual report on Form 40-F and in New Gold’s disclosure documents incorporated by reference herein. 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 annual report on Form 40-F or in documents incorporated by reference herein 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.

DISCLOSURE CONTROLS AND PROCEDURES

The Company’s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2017. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2017 the Company’s disclosure controls and procedures were effective to provide assurance that the information required to be disclosed by the Company in reports it files or submits under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable time periods specified by the Commission rules and forms and to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act as of December 31, 2017. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2017, the Company's internal control over financial reporting is effective based on those criteria. There are no material weaknesses that have been identified by management.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by Deloitte LLP, the Company's independent registered public accounting firm. As stated in their report immediately preceding the Company's audited consolidated financial statements for the year ended December 31, 2017, filed as Exhibit 2 to this annual report on Form 40-F.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

The reports immediately preceding the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016 are filed as Exhibit 2 to this annual report on Form 40-F.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fiscal year ended December 31, 2017, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATIONS ON DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

AUDIT COMMITTEE IDENTIFICATION AND FINANCIAL EXPERT

The Company has an Audit Committee established by its board of directors for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company, in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Kay Priestly (Chair), Martyn Konig and Marilyn Schonberner. Each of Ms. Priestly, Mr. Konig and Ms. Schonberner is "independent" as that term is defined under the rules of the NYSE American.

The Board has determined that Kay Priestly and Marilyn Schonberner are each an "Audit Committee Financial Expert" as that term is defined under Section 407 of the Sarbanes-Oxley Act of 2002 and paragraph (8) of General Instruction B of Form 40-F.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information provided under the headings "Pre-Approval Policies and Procedures" page 66 and "External Auditor Service Fees (by category)" page 67 contained in the AIF is incorporated by reference.

CODE OF ETHICS

In connection with a comprehensive review of the Company's corporate governance policies, on August 13, 2008, the Board of Directors of the Company (the "**Board**") approved the adoption of a code of business conduct and ethics (" **Code**"). The Code has been reviewed and updated annually since its adoption, with the most recent review by the Board on February 20, 2018. The Code is applicable to all directors, officers and employees of the Company, including its President and Chief Executive Officer, Chief Financial Officer and principal accounting officer. The Code was adopted to, among other things, update and clarify the duties, obligations and responsibilities that are imposed upon the persons subject to its provisions. A copy of the Code is filed as Exhibit 4 to this annual report on Form 40-F. Additionally, on July 8, 2008, the Board approved the adoption of a Whistleblower Policy ("**Whistleblower Policy**"). The Whistleblower Policy has been reviewed and ratified or updated annually since its adoption, with the most recent review by the Board on February 20, 2018. The Whistleblower Policy outlines the principles and commitments that the Company has made with respect to the treatment of complaints by its personnel. Copies of the Code and the Whistleblower Policy are available on the Company's website at www.newgold.com.

There were no waivers of the Code in the past fiscal year.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

U.S. dollars in million
as of December 31, 2017

	Payments due by period				
Contractual obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Long-term debt	$ 1,030	$ -	$ 230.0	$ 500.0	$ 300.0
Interest payable on long-term debt	$ 292.9	$ 43.5	$ 100.8	$ 100.8	47.8
Operating lease commitments	$ 10.3	$ 2.1	$ 2.8	$ 2.2	$ 3.2
Capital expenditure commitments	$ 51.4	$ 48.5	$ 2.7	$ 0.2	$ -
Reclamation and closure cost obligations	$ 187.1	3.4	$ 14.7	$ 17.7	$ 151.0
Gold stream obligation	$ 290.5	$ 24.7	$ 52.4	$ 54.8	$ 158.6
Total contractual obligations	$ 1,862.2	$ 122.2	$ 403.4	$ 675.7	$ 660.6

MINE SAFETY DISCLOSURE

The Company's subsidiary, Western Mesquite Mines, Inc., is the operator of the Mesquite Mine located in southern California. The information concerning mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 16 of General Instruction B to Form 40-F- in respect of the Mesquite Mine is filed as Exhibit 5 to this annual report on Form 40-F.

NYSE AMERICAN CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE American. Section 110 of the NYSE American company guide permits NYSE American to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE American listing criteria, and to grant exemptions from NYSE American listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to NYSE American standards is contained on the Company's website at www.newgold.com.

UNDERTAKINGS

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company has filed with the Commission an amendment dated January 21, 2010 to the written consent to service of process and power of attorney on Form F-X. Any change to the name or address of the Company's agent for service shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Company.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

NEW GOLD INC.

By: /s/ Paula Myson
Name: Paula Myson
Title: Chief Financial Officer

Date: March 29, 2018

EXHIBIT INDEX

The following documents are being filed with the Commission as exhibits to this annual report on Form 40-F.

Exhibit	Description
1.	Annual Information Form for the year ended December 31, 2017
2.	Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016, including the reports of independent registered public accounting firm with respect thereto
3.	Management's Discussion and Analysis for the year ended December 31, 2017
4.	New Gold's Code of Business Conduct and Ethics, as approved by the Company's board of directors on February 20, 2018
5.	Report on Mine Safety as required by section 13 of the Exchange Act
6.	Certification of President and Chief Executive Officer as Required by Rule 13a-14(a) under the Exchange Act
7.	Certification of Chief Financial Officer as Required by Rule 13a-14(a) under the Exchange Act
8.	Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
9.	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
10.	Consent of Deloitte LLP
11.	Consent of Mark Petersen
12.	Consent of Nicholas Kwong

Exhibit 1

newgold™

Annual Information Form for the Year Ended December 31, 2017

March 29, 2018

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ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

All information in this annual information form ("**Annual Information Form**") is as at December 31, 2017 unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this Annual Information Form, including any information relating to New Gold's future financial or operating performance are "forward looking". All statements in this Annual Information Form, other than statements of historical fact, which address events, results, outcomes 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 use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "targeted", "estimates", "forecasts", "intends", "anticipates", "projects", "potential", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative connotation of such terms. Forward-looking statements in this Annual Information Form include those under the headings "General Developments of the Business", "Description of the Business" and "Mineral Properties" and include, among others, statements with respect to: guidance for production, operating expenses per gold ounce sold, total cash costs, all-in sustaining costs and capital costs, and the factors contributing to those expected results, as well as expected capital expenditures; mine life; Mineral Reserve and Mineral Resource estimates; grades expected to be mined at the Company's operations; the expected production, costs, economics and operating parameters of Blackwater and New Afton C-zone; planned activities for 2018 and beyond at the Company's operations and projects, as well as planned exploration activities and expenses; and targeted timing for permits for the Blackwater Project; and the timing of achievement of closing conditions for the sale of the Peak Mines.

All forward-looking statements in this Annual Information Form are based on the opinions and estimates of management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond New Gold's ability to control or predict. Certain material assumptions regarding such forward-looking statements are discussed in this Annual Information Form, New Gold's annual and quarterly management's discussion and analysis ("**MD&A**") and its Technical Reports filed on SEDAR at www.sedar.com. In addition to, and subject to, such assumptions discussed in more detail elsewhere, the forward-looking statements in this Annual Information Form are also subject to the following assumptions: (1) there being no significant disruptions affecting New Gold's operations; (2) political and legal developments in jurisdictions where New Gold operates, or may in the future operate, being consistent with New Gold's current expectations; (3) the accuracy of New Gold's current Mineral Reserve and Mineral Resource estimates; (4) the exchange rate between the Canadian dollar, Mexican peso, Australian dollar and U.S. dollar being approximately consistent with current levels; (5) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (6) equipment, labour and material costs increasing on a basis consistent with New Gold's current expectations; (7) arrangements with First Nations and other indigenous groups in respect of Rainy River and Blackwater being consistent with New Gold's current expectations; (8) all required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; (9) the results of the feasibility studies for the New Afton C-zone and Blackwater being realized; (10) and in the case of production, cost and expenditure outlooks at operating mines for 2018, commodity prices and exchange rates being consistent with those estimated for the purposes of 2018 guidance.

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 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: significant capital requirements and the availability and management of capital resources; additional funding requirements; price volatility in the spot and forward markets for metals and other commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States, Australia and Mexico; discrepancies between actual and estimated production, between actual and estimated Mineral Reserves and Mineral Resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in the countries in which New Gold does 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 in the future carry on business; the speculative nature of mineral exploration and development, including the risks of obtaining and maintaining the validity and enforceability of the necessary licenses and permits and complying with the permitting requirements of each jurisdiction in which New Gold operates, including, but not limited to: in Canada, obtaining the necessary permits for the Blackwater and New Afton C-zone Projects; the uncertainties inherent to current and future legal challenges to which New Gold is or may become a party; diminishing quantities or grades of Mineral Reserves and Mineral Resources; competition; loss of key employees; rising costs of labour, supplies, fuel and equipment; actual results of current exploration or reclamation activities; uncertainties inherent to mining economic studies including the feasibility studies for the New Afton C-zone and Blackwater Projects; the uncertainty with respect to prevailing market conditions necessary for a positive development or construction decision at the New Afton C-zone and Blackwater Projects; 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; unexpected delays and costs inherent to consulting and accommodating rights of First Nations and other indigenous groups; uncertainties and unanticipated delays associated with obtaining and maintaining necessary licenses, permits and authorizations, complying with permitting requirements, and receiving the environmental assessment approval for the Blackwater Project. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental events and hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and, in each case, the risk of inadequate insurance or inability to obtain insurance to cover these risks) as well as “Risk Factors” included in this Annual Information Form and in New Gold’s disclosure documents incorporated by reference herein. 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 Annual Information Form or in documents incorporated by reference herein 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.

A significant portion of the historical financial information in this Annual Information Form is derived from New Gold’s audited consolidated financial statements for the year ended December 31, 2017 (a copy of which is available under the Company’s profile on SEDAR at www.sedar.com). Readers should refer to such financial statements for additional information.

CAUTIONARY NOTE TO U.S. READERS CONCERNING ESTIMATES OF MINERAL RESERVES AND MINERAL RESOURCES

Information concerning the properties and operations of New Gold has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms “Mineral Reserve”, “proven Mineral Reserve” and “probable Mineral Reserve” are Canadian mining terms defined in accordance with Canadian National Instrument 43-101 — Standards of Disclosure for Mineral Projects (“**NI 43-101**”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “ **CIM**”) — CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ

from the definitions in Industry Guide 7 (“**SEC Industry Guide 7**”) under the U.S. Securities Act of 1933, as amended (the “ **U.S. Securities Act**”). Under SEC Industry Guide 7 standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Also, under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “Mineral Resource”, “measured Mineral Resource”, “indicated Mineral Resource” and “inferred Mineral Resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the United States Securities and Exchange Commission (the “**SEC**”). Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred Mineral Resource exists or is economically or legally mineable. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this Annual Information Form describes the Company’s mineral deposits may not be comparable to similar information made public by United States companies subject to reporting and disclosure requirements under United States federal securities laws and the rules and regulations thereunder.

NON-GAAP MEASURES

Total Cash Costs per Gold Ounce

“Total cash costs per gold ounce” is a non-GAAP measure that is a common financial performance measure in the gold mining industry but with no standard meaning under International Financial Reporting Standards (“**IFRS**”). New Gold reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company’s performance and ability to generate liquidity through operating cash flow to fund future capital expenditures and working capital needs. New Gold believes that this measure, along with sales, is a key indicator of a company’s ability to generate operating earnings and cash flow from its mining operations.

Total cash cost figures are calculated in accordance with a standard developed by The Gold Institute, a worldwide association of suppliers of gold and gold products that ceased operations in 2002. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Total cash costs include mine site operating costs such as mining, processing and administration costs, royalties, production taxes and realized gains and losses on fuel contracts, but are exclusive of amortization, reclamation, capital and exploration costs and net of by-product sales. Total cash costs are then divided by gold ounces sold to arrive at the total cash costs per ounce sold.

The Company produces copper and silver as by-products of its gold production. The calculation of total cash costs per gold ounce for Rainy River and Cerro San Pedro is net of by-product silver sales revenue, and the calculation of total cash costs per gold ounce sold for Peak Mines and New Afton is net of by-product silver and copper sales revenue. New Gold

notes that in connection with New Afton, the copper by-product revenue is sufficiently large to result in a negative total cash cost on a single mine basis. Notwithstanding this by-product contribution, as a company focused on gold production, New Gold aims to assess the economic results of its operations in relation to gold, which is the primary driver of New Gold's business. New Gold believes this metric is of interest to its investors, who invest in the Company primarily as a gold mining company. To determine the relevant costs associated with gold only, New Gold believes it is appropriate to reflect all operating costs, as well as any revenue related to metals other than gold that are extracted in its operations.

To provide additional information to investors, New Gold has also calculated total cash costs on a co-product basis, which removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis, and subsequently divides the amount by the total gold ounces, silver ounces or pounds of copper sold, as the case may be, to arrive at per ounce or per pound figures. Unless indicated otherwise, all information about total cash costs in this Annual Information Form is net of by-product sales.

Total cash costs are intended to provide additional information only and do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other mining companies. They should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS. Further details regarding historical total cash costs and a reconciliation to the nearest IFRS measures are provided in the MD&A accompanying New Gold's financial statements and filed at www.sedar.com.

All-in Sustaining Costs per Gold Ounce

"All-in sustaining costs per gold ounce" is a non-GAAP measure based on guidance announced by the World Gold Council (" **WGC**") in June 2013. The WGC is a non-profit association of the world's leading gold mining companies established in 1987 to promote the use of gold to industry, consumers and investors. The WGC is not a regulatory body and does not have the authority to develop accounting standards or disclosure requirements. The WGC has worked with its member companies, including New Gold, to develop a measure that expands on IFRS measures such as operating expenses and non-GAAP measures to provide visibility into the economics of a gold mining company. Current IFRS measures used in the gold industry, such as operating expenses, do not capture all of the expenditures incurred to discover, develop and sustain gold production. New Gold believes the all-in sustaining costs measure provides further transparency into costs associated with producing gold and will assist analysts, investors and other stakeholders of the Company in assessing its operating performance, its ability to generate free cash flow from current operations and its overall value. In addition, the Compensation Committee of the Board of Directors uses all-in sustaining costs, together with other measures, in its company scorecard to set incentive compensation goals and assess performance.

All-in sustaining costs per gold ounce is intended to provide additional information only and does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other mining companies. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS. Further details regarding historical all-in sustaining costs and a reconciliation to the nearest IFRS measures are provided in the MD&A accompanying New Gold's financial statements and filed at www.sedar.com.

New Gold defines all-in sustaining costs per ounce as the sum of total cash costs, net capital expenditures that are sustaining in nature, corporate general and administrative costs, capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs, all divided by the total gold ounces sold to arrive at a per ounce figure. To determine sustaining capital expenditures, New Gold uses cash flow related to mining interests from its statement of

cash flows and deducts any expenditures that are non-sustaining. Capital expenditures to develop new operations or capital expenditures related to major projects at existing operations where these projects will materially increase production are classified as non-sustaining and are excluded. The table “Sustaining Capital Expenditure Reconciliation” (in New Gold’s MD&A available under the Company’s profile on SEDAR at www.sedar.com) reconciles New Gold’s sustaining capital to its cash flow statement. The definition of sustaining versus non-sustaining is similarly applied to capitalized and expensed exploration costs. Exploration costs to develop new operations or that relate to major projects at existing operations where these projects are expected to materially increase production are classified as non-sustaining and are excluded.

Costs excluded from all-in sustaining costs are non-sustaining capital expenditures and exploration costs, financing costs, tax expense, transaction costs associated with mergers and acquisitions, and any items that are deducted for the purposes of adjusted earnings.

By including total cash costs as a component of all-in sustaining costs, the measure deducts by-product revenue from gross cash costs. Refer to the discussion above regarding total cash costs per gold ounce for the discussion of deduction of by-product revenue.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

All dollar amounts referenced in this Annual Information Form are in United States dollars unless otherwise indicated. Canadian dollars are referred to as “Canadian dollars” or “C$” and Australian dollars are referred to as “Australian dollars” or “A$”. See Schedule D of this Annual Information Form for applicable exchange rate information.

TECHNICAL INFORMATION

The scientific and technical information relating to the operation of New Gold’s operating mines in this Annual Information Form has been reviewed and approved by Mr. Nicholas Kwong, Director, Business Improvement of New Gold. All other scientific and technical information contained herein has been reviewed and approved by Mr. Mark A. Petersen, Vice President, Exploration of New Gold. Mr. Kwong is a Professional Engineer and a member of the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Petersen is a SME Registered Member and AIPG Certified Professional Geologist. Mr. Kwong and Mr. Petersen and are "Qualified Persons" for the purposes of NI 43-101. To the Company’s knowledge, each of the aforementioned persons holds less than 1% of the outstanding securities of the Company.

The estimates of Mineral Reserves and Mineral Resources discussed in this Annual Information Form may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other risks and relevant issues. New Gold’s current NI 43-101 Technical Reports, which are available at www.sedar.com, contain further information regarding Mineral Reserve and Mineral Resource estimates, classification, reporting parameters, key assumptions and risks for each of New Gold's material mineral properties.

ADDITIONAL INFORMATION

Additional information about the Company, including, without limitation, directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans, may be found in the Management Information Circular of the Company for its most recent annual meeting of shareholders and other continuous disclosure documents of the Company filed on SEDAR at www.sedar.com. Additional financial information is provided in the Company’s audited consolidated financial statements and MD&A for the three months and year ended December 31, 2017. These documents and other information about the Company are available under the Company’s profile on SEDAR at www.sedar.com.

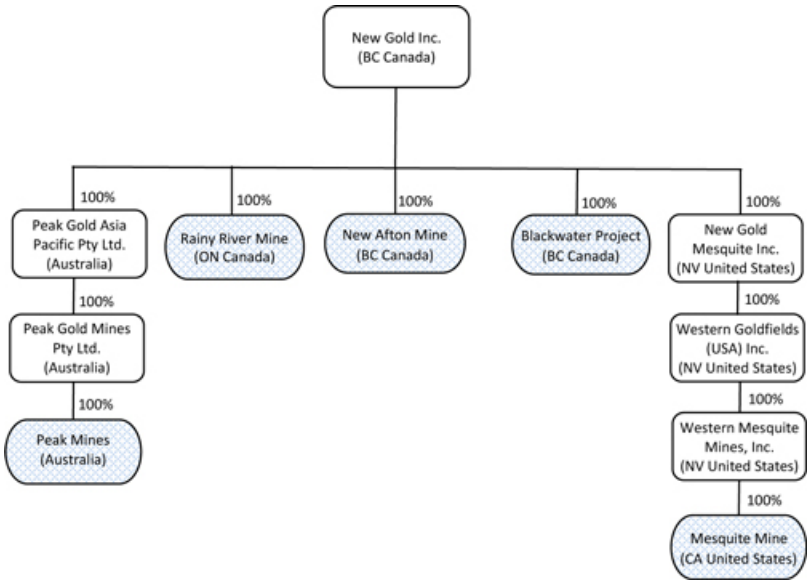
CORPORATE STRUCTURE

The Company was incorporated on January 31, 1980 as DRC Resources Corporation under the Company Act (British Columbia) and was transitioned on May 10, 2005 under the Business Corporations Act (British Columbia). On May 4, 2005, the shareholders of the Company passed a special resolution to remove the pre-existing company provisions and adopt new articles. On June 1, 2005 the Company changed its name to New Gold Inc. Effective January 1, 2012, New Gold amalgamated with its wholly owned subsidiaries Silver Quest Resources Ltd. ("**Silver Quest**"), Geo Minerals Ltd. ("**Geo**") and Richfield Ventures Corp. (" **Richfield**"). The amalgamated company continued as New Gold Inc. Effective October 1, 2014, New Gold amalgamated with its wholly owned subsidiaries Rainy River Resources Ltd. ("**RRRL**") and 0608457 B.C. Ltd, with the amalgamated company continuing as New Gold Inc. On January 1, 2016, New Gold amalgamated with its wholly owned subsidiaries Peak Gold Ltd. and New Gold Bayfield Corp. The amalgamated company continued as New Gold Inc.

The registered office of the Company is Suite 610, 1100 Melville Street, Vancouver, British Columbia V6E 4A6, Canada and its head office is at Suite 3510, 181 Bay Street, Toronto, Ontario, M5J 2T3, Canada.

The following chart illustrates the Company's principal subsidiaries as at the date of this Annual Information Form together with the jurisdiction of incorporation or organization of each subsidiary and the percentage of voting securities beneficially owned or over which control or direction is exercised by the Company, as well as the Company's mines and development projects. New Gold has entered into an agreement to sell Peak Gold Asia Pacific Pty Ltd. and Peak Gold Mines Pty Ltd. – see "Developments – Mines and Projects – Peak Mines" on page 10.

In this Annual Information Form, except as otherwise required by the context, reference to " **New Gold**" or the "**Company**" means, collectively, New Gold Inc. and its subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

New Gold is an intermediate gold mining company engaged in the acquisition, exploration, development and operation of mineral properties. New Gold currently has the following mines and development projects which are described in greater detail in the "Mineral Properties" section of this Annual Information Form:

- 100% interest in the Rainy River gold-silver mine in Ontario, Canada (" **Rainy River Mine**")
- 100% interest in the New Afton gold-copper mine British Columbia, Canada (" **New Afton Mine** ")
- 100% interest in the Mesquite gold mine in California, United States (" **Mesquite Mine**")
- 100% interest in the Cerro San Pedro gold-silver mine in San Luis Potosí, Mexico (" **Cerro San Pedro Mine** ")
- 100% interest in the Blackwater gold-silver project in British Columbia, Canada (" **Blackwater Project**")

New Gold also has a 100% interest in the Peak gold-copper mines in New South Wales, Australia (" **Peak Mines"**). The Company has entered into an agreement to sell the Peak Mines – see "Developments – Mines and Projects – Peak Mines" on page 10. New Gold has been engaged in the acquisition, exploration and development of natural resource properties since 1980. The Company's current structure arose through two accretive business combinations in mid-2008 and mid-2009. To achieve its growth strategy, New Gold focuses on:

- Delivering on operational targets (safety, cost, production, environment and social responsibility);
- Maintaining a strong financial position;
- Internal growth through project development and continuous improvement of existing operations; and
- External growth through value enhancing merger and acquisition opportunities.

DEVELOPMENTS – MINES AND PROJECTS

Rainy River Mine

On January 30, 2015, New Gold announced receipt of Environmental Assessment (" **EA**") approvals at both the Federal and Provincial levels for the Rainy River Mine. Construction of the Rainy River Mine commenced in early 2015.

On July 20, 2015, New Gold announced it had entered into a $175 million streaming agreement with RGLD Gold AG, a wholly owned subsidiary of Royal Gold Inc., ("**Royal Gold**") pursuant to which Royal Gold agreed to provide New Gold with a deposit of $175 million, to be used for the ongoing development of the Rainy River Mine, in return for a percentage of the future annual gold and silver production from the Rainy River Mine. Royal Gold paid $100 million of the deposit on signing of the agreement, with the remaining $75 million paid in November 2016 after 60% of the Project development capital had been spent.

On January 30, 2017, the Company announced an increase in the expected capital cost to build the Rainy River Mine to $1,292 million, including contingency, and that startup was scheduled for September 2017 with commercial production expected to commence November 2017. The first gold pour at the Rainy River Mine occurred on October 5, 2017 and commercial production was achieved on October 19, 2017.

New Afton Mine

In February 2015, New Gold announced the results of a scoping study to evaluate the potential for the New Afton C-zone to extend the mine's life. The C-zone is the down plunge extension of the B-zone block cave that is currently being mined at New Afton. In January 2016, the Company completed a Feasibility Study, which indicated positive economics for mining the C-zone consistent with the scoping study. In January 2018, the Company announced it would defer underground development of the C-zone in 2018, reducing its short term capital spending profile at New Afton, and use its business improvement function to further optimize the C-zone project by focusing on alternative tailings management options and mining approaches.

Peak Mines

On November 20, 2017, New Gold announced that it had entered into an agreement with Aurelia Metals Limited to sell its 100% interest in the Peak gold-copper mines in New South Wales, Australia ("**Peak Mines**") for cash consideration of $58 million. The transaction is subject to customary closing conditions, including consent from the New South Wales Minister responsible for the Mining Act 1992 for the transfer of control of certain exploration licenses. The transaction is expected to close in the second quarter of 2018.

Cerro San Pedro Mine

The Cerro San Pedro Mine completed active mining in June 2016 and has now transitioned to residual leaching. It is expected that residual leaching will continue for one to two years, subject to future recovery performance and gold and silver prices.

Blackwater Project

In December 2013, the Company completed a Feasibility Study for the Blackwater Project which confirmed the parameters of a conventional truck and shovel open pit mine with a 60,000 tonne per day processing plant and average annual gold production of 485,000 ounces during the first nine years of the mine's anticipated 17-year life. In 2015, the Company announced that its near-term focus would be on the advancement of the Rainy River Mine and began development of that project. The Blackwater Project continues to move through the permitting phase. The Company is also currently working on internal trade-off studies with the objective of further enhancing the economics of the Blackwater Project and maximizing free cash flow by reducing the project strip ratio, maximizing the feed grade and lowering both development capital and operating costs.

Sale of El Morro Project and El Morro Stream

In November 2015, New Gold sold its 30% interest in the El Morro Project to an affiliate of Goldcorp Inc. (" **Goldcorp**"). In exchange for the Company's 30% interest, New Gold received net cash proceeds of $62.4 million (gross proceeds of $90 million less applicable withholding taxes and transaction costs) and the Company's $94.5 million carried funding loan payable was cancelled. In addition, New Gold entered into an agreement to receive a 4% stream on gold production from the El Morro property, under which New Gold would pay $400 per ounce for the first 217,000 ounces of gold delivered as part of the stream, and would pay $400 per ounce plus a 1% annual inflation adjustment for subsequent ounces of gold delivered as part of the stream (the "**El Morro Gold Stream**"). In February 2017, New Gold sold the El Morro Gold Stream to Goldcorp for $65 million.

DEVELOPMENTS – FINANCIAL

In August 2014, New Gold entered into a $300 million revolving secured credit facility with a syndicate of banks led by The Bank of Nova Scotia and RBC Capital Markets (the "**Credit Facility**"). In November 2015, the term of the Credit

Facility was extended to August 2019, and it was further extended to August 2020 in June 2017. In October 2016, the size of the Credit Facility was increased to $400 million.

As at December 31, 2017, the Company has drawn $230 million under the Credit Facility, and the Credit Facility has been used to issue letters of credit in the aggregate amount of $139 million.

In February 2016, New Gold amended the Credit Facility to increase the maximum ratio of net debt to earnings before interest, taxes, depreciation, amortization, exploration, impairment and other non-cash adjustments ("**Adjusted EBITDA**") covenant ("**Leverage Ratio**") from 3.5 to 1.0 (as initially provided in the Credit Facility) to 4.0 to 1.0 at the September 30, 2016 measurement date and to 4.5 to 1.0 for the three subsequent quarter-end measurement periods. In October 2016, New Gold again amended the Credit Facility to increase the maximum Leverage Ratio to 4.0 to 1.0 for the period from July 1, 2017 to December 31, 2017. In May 2017, New Gold further amended the Credit Facility to increase the maximum Leverage Ratio to 4.5 to 1.0 from July 1, 2017 to September 30, 2017 and 4.0 to 1.0 from January 1, 2018 to March 31, 2018. Thereafter, the maximum Leverage Ratio will return to 3.5 to 1.0. The Leverage Ratio contained in the Company's agreement with Royal Gold has also been adjusted to match the revised Leverage Ratio noted above.

On October 4, 2016, New Gold purchased put options with a strike price of $1,300 per ounce covering 120,000 ounces of gold and simultaneously sold call options with a strike price of $1,400 per ounce covering 120,000 ounces of gold. These contracts covered 20,000 ounces of gold per month for the first six months of 2017. On June 27, 2017, New Gold purchased put options with a strike price of $1,250 per ounce covering 120,000 ounces of gold and simultaneously sold call options with a strike price of $1,400 per ounce covering 120,000 ounces of gold. These contracts covered 20,000 ounces of gold per month for the last six months of 2017. In aggregate, those option contracts provided the Company a guaranteed floor price of $1,300 per ounce of gold on 120,000 ounces of gold for the first six months of 2017 and $1,250 per ounce on 120,000 ounces of gold for the last six months of 2017 while also providing exposure to increases in the gold price up to $1,400 per ounce.

On November 14, 2016, New Gold fixed the price for 31.7 million pounds of the Company's copper production in the first six months of 2017 at $2.52 per pound using swap contracts that settled against the monthly average London Metals Exchange price. The swap contracts covered 5.3 million pounds of copper per month from January through June 2017. On February 16, 2017, New Gold fixed the price for 43.7 million pounds of the Company's copper production in the second half of 2017 at $2.73 per pound using swap contracts that settled against the monthly average London Metals Exchange price. The swap contracts covered 7.3 million pounds of copper per month from July through December 2017. On October 18, 2017, New Gold purchased put options with a strike price of $3.00 per pound covering 60 million pounds of its 2018 production and simultaneously sold call options with a strike price of $3.37 per ounce covering 60 million pounds of its 2018 production.

On February 22, 2017, New Gold announced that it had entered into an agreement with a syndicate of underwriters (the " **Underwriters**") pursuant to which they agreed to purchase, on a bought deal basis, 53,600,000 of the Company's common shares ("**Common Shares**") at a price of $2.80 per share (the "**Offering**"), for aggregate gross proceeds to the Company of approximately $150 million. In addition, the Company agreed to grant to the Underwriters an option to purchase up to an additional 8,040,000 Common Shares at a price of $2.80 per share, on the same terms and conditions as the Offering, which was exercised in full by the Underwriters. The Offering closed on March 10, 2017. The aggregate gross proceeds of the Offering to the Company were approximately $173 million and proceeds net of underwriting fees and expenses were approximately $164.5 million.

On May 18, 2017, New Gold announced that it had completed an offering of $300 million aggregate principal amount of 6.375% Senior Notes due 2025. The Company used the net proceeds from the offering, together with cash on hand, to fund the redemption of all of its outstanding $300 million 7.00% Senior Notes due 2020.

DESCRIPTION OF THE BUSINESS

The Company's principal operating assets consist of the Rainy River Mine and New Afton Mine in Canada. New Gold also owns the Mesquite Mine in the United States, the Cerro San Pedro Mine in Mexico and the Peak Mines in Australia. (The Cerro San Pedro Mine transitioned in 2016 from active mining to residual leaching. The Company has entered into an agreement to sell the Peak Mines – see "Developments – Mines and Projects – Peak Mines" on page 10.) It also owns the Blackwater Project in Canada. For purposes of NI 43-101, the Company considers the Rainy River Mine and the New Afton Mine to be its material properties.

New Gold is continually working to maximize shareholder value through diversified production, maintaining an attractive risk profile and enhancing growth potential in a safe and an environmentally and socially responsible manner.

Refer to the Company's MD&A for the year ended December 31, 2017, available under the Company's profile on SEDAR at www.sedar.com, for a detailed description of the Company's business, including each of its operating segments.

SPECIALIZED SKILLS AND KNOWLEDGE

All aspects of New Gold's business require specialized skills and knowledge. Such required areas of specialized skills and knowledge include geology, drilling, mine planning, metallurgy, engineering, construction, technology, community and public relations, regulatory compliance, legal and accounting. New Gold has found that it can locate and retain employees and contractors with such skills and knowledge.

PRINCIPAL PRODUCTS

The Company's principal products are gold, copper and silver, which generally require refining or smelting to become marketable metal. As described in more detail with respect to each operation, the Company uses the services of refiners to refine gold doré. The refined gold is sold to bullion banks or gold trading counterparties at market prices, though in some cases the Company sells doré to such banks and counterparties with delivery to the refinery. Copper concentrate produced by the New Afton Mine is sold to various smelters or concentrate marketing firms. The Company has also entered into financial instruments, such as option or swap contracts, for the purpose of hedging gold and copper prices – see "Developments – Financial" on page 10. There are worldwide gold, copper and silver markets into which the Company can sell and, as a result, the Company is not dependent on a particular purchaser with regard to the sale of the gold, copper and silver which it produces. Further, due to the availability of alternative refineries and smelters, the Company is not dependent on the services on any one refiner or smelter.

COMPETITIVE CONDITIONS

The precious and base mineral exploration and mining business is competitive. The Company competes with numerous other companies and individuals in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire mineral properties in the future will depend on its ability to develop its present properties, and on its ability to select and acquire suitable producing properties or prospects for development or mineral exploration.

OPERATIONS

Mineral Reserves and Mineral Resources

The Company has the following Mineral Reserves and Mineral Resources: gold and silver at the Rainy River Mine; gold, copper and silver at the New Afton Mine; gold at the Mesquite Mine; gold and silver at the Cerro San Pedro Mine; and gold and silver at the Blackwater Project. See "Summary of Mineral Reserve and Mineral Resource Estimates" on page 15.

Foreign Operations

The Company currently owns 100% of the Mesquite Mine in the United States, 100% of the Cerro San Pedro Mine in Mexico and 100% of the Peak Mines in Australia as its foreign operations. (The Company has entered into an agreement to sell the Peak Mines – see "Developments – Mines and Projects – Peak Mines" on page 10.) Any changes in regulations (or the application of regulations) or shifts in political attitudes in these foreign jurisdictions are beyond the control of the Company and may adversely affect its business. Future development and operations may be affected in varying degrees by factors such as government regulations (or changes to such regulations or the application of regulations) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, operating activities, land claims of local people and mine safety. The impact of these factors cannot be accurately predicted. See "Risk Factors – Foreign Operations" on page 55.

Employees

As at December 31, 2017, the Company had the following employees and contractors:

Location	Employees
Corporate Office	42
Rainy River Mine	583
New Afton Mine	433
Mesquite Mine	297
Peak Mines[1]	329
Cerro San Pedro Mine[2]	144
Blackwater Project	6
Total	**1834**

(1) *The Company has entered into an agreement to sell the Peak Mines – see "Developments – Mines and Projects – Peak Mines" on page 10.*
(2) *As at December 31, 2017, 72 employees at the Cerro San Pedro Mine belonged to a union.*

Environmental Protection and Social and Environmental Practices

New Gold is committed to excellence in corporate social responsibility. The Company considers its ability to make a lasting and positive contribution toward sustainable development a key driver to achieving a productive and profitable business. New Gold aims to achieve these objectives through the protection of the health and well-being of its people and host communities as well as maintaining industry leading practices in the areas of environmental stewardship and community engagement and development. As a partner of the United Nations Global Compact, New Gold's policies and practices are guided by its principles with reference to human rights, labour, environmental stewardship and anti-corruption. As a member of the Mining Association of Canada ("**MAC**"), New Gold's operations adopt the MAC's Towards Sustainable Mining protocols which form part of the New Gold Environmental Management Standards and Community Engagement and Development Management Standards.

New Gold's corporate social responsibility objectives include promoting and protecting the welfare of its employees through safety-first work practices, upholding fair employment practices and encouraging a diverse workforce, where people are treated with respect and supported to realize their full potential. New Gold believes that people are its most valuable assets and strives to create a culture of inclusiveness that begins at the top and is reflected in its hiring, promotion and overall human resources practices. New Gold encourages tolerance and respect in worker-to-worker relationships. The Company strives to be an employer of choice through the provision of competitive wages and benefits, the implementation of policies that recognize and reward employee performance, and promotion from within wherever possible.

The Company is committed to preserving the long-term health and viability of the natural environments that host its operations. Wherever New Gold operates – in all stages of mining activity, from early exploration and planning, to commercial mining operations through to eventual closure – the Company is committed to excellence in environmental management. Prior to commencing significant construction activities, New Gold carries out comprehensive environmental studies to establish baseline measurements for flora, fauna, earth, air and water. During operations, it promotes the efficient use of raw materials and resources, works to minimize environmental impacts and maintains robust monitoring programs. After mining activities are complete, New Gold's objective is to restore the land to a level of productivity equivalent to its pre-mining capacity or to an alternative land use determined through consultation with regulatory authorities and the communities of interest.

New Gold is committed to establishing relationships with host communities based on mutual benefit and active engagement with these communities to contribute to their sustainability. Wherever the Company's operations interact with Indigenous peoples, New Gold promotes understanding of, and respect for, traditional values, customs and culture and takes meaningful action to consider the interests of Indigenous peoples. New Gold aims to foster open communication with local residents and community leaders so that issues can be resolved collaboratively. The Company believes that by thoroughly understanding the people, their histories, and their needs and aspirations, it can engage in a meaningful and sustainable development process.

The Company's mining, exploration and development activities are subject to various federal, provincial, state, county and municipal laws and regulations relating to the protection of the environment, including requirements for closure and reclamation of mining properties. In all jurisdictions where New Gold operates, specific statutory and regulatory requirements and standards must be met throughout the exploration, development and operations stages of a mining property with regard to air quality, water quality, fisheries and wildlife protection, solid and hazardous waste management and disposal, noise, land use and reclamation. Details and quantification of New Gold's reclamation and closure costs obligations are set out in Note 18 of the Company's audited consolidated financial statements for the year ended December 31, 2017.

Management does not believe that the financial and operational effects of environmental protection requirements on the capital expenditures and earnings of each mineral property are significant, and estimates the undiscounted closure cost for all of its properties is $187.1 million as at December 31, 2017. As at December 31, 2017, the Company had posted letters of credit or other financial assurance issued pursuant to the Credit Facility in an aggregate amount of $139 million to address these liabilities.

TECHNICAL INFORMATION

CIM Standards Definitions

New Gold's estimated Mineral Reserves and Mineral Resources have been calculated in accordance with the CIM Definitions Standards for Mineral Reserves and Mineral Resources adopted by the CIM Council on May 10, 2014 (the "**CIM Standards**").

Technical Terms and Abbreviations

Unless otherwise defined, technical terms used in this Annual Information Form are set out in Schedule B and abbreviations terms used are defined in Schedule C.

SUMMARY OF MINERAL RESERVE AND MINERAL RESOURCE ESTIMATES

On February 20, 2018, the Company reported consolidated Mineral Reserve and Mineral Resource estimates for its mines and development projects as at December 31, 2017 (excluding Peak Mines). A consolidated summary of total gold, copper and silver contained within New Gold's global Mineral Reserves and Mineral Resources (excluding Peak) is set out in the table below. Measured and Indicated Mineral Resources are reported exclusive of Mineral Reserves.

MINERAL RESERVES AND MINERAL RESOURCES SUMMARY TABLE

	Gold Koz	Silver Moz	Copper Mlbs
PROVEN AND PROBABLE RESERVES	**14,795**	**77,108**	**941**
New Afton	1,078	3,533	941
Mesquite	1,129	-	-
Rainy River	4,418	12,775	-
Blackwater	8,170	60,800	-
MEASURED AND INDICATED RESOURCES (EXCLUSIVE OF RESERVES)	**5,977**	**20,654**	**1,158**
INFERRED RESOURCES	**1,253**	**4,591**	**246**

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19-20.

MINERAL RESERVES

		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
RAINY RIVER							
Direct processing reserves							
Open Pit							
Proven	23,472	1.31	2.6	-	992	1,968	-
Probable	50,314	1.20	3.2	-	1,946	5,252	-
Open Pit P&P *(direct proc.)*	73,786	1.24	3.0	-	2,937	7,221	-
Underground							
Proven	-	-	-	-	-	-	-
Probable	9,056	3.52	9.6	-	1,025	2,807	-
Underground P&P *(direct proc.)*	9,056	3.52	9.6	-	1,025	2,807	-
Total Direct Processing Reserves	82,842	1.49	3.7	-	3,962	10,028	-
Low grade reserves							
Open Pit							
Proven	8,063	0.39	2.0	-	101	525	-
Probable	26,960	0.37	2.5	-	324	2,175	-
Open Pit P&P *(low grade)*	35,023	0.38	2.4	-	425	2,699	-
Stockpile							
Proven	1,851	0.51	0.8	-	30	48	-
Stockpile reserves	1,851	0.51	0.8	-	30	48	-
Combined P&P							
Proven	33,386	1.04	2.3	-	1,123	2,541	-
Probable	86,330	1.18	3.7	-	3,295	10,234	-
Total Rainy River P&P	**119,716**	**1.15**	**3.3**	**-**	**4,418**	**12,775**	**-**
NEW AFTON				-			
A&B Zones							
Proven	-	-	-	-	-	-	-
Probable	28,126	0.51	2.2	0.79	462	1,961	488
C Zone							
Proven	-	-	-	-	-	-	-
Probable	26,741	0.72	1.8	0.77	616	1,571	453
Total New Afton P&P	**54,867**	**0.61**	**2.0**	**0.78**	**1,078**	**3,533**	**941**
MESQUITE							
Proven	5,627	0.49	-	-	89	-	-
Probable	59,491	0.54	-	-	1,040	-	-
Total Mesquite P&P	**65,119**	**0.54**	**-**	**-**	**1,129**	**-**	**-**
BLACKWATER							
Direct processing reserves							
Proven	124,500	0.95	5.5	-	3,790	22,100	-
Probable	169,700	0.68	4.1	-	3,730	22,300	-
P&P *(direct proc.)*	294,200	0.79	4.7	-	7,520	44,400	-
Low grade reserves							
Proven	20,100	0.50	3.6	-	325	2,300	-
Probable	30,100	0.34	14.6	-	325	14,100	-
P&P *(low grade)*	50,200	0.40	10.2	-	650	16,400	-
Total Blackwater P&P	**344,400**	**0.74**	**5.5**	**-**	**8,170**	**60,800**	**-**
TOTAL PROVEN & PROBABLE RESERVES					**14,795**	**77,108**	**941**

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19-20.

MEASURED & INDICATED MINERAL RESOURCES (EXCLUSIVE OF MINERAL RESERVES)

		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
RAINY RIVER							
Direct processing resources							
Open Pit							
Measured	2,556	1.11	3.2	-	91	266	-
Indicated	24,995	1.10	3.4	-	884	2,711	-
Open Pit M&I *(direct proc.)*	27,551	1.10	3.4	-	975	2,977	-
Underground							
Measured	-	-	-	-	-	-	-
Indicated	6,223	2.93	9.0	-	587	1,808	-
Underground M&I *(direct proc.)*	6,223	2.93	9.0	-	587	1,808	-
Low grade resources							
Open Pit							
Measured	2,023	0.36	2.3	-	23	150	-
Indicated	22,290	0.36	2.3	-	258	1,634	-
Open Pit M&I *(low grade)*	24,313	0.36	2.3	-	282	1,784	-
Combined M&I							
Measured	4,579	0.78	2.8	-	115	417	-
Indicated	53,508	1.00	3.6	-	1,729	6,152	-
Total Rainy River M&I	**58,087**	**0.99**	**3.5**	**-**	**1,844**	**6,569**	**-**
NEW AFTON							
A&B Zones							
Measured	17,155	0.63	2.0	0.83	348	1,090	313
Indicated	10,689	0.46	2.4	0.68	159	824	159
A&B Zone M&I	27,844	0.57	2.1	0.77	507	1,909	473
C-Zone							
Measured	6,424	0.91	2.3	1.07	188	471	152
Indicated	11,918	0.74	2.1	0.88	284	816	231
C-Zone M&I	18,342	0.80	2.2	0.95	472	1,284	383
HW Lens							
Measured	-	-	-	-	-	-	-
Indicated	11,841	0.50	2.0	0.43	191	750	111
HW Lens M&I	11,841	0.50	2.0	0.43	191	750	111
Total New Afton M&I	**58,038**	**0.63**	**2.1**	**0.76**	**1,170**	**3,970**	**968**
MESQUITE							
Measured	4,297	0.43	-	-	59	-	-
Indicated	75,859	0.46	-	-	1,122	-	-
Total Mesquite M&I	**80,156**	**0.46**	**-**	**-**	**1,181**	**-**	**-**
BLACKWATER							
Direct processing resources							
Measured	288	1.39	6.6	-	13	61	-
Indicated	45,440	0.84	4.7	-	1,227	6,866	-
M&I *(direct proc.)*	45,728	0.84	4.7	-	1,240	6,927	-
Low grade resources							
Measured	11	0.29	7.4	-	-	3	-
Indicated	15,831	0.32	3.9	-	162	1,985	-
M&I *(low grade)*	15,842	0.32	3.9	-	162	1,988	-
Total Blackwater M&I	**61,570**	**0.71**	**4.5**	**-**	**1,402**	**8,915**	**-**
TOTAL M&I EXCLUSIVE OF RESERVES					**5,597**	**19,454**	**968**

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19-20.

INFERRED MINERAL RESOURCES

		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
RAINY RIVER							
Direct processing							
Open Pit	6,016	1.20	3.4	-	232	650	-
Underground	1,271	3.68	3.8	-	150	156	-
Total Direct Processing	7,286	1.63	3.4	-	382	806	-
Low grade resources							
Open Pit	6,219	0.37	1.6	-	74	318	-
Rainy River Inferred	**13,505**	**1.05**	**2.6**	**-**	**456**	**1,124**	**-**
NEW AFTON							
A&B-Zone	7,564	0.35	1.3	0.35	85	322	58
C-Zone	7,688	0.43	1.3	0.48	106	325	72
HW Lens	-	-	-	-	-	-	-
New Afton Inferred	**15,253**	**0.39**	**1.3**	**0.41**	**192**	**647**	**131**
MESQUITE	**8,871**	**0.38**	**-**	**-**	**107**	**-**	**-**
BLACKWATER							
Direct processing	13,933	0.76	4.0	-	341	1,792	-
Low grade resources	4,225	0.32	3.5	-	44	475	-
Blackwater Inferred	**18,159**	**0.66**	**3.9**	**-**	**385**	**2,267**	**-**
TOTAL INFERRED					**1,140**	**4,038**	**131**

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19-20.

The Company has entered into an agreement to sell the Peak Mines – see "Developments – Mines and Projects – Peak Mines" on page 10 – and Peak Mines is classified as a discontinued operation in the Company's audited consolidated financial statements for the year ended December 31, 2017. Set out below are the Mineral Reserve and Mineral Resource estimates for Peak Mines as at December 31, 2017.

PEAK MINES MINERAL RESERVES & RESOURCES

		Metal grade			Contained metal		
	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
MINERAL RESERVES							
Proven	1,460	2.94	9.9	1.42	138	464	46
Probable	1,400	2.41	8.6	1.24	107	381	38
Total Peak Mines P&P	**2,860**	**2.68**	**9.2**	**1.33**	**246**	**845**	**84**
MEASURED AND INDICATED RESOURCES EXCLUSIVE OF RESERVES							
Measured	1,500	3.11	7.8	1.01	150	370	33
Indicated	4,100	1.74	6.4	1.70	230	850	150
Total Peak Mines M&I	**5,500**	**2.10**	**6.8**	**1.52**	**380**	**1,220**	**183**

		Metal grade					Contained metal				
INFERRED RESOURCES	Tonnes 000's	Gold g/t	Silver g/t	Copper %	Lead %	Zinc %	Gold Koz	Silver Koz	Copper Mlbs	Lead Mlbs	Zinc Mlbs
Gold-Copper resources	2,620	1.32	6.4	1.94	NA	NA	113	553	115	NA	NA
Silver-Lead-Zinc resources	2,300	1.95	29.4	0.29	4.73	5.76	140	2,200	15	240	290
Total Peak Inferred											

Notes to the Mineral Reserve and Mineral Resource estimates are provided on pages 19-20.

Notes to Mineral Reserve and Resource Estimates

1. New Gold's Mineral Reserves and Resources have been estimated in accordance with the CIM Standards, which are incorporated by reference in NI 43-101.

2. All Mineral Resource and Mineral Reserve estimates for New Gold's properties and projects are effective December 31, 2017.

3. New Gold's year-end 2017 Mineral Reserves and Mineral Resources have been estimated based on the following metal prices and foreign exchange rate criteria:

	Gold $/ounce	Silver $/ounce	Copper $/pound	Lead $/pound	Zinc $/pound	CAD	AUD	MXN
Mineral Reserves	*$1,275*	*$17.00*	*$2.75*	*N/A*	*N/A*	*1.30*	*1.30*	*18.00*
Mineral Resources	*$1,375*	*$19.00*	*$3.00*	*$1.00*	*$1.20*	*1.30*	*1.30*	*18.00*

4. Lower cut-offs for the Company's Mineral Reserves and Mineral Resources are outlined in the following table:

Mineral Property		Mineral Reserves LOWER cut-off	Mineral Resources LOWER Cut-off
Rainy River	O/P direct processing: O/P low grade material: U/G direct processing:	0.30 – 0.50 g/t AuEq 0.30 g/t AuEq 2.20 g/t AuEg	0.30 – 0.50 g/t AuEq 0.30 g/t AuEq 2.00 g/t AuEq
New Afton	Main Zone – B1 & B2 Blocks: B3 Block & C-Zone:	*C$ 17.00/t* *C$ 24.00/t*	*All Resources: 0.40% CuEq*
Mesquite	Oxide: Transitional & Non-ox:	0.14 g/t Au (0.0045 oz/t Au) 0.28 g/t Au (0.0090 oz/t Au)	0.12 g/t Au (0.0038 oz/t Au) 0.25 g/t Au (0.0081 oz/t Au)
Blackwater	O/P direct processing: O/P low grade material:	0.26 – 0.38 g/t AuEq 0.32 g/t AuEq	All Resources: 0.40 g/t AuEq
Peak Mines	All ore types:	A$ 80/t to A$140/t	A$ 85/t to A$ 150/t

5. New Gold reports its measured and indicated mineral resources exclusive of mineral reserves. Measured and indicated mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred Mineral Resources have a greater amount of uncertainty as to their existence, economic and legal feasibility, do not have demonstrated economic viability, and are likewise exclusive of mineral reserves. Numbers may not add due to rounding.

6. Mineral resources are classified as measured, indicated and inferred based on relative levels of confidence in their estimation and on technical and economic parameters consistent with the methods most suitable to their potential commercial extraction. Where different mining and/or processing methods might be applied to different portions of a mineral resource, the designators 'open pit' and 'underground' are used to indicate the envisioned mining method. Likewise in certain instances, the designators 'oxide', 'transitional', 'non-oxide' and 'sulphide' have likewise been applied to indicate the type of mineralization as it relates to the appropriate mineral processing method and expected payable metal recoveries, and the designators 'direct processing' and 'lower grade reserves' or 'lower grade resources' have been applied to differentiate material envisioned to be mined and processed directly from

material to be mined and stored separately for future processing. Mineral reserves and mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other risks and relevant issues. Additional information regarding mineral reserve and mineral resource estimation, classification, reporting parameters, key assumptions and associated risks for each of New Gold's material properties are provided in the respective NI 43-101 Technical Reports, which are available at www.sedar.com.

7. Rainy River Project: In addition to the criteria described above, mineral reserves and mineral resources for the Rainy River project are reported according to the following criteria: Underground mineral reserves are reported peripheral to and/or below the open pit mineral reserve pit shell, which has been designed and optimized based on a $1,275/oz gold price. Open pit and underground mineral resources are reported based on a $1,375/oz gold price. Open pit mineral resources are reported from within an open pit resource shell that extends to a depth of approximately 400 metres from surface. Underground mineral resources are reported below and peripheral to the mineral resource pit shell. Approximately forty percent (40%) of the gold metal content defined as underground mineral reserves is derived from material located between the mineral reserve pit shell and the mineral resource pit shell; the remaining sixty percent (60%) of the metal content defined as underground mineral reserves is derived from material located below the mineral resource pit shell. Open pit mineral resources exclude material reported as underground mineral reserves.

8. Qualified Person: The preparation of New Gold's mineral reserve and mineral resource estimates has been done by Qualified Persons as defined under NI 43-101, under the oversight and review of Mr. Mark A. Petersen, a Qualified Person under NI 43-101.

MINERAL PROPERTIES

RAINY RIVER MINE, CANADA

Project Description, Location, Access, Infrastructure and Other Information

The Rainy River Mine is located in the southern half of Richardson Township, approximately 50 kilometres northwest of Fort Frances in northwestern Ontario, Canada. Regional population centres Kenora and Thunder Bay lie 162 kilometres to the north and 418 kilometres to the east, respectively. Access to the Project area is via secondary all-weather roads branching off Trans-Canada Highways 11 and 71. An east-west rail line is located 21 kilometres to the south, populated by a number of small towns and villages. Temperature extremes generally range from 35 degrees Celsius to minus 40 degrees Celsius. Annual precipitation averages approximately 60 centimetres rainfall and 150 centimetres snowfall. Mining activities are conducted year-round.

Terrain in the vicinity of the Rainy River Mine is dominated by a distinct northwest to southeast divide known as the Rainy Lake-Lake of the Woods Moraine. Topography is relatively gentle, with relief ranging from zero southwest of the divide to up to 90 metres northeast of the divide. In areas of low relief, bedrock typically is overlain by glacial till, thick silts and clays and, in poorly drained areas, by thick peat.

The Rainy River Mine occupies approximately 6,050 hectares, comprising 87 patented mining rights and surface rights claims (including 8 leasehold interest mining rights and/or surface rights claims). In addition, the Company has a land package of approximately 17,240 hectares surrounding the mine site, including patented mining rights and/or surface rights and unpatented claims. All unpatented claims are in good standing and assessment work credits are sufficient to maintain that standing for several years.

All claims are held in the name of New Gold. The currently defined mineral reserves and mineral resources lie largely within nine patented claims. Portions of the presently defined mineral reserves and mineral resources are covered by either a 2% NSR royalty or a 10% net profits interest royalty. In addition, New Gold has agreed to financial participation in the Project in the form of royalties in favour of certain First Nations.

In July 2015, New Gold entered into a $175 million streaming agreement with Royal Gold in which Royal Gold agreed to provide New Gold with an upfront deposit of $175 million, which was used for the development of the Rainy River Mine, in return for: (i) 6.5% of the Project's gold production up to a total of 230,000 ounces of gold, and 3.25% of the Project's gold production thereafter; and (ii) 60% of the Project's silver production up to a total of 3.1 million ounces of silver, and 30% of the Project's silver production thereafter. In addition to the upfront deposit, Royal Gold will pay 25% of the average spot gold or silver price at the time each ounce of gold or silver is delivered under the stream. Royal Gold paid $100 million of the deposit on signing of the agreement, with the remaining $75 million paid in November 2016 after 60% of the Project development capital had been spent.

History

Exploration commenced in the Rainy River area during the period 1967 to 1989, during which time the Ontario Geological Survey conducted sporadic geologic mapping, and companies including Noranda, International Nickel Corporation of Canada, Hudson's Bay Exploration and Development and Mingold Resources were active in the area.

Nuinsco Resources Limited ("**Nuinsco**") initiated exploration of the area in 1990. During the period 1993 through 2004, Nuinsco engaged in geologic mapping, geochemical grid sampling, magnetic and IP geophysical surveys and Landsat remote sensing studies. Additionally, Nuinsco completed 597 reverse circulation holes and 217 diamond drill holes (49,515 metres) during the period. The program resulted in the discovery of three significant zones of gold mineralization (the 17, 34 and 433 Zones). Nuinsco drilled a final eight diamond drill holes (1,549 metres) in 2004 to test the depth continuity of the 34 Zone.

RRRL acquired a 100% interest in the Rainy River Mine from Nuinsco in June 2005. RRRL re-logged portions of historical core, established a GIS database, conducted petrographical studies, and carried out airborne and ground-based geophysical surveys. During the period 2005 through 2007, RRRL drilled more than 100 reverse circulation holes and 209 diamond drill holes (95,340 metres), sufficient to complete the first of a number of mineral resource estimates. Additional diamond drilling by RRRL from 2008 through February 2011 totaled 449 diamond drill holes (239,329 metres).

A Preliminary Economic Assessment was published in December 2011 and updated in October 2012 based on an additional 375 diamond drill holes (181,682 metres) drilled from March to December 2011. RRRL published a Feasibility Study for the Project in May 2013 based on 1,435 diamond drill holes (662,849 metres) representing drill results through June 10, 2012.

RRRL drilled an additional 225 diamond drill holes (77,969 metres) between August 2012 and June 2013, focusing on the Intrepid Zone situated one kilometre east of the proposed open pit. By June 2013, a number of significant gold mineralized zones had been defined over a 3.5-kilometre strike length. New Gold acquired the Rainy River Mine through its purchase of RRRL in 2013. New Gold completed an updated Feasibility Study in January 2014 incorporating the previous exploration results.

In 2015, New Gold acquired Bayfield Ventures Ltd. ("Bayfield"), which held a 100% interest in six patented mining rights claims and six unpatented claims totaling approximately 11 square kilometres adjacent to the Rainy River Mine.

Geological Setting and Mineralization

The Rainy River Mine lies within the Rainy River Greenstone Belt, part of the larger Late Archean age Wabigoon Subprovince of komatiitic to calc-alkaline metavolcanics overlain by clastic and chemical sediments and intruded by granitoid batholiths. The intrusions deformed their host rocks into synformal fold structures, often producing shear zones along the axial planes. The Archean rocks are overlain by remnant Mesozoic age sediments and Quaternary Labradorian age till of northeastern provenance containing anomalous gold grains, auriferous pyrite and copper-zinc sulphides. The till is overlain by glacially-derived clays, silts and younger till of western provenance.

Rocks within the immediate area of the mine comprise a series of tholeiitic mafic rocks structurally overlain by calc-alkalic intermediate to felsic metavolcanic rocks. Rocks of intermediate dacitic composition host most of the gold mineralization.

Three main styles of gold and silver mineralization have been identified within a large cluster of multiple deposits: gold-bearing sulphide ± quartz stringers and veins in felsic quartz-phyric rocks (ODM/17 and 34, Beaver Pond, 433 and HS Zones); quartz-ankerite-pyrite shear veins in mafic volcanic rocks (CAP/South Zone); and sulphide-bearing silver-enriched quartz veinlets in dacitic tuffs and breccias (Intrepid Zone). A fourth style of mineralization characterized by copper-nickel-platinum minerals occurs within a small younger mafic-ultramafic intrusion (34 Zone) situated within the main cluster of gold and silver deposits. All deposits show some degree of deformation, excepting the copper-nickel-platinum-bearing type. Most of the gold mineralization identified to date occurs in the sulphide-bearing stringers and veins within the felsic quartz-phyric rocks.

Mineralized zones hosted by the felsic rocks generally follow the regional northwesterly strike and southerly dip of stratigraphy. The largest of these is the ODM/17 Zone which extends 1600 metres along strike, 975 metres down dip, and has an average true width of 200 metres.

The Rainy River mineralization is interpreted to be a hybrid deposit type consisting of early gold-rich volcanogenic sulphide mineralization overprinted by shear-hosted mesothermal gold mineralization associated with regional deformation. A final stage of hydrothermal mineralization in the main auriferous zones crosscuts both types of earlier mineralization.

Exploration and Drilling

Exploration and drilling undertaken in the area of the mine prior to New Gold's acquisition of the property through its acquisition of RRRL are summarized in the section entitled "History".

Since New Gold's acquisition of RRRL, the Company has focused its exploration efforts within a five kilometre radius of the central mine development area. From January 2014 through December 2017, a total of 96,750 metres of core drilling in 353 holes have been completed to evaluate the potential to extend and improve classification confidence for the mineral resource both laterally and at depth, and to provide geotechnical information for the mining operation. The results of this drilling in combination with the historic drilling described above provide the basis for the current mineral resource and mineral reserve estimates.

Sampling and Analysis

There are no records describing the sampling and analytical methods used by Nuinsco during its drilling programs. Mineralized sections of core were re-sampled and analyzed by RRRL to incorporate into the drill database.

Sampling and analysis of core has been conducted via industry best practices under New Gold, RRRL and Bayfield drilling programs. Sampling was typically conducted at nominal 1.5 metre intervals, though Bayfield sampling intervals vary from 0.5 to 1.5 metres in length. Core was sawn and half placed in sample bags for laboratory analysis. Certified reference standards, blanks and duplicates were systematically inserted into the sample batches to be shipped to the lab. Samples were collected on site by a Fort Frances shipping company and delivered directly to the laboratory.

RRRL used two principal accredited laboratories for analyses: ALS Vancouver, British Columbia from 2005 to 2006 and from early 2011 onward; and Accurassay Laboratories in Thunder Bay, Ontario from 2006 to 2011. Bayfield's drill core was analyzed by Activation Laboratories ("**Actlabs**"), an accredited laboratory located in Thunder Bay, Ontario. New Gold uses ALS for the analysis of all of its exploration and resource delineation drilling at the Rainy River Mine. Since the start of commercial production in late 2017, analyses of grade control samples for the open pit (and future underground) mine are done by an onsite analytical laboratory. All of these laboratories use standard industry analytical procedures: fire assay procedures for precious metal analyses; aqua regia digestion and atomic absorption spectrometry for metal analyses. Each laboratory employs an internal QA/QC program in accordance with its accreditation requirements. Additionally, the company employs a separate set of best practice QA/QC protocols for all of its exploration and grade control sampling programs.

Data verification includes site visits to inspect procedures, QA/QC data validation and examination of database accuracy. An overall improvement in the performance of quality control samples has been noted since ALS's 2011 reinstatement as the primary laboratory for the Rainy River Mine. The results of data verification to date indicate the data collected from the Rainy River Mine adequately reflect deposit dimensions, style, and true widths of mineralization; adequately support the geological interpretations; and are of sufficient analytical and database quality for use in mineral resource estimation.

Mineral Processing and Metallurgical Testing

Metallurgical testing was performed to evaluate the mineralogy of the deposit and contribute to the design of the Rainy River Mine's processing plant and tailings facility. A number of studies and tests were performed as part of the testing program, including mineralization, comminution, gravity separation, flotation, flotation concentrate leaching, whole ore leaching, cyanide destruction testwork and environmental testwork. It was determined that whole rock leaching with gravity separation was the most economical processing alternative for the ore mainly because, among other reasons, it required less energy and cyanide inputs than other processing alternatives.

Infrastructure, Permitting and Compliance Activities

Infrastructure and local terrain are accessible, with numerous gravel/paved roads, power and water resources and areas for tailings management facilities available within close proximity. Personnel for the mine, including skilled trades and professions, have been and will continue to be sourced through a combination of local hiring and recruitment.

Power is supplied to the mine through a connection to a provincial transmission line approximately 17 kilometres to the east. There is a supply of water in the area from the Pinewood River, and a pipeline has been constructed from the Pinewood River to the site. A site water management pond contains water for mineral processing. Other infrastructure includes open pit infrastructure, the processing plant, tailings facility and administrative offices. The updated Feasibility Study also contemplates development of an underground mine. New Gold expects to commence development of the underground mine in the second half of 2018.

In 2012, RRRL (prior to its acquisition by New Gold), and six Rainy River-area First Nations entered into a Participation Agreement with respect to the development and operation of the Rainy River Mine. The Participation Agreement

identifies key project milestones to be met through mutual cooperation and consultation with the First Nations. In 2014, the Company concluded an Impacts and Benefits Agreement with Naicatchewenin First Nation and Rainy River First Nations embracing commitments to environmental and sustainable development and ensuring that First Nation communities and members benefit from opportunities resulting from the Project in their traditional territory. The Company also concluded Participation Agreements with the Métis Nation of Ontario in 2014, the Big Grassy River First Nation in 2015, the Naotkamegwanning First Nation, the Ojibways of Onigaming First Nation and the Anishinaabeg of Naongashing First Nation in 2017, and the Animakee Wa Zhing 37 First Nation in 2018. The Participation Agreements provide for how each of these communities will benefit from the Rainy River Mine. New Gold has ongoing dialogue with local communities and various First Nations in the area surrounding the Rainy River Mine.

During the course of construction of the water and tailings management area (" **TMA**") at the Rainy River Mine, deformations were identified at one of the dams associated with such facilities. In line with best practices in Canada, the Company has established an Independent Tailings Review Board ("**ITRB**"), which is comprised of four independent experts, to provide input with respect to tailings management at New Gold's operations and projects in Canada. After receiving feedback from the ITRB and the Ministry of Natural Resources and Forestry ("**MNRF**") and completion of additional geotechnical drilling to further investigate the ground conditions, New Gold redesigned Rainy River's tailings management facility. The final redesign included the use of flatter slopes, rock toe buttresses and wick drains, and New Gold also implemented enhanced construction management procedures. The Company has decided to extend aspects of the redesign across all of the water and tailings management facilities. The Company received approval to recommence construction of the TMA from MNRF in mid-November 2016. On September 28, 2017, New Gold announced that the amendment to Schedule 2 of the Metal Mining Effluent Regulations under the Fisheries Act (Canada) to close two small creeks and deposit tailings under the Fisheries Act (Canada), had become effective, which was also required to complete construction of the TMA. Construction of the TMA continues and is expected to be completed in 2018. To accommodate production until construction of the full TMA is completed, the TMA incorporates a start-up tailings cell which will provide capacity for approximately six months of tailings and a second cell which provides capacity for approximately an additional 12 months of tailings.

In 2017, New Gold was subject to charges in relation to two incidents from 2016. Specifically, on July 13, 2017, New Gold was charged with five breaches of the Environmental Protection Act (Ontario) in connection with alleged effluent discharges at the Rainy River project in July 2016 in excess of permit limits. On November 9, 2017, New Gold plead guilty to discharging un-ionized ammonia above the EPA limit on July 27, 2016 and failing to report a July 20, 2016 discharge above the standard for un-ionized ammonia. The three remaining charges were withdrawn. New Gold was sentenced to a fine of $100,000 for the July 27, 2016 discharge and $50,000 for the failure to report the July 20, 2016 discharge. A mandatory victim surcharge of 25% applies to the fines, for a total amount owing of $187,500. In addition, on July 24, 2017, New Gold was charged with two breaches of the Lakes and Rivers Improvement Act (Ontario) in connection with water allegedly overtopping a dam on the Rainy River construction site prior to completion of construction of the dam. New Gold takes all environmental incidents seriously and is progressing this matter.

The mine closure plan was accepted by the Ontario Ministry of Northern Development and Mines (" **MNDM**") on February 23, 2015. As of December 31, 2017, bonding of C$83.9 million had been posted pursuant to the closure plan. The undiscounted closure cost liability for Rainy River as at December 31, 2017 is estimated to be $87.9 million. An updated closure plan is expected to be approved by MNDM in 2018, which may affect the amount required for reclamation security. It is expected the updated closure plan will have include phasing in greater bonding requirements consistent with the expected development and operational activities in the initial years of operations.

Mineral Reserve and Mineral Resource Estimates

The Rainy River Mine Mineral Reserves, effective December 31, 2017, are summarized in the "Mineral Reserve Estimates" table. The Rainy River Mine Mineral Resources, effective December 31, 2017, are summarized in the "Measured and Indicated Mineral Resource Estimates (Exclusive of Mineral Reserves)" and "Inferred Mineral Resource Estimates" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates" on page 15. The parameters, assumptions and methodologies applied in generating the mineral reserve and mineral resource estimates are considered reasonable and appropriate. Furthermore, the mining, metallurgical, infrastructure, permitting and other relevant factors relating to the Rainy River Mineral Reserves and Mineral Resources fully support these estimates.

Mining Operations

The Rainy River Mine commenced processing ore on September 14, 2017 and completed its first gold pour on October 5, 2017. Commercial production was achieved on October 19, 2017. Development of the underground mine will begin in the second half of 2018. The projected life of the Rainy River Mine extends through 2032 based on current mineral reserves and throughput levels.

As the mine is now fully operational, the Company is currently completing an update of the life-of-mine plan for Rainy River. The update will incorporate the insights and refinements in expectation gained from both the successful commissioning and production experience over the first few months of operation. The focus for 2018 will be on optimizing throughput at the mill, which has a 21,000 tonne per day nameplate capacity, as well as advancing initiatives to potentially increase production.

Mining Methods

Surface mining uses a conventional truck/shovel open-pit mining method, with 10 metre benches. The pit was designed considering the geology of the bedrock, which is considered to have a good rock mass rating and geological strength index for an open pit design.

Underground reserves will be mined by longhole open stope backfilled with cemented aggregate fill. Rock mass conditions are generally good and little water ingress is anticipated. A portion of underground waste rock to be extracted will be used for rock fill.

Recovery Methods

Run-of-mine material is delivered to a common gyratory crusher for size reduction, stockpiling and delivery to the processing plant. The processing plant is a SAG/ball mill/crusher circuit feeding a whole-ore-leach gold-silver recovery plant. A portion of the coarser material will be subjected to a gravity circuit. The gravity concentrate will be sent to a cyanidation reactor and electrowinning cell for gold and silver extraction. Ground mineralized material will be thickened, passed through a leaching and carbon-in-pulp extraction circuit, and subjected to carbon stripping and electrowinning prior to being smelted into a gold-silver doré. Life-of-mine recoveries are expected to be approximately 90% for gold and approximately 55% for silver. The mill's nameplate capacity is 21,000 tpd, or 7.7 mtpa. The milling rate for December 2017 averaged 21,000 tpd, and the focus for 2018 will be on optimizing the milling process as well as advancing initiatives to potentially increase throughput beyond the 21,000 tpd.

Capital and Operating Costs

During 2017, the Rainy River Mine produced 37,047 ounces of gold (including pre-commercial production) at an operating expense per ounce of gold sold of $442 and all-in sustaining costs of $1,594 per ounce. In 2018, the Rainy River Mine is expected to produce between 325,000 and 365,000 ounces of gold with an expected operating expense per

gold ounce sold of between $430 and $470 per ounce and all-in sustaining cost of between $990 and $1,090 per ounce. 2018 guidance assumes a $17 per ounce silver price and a foreign exchange rate of C$1.25 to one United States dollar. All-in sustaining costs per ounce is a non-GAAP measure. See "Non-GAAP Measures" on page 5. Sustaining capital expenditures at the Rainy River Mine are expected to be approximately $195 million in 2018. Below is a breakdown of expected capital expenditures and expected all-in sustaining costs at the Rainy River Mine for 2018.

2018 Expected Capital Expenditures[1]	
Sustaining Capital[2]	$195
Growth Capital[2]	$20
Total	$215

2018 Expected All-in Sustaining Costs/ gold oz sold	
Operating Expense	$430 – $470
+ non-GAAP expense adjustments and by-product revenue[3]	~$25
+ sustaining expenditures[4]	~$565
Total All-in Sustaining Costs	$990 - $1,090

(1) In millions.
(2) Based on the Company's 2018 estimated capital expenditures. Sustaining capital excludes expenditures related to growth-related initiatives. Growth capital excludes sustaining capital.
(3) Includes adjustments for non-cash expenses, including inventory write-downs, that are included in operating expenses as well as revenue from the sale of silver by-product. See "Non-GAAP Financial Performance Measures" in New Gold's MD&A.
(4) Includes sustaining capital expenditures, capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs. See "Non-GAAP Financial Performance Measures" in New Gold's MD&A.

Exploration and Development

2018 will be the first full year of production for the Rainy River Mine. The Company expects to gather and incorporate insights from this early period of production experience. Sustaining capital expenditures are expected to be significantly higher in 2018 than the life of mine average as construction of the TMA is completed, including construction of the foundation of the full tailings dam. Growth development capital expenditures in 2018 will primarily include development of the underground, which is scheduled to begin in the second half of the year. Reconnaissance level exploration is also planned in 2018 to identify new areas of potential mineralization within the Company's broader mineral tenure in the region.

NEW AFTON MINE, CANADA

Project Description, Location, Access and Other Information

The New Afton Mine is located approximately 350 kilometres northeast of Vancouver in the south-central interior of British Columbia. The property is 10 kilometres from the regional hub of Kamloops and is easily accessible by paved road. The mine has a continental, semi-arid climate, with light winter snow and infrequent rain during the spring, summer and fall. Summer temperatures can reach 38 degrees Celsius and winter temperatures are generally at, or near, freezing.

The New Afton Mine occupies the site of the historic Afton mine and includes an open pit (currently inactive), underground workings and support facilities. The New Afton deposit extends to the southwest from immediately beneath the Afton open pit. As it is currently defined, the deposit hosts a mineral resource comprised of the A&B-zones, the C-zone and the Hanging Wall Lens. The A&B-zones host the portion of the mineral reserve which is currently being mined. The C-zone contains additional mineral reserves and was the subject of the C-zone Feasibility Study completed in January 2016. The Hanging Wall Lens is a satellite mineral resource located adjacent to the historic Afton open pit.

The Company's holdings in the area comprise the Afton group of claims and the Ajax group of claims. The New Afton Mine lies within the Afton group. The Afton group consists of a 902-hectare mining lease issued by the Ministry of Energy, Mines and Petroleum Resources on November 29, 2006 ("**Afton Mining Lease**") and 62 mineral claims totaling 9,360 hectares. The Company also holds surface rights on approximately 1,603 hectares surrounding the New Afton Mine. Sufficient surface rights have been obtained for current operations at the property.

New Gold holds an option to acquire three fee simple properties located to the south of the New Afton mine site (the " **Ranch Option Lands**") and mineral claim no. 1023220 which is also located to the south of the New Afton mine site. The Ranch Option Lands and the lands on which mineral claim no. 1023220 are located are currently used for ranching purposes. The option to acquire the Ranch Option Lands expires on December 11, 2019.

History

The first significant mining-related activity in the Afton area commenced in 1970, when drilling by Afton Mines Ltd. intercepted 52 metres of 0.4% copper in what ultimately became the Afton deposit. During the subsequent three years, over 45,700 metres of drilling was carried out by a number of operators.

Teck Corporation and Iso Mines Ltd. acquired the Afton property in 1973 and initiated engineering and metallurgical studies. Commercial production commenced at the Afton open pit mine in late 1977. Mining took place at the Afton, Crescent, Pothook and Ajax pits. The mine closed in 1997.

In 1999, the Company acquired an option on the property, staked additional claims and in 2000 began a concerted exploration program to test the potential for additional mineralization extending beyond the Afton open pit. This work resulted in the successful delineation of the New Afton underground mineral resource.

Geological Setting and Mineralization

The New Afton deposit is a copper-gold, alkalic porphyry system situated within the Iron Mask batholith complex. The Iron Mask complex is part of the Paleozoic age island-arc assemblage known as the Quesnel Terrane. Regional-scale fault zones are believed to be the principal control to intrusion of the batholithic rocks and related copper and gold mineralization in the New Afton area.

Mineralization is characterized by discontinuous copper sulphide veinlets and disseminations (principally chalcopyrite and minor bornite) at brecciated margins between altered porphyry intrusives and volcanic rocks of the Triassic Nicola Formation. The copper sulphides are replaced by tennantite-tetrahedrite locally and along faults that transect the mineralized body. Native copper with accessory chalcocite occurs in minor amounts within highly oxidized near-surface portions of the deposit. Gold and silver generally occur as electrum grains within the chalcopyrite and bornite.

The bulk of the New Afton deposit forms a tabular, nearly vertical, southwest-plunging zone of continuous mineralization measuring 1.4 kilometres long by approximately 100 metres wide, with a down-plunge extent of over 1.5 kilometres. The deposit plunges toward the southwest where it remains open at depth.

Exploration and Drilling

The Company initiated surface drilling at New Afton in 2000, and in 2001 completed an initial scoping study which was followed by further definition drilling. A subsequent more advanced scoping study was completed in 2004.

In November 2004, an underground access portal was excavated in the former Afton open pit and a ramp driven 2,200 metres to provide access for underground sampling, infill drilling and further exploration drilling.

In late 2005 New Gold commissioned a Feasibility Study which was completed in 2007 and laid the foundation for the current mining operation. Exploration prior to and subsequent to the 2007 Feasibility Study has focused primarily on the delineating mineral resources within and immediately adjacent to the New Afton deposit. Exploration beyond the limits of the deposit has involved preliminary scout drilling of satellite targets identified within the Afton mine lease and generative reconnaissance level exploration of the Company's broader regional mineral tenure.

During the period from 2000 through 2017 a series of diamond bit core drilling campaigns have been conducted at New Afton to delineate the main B-zone mineral resource currently being mined and additional resources located in the adjacent Hanging Wall Lens zone to the south and underlying C-zone. Additionally, reconnaissance scout drilling has been conducted to test the potential of other exploration targets located within the Afton mining lease. Drilling completed from 2000 to 2017 comprises 557 core holes totaling 254,151 metres, the results of which have been incorporated into the Company's mineral reserve and mineral resource estimates.

New Gold has likewise completed a series of airborne and ground-based geophysical surveys over its mineral tenure in the immediate mine area and broader region. The results of this work are being used to support ongoing exploration of the New Afton district.

Sampling and Analysis

Sampling protocols have remained generally consistent among the different drill campaigns with a few incremental improvements over time. Sampling intervals have averaged two metres in all campaigns since 2003. Routine insertion of blanks and standards into the sample stream has been conducted since 2005. Drilling protocols in place at New Afton meet or exceed common industry standards.

Sample preparation, which involves drying, crushing and pulverizing rock to produce a pulp sample sufficient for analysis, has been conducted according to accepted industry practice. Analytical work prior to July 2012 was conducted by ALS Global of Kamloops, British Columbia (formerly EcoTech Laboratories Ltd.). Since July 2012, sample preparation and analyses have been performed by Activation Labs of Kamloops, British Columbia. Analytical procedures for samples collected during the 2000-2003 drilling programs included conventional fire assay with an AA or ICP finish for gold and palladium, and AA for copper and silver. During 2005 and all subsequent drilling programs, copper and silver assays were determined using standard acid digestion followed by an AA finish. Gold and palladium were determined using fire assay followed by an AA finish.

Sampling and analytical protocols are considered to have been appropriate and consistent with common industry practice, data quality is adequate for resource estimation, and protocols for data acquisition and management are reasonable.

Mineral Processing and Metallurgical Testing

Metallurgical testing was performed to evaluate the mineralogy of the deposit and contribute to the design of the New Afton Mine's processing plant and tailings facility. A number of studies and tests were performed as part of the testing program, including mineralogical studies, modal analysis, grinding tests, flotation tests, gravity tests, variability tests and dewatering tests. It was determined that conventional crushing, grinding and concentration processes were appropriate given the mineralogy of the deposit.

The deposit consists primarily of primary hypogene sulphide mineralization, but some secondary supergene sulphide and native copper mineralization is also present. Localized elevated arsenic concentrations in the deposit which may pose an economic concern for the concentrate produced are mitigated through ore blending. Supergene ore is expected to

impact the New Afton mill feed around 2019 and will require an additional step in the processing circuit to recover native copper and free gold. Current metallurgical studies are investigating gravity separation, jigging, dense media separation and coarse particle flotation methods to address the requirements of the supergene ore.

Infrastructure, Permitting and Compliance Activities

Power is supplied to the New Afton Mine via its connection to the BC Hydro grid through a substation located approximately one kilometre away. Water is supplied from Kamloops Lake through an approximately four-kilometre pipeline.

Two First Nations, the Tk'emlúps te Secwépemc and the Skeetchestn Indian Band (collectively, the " **SSN**") have asserted Aboriginal rights and interests in the Mine area. A formal agreement between the SSN and New Gold dated March 20, 2008, and amended and restated November 14, 2011 ("**Participation Agreement**") provides the SSN's consent to the New Afton Mine and agreement not to challenge any New Gold interests or permits related to the mine before a court of law. New Gold has undertaken to provide the SSN with certain economic and social benefits, including education, training, employment and business opportunities. In accordance with the Participation Agreement, New Gold must make annual payments into a trust created for the benefit of SSN members. Furthermore, New Gold must pay the trust, in each year in which commercial production occurs at the mine, a percentage of net smelter returns ranging from 0.5% to 2%, depending on the price of copper and whether New Gold has recovered its development and construction costs, subject to an annual minimum amount.

On October 31, 2007, the Ministry of Energy, Mines and Petroleum Resources issued Mine Permit M-229 approving the work system and reclamation program for the New Afton Mine. The Mine Permit will need to be amended in the future to allow mining of the B3-block and C-zone. The Mine Permit obligates New Gold to post reclamation security of C$9.5 million. This amount is based on the mine closure plan filed in 2012, which will be updated in 2018. It is expected that the reclamation security requirement will increase with the updated closure plan to be more in line with New Afton's undiscounted closure liability due to several factors including the acquisition of historic Afton mine tailings facility and extension of post-closure monitoring from five to twenty years to better align with industry standards. As at December 31, 2017, the Company has posted this security in the form of an irrevocable standby letter of credit. The undiscounted closure cost liability for the New Afton Mine as at December 31, 2017 is estimated to be C$14.8 million based on a third party cost estimate. New Gold expects to incur this obligation between 2017 and 2028. The site is considered a zero discharge facility with regard to liquid effluents. All waste waters are either deposited in the tailings area and recycled to the processing plant or treated offsite.

Mineral Reserve and Mineral Resource Estimates

The New Afton Mineral Reserves, effective December 31, 2017, are summarized in the "Mineral Reserve Estimates" table. The New Afton Mineral Resources, effective December 31, 2017, are summarized in the "Measured and Indicated Mineral Resource Estimates (Exclusive of Mineral Reserves)" and "Inferred Mineral Resource Estimates" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates" on page 15.

The parameters, assumptions and methodologies applied in generating the mineral reserve and mineral resource estimates are considered reasonable and appropriate. Furthermore, the mining, metallurgical, infrastructure, permitting and other relevant factors relating to the New Afton mineral reserves and mineral resources fully support these estimates. It has been noted, however, that the ground subsidence that has occurred to date is slightly offset from the original mine plan design, an offset which is thought to be driven largely by a weaker rockmass located south of the underground block cave footprint. A large expansion of the existing subsidence monitoring network was implemented in 2016 and 2017 which has further improved the Company's ability to accurately track and monitor changes in the surface

subsidence profile and the rockmass at depth and to implement appropriate measures to mitigate any potential impact of such subsidence, including any impact to the mineral reserves, as appropriate. Real time monitoring that was incorporated into the in instrumentation in 2017 and has further improved the Company's ability to accurately track and monitor changes in the surface subsidence profile and to implement appropriate measures as required. The analyses conducted from this data have indicated that there has been a reduction in the surface subsidence perimeter, largely attributed to the shift in production from the West to East cave.

Mining Operations

The New Afton Mine began commercial production on July 31, 2012 and has a current projected life extending through 2022 based on current Mineral Reserves contained within the A&B-zones and throughput levels. The C-zone could provide an additional five years of production at current throughput levels. See "Exploration and Developments - New Afton C-zone" on page 31.

Mining Methods

The New Afton Mine is a block cave mining operation. Other mining methods, including open pit mining and sublevel caving, were considered but block caving was chosen for the New Afton deposit because this method starts from the bottom and is conducive to large-scale low-cost mining. The operation is designed to produce close to 5 Mtpa of copper-gold ore for processing in a flotation plant. Each block in the block cave has an undercut and extraction level. Ore is hauled to ore passes and dropped to a tramming level, where it is hauled by trucks to the crusher level. From the crusher, the ore is conveyed from underground to the mill via a 4.5-kilometre long conveyor system.

Waste mined as part of development activities is transported to surface by conveyor and deposited in an area apart from the ore via a belt plow. The waste is then trucked to an area on the edge of the historic Afton mine pit. Less than 5% of the mined rock is treated in this manner.

Recovery Methods

The New Afton mill was originally designed to process 11,000 tpd (4 Mtpa) of ore, recovering copper, gold and silver in a concentrate. During 2014, and through the first half of 2015, average daily throughput levels were increased to over 13,000 tpd (4.7 Mtpa). A mill expansion was completed in 2015 to increase processing capacity. The expansion involved the installation of tertiary grinding and additional pre-cleaner flotation capacity.

The mill processes a blend of primary hypogene and secondary supergene ore types using conventional crushing, grinding and concentration processes. Mineral separation is by gravity concentration and differential flotation of the copper bearing minerals to recover copper, gold and silver in a sulphide concentrate. Life-of-mine recoveries are expected to total 80% for copper, 75% for gold and 68% for silver.

Capital and Operating Costs

During 2017, the New Afton Mine produced 86,163 ounces of gold at an operating expense per ounce of gold sold of $412 and all-in sustaining costs of negative $605 per ounce ($692 per ounce on a co-product basis). The New Afton Mine produced 90.6 million pounds of copper in 2017 at an operating expense per pound of copper sold of $0.85. In 2018, the New Afton Mine is expected to produce between 55,000 and 65,000 ounces of gold with an expected operating expense per gold ounce sold of between $455 and $495 per ounce and all-in sustaining cost of between negative $1,020 and negative $980 per ounce. 2018 guidance assumes a $3.20 per pound copper price, $17 per ounce silver price and a foreign exchange rate of C$1.25 to one United States dollar. All-in sustaining costs per ounce is a non-GAAP measure. See "Non-GAAP Measures" on page 5. Sustaining capital expenditures at the New Afton Mine are expected to

be approximately $40 million in 2018. Below is a breakdown of expected capital expenditures and expected all-in sustaining costs at the New Afton Mine for 2018.

2018 Expected Capital Expenditures[1]	
Sustaining Capital[2]	$40
Growth Capital[2]	$5
Total	$45

2018 Expected All-in Sustaining Costs/ gold oz sold	
Operating Expense	$455 – $495
+ non-GAAP expense adjustments and by-product revenue[3]	~($1,415)
+ sustaining expenditures[4]	~$667
Total All-in Sustaining Costs	$(1,020)-($980)

(1) In millions.
(2) Based on the Company's 2018 estimated capital expenditures. Sustaining capital excludes expenditures related to growth-related initiatives. Growth capital excludes sustaining capital.
(3) Includes treatment and refining charges on concentrate sales and adjustments for non-cash expenses, including inventory write-downs, that are included in operating expenses as well as revenue from the sale of copper and silver by-products. See "Non-GAAP Financial Performance Measures" in New Gold's MD&A.
(4) Includes sustaining capital expenditures, capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs. See "Non-GAAP Financial Performance Measures" in New Gold's MD&A.

Exploration and Development

New Afton C-zone

The C-zone is the down plunge extension of the B-zone block cave that is currently being mined at New Afton. The C-zone extraction level would be approximately 550 metres below the current B-zone extraction level. The mineralogy in the C-zone is expected to be consistent with the mineralogy in the west cave of New Afton's B-zone and C-zone would use the same development, production and materials handling strategies that are currently being used to mine the B-zone. In January 2016, the Company completed a Feasibility Study in January 2016, which confirmed the viability and positive economics for the C-zone deposit (separate from the current mining of the B-zone) determined in the 2015 scoping study described in the most recent technical report on the New Afton Mine. The C-zone is expected to have a mine life of over five years, with average annual production of 108,000 ounces of gold and 81 million pounds of copper. The Company has elected to defer development of the C-zone in 2018. While the January 2016 Feasibility Study forecasts solid economics at spot prices, the Company intends to defer the commencement of capital spending while evaluating opportunities that have the potential to further optimize the C-zone project (including options to manage surface subsidence and alternative tailings storage arrangements).

Other Projects

Reconnaissance level exploration is also planned in 2018 to identify new areas of potential mineralization on the broader New Afton regional claim block.

MESQUITE MINE, UNITED STATES

Project Description, Location, Access and Other Information

The Mesquite Mine is located in Imperial County in southern California, United States, 39 kilometres (24 miles) north of the border with Mexico and 26 kilometres (16 miles) west of the border with Arizona. Access to the property is via good quality paved roads. Local resources are available in the towns of Brawley, California and Yuma, Arizona, at distances from the mine of 56 kilometres (35 miles) and 84 kilometres (52 miles), respectively. Mesquite's climate is arid, with high temperatures in the summer and an average annual temperature of approximately 23 degrees Celsius (73 degrees Fahrenheit).

The Company became the owner of the Mesquite Mine in 2009 following New Gold's 2009 business combination with Western Goldfields Inc. ("**WGI**"). The mine is operated by the Company's wholly owned subsidiary, Western Mesquite Mines, Inc. (" **WMMI**").

The mineral rights at the Mesquite Mine cover a total area of approximately 2,104 hectares (5,200 acres) controlled by WMMI. They include 212 unpatented and 53 patented mining lode claims, 127 patented and 97 unpatented mill site claims, 266 hectares (658 acres) of California state leased land and 128 hectares (315 acres) of fee lands. Patented claims on federal land represent a secure title to the land. Some of the unpatented and patented mining and mill site claims are leased by WMMI from the Los Angeles County Sanitation District ("**LACSD**"). Unpatented claims are valid as long as annual claim maintenance fees are paid (in lieu of assessment work) and the land is held for mining purposes. All mineral rights and other property interests are reviewed at least annually to identify any payments or commitments required to maintain such interests. Sufficient surface rights have been obtained for current operations at the property.

Geological Setting and Mineralization

The Mesquite district lies on the southwest flank of the Chocolate Mountains in metamorphic rocks of the upper plate of the Vincent-Chocolate Mountain Thrust. These upper plate rocks represent a fragment of Precambrian and Mesozoic age continental crust of extremely complex history.

The Mesquite Mine comprises two sub-parallel, Oligocene-age (23 million to 34 million years ago) mineral deposits: Big Chief-Vista and Rainbow. Gold mineralization is hosted by Mesozoic gneisses that are intruded by biotite/muscovite rich granites. Gold mineralization is controlled by post-mineral faulting related to the Neogene age San Andreas fault system. The district is covered by a thin veneer (0-90 metres, or 0-295 feet) of Tertiary and Quaternary sediments.

Gold mineralization at Mesquite was deposited in an epithermal setting, within 150 to 300 metres (500 feet to 1,000 feet) of the paleo-surface and subsequent to regional scale metamorphism. The bulk of the mineralization occurs as disseminations and veins in the gneisses, with the majority of veining being controlled by moderate to steeply dipping faults. Two types of gold mineralization are dominant: pods of mineralization of limited extent at fault intersections and mineralized trends along faults. Gold occurs at Mesquite as native gold ranging in size from very coarse to submicron disseminations. Silver-free native gold is the most common type of gold in the oxidized zone. A second type of gold is silver-bearing coarse gold typically found in the unoxidized zone.

Infrastructure, Permitting and Compliance Activities

Power is supplied through a powerline directly to the Mesquite Mine by the Imperial Irrigation District Power Company. Water is pumped from the Vista well field located approximately three kilometres (two miles) to the south.

WMMI is required to post security for reclamation and for closure with Imperial County, California as lead agency under the California Surface Mining and Reclamation Act, and for pit backfill with the California State Lands Commission under a public/private land lease agreement. As at December 31, 2017, the Company has met its security requirements in the form of bonds posted through a surety underwriter. The undiscounted closure cost liability for the Mesquite Mine as of December 31, 2017 is $23.1 million. New Gold expects to incur this obligation between 2017 and 2032.

Mineral Reserve and Mineral Resource Estimates

The Mesquite Mineral Reserves, effective December 31, 2017, are summarized in the "Mineral Reserve Estimates" table. The Mesquite Mineral Resources, effective December 31, 2017, are summarized in the "Measured and Indicated Mineral Resource Estimates (Exclusive of Mineral Reserves)" and "Inferred Mineral Resource Estimates" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates" on page 15. The parameters, assumptions

and methodologies applied in generating the mineral reserve and mineral resource estimates are considered reasonable and appropriate. Furthermore, the mining, metallurgical, infrastructure, permitting and other relevant factors relating to the Mesquite mineral reserves and mineral resources fully support these estimates.

Mining Operations

Mining Methods

The Mesquite Mine is an operating open pit mine. Mining is performed using a conventional truck/shovel open-pit mining method. Due to the nature of the ore bodies, ore is mined from multiple open pits. Run-of-mine ore is hauled directly to the leach pad for processing. Rock not containing economically recoverable metal is deposited in areas as close as possible to the mining area and may be placed in mined-out pits. Pit designs are optimized using geological information, metallurgical results, pit stability analyses and operating and processing cost estimates.

Recovery Methods

Mineral processing is by heap leach using a sodium cyanide solution and a carbon-in-column circuit. Lime is added to the ore to ensure a basic pH which ensures that the gold remains soluble and does not precipitate. The leach solution is distributed over the leach pads using the drip method, which saves water. Gold is precipitated from the leach solution and sent to a furnace where impurities are removed and doré bars are produced. Process recoveries on the heap are determined by the level of oxidation in the ore. The mine's mineral reserves and life-of-mine production plan are currently based on 75% average recovery of the oxide ores and 35% average recovery of the non-oxide ores. There is a variably oxidized transition zone located between the oxide and non-oxide zones, which is treated as non-oxide ore in the production plan.

A leach pad expansion project, adding approximately nine million square feet (approximately 840,000 square metres) of liner, was completed in the second quarter of 2016. Following the expansion, leach pad capacity is sufficient to hold current life-of-mine reserves.

Capital and Operating Costs

The Mesquite Mine is projected to operate through 2021 based on current mineral reserves and the currently expected mining rate, followed by several years of residual leaching. During 2017, Mesquite produced 168,889 ounces of gold at an operating expense per ounce of gold sold of $727 and all-in sustaining costs of $817 per ounce. In 2018, the Mesquite Mine is expected to produce between 140,000 and 150,000 ounces of gold at an expected operating expense per gold ounce sold of between $890 and $930 per ounce and an expected all-in sustaining costs of between $1,005 and $1,045 per ounce. All-in sustaining costs per ounce is a non-GAAP measure. See "Non-GAAP Measures" on page 5. Sustaining capital expenditures at the Mesquite Mine are expected to be $10 million in 2018. Below is a breakdown of expected production and expected all-in sustaining costs at the Mesquite Mine for 2018.

CERRO SAN PEDRO MINE, MEXICO

The Cerro San Pedro Mine is an open-pit gold and silver heap leach operation located in central Mexico in the state of San Luis Potosí, approximately 400 kilometres north of Mexico City and 14 kilometres east of the city of San Luis Potosí. The mine is operated by the Company's wholly owned subsidiary, Minera San Xavier S.A. de C.V. ("MSX"). The Cerro San Pedro Mine concluded active mining operations in June 2016. It is expected that the processing of residual ore by heap leach will continue for one to two years, subject to recovery performance and future gold and silver prices.

The mineral rights at the Cerro San Pedro Mine consist of 16 mineral concessions covering an area of 7,871 hectares. The mineral concessions begin to expire in December 2036 through March 2062. The surface rights to the Cerro San Pedro Mine are controlled by private parties and ejidos (communal agrarian entities). MSX holds a Temporary

Occupancy and Right of Way Authorization for land belonging to certain local ejidos, providing surface rights access over the life of the mine. Franco-Nevada holds a 1.95% gross value royalty relating to the Cerro San Pedro Mine.

The Cerro San Pedro Mine has had a history of ongoing legal challenges related to the environmental authorization (" **EIS**") for the mine. On August 5, 2011 a new EIS was granted based on a new municipal land use plan by the municipality of Cerro de San Pedro, which clearly designates the area of the Cerro San Pedro Mine for mining. The new EIS is subject to a number of ongoing conditions that will need to be fulfilled through the continued operation and eventual closure of the mine. In addition, some authorizations necessary for the operation of the Cerro San Pedro Mine, such as the municipal functioning license, have durations of one year or other periods that are shorter than the remaining mine and leach pad life.

Recovery Methods

Ore is processed by heap leaching with a Merrill-Crowe processing circuit that recovers both gold and silver. At the leach pad, a weak cyanide solution is applied to dissolve the gold and silver. Lime is added to the ore to ensure a basic leach solution so that the precious metals remain soluble. The leach solution is distributed over the leach pads using the drip method, which saves water. The pregnant solution is collected in the Merrill-Crowe plant where zinc is added to precipitate gold and silver. The precipitate is collected and sent to a furnace where impurities are removed and doré bars poured. Current recovery is estimated to be 55% gold and 20% silver.

Capital and Operating Costs

During 2017, the Cerro San Pedro Mine produced 34,337 ounces of gold at operating expense per gold ounce sold of $1,298 and an all-in sustaining costs of $1,425 per ounce. The Cerro San Pedro Mine produced 0.6 million ounces of silver in 2017 at an operating expense per silver ounce sold of $17.29. The Cerro San Pedro Mine is expected to produce between 20,000 and 30,000 of gold in 2018 at an expected operating expense per gold ounce sold between $890 and $930 and all-in sustaining cost between $1,005 and $1,045 per ounce. 2018 guidance assumes a $17.00 per ounce silver price and a foreign exchange rate of 18.00 Mexican pesos to one United States dollar. Total cash costs per ounce and all-in sustaining costs per ounce are non-GAAP measures. See “Non-GAAP Measures” on page 5.

Mine Closure

The schedule for completing the activities relating to the closure of Cerro San Pedro is dictated by the EIS. The site reclamation must be completed within four years of final processing, including residual leaching. MSX is required to post reclamation security of approximately $15.6 million with the Mexican environmental regulatory agency, SEMARNAT, under the general law for ecological balance and environmental protection. As at December 31, 2017, the Company has posted this security in the form of an irrevocable standby letter of credit. The undiscounted closure cost liability for the Cerro San Pedro Mine as at December 31, 2017 is estimated to be $22 million. New Gold expects to incur this obligation between 2018 and 2026.

BLACKWATER PROJECT, CANADA

The following disclosure does not contain detailed information pertaining to the Capoose, Auro, Key, Parlane and RJK claim blocks, which are peripheral to the Blackwater deposit.

Project Description, Location, Access and Other Information

The Blackwater Project is a gold-silver project located in central British Columbia, approximately 110 kilometres southwest of Vanderhoof and 450 kilometres northeast of Vancouver. The Project site is readily accessible by forest service and mine road. A new 16-kilometre road is planned to connect the Project site with the Kluskus Forest Service Road. Helicopter access is available from bases in Prince George, Vanderhoof and, Quesnel. The climate in the project

area is sub-continental, characterized by brief warm summers and long cold winters. It is expected that mining activities will be conducted year-round.

As at December 31, 2017, New Gold holds a 100% interest in 329 mineral claims covering an area of 148,900 hectares distributed among the Blackwater, Capoose, Auro, Key, Parlane and RJK claim blocks. To keep claims in good standing, a minimum value of work or cash-in-lieu is required annually. The required cash-in-lieu to maintain a mineral claim for an anniversary year is double the value of exploration and development that would be required to maintain the claim. Sixty-three claims are due for renewal in 2018 and six claims are due for renewal in 2019, with the remainder in good standing until 2022.

The Blackwater deposit spans one Davidson claim (Tenure No. 509273), the Dave claim (Tenure No. 515809) and the Jarrit claim (Tenure No. 515810) within the greater Blackwater claim block (75 mineral claims covering 30,578 hectares). The majority of the Blackwater claims are located on Crown lands and none are known to overlap any legacy, Crown-granted mineral claims or no-staking reserves. A variety of surface use permits, licenses and authorizations have been granted across the Project area, but none are expected to significantly impact mine design and estimated costs.

New Gold's 100% interest in the Blackwater claim block is subject to four NSR royalties ranging from 1% to 3%, two of which cover the Blackwater deposit.

Geological Setting and Mineralization

The Blackwater Project is located on the Nechako Plateau, within the Stikine terrane of the Intermontane Belt. The Stikine terrane comprises Jurassic to early Tertiary age magmatic arc and related sedimentary rocks.

The Blackwater deposit is hosted by a sequence of andesite, felsic volcaniclastic rock, breccias, and tuff interpreted to belong to the late Cretaceous age Kasalka Group. These rocks are overlain by a post-mineral sequence of felsic and mafic volcanics of the Eocene age Ootsa Lake Group and underlain by basinal clastic rocks of the late Jurassic age Bowser Lake Group. A well-developed system of north-easterly, north-westerly and northerly-striking faults cuts the entire package. Quaternary glacial, colluvial and fluvial deposits obscure most of the bedrock within the immediate Project area.

The Blackwater deposit is considered to be an example of a volcanic-hosted, intermediate sulphidation, epithermal-style gold-silver deposit. Host rocks within the deposit are pervasively hydrofractured, pyritized, and altered to a mixture of silica and sericite. Mineralization is typified by gold-bearing polymetallic sulphides (pyrite, sphalerite, marcasite, pyrrhotite) as disseminations and porosity infillings within the fragmental unit of the deposit. Mineralization is strongly controlled by northwest-southeast-trending zones of tectonic brecciation and chloritic gouge and by northeast-trending structural discontinuities. The mineralization is bounded by graben-forming faults to the north and south. A major north-south-trending fault transects the ore body, subdividing it into two distinct geological domains integral to the mineral resource block model.

Drilling has defined the Blackwater deposit as a zone of continuous disseminated gold-silver mineralization extending at least 1,300 metres east-west and at least 950 metres north-south. The vertical thickness of the zone averages 350 metres but ranges up to 600 metres, remaining open at depth to the southwest, north and northwest.

Infrastructure, Permitting and Environmental Conditions

The deposit is located on the north slope of Mt. Davidson, and the proposed project infrastructure will be sited predominantly in the Davidson Creek watershed. There is sufficient suitable land for future mine infrastructure within

the mineral claims. Personnel to support development and operation of the mine can be drawn from British Columbia's well-developed mining industry. Water for the camp is currently obtained from groundwater wells.

The closest connection to the provincial power grid is 140 kilometres from the Blackwater Project. An overland transmission line is planned to connect to the provincial grid. Freshwater requirements will be met by pumping water from Tatelkuz Lake via a 20-kilometre long pipeline and groundwater wells. The 2013 Feasibility Study includes plans for on-site infrastructure including a 60,000 tpd process plant facility, open pit mine infrastructure, tailings facility and administrative offices.

The Blackwater Project is subject to review under the British Columbia Environmental Assessment Act and the Canadian Environmental Assessment Act, 2012. The EA process was initiated in October 2012. The final EA report was submitted for public review by the end of 2015 and public review started in January 2016. New Gold anticipates receiving EA approval in 2018.

Mine construction and operation will require a large number of federal and provincial permits, many pertaining to potential impacts on surface water and fisheries. A number of key engineering and environmental studies in support of the broader permitting effort were completed between 2015 and 2017. Various studies required to support permit application preparation are planned to continue in 2018.

The federal and provincial permitting requirements include public and First Nations consultations. New Gold consults with provincial and federal ministries and agencies about research, design, permits, and environmental assessment questions and issues as they arise. The Company continues to engage a number of First Nations groups who have interests in the project area, including discussions regarding Participation Agreements for construction and operation of the mine with key local First Nations.

There is no evidence of historic mining activities in the project area. Existing environmental liabilities are related to the exploration activities of New Gold and its predecessor companies. The post-mining reclamation objective is wildlife habitat and return of the land for traditional use by indigenous groups.

New Gold has conducted extensive environmental baseline studies and is preparing comprehensive environmental management plans for the Blackwater Project. Mitigation plans are in place for potential effects on fish due to flow reductions in Davidson Creek and for potential effects on caribou and the whitebark pine species. A fish habitat compensation plan will be implemented to ensure no net loss of fish habitat will result from the operations. The project is located at the periphery of caribou range and a plan has been proposed to offset for potential impacts to the habitat.

New Gold has posted an irrevocable standby letter of credit totaling approximately C$1.9 million in respect of reclamation security deposits for the Blackwater Project's Mines Act permit, gravel pit project and adjacent properties. The undiscounted reclamation liability for the Blackwater Project as at December 31, 2017 is estimated to be $14.1 million.

Mineral Reserve and Mineral Resource Estimates

The Blackwater Project Mineral Reserves estimate is summarized in the "Mineral Reserve Estimates" table. The Blackwater Project Mineral Resource estimate is summarized in the "Measured and Indicated Mineral Resource Estimates (Exclusive of Mineral Reserves)" and "Inferred Mineral Resource Estimates" tables. See "Description of Business – Summary of Mineral Reserve and Mineral Resource Estimates" on page 15. The parameters, assumptions and methodologies applied in generating the mineral reserve and mineral resource estimates are considered reasonable and

appropriate. Furthermore, the mining, metallurgical, infrastructure, permitting and other relevant factors relating to the Mesquite mineral reserves and mineral resources fully support these estimates.

Mining Operations

The mining operations described below are set out in the 2013 Feasibility Study. The Company is currently working on internal trade-off studies for the Blackwater Project. The objective of these studies is to further enhance project economics and maximize free cash flow by reducing the strip ratio, maximizing the feed grade and lowering both development capital and operating costs. Aspects of the project being evaluated include the scale of the operation, ore sorting and flowsheet configurations.

Mining and Recovery Methods

The Blackwater Project has been designed as a conventional open pit mining operation. A truck and shovel operation will operate year-round in a pit designed considering the geology, technical, economic and related environmental characteristics of mineral resource to be mined, and location of the deposit. The 2013 Feasibility Study contemplates that run-of-mine ore will be delivered to a primary crusher that feeds a whole ore leach gold-silver recovery plant, ground mineralized material from a conventional milling circuit will be thickened, passed through a leaching and carbon-in-pulp extraction circuit, and subjected to carbon stripping and electrowinning prior to being smelted into a gold-silver doré.

Capital and Operating Costs

The Blackwater Project has Proven and Probable Mineral Reserves of over 8.2 million ounces of gold and 60.8 million ounces of silver and, as designed in the 2013 Feasibility Study, is expected to have a 17-year mine life. The 2013 Feasibility Study estimated production of approximately 485,000 ounces of gold and 1,800,000 ounces of silver annually for the first nine years of full production. The 2013 Feasibility Study also estimated the life-of-mine total cash costs and all-in sustaining costs per ounce of gold to be C$609 and C$706 per ounce respectively, assuming a $1,300 per ounce gold price, $22.00 per ounce silver price and an exchange rate of C$0.95 to one United States dollar. Total cash costs per ounce and all-in sustaining costs are non-GAAP measures. See “Non-GAAP Measures” on page 5.

RISK FACTORS

New Gold’s business activities are subject to significant risks, including, but not limited to, those described below. Every investor or potential investor in New Gold securities should carefully consider these risks. Any of the following risks could have a material adverse effect on the Company, its business and prospects, and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. Additional risks related to our material properties are discussed in the technical reports and other documents filed by the Company from time to time on SEDAR. In addition, other risks and uncertainties not presently known by management of the Company or that management currently believes are immaterial could affect the Company, its business and prospects.

CHANGES IN METAL PRICES

The Company’s earnings, cash flows and financial condition are subject to risk due to fluctuations in the market price of gold, copper and silver. World gold prices have historically fluctuated widely. World gold prices are affected by numerous factors beyond the Company’s control, including:

- the strength of the United States economy and the economies of other industrialized and developing nations;
- global and regional political and economic conditions;

- the relative strength of the United States dollar and other currencies;
- expectations with respect to the rate of inflation;
- interest rates;
- purchases and sales of gold by central banks and other large holders, including speculators;
- demand for jewellery containing gold;
- investment activity, including speculation, in gold as a commodity; and
- worldwide production.

The price of gold was US$1,297 per ounce as at December 31, 2017, compared to US$1,159 as at December 31, 2016. Future metal price declines could cause continued development of, and commercial production from, the Company's properties to be uneconomic. In addition, there is a time lag between the shipment of gold and copper and final pricing, and changes in pricing can significantly impact the Company's revenue and working capital position. Depending on the price of gold, copper and silver, the Company's cash flow from mining operations may be insufficient to meet its operating needs and capital expenditures, and as a result the Company could experience losses and/or may curtail or suspend some or all of its exploration, development, construction and mining activities (including residual leaching) or otherwise revise its mine plans and exploration, development and construction plans, and could lose its interest in, or be forced to sell, some or all of its properties.

Reserve calculations and mine plans that are revised using significantly lower gold, copper, silver and other metal prices could result in significant reductions in estimated mineral reserves and resources as well as revisions in the Company's life-of-mine plans, which in turn could result in material write-downs of the Company's investments in mining properties and increased depletion, reclamation and closure charges. Depending on the price of gold or other metals, the Company may determine that it is impractical to commence or, if commenced, to continue commercial production at a particular site. Metal price fluctuations also create adjustments to the provisional prices of sales made in previous periods that have not yet been subject to final pricing, and these adjustments could have an adverse impact on the Company's financial results and financial condition. In addition, cash costs and all-in sustaining costs of gold production are calculated net of by-product credits, and therefore may also be impacted by downward fluctuations in the price of by-product metals. Any of these factors could result in a material adverse effect on the Company's results of operations and financial condition.

In addition to adversely affecting the Company's mineral reserve and mineral resource estimates and its financial condition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project or mine. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project or mine. Even if a project or mine is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays and/or may interrupt operations until the reassessment can be completed, which may have a material adverse effect on the Company's results of operations and financial condition.

From time to time the Company engages in commodity hedging transactions intended to reduce the risk associated with fluctuations in commodity prices, but there is no assurance that any such commodity hedging transactions designed to reduce the risk associated with fluctuations in commodity prices will be successful. Hedging may not protect adequately against declines in the price of the hedged commodity. Furthermore, although hedging may protect the Company from a

decline in the price of the commodity being hedged, it may also prevent the Company from benefiting from price increases.

PRODUCTION ESTIMATES

Forecasts of future production are estimates based on interpretation and assumptions, and actual production may be less than estimated. Unless otherwise noted, the Company's production forecasts are based on full production being achieved at all of its mines. The Company's ability to achieve and maintain full production rates at these mines is subject to a number of risks and uncertainties. The Company's production estimates are dependent on, among other things, the accuracy of mineral reserve and mineral resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions, physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics, the accuracy of estimated rates and costs of mining and processing, and the receipt and maintenance of permits. The Company's actual production may vary from its estimates for a variety of reasons, including those identified under the heading "Operating Risks" below. The failure of the Company to achieve its production estimates could have a material adverse effect on the Company's prospects, results of operations and financial condition.

COST ESTIMATES

The Company prepares estimates of operating costs and/or capital costs for each operation and project. The Company's actual costs are dependent on a number of factors, including the exchange rate between the United States dollar and the Canadian dollar and Mexican peso, smelting and refining charges, penalty elements in concentrates, royalties, the price of gold and by-product metals, the cost of inputs used in mining operations and production levels.

New Gold's actual costs may vary from estimates for a variety of reasons, including changing waste-to-ore ratios, ore grade metallurgy, labour and other input costs, commodity prices, general inflationary pressures and currency exchange rates, as well as those risks identified under the heading "Operating Risks" below. Failure to achieve cost estimates or material increases in costs could have an adverse impact on New Gold's future cash flows, profitability, results of operations and financial condition.

VOLATILITY IN THE MARKET PRICE OF THE COMPANY'S SECURITIES

The Common Shares are listed on the TSX and NYSE American. The per share price of the Common Shares on the TSX fluctuated from a high of C$5.79 to a low of C$3.11 and on the NYSE American from a high of US$4.41 to a low of US$2.39 during the twelve-month period ending December 31, 2017. There can be no assurance that continual fluctuation in price will not occur.

Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. Other factors unrelated to the Company's performance that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not continue to follow the Company's securities; the lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities. The price of the Common Shares is also likely to be significantly affected by short-term changes in gold, and, to a lesser extent, copper and silver, prices, by the Company's financial

condition and results of operations as reflected in its quarterly financial statements and by other operational and regulatory matters.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect New Gold's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. New Gold may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

GOVERNMENT REGULATION

The mining, processing, development and exploration activities of the Company are subject to various laws governing prospecting, development, production, exports, imports, taxes, labour standards and occupational health and safety, mine safety, toxic substances, waste disposal, environmental protection and remediation, protection of endangered and protected species, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have a material adverse effect on the Company's financial position and results of operations. Amendments to current laws, regulations and permits governing operations or development activities and activities of mining and exploration companies, or the application of existing laws, regulations and permits (including a more stringent or different application), could have a material adverse impact on the Company's results of operations or financial position, or could require abandonment or delays in the development of new mining properties or the suspension or curtailment of operations at existing mines. Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against the Company, including orders issued by regulatory or judicial authorities causing operations or development activities to cease or be curtailed or suspended, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions (see also "Permitting" below). Additionally, the Company could be forced to compensate those suffering loss or damage by reason of its mining operations or exploration or development activities and could face civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such regulatory or judicial action could materially increase the Company's operating costs and delay or curtail or otherwise negatively impact the Company's operations and other activities.

PERMITTING

The Company's operations, development projects and exploration activities are subject to receiving and maintaining licenses, permits and approvals, including regulatory relief or amendments, (collectively, "**permits**") from appropriate governmental authorities. Before any development on any of its properties the Company must receive numerous permits, and continued operations at the Company's mines is also dependent on maintaining, complying with and renewing required permits or obtaining additional permits.

New Gold may be unable to obtain on a timely basis or maintain in the future all necessary permits required to explore and develop its properties, commence construction or operation of mining facilities and properties or maintain continued operations. Delays may occur in connection with obtaining necessary renewals of permits for the Company's existing operations and activities, additional permits for existing or future operations or activities, or additional permits associated with new legislation. It is possible that previously issued permits may become suspended or revoked for a variety of reasons, including through government or court action.

In October 2016, the federal and provincial governments entered into a memorandum of understanding regarding the environmental assessment process for the Blackwater Project with the Ulkatcho First Nation and the Lhoosk'uz Dené

Nation to facilitate government-to-government collaboration in such process. In addition, in April 2015, the provincial government entered into an agreement with the Nadleh Whuten First Nation, Saik'uz First Nation, Stellat'en First Nation and other First Nations included in the Carrier Sekani Tribal Council to facilitate a government-to-government relationship based on collaboration in connection with natural resource development carried on in their traditional territories, including the Blackwater Project. New Gold continues to engage indigenous groups who have interests in the Blackwater Project area. New Gold anticipates receiving environmental assessment approval for the Blackwater Project in 2018, however, there can be no assurance that such approval will be obtained on such timeline or at all.

In the past there have been challenges to the Company's permits that were temporarily successful as well as delays in the renewal of certain permits or in receiving additional required permits. There can be no assurance that the Company will receive or continue to hold all permits necessary to develop or continue operating at any particular property or to pursue the Company's exploration activities. To the extent that required permits cannot be obtained or maintained, the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties. Even if permits or renewals are available, the terms of such permits may be unattractive to the Company and result in the applicable operations or activities being financially unattractive or uneconomic. An inability to obtain or maintain permits or to conduct mining operations pursuant to applicable permits would materially reduce the Company's production and cash flow and could undermine its profitability.

DEPENDENCE ON THE RAINY RIVER AND NEW AFTON MINES

The Company's operations at the Rainy River and New Afton Mines are expected to account for 70% of the Company's gold production and 100% of its copper production in 2018. Any adverse condition affecting mining or milling conditions at the Rainy River Mine or New Afton Mine could have a material adverse effect on the Company's financial performance and results of operations.

Unless the Company acquires or develops other significant gold-producing assets, the Company will continue to be dependent on its operations at the Rainy River and New Afton Mines for a substantial portion of its cash flow provided by operating activities.

OPERATING RISKS

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, copper and silver including unusual and unexpected ground conditions or geologic formations, seismic activity, rock bursts, rock slides, cave-ins, slope or pit wall failures, flooding, fire, metal losses, periodic interruption due to inclement or hazardous weather conditions and other conditions that would impact the drilling and removal of material. Block caving activities, including at the New Afton Mine, generally result in surface subsidence. The configuration of subsidence presently occurring above the west cave at the New Afton Mine is slightly offset from the original model, which is thought to be driven largely by the weaker rockmass located south of the cave footprint. The subsidence is being monitored and evaluated on an ongoing basis. Surface subsidence or any of the above hazards and risks could result in reduced production, damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. In addition, production may be adversely impacted by operational problems such as a failure of a production hoist, filter press, SAG mill or other equipment, or industrial accidents, as well as other potential issues such as actual ore mined varying from estimates of grade or tonnage, dilution, block cave performance and metallurgical or other characteristics, interruptions in or shortages of electrical power or water, shortages of required inputs, labour shortages or strikes, claims by or disagreements with First Nations and other indigenous groups, restrictions or regulations imposed by government agencies or changes in the regulatory environment. The Company's milling operations are subject to

hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability. In addition, short-term operating factors, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

The occurrence of one or more of these events may result in the death of, or personal injury to, employees, other personnel or third parties, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, deferral or unanticipated fluctuations in production, suspension, curtailment or termination of operations, environmental damage and potential legal liabilities, any of which may adversely affect the Company's business, reputation, prospects, results of operations and financial condition.

EXPLORATION AND DEVELOPMENT RISKS

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge cannot eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, including but not limited to: the particular attributes of the deposit, such as accuracy of estimated size, continuity of mineralization, average grade and metallurgical characteristics (see "Uncertainty in the Estimation of Mineral Reserves and Mineral Resources" below); proximity to infrastructure; metal prices, which are highly cyclical (see "Changes in Metal Prices" above); and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection (see "Government Regulation" above). The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company being unable to receive an adequate return on invested capital.

Development projects are uncertain and capital cost estimates, projected operating costs, production rates, recovery rates, mine life and other operating parameters and economic returns may differ significantly from those estimated for a project. Development projects rely on the accuracy of predicted factors including capital and operating costs, metallurgical recoveries, reserve estimates and future metal prices. In addition, there can be no assurance that gold, copper or silver recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

The Company has one project currently in the development phase: Rainy River, which is in the construction stage, and Blackwater, which is in the permitting stage. In addition, the Company may engage in expansion activities at its operating mines from time to time. For example, in 2018 the Company plans to commence construction of the Rainy River underground mine. In addition, the C-zone, if pursued, would be an expansion of the New Afton Mine. Expansion projects, including expansions of facilities and extensions to new ore bodies or new portions of existing ore bodies, can have risks and uncertainties similar to development projects.

A project is subject to numerous risks during development including, but not limited to, the accuracy of feasibility studies, obtaining and complying with required permits, changes in environmental or other government regulations,

securing all necessary surface and land tenure rights, consulting and accommodating First Nations and other indigenous groups and financing risks. In particular, the Company is actively engaged in consultation with various First Nations and other indigenous groups in connection with the Blackwater Project. Unforeseen circumstances, including those related to the amount and nature of the mineralization at the development site, technological impediments to extraction and processing, legal challenges or restrictions or governmental intervention, infrastructure limitations, environmental issues, unexpected ground conditions or other unforeseen development challenges, commodity prices, disputes with local communities or other events, could result in one or more of New Gold's planned developments becoming impractical or uneconomic to complete. Any such occurrence could have an adverse impact on New Gold's growth, financial condition and results of operations. There can be no assurance that the development of either of the Rainy River underground mine or the Blackwater Project will continue in accordance with current expectations or at all. See also "Permitting" above.

RISKS RELATED TO RAINY RIVER'S EARLY PRODUCTION

The Rainy River Mine commenced commercial production on October 19, 2017. Despite achieving this milestone, the Rainy River Mine is in the early stages of the production phase and so is subject to a number of inherent risks. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the early stages of the production phase (which can last twelve months or longer), including failure of equipment, machinery, the processing circuit or other processes to perform as designed or intended, inadequate water, insufficient ore stockpile or grade, and failure to deliver adequate tonnes of ore to the mill, any of which could result in delays, slowdowns or suspensions and require more capital than anticipated. In addition, mineral reserves and mineral resources projected by the Feasibility Study, and anticipated costs, including, without limitation, operating expenses, cash costs and all-in sustaining costs, anticipated mine life, projected production, anticipated production rates and other projected economic and operating parameters may not be realized, and the level of future metal prices needed to ensure commercial viability may deteriorate. Consequently, there is a risk that Rainy River may encounter problems or be subject to delays or suspensions during the early stages of the production phase, which may or have other material adverse consequences for the Company, including its operating results, cash flow and financial condition.

FINANCING RISKS

The Company's mining, processing, development and exploration activities may require additional external financing. There can be no assurance that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be acceptable to the Company. Furthermore, if the Company raises additional capital by offering equity securities or securities convertible into equity securities, any additional financing may involve substantial dilution to existing shareholders. Failure to obtain sufficient financing could result in the delay or indefinite postponement of exploration, development, construction or production of any or all of the Company's mineral properties. The cost and terms of such financing may significantly reduce the expected benefits from new developments or render such developments uneconomic.

NEED FOR ADDITIONAL MINERAL RESERVES AND MINERAL RESOURCES

Because mines have limited lives based on proven and probable mineral reserves, the Company continually seeks to replace and expand its mineral reserves and mineral resources. The Company's ability to maintain or increase its annual production of gold, copper and silver depends in significant part on its ability to find or acquire new mineral reserves and mineral resources and bring new mines into production, and to expand mineral reserves and mineral resources at existing mines. Exploration is inherently speculative. New Gold's exploration projects involve many risks and exploration is frequently unsuccessful. See "Exploration and Development Risks" above. There is a risk that depletion of reserves will

not be offset by discoveries or acquisitions. The mineral base of New Gold may decline if reserves are mined without adequate replacement.

UNCERTAINTY IN THE ESTIMATION OF MINERAL RESERVES AND MINERAL RESOURCES

Mineral reserves and mineral resources are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves can be mined or processed profitably. Mineral reserve and mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, geotechnical factors (such as pit slope angles), marketing and other risks and relevant issues. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work, drilling or actual production experience.

Fluctuations in gold, copper and silver prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties may require revision of mineral reserve and mineral resource estimates. Prolonged declines in the market price of gold (or applicable by-product metal prices) may render mineral reserves and mineral resources containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves and mineral resources. Mineral resource estimates for properties that have not commenced production or at deposits that have not yet been exploited are based, in most instances, on very limited and widely-spaced drill hole information, which is not necessarily indicative of conditions between and around the drill holes. There may also be outliers in the representative samples that may disproportionally skew the estimates. Accordingly, such mineral Resource estimates may require revision as more geologic and drilling information becomes available and as actual production experience is gained. Should reductions in mineral resources or mineral reserves occur, the Company may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in reduced net income or increased net losses and reduced cash flow. Mineral resources and mineral reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. In addition, the estimates of mineral resources, mineral reserves and economic projections rely in part on third-party reports and investigations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and mineral reserves and corresponding grades being mined and, as a result, the volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves and mineral resources, could have a material adverse effect on the Company's projects, results of operations and financial condition.

Mineral resources are not mineral reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that mineral resources will be upgraded to proven or probable mineral reserves.

UNCERTAINTY RELATING TO INFERRED MINERAL RESOURCES

Inferred mineral resources are not mineral reserves and do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded through further exploration to the measured and indicated resource classification level of confidence

necessary for their potential conversion to proven or probable mineral reserves as a result of a pre-feasibility or feasibility level technical study.

IMPAIRMENT

On a quarterly basis, the Company reviews and evaluates its mining interests for indicators of impairment. In the past, the Company has recognized material impairment losses (for example, a US$161 million impairment was recorded in the fourth quarter of 2017 in relation to the Rainy River Mine). Impairment assessments are conducted at the level of cash-generating units ("**CGU**"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each operating mine, development and exploration project represents a separate CGU. If an indication of impairment exists, the recoverable amount of the CGU is estimated. An impairment loss is recognized when the carrying amount of the CGU is in excess of its recoverable amount. The assessment for impairment is subjective and requires management to make significant judgments and assumptions in respect of a number of factors, including estimates of production levels, operating costs and capital expenditures reflected in New Gold's life-of-mine plans, the value of in situ ounces, exploration potential and land holdings, as well as economic factors beyond management's control, such as gold, copper and silver prices, discount rates, foreign exchange rates, and observable net asset value multiples. It is possible that the actual fair value could be significantly different than those estimates. In addition, should management's estimate of the future not reflect actual events, further impairment charges may materialize, and the timing and amount of such impairment charges is difficult to predict.

TITLE CLAIMS AND RIGHTS OF INDIGENOUS PEOPLES

Certain of New Gold's properties may be subject to the rights or the asserted rights of various community stakeholders, including First Nations and other indigenous peoples. The presence of community stakeholders may impact the Company's ability to develop or operate its mining properties and its projects or to conduct exploration activities. Accordingly, the Company is subject to the risk that one or more groups may oppose the continued operation, further development or new development or exploration of the Company's current or future mining properties and projects. Such opposition may be directed through legal or administrative proceedings, or through protests or other campaigns against the Company's activities.

Governments in many jurisdictions must consult with, or require the Company to consult with, indigenous peoples with respect to grants of mineral rights and the issuance or amendment of project authorizations. Consultation and other rights of indigenous peoples may require accommodation including undertakings regarding employment, royalty payments and other matters. This may affect the Company's ability to acquire within a reasonable time frame effective mineral titles, permits or licenses in these jurisdictions, including in some parts of Canada, the United States, and Mexico in which title or other rights are claimed by First Nations and other indigenous peoples, and may affect the timetable and costs of development and operation of mineral properties in these jurisdictions. The risk of unforeseen title claims by indigenous peoples also could affect existing operations as well as development projects. These legal requirements may also affect the Company's ability to expand or transfer existing operations or to develop new projects.

ENVIRONMENTAL RISKS

The Company is subject to environmental regulation in Canada, the United States and Mexico where it operates or has exploration or development activities. In addition, the Company will be subject to environmental regulation in any other jurisdictions in which it may operate or have exploration or development properties. These regulations address, among other things, endangered and protected species, emissions, noise, air and water quality standards, land use and

reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid, liquid and hazardous waste.

Environmental legislation is evolving in a manner which will involve, in certain jurisdictions, stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. No certainty exists that future changes in environmental regulation, or the application of such regulations, if any, will not adversely affect the Company's operations or development properties or exploration activities. The Company cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and results of operations. Environmental hazards may exist on the Company's properties which are unknown to management at present and which have been caused by previous owners or operators of the properties. In addition, measures taken to address and mitigate known environmental hazards or risks may not be fully successful, and such hazards or risks may materialize.

New Gold may also acquire properties with known or undiscovered environmental risks. Any indemnification from the entity from which the Company acquires such properties may not be adequate to pay all the fines, penalties and costs (such as clean-up and restoration costs) incurred related to such properties. Some of New Gold's properties have also been used for mining and related operations for many years before the Company acquired them and were acquired as is or with assumed environmental liabilities from previous owners or operators. The Company has been required to address contamination at its properties in the past and may need to continue to do so in the future, either for existing environmental conditions or for leaks, discharges or contamination that may arise from its ongoing operations or other contingencies. The cost of addressing environmental conditions or risks, and liabilities associated with environmental damage, may be significant, and could have a material adverse effect on the Company's business, prospects, results of operations and financial condition. Production at New Gold's mines involves the use of various chemicals, including certain chemicals that are designated as hazardous substances. Contamination from hazardous substances, either at the Company's own properties or other locations for which it may be responsible, may subject the Company to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources. The occurrence of any of these adverse events could have a material adverse effect on the Company's prospects, results of operations and financial position.

Production at certain of the Company's mines involves the use of sodium cyanide which is a toxic material. Should sodium cyanide leak or otherwise be discharged from the containment system, the Company may become subject to liability for cleanup work that may not be insured, in addition to liability for any damage caused. Such liability could be material.

INSURANCE AND UNINSURED RISKS

New Gold's business is subject to a number of risks and hazards generally including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope or wall failures, cave-ins, metallurgical or other processing problems, fires, operational problems, changes in the regulatory environment and natural phenomena, such as inclement weather conditions, floods, hurricanes and earthquakes. Such occurrences could result in damage to mineral properties or production facilities or other property, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, such insurance will not cover all the potential risks associated with the Company's operations. The Company may also be

unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available on acceptable terms or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration, development and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. New Gold may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect on results of operations and financial condition.

RECLAMATION COSTS

The Company's operations are subject to reclamation plans that establish its obligations to reclaim properties after minerals have been mined from a site. These obligations represent significant future costs for the Company. As at December 31, 2017, the total estimated undiscounted reclamation liability for New Gold's operations was approximately $187.1 million. It may be necessary to revise reclamation concepts and plans, which could increase costs. At the Rainy River Mine, the ratio of potentially acid generating rock to non-acid generating rock has increased, which may increase closure costs.

Reclamation bonds or other forms of financial assurance are often required to secure reclamation activities. Governing authorities require companies to periodically recalculate the amount of a reclamation bond and may require bond amounts to be increased. It may be necessary to revise the planned reclamation expenditures and the operating plan for a mine in order to fund an increase to a reclamation bond. In addition, reclamation bonds are generally issued under the Company's credit facilities; increases in the amount of reclamation bonds will decrease the amount of the Credit Facility available for other purposes.

Reclamation bonds may represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine operation. The actual costs of reclamation set out in mine plans are estimates only and may not represent the actual amounts that will be required to complete all reclamation activity. If actual costs are significantly higher than the Company's estimates, then its results of operations and financial position could be materially adversely affected.

FOREIGN CURRENCY EXCHANGE RATES

New Gold's mineral properties are located in Canada, the United States, Australia and Mexico. As a result, the Company has foreign currency exposure with respect to items not denominated in United States dollars. The three main types of foreign exchange risk the Company faces are:

- *transaction exposure*: New Gold's operations sell commodities and incur costs in different currencies. Specifically, the Company's revenues are denominated in United States dollars while most of the Company's expenses are currently denominated in Canadian dollars and, to a lesser extent, Australian dollars and Mexican pesos. This creates exposure at the operational level, which may affect its profitability as exchange rates fluctuate. The appreciation of non-United States dollar currencies against the United States dollar can increase the costs of production at New Gold's mines, making those mines less profitable;

- *exposure to currency risk*: New Gold is exposed to currency risk through a portion of the following assets and liabilities denominated in currencies other than the United States dollar: cash and cash equivalents, investments, accounts receivable, reclamation deposits, accounts payable and accruals, reclamation and closure cost obligations and long-term debt; and

- *translation exposure*: New Gold's functional and reporting currency is United States dollars. Certain of the Company's operations have assets and liabilities denominated in currencies other than the United States dollar, with translation foreign exchange gains and losses included in these balances in the determination of profit or loss. Therefore, exchange rate movements in the Canadian dollar and, to a lesser extent, Australian dollars and Mexican peso can have a significant impact on the Company's consolidated operating results.

As a result, fluctuations in currency exchange rates could significantly affect the Company's business, financial condition, results of operations and liquidity.

ACQUISITION AND INTEGRATION RISKS

As part of its business strategy, New Gold has sought and will continue to seek new operating, development and exploration opportunities in the mining industry. In pursuit of such opportunities, New Gold may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into New Gold. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, if at all, or that any acquisition or business arrangement completed will ultimately benefit its business. Such acquisitions may be significant in size, may change the scale of the Company's business and may expose the Company to new geographic, political, operating, financial or geological risks. Further, any acquisition the Company makes will require a significant amount of time and attention of New Gold management, as well as resources that otherwise could be spent on the operation and development of the Company's existing business.

Any future acquisitions would be accompanied by risks, such as a significant decline in the relevant metal price after the Company commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of the Company's ongoing business; the inability of management to realize anticipated synergies and maximize the Company's financial and strategic position; the failure to maintain uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; and the potential for unknown or unanticipated liabilities associated with acquired assets and businesses, including tax, environmental or other liabilities. In addition, the Company may need additional capital to finance an acquisition. Debt financing related to any acquisition may expose the Company to the risks related to increased leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that any business or assets acquired in the future will prove to be profitable, that New Gold will be able to integrate the acquired businesses or assets successfully or that it will identify all potential liabilities during the course of due diligence. Any of these factors could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

GLOBAL FINANCIAL CONDITIONS

Global financial conditions have been subject to continued volatility. Government debt, the risk of sovereign defaults, political instability and wider economic concerns in many countries have been causing significant uncertainties in the markets. Disruptions in the credit and capital markets can have a negative impact on the availability and terms of credit and capital. Uncertainties in these markets could have a material adverse effect on the Company's liquidity, ability to raise capital and cost of capital. High levels of volatility and market turmoil could also adversely impact commodity prices, exchange rates and interest rates and have a detrimental effect on the Company's business.

DEBT AND LIQUIDITY RISK

As at December 31, 2017, the Company had long-term debt comprised of two series of notes in an aggregate principal amount of US$800 million. In addition, the Company has a US$400 million Credit Facility. The Company's ability to make scheduled payments of principal and interest on or to refinance its indebtedness depends on the Company's future performance, which is subject to economic, financial, competitive and other factors many of which are not under the control of New Gold. The Company is exposed to interest rate risk on variable rate debt, if any. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, including, among others, debt repayments, interest payments and contractual commitments.

In the future, the Company may not continue to generate cash flow from operations sufficient to service its debt and make necessary or planned capital expenditures. If the Company is unable to generate such cash flow, it may be required to adopt one or more alternatives, such as selling assets, borrowing additional funds, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. The Company's ability to borrow additional funds or refinance its indebtedness will depend on the capital markets and its financial condition at such time. The Company may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on its debt obligations. In addition, if New Gold is unable to maintain its indebtedness and financial ratios at levels acceptable to its credit rating agencies, or should New Gold's business prospects deteriorate, the ratings currently assigned to New Gold by Moody's Investor Services and Standard & Poor's Ratings Services could be downgraded, which could adversely affect the value of New Gold's outstanding securities and existing debt and its ability to obtain new financing on favourable terms, and increase New Gold's borrowing costs.

If the Company's cash flow and other sources of liquidity are not sufficient to continue operations and make necessary and planned capital expenditures, the Company may cancel or defer capital expenditures and/or suspend or curtail operations. Such an action may impact production at mining operations and/or the timelines and cost associated with development projects, which could have a material adverse effect on the Company's prospects, results of operations and financial condition.

The terms of the Credit Facility and the Company's stream agreement with Royal Gold require the Company to satisfy various affirmative and negative covenants and to meet certain financial ratios and tests. In May 2017, the Company extended the increase in the Credit Facility's Leverage Ratio. Following the amendment, the maximum Leverage Ratio under the Credit Facility is as follows:

Period(s)	Maximum Leverage Ratio
Quarter ending September 30, 2016	4.0 : 1.0
Quarters ended December 31, 2016 to September 30, 2017	4.5 : 1.0
Quarters ending December 31, 2017 and March 31, 2018	4.0 : 1.0
Subsequent quarters	3.5 : 1.0

The Leverage Ratio contained in the Company's stream agreement with Royal Gold has also been adjusted to match the revised Leverage Ratios for the periods ending on or before March 31, 2018 noted above.

In addition, the terms of the Company's 2022 Notes (as defined below) in the aggregate principal amount of US$500 million and 2025 Notes (as defined below) in the aggregate principal amount of US$300 million require the Company to satisfy various affirmative and negative covenants. These covenants limit, among other things, the Company's ability to incur indebtedness, create certain liens on assets or engage in certain types of transactions. There are no assurances that

in the future the Company will not, as a result of these covenants, be limited in its ability to respond to changes in its business or competitive activities or be restricted in its ability to engage in mergers, acquisitions or dispositions of assets. Furthermore, a failure to comply with these covenants, including, in the case of the Credit Facility and stream agreement with Royal Gold, a failure to meet the financial tests or ratios, would likely result in an event of default under the Company's outstanding indebtedness and/or the stream agreement and would allow the lenders or noteholders or other contractual counterparty, as the case may be, to accelerate the debt or other obligations, as the case may be.

TAXATION

New Gold has operations and conducts business in a number of different jurisdictions and is accordingly subject to the taxation laws of each such jurisdiction, as well as tax reviews and assessments in the ordinary course. Taxation laws are complex, subject to interpretation and subject to change. Any such changes in taxation law or reviews and assessments could result in higher taxes being payable by the Company, which could adversely affect its profitability. Taxes may also adversely affect the Company's ability to repatriate earnings and otherwise deploy its assets.

RISKS RELATED TO FURTHER PROCESSING

The Company's operations produce concentrate, doré or other products that are not refined metals (" **Unrefined Product**") and generally require further processing at a smelter and/or a refinery to become marketable metal. Such Unrefined Product contains metals and other elements that require removal, some of which may limit the smelters or brokers who can or will purchase or process the Unrefined Product and the refineries who will process the Unrefined Product, or negatively impact the terms of such purchase or processing arrangements. In addition, treatment and refining charges are subject to fluctuations, which could negatively impact the Company's revenue or expenses. There can be no assurance that the Company will be able to continue to sell and process its Unrefined Product on reasonable commercial terms or at all.

AVAILABILITY AND PRICE OF INPUTS

Disruptions in the supply of products or services required for the Company's activities could also adversely affect the Company's operations, financial condition and results of operations. In particular, due to the limited number of suppliers of sodium cyanide in each jurisdiction in which the Company operates, a delay in supply, a force majeure event or a breach of contract by one of the Company's sodium cyanide suppliers could result in delays in processing times which may adversely affect results of operations.

Mining operations and facilities are intensive users of electricity and carbon-based fuels. The Company is subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. Energy prices can be affected by numerous factors beyond the Company's control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices for which the Company is not hedged could materially adversely affect its results of operations and financial condition.

The Company's costs are affected by the prices of commodities and other inputs it consumes or uses in its operations, such as lime, sodium cyanide and explosives. The prices of such commodities and inputs are influenced by supply and demand trends affecting the mining industry in general and other factors outside the Company's control. Increases in the price for materials consumed in the Company's mining and production activities could materially adversely affect the Company's results of operations and financial condition.

INFRASTRUCTURE

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, or community, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

COMMUNITY RELATIONS, LICENSE TO OPERATE AND REPUTATION

The Company's relationship with the host communities where it operates is critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain non-governmental organizations ("**NGOs**"), some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of cyanide and other hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or New Gold's operations or development activities specifically, could have an adverse effect on the Company's reputation.

Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, which could have a material adverse impact on the Company's results of operations, financial condition and prospects. While New Gold is committed to operating in a socially responsible manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential risk.

CLIMATE CHANGE RISKS

Changes in climate conditions could adversely affect the Company's business and operations through the impact of (i) more extreme temperatures, precipitation levels and other weather events; (ii) changes to laws and regulations related to climate change; and (iii) changes in the price or availability of goods and services required by the business.

Climate change may lead to more extreme in temperatures, precipitation levels and other weather events. Extreme high or low temperatures could impact the operation of equipment and the safety of personnel at the Company's sites, which could result in damage to equipment, injury to personnel and production disruptions. Changes in precipitation levels may impact the availability of water at the Company's operations, which the mills require to operate, potentially leading to production disruptions. Low precipitation also increases the risk of large forest fires, as occurred in proximity to the Company's operations in British Columbia in the summer of 2017, which could cause production disruptions or damage site infrastructure. Increases in precipitation levels could also lead to water management challenges. Extreme weather events, such as forest fires, severe storms or floods, all of which may be more probable and more extreme due to climate change, may negatively impact operations and disrupt production. Significant capital investment may be required to address these occurrences and to adapt to changes in average operating conditions caused by these changes to the climate.

Climate change may lead to new laws and regulations that affect the Company's business and operations. Many governments are moving to enact climate change legislation and treaties at the international, national, state, provincial and local levels. Where legislation already exists, regulations relating to emission levels and energy efficiency are becoming more stringent. Some of the costs associated with meeting more stringent regulations can be offset by increased energy efficiency and technological innovation. However, if the current regulatory trend continues, meeting more stringent regulations is anticipated to result in increased costs.

Climate change may lead to changes in the price and availability of goods and services required for the Company's operations, which require the regular supply of consumables such as diesel, electricity, and sodium cyanide to operate efficiently. The Company's operations also depend on service providers to transport these consumables and other goods to the operations and to transport doré and concentrate produced by the Company to refiners. The effects of extreme weather described above and changes in legislation and regulation on the Company's suppliers and their industries may cause limited availability or higher price for these goods and services, which could result in higher costs or production disruptions.

We can provide no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks of climate change will not have an adverse effect on the Company's operations and profitability.

LABOUR AND EMPLOYMENT MATTERS

Production at the Company's mines and projects is dependent on the efforts of the Company's employees and contractors. The Company competes with mining and other companies on a global basis to attract and retain employees at all levels with appropriate technical skills and operating experience necessary to operate its mines. The conduct of the Company's operations is dependent on access to skilled labour. Access to skilled labour may prove particularly challenging where mining operations are conducted in remote locations. Shortages of suitably qualified personnel could have a material adverse effect on the Company's business and results of operations. Relations between the Company and its employees may be impacted by changes in the scheme of labour relations, which may be introduced by the relevant governmental authorities in the jurisdictions where the Company carries on business. New Gold had approximately 72 employees that belong to a union at the Cerro San Pedro Mine, which ceased active mining operations in 2017. In addition, the Company engages contractors who may have unionized employees. Adverse changes in the schemes of labour relations in different jurisdictions or in the relationship between the Company and its employees, or between the Company's contractors and their respective employees, may have a material adverse effect on the Company's business, results of operations and financial condition.

LITIGATION AND DISPUTE RESOLUTION

From time to time New Gold is subject to legal claims, with and without merit. These claims may commence informally and reach a commercial settlement or may progress to a more formal dispute resolution process. The causes of potential future claims cannot be known and may arise from, among other things, business activities, environmental laws, land use, contractor engagements, volatility in stock price or failure to comply with disclosure obligations. In particular, the complex activities and significant expenditures associated with construction activities, such as the construction of Rainy River, may lead to various claims, some of which may be material. Defense and settlement costs may be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the Company's future cash flows, results of operations or financial condition.

TITLE RISKS

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of such properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interest, including prior unregistered liens, agreements, transfers, royalties or claims, including land claims by First Nations or other indigenous groups, and title may be affected by, among other things, undetected defects. In some cases, title to mineral rights and surface rights has been divided, and the Company may hold only surface rights or only mineral rights over a particular property, which can lead to

potential conflict with the holder of the other rights. As a result of these issues, the Company may be constrained in its ability to operate its properties or unable to enforce its rights with respect to its properties, or the economics of its mineral properties may be impacted. An impairment to or defect in the Company's title to its properties or a dispute regarding property or other related rights could have a material adverse effect on the Company's business, financial condition or results of operations.

COMPETITION

New Gold faces strong competition from other mining companies in connection with the identification and acquisition of properties producing, or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than New Gold. As a result of this competition, the Company may be unable to identify, maintain or acquire attractive mining properties on acceptable terms or at all. Consequently, the Company's prospects, revenues, operations and financial condition could be materially adversely affected.

RETENTION OF KEY PERSONNEL

The Company's business is dependent on retaining the services of a number of key personnel of the appropriate calibre as the business develops. New Gold's success is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management, and the loss of one or more of such persons could have a material adverse effect on the Company. The Company does not maintain any key man insurance with respect to any of its officers or directors.

HEDGING

From time to time the Company uses or may use certain derivative products to hedge or manage the risks associated with changes in gold prices, copper prices, silver prices, interest rates, foreign currency exchange rates and energy prices. The use of derivative instruments involves certain inherent risks including, among other things: (i) credit risk – the risk of an unexpected loss arising if a counterparty with which the Company has entered into transactions fails to meet its contractual obligations; (ii) market liquidity risk – the risk that the Company has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and (iii) unrealized mark-to-market risk – the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in the Company incurring an unrealized mark-to-market loss in respect of such derivative products.

There is no assurance that any hedging program or transactions which may be adopted or utilized by New Gold designed to reduce the risk associated with changes in gold prices, copper prices, silver prices, interest rates, foreign currency exchange rates or energy prices will be successful. Although hedging may protect New Gold from an adverse price change, it may also prevent New Gold from benefiting fully from a positive price change.

COUNTERPARTY RISK

Counterparty risk is the risk to the Company that a party to a contract will default on its contractual obligations to the Company. The Company is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the Company's cash and short term investments; (ii) companies that have payables to the Company, including concentrate and bullion customers; (iii) providers of its risk management services, such as hedging arrangements; (iv) shipping service providers that move the Company's material; (iv) the Company's insurance providers; and (v) the Company's lenders. Although the Company makes efforts to limit its counterparty risk, the Company cannot effectively operate its business without relying, to a certain extent, on the performance of third party service providers.

INVESTMENT RISK

Investment risk is the risk that a financial instrument's value will deviate from the expected returns as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all investments traded in the market. This includes interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Other aspects of investment risk include credit risk (the risk of unexpected loss arising if a counterparty with which the Company has entered into transactions fails to meet its contractual obligations) and liquidity risk (the risk that the Company has entered into an investment that cannot be closed out quickly). Although the factors that affect investment risk are outside the Company's control, the Company limits investment risk by limiting its investment exposure in terms of total funds to be invested and by being selective of high quality investments.

DISCLOSURE AND INTERNAL CONTROLS

The Company may fail to maintain the adequacy of internal control over financial reporting as per the requirements of the U.S. Sarbanes-Oxley Act of 2002 ("**SOX**"). The Company documented and tested its internal control procedures in order to satisfy the requirements of Section 404 of SOX. Both SOX and Canadian legislation require an annual assessment by management of the effectiveness of the Company's internal control over financial reporting.

The Company may fail to maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting. The Company's failure to satisfy the requirements of Section 404 of SOX and equivalent Canadian legislation on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price of the Common Shares or market value of its other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations.

The Company may fail to maintain the adequacy of its disclosure controls. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosure.

No evaluation can provide complete assurance that the Company's financial and disclosure controls will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgments.

CONFLICTS OF INTEREST

Certain of New Gold's directors and officers also serve as directors and/or officers of other companies involved in natural resource exploration and development, and consequently there exists the possibility for such directors and officers to have interests that conflict with the Company's interests. Situations may arise in connection with potential investments where the other interests of the Company's directors conflict with its interests. As such, conflicts of interest may arise that may influence these persons in evaluating possible acquisitions or in generally acting on the Company's behalf, as they may pursue opportunities that would then be unavailable to the Company. In the event that the Company's directors are subject to conflicts of interest, there may be a material adverse effect on the Company's business.

CORRUPTION AND BRIBERY LAWS

The Company's operations are governed by, and involve interactions with, many levels of government in numerous countries. The Company is required to comply with anti-corruption and anti-bribery laws, including the Criminal Code, the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act, as well as similar laws in the countries in which the Company conducts its business. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations not only by its employees, but also by its contractors and third party agents. Although the Company has adopted steps to mitigate such risks, such measures may not always be effective in ensuring that the Company, its employees, contractors and third party agents will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation and results of its operations.

FOREIGN OPERATIONS

The Company's mining operations are currently conducted in Canada, the United States and Australia, and the Company owns a mine in Mexico that transitioned from active mining to residual leaching in 2016. The Company also has the Blackwater Project in Canada. As a result of its activities in multiple jurisdictions, the Company is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary for each country and include, but are not limited to: fluctuations in currency exchange rates; high rates of inflation; labour unrest; environmental controls and permitting; restrictions on the use of land and natural resources; renegotiation or nullification of existing concessions, licenses, permits and contracts; delays in obtaining or the inability to obtain necessary governmental licenses and permits; illegal mining; corruption; higher rates of criminality; unstable or unreliable legal systems; changes in the taxation or royalty regimes; arbitrary changes in laws or policies; restrictions on foreign exchange and repatriation; limitations on exports and imports; changing political conditions, social unrest, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction; and other risks arising out of foreign sovereignty issues.

Changes, if any, in mining or investment laws or policies or shifts in political attitudes in these countries could adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by:

- government regulations including, but not limited to, restrictions on production, price controls, import or export controls, currency remittance, income taxes and other taxes, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, permit requirements, land use, land claims of local people, water use and mine safety; and

- the lack of certainty with respect to foreign legal systems, which may not be immune from the influence of political pressure, corruption or other factors that are inconsistent with the rule of law.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability. Furthermore, in the event of a dispute arising from the Company's activities, it may be subject to the exclusive jurisdiction of courts outside of Canada and the United States or may not be successful in subjecting persons to

the jurisdiction of courts in Canada and the United States, either of which could unexpectedly and adversely affect the outcome of a dispute.

The Company faces challenges inherent in efficiently managing employees over large geographical distances, including the challenge of staffing and managing operations in several international locations and implementing appropriate systems, policies and compliance programs. These challenges may divert management's attention, to the detriment of the Company's operations in Canada. There can be no assurance that difficulties associated with the Company's foreign operations can be successfully managed.

INFORMATION SYSTEMS SECURITY THREATS

New Gold has entered into agreements with third parties for hardware, software, telecommunications and other information technology (" **IT**") services in connection with its operations. New Gold's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information systems failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that New Gold will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

NOTES

6.25% SENIOR NOTES DUE 2022

In November 2012, the Company issued an aggregate principal amount of $500 million 6.25% senior notes maturing on November 15, 2022 ("**2022 Notes**"). The 2022 Notes were issued pursuant to an indenture dated November 14, 2012, between the Company and Computershare Trust Company, N.A., as trustee ("**2022 Note Indenture**"). The 2022 Notes are direct, senior obligations of the Company and are not secured by any mortgage, pledge or charge.

Interest on the 2022 Notes is payable in arrears in equal semi-annual installments on May 15 and November 15 each year. The Company has the option to redeem the 2022 Notes at a price ranging from 103.125% to 100% of face value, with the rate decreasing based on the length of time the 2022 Notes are outstanding.

The 2022 Note Indenture provides that in the event of a change of control of the Company, as defined therein, each holder of the 2022 Notes will have the right to cause the Company to repurchase some or all of its 2022 Notes at 101% of

their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date. In addition, the 2022 Note Indenture requires the Company to comply with certain reporting and other covenants.

6.375% SENIOR NOTES DUE 2025

In May 2017, the Company issued an aggregate principal amount of $300 million 6.375% senior notes maturing on May 15, 2025 (" **2025 Notes**"). The 2025 Notes were issued pursuant to an indenture dated May 18, 2017, between the Company and Computershare Trust Company, N.A., as trustee ("**2025 Note Indenture**"). The 2025 Notes are direct, senior obligations of the Company and are not secured by any mortgage, pledge or charge.

Interest on the 2025 Notes is payable in arrears in equal semi-annual installments on May 15 and November 15 each year. On or after May 15, 2020, the Company has the option to redeem the 2025 Notes at a price ranging from 104.781% to 100% of face value, with the rate decreasing based on the length of time the 2025 Notes are outstanding, and before May 15, 2020, the Company may redeem the 2025 Notes at 100% of face value plus a "make whole" premium.

The 2025 Note Indenture provides that in the event of a change of control of the Company, as defined therein, each holder of the 2025 Notes will have the right to cause the Company to repurchase some or all of its 2025 Notes at 101% of their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date. In addition, the 2025 Note Indenture requires the Company to comply with certain reporting and other covenants.

DIVIDENDS

To date, New Gold has not paid dividends on its shares. The Company currently intends to retain future earnings, if any, for use in its business and does not, at this time, anticipate paying dividends on its shares. Any determination to pay any future dividends will remain at the discretion of the Company's board of directors and will be made taking into account its financial condition and other factors deemed relevant by the board. Further, pursuant to debt instruments of the Company in place from time to time, the Company may, in certain circumstances, be required to obtain consent from lenders prior to declaring dividends.

DESCRIPTION OF CAPITAL STRUCTURE

COMMON SHARES

The Company is authorized to issue an unlimited number of Common Shares without par value, of which 578,748,338 Common Shares were issued and outstanding at the close of business March 26, 2018. Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Company, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election.

Holders of Common Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Company's board of directors at its discretion from funds legally available therefor and, on the liquidation, dissolution or winding up of the Company, are entitled to receive on a pro-rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of common shares with

respect to dividends or liquidation. The common shares do not carry any pre-emptive, subscription, redemption or conversion rights.

The Company also has options and notes outstanding. See the notes to the Company's audited consolidated financial statements for the year ended December 31, 2017 for additional information regarding the Company's convertible securities.

An amended and restated shareholder rights plan agreement was approved by the shareholders of the Company on April 29, 2015 and is effective for a three-year period unless further extended. The shareholder rights plan is presently scheduled to expire at the close of business on April 25, 2018.

RATINGS

Below are the ratings for New Gold's corporate debt as at March 26, 2018:

- Standard & Poor's Ratings Services: B (Recovery Rating: 3)
- Moody's Investors Service: B3 (SGL-3)

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities; an indication of the likelihood of repayment for an issue of securities; and an indication of the capacity and willingness of the issuer to meet its financial obligations in accordance with the terms of those securities. Credit ratings are not assurances of credit quality or exact measures of the likelihood of default.

The information concerning our credit ratings relates to New Gold's financing costs, liquidity and operations. The availability of funding options may be affected by certain factors, including the global capital market environment and outlook as well as the Company's financial performance. New Gold's ability to access capital markets at competitive rates is dependent on its credit rating and rating outlook, as determined by credit rating agencies such as S&P and Moody's (both as defined below), and if the Company's ratings were downgraded, financing costs and future debt issuances could be unfavourably impacted. A description of the rating agencies' credit ratings listed above is set out below.

Standard & Poor's Ratings Services (" **S&P**") credit ratings are on a rating scale ranging from AAA to D, which represents the range from highest to lowest quality. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the major rating categories. S&P's rating is a forward looking opinion about credit risk and assesses the credit quality of the individual debt issue and the relative likelihood that the issuer may default. The B rating is ranked sixth out of S&P's major rating categories. According to the S&P rating system, an obligor of debt securities rated B has the capacity to meet its financial commitment on the debt security, however, adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. In addition, S&P uses a scale of 1+ to 6 for recovery ratings, which represent the range, from high to low, of the percentage of principal and unpaid accrued interest that an investor may expect to receive in the case of default. A "3" recovery rating ranks fourth out of S&P's seven recovery rating categories, and indicates S&P's expectation of meaningful (50% -70%) recovery in a default scenario.

Moody's Investors Service ("**Moody's**") credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality, with a rating of B being the sixth highest of nine major categories. The generic rating classifications from Aa through Caa may be modified by the numerical modifiers 1, 2 and 3. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range

ranking; and the modifier 3 indicates a ranking in the lower end of that generic category. According to Moody's, obligations rated B3 are considered speculative and subject to high credit risk. In addition, Moody's uses a speculative-grade loss ("**SGL**") assessment scale of 1 to 4, which represents Moody's opinion about issuers' relative abilities to generate cash from internal resources and external sources of committed financing in relation to their cash obligations over the coming 12 months. A SGL-3 ranks third out of Moody's four SGL assessment categories. Issuers rated SGL-3 possess adequate liquidity. They are expected to rely on external sources of committed financing. Based on Moody's evaluation of near term covenant compliance there is only a modest cushion, and the issuer may require covenant relief in order to maintain orderly access to funding lines.

The credit ratings for New Gold's corporate debt are based on, among other things, information furnished to the above ratings agencies by the Company and information obtained by the ratings agencies from publicly available sources. The credit ratings are not recommendations to buy, sell or hold securities since such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. Credit ratings given to New Gold's corporate debt may not reflect the potential impact of all risks on the value of debt instruments, including risks related to market or other factors discussed in this Annual Information Form. See also "Risk Factors".

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME

Common Shares

The Common Shares of the Company are listed and posted for trading on the TSX and NYSE American in each case under the symbol "NGD". The following table contains information relating to the trading of the Common Shares in Canadian dollars on the TSX for the months indicated.

2017	High (C$)	Low (C$)	Volume
January	5.79	3.11	55,689,073
February	4.24	3.34	53,074,229
March	4.08	3.51	49,037,936
April	4.58	3.73	34,675,225
May	4.27	3.52	27,312,223
June	4.21	3.76	29,581,282
July	4.19	3.58	16,975,169
August	4.70	4.16	21,932,022
September	5.16	4.40	21,613,463
October	5.03	4.25	25,131,524
November	4.41	3.90	15,411,100
December	4.27	3.76	12,076,337

The price of the Common Shares as quoted by the TSX at the close of business on December 29, 2017, the last trading day prior to year-end, was C$4.13 and on March 26, 2018 was C$3.33.

DIRECTORS AND OFFICERS

The names, positions or offices held with the Company, province/state and country of residence, and principal occupation of the directors and executive officers of the Company as at March 26, 2018 are set out below. In addition, the principal occupations of each of the Company's directors and executive officers within the past five years are disclosed in their biographies.

As at March 26, 2018, directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 8,213,645 common shares of the Company, representing approximately 1.42% of its issued and outstanding shares.

The term of each director of the Company expires at the annual general meeting of shareholders, where they can be nominated for re-election. The Company's officers hold their respective offices at the discretion of the board, but typically on an annual basis, after the annual general meeting, the directors pass resolutions to appoint officers and committees.

JAMES ESTEY
Alberta, Canada
Director since:
July 8, 2008
Independent

James Estey is the retired Chairman of UBS Securities Canada Inc. and has over 30 years of experience in the financial markets. He is Chair of the Board of Gibson Energy Inc. and of PrairieSky Royalty Ltd. Mr. Estey also serves on the Advisory Board of the Edwards School of Business. Mr. Estey's principal occupation is as a Corporate Director.

VAHAN KOLOLIAN
Ontario, Canada
Director since:
June 1, 2009
Independent

Vahan Kololian is the founder and Managing Partner of TerraNova Partners LP, which invests in the industrial, services and resource sectors. Mr. Kololian started his career in investment banking in 1980 with Burns Fry Limited (now BMO Nesbitt Burns). From 1990 to 2000, he was co-founder and President of Polar Capital Corporation. Mr. Kololian is co-founder and Chairman of the Mosaic Institute, a "think and do" tank that conducts research to create social initiatives designed to dismantle prejudice, promote respect and justice, and make it easier for Canadians to experience our differences as important benefits to us all. Mr. Kololian holds a Bachelor of Arts from the University of Western Ontario and a Bachelor of Laws from the University of Ottawa. Mr. Kololian's principal occupation is Managing Partner of TerraNova Partners LP.

MARTYN KONIG
Jersey, United Kingdom
Director since:
June 1, 2009
Independent

Martyn Konig has over 35 years of experience in investment banking and the commodity markets as well as extensive experience in the natural resource sector. Mr. Konig's principal occupation is Chief Investment Officer for T Wealth Management SA, a private multi-family office. Mr. Konig is also the Chairman of Euromax Resources Ltd. and the Chairman of Nyrstar NV. Previously, Mr. Konig was Executive Chairman and President of European Goldfields Limited until its acquisition by Eldorado Gold Corp. in February 2012 and was Chief Executive Officer of the Blackfish Capital Group from 2005 until August 2009. Mr. Konig was a main Board Director of NM Rothschild and Sons Ltd. for 15 years and held senior positions at Goldman Sachs and UBS. Mr. Konig is a Barrister and Fellow of the

Chartered Institute of Bankers.

RANDALL OLIPHANT
Ontario, Canada
Director since:
June 1, 2009
Non- Independent

Randall Oliphant has worked in the mining industry in various capacities for 30 years. From 1999 to 2003, Mr. Oliphant was the President and Chief Executive Officer of Barrick Gold Corporation, and since that time he has served on the boards of a number of public companies and not-for-profit organizations. Mr. Oliphant was the Chairman of Western Goldfields Inc. from 2006 until its business combination with New Gold in 2009. Mr. Oliphant served as the Executive Chairman of New Gold from the time of the business combination to January 2017. Mr. Oliphant presently serves on the advisory board of Metalmark Capital LLC, a leading private equity firm, and the boards of directors of Franco-Nevada Corporation. In addition, in 2013 Mr. Oliphant was elected as Chairman of the World Gold Council. Mr. Oliphant is a Chartered Professional Accountant, FCPA, FCA. Mr. Oliphant's principal occupation is as a Corporate Director.

IAN PEARCE
Ontario, Canada
Director since:
April 27, 2016
Independent

Ian Pearce is the Chair of the Board of New Gold. Mr. Pearce has over 25 years of experience in the mining industry. From 1993 to 2003, Mr. Pearce held progressively more senior engineering and project management roles with Fluor Inc., including managing numerous significant development projects in the extractive sector. From 2003 to 2006, Mr. Pearce held executive roles at Falconbridge Limited, including Chief Operating Officer, and he subsequently served as Chief Executive Officer of Xstrata Nickel, a subsidiary of Xstrata plc, from 2006 to 2013. From 2013 to 2017, Mr. Pearce was a partner of X2 Resources, a private partnership focused on building a mid-tier diversified mining and metals group. Mr. Pearce currently serves as the Chair of the Board of Nevsun Resources Ltd. and MineSense Technologies Ltd., a technology company seeking to improve the ore extraction and recovery process, as well as a director of Outotec Oyj. He holds a Higher National Diploma in Engineering (Mineral Processing) and a Bachelor of Science degree from the University of the Witwatersrand in South Africa. Mr. Pearce's principal occupation is as a Corporate Director.

HANNES PORTMANN
Ontario, Canada
Director since:
April 26, 2017
Non-Independent

Hannes Portmann is President and Chief Executive Officer of New Gold. Mr. Portmann joined the Company in 2009 following its merger with Western Goldfields Inc. with the primary focus of leading New Gold's corporate development and investor relations teams. Since that time, he has taken on progressively more responsibility for other facets of the business, and was appointed Executive Vice President of Business Development in December 2015 with added responsibility for human resources and exploration, and most recently was appointed President and Chief Executive Officer of New Gold in January 2017. Previously, Mr. Portmann held roles in the Merrill Lynch Investment Banking Mining Group and in the assurance and advisory practices of PricewaterhouseCoopers LLP. Mr. Portmann holds a Bachelor of Science in Mining Engineering from Queen's University, a Masters of Management and Professional Accounting from the Rotman School of Management, University of Toronto and is a Chartered Professional Accountant, CPA, CA.

KAY PRIESTLY
Utah, United States
Director since:
June 3, 2015
Independent

Kay Priestly has over 35 years of experience in finance, accounting and executive management. She spent 24 years with Arthur Andersen LLP as a Certified Public Accountant where she provided auditing, tax and consulting services and held various senior leadership positions. She ultimately served on the firm's global executive team as Managing Partner, People. From 2006 to 2014, Ms. Priestly held various executive positions with Rio Tinto and its affiliates, including Chief Financial Officer, Copper for Rio Tinto's global copper product group from 2008 to 2012 and Chief Executive Officer of Turquoise Hill Resources Ltd. from 2012 to 2014. Ms. Priestly currently serves on the board of directors of TechnipFMC plc. She holds a Bachelor of Science, Accounting from Louisiana State University. Ms. Priestly's principal occupation is as a Corporate Director.

MARILYN SCHONBERNER
Alberta, Canada
Director since:
June 20, 2017
Independent

Marilyn Schonberner is the Chief Financial Officer and Senior Vice President, and an Executive Director, of Nexen Energy ULC. In that role, she is responsible for the overall financial management of Nexen, including accounting, audit, tax, planning, treasury and insurance. Ms. Schonberner joined Nexen in 1997 and since that time has held positions of increasing responsibility including General Manager of Human Resources Services; Director of Corporate Audit; Director of Business Services U.K.; and Treasurer and Vice President of Corporate Planning. Prior to joining Nexen, she spent over 15 years in finance, strategic planning and organization development in the energy sector and as a consultant. Ms. Schonberner holds a Bachelor of Commerce from the University of Alberta and a Master of Business Administration from the University of Calgary. She is a CPA, CMA and a Certified Internal Auditor. Ms. Schonberner completed the Senior Executive Development Programme at the London Business School and is currently enrolled in the Directors Education Program at the Institute of Directors.

RAYMOND THRELKELD
Virginia, United States
Director since:
June 1, 2009
Non-Independent

Raymond Threlkeld has over 30 years of mineral industry experience. He served as Interim Chief Operating Officer of New Gold from December 19, 2016 to September 1, 2017. From 2009 to 2013, Mr. Threlkeld was the President and Chief Executive Officer of Rainy River Resources Ltd. From 2005 to 2009, Mr. Threlkeld was the Chief Operating Officer of Silver Bear Resources Inc. From 2006 to 2009, he was the President and Chief Executive Officer of Western Goldfields Inc. From 1996 to 2005, Mr. Threlkeld held various senior management positions in precious metal mine development with Barrick Gold Corporation and Coeur d'Alene Mines Corporation including in connection with the development of the Pierina Mine in Peru, the Bulyanhulu Mine in Tanzania and the Veladero Mine in Argentina. Mr. Threlkeld has had exploration acquisition success in the western United States in addition to his management and project development experience. Mr. Threlkeld currently serves on the boards of directors of Euromax Resources Ltd., Kirkland Lake Gold Ltd. and Northern Empire Resources Corp. Mr. Threlkeld holds a Bachelor of Science in Geology from the University of Nevada Mackay School of Earth Sciences and Engineering. Mr. Threlkeld's principal occupation is a Corporate Director and consultant on natural resource development.

PAULA MYSON Ontario, Canada Executive Vice President and Chief Financial Officer	Ms. Myson has been the Executive Vice President and Chief Financial Officer since September 2017. Ms. Myson has over 25 years of experience in finance, treasury, corporate development, investor relations and risk management in public companies. During her 23 years working with the Sherritt International group of companies, Ms. Myson held multiple senior roles, including: CFO Oil and Gas, Corporate Treasurer, CFO Power, and Director, Corporate Development. Most recently, she was Vice President, Finance at Callidus Capital Corporation, a specialty lender. Ms. Myson is a Chartered Financial Analyst and a Certified Professional in Investor Relations, and has earned Master of Business Administration, Bachelor of Commerce and Bachelor of Arts degrees from the University of Alberta.
CORY ATIYEH Arizona, United States Vice President, Operations	Mr. Atiyeh has been the Vice President, Operations of New Gold since August 2016. Mr. Atiyeh has over 30 years of experience in the mining industry. He joined Western Goldfields in 2006 as Vice President and General Manager of the Mesquite Mine in California, where he was responsible for the management and successful re-start of mine operations. Western Goldfields merged with New Gold in 2009. Prior to Western Goldfields/New Gold, Mr. Atiyeh held progressively more senior roles with Gold Fields Limited, including General Manager of the St. Ives Gold Mine in Kambalda, Western Australia, one of Australia's largest gold mines, producing over 500,000 ounces of gold annually. Mr. Atiyeh holds a Bachelor of Science degree in Mining Engineering from the Montana College of Mineral Science and Technology.
LISA DAMIANI Ontario, Canada General Counsel, Vice President, Government Relations and Corporate Secretary	Ms. Damiani has been the Vice President, General Counsel and Corporate Secretary of New Gold since June 2013 and added government relations, including indigenous governments, to her portfolio in 2017. Prior to joining New Gold, Ms. Damiani was engaged in the private practice of law at Davies Ward Phillips & Vineberg LLP from 2001 as a partner, and from 1999 to 2000 as an associate. Mr. Damiani has over 20 years of experience in corporate and securities law and mergers and acquisitions with a focus on the mining sector and has received extensive recognition in the industry. Ms. Damiani holds a Bachelor of Arts, a Bachelor of Laws and a Masters of Business Administration, all from the University of Toronto.
MARK PETERSEN Ontario, Canada Vice President, Exploration	Mr. Petersen is an economic geologist with over 30 years of mineral industry experience. He has been the Vice President, Exploration of New Gold since 2008. Previously, Mr. Petersen held the position of Vice President of Exploration for Metallica Resources Inc., where he was responsible for directing the company's exploration activities in the U.S. and Latin America. Prior to his role with Metallica, Mr. Petersen held positions as an exploration geologist with Lac Minerals Inc. and predecessor companies Bond Gold Inc. and St. Joe Gold Inc. Mr. Petersen holds a Bachelor of Arts with a major in Geology from The College of Wooster, a Master of Science in Geology from Kent State University, and a Master of Business Administration from the University of Colorado. Mr. Petersen is also a Certified Professional Geologist with the American Institute of Professional Geologists and a

Registered Member of the Society for Mining, Metallurgy and Exploration.

JULIE RACHYNSKI
British Columbia, Canada
Vice President, Human Resources

Ms. Rachynski has been the Vice President, Human Resources of New Gold since November 2017. She has over 25 years of experience in the areas of human resources, organizational effectiveness, recruitment and selection, succession planning, and labour and employee relations. She joined New Gold in 2014 as the Manager, Human Resources for the New Afton Mine. From 2006 to 2014, Ms. Rachynski was Manager of Human Resources at Domtar Pulp and Paper Products, where she was responsible for labour relations, human resources, and health and safety. Prior to this, she held increasingly senior human resource positions at Weyerhaeuser Company Ltd. She has been a member of the Interior Forest Labour Relations Association, Trustee for Southern Interior Health and Welfare Plan, partner of BC Pulp & Paper Labour Market Committee, and Business Partner for Kamloops Region Success by Six Program. Ms. Rachynski has a Bachelor of Business Administration Degree from Simon Fraser University, and is a Chartered Professional in Human Resources (CPHR).

PETER WOODHOUSE
Ontario, Canada
Vice President, Project Development

Mr. Woodhouse has been the Vice President, Project Development since September 2017. He has over 30 years of experience in engineering and project management, dedicated mostly to the development of mining infrastructure. He has been responsible for all aspects of project management, team development and project execution, through all phases of a project, from scoping study through commissioning. From 2014, Mr. Woodhouse was Vice President, Projects at Centerra Gold Inc., where he was responsible for overall capital projects development, including the institution of a corporate project management team, a site project management team, as well as the establishment of a comprehensive set of project management tools. From 1997 to 2014, Mr. Woodhouse was the principal of Technology Management Group Inc., a project management services consultancy. He has also held senior project management roles for Canada Lithium, Hatch, SNC Lavalin, and Xstrata Nickel. Mr. Woodhouse has a Bachelor of Engineering (Mechanical) from McGill University, and is registered as a Professional Engineer in Ontario, Canada.

STANDING COMMITTEES OF THE BOARD

There are currently four standing committees of the board of directors: the Audit Committee, the Compensation Committee; the Corporate Governance and Nominating Committee, and the Health, Safety, Environment and Corporate Social Responsibility Committee. The following table identifies the members of each of these committees and indicates whether each committee member is considered independent or non-independent:

Board Committee	Committee Members	Status
Audit Committee	Kay Priestly (Chair)	Independent
	Martyn Konig	Independent
	Marilyn Schonberner	Independent
Compensation Committee	Ian Pearce (Chair)	Independent

Board Committee	Committee Members	Status
	James Estey	Independent
	Kay Priestly	Independent
Corporate Governance and Nominating Committee	Vahan Kololian (Chair)	Independent
	Martyn Konig	Independent
	Ian Pearce	Independent
	Marilyn Schonberner	Independent
Health, Safety, Environment and Corporate Social Responsibility Committee	Raymond Threlkeld (Chair)	Non-Independent
	Vahan Kololian	Independent
	Ian Pearce	Independent

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Company is, or within ten years prior to the date of this Annual Information Form has been, a director, chief executive officer or chief financial officer of any company (including New Gold) that (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, and that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of such company and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company, (i) is, or within ten years prior to the date of this Annual Information Form has been, a director or executive officer of any company (including New Gold) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than (a) Mr. Kololian who was a board member (but had previously resigned from the board) of ClearPoint Business Resources Inc., which filed for voluntary bankruptcy on or about June 23, 2010; and (b) Ms. Priestly who was a board member of Stone Energy Corporation, which filed voluntary petitions under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of Texas on December 14, 2016. On February 28, 2017, Stone Energy Corporation announced the completion of the conditions precedent to emerging from Chapter 11 reorganization, and, accordingly, the Second Amended Joint Prepackaged Plan of Reorganization of Stone Energy Corporation and its Debtor Affiliates, dated December 28, 2016, that was confirmed on February 15, 2017 by the U.S. Bankruptcy Court for the Southern District of Texas, Houston Division, became effective on February 28, 2017. As a result of the Plan of Reorganization becoming effective, in accordance with its terms, the previous board of directors of Stone Energy Corporation, of which Ms. Priestly was a member, was replaced by a new board of directors; or (ii) has, within ten years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Certain directors and officers of the Company also serve as directors or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Randall Oliphant is currently director of Franco-Nevada Corporation which holds royalty interests in New Gold's Mesquite Mine and Cerro San Pedro Mine. The Company has adopted a Code of Business Conduct and Ethics that addresses potential conflicts of interest.

AUDIT COMMITTEE

Audit Committee Charter

The Company's Audit Committee Charter is set out in full in Schedule A.

Composition of the Audit Committee

The following directors are members of the Audit Committee as at March 26, 2018:

Kay Priestly (Chair)	Independent (1)	Financially literate (2)
Martyn Konig	Independent (1)	Financially literate (2)
Marilyn Schonberner	Independent (1)	Financially literate (2)

(1) A member of an Audit Committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Company's board of directors, reasonably interfere with the exercise of the member's independent judgment.

(2) An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

The education and experience of each Audit Committee member relevant to the performance of his responsibilities as a member of the Audit Committee is described in their respective biographies set out under the heading "Directors and Officers" on page 60.

Pre-Approval Policies and Procedures

The Committee is responsible for the pre-approval of all audit, audit-related and non-audit services provided by the independent auditor. The Committee has delegated to the Chair the authority to pre-approve proposals for non-audit related services to be provided by the Company's auditors up to a value of C$100,000 per engagement, and to report any such approvals to the Committee as a whole at the next Committee meeting. The Chair of the Committee is responsible for proper implementation of and compliance with this policy. In accordance with this policy, 100% of external auditor services described below were pre-approved by the Audit Committee or the Chair of the Audit Committee. None of the audit-related services described below were approved by the Audit Committee pursuant to the de minimis exception provided by Section (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

External Auditor Service Fees (by category)

The aggregate fees billed by the Company's external auditor in each of the last two fiscal years are as follows:

Financial Years Ending December 31	Audit Fees (1)	Audit Related Fees (2)	Tax Fees (3)	All Other Fees (4)
2017	C$1,989,435	C$235,000	C$35,505	C$125,000
2016	C$1,803,972	C$180,000	C$68,895	C$31,600

(1) The aggregate fees billed for the performance of the audit or review of the Company's financial statements.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements which are not included under the heading "Audit Fees", including review of the Company's short form prospectus in March 2017 and the Company's offering memorandum in May 2017 – see "Developments – Financial" on page 10.

(3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

(4) The aggregate fees billed for the performance of services not for or related to the audit or review of the Company's financial statements or for tax compliance, tax advice and tax planning, including providing a transition lab for the Company's new Chief Executive Officer and assistance with the Company's strategic planning process.

Deloitte LLP is the independent registered public accounting firm that has been appointed as the external auditor of New Gold, and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. As of the date hereof, there are no outstanding material proceedings to which the Company is a party.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since January 1, 2014, no director, executive officer or 10% shareholder of the Company or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. Transfers may be effected and registration facilities are maintained at each of the following offices: (i) 510 Burrard Street, Vancouver, British Columbia, V6C 2T5; and (ii) 100 University Avenue, Toronto, Ontario, M5J 2Y1.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Company has not entered into any material contracts during the most recently completed financial year or prior financial year which are still in force and effect and which may reasonably be regarded as presently material other than as set out below:

- Indenture dated as of November 14, 2012 between New Gold Inc., the Guarantors (Metallica Resources Inc., Minera San Xavier S.A. de C.V., Peak Gold Ltd., Peak Gold Mines Pty Ltd., Rockcliff Group Limited, Western Goldfields Inc. and Western Mesquite Mines, Inc.), and Computershare Trust Company, N.A. (as Trustee) relating to the 6.25% Senior Notes due 2022. See "Notes" on page 56 for more information.

- Indenture dated as of May 18, 2017 between New Gold Inc., the Guarantors (Minera San Xavier S.A. de C.V., New Gold Mesquite Inc., New Gold CSP Ltd., New Gold Finance Inc., Western Goldfields (USA) Inc., New Gold Netherlands Cooperatie U.A., Peak Gold Asia Pacific Pty Ltd., Peak Gold Mines Pty Ltd. and Western Mesquite Mines, Inc.), and Computershare Trust Company, N.A. (as Trustee) relating to the 6.375% Senior Notes due 2025. See "Notes" on page 56 for more information.

- Credit Agreement dated as of August 14, 2014, as amended on November 4, 2015, February 17, 2016, October 4, 2016, May 3, 2017 and June 5, 2017 between New Gold Inc. (as borrower) and The Bank of Nova Scotia and RBC Capital Markets (as Co-Lead Arrangers and Joint Book Runners) and The Bank of Nova Scotia (as Administrative Agent) and Royal Bank of Canada (as Syndication Agent) and The Bank of Nova Scotia, Royal Bank of Canada, JPMorgan Chase Bank, N.A., The Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Bank of Montreal, Export Development Canada and Bank of America, N.A., Canada Branch (as Lenders) described under the heading "General Development of the Business - Developments - Financial" on page 10.

TECHNICAL REPORTS

Below are the titles, authors and dates of the most recent technical reports for each of New Gold's material properties (as described under "Description of the Business" on page 12), which are all filed in accordance with NI 43-101 and available under the Company's profile on SEDAR at www.sedar.com.

- The most recent technical report on the Rainy River Mine that is filed on SEDAR at www.sedar.com is titled "Feasibility Study of the Rainy River Mine, Ontario, Canada dated February 14, 2014 with an effective date of February 22, 2014 by Colin Hardie, P. Eng., David Runnels, Eng., and Patrice Live, Eng., for BBA Inc.; Sheila E. Daniel, M.Sc., P. Geo., David G. Ritchie, P. Eng., and Adam Coulson, PhD., P.Eng., for AMEC; Glen Cole, P. Geo., and Dorota El-Rassi, P.Eng., for SRK Consulting (Canada) Inc.; and Colm Keogh, P.Eng., and Mo Molavi, P. Eng., for AMC Mining Consultants (Canada) Ltd.

- The most recent technical report on the New Afton Mine that is filed on SEDAR at www.sedar.com is titled "Technical Report on the New Afton Mine, British Columbia, Canada" dated March 23, 2015 by David W. Rennie, P. Eng, R. Dennis Bergen, P. Eng., and Holger Krutzelmann, P. Eng., for Roscoe Postle Associates Inc.

None of the authors of the technical reports listed above held any securities of the Company or of any associate or affiliate of the Company when they prepared the applicable technical report or received any securities following the preparation of such report.

SCHEDULE A
AUDIT COMMITTEE CHARTER

1. Purpose and Authority

The Audit Committee ("**Committee**") is a committee of the Board of Directors (" **the Board"**). Its primary function shall be to assist the Board in fulfilling its oversight responsibilities with respect to accounting and financial reporting processes, the integrity of the financial statements of New Gold Inc. (the "**Company**"), compliance with legal and regulatory requirements, the overall adequacy and maintenance of the systems of internal controls that management has established and the overall responsibility for the Company's external and internal audit processes including the external auditor's qualifications, independence and performance.

The Committee shall have access to such officers and employees of the Company, its external auditor and its legal counsel as the Committee considers to be necessary or desirable in order to perform its duties and responsibilities. In addition, the Committee shall have the authority and funding to retain independent legal, accounting and other consultants to advise the Committee. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any advisers retained by the Committee and to the external auditor engaged by the Company for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities, the Committee shall maintain open communication between the Company's external auditor and the Board.

The responsibilities of a member of the Committee shall be in addition to such member's duties as a member of the Board.

The Committee has the duty to review and ensure that the Company's financial disclosures are complete and accurate, are in accordance with generally accepted accounting principles and fairly present the financial position and risks of the organization. The Committee should, where it deems appropriate, review compliance with laws and regulations and the Company's own policies.

The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Company as it deems advisable.

2. Membership and Composition

The Committee shall consist of at least three independent directors who shall serve on behalf of the Board. The Board, at its organizational meeting held in conjunction with each annual general meeting of the Shareholders, shall appoint the members of the Committee for the ensuing year. Each member shall meet the independence, financial literacy and experience requirements of the TSX, the NYSE MKT and any other exchange upon which the securities of the Company may be listed to the extent required by the rules of such exchange, National Instrument 52-110 – Audit Committees, the *U.S. Sarbanes-Oxley Act of 2002*, Rule 10A-3 under the *Securities Exchange Act of 1934*, and any other applicable regulatory bodies, as required. Each member of the Committee must not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time in the preceding three years. The Board may, at any time and from time to time, remove or replace any member of the Committee, fill any vacancy in the Committee or add a member to the Committee.

Financial literacy requires that all members of the Committee shall have the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements. At least one member of the Committee shall be able to analyze and interpret a full set of financial statements, including the related notes, in accordance with International Financial Reporting Standards ("**IFRS**") and at

least one member of the Committee shall qualify and be designated as the Audit Committee Financial Expert as determined in the judgment of the Board with reference to applicable law and stock exchange rules.

A majority of members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other, will constitute a quorum for a meeting of the Committee.

The Board will appoint one member of the Committee to act as the chair (" **Chair**") of the Committee. In his or her absence, the Committee may appoint another person to act as chair of a meeting of the Committee provided a quorum is present. The Chair will appoint a secretary of the meeting, who need not be a member of the Committee and who will maintain the minutes of the meeting.

3. Meetings

At the request of the external auditor, the Chair of the Board, the President and Chief Executive Officer (" **CEO**") or the Chief Financial Officer ("**CFO**") of the Company or any member of the Committee, the Chair of the Committee will convene a meeting of the Committee. In advance of every meeting of the Committee, the Chair, with the assistance of the CFO, will ensure that the agenda and meeting materials are distributed in a timely manner.

The Committee shall meet regularly and at least on a quarterly basis. The Committee shall hold in camera sessions without the presence of management after each meeting.

4. Duties and Responsibilities

The Committee shall take charge of all responsibilities imparted on an audit committee of the Company, as they may apply from time to time, under the *Business Corporations Act* (British Columbia), National Instrument 52-110 – Audit Committees, the *U.S. Sarbanes Oxley Act of 2002*, Rule 10A-3 under the *Securities Exchange Act of 1934*, and stock exchange rules. The duties and responsibilities of the Committee include the following:

4.1 Financial Reporting and Disclosure

a. Review and discuss with management and the external auditor at the completion of the annual examination:

   i. the Company's audited financial statements and related notes;

   ii. the external auditor's audit of the financial statements and their report;

   iii. any significant changes required in the external auditor's audit plan;

   iv. any serious difficulties or disputes with management encountered during the course of the audit; and

   v. other matters related to the conduct of the audit which are to be communicated to the Committee under IFRS.

b. Review and discuss with management and the external auditor at the completion of any review engagement or other examination, the Company's quarterly financial statements.

c. Review and discuss with management, prior to their public disclosure, the annual reports, quarterly reports, Management's Discussion and Analysis ("**MD&A**"), earnings press releases and any other material disclosure documents containing or incorporating by reference audited or unaudited financial statements

of the Company and, if thought advisable, provide their recommendations on such documents to the Board.

d. Review and discuss with management any guidance being provided to shareholders on the expected earnings of the Company and, if thought advisable, provide their recommendations on such documents to the Board.

e. Inquire of the auditors regarding the quality and acceptability of the Company's accounting principles and estimates, including the clarity of financial disclosure and the degree of conservatism or aggressiveness of the accounting policies and estimates.

f. Review the Company's compliance with any policies and reports received from regulators. Discuss with management and the external auditor the effect on the Company's financial statements of significant regulatory initiatives.

g. Meet with the external auditor and management in separate executive sessions, as necessary or appropriate, to discuss any matters that the Committee or any of these groups believe should be discussed privately with the Committee.

h. Ensure that management has the proper and adequate systems and procedures in place for the review of the Company's financial statements, financial reports and other financial information including all Company disclosure of financial information extracted or derived from the Company's financial statements, and that they satisfy all legal and regulatory requirements. The Committee shall periodically assess the adequacy of such procedures.

i. Review with the Company's counsel, management and the external auditor any legal or regulatory matter, including reports or correspondence, which could have a material impact on the Company's financial statements or compliance policies.

j. Based on discussions with the external auditor concerning the audit, the financial statement review and such other matters as the Committee deems appropriate, recommend to the Board the filing of the audited annual and unaudited quarterly financial statements and MD&A on SEDAR and the inclusion of the audited financial statements in the Annual Report on Form 40-F.

4.2 External Auditor

a. Be responsible for recommending to the Board the appointment of the Company's external auditor and for the compensation, retention and oversight of the work of the external auditor engaged by the Company. The external auditor shall report directly to the Committee. The Committee shall be responsible to resolve disagreements, if any, between management and the external auditor regarding financial reporting.

b. Consider, in consultation with the external auditor, the audit scope and plan of the external auditor.

c. Confirm with the external auditor and receive written confirmation at least once per year as to the external auditor's internal processes and quality control and disclosure of any investigations or government enquiries, reviews or investigations of the external auditor.

d. Take reasonable steps to confirm at least annually the independence of the external auditor, which shall include:

   i. ensuring receipt from the external auditor of a formal written statement delineating all relationships between the external auditor and the Company, consistent with IFRS, and determine that they satisfy the requirements of all applicable securities laws,

ii. considering and discussing with the external auditor any disclosed relationships or services, including non-audit services, that may impact the objectivity and independence of the external auditor, and

iii. approving in advance any audit or permissible non-audit related services provided by the external auditor to the Company with a view to ensuring independence of the external auditor, and in accordance with any applicable regulatory requirements, including the requirements of all applicable securities laws with respect to approval of non-audit related serviced performed by the external auditor.

e. Approve the lead audit partner for the Company's external auditor, confirm that such lead partner has not performed audit services for the Company for more than five previous fiscal years, and otherwise ensure the rotation of the lead partner and other partners in accordance with all applicable securities laws.

f. Review and approve the Company's hiring policies regarding partners, employees and former employees of the present and former external auditors of the Company.

4.3 Internal Controls and Audit

a. Review and assess the adequacy and effectiveness of the Company's systems of internal control and management information systems through discussion with management and the external auditor to ensure that the Company maintains appropriate systems, is able to assess the pertinent risks of the Company and that the risk of a material misstatement in the financial disclosures can be detected.

b. Assess the requirement for the appointment of an internal auditor for the Company.

c. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process required under applicable Canadian and United States securities laws. Review any significant deficiencies in the design and operation of internal controls over financial reporting or disclosure controls and procedures and any fraud involving management or other employees who have a significant role in the Company's internal controls.

4.4 General

a. Unless otherwise delegated to another committee by the Board, conduct an ongoing review of any transaction now in effect, and review and approve in advance any proposed transaction, that could be within the scope of "related party transactions" as such term is defined in applicable securities laws, and establish appropriate procedures to receive material information about and prior notice of any such transaction.

b. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

c. Conduct or authorize investigations into any matter within the scope of this Charter. The Committee may request that any officer or employee of the Company, its external legal counsel or its external auditor attend a meeting of the Committee or meet with any member(s) of the Committee.

d. Review the qualifications of the senior accounting and financial personnel.

e. Enquire of management and the external auditor regarding significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.

f. Provide oversight of the Company's policies, procedures and practices with respect to the maintenance of the books, records and accounts, and the filing of reports, by the Company with respect to third party payments in compliance with the *Foreign Corrupt Practices Act* (United States), *Corruption of Foreign Public Officials Act* (Canada), the *Extractive Sector Transparency Measures Act* (Canada) and similar applicable laws.

g. Perform any other activities consistent with this Charter, the Company's Articles and governing law, as the Committee or the Board deems necessary or appropriate.

4.5 Oversight Function

While the Committee has the responsibilities and powers set out in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in accordance with IFRS and applicable rules and regulations. These are the responsibilities of management and the external auditor. The Committee and the Chair and any members of the Committee identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are not specifically accountable or responsible for the day to day operation or performance of such activities. Although the designation of a member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation. Rather, the role of a member of the Committee who is identified as having accounting or related financial expertise, like the role of all members of the Committee, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

5. Chair of the Committee

The Chair of the Committee:

a. provides leadership to the Committee with respect to its functions as described in this Charter and as otherwise may be appropriate, including overseeing the logistics of the operations of the Committee;

b. chairs meetings of the Committee, unless not present, including in camera sessions, and reports to the Board following each meeting of the Committee on the findings, activities and any recommendations of the Committee;

c. ensures that the Committee meets on a regular basis and at least quarterly;

d. in consultation with the Chair of the Board and the Committee members, establishes a calendar for holding meetings of the Committee;

e. establishes the agenda for each meeting of the Committee, with input from other Committee members, the Chair of the Board and any other parties as applicable;

f. acts as liaison and maintains communication with the Chair of the Board and the Board to optimize and co-ordinate input from Board members, and to optimize the effectiveness of the Committee. This includes reporting to the full Board on all proceedings and deliberations of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Committee considers advisable;

g. reports annually to the Board on the role of the Committee and the effectiveness of the Committee's role in contributing to the objectives and responsibilities of the Board as a whole;

h. ensures that the members of the Committee understand and discharge their duties and obligations;

i. fosters ethical and responsible decision making by the Committee and its individual members;

j. together with the Corporate Governance and Nominating Committee, oversees the structure, composition, membership and activities delegated to the Committee from time to time;

k. ensures that resources and expertise are available to the Committee so that it may conduct its work effectively and efficiently and pre-approves work to be done for the Committee by consultants;

l. facilitates effective communication between members of the Committee and management;

m. addresses, or causes to be addressed, all concerns communicated to him or her under the Company's Whistleblower Policy or Code of Conduct; and

n. performs such other duties and responsibilities as may be delegated to the Chair of the Committee by the Board from time to time.

This Charter will be reviewed annually and any recommended changes will be submitted to the Board for approval.

SCHEDULE B
DEFINITIONS

Unless otherwise defined, technical terms used in this Annual Information Form have the following meanings. CIM Standards definitions are marked with an asterisk (*).

Term	Definition
atomic absorption (AA)	A spectroanalytical procedure for the quantitative determination of chemical elements employing the absorption of optical radiation (light) by free atoms in the gaseous state.
andesite	An extrusive igneous, volcanic rock of intermediate composition, with aphanitic to porphyritic texture.
assay	Analysis to determine the amount or proportion of the element of interest contained within a sample.
ball mill	A horizontal rotating steel cylinder which grinds ore to fine particles. The grinding is carried out by the pounding and rolling of a charge of steel balls carried within the cylinder.
batholith	A very large igneous intrusion extending deep in the earth's crust.
block cave	Used to mine massive, steeply-dipping ore bodies. An undercut with haulage access is driven under the ore body, with "drawbells" excavated between the top of the haulage level and the bottom of the undercut. The drawbells serve as a place for caving rock to fall into. The ore body is drilled and blasted above the undercut, and the ore is removed via the haulage access.
block model	A three-dimensional model that forms the basic framework of a mineral resource estimate.
bornite	A brittle reddish-brown crystalline mineral with an iridescent purple tarnish, consisting of a sulphide of copper and iron.
breccia	A coarse-grained clastic rock, composed of angular broken rock fragments held together by a mineral cement or in a fine-grained matrix; it differs from conglomerate in that the fragments have sharp edges and unworn corners.
bullion	Gold or silver in bulk before coining, or valued by weight.
by-product	A secondary metal or mineral product that is recovered along with the primary metal or mineral product during the ore concentration process.
calc-alkalic	Rocks are rich in alkaline earths (magnesia and calcium oxide) and alkali metals and make up a major part of the crust of the earth's continents.
Cenozoic	The current and most recent of the three Phanerozoic geological eras, following the Mesozoic Era and covering the period from about 65 million years ago to the present.
chalcocite	A dark gray mineral that is an important ore of copper.
chalcopyrite	A copper mineral composed of copper, iron and sulphur. It tarnishes easily; going from bronze or brassy yellow to yellowish or grayish brown, has a dark streak, and is lighter in weight and harder than gold.

Term	Definition
CIM	The Canadian Institute of Mining, Metallurgy and Petroleum.
concentrate	A processing product containing the valuable ore mineral from which most of the waste mineral has been eliminated.
core	Cylindrical rock cores produced by diamond drilling method that uses a rotating barrel and an annular-shaped, diamond-impregnated rock-cutting bit to produce cores and lift them to the surface to be examined.
Cretaceous	A geologic period and system from circa 145 to 66 million years ago. The Cretaceous follows the Jurassic period and is followed by the Paleogene period of the Cenozoic era. It is the last period of the Mesozoic Era, and, spanning 80 million years, the longest period of the Phanerozoic Eon.
crushing	Breaking of ore into smaller and more uniform fragments to be then fed to grinding mills or to a leach pad.
crust	The outermost solid shell of a rocky planet, which is chemically distinct from the underlying mantle.
cyanidation	A method of extracting exposed gold or silver grains from crushed or ground ore by dissolving the contained gold and silver in a weak cyanide solution.
decline	A downward inclined underground tunnel.
deformation	Change in the form or in the dimensions of a body produced by stress.
Devonian	A geologic period and system of the Paleozoic Era spanning from the end of the Silurian Period, about 419 million years ago, to the beginning of the Carboniferous Period, about 359 million years ago.
differential flotation	Process of separation of a complex ore into two or more mineral components and gangue by flotation.
dilution	The effect of waste or low-grade ore being included unavoidably in the mine ore, lowering the recovered grade.
doré	Unrefined gold and silver bullion bars, which will be further refined to almost pure metal.
ejido	In Mexico, a piece of land farmed communally under a system supported by the state.
electrowinning	Recovery of a metal from a solution by means of electro-chemical processes.
Eocene	A major division of the geologic timescale and the second epoch of the Paleogene Period in the Cenozoic Era. The Eocene spans the time from the end of the Palaeocene Epoch to the beginning of the Oligocene Epoch. The start of the Eocene is marked by the emergence of the first modern mammals.
epithermal	A hydrothermal mineral deposit formed within about one kilometre of the Earth's surface and in the temperature range of 50 to 200 degrees Celsius, occurring mainly as veins.
fault	A fracture in the earth's crust accompanied by a displacement of one side of the fracture with respect to the other and in a direction parallel to the fracture.
Feasibility Study	A comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying

Term	Definition
	Factors together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study.
felsic	Silicate minerals, magma, and rocks which are enriched in the lighter elements such as silicon, oxygen, aluminium, sodium, and potassium.
fire assay	Analysis to determine the amount or proportion of the element of interest contained within a sample alloy by removal of other metals. Also known as gravimetric analysis.
flotation	A separation process in which valuable mineral particles are induced to become attached to bubbles and float, while the non-valuable minerals sink.
formation	Unit of sedimentary rock of characteristic composition or genesis.
geophysical survey	Exploration activity mapping an area showing the physics of the earth.
grade	The amount of metal in each tonne of ore, expressed as grams per tonne for precious metals.
granite	A very hard, granular, crystalline, igneous rock consisting mainly of quartz, mica, and feldspar and often used as a building stone.
grinding (milling)	Powdering or pulverizing of ore, by pressure or abrasion, to liberate valuable minerals for further metallurgical processing.
heap leaching	A process whereby gold is extracted by “heaping” broken ore on sloping impermeable pads and repeatedly spraying the heaps with a weak cyanide solution which dissolves the gold content. The gold-laden solution is collected for gold recovery.
hectares	A metric unit of area measuring 100 metres by 100 metres.
hedging	Taking a buy or sell position in a futures market opposite to a position held in the cash market to minimize the risk of financial loss from an adverse price change.
Indicated Mineral Resource*	The part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.
Inferred Mineral Resource*	The part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that

Term	Definition
	the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
infill	The collection of additional samples between existing samples, used to provide greater geological detail and to provide more closely-spaced assay data.
intrusive	Igneous rock which, while molten, penetrated into or between other rocks and solidified before reaching the surface.
lode	A mineral deposit, consisting of a zone of veins, veinlets or disseminations, in consolidated rock as opposed to a placer deposit.
low-grade	Descriptive of ores relatively poor in the metal they are mined for; lean ore.
mafic	A group of dark-colored minerals, composed chiefly of magnesium and iron, that occur in igneous rocks.
Measured Mineral Resource*	The part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.
metamorphism	The process by which the form or structure of rocks is changed by heat and pressure.
mill	A processing facility where ore is finely ground and then undergoes physical or chemical treatment to extract the valuable metals. Also, the device used to perform grinding (milling).
mineral claim / **property** / **concession**	Authorizes the holder to prospect and mine for minerals and to carry out works in connection with prospecting and mining.
Mineral Reserve*	The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.
Mineral Resource*	A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into

Term	Definition
	Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.
Modifying Factors	Modifying Factors are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.
muscovite	A phyllosilicate mineral of aluminium and potassium. It has a highly-perfect basal cleavage yielding very thin sheets, which are often highly elastic.
NI 43-101	Canadian National Instrument NI 43-101 - Standards of Disclosure for Mineral Projects.
open pit mine	A mine where materials are removed entirely from a working that is open to the surface.
ore	Rock, generally containing metallic or non-metallic minerals, which can be mined and processed at a profit.
oxidation	Reaction of a material with an oxidizer such as pure oxygen or air in order to alter the state of the material.
oxide ore	Mineralized rock in which some of the original minerals have been oxidized. Oxidation tends to make the ore more amenable to cyanide solutions so that minute particles of gold will be readily dissolved.
Paleozoic	An era of geologic time that includes the Cambrian, Ordovician, Silurian, Devonian, Mississippian, Pennsylvanian and Permian periods and is characterized by the appearance of marine invertebrates, primitive fishes, land plants and primitive reptiles.
preliminary economic assessment (PEA)	A study, other than a Pre-Feasibility Study or Feasibility Study, which includes an economic analysis of the potential viability of Mineral Resources. The PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves and there is no certainty that the PEA based on these Mineral Resources will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
porphyry	A variety of igneous rock consisting of large-grained crystals, such as feldspar or quartz, dispersed in a fine-grained feldspathic matrix or groundmass.
Pre-Feasibility Study	A comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be converted to a Mineral Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

Term	Definition
Probable Mineral Reserve*	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.
Proven Mineral Reserve*	The economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.
pyrite	A yellow iron sulphide mineral, normally of little value. It is sometimes referred to as “fool’s gold.”
pyroclastic	Rocks produced by explosive or aerial ejection of ash, fragments, and glassy material from a volcanic vent.
pyrrhotite	A brownish yellow iron sulphide mineral.
Qualified Person*	An individual who (i) is an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geosciences, or engineering, relating to mineral exploration or mining; (ii) has at least five years’ experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, that is relevant to his or her professional degree or area of practice; (iii) has experience relevant to the subject matter of the mineral project and the technical report; (iv) is in good standing with a professional association; (v) and in the case of a professional association in a foreign jurisdiction, has a membership designation that (a) requires attainment of a position of responsibility in their profession that requires the exercise of independent judgment; and (ii) requires (1) a favourable confidential peer evaluation of the individual’s character, professional judgment, experience, and ethical fitness; or (2) a recommendation for membership by at least two peers, and demonstrated prominence or expertise in the field of mineral exploration or mining.
quality assurance and quality control (QA/QC)	The process of measuring and assuring product quality to meet consumer expectations.
reclamation	The restoration of a site after mining or exploration activity is completed.
reclamation and closure costs	The cost of reclamation plus other costs, including without limitation certain personnel costs, insurance, property holding costs such as taxes, rental and claim fees, and community programs associated with closing an operating mine.
recovered grade	Actual metal grade realized by the metallurgical process and treatment or ore, based on actual experience or laboratory testing.
recovery	A term used in process metallurgy to indicate the proportion of valuable material obtained in the processing of an ore. It is generally stated as a percentage of valuable metal in the ore that is recovered compared to the total valuable metal present in the ore.
refining	The final stage of metal production in which impurities are removed from the molten metal.
reverse circulation	A drilling method that uses a rotating cutting bit within a double-walled drill pipe and produces rock chips rather than core. Air or water is circulated down to the bit between

Term	Definition
	the inner and outer wall of the drill pipe. The chips are forced to the surface through the centre of the drill pipe and are collected, examined and assayed.
run-of-mine (ROM)	Ore in its natural, unprocessed state; pertaining to ore just as it is mined.
sample	A small portion of rock, or a mineral deposit, taken so that the metal content can be determined by assaying.
scoping study	A technical and economic study conducted to investigate the approximate economics and viability of various development options for the mining and treatment of a mineral deposit.
sedimentary rocks	Secondary rocks formed from material derived from other rocks and laid down under water. Examples are limestone, shale and sandstone.
semi-autogenous (SAG) mill	A steel cylinder with steel balls into which run-of-mine material is fed. The ore is ground with the action of large lumps of rock and steel balls.
shear zone	A geological term used to describe a geological area in which shearing has occurred on a large scale.
silica	The dioxide of silicon occurring in crystalline, amorphous, and impure forms (as in quartz, opal, and sand respectively). Used to manufacture a wide variety of materials, especially glass and concrete.
sphalerite	A zinc mineral which is composed of zinc and sulphur.
stock	A magma that has intruded into pre-existing rock in a columnar shape, typically a kilometre or more in diameter.
stockpile	Broken ore heaped on the surface, pending treatment or shipment.
tailings	The material that remains after all metals considered economic have been removed from ore during milling.
tailings facility	A natural or man-made confined area suitable for depositing the material that remains after the treatment of ore.
terrane	Area of land of a particular character, e.g., mountainous, swampy.
tonne	Metric unit of mass equaling 1,000 kilograms or 2,240 pounds. Called a "long ton."
ton	Unit of weight equaling 2,000 pounds. Called a "short ton."
tuff	Rock composed of fine volcanic ash.
vein	A fissure, fault or crack in a rock filled by minerals that have traveled upwards from some deep source.
volcanics	A general collective term for extrusive igneous and pyroclastic material and rocks.

SCHEDULE C
ABBREVIATIONS AND MEASUREMENT CONVERSION

Unless otherwise defined, abbreviations used in this Annual Information Form have the following meanings:

m	micron
AA	Atomic Absorption
Ag	Silver
Au	Gold
°C	degree Celsius
°F	degree Fahrenheit
mg	microgram
cm	centimetre
cm^2	square centimetre
Cu	Copper
ft	foot
g	gram
G	giga (billion)
HQ	diamond drill core measuring 2.5 inches in diameter (6.35 centimetres)
ICP	Induction Coupled Plasmaspectrometry
in	inch
IRR	internal rate of return
K	kilo (thousand)
KWh	kilowatt-hour
kg	kilogram
km	kilometre
km^2	kilometres squared
L	litre
lb	pound
m	metre
m^2	metres squared
M	mega (million)
mm	millimetre
NPV	net present value.
NQ	diamond drill core measuring 1.78 inches in diameter (4.5 centimetres)
NSR	net smelter return
oz/t	ounce per ton
oz	Troy ounce/ounce (31.1035g)
Pb	Lead
PQ	diamond drill core measuring 3.35 inches in diameter (8.5 centimetres)
RC	reverse circulation
s	second
st	short ton (one short ton equals 0.907 metric tonnes)
t	metric tonne (one metric tonne equals 1.102 short tons)

tpa	metric tonne per year
tpd	metric tonne per day
W	watt
yd	yard
Zn	Zinc

The following table lists Imperial measurements and their equivalent value under the Metric system:

Imperial	Converts to	Metric
1 in	=	2.54 cm
1 ft (12 in)	=	0.3048 m
1 yd (3ft)	=	0.9144 m
1 mile (1760 yd)	=	1.6093 km
1 square in (in2)	=	6.4516 cm^2
1 square ft (ft^2)	=	0.0929 m^2
1 square yd (yd^2)	=	0.8361 m^2
1 acre (4840 yd^2)	=	4046.9 m^2
1 square mile (640 acres)	=	2.59 km^2
short ton	=	0.907 metric tonnes

SCHEDULE D
EXCHANGE RATE AND METAL PRICE INFORMATION

Exchange Rate

The high, low, average and closing exchange rates for Canadian dollars in terms of the United States dollar (noon) for each of the three years ended December 31, 2017, 2016 and 2015, as quoted by the Bank of Canada, were as follows:

	2017	2016	2015
High	1.3743	1.4589	1.3990
Low	1.2128	1.2544	1.1728
Average [(1)]	1.2986	1.3248	1.2767
Closing	1.2545	1.3427	1.3825

[(1)] Calculated as an average of the daily noon rates for each period.

On March 26, 2018, the average exchange rate for Canadian dollars in terms of the United States dollar, as quoted by the Bank of Canada, was US$1 = C$1.2886 and C$1= US$0.7760.

Gold Prices

The high, low, average and closing afternoon fixing gold prices per troy ounce for each of the three years ended December 31, 2017, 2016 and 2015, as quoted by the London Bullion Market Association ("**LBMA**"), were as follows:

	2017 ($)	2016 ($)	2015 ($)
High	1,346	1,366	1,296
Low	1,151	1,077	1,049
Average	1,257	1,251	1,160
Closing	1,291	1,146	1,060

On March 26, 2018, the closing afternoon LBMA gold price per troy ounce, as quoted by the London Bullion Market Association, was $1,352.40.

Silver Prices

The high, low, average and closing silver prices per troy ounce for each of the three years ended December 31, 2017, 2016 and 2015, as quoted by the London Bullion Market Association, were as follows:

	2017 ($)	2016 ($)	2015 ($)
High	18.56	20.71	18.23
Low	15.22	13.58	13.71
Average	17.05	17.14	15.68
Closing	16.87	16.24	13.82

On March 26, 2018, the closing LBMA silver price per troy ounce, as quoted by the London Bullion Market Association, was $16.61.

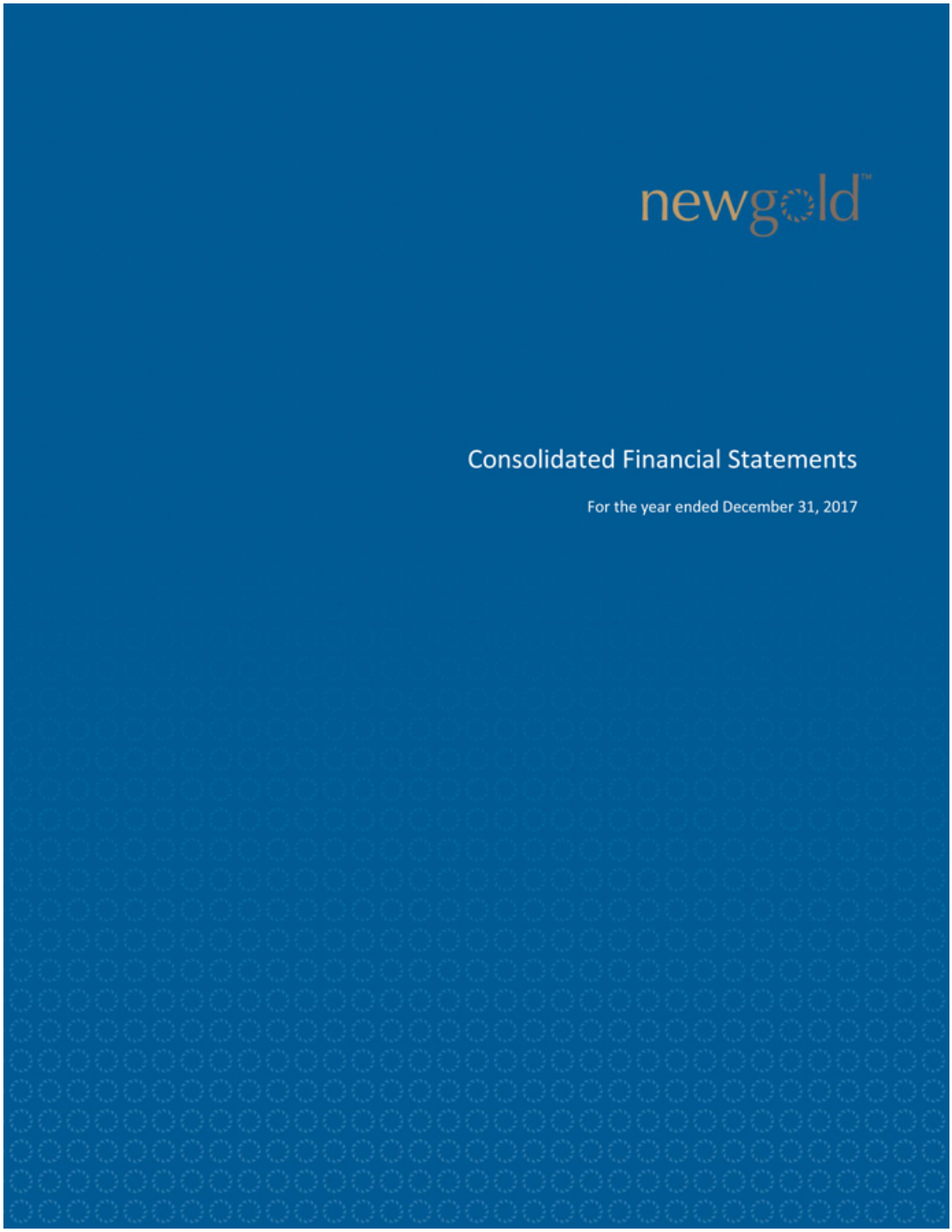
Copper Prices

The high, low, average and closing official cash settlement copper prices per pound for each of the three years ended December 31, 2017, 2016 and 2015, as quoted by the London Metal Exchange, were as follows:

	2017 ($)	2016 ($)	2015 ($)
High	3.27	2.69	2.92
Low	2.48	1.96	2.05
Average	2.80	2.21	2.49
Closing	3.25	2.50	2.13

On March 26, 2018, the closing official cash settlement copper price per pound, as quoted by the London Metal Exchange, was $2.95.

Exhibit 2


newgold™
Consolidated Financial Statements
For the year ended December 31, 2017

newgold

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements, the notes thereto and other financial information contained in the Management's Discussion and Analysis have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of New Gold Inc. The financial information presented in the Management's Discussion and Analysis is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgment of management.

In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review financial reporting issues.

The consolidated financial statements have been audited by Deloitte LLP, the Company's independent registered public accounting firm, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States).

(Signed) Hannes Portmann

Hannes Portmann
President and
Chief Executive Officer

(Signed) Paula Myson

Paula Myson
Executive Vice President and
Chief Financial Officer

Toronto, Canada
February 20, 2018

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d—15(f) under the Exchange Act as of December 31, 2017. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2017, the Company's internal control over financial reporting is effective based on those criteria. There are no material weaknesses that have been identified by management.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by Deloitte LLP, the Company's independent registered public accounting firm, as stated in their report immediately preceding the Company's audited consolidated financial statements for the year ended December 31, 2017.

(Signed) Hannes Portmann

Hannes Portmann
President and
Chief Executive Officer

(Signed) Paula Myson

Paula Myson
Executive Vice President and
Chief Financial Officer

Toronto, Canada
February 20, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of New Gold Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of New Gold Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated income statements, consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flow for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on Internal Control over Financial Reporting

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2018 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Those standards also require that we comply with ethical requirements. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and to fulfill our other ethical responsibilities in accordance with these requirements.

An audit includes performing procedures to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

(Signed) Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 20, 2018

We have served as the Company's auditor since 2007.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of New Gold Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of New Gold Inc. and subsidiaries (the "Company") as of December 31, 2017 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and Canadian generally accepted auditing standards, the consolidated financial statements as of and for the year ended December 31, 2017 of the Company and our report dated February 20, 2018, expressed an unmodified/unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(Signed) Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 20, 2018

CONSOLIDATED INCOME STATEMENTS

(in millions of U.S. dollars, except per share amounts)	Note	Year ended December 31 2017	2016 (Note 5)
Revenues		**604.4**	522.8
Operating expenses	6	**321.0**	275.5
Depreciation and depletion		**220.3**	200.1
Revenue less cost of goods sold		**63.1**	47.2
Corporate administration		**23.7**	22.9
Corporate restructuring[1]		**4.2**	-
Share-based payment expenses	15	**5.1**	8.3
Asset impairment	11	**268.4**	6.4
Exploration and business development		**6.4**	4.1
(Loss) earnings from operations		**(244.7)**	5.5
Finance income	6	**1.1**	1.4
Finance costs	6	**(13.2)**	(9.9)
Other gains (losses)	6	**39.2**	(7.7)
Loss before taxes		**(217.6)**	(10.7)
Income tax recovery	17	**115.9**	2.1
Loss from continuing operations[2]		**(101.7)**	(8.6)
(Loss) earnings from discontinued operations, net of tax	16	**(6.3)**	1.6
Net loss		**(108.0)**	(7.0)
Loss from continuing operations per share			
Basic	15	**(0.18)**	(0.02)
Diluted	15	**(0.18)**	(0.02)
Loss per share			
Basic	15	**(0.19)**	(0.01)
Diluted	15	**(0.19)**	(0.01)
Weighted average number of shares outstanding (in millions)			
Basic	15	**564.7**	511.8
Diluted	15	**564.7**	511.8

1. *Throughout 2017, the Company initiated a restructuring plan that impacted its corporate office workforce. As a result, the Company recognized a restructuring charge of approximately $4.2 million related to severance and other termination benefits.*
2. *For the year ended December 31, 2017 and comparative periods, Peak Mines has been classified as a discontinued operation and accordingly earnings and cash flows from continuing operations are presented exclusive of Peak Mines. Refer to Note 16 for further details.*

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in millions of U.S. dollars)	Note	Year ended December 31 2017	2016 (Note 5)
Net loss		**(108.0)**	(7.0)
Other comprehensive loss			
Unrealized foreign exchange gain on cash and cash equivalents designated as hedging instruments	14	**-**	4.9
Reclassification of realized foreign exchange gain on cash and cash equivalents designated as hedging instruments	14	**-**	3.2
Unrealized (loss) gain on mark-to-market of diesel swap contracts	14	**(0.4)**	1.2
Reclassification of realized loss on settlement of diesel swap contracts	14	**0.3**	2.5
Loss on revaluation of gold stream obligation	13	**(7.6)**	(67.8)
Deferred income tax related to derivative contracts and gold stream obligation	13, 14	**1.8**	20.4
Total other comprehensive loss		**(5.9)**	(35.6)
Total comprehensive loss		**(113.9)**	(42.6)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of U.S. dollars)	Note	As at December 31 2017	As at December 31 2016 (Note 5)
ASSETS			
Current assets			
Cash and cash equivalents		**216.2**	185.9
Trade and other receivables	7	**27.1**	37.1
Inventories	9	**193.2**	150.4
Current income tax receivable		**12.9**	12.5
Derivative assets	14	**-**	18.0
Prepaid expenses and other		**5.6**	6.1
Total current assets		**455.0**	410.0
Non-current inventories	9	**78.7**	103.3
Mining interests	10	**3,200.4**	3,191.3
Deferred tax assets	17	**171.6**	224.9
Other		**2.6**	3.5
		3,908.3	3,933.0
Assets held for sale	16	**109.0**	**-**
Total assets		**4,017.3**	3,933.0
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	**178.2**	169.2
Current income tax payable		**-**	6.2
Deferred benefit – Peak sale prepayment	16	**3.0**	-
Total current liabilities		**181.2**	175.4
Reclamation and closure cost obligations	18	**121.5**	81.0
Gold stream obligation	13	**249.0**	246.5
Provisions	24	**2.6**	12.0
Long-term debt	12	**1,007.7**	889.5
Deferred tax liabilities	17	**250.3**	455.2
Other		**2.7**	0.2
		1,815.0	1,859.8
Liabilities held for sale	16	**62.8**	-
Total liabilities		**1,877.8**	1,859.8
Equity			
Common shares	15	**3,036.5**	2,859.0
Contributed surplus		**103.2**	100.5
Other reserves		**(38.9)**	(33.0)
Deficit		**(961.3)**	(853.3)
Total equity		**2,139.5**	2,073.2
Total liabilities and equity		**4,017.3**	3,933.0

See accompanying notes to the consolidated financial statements.

Approved and authorized by the Board of Directors on February 20, 2018

"Ian Pearce"
Ian Pearce, Director

"Kay Priestly"
Kay Priestly, Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of U.S. dollars)	Note	Year ended December 31 2017	2016 (Note 5)
COMMON SHARES			
Balance, beginning of period		**2,859.0**	2,841.0
Common share issuance	15	**176.1**	17.6
Shares issued for exercise of options and vested PSUs		**1.4**	0.4
Balance, end of period		**3,036.5**	2,859.0
CONTRIBUTED SURPLUS			
Balance, beginning of period		**100.5**	102.3
Exercise of options and vested PSUs	15	**(0.8)**	(6.9)
Equity settled share-based payments		**3.5**	5.4
Reclassification of share-based payments		**-**	(0.3)
Balance, end of period		**103.2**	100.5
OTHER RESERVES			
Balance, beginning of period		**(33.0)**	2.6
Change in fair value of hedging instruments (net of tax)	14	**(0.1)**	10.3
Gain (loss) on revaluation of gold stream obligation (net of tax)		**(5.8)**	(45.9)
Balance, end of period		**(38.9)**	(33.0)
DEFICIT			
Balance, beginning of period		**(853.3)**	(846.3)
Net earnings		**(108.0)**	(7.0)
Balance, end of period		**(961.3)**	(853.3)
Total equity		**2,139.5**	2,073.2

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(in millions of U.S. dollars)	Note	Year ended December 31 2017	2016 (Note 5)
OPERATING ACTIVITIES			
Loss from continuing operations		**(101.7)**	(8.6)
Adjustments for:			
Foreign exchange gains	6	**(43.8)**	(12.0)
Reclamation and closure costs paid	18	**(1.4)**	(2.4)
Gain on disposal of El Morro stream		**(33.0)**	-
Impairment of assets and inventory write-down	9, 11	**268.4**	30.9
Depreciation and depletion		**220.6**	200.3
Other non-cash adjustments	19	**46.4**	28.3
Income tax recovery	17	**(115.9)**	(2.1)
Finance income	6	**(1.1)**	(1.4)
Finance costs	6	**13.2**	9.9
		251.7	242.9
Change in non-cash operating working capital	19	**40.9**	(20.3)
Income taxes paid		**(17.6)**	2.4
Operating cash flows generated from continuing operations[1]		**275.0**	225.0
Operating cash flows generated from discontinued operations	16	**67.2**	57.2
Cash generated from operations		**342.2**	282.2
INVESTING ACTIVITIES			
Mining interests		**(567.0)**	(555.9)
Gold price option contract investment costs		**(0.9)**	(3.5)
Proceeds from the sale of assets		**65.3**	0.7
Prepayment received on Peak sale, net of transaction costs		**2.6**	-
Tax on proceeds from disposal of El Morro		**-**	(0.9)
Interest received		**1.0**	1.4
Investing cash flows used by continuing operations[1]		**(499.0)**	(558.2)
Investing cash flows used by discontinued operations	16	**(34.6)**	(10.4)
Cash used by investing activities		**(533.6)**	(568.6)
FINANCING ACTIVITIES			
Proceeds received from exercise of options	15	**0.6**	9.7
Net proceeds received from issuance of common shares		**164.7**	-
Financing initiation costs		**-**	(1.0)
Issuance of senior unsecured notes, net of transaction costs	12	**294.6**	-
Repayment of senior unsecured notes	12	**(305.3)**	-
Drawdown of Credit Facility	12	**130.0**	100.0
Cash settlement of gold stream obligation	13	**(1.1)**	-
Interest paid		**(63.7)**	(55.3)
Proceeds from gold stream agreement	13	**-**	75.0
Cash generated by financing activities		**219.8**	128.4
Effect of exchange rate changes on cash and cash equivalents		**1.9**	8.4
Change in cash and cash equivalents		**30.3**	(149.6)
Cash and cash equivalents, beginning of period		**185.9**	335.5
Cash and cash equivalents, end of period		**216.2**	185.9
Cash and cash equivalents are comprised of:			
Cash		**161.3**	135.7
Short-term money market instruments		**54.9**	50.2
		216.2	185.9

1. *For the year ended December 31, 2017 and comparative periods, Peak Mines has been classified as a discontinued operation and accordingly earnings and cash flows from continuing operations are presented exclusive of Peak Mines. Refer to Note 16 for further details.*

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016
(Amounts expressed in millions of U.S. dollars, except per share amounts and unless otherwise noted)

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

New Gold Inc. ("New Gold" or the "Company") is an intermediate gold mining company engaged in the development and operation of mineral properties. The assets of the Company, directly or through its subsidiaries, are comprised of the Rainy River Mine in Canada ("Rainy River"), which achieved commercial production on November 1, 2017, the New Afton Mine in Canada ("New Afton"), the Mesquite Mine in the United States ("Mesquite"), the Cerro San Pedro Mine in Mexico ("Cerro San Pedro") and the Peak Mines in Australia ("Peak Mines") which has been classified as a discontinued operation as at and for the year ended December 31, 2017. The Company also owns the Blackwater project in Canada ("Blackwater").

The Company is a corporation governed by the Business Corporations Act (British Columbia). The Company's shares are listed on the Toronto Stock Exchange and the New York Stock Exchange American under the symbol NGD.

The Company's registered office is located at 1100 Melville Street, Suite 610, Vancouver, British Columbia, V6E 4A6, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"), referred to as "IFRS".

These consolidated financial statements were approved by the Board of Directors of the Company on February 20, 2018.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for those assets and liabilities that are measured at fair values at the end of each reporting period. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

Subsidiaries

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ("Subsidiaries"). Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary.

Associates

Associates are those entities in which the Company has significant influence over the financial and operating policies but not control and that is not a Subsidiary ("Associates"). Significant influence is normally presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. The Company's share of net assets and net earnings or loss is accounted for in the consolidated financial statements using the equity method.

THE PRINCIPAL SUBSIDIARIES OF THE COMPANY ARE AS FOLLOWS:

Name of subsidiary/associate	Principal activity	Method of accounting	Country of incorporation and operation	Interest as at December 31, 2017	Interest as at December 31, 2016
Minera San Xavier S.A. de C.V.	Mining	Consolidated	Mexico	100%	100%
Peak Gold Mines Pty Ltd.[1]	Mining	Consolidated	Australia	100%	100%
Western Mesquite Mines Inc.	Mining	Consolidated	USA	100%	100%

1. *The Company has entered into an agreement to sell Peak Gold Mines Pty Ltd. As a result, the assets and liabilities associated with this subsidiary have been classified and presented as held-for-sale as at December 31, 2017.*

(d) Business combinations and asset acquisitions

A business combination is an acquisition of assets and liabilities that constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to the company and its shareholders in the form of improved earnings, lower costs or other economic benefits.

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at 100% of their acquisition-date fair values. The acquisition date is the date the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. The Company considers all relevant facts and circumstances in determining the acquisition date.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, the liabilities, including contingent consideration, incurred and payable by the Company to former owners of the acquiree and the equity interests issued by the Company. The measurement date for equity interests issued by the Company is the acquisition date.

Acquisition-related costs, other than costs to issue debt or equity securities, of the Company, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred. The costs to issue equity securities of the Company as consideration for the acquisition are reduced from share capital as share issue costs.

The Company accounts for the purchase of assets and assumption of liabilities as an acquisition of net assets when the transactions do not qualify as a business combination under IFRS 3, *Business Combinations,* as the significant inputs and processes that constitute a business are not identified. The purchase consideration is allocated to the fair value of the assets acquired and liabilities assumed based on management's best estimates and available information at the time of the acquisition. Acquisition-related costs, other than costs to issue debt or equity securities, of the Company, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are capitalized as part of the asset acquisition.

(e) Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the date of acquisition to be cash equivalents. These highly liquid investments only comprise short-term Canadian and United States government treasury bills and other evidences of indebtedness and treasury bills of the Canadian provinces with a minimum credit rating of R-1 mid from the Dominion Bond Rating Service or an equivalent rating from Standard & Poor's and Moody's. In addition, the Company invests in bankers' acceptances and other evidences of indebtedness of certain financial institutions, including Canadian banks.

(f) Inventories

Finished goods, work-in-process, heap leach ore and stockpiled ore are valued at the lower of weighted average production cost or net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert the inventories into saleable form. At operations where ore extracted contains significant amount of metals other than gold, primarily copper or silver, cost is allocated between the joint products on a pro rata basis.

The recovery of gold and silver from certain ores is achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution which dissolves the gold contained in ore. The resulting “pregnant” solution is further processed in a plant where the gold is recovered. For accounting purposes, costs are added to ore on leach pads for current mining and leaching costs, including applicable depreciation, depletion and amortization relating to mining interests. Costs are removed from ore on leach pads as ounces of gold and silver are recovered based on the average cost per recoverable ounce on the leach pad.

Estimates of recoverable gold and silver on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tonnes added to the leach pads), the grade of ore placed on the leach pads (based on assay data), and a recovery percentage (based on ore type). Although the quantities of recoverable gold and silver placed on each leach pad are reconciled by comparing the grades of ore placed on the leach pad to the quantities actually recovered, the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. The recovery of gold and silver from the leach pad is not known until the leaching process has concluded. In the event that the Company determines, based on engineering estimates, that a quantity of gold or other metal (silver) contained in ore on leach pads is to be recovered over a period exceeding 12 months, that portion is classified as long-term.

Work-in-process inventory represents materials that are currently in the process of being converted into finished goods. The average production cost of finished goods represents the average cost of work-in-process inventories incurred prior to the refining process, plus applicable refining, selling, shipping costs and associated royalties.

Supplies are valued at the lower of weighted average cost and net realizable value.

(g) Mining interests

Mining interests includes mining properties and related plant and equipment. Capitalized costs are depreciated and depleted using either a unit-of-production method over the estimated economic life of the mine to which they relate, or for plant and equipment, using the straight-line method over their estimated useful lives, if shorter than the mine life.

Mining properties

The costs associated with mining properties are separately allocated to mineral reserves and mineral resources, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired.

Mining properties include costs directly attributable to bringing a mineral asset into the state where it is capable of operating in the manner intended by management. The determination of development costs to be capitalized during the production stage of a mine operation requires the use of judgments and estimates.

The value associated with mineral resources and exploration potential is the value beyond proven and probable mineral reserves assigned through acquisition. The mineral resource value represents the property interests that are believed to potentially contain economic mineralized material such as measured, indicated, and inferred mineral resources with insufficient drill spacing to qualify as proven and probable mineral reserves, and inferred mineral resources in close proximity to proven and probable mineral reserves. Exploration potential represents the estimated mineralized material contained within (i) areas adjacent to existing reserves and mineralization located within the immediate mine area; (ii) areas outside of immediate mine areas that are not part of measured, indicated, or inferred resources; and (iii) Greenfields exploration potential that is not associated with any other production, development, or exploration stage property, as described above. At least annually or when otherwise appropriate, and subsequent to its review and evaluation for impairment, value from the non-depletable category is transferred to the depletable category as a result of an analysis of the conversion of mineral resources or exploration potential into mineral reserves.

The Company estimates its mineral reserves and mineral resources based on information compiled by appropriately qualified persons. The estimation of recoverable reserves will be impacted by forecast commodity prices, exchange rates, production costs and recoveries amongst other factors. Changes in the reserve or resource estimates may impact the carrying value of assets and depreciation and impairment charges recorded in the consolidated income statement.

A mining property is considered to be capable of operating in a manner intended by management when it commences commercial production. The critical judgments included in the determination of the commencement of commercial production are described in Note 3(a)(i). Upon commencement of commercial production, a mining property is depleted on a unit-of-production method. Unit-of-production depletion rates are determined based on the estimated recoverable proven and probable mineral reserves at the mine.

Costs related to property acquisitions are capitalized until the viability of the mineral property is determined. When either external or internal triggering events determined that a property is not economically recoverable, the capitalized costs are written off.

The costs associated with the acquisition of land holdings are included within mining interest and are not depleted.

Exploration and evaluation

Exploration and evaluation costs are expensed until the probability that future economic benefits will flow to the entity and the asset cost or value can be measured reliably. Management uses the following criteria to determine the economic recoverability and probability of future economic benefits:

- The Company controls access to the benefit;
- Internal project economics are beneficial to the Company;
- The project is technically feasible; and
- Costs can be reliably measured.

Further development expenditures are capitalized to the property.

Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are exploration expenditures and are expensed as incurred to the date of establishing that property costs are economically recoverable. Further development expenditures, subsequent to the establishment of economic recoverability, are capitalized to the property.

Property, plant and equipment

Plant and equipment consists of buildings and fixtures, and surface and underground fixed and mobile equipment.

Depreciation and depletion rates of major categories of asset costs

Mining assets are depleted using a unit-of-production method based on the estimated economically recoverable reserves, to which they relate. Management reviews the estimated total recoverable ounces contained in depletable reserves at each financial year end, and when events and circumstances indicate that such a review should be made. Plant and equipment is depreciated using the straight-line method over their estimated useful lives, or the remaining life of the mine if shorter.

Asset class	Estimated useful life (years)
Building	**15 – 17**
Plant and machinery	**3 – 17**
Office equipment	**5 – 10**
Vehicles	**5 – 7**
Computer equipment	**3 – 5**

Capitalized borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized until such time as the assets are substantially ready for their intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of interest rates applicable to relevant general borrowings of the Company during the period, to a maximum of actual borrowing costs incurred. Capitalization of interest is suspended during extended periods in which active development is interrupted.

Stripping costs in surface mining

As part of its operations, the Company incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred as part of development stage mining activities incurred by the Company are deferred and capitalized as part of mining properties.

Stripping costs incurred during the production stage are incurred in order to produce inventory or to improve access to ore which will be mined in the future. Where the costs are incurred to produce inventory, the production stripping costs are accounted for as a cost of producing those inventories. Where the costs are incurred to improve access to ore which will be mined in the future, the costs are deferred and capitalized to the Statement of Financial Position as a stripping activity asset (included in mining interest) if the following criteria are met: improved access to the ore body is probable; the component of the ore body can be accurately identified; and the costs relating to the stripping activity associated with the component can be reliably measured. If these criteria are not met, the costs are expensed in the period in which they are incurred.

The stripping activity asset is subsequently depleted using the units-of-production depletion method over the life of the identified component of the ore body to which access has been improved as a result of the stripping activity.

Derecognition

Upon sale or abandonment, the cost of the asset and related accumulated depreciation or depletion are removed from the accounts and any gains or losses thereon are recognized in net earnings.

(h) Impairment of long-lived assets

The Company reviews and evaluates its mining interests for indicators of impairment at the end of each reporting period. Impairment assessments are conducted at the level of cash-generating units ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each operating mine and development project represents a separate CGU as each mine site or development project has the ability or the potential to generate cash inflows that are separately identifiable and independent of each other. If an indication of impairment exists, the recoverable amount of the CGU is estimated. An impairment loss is recognized when the carrying amount of the CGU is in excess of its recoverable amount.

The recoverable amount of a mine site is the greater of its fair value less costs to dispose and value in use. In determining the recoverable amounts of the Company's mine sites, the Company uses the fair value less costs to dispose as this will generally be greater than or equal to the value in use. When there is no binding sales agreement, fair value less costs to dispose is estimated as the discounted future after-tax cash flows expected to be derived from a mine site, less an amount for costs to dispose estimated based on similar past transactions. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. When discounting estimated future cash flows, the Company uses an after-tax discount rate that would approximate what market participants would assign. Estimated cash flows are based on expected future production, metal selling prices, operating costs and capital costs. If the recoverable amount of a mine site is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The carrying amount of each mine site includes the carrying amounts of mining properties, plant and equipment, and certain deferred tax balances. Impairment losses are recognized as expenses in the period they are incurred. The allocation of an impairment loss, if any, for a particular mine site to its mining properties and plant and equipment is based on the relative book values of these assets at the date of impairment.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for a long-lived asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU. A reversal of an impairment loss is recognized up to the lesser of the recoverable amount or the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the CGU in prior years. Reversals of impairment losses are recognized in net earnings in the period the reversals occur.

(i) Reclamation and closure cost obligations

The Company's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company has recorded a liability and corresponding asset for the estimated future cost of reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs These costs represent management's best estimates which incorporate assumptions on the effects of inflation, movements in foreign exchange rates and the effects of country and other specific risks associated with the related liabilities. The costs are discounted to net present value using the risk free rate applicable to the future cash outflows. Such estimates are, however, subject to change based on negotiations with regulatory authorities, changes in laws and regulations or changes to market inputs to the decommissioning model.

The present value of estimated costs is recorded in the period in which the asset is installed or the environment is disturbed and a reasonable estimate of future costs and discount rates can be made. The provision is discounted using a risk-free rate and estimates of future cash flows are adjusted to reflect risk.

After the initial measurement, the obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized in finance costs, whereas increases and decreases due to changes in the estimated future cash flows are included in inventory or capitalized and depreciated over the life of the related asset unless the amount deducted from the cost exceeds the carrying value of the asset, in which case the excess is recorded in net earnings. Actual costs incurred upon settlement of the site restoration obligation are charged against the provision to the extent the provision was established for those costs. Upon settlement of the liability, a gain or loss may be recorded in net earnings.

(j) Income taxes

The income tax expense or benefit for the period consists of two components: current and deferred.

Current Tax

The tax currently payable is based on taxable earnings for the year. Taxable earnings differ from earnings before taxes due to items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the Statement of Financial Position date in each of the jurisdictions and includes any adjustments for taxes payable or recovery in respect of prior periods.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable net earnings. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax liabilities are generally recorded for all taxable temporary differences. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in Subsidiaries and Associates except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable earnings will be available against which those deductible temporary differences can be utilized. The carrying amount of the deferred tax assets are reviewed at each Statement of Financial Position date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The Company records foreign exchange gains and losses representing the impacts of movements in foreign exchange rates on the tax bases of non-monetary assets and liabilities which are denominated in foreign currencies. Foreign exchange gains and losses relating to deferred income taxes are included within foreign exchange gains in the consolidated income statement.

Current and deferred tax for the year

Current and deferred tax are recognized in net earnings except when they arise as a result of items recognized in other comprehensive income or directly in equity in the current or prior periods, in which case the related current and deferred income taxes are also recognized in other comprehensive income or directly in equity, respectively.

Government assistance and tax credits

Any federal or provincial tax credits received by the Company, with respect to exploration or development work conducted on any of its properties, are credited as a reduction to the carrying costs of the property to which the credits related. The Company records these tax credits when there is reasonable assurance with regard to collections and assessments as well as reasonable assurance that the Company will comply with the conditions associated to them and that the grants will be received.

(k) Foreign currency translation

The individual financial statements of each Subsidiary are presented in the currency of the primary economic environment in which that entity operates (its functional currency). The functional currency of the Company and the presentation currency of the consolidated financial statements is the United States dollar ("U.S. dollar").

Management determines the functional currency by examining the primary economic environment of each operating mine, development and exploration project. The Company considers the following factors in determining its functional currency:

- The main influences of sales prices for goods and the country whose competitive forces and regulations mainly determine the sales price;
- The currency that mainly influences labour, material and other costs of providing goods;
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

When preparing the consolidated financial statements of the Company, the Company translates non-U.S. dollar balances into U.S. dollars as follows:

- Mining interest and equity method investments using historical exchange rates;
- Financial instruments measured at fair value through profit or loss using the closing exchange rate as at the Statement of Financial Position date with translation gains and losses recorded in net earnings;
- Deferred tax assets and liabilities using the closing exchange rate as at the Statement of Financial Position date with translation gains and losses recorded in net earnings;
- Other assets and liabilities using the closing exchange rate as at the Statement of Financial Position date with translation gains and losses recorded in net earnings; and
- Income and expenses using the average exchange rate for the period, except for expenses that relate to non-monetary assets and liabilities measured at historical rates, which are translated using the same historical rate as the associated non-monetary assets and liabilities.

(l) Earnings (loss) per share

Earnings (loss) per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the year. Diluted earnings per share are calculated using the treasury stock method. This requires the calculation of diluted earnings per share by assuming that outstanding stock options and share purchase warrants ("Warrants") with an average market price that exceeds the average exercise prices of the options and warrants for the year, are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common share for the year.

(m) Revenue recognition

Revenue from the sale of metals and metals in concentrate is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of metals in concentrate may be subject to adjustment upon final settlement of estimated metal prices, weights and assays. Revenue is recognized based on the estimated fair value of the total consideration receivable. Adjustments to revenue for metal prices and other adjustments are recorded at each period end and on final settlement. Refining and treatment charges are netted against revenue for sales of metal concentrate.

(n) Share-based payments

The Company maintains a Restricted Share Unit ("RSU") plan, a Performance Share Unit ("PSU") plan and a stock option plan for employees as well as a Deferred Share Unit ("DSU") plan for directors.

Cash-settled transactions which include RSUs, DSUs and the cash settled portion of the PSUs, are initially measured at fair value and recognized as an obligation at the grant date. The liabilities are re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in net earnings or capitalized to the Company's development projects as appropriate. The fair value of RSUs and PSUs determined at the grant date is recognized over the vesting period in accordance with the vesting terms and conditions. The Company values the liabilities based on the Company's share price and in addition for PSUs, the correlation between the Company's total return performance relative to the S&P/TSX Global Gold Index Total Return Index Value. The non-current portion of RSU, DSU and PSU liabilities are included in provisions on the consolidated statement of financial position.

Equity-settled transactions which include the equity settled portion of the PSUs and the stock option plan are measured by reference to the fair value of the awards that are expected to vest at the grant date. Fair value for stock options is determined using a Black-Scholes option-pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the expected average life of the options. Fair value for the equity settled portion of the PSUs is determined using a Monte Carlo options pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the correlation between the Company's total return performance relative to the S&P/TSX Global Gold Index Total Return Index Value. The Company believes these models adequately capture the substantive features of the option awards and PSUs, and are appropriate to calculate their fair values. The fair value determined at grant date is recognized over the vesting period in accordance with vesting terms and conditions, with a corresponding increase to contributed surplus. Changes to the estimated number of awards that will eventually vest are accounted for prospectively.

(o) Financial assets

Financial assets are initially measured at fair value and are subsequently measured at either amortized cost or fair value, depending on the classification of the financial assets. The classification of assets is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Company is the last bid price of the day.

The Company has categorized its financial assets in accordance with International Financial Reporting Standard 9 (2013), Financial Instruments ("IFRS 9") into one of the following two categories:

Category under IFRS 9	Description
Fair value through profit or loss	Includes equity investments, gold and copper price contract assets, gold and copper swap contracts, copper forward contracts, and other financial assets designated to this category under the fair value option. The Company has assessed the contractual cash flows of its provisionally priced contracts in accordance with IFRS 9 and has classified these contracts as fair value through profit or loss ("FVTPL").
Loans and receivables at amortized cost	Includes cash and cash equivalents, and trade receivables at amortized cost.

(p) Financial liabilities

Financial liabilities are accounted for as amortized cost except for those at FVTPL which includes liabilities designated as FVTPL and derivatives. Financial liabilities classified as FVTPL or those which are designated as FVTPL under the fair value option are measured at fair value with unrealized gains and losses recognized in net earnings. In cases where financial liabilities are designated as FVTPL, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statements of operations. Financial liabilities at amortized cost are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost.

The Company has classified its financial liabilities in accordance with IFRS 9 into one of the following two categories:

Category under IFRS 9	Description
Fair value through profit or loss	Includes provisions related to the RSU plans, DSU plans and the cash settled portion of the PSU plans, share purchase warrants, gold and copper price option contract liabilities and gold stream obligation.
Financial liabilities at amortized cost	Includes trade and other payables and long-term debt.

(q) Derivative instruments, including hedge accounting

Derivative instruments, including embedded derivatives, are recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recorded in net earnings.

Hedge accounting

Gains and losses for the effective portion of hedging instruments are included in other comprehensive income. Gains and losses for any ineffective portion of hedging instruments are included in net earnings. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to net earnings or mineral interest, as appropriate in the period when the hedged item is recognized in net earnings in the same line of the consolidated income statement.

The Company previously held diesel fuel swap contracts and Canadian dollars and designated this cash to fund the construction of Rainy River. The Company has designated these instruments as a cash-flow hedge under IFRS 9. The impact of applying hedge accounting is disclosed in Note 14.

Gold Stream Obligation

The Company has a gold stream agreement with RGLD Gold AG, a wholly owned subsidiary of Royal Gold Inc. ("Royal Gold"). For accounting purposes, the Company has determined that the gold stream obligation represents a financing contract with embedded derivatives. The value of the embedded derivatives changes in response to changes in metal prices and in the number of ounces expected to be delivered. As the gold stream obligation has embedded derivatives that would otherwise need to be accounted for separately at FVTPL, the Company has designated the deposit received from Royal Gold as a financial liability at FVTPL, with initial and subsequent measurement at fair value, as permitted under IFRS 9. Transaction costs directly attributable to the gold stream obligation were expensed through profit and loss.

Fair value of the gold stream obligation on initial recognition was determined by the amount of the cash advance received. Subsequent fair value is calculated on each reporting date with gains and losses recorded in net earnings. Fair value adjustments as a result of the Company's own credit risk will be recorded in the Consolidated Statement of Comprehensive Loss, as required by IFRS 9 (2013) for financial liabilities designated as at FVTPL. Components of the adjustment to fair value at each reporting date include:

- Accretion expense due to passage of time
- Change in the risk-free interest rate
- Change in the Company specific credit spread
- Change in any expected ounces to be delivered
- Change in future metal prices

Provisional pricing

Certain products are "provisionally priced" whereby the selling price is subject to final adjustment up to 150 days after delivery to the customer. The final price is based on the market price at the relevant quotation point stipulated in the contract. As is customary in the industry, revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on relevant forward market prices. At each reporting date, provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as gold and copper, for which there exists active and freely traded commodity markets. The marking to market of provisionally priced sales contracts is recorded as an adjustment to revenue.

Gold and copper price option contracts

In order to increase cash flow certainty, the Company holds copper price option contracts and previously held gold price option contracts, purchasing put options and selling call options. These are treated as derivative financial instruments and marked to market at each reporting period on the consolidated statement of financial position with changes in fair value recognized in other gains and losses. Realized gains and losses as a result of the exercise of the Company's call and put options up to an amount not exceeding the Company's production of gold ounces or copper pounds for the reporting period are recorded as an adjustment to revenue. The exercise of options on gold ounces or copper pounds in excess of the Company's production for the reporting period are recorded as other gains and losses.

Gold and copper swaps

In order to mitigate a portion of the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales, the Company has entered into cash settled derivative gold and copper contracts to swap future contracted monthly average metal prices for fixed metal prices. At each reporting date, these gold and copper swap agreements are marked to market based on corresponding forward gold and copper prices. The marking to market of gold and copper swap agreements is recorded as an adjustment to revenue.

Copper forward contracts

The Company previously held copper swap contracts at a fixed price, settling against the London Metals Exchange ("LME") monthly average price. These are treated as derivative financial instruments and marked to market at each reporting period on the consolidated statement of financial position with changes in fair value recognized in other gains and losses. Realized gains and losses as a result of the exercise of the Company's copper forward contracts up to an amount not exceeding the Company's production of copper pounds for the reporting period are recorded as an adjustment to revenue. Gains and losses in excess of the Company's copper production for the reporting period are recorded as other gains and losses.

Share purchase warrants

The Company's warrants with Canadian dollar exercise prices are classified as derivative liabilities and accordingly, they are recorded at fair value at each reporting period, with the gains or losses recorded in net earnings for the period. In the second quarter of 2017, the Company's warrants expired, unexercised.

(r) Trade and other receivables

Trade and other receivables are carried at amortized cost less impairment. Trade and other receivables are impaired if they are determined to be uncollectible.

(s) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Critical judgments in the application of accounting policies

(i) Commencement of commercial production

Prior to the period when a mine has reached management's intended operating levels, costs incurred as part of the development of the related mining property are capitalized and any mineral sales during the commissioning period are offset against the costs capitalized. The Company defines the commencement of commercial production as the date that a mine has achieved a consistent level of production. Depletion of capitalized costs for mining properties begins when operating levels intended by management have been reached.

There are a number of factors the Company considers when determining if conditions exist for the commencement of commercial production of an operating mine. Management examines the following when making that judgment:

- All major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed;
- The completion of a reasonable period of testing of the mine plant and equipment has been completed;
- The mine or mill has reached a pre-determined percentage of design capacity; and
- The ability to sustain ongoing production of ore has been achieved.

The list is not exhaustive and each specific circumstance is taken into account before making the decision.

(ii) Functional currency

The functional currency for each of the Company's Subsidiaries and Associates is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency of each entity as the U.S. dollar. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determines the primary economic environment.

(iii) Determination of economic viability

Management has determined that exploratory drilling, evaluation, development and related costs incurred on the Blackwater project, and New Afton C-zone project have future economic benefits and are economically recoverable. In making this judgment, management has assessed various criteria including, but not limited to, the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, operating management expertise, existing permits, the expectation of receiving additional permits and life-of-mine ("LOM") plans.

(iv) Carrying value of long-lived assets and impairment charges

In determining whether the impairment of the carrying value of an asset is necessary, management first determines whether there are external or internal indicators that would signal the need to test for impairment. These indicators consist of but are not limited to the prolonged significant decline in commodity prices, per ounce multiples, unfavourable changes to the legal environment in which the entity operates, significant adverse change to LOM plans and the factors which lead to the carrying amount of the Company's net assets exceeding its market capitalization. If an impairment indicator is identified, the Company compares the carrying value of the asset against the recoverable amount. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

As at December 31, 2017, indicators of impairment existed for Rainy River as the Company announced higher expected operating expenses and capital expenditures over the first nine years of operations. The results of the impairment assessment, including the significant estimates and assumptions used, are set out in Note 11.

(v) Determination of CGU

In determining a CGU, management had to examine the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. The Company has determined that each mine site and development project qualifies as an individual CGU. Each of these assets generates or will have the ability to generate cash inflows that are independent of the other assets and therefore qualifies as an individual asset for impairment testing purposes.

(vi) Classification of Gold Stream Instruments

The Company holds gold stream agreements with counterparties for the purchase and delivery of gold and silver. Management has assessed these gold stream agreements under the scope of IFRS 9, Financial Instruments as to whether or not the agreements constitute a financial instrument. As the gold stream obligation has embedded derivatives that would otherwise need to be accounted for separately at FVTPL, Management has designated the deposit received from Royal Gold as a financial liability at FVTPL, with initial and subsequent measurement at fair value, as permitted under IFRS 9.

(b) Key sources of estimation uncertainty in the application of accounting policies

(i) Revenue recognition

Revenue from sales of concentrate is recorded when the rights and rewards of ownership pass to the buyer. Variations between the prices set in the contracts and final settlement prices may be caused by changes in the market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each reporting period until final settlement occurs, with changes in the fair value being recorded as revenue. For changes in metal quantities upon receipt of new information and assays, the provisional sales quantities are adjusted as well.

(ii) Inventory valuation

Management values inventory at the weighted average production costs or net realizable value ("NRV"). Weighted average production costs include expenditures incurred and depreciation and depletion of assets used in mining and processing activities that are deferred and accumulated as the cost of ore in stockpiles, ore on leach pad, work-in-process and finished metals inventories. The allocation of costs to ore in stockpiles, ore on leach pads and in-process inventories and the determination of NRV involve the use of estimates. Costs are removed from the leach pad based on the average cost per recoverable ounce of gold and silver on the leach pad as gold and silver are recovered. Estimates of recoverable gold and silver on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold and silver contained on leach pads can vary significantly from the estimates.

(iii) Mineral reserves and resources

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous estimates in determining the mineral reserves and estimates. Such estimation is a subjective process, and the accuracy of any mineral reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions, such as metal prices and market conditions, could have a material effect in the future on the Company's financial position and results of operations.

(iv) Estimated recoverable ounces

The carrying amounts of the Company's mining properties are depleted based on recoverable ounces. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Company's mine plans and changes in metal price forecasts can result in a change to future depletion rates.

(v) Deferred income taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on LOM projections internally developed and reviewed by management. The Company considers tax planning opportunities that are within the Company's control, are feasible and implementable without significant obstacles. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is possible that changes in these estimates can occur that materially affect the amounts of income tax asset recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

(vi) Reclamation and closure cost obligations

The Company's provision for reclamation and closure cost obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

Revenue

On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). This standard outlines a single comprehensive model with prescriptive guidance for entities to use in accounting for revenue arising from contracts with its customers. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the current standard. This standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted. The Company will adopt IFRS 15 effective January 1, 2018 applying the retrospective method of transition.

The Company has evaluated the potential impact of applying IFRS 15, analyzing its sale agreements. The standard requires entities to apportion revenue earned from contracts to individual promises or performance obligations, on a relative standalone selling price basis. For the Company's concentrate sales, the seller may contract for and pay the shipping and insurance costs necessary to bring the goods to the named destination. Therefore, where material, a portion of the revenue earned under these contracts, representing the obligation to fulfill the shipping and insurance services, will be deferred and recognized over time as the obligations are fulfilled, along with the associated costs. Based on the Company's assessment, the impact of this change on the amount of revenue recognized in a year is not expected to be significant. As a result, the Company does not anticipate any changes in the amounts of the revenue recognized or a significant change in the timing of revenue recognition under the new standard.

Leases

On January 6, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard replaces IAS 17 Leases. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Company is assessing the effect of adoption of IFRS 16 on its consolidated financial statements.

5. REVISION TO PRIOR-YEAR COMPARATIVES

In the first quarter of 2017, the Company identified an immaterial error relating to depletion of its New Afton mining interest for the year ended December 31, 2016 resulting in a reduction in 2016 net earnings of $9.7 million.

The quarterly impact on the comparative consolidated income statement is outlined in the table below. The resulting overstatement of the mining interests balance of $15.4 million, overstatement of deferred tax liability of $5.3 million, and understatement of inventories totalling $0.4 million as at December 31, 2016 has been revised in the comparative consolidated statements of financial position and changes in equity, and the associated notes to the consolidated financial statements. There has been no change to the cash flows from operating, investing, and financing activities in the comparative consolidated statements of cash flow.

(in millions of U.S. dollars)	Three months ended **March 31, 2016**	Three months ended **June 30, 2016**	Three months ended **September 30, 2016**	Three months ended **December 31, 2016**	Year ended **December 31, 2016**
IMPACT ON NET EARNINGS (LOSS)					
Net earnings (loss) before revision	26.8	(8.8)	5.1	(19.9)	**2.7**
Revision to depreciation and depletion	(3.4)	(4.1)	(3.4)	(4.1)	**(15.0)**
Revision to income tax recovery (expense)	2.2	(1.0)	2.4	1.7	**5.3**
Revision to net earnings (loss)	(1.2)	(5.1)	(1.0)	(2.4)	**(9.7)**
Revised net earnings (loss)	25.6	(13.9)	4.1	(22.3)	**(7.0)**
Basic weighted average number of shares outstanding (in millions)	509.6	511.2	513.0	513.3	**511.8**
Dilution of securities:					
Stock options	1.1	-	2.8	-	**-**
Diluted weighted average number of shares outstanding (in millions)	510.7	511.2	515.8	513.3	**511.8**
Net earnings (loss) per share before revision:					
Basic	0.05	(0.02)	0.01	(0.04)	**0.01**
Diluted[1]	0.05	(0.02)	0.01	(0.04)	**0.01**
Impact of revision to net earnings (loss) per share:					
Basic	-	(0.01)	-	-	**(0.02)**
Diluted[1]	-	(0.01)	-	-	**(0.02)**
Revised net earnings (loss) per share:					
Basic	0.05	(0.03)	0.01	(0.04)	**(0.01)**
Diluted[1]	0.05	(0.03)	0.01	(0.04)	**(0.01)**

1. *For the periods in which the Company records a loss, diluted loss per share is calculated using the basic weighted average number of shares outstanding, as using the diluted weighted average number of shares outstanding in the calculation would be anti-dilutive.*

6. EXPENSES

(a) Operating expenses by nature

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
OPERATING EXPENSES BY NATURE		
Raw materials and consumables	**143.0**	127.6
Salaries and employee benefits	**93.3**	84.9
Contractors	**43.6**	35.0
Repairs and maintenance	**23.9**	21.1
General and administrative	**20.2**	14.8
Operating leases	**2.9**	7.7
Royalties	**8.4**	6.3
Drilling and analytical	**1.3**	1.3
Other	**3.3**	4.3
Total production expenses	**339.9**	303.0
Less: Production expenses capitalized	**(23.0)**	(39.7)
Less: Change in inventories and work-in-progress	**4.1**	12.2
Total operating expenses	**321.0**	275.5

(b) Finance costs and income

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
FINANCE COSTS		
Interest on senior unsecured notes	**54.4**	54.0
Interest on Credit Facility	**5.9**	0.6
Accretion expense on decommissioning obligations (Note 18)	**1.3**	1.4
Gain on modification of long-term debt (Note 12)	**(3.3)**	-
Other finance costs	**6.2**	3.3
	64.5	59.3
Less: amounts included in cost of qualifying assets	**(51.3)**	(49.4)
Total finance costs	**13.2**	9.9
FINANCE INCOME		
Interest income	**1.1**	1.4

(c) Other gains (losses)

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
OTHER GAINS (LOSSES)		
Unrealized gain on share purchase warrants	**1.2**	0.2
Gain on foreign exchange	**43.8**	12.0
Gain on disposal of El Morro stream	**33.0**	-
Other gain on disposal of assets	**0.3**	0.1
(Loss) gain on revaluation of investments	**(0.2)**	0.5
Unrealized loss on revaluation of gold stream obligation (Note 13)	**(21.8)**	(31.1)
Settlement and (loss) gain on revaluation of gold price option contracts	**(13.9)**	10.5
Loss on revaluation of copper forward contracts and copper price option contracts	**(4.4)**	0.3
Other	**1.2**	(0.2)
Total other gains (losses)	**39.2**	(7.7)

7. TRADE AND OTHER RECEIVABLES

	As at December 31	
(in millions of U.S. dollars)	**2017**	**2016**
TRADE AND OTHER RECEIVABLES		
Trade receivables	**3.8**	27.4
Sales tax receivable	**22.7**	11.8
Unsettled provisionally priced concentrate derivatives and copper swap contracts (Note 14)	**(1.9)**	(4.5)
Other	**2.5**	2.4
Total trade and other receivables	**27.1**	37.1

8. TRADE AND OTHER PAYABLES

	As at December 31	
(in millions of U.S. dollars)	**2017**	**2016**
TRADE AND OTHER PAYABLES		
Trade payables	**60.9**	32.0
Interest payable	**6.9**	8.6
Accruals	**79.2**	126.4
Current portion of reclamation and closure cost obligations (Note 18)	**2.6**	0.9
Current portion of gold stream obligation (Note 13)	**24.5**	-
Derivative liabilities (Note 14)	**4.1**	1.3
Total trade and other payables	**178.2**	169.2

9. INVENTORIES

(in millions of U.S. dollars)	As at December 31 2017	2016 (Note 5)
INVENTORIES		
Heap leach ore[4]	**163.1**	185.9
Work-in-process[3]	**18.5**	8.7
Finished goods[1][3]	**16.1**	11.5
Stockpile ore[3]	**23.8**	6.7
Supplies[3]	**50.4**	40.9
	271.9	253.7
Less: non-current inventories[2]	**(78.7)**	(103.3)
Total current inventories	**193.2**	150.4

1. *The amount of inventories recognized in operating expenses for the year ended December 31, 2017 was $302.8 million (2016 - $259.1 million).*
2. *Non-current inventories, which include heap leach inventories at Mesquite and low-grade stockpiled inventories at Rainy River, of $78.7 million (December 31, 2016 – $103.3 million) are expected to be recovered after one year.*
3. *Rainy River achieved commercial production on November 1, 2017, resulting in Rainy River recognizing inventories as at December 31, 2017.*
4. *During the year ended December 31, 2016 the Company wrote down $26.6 million of inventory at Cerro San Pedro of which $24.0 million was included in operating expenses and $2.6 million was included in depreciation and depletion.*

10. MINING INTERESTS

	Mining Properties					
	Depletable	Non-depletable	Plant & equipment	Construction in progress	Exploration & evaluation	**Total**
(in millions of U.S. dollars)						
COST						
As at December 31, 2015	1,459.5	1,020.9	875.8	325.5	7.5	3,689.2
Additions	57.0	90.2	32.6	509.9	-	689.7
Disposals	-	-	(13.6)	-	-	(13.6)
Transfers	23.7	6.0	64.3	(94.0)	-	-
Impairments	-	-	-	-	(6.4)	(6.4)
As at December 31, 2016	**1,540.2**	**1,117.1**	**959.1**	**741.4**	**1.1**	**4,358.9**
Additions	**88.8**	**65.8**	**44.5**	**529.7**	**-**	**728.8**
Disposal of El Morro stream	**-**	**(32.0)**	**-**	**-**	**-**	**(32.0)**
Disposals	**-**	**-**	**(17.0)**	**-**	**-**	**(17.0)**
Impairment loss on held-for-sale assets[2]	**(48.6)**	**-**	**-**	**-**	**-**	**(48.6)**
Assets reclassified as held-for-sale[2]	**(178.5)**	**(9.8)**	**(161.4)**	**(0.3)**	**-**	**(350.0)**
Transfers[3]	**1,219.5**	**(580.2)**	**554.1**	**(1,213.8)**	**-**	**(20.4)**
Impairments[4]	**(268.4)**	**-**	**-**	**-**	**-**	**(268.4)**
As at December 31, 2017	**2,353.0**	**560.9**	**1,379.3**	**57.0**	**1.1**	**4,351.3**
ACCUMULATED DEPRECIATION						
As at December 31, 2015	541.8	-	344.2	-	-	886.0
Depreciation for the year	193.1	-	100.7	-	-	293.8
Disposals	-	-	(12.2)	-	-	(12.2)
As at December 31, 2016[1]	**734.9**	**-**	**432.7**	**-**	**-**	**1,167.6**
Depreciation for the period	**161.7**	**-**	**102.5**	**-**	**-**	**264.2**
Disposals	**-**	**-**	**(16.2)**	**-**	**-**	**(16.2)**
Reclassified as held for sale[2]	**(159.3)**	**-**	**(105.4)**	**-**	**-**	**(264.7)**
As at December 31, 2017	**737.3**	**-**	**413.6**	**-**	**-**	**1,150.9**
CARRYING AMOUNT						
As at December 31, 2016[1]	**805.3**	**1,117.1**	**526.4**	**741.4**	**1.1**	**3,191.3**
As at December 31, 2017	**1,615.7**	**560.9**	**965.7**	**57.0**	**1.1**	**3,200.4**

1. *Prior-year period comparatives have been revised as per note 5.*
2. *Refer to Note 16 for further information on the assets held for sale.*
3. *Effective November 1, 2017, Rainy River achieved commercial production. As a result, the Company transferred amounts capitalized to construction in progress to depletable mining properties and plant & equipment and assets capitalized as non-depletable mining properties were transferred to depletable mining properties. Additionally, on November 1, 2017, the Company transferred $20.4 million related to inventories from construction in progress to current assets.*
4. *Refer to note 11 for further information on impairment.*

The Company capitalized interest of $51.3 million for the year ended December 31, 2017 (2016 - $49.4 million) to qualifying development projects. The Company's annualized capitalization rate is 5.44% (2016 – 6.70%).

Disposal of El Morro gold stream asset

In February 2017, the Company disposed of its El Morro gold stream asset for proceeds of $65.0 million which resulted in a net gain of $33.0 million.

Carrying amount by property as at December 31, 2017:

	As at December 31, 2017				
(in millions of U.S. dollars)	**Depletable**	**Non-depletable**	**Plant & equipment**	**Construction in progress**	**Total**
MINING INTEREST BY SITE					
New Afton	**521.8**	**22.9**	**225.7**	**15.1**	**785.5**
Mesquite	**150.0**	**-**	**83.5**	**2.7**	**236.2**
Cerro San Pedro	**0.6**	**-**	**-**	**-**	**0.6**
Rainy River	**948.1**	**0.5**	**633.6**	**39.2**	**1,621.4**
Blackwater	**-**	**537.5**	**14.6**	**-**	**552.1**
Other[1]	**-**	**1.1**	**3.5**	**-**	**4.6**
Carrying amount as at December 31, 2017	**1,620.5**	**562.0**	**960.9**	**57.0**	**3,200.4**

1. *Other includes corporate balances and exploration properties.*

Carrying amount by property as at December 31, 2016:

	As at December 31, 2016				
(in millions of U.S. dollars)	**Depletable**	**Non-depletable**	**Plant & equipment**	**Construction in progress**	**Total**
MINING INTEREST BY SITE					
New Afton	574.4	20.0	247.1	5.2	846.7
Mesquite	170.3	-	98.2	3.1	271.6
Peak Mines	58.6	9.8	52.5	0.3	121.2
Cerro San Pedro	2.0	-	-	-	2.0
Rainy River	-	531.0	109.6	732.8	1,373.4
Blackwater	-	524.3	15.2	-	539.5
El Morro gold stream asset	-	32.0	-	-	32.0
Other[1]	-	1.1	3.8	-	4.9
Carrying amount as at December 31, 2016[2]	805.3	1,118.2	526.4	741.4	3,191.3

1. *Other includes corporate balances and exploration properties.*
2. *Prior-year period comparatives have been revised as per note 5.*

11. IMPAIRMENT

In accordance with the Company's accounting policies, the recoverable amount of an asset or CGU is estimated when an indication of impairment exists. As at December 31, 2017, indicators of impairment existed at the Rainy River CGU.

In January 2018, the Company announced higher expected operating expenses and capital expenditures over Rainy River's first nine years of operations. The Company has identified the revised operating expense and capital expenditure estimates at Rainy River as an indicator of impairment as at December 31, 2017.

For the year ended December 31, 2017, the Company recorded an after-tax impairment loss of $181.0 million within net loss, as noted below:

	Year ended December 31, 2017
(in millions of U.S. dollars)	**Rainy River**
IMPAIRMENT CHARGE INCLUDED WITHIN NET LOSS	
Rainy River depletable mining properties	**268.4**
Tax recovery	**(87.4)**
Total impairment charge after tax	**181.0**

In the prior year, indicators of impairment existed at the Rainy River CGU and for the Company's 3% NSR royalty on the production of the Rio Figueroa property ("Rio Figueroa NSR"). The Company had identified the revised capital cost and three-month delay at the Rainy River project and the lack of activity on the Rio Figueroa project as indicators of impairment in the prior year and performed an impairment assessment to determine the recoverable amount of these CGUs at December 31, 2016. In the prior year, an impairment loss of $6.4 million was recorded relating to Rio Figueroa NSR. No impairment loss was recorded at Rainy River in the prior year as the carrying value exceeded the recoverable amount as at December 31, 2016.

For the year ended December 31, 2016, the Company recorded an impairment charge of $6.4 million within net loss, as noted below:

	Year ended December 31, 2016
(in millions of U.S. dollars)	**Rio Figueroa NSR**
IMPAIRMENT CHARGE INCLUDED WITHIN NET LOSS	
Exploration and evaluation assets	**6.4**

(i) Methodology and key assumptions

Impairment is recognized when the carrying amount of a CGU exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each operating mine and development project represents a separate CGU as each mine site or project has the ability to, or the potential to, generate cash inflows that are separately identifiable and independent of each other. The Company has the following CGUs: New Afton, Mesquite, Peak Mines, Cerro San Pedro, Rainy River, and Blackwater. Other assets consist of corporate assets and exploration properties.

As outlined in Note 2, the Company uses fair value less cost of disposal to determine the recoverable amount of an asset as it believes that this will generally result in a value greater than or equal to the value in use. When there is no binding sales agreement, fair value less costs of disposal is estimated as the discounted future after-tax cash flows expected to be derived from a mine site, less an amount for costs to sell estimated based on similar past transactions. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy.

(a) Rainy River CGU:

Key estimates and judgments include production levels, operating costs and other capital expenditures reflected in the Company's LOM plans, the value of in-situ ounces and land holdings, as well as economic factors beyond management's control, such as gold and silver prices, discount rates and foreign exchange rates. The Company considers this approach to be consistent with the valuation approach taken by market participants.

Life-of-Mine plans

Estimated cash flows are based on LOM plans which estimate expected future production, commodity prices, exchange assumptions, operating costs and capital costs. The current LOM plan is 14 years. LOM plans use proven and probable mineral reserves only and do not utilize mineral resource estimates for a CGU. When options exist for the future extraction and processing of these resources, an estimate of the value of the unmined mineral resources (also referred to as in-situ ounces) is included in the determination of fair value.

In-situ ounces

In-situ ounces are excluded from the LOM plans due to the need to continually reassess the economic returns on and timing of specific production options in the current economic environment. The value of in-situ ounces has been estimated based on an enterprise value per equivalent resource ounce, with the enterprise value based on the market capitalization of a subset of publicly traded companies.

Discount rates

When discounting estimated future cash flows, the Company uses a real after-tax discount rate that is designed to approximate what market participants would assign. This discount rate is calculated using the Capital Assets Pricing Model ("CAPM"). The CAPM includes market participants' estimates for equity risk premium, cost of debt, target debt to equity, risk-free rates and inflation. For the December 31, 2017 impairment analysis, a real discount rate of 4.00% was used (2016 - real discount rate of 5.50%).

Commodity prices and exchange rates

Commodity prices and exchange rates are estimated with reference to external market forecasts. The rates applied have been estimated using consensus commodity prices and exchange rate forecasts. For impairment analysis, the following commodity prices and exchange rate assumptions were used:

	As at December 31, 2017		As at December 31, 2016	
(in U.S. dollars, except where noted)	**2018 - 2022 Average**	**Long term**	**2017 - 2021 Average**	**Long term**
COMMODITY PRICES				
Gold ($/ounce)	**1,300**	**1,300**	1,325	1,300
Silver ($/ounce)	**19.16**	**19.25**	19.66	20.00
EXCHANGE RATES				
CAD:USD	**1.24**	**1.24**	1.31	1.30

Significant judgments and assumptions are required in making estimates of fair value. It should be noted that CGU valuations are subject to variability in key assumptions including, but not limited to, long-term gold prices, currency exchange rates, discount rates, production, operating and capital costs. Any variation in one or more of the assumptions used to estimate fair value could result in a change in a CGU's fair value.

(b) Rio Figueroa NSR:

Key estimates and judgments used in the fair value less cost of disposal calculation are estimates of production levels, probability of the project being developed and economic factors beyond management's control, such as copper prices and discount rates.

(ii) Impact of impairment tests

The Company calculated the recoverable amount of the Rainy River CGU using the fair value less cost of disposal method as noted above. For the year ended December 31, 2017, the Company recorded pre-tax impairment losses of $268.4 million, $181.0 million net of tax, within net loss. The fair value of the Rainy River CGU was negatively impacted by higher expected operating expenses and capital expenditures over the LOM.

For the year ended December 31, 2016, the Company recorded impairment losses of $6.4 million related to the Rio Figueroa NSR, within net loss.

(iii) Sensitivity analysis

After effecting the impairment for the Rainy River CGU, the fair value of this CGU is assessed as being equal to its respective carrying amount as at December 31, 2017. Any variation in the key assumptions used to determine fair value would result in a change of the assessed fair value. It is estimated that changes in the key assumptions would have the following approximate impact on the fair value of the Rainy River CGU at December 31, 2017:

	As at December 31, 2017
(in millions of U.S. dollars)	**Rainy River**
IMPACT OF CHANGES IN THE KEY ASSUMPTIONS USED TO DETERMINE FAIR VALUE	
$100 per ounce change in gold price	**235.1**
0.5% change in discount rate	**25.9**
5% change in exchange rate	**106.5**
5% change in operating costs	**90.3**
5% change in in-situ ounces	**20.2**

12. LONG-TERM DEBT

Long-term debt consists of the following:

	As at December 31	
(in millions of U.S. dollars)	**2017**	**2016**
LONG-TERM DEBT		
Senior unsecured notes - due April 15, 2020 (b)	**-**	296.1
Senior unsecured notes - due November 15, 2022 (a)	**494.3**	493.4
Senior unsecured notes - due November 15, 2025 (b)	**283.4**	-
Credit Facility (c)	**230.0**	100.0
Total long-term debt	**1,007.7**	889.5

(a) Senior Unsecured Notes – due November 15, 2022

In 2012, the Company issued $500.0 million of senior unsecured notes ("2022 Unsecured Notes"). As at December 31, 2017, the face value was $500.0 million. The 2022 Unsecured Notes are denominated in U.S. dollars, mature and become due and payable on November 15, 2022, and bear interest at the rate of 6.25% per annum. Interest is payable in arrears in equal semi-annual instalments on May 15 and November 15 of each year.

The Company incurred transaction costs of $9.9 million which have been offset against the carrying amount of the 2022 Unsecured Notes and are being amortized to net earnings using the effective interest method.

The 2022 Unsecured Notes are subject to a minimum interest coverage incurrence covenant of earnings before interest, taxes, depreciation, amortization, impairment, and other non-cash adjustments to interest of 2:1. The test is applied on a pro-forma basis prior to the Company incurring additional debt, entering into business combinations or acquiring significant assets, or certain other corporate actions. There are no maintenance covenants.

The 2022 Unsecured Notes are redeemable by the Company in whole or in part:

- During the 12-month period beginning on November 15 of the years indicated at the redemption prices below, expressed as a percentage of the principal amount of the 2022 Unsecured Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date:

Date	Redemption prices (%)
2017	**103.13%**
2018	**102.08%**
2019	**101.04%**
2020 and thereafter	**100.00%**

(b) Senior Unsecured Notes – due May 15, 2025 and Senior Unsecured Notes – due April 15, 2020

On May 18, 2017, the Company issued $300.0 million of senior unsecured notes ("2025 Unsecured Notes") for net cash proceeds of $294.6 million after transaction costs. The proceeds were used to redeem and purchase for cancellation the $300.0 million principal amount of the previously outstanding senior unsecured notes ("2020 Unsecured Notes") for which the Company was required to pay a redemption premium of $5.3 million. As a result, total costs paid relating to this refinancing were $10.7 million. Additionally, the Company was required to pay $2.8 million of accrued interest on the 2020 Unsecured Notes on redemption and cancellation.

This refinancing transaction did not meet the criteria associated with an extinguishment under IFRS 9 as the discounted present value of the cash flows of the 2025 Unsecured Notes was less than 10% different from the present value of the remaining cash flows of the 2020 Unsecured Notes. As a result, the Company recognized a gain on the modification of its financial liability. Transaction costs relating to the 2025 Unsecured Notes have been offset against the carrying amount and are being amortized to net earnings using the effective interest method.

The 2025 Unsecured Notes bear interest at the rate of 6.375% per annum. Interest is payable in arrears in equal semi-annual instalments on May 15 and November 15 of each year.

The 2025 Unsecured Notes are subject to a minimum interest coverage incurrence covenant of earnings before interest, taxes, depreciation, amortization, impairment, and other non-cash adjustments to interest of 2:1. The test is applied on a pro-forma basis prior to the Company incurring additional debt, entering into business combinations or acquiring significant assets, or certain other corporate actions. There are no maintenance covenants.

The 2025 Unsecured Notes are redeemable by the Company in whole or in part:

- At any time prior to May 15, 2020 at a redemption price of 100% of the aggregate principal amount of the 2025 Unsecured Notes, plus a make-whole premium (consisting of future interest that would have been paid up to the first call date of May 15, 2020), plus accrued and unpaid interest, if any, to the redemption date.

- During the 12-month period beginning on May 15 of the years indicated at the redemption prices below, expressed as a percentage of the principal amount of the 2025 Unsecured Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date:

Date	Redemption prices (%)
2020	**104.78%**
2021	**103.19%**
2022	**101.59%**
2023 and thereafter	**100.00%**

(c) Credit Facility

The Company holds a $400.0 million revolving credit facility (the “Credit Facility”) with a maturity date of August 2020.

Net debt is used to calculate leverage for the purpose of covenant tests and pricing levels. The Credit Facility contains various covenants customary for a loan facility of this nature, including limits on indebtedness, asset sales and liens. The Credit Facility contains two covenant tests, the minimum interest coverage ratio, earnings before interest, taxes, depreciation, amortization, exploration, impairment, and other non-cash adjustments (“Adjusted EBITDA”) to interest and the maximum leverage ratio (net debt to Adjusted EBITDA), both of which are measured on a rolling four-quarter basis at the end of every quarter.

In June 2017, the Company amended the Credit Facility’s net debt to Adjusted EBITDA ("Leverage Ratio") covenant, to increase the maximum Leverage Ratio to 4.0 to 1.0 from January 1, 2018 to March 31, 2018 (previously 3.5 to 1.0). Following that period, the maximum leverage ratio will be 3.5 : 1.0. As at December 31, 2017, the maximum Leverage Ratio is 4.0 : 1.0.

Significant financial covenants are as follows:

		Twelve months ended December 31	Twelve months ended December 31
	Financial covenant	**2017**	**2016**
FINANCIAL COVENANTS			
Minimum interest coverage ratio (Adjusted EBITDA to interest)	>3.0 : 1	**4.7 : 1**	5.7 : 1
Maximum leverage ratio (net debt to Adjusted EBITDA)	<4.0 : 1	**3.1 : 1**	2.6 : 1

The interest margin on drawings under the Credit Facility ranges from 1.00% to 3.25% over LIBOR, the Prime Rate or the Base Rate, based on the Company's net debt to Adjusted EBITDA ratio and the currency and type of credit selected by the Company. Based on the Company's net debt to Adjusted EBITDA ratio, the rate is 3.25% over LIBOR as at December 31, 2017 (December 31, 2016 – 3.25%). The standby fees on undrawn amounts under the Credit Facility range from 0.45% to 0.73%, depending on the Company's net debt to Adjusted EBITDA ratio. Based on the Company's net debt to adjusted EBITDA ratio, the rate is 0.73% as at December 31, 2017 (December 31, 2016 – 0.73%).

As at December 31, 2017, the Company has drawn $230 million under the Credit Facility and the Credit Facility has been used to issue letters of credit of $138.8 million as at December 31, 2017 (December 31, 2016 - $122.1 million). Of the issued letters of credit, $16.6 million relate to Peak Mines. Letters of credit relate to reclamation bonds, worker's compensation security and other financial assurances required with various government agencies.

The following is a summary of the changes in liabilities arising from financing activities for the year ended December 31, 2017:

	As at December 31, 2016	**Borrowings**	**Repayments**	**Fair Value changes**	**Interest & Accretion**	**Foreign Exchange**	**As at December 31, 2017**
LIABILITIES ARISING FROM FINANCING ACTVITIES							
Long-term debt	889.5	424.6	(305.3)	(3.3)	2.2	-	**1,007.7**
Interest payable[1]	8.6	-	(59.8)	-	58.1	-	**6.9**
Gold stream obligation	246.5	-	(2.4)	29.4	-	-	**273.5**
Total	1,144.6	424.6	(367.5)	26.1	60.3	-	**1,288.1**

1. For the purposes of this reconciliation, interest paid for the year ended December 31, 2017 excludes $3.9 million in standby fees on the Credit Facility and fees on the Company's issued letters of credit.

13. GOLD STREAM OBLIGATION

In 2015, the Company entered into a $175 million streaming transaction with RGLD Gold AG, a wholly-owned subsidiary of Royal Gold Inc. ("Royal Gold"). Under the terms of the agreement, the Company will deliver to Royal Gold 6.5% of gold production from the Rainy River project up to a total of 230,000 ounces of gold and then 3.25% of the project's gold production thereafter. The Company will also deliver to Royal Gold 60% of the project's silver production to a maximum of 3.1 million ounces and then 30% of silver production thereafter. Royal Gold paid $175.0 million in consideration of this transaction.

In addition to the upfront deposit, Royal Gold will pay 25% of the average spot gold or silver price at the time each ounce of gold or silver is delivered under the stream. The difference between the spot price of metal and the cash received from Royal Gold will reduce the $175.0 million deposit over the life of the mine. Upon expiry of the 40-year term of the agreement (which may be extended in certain circumstances), any balance of the $175.0 million upfront deposit remaining unpaid will be refunded to Royal Gold.

The Company has designated the gold stream obligation as a financial liability at fair value through profit or loss ("FVTPL") under the scope of IFRS 9 (2013). Accordingly, the Company values the liability at the present value of its expected future cash flows at each reporting period with changes in fair value reflected in the consolidated income statements and consolidated statements of comprehensive loss. The gold stream obligation contained a maximum leverage ratio covenant (net debt to EBITDA) of 3.5 : 1.0, with the exception that the net leverage covenant limit is permitted to be increased to 4.0 : 1.0 for two consecutive quarters, provided that it thereafter returns to a maximum of 3.5 : 1.0. Furthermore, the leverage ratio contained in the above agreement with Royal Gold has also been adjusted to match the revised maximum leverage ratio under the Credit Facility, up to March 31, 2018.

The following is a summary of the changes in the Company's gold stream obligation:

(in millions of U.S. dollars)	
CHANGE IN STREAM OBLIGATION	
Balance, December 31, 2015	147.6
Fair value adjustments related to changes in the Company's own credit risk[1]	67.8
Other fair value adjustments[2]	31.1
Balance, December 31, 2016	**246.5**
Settlements during the period[3]	**(2.4)**
Fair value adjustments related to changes in the Company's own credit risk[1]	**7.6**
Other fair value adjustments[2]	**21.8**
Balance, December 31, 2017	**273.5**
Less: current portion of gold stream obligation	**(24.5)**
Non-current portion of gold stream obligation	**249.0**

1. *Fair value adjustments related to changes in the Company's own credit risk are included in other comprehensive income.*
2. *Other fair value adjustments are included in the consolidated income statements.*
3. *Of the total $2.4 million in settlements, $1.3 million is unpaid and included in accruals as at December 31, 2017.*

Fair value adjustments represent the net effect on the gold stream obligation of changes in the variables included in the Company's valuation model between the date of receipt of deposit and the reporting date. These variables include accretion, risk-free interest rate, future metal prices, Company-specific credit spread and expected gold and silver ounces to be delivered.

14. DERIVATIVE INSTRUMENTS

	As at December 31	
(in millions of U.S. dollars)	**2017**	**2016**
DERIVATIVE ASSETS		
Gold price option contracts	**-**	17.6
Diesel swap contracts	**-**	0.1
Copper forward contracts	**-**	0.3
Total derivative assets	**-**	18.0
DERIVATIVE LIABILITIES		
Share purchase warrants[1]	**-**	1.3
Unsettled provisionally priced concentrate derivatives, and swap contracts[2]	**1.9**	4.5
Copper price option contracts[3]	**4.1**	-
Total derivative liabilities	**6.0**	5.8

1. *On June 28, 2017, New Gold's share purchase warrants expired, unexercised. As at December 31, 2016, share purchase warrants were included in trade and other payables.*
2. *Unsettled provisionally priced concentrate derivatives are included within trade and other receivables in the statement of financial position.*
3. *Copper price option contracts are included within trade and other payables in the statement of financial position.*

(a) Hedging instruments

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
EFFECTIVE PORTION OF CHANGE IN FAIR VALUE OF HEDGING INSTRUMENTS		
Foreign exchange gain on cash and cash equivalents designated as hedging instruments	**-**	4.9
Reclassification of realized foreign exchange gain on cash and cash equivalents designated as hedging instrument	**-**	3.2
Unrealized (loss) gain on diesel swap contracts (i)	**(0.4)**	1.2
Realized loss on settlement of diesel swap contracts (i)	**0.3**	2.5
Deferred income tax related to hedging instruments	**-**	(1.5)
Total hedging gains (losses) in other comprehensive income	**(0.1)**	10.3

(i) Diesel swap contracts

In 2015, the Company entered into diesel swap contracts to hedge diesel cost at Mesquite. Realized gains and losses are reclassified from other comprehensive income to operating expenses as diesel is consumed at the mine site.

The Company realized a loss of $0.3 million on settlement of 1.0 million gallons for the year ended December 31, 2017 (2016 – loss of $2.5 million on 5.5 million gallons). The hedge was fully settled as at June 30, 2017.

(b) Provisionally priced contracts

The Company had provisionally priced sales for which price finalization is outstanding at December 31, 2017. Realized and unrealized non-hedged derivative gains (losses) on the provisional pricing of concentrate sales are classified as revenue, with the unsettled provisionally priced concentrate derivatives included in trade and other receivables. The Company enters into gold and copper swap contracts to reduce exposure to gold and copper prices. Realized and unrealized gains (losses) are recorded in revenue, with the unsettled gold and copper swaps included in trade and other receivables.

The following tables summarize the realized and unrealized gains (losses) on provisionally priced sales:

	Year ended December 31, 2017		
(in millions of U.S. dollars)	**Gold**	**Copper**	**Total**
GAIN (LOSS) ON THE PROVISIONAL PRICING OF CONCENTRATE SALES			
Realized	**1.9**	**10.0**	**11.9**
Unrealized	**0.1**	**4.1**	**4.2**
Total gain (loss)	**2.0**	**14.1**	**16.1**

	Year ended December 31, 2016		
(in millions of U.S. dollars)	**Gold**	**Copper**	**Total**
(LOSS) GAIN ON THE PROVISIONAL PRICING OF CONCENTRATE SALES			
Realized	2.8	6.8	9.6
Unrealized	(1.5)	6.0	4.5
Total (loss) gain	1.3	12.8	14.1

The following tables summarize the realized and unrealized gains (losses) on gold and copper swap contracts:

	Year ended December 31, 2017		
(in millions of U.S. dollars)	**Gold**	**Copper**	**Total**
GAIN (LOSS) ON SWAP CONTRACTS			
Realized	**(2.0)**	**(16.8)**	**(18.8)**
Unrealized	**(0.3)**	**(5.8)**	**(6.1)**
Total gain (loss)	**(2.3)**	**(22.6)**	**(24.9)**

	Year ended December 31, 2016		
(in millions of U.S. dollars)	**Gold**	**Copper**	**Total**
GAIN (LOSS) ON SWAP CONTRACTS			
Realized	(2.6)	(4.1)	(6.7)
Unrealized	1.4	(10.3)	(8.9)
Total gain (loss)	(1.2)	(14.4)	(15.6)

The following table summarizes the net exposure to the impact of movements in market commodity prices for provisionally priced sales:

	As at December 31	
	2017	**2016**
VOLUMES SUBJECT TO FINAL PRICING NET OF OUTSTANDING SWAPS		
Gold ounces (000s)	**2.0**	4.0
Copper pounds (millions)	**1.6**	3.0

(c) Gold price option contracts

In March 2016, the Company entered into gold price option contracts by purchasing put options at a strike price of $1,200 per ounce and selling call options at a strike price of $1,400 per ounce for 270,000 ounces of gold production between April 2016 and December 2016 ("gold price option contracts"). In September 2016, the Company entered into a second tranche of gold price option contracts by purchasing put options at a strike price of $1,300 per ounce and selling call options at a strike price of $1,400 per ounce for 120,000 ounces of gold production between January 2017 and June 2017. In June 2017, the Company entered into a third tranche of gold price option contracts by purchasing put options at a strike price of $1,250 per ounce and selling call options at a strike price of $1,400 per ounce for 120,000 ounces of gold production between July 2017 and December 2017. The Company incurred investment costs of $0.9 million in June 2017 relating to this third tranche of gold price option contracts.

The call options sold and put options purchased are treated as derivative financial instruments and marked to market at each reporting period on the consolidated statement of financial position with changes in fair value recognized in other gains and losses. Realized gains and losses as a result of the exercise of the Company's call and put options up to an amount not exceeding the Company's production of gold ounces for the reporting period are recorded as an adjustment to revenue. The exercise of options on gold ounces in excess of the Company's gold production for the reporting period are recorded as other gains and losses. The Company presents the fair value of its put and call options on a net basis on the consolidated statements of financial position within 'derivative assets'.

For the year ended December 31, 2017, the Company exercised put options for 140,000 ounces and recognized $7.5 million within revenue and earnings from discontinued operations. For the year ended December 31, 2017, the Company recognized a loss of $11.0 million relating to the gold price option contracts, which includes the settlement and loss on revaluation of the gold price option contracts of $13.9 million as per note 6 and $4.6 million included in loss from discontinued operations, net of the amount included in revenue. As at December 31, 2017, the contracts have expired. No further gold price option contracts have been entered into for 2018.

(d) Copper forward contracts

In November 2016, the Company entered copper swap contracts for 5.3 million pounds of copper per month from January through June 2017 at a fixed price of $2.52 per pound. In February 2017, the Company entered into further copper swap contracts for 7.3 million pounds of copper per month from July 2017 through December 2017 at a fixed price of $2.73 per pound. Copper swaps settle against the London Metals Exchange monthly average price. The copper forward contracts are treated as derivative financial instruments and marked to market at each reporting period on the consolidated statement of financial position with changes in fair value recognized in other gains and losses. Realized gains and losses on settlement of the Company's copper forward contracts up to an amount not exceeding the Company's production of copper pounds for the reporting period are recorded as an adjustment to revenue. The settlement on copper pounds in excess of the Company's copper production for the reporting period are recorded as other gains and losses. The Company presents the fair value of its copper forward contracts on the consolidated statements of financial position within 'trade and other payables'. As at December 31, 2017, all copper forward contracts have expired. For the year ended December 31, 2017, the Company recognized a loss of $0.3 million related to copper forward contracts.

(e) Copper price option contracts

In October 2017, the Company entered into copper price option contracts by purchasing put options at a strike price of $3.00 per pound and selling call options at a strike price of $3.37 per pound for 27,600 tonnes (approximately 60 million pounds) of copper production during 2018 ("copper price option contracts"). Consistent with the accounting treatment of the gold price option contracts described above, the call options sold and put options purchased are treated as derivative financial instruments and marked to market at each reporting period on the consolidated statement of financial position with changes in fair value recognized in other gains and losses. Realized gains and losses as a result of the exercise of the Company's call and put options up to an amount not exceeding the Company's production of copper pounds for the reporting period are recorded as an adjustment to revenue. The exercise of options on copper pounds in excess of the Company's copper production for the reporting period are recorded as other gains and losses.

	Quantity outstanding	Remaining term	Exercise price ($/lb)	Fair value - asset (liability) [1]
COPPER PRICE OPTION CONTRACTS OUTSTANDING				
Copper call contracts - sold	27,600 tonnes	January – December 2018	3.37	(7.8)
Copper put contracts - purchased	27,600 tonnes	January – December 2018	3.00	3.7

1. *The Company presents the fair value of its put and call options on a net basis on the consolidated statements of financial position. The Company has a legally enforceable right to set off the amounts under its option contracts and intends to settle on a net basis.*

15. SHARE CAPITAL

At December 31, 2017, the Company had unlimited authorized common shares and 578.6 million common shares outstanding.

(a) No par value common shares issued

	Number of shares	
(in millions of U.S. dollars, except where noted)	**(000s)**	**$**
NO PAR VALUE COMMON SHARES ISSUED		
Balance at December 31, 2015	509,469	2,841.0
Exercise of options and vested performance share units	3,827	16.3
Issuance of shares under First Nations agreements and land purchases	329	1.3
Acquisition of Bayfield Ventures Corp.	84	0.4
Balance at December 31, 2016	**513,709**	**2,859.0**
Issuance of common shares on equity offering(1)	**61,740**	**166.6**
Issuance of common shares under First Nations agreements	**2,767**	**9.5**
Exercise of options and vested performance share units (i)	**420**	**1.4**
Balance at December 31, 2017	**578,636**	**3,036.5**

1. *On March 10, 2017, the Company closed a bought deal financing and related agreements and issued 61.7 million common shares at a price of $2.80 per share. Proceeds of $172.9 million are included within equity net of equity issuance costs of $8.2 million and the associated deferred tax recovery of $1.9 million.*

(b) Share-based payment expenses

The following table summarizes share-based payment expenses:

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
SHARE-BASED PAYMENT EXPENSES		
Stock option expense (i)	**2.6**	3.6
Performance share unit expense (ii)	**1.4**	3.5
Restricted share unit expense(1)(iii)	**1.2**	2.7
Deferred share unit expense (iv)	**1.0**	0.7
Common shares issued under First Nations agreements(2)	**2.1**	-
Total share-based payment expenses	**8.3**	10.5

1. *For the year ended December 31, 2017, $1.1 million (2016 - $2.2 million) of restricted share unit expense and $2.1 million (2016 – nil) of common shares issued under First Nations agreements expense was recognized in operating expenses.*
2. *For the years ended December 31, 2017 and 2016, common shares issued under First Nations agreements prior to the commencement of commercial production at Rainy River have been capitalized to mining interests.*

(i) Stock options

Under the Company's Stock Option Plan (the "Plan"), the maximum number of shares reserved for exercise of all options granted by the Company under the Plan and for all other security-based compensation arrangements, other than the performance share units, must not exceed 3.5% of the Company's shares issued and outstanding at the time the options are granted. The exercise price of certain options granted under the Plan is the five-day volume weighted average share price preceding the grant date. Other options have the exercise price equal to the share price on the date of issuance. Options granted under the Plan expire no later than the fifth or seventh anniversary of the date the options were granted and vesting provisions for issued options are determined at the discretion of the Board. Options granted under the Plan are settled for equity. The Company has incorporated an estimated forfeiture rate for stock options that will not vest.

The following table presents changes in the Plan:

	Number of options	Weighted average exercise price
	(000s)	**C$/share**
CHANGES TO THE PLAN		
Balance at December 31, 2015	16,998	5.76
Granted	2,676	4.42
Exercised	(3,626)	3.49
Forfeited	(1,014)	8.16
Expired	(179)	10.74
Balance at December 31, 2016	**14,855**	**5.84**
Granted	**1,957**	**3.88**
Exercised	**(235)**	**3.31**
Forfeited	**(985)**	**5.01**
Expired	**(2,505)**	**8.87**
Balance at December 31, 2017	**13,087**	**5.08**

The weighted average fair value of the stock options granted during the year ended December 31, 2017 was C$1.69 (2016 – C$1.67). Options were priced using a Black-Scholes option-pricing model. Expected volatility is measured as the annualized standard deviation of stock price returns, based on historical movements of the Company's share price. The grant date fair value will be amortized as part of compensation expense over the vesting period.

The Company had the following weighted average assumptions in the Black-Scholes option-pricing model:

	Year ended December 31	
	2017	**2016**
Grant price	**C$3.88**	C$4.44
Expected dividend yield	**-**	-
Expected volatility	**54.2%**	49.8%
Risk-free interest rate	**1.57%**	1.37%
Expected life of options	**4.4 years**	3.7 years
Fair value	**C$1.69**	C$1.67

At December 31, 2017 the Company had 8.7 million stock options that were exercisable with a weighted average exercise price of C$5.65 (2016 – 8.7 million with a weighted average exercise price of C$6.99). For the year ended December 31, 2017, the weighted average share price on the date of exercise was C$4.16 (2016 – C$5.47). The options vest one third per year over a three-year period beginning on the first anniversary of the grant date.

The following table summarizes information about the stock options outstanding as at December 31, 2017:

	Options outstanding			Options exercisable		
	Weighted avg. remaining contractual life	Number of options outstanding	Weighted avg. exercise price	Weighted avg. remaining contractual life	Number of options outstanding	Weighted avg. exercise price
Exercise price C$	**(years)**	**(000s)**	**C$**	**(years)**	**(000s)**	**C$**
3.00 - 3.99	3.5	4,925.4	3.55	2.7	2,023.0	3.35
4.00 - 4.99	2.8	3,985.3	4.52	2.3	2,695.2	4.64
5.00 - 5.99	2.5	622.0	5.64	1.9	392.5	5.60
6.00 - 6.99	1.1	1,269.0	6.34	1.1	1,269.0	6.34
7.00 - 7.99	0.1	1,443.8	7.65	0.1	1,443.8	7.65
10.00 - 10.99	0.1	842.0	10.02	0.1	842.0	10.02
Total options	2.4	13,087.5	5.08	1.6	8,665.5	5.65

(ii) Performance share units

Performance share units ("PSUs") are issued under the Company's Long-Term Incentive Plan ("LTIP"). PSUs vest on the entitlement date, as determined by the Board in its discretion, which will not be later than December 31 of the year that is three years after the year of service to which the award relates (the "Entitlement Date" with respect to a PSU). In addition, at the time PSUs are granted, the Board makes the payment of such PSU subject to performance conditions or measures to be achieved by the Company, the Participant or a class of Participants, before the relevant Entitlement Date.

For all PSUs granted to date, the number of shares to be issued or the amount of cash to be paid on the Entitlement Date of PSUs will vary based on "Achieved Performance". The Achieved Performance is a percentage from 50% to 150% that is multiplied by the number of PSUs granted to determine the number of shares to be issued and/or the amount of cash to be paid on the Entitlement Date. Achieved Performance is calculated based on the difference (the "TSR Difference") between New Gold's total shareholder return ("TSR") and the TSR of the S&P/TSX Global Gold Index (the "Index") (i.e. New Gold's TSR minus Index TSR) for each of four Measurement Periods (described below). The Measurement Periods are as follows: (i) the first calendar year after the year of service to which the award relates; (ii) the second calendar year after the year of service to which the award relates; (iii) the period beginning at the start of the third calendar year after the year of service to which the award relates, but ending on a date before the relevant Entitlement Date (in order to allow sufficient time to calculate the Achieved Performance and, consequently, the number shares to be issued and/or cash to be paid on the Entitlement Date); and (iv) the period beginning on the first day of the first Measurement Period and ending on the last day of the third Measurement Period. The four Measurement Periods are equally weighted in determining the Achieved Performance for a particular PSU grant.

If New Gold's TSR exceeds the TSR of the Index in a Measurement Period (i.e., the TSR Difference is greater than zero), the Achieved Performance for that period will be over 100%. Similarly, if New Gold's TSR is less than the TSR of the Index in a Measurement Period (i.e., the TSR Difference is less than zero), the Achieved Performance for that period will be less than 100%. For the PSUs, the minimum Achieved Performance for any Measurement Period is 50% and the maximum is 150%. To achieve the maximum Achieved Performance for a Measurement Period, the TSR Difference must be at least 20% (i.e., New Gold's TSR minus the Index TSR ≥ 20%).

On the Entitlement Date, a PSU may be settled: (i) in cash equal to the five-day volume weighted average price of the Company's common shares on the TSX multiplied by the number of PSUs and the Achieved Performance; or (ii) by the issuance of the equivalent number of common shares of New Gold as the number of PSUs multiplied by the Achieved Performance, or (iii) a combination of both. The Board may, in its discretion, grant PSUs that can only be satisfied by the issuance of common shares from treasury or by a cash payment or by a combination thereof.

The table below presents changes to the number of PSUs outstanding under the LTIP. The LTIP includes PSUs and restricted share units ("RSUs").

(iii) Restricted share units

RSUs are granted under the LTIP. Each RSU allows the recipient, subject to certain plan restrictions, to receive cash on the vesting date equal to the volume weighted average trading price of the Company's common shares on the TSX for the five trading days prior to the vesting date. RSUs vest in three equal annual instalments commencing no later than 12 months from the end of the year for which the performance is being rewarded. As the Company is required to settle RSUs in cash, it will record an accrued liability and record a corresponding compensation expense. The RSU is a financial instrument that will be fair valued at each reporting date based on the five-day volume weighted average price of the Company's common shares. The changes in fair value will be included in the compensation expense for that period. It is expected that the liability will be included in the determination of net earnings over the next 1.7 years (2016 – 1.7 years). The table below presents changes to the number of RSUs outstanding under the LTIP.

(iv) Deferred share units

In 2010, the Company established a deferred share unit ("DSU") plan for the purposes of strengthening the alignment of interests between eligible directors of the Company and shareholders by linking a portion of the annual director compensation to the future value of the Company's common shares.

A director is only entitled to payment in respect of the DSUs granted to him or her when the director ceases to be a director of the Company for any reason. On termination, the Company is required to redeem each DSU held by the director for payment in cash, being the product of: (i) the number of DSUs held by the director on ceasing to be a director and (ii) the greater of either (a) the weighted average trading price or (b) the average of daily high and low board lot trading prices of the Company's common shares on the TSX for the five consecutive trading days immediately prior to the date of termination.

As the Company is currently required to settle this award in cash, it will record an accrued liability and a corresponding compensation expense. DSUs are financial instruments that will be fair valued at each reporting date based on the Company's share price. The table below presents changes to the LTIP and DSU plan:

(in thousands of units)	PSU (# of units)	RSU (# of units)	DSU (# of units)
CHANGES TO THE LTIP AND DSU PLAN			
Balance at December 31, 2015	3,775	3,451	375
Granted	849	1,577	98
Settled/Exercised	(542)	(1,315)	(50)
Forfeited	(394)	(369)	-
Balance at December 31, 2016	**3,688**	**3,344**	**423**
Granted	**625**	**1,134**	**283**
Settled/Exercised	**(635)**	**(1,281)**	**-**
Forfeited	**(914)**	**(669)**	**-**
Balance at December 31, 2017	**2,764**	**2,528**	**706**

(c) Loss per share

The following table sets out the calculation of diluted earnings per share:

	Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2017**	**2016**
CALCULATION OF DILUTED EARNINGS PER SHARE		
Loss from continuing operations	**(101.7)**	(8.6)
Net loss	**(108.0)**	(7.0)
Basic weighted average number of shares outstanding (in millions)	**564.7**	511.8
Dilution of securities:		
Stock options	**-**	-
Diluted weighted average number of shares outstanding (in millions)	**564.7**	511.8
Loss from continuing operations per share:		
Basic	**(0.18)**	(0.02)
Diluted	**(0.18)**	(0.02)
Net loss per share:		
Basic	**(0.19)**	(0.01)
Diluted	**(0.19)**	(0.01)

The following table lists the equity securities excluded from the calculation of diluted loss per share. Such equity securities were excluded as their respective exercise prices exceeded the average market price of the Company's common shares of C$4.22 for the year ended December 31, 2017 (2016 – C$5.26).

	Year ended December 31	
(in millions of units)	**2017**	**2016**
EQUITY SECURITIES EXCLUDED FROM THE CALCULATION OF DILUTED EARNINGS PER SHARE		
Stock options	**13.1**	6.2
Warrants[1]	**-**	27.9

1. *On June 28, 2017, New Gold's share purchase warrants expired, unexercised.*

16. DISCONTINUED OPERATIONS

In July 2017, the Company began a process for the sale of Peak Mines, its gold-copper mine located in Australia and upon commencement of the process met the criteria as a discontinued operation under IFRS 5. In November 2017, the Company entered into a binding agreement to sell Peak Mines and expects a sale within the first quarter of 2018. In conjunction with the agreement, the Company has received a $3.0 million prepayment from the buyer which has been recorded as a deferred benefit within current liabilities on the consolidated statement of financial position.

For the year ended December 31, 2017, the net loss from Peak Mines is reported as loss from discontinued operations. Total assets and liabilities of Peak Mines (excluding any assets and liabilities which do not form part of the net assets being sold) are reported as assets and liabilities of held-for-sale, respectively, as at December 31, 2017 without restatement of the prior-year period comparative amounts. Upon classification of Peak Mines as held-for-sale, the Company ceased recognizing depreciation and depletion at Peak Mines for the year ended December 31, 2017.

As at December 31, 2017, the Company has measured the asset group at the lower of carrying value and fair value less costs to sell ("FVLCS"). The expected purchase consideration was used as the basis for determining the fair value and an estimate of the disposal costs were used as the basis for the costs to sell. In performing this assessment, the Company concluded that the expected fair value less costs to sell of Peak Mines was lower than the carrying value. As a result, the Company recognized a pre-tax impairment loss of $49.0 million for the year ended December 31, 2017, inclusive of $0.4 million in incurred transaction costs to date (net of tax – $34.0 million). This impairment loss was entirely allocated to Peak Mines' Mining Interests.

The net (loss) earnings from Peak Mines for the year ended December 31, 2017 are as follows:

	Year ended December 31	
(in millions of U.S. dollars, except per share amounts)	**2017**	**2016**
Revenues	**170.5**	161.0
Operating expenses	**94.4**	90.3
Depreciation and depletion[1]	**24.6**	70.3
Revenue less cost of goods sold	**51.5**	0.4
Exploration and business development	**4.8**	6.0
Earnings (loss) from operations	**46.7**	(5.6)
Finance costs	**(0.8)**	(0.6)
Other (losses) gains	**(2.9)**	3.9
Impairment loss on held-for-sale assets	**(49.0)**	-
Loss before taxes	**(6.0)**	(2.3)
Income tax (expense) recovery	**(0.3)**	3.9
(Loss) earnings from discontinued operations	**(6.3)**	1.6

1. *Depreciation and depletion relates to Peak Mines prior to reclassification as a discontinued operation.*

The major classes of assets and liabilities of Peak Mines are as follows:

	As at December 31
(in millions of U.S. dollars)	**2017**
ASSETS	
Trade and other receivables	**3.4**
Inventories	**10.0**
Current income tax receivable	**-**
Prepaid expenses and other	**1.1**
Mining interests	**85.3**
Deferred tax assets	**9.2**
Total assets held for sale	**109.0**
LIABILITIES	
Trade and other payables	**16.9**
Current income tax payable	**7.7**
Reclamation and closure cost obligations	**18.0**
Provisions	**9.1**
Deferred tax liabilities	**11.1**
Total liabilities held for sale	**62.8**
Net assets held for sale	**46.2**

The following table provides details of the cash flow from operating and investing activities of Peak Mines for the year ended December 31, 2017 and prior-year comparative periods:

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
OPERATING ACTIVITIES		
Earnings from discontinued operations	**(6.3)**	1.6
Adjustments for:		
Reversal of inventory write-down	**(0.4)**	-
Foreign exchange losses (gains)	**(2.1)**	0.3
Reclamation and closure costs paid	**(0.1)**	(0.1)
Depreciation and depletion	**24.6**	70.3
Other non-cash adjustments	**5.1**	(3.9)
Income tax (recovery) expense	**0.3**	(3.9)
Finance costs	**0.8**	0.6
Impairment loss on held-for-sale assets	**49.0**	-
	70.9	64.9
Change in non-cash operating working capital	**2.1**	0.7
Income taxes paid	**(5.8)**	(8.4)
Cash generated from operations	**67.2**	57.2
INVESTING ACTIVITIES		
Mining interests	**(34.7)**	(11.1)
Proceeds from the sale of assets	**0.1**	0.7
Cash used by investing activities	**(34.6)**	(10.4)
Change in cash and cash equivalents	**32.6**	46.8

17. INCOME AND MINING TAXES

The following table outlines the composition of income tax expense between current tax and deferred tax:

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016 (Note 5)**
CURRENT INCOME AND MINING TAX EXPENSE		
Canada	**2.8**	(1.8)
Foreign	**12.2**	15.1
Adjustments in respect of prior year	**0.1**	(4.6)
	15.1	8.7
DEFERRED INCOME AND MINING TAX EXPENSE (RECOVERY)		
Canada	**(87.7)**	1.4
Foreign	**(42.0)**	(18.1)
Adjustments in respect of prior year	**(1.3)**	5.9
	(131.0)	(10.8)
Total income tax expense (recovery)	**(115.9)**	(2.1)

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before taxes. The differences result from the following items:

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016 (Note 5)**
Loss before taxes	**(217.6)**	(10.7)
Canadian federal and provincial income tax rates	**26.3%**	25.8%
Income tax (recovery) expense based on above rates	**(57.2)**	(2.8)
INCREASE (DECREASE) DUE TO		
Permanent differences	**(11.0)**	(4.3)
Different statutory tax rates on earnings of foreign subsidiaries	**(11.7)**	0.8
Foreign exchange on non-monetary assets and liabilities	**(7.4)**	(10.1)
Other foreign exchange differences	**(1.6)**	8.2
Prior years' adjustments relating to tax provision and tax returns	**(1.2)**	1.3
Canadian mining tax	**10.9**	0.4
Mexican special duty tax	**0.3**	0.6
Withholding tax	**1.3**	0.3
Change in tax rates	**(31.5)**	-
Change in unrecognized deferred tax assets	**2.0**	1.2
Disposal of El Morro gold stream asset	**(8.4)**	-
Other	**(0.4)**	2.3
Income tax expense (recovery)	**(115.9)**	(2.1)

The Company's statutory tax rate has increased from 25.8% in 2016 to 26.3% in 2017. The increase primarily resulted from an increase in the income tax rate of British Columbia from 11.5% to 12.0%.

The following tables provide analysis of the deferred tax assets and liabilities as at December 31, 2017:

	As at December 31, 2017				
(in millions of U.S. dollars)	**Canada**	**USA**	**Australia[1]**	**Mexico**	**Total**
DEFERRED TAX ASSETS					
Unused non-capital losses	**-**	**3.5**	**-**	**-**	**3.5**
Property, plant and equipment	**60.6**	**-**	**-**	**-**	**60.6**
Gold stream obligation	**24.3**	**-**	**-**	**-**	**24.3**
Investment tax credits / government assistance	**18.2**	**-**	**-**	**-**	**18.2**
Alternative minimum tax credits	**-**	**27.0**	**-**	**-**	**27.0**
Decommissioning obligations	**22.2**	**-**	**-**	**-**	**22.2**
Derivative Instruments/Hedging	**2.9**	**-**	**-**	**-**	**2.9**
Ontario Mining Tax	**6.1**	**-**	**-**	**-**	**6.1**
Accrued liabilities and provisions	**1.3**	**(0.1)**	**-**	**-**	**1.2**
Other	**5.6**	**-**	**-**	**-**	**5.6**
	141.2	**30.4**	**-**	**-**	**171.6**
DEFERRED TAX LIABILITIES					
Mining interests	**(144.5)**	**(29.3)**	**-**	**-**	**(173.8)**
Property, plant and equipment	**-**	**(24.0)**	**-**	**-**	**(24.0)**
Investment tax credits / government assistance	**-**	**-**	**-**	**-**	**-**
Decommissioning obligations	**-**	**(5.7)**	**-**	**-**	**(5.7)**
British Columbia Mining Tax	**(36.6)**	**-**	**-**	**-**	**(36.6)**
Mexican Mining Royalty	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Other	**(6.4)**	**(3.7)**	**-**	**-**	**(10.1)**
	(187.5)	**(62.7)**	**-**	**(0.1)**	**(250.3)**
Deferred income tax liabilities, net	**(46.3)**	**(32.3)**	**-**	**(0.1)**	**(78.7)**

1. *As at December 31, 2017, the deferred tax asset and deferred tax liability at Peak Mines are included in assets held-for-sale and liabilities held-for-sale, respectively.*

					As at December 31, 2016
(in millions of U.S. dollars)	**Canada**	**USA**	**Australia**	**Mexico**	**Total**
DEFERRED TAX ASSETS					
Unused non-capital losses	-	14.9	-	-	14.9
Property, plant and equipment	92.4	-	6.6	-	99.0
Investment tax credits / government assistance	48.1	-	-	-	48.1
Alternative minimum tax credits	-	15.8	-	-	15.8
Decommissioning obligations	9.4	5.5	4.1	-	19.0
Derivative Instruments/Hedging	19.8	(0.1)	-	-	19.7
Accrued liabilities and provisions	2.3	0.5	3.3	0.4	6.5
Other	1.3	0.1	-	0.5	1.9
	173.3	36.7	14.0	0.9	224.9
DEFERRED TAX LIABILITIES					
Mining interests	(276.5)	(51.1)	(24.8)	-	(352.4)
British Columbia Mining Tax	-	(45.2)	-	(5.4)	(50.6)
Ontario Mining Tax	(35.1)	-	-	-	(35.1)
Derivative instruments	(4.2)	-	-	-	(4.2)
Mexican Mining Royalty	-	-	-	(0.4)	(0.4)
Other	-	(16.5)	(1.3)	5.3	(12.5)
	(315.8)	(112.8)	(26.1)	(0.5)	(455.2)
Deferred income tax liabilities, net[1]	(142.5)	(76.1)	(12.1)	0.4	(230.3)

1. *Prior period comparatives have been revised as per note 5.*

The following table outlines the movement in the net deferred tax liabilities:

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016 (Note 5)**
MOVEMENT IN THE NET DEFERRED TAX LIABILITIES		
Balance at the beginning of the year	**(230.3)**	(275.5)
Recognized in net loss	**139.2**	20.0
Recognized in other comprehensive income	**1.8**	20.4
Recognized as reduction in mineral properties	**(43.6)**	(6.9)
Recognized as foreign exchange	**50.3**	12.0
Other	**2.0**	(0.3)
Reclassified as held-for-sale	**1.9**	-
Total movement in the net deferred tax liabilities	**(78.7)**	(230.3)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deductible temporary differences on the following losses by country:

- Canadian income tax losses of $0.6 million expiring between 2018 to 2036;
- Canadian capital loss carry-forwards of $41.3 million with no expiry date; and
- Other loss carry-forwards of $20.4 million with varying expiry dates.

In addition to the above, the Company did not recognize net deductible temporary differences and tax credits in the amount of $196.6 million (2016 - $240.9 million) on other temporary differences.

The Company has $123.2 million (2016 - $114.6 million) of temporary differences associated with investment in Subsidiaries on which deferred tax liabilities have not been recognized.

The Company recognizes deferred taxes by taking into account the effects of local enacted tax legislation. Deferred tax assets are fully recognized when the Company concludes that sufficient positive evidence exists to demonstrate that it is probable that a deferred tax asset will be realized. The main factors that the Company considers, but are not limited to, are:

- Historic and expected future taxable income;
- Any tax planning that can be implemented to realize the tax assets; and
- The nature, amount and timing and reversal of taxable temporary differences.

Future income is impacted by changes in market gold, copper and silver prices as well as forecasted future costs and expenses to produce gold and copper reserves. In addition, the quantities of proven and probable gold and copper reserves, market interest rates and foreign currency exchange rates also impact future levels of taxable income. Any change in any of these factors will result in an adjustment to the recognition of deferred tax assets to reflect the Company's latest assessment of the amount of deferred tax assets that is probable will be realized.

On December 22, 2017, the Tax Cuts and Jobs Act (“tax reform”) was signed into law in the United States. Tax reform lowered the U.S. Federal corporate tax rate from 35% to 21% and made numerous other tax law changes. The change in tax law required the Company to remeasure existing net deferred tax liabilities using the lower rate in the period of enactment resulting in an income tax benefit of approximately $32.6 million to reflect these changes in the year ended December 31, 2017. These estimates may require adjustments based on additional guidance that may be issued by the U.S. Government and as further clarification and interpretations become available. Subsequent adjustments would typically be accounted for as a change in estimate.

18. RECLAMATION AND CLOSURE COST OBLIGATIONS

Changes to the reclamation and closure cost obligations are as follows:

(in millions of U.S. dollars)	Rainy River	New Afton	Mesquite	Peak Mines	Cerro San Pedro	Blackwater	Total
CHANGES TO RECLAMATION AND CLOSURE COST OBLIGATIONS							
Balance – December 31, 2015	7.9	7.4	13.2	14.2	17.8	8.3	68.8
Reclamation expenditures	-	-	-	-	(2.6)	-	(2.6)
Unwinding of discount	0.2	0.1	0.2	0.3	0.7	0.2	1.7
Revisions to expected cash flows	11.8	(0.1)	0.2	(0.7)	4.2	0.1	15.5
Foreign exchange movement	0.1	0.2	-	(0.1)	(2.0)	0.3	(1.5)
Balance – December 31, 2016	20.0	7.6	13.6	13.7	18.1	8.9	81.9
Less: current portion of closure costs (Note 8)	-	-	-	(0.1)	(0.8)	-	(0.9)
Non-current portion of closure costs	20.0	7.6	13.6	13.6	17.3	8.9	81.0
Balance – December 31, 2016	**20.0**	**7.6**	**13.6**	**13.7**	**18.1**	**8.9**	**81.9**
Reclamation expenditures	**-**	**(0.2)**	**-**	**(0.1)**	**(1.0)**	**(0.1)**	**(1.4)**
Unwinding of discount	**0.4**	**0.2**	**0.3**	**0.4**	**0.2**	**0.2**	**1.7**
Revisions to expected cash flows	**41.4**	**3.2**	**6.6**	**3.1**	**1.2**	**(0.3)**	**55.2**
Foreign exchange movement	**1.6**	**0.8**	**-**	**1.1**	**0.7**	**0.7**	**4.9**
Less: amounts reclassified as held for sale	**-**	**-**	**-**	**(18.2)**	**-**	**-**	**(18.2)**
Balance – December 31, 2017	**63.4**	**11.6**	**20.5**	**-**	**19.2**	**9.4**	**124.1**
Less: current portion of closure costs (Note 8)	**-**	**-**	**(0.2)**	**-**	**(2.4)**	**-**	**(2.6)**
Non-current portion of closure costs	**63.4**	**11.6**	**20.3**	**-**	**16.8**	**9.4**	**121.5**

Each period the Company reviews cost estimates and other assumptions used in the valuation of the obligations at each of its mining properties and development properties to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the obligation. The fair values of the obligations are measured by discounting the expected cash flows using a discount factor that reflects the risk-free rate of interest. The Company prepares estimates of the timing and amount of expected cash flows when an obligation is incurred. Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; obligations realized through additional ore bodies mined; changes in the quantities of material in reserves and a corresponding change in the LOM; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. The fair value of an obligation is recorded when it is incurred.

For the year ended December 31, 2017, the Company updated the reclamation and closure cost obligations for each of its mine sites. The impact of these assessments was an increase of $55.2 million (year ended December 31, 2016 – $15.5 million), which primarily related to Rainy River and Mesquite. Key drivers of the Rainy River liability increase of $41.4 million include advancement of the processing plant site area, construction of tailings management area, placement of mine rock and other additional obligations related to significant project advancement achieved during the period as the project continued to advance to commercial production. The key driver of the Mesquite liability increase of $6.6 million was increased requirements for reclamation sloping on waste rock, increasing the amount of earthworks required.

The majority of the expenditures are expected to occur between 2022 and 2031. The discount rates used in estimating the site reclamation and closure cost obligations were between 1.9% and 6.0% for the year ended December 31, 2017 (2016 – 1.4% and 6.0%), and the inflation rate used was between 1.7% and 3.3% for the year ended December 31, 2017 (2016 – 1.0% and 3.3%).

Regulatory authorities in certain jurisdictions require that security be provided to cover the estimated reclamation and remediation obligations. As at December 31, 2017, letters of credit totalling $137.8 million (2016 - $113.0 million) and surety bonds totalling $19.6 million (2016 - $14.8 million) had been issued to various regulatory agencies to satisfy financial assurance requirements for this purpose with the increase in 2017 related to the Rainy River project. The letters of credit are secured by the revolving Credit Facility (Note 12 (c)), and the annual fees are 1.50% of the value of the outstanding letters of credit.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information (included within operating activities) is as follows:

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
CHANGE IN NON-CASH OPERATING WORKING CAPITAL		
Trade and other receivables	**15.1**	(13.9)
Inventories	**2.8**	(8.8)
Prepaid expenses and other	**(1.5)**	1.8
Trade and other payables	**24.5**	0.5
Total change in non-cash operating working capital	**40.9**	(20.3)

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
OTHER NON-CASH ADJUSTMENTS		
Unrealized loss on share purchase warrants	**(1.2)**	(0.2)
Unrealized loss on concentrate contracts	**1.9**	4.5
Equity settled share-based payment expense	**5.7**	5.4
Gain on disposal of assets	**(0.3)**	(0.1)
Settlement and loss (gain) on revaluation of gold price option contracts	**13.9**	(10.5)
Unrealized loss on gold stream obligation	**21.8**	31.1
Unrealized loss on copper forward contracts and copper price option contracts	**4.4**	-
Other non-cash adjustments	**0.2**	(1.9)
Total other non-cash adjustments	**46.4**	28.3

20. SEGMENTED INFORMATION

(a) Segment revenues and results

The Company manages its reportable operating segments by operating mines, development projects and exploration projects. The results from operations for these reportable operating segments are summarized in the following tables:

	Year ended December 31, 2017							
(in millions of U.S. dollars)	Rainy River	New Afton	Mesquite	Cerro San Pedro	Corporate	Other[1]	Discontinued Operations[4]	Total
OPERATING SEGMENT RESULTS								
Gold revenues	33.6	94.1	215.7	42.5	-	-	-	385.9
Copper revenues	-	203.8	-	-	-	-	-	203.8
Silver revenues	0.7	4.1	-	9.9	-	-	-	14.7
Total revenues[2]	34.3	302.0	215.7	52.4	-	-	-	604.4
Operating expenses	38.5	107.1	122.7	52.7	-	-	-	321.0
Depreciation and depletion	14.1	139.3	60.2	6.7	-	-	-	220.3
Revenue less cost of goods sold	(18.3)	55.6	32.8	(7.0)	-	-	-	63.1
Corporate administration	-	-	-	-	23.7	-	-	23.7
Corporate restructuring	-	-	-	-	4.2	-	-	4.2
Share-based payment expenses	-	-	-	-	5.1	-	-	5.1
Asset impairment	268.4	-	-	-	-	-	-	268.4
Exploration and business development	2.2	1.4	-	-	0.6	2.2	-	6.4
(Loss) income from operations	(288.9)	54.2	32.8	(7.0)	(33.6)	(2.2)	-	(244.7)
Finance income	-	-	-	0.2	0.9	-	-	1.1
Finance costs	(1.7)	(1.0)	(0.4)	(0.5)	(9.4)	(0.2)	-	(13.2)
Other gains (losses) [3]	12.2	2.4	(7.4)	(1.2)	0.3	32.9	-	39.2
(Loss) earnings before taxes	(278.4)	55.6	25.0	(8.5)	(41.8)	30.5	-	(217.6)
Income tax recovery (expense)	86.0	(0.2)	31.3	(0.7)	2.9	(3.4)	-	115.9
(Loss) earnings (from continuing operations	(192.4)	55.4	56.3	(9.2)	(38.9)	27.1	-	(101.7)
Loss from discontinued operations, net of tax	-	-	-	-	-	-	(6.3)	(6.3)
Net (loss) earnings	(192.4)	55.4	56.3	(9.2)	(38.9)	27.1	(6.3)	(108.0)

1. *Other includes balances relating to the development and exploration properties that have no revenues or operating costs.*
2. *Segmented revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year ended December 31, 2017.*
3. *Other gains (losses) include foreign exchange revaluation, and a $33.0 million net gain on the disposal of the El Morro stream.*
4. *Refer to Note 16 for further information on discontinued operations.*

(in millions of U.S. dollars)	Rainy River	New Afton	Mesquite	Cerro San Pedro	Corporate	Other[1]	Discontinued Operations[4]	Total
								Year ended December 31, 2016
OPERATING SEGMENT RESULTS								
Gold revenues	-	110.4	141.7	79.7	-	-	-	331.8
Copper revenues	-	172.4	-	-	-	-	-	172.4
Silver revenues	-	4.4	-	14.2	-	-	-	18.6
Total revenues[2]	-	287.2	141.7	93.9	-	-	-	522.8
Operating expenses	-	104.8	71.5	99.2	-	-	-	275.5
Depreciation and depletion[3]	-	152.3	38.9	8.9	-	-	-	200.1
Revenue less cost of goods sold	-	30.1	31.3	(14.2)	-	-	-	47.2
Corporate administration	-	-	-	-	22.9	-	-	22.9
Share-based payment expenses	-	-	-	-	8.3	-	-	8.3
Asset impairment	-	-	-	-	-	6.4	-	6.4
Exploration and business development	-	2.1	1.9	-	0.4	(0.3)	-	4.1
Income (loss) from operations	-	28.0	29.4	(14.2)	(31.6)	(6.1)	-	5.5
Finance income	-	-	-	0.7	0.7	-	-	1.4
Finance costs	-	(0.7)	(0.4)	(0.9)	(7.7)	(0.2)	-	(9.9)
Other gains (losses)	-	5.3	5.5	(6.7)	(21.8)	10.0	-	(7.7)
Earnings (loss) before taxes	-	32.6	34.5	(21.1)	(60.4)	3.7	-	(10.7)
Income tax recovery (expense)[3]	-	21.9	(0.1)	5.5	(2.7)	(22.5)	-	2.1
Earnings (loss) from continuing operations	-	54.5	34.4	(15.6)	(63.1)	(18.8)	-	(8.6)
Earnings from discontinued operations, net of tax	-	-	-	-	-	-	1.6	1.6
Net earnings (loss)	-	54.5	34.4	(15.6)	(63.1)	(18.8)	1.6	(7.0)

1. *Other includes balances relating to the development and exploration properties that have no revenues or operating costs.*
2. *Segmented revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year ended December 31, 2016.*
3. *Prior period comparatives have been revised as per note 5.*
4. *Refer to Note 16 for further information on discontinued operations*

(b) Segmented assets and liabilities

The following table presents the segmented assets and liabilities:

	Total assets		Total liabilities		Capital expenditures[1]	
	As at December 31	As at December 31	As at December 31	As at December 31	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016[3]**	**2017**	**2016[3]**	**2017**	**2016[3]**
SEGMENTED ASSETS AND LIABILITIES						
Rainy River	**1,774.2**	1,505.1	**454.4**	545.6	**499.3**	466.4
New Afton	**874.5**	961.5	**147.8**	128.4	**42.2**	40.9
Mesquite	**482.3**	513.3	**96.3**	139.9	**12.8**	35.6
Peak Mines	**-**	170.9	**-**	64.4	**-**	-
Cerro San Pedro	**43.9**	60.5	**26.7**	29.8	**0.7**	1.0
Blackwater	**560.8**	547.8	**56.9**	55.6	**11.3**	10.0
Other[2][5]	**172.6**	173.9	**1,032.9**	896.1	**0.7**	2.0
	3,908.3	3,933.0	**1,815.0**	1,859.8	**567.0**	555.9
Assets and liabilities held for sale and capital expenditures from discontinued operations[4]	**109.0**	-	**62.8**	-	**34.7**	11.1
Total assets, liabilities and capital expenditures	**4,017.3**	3,933.0	**1,877.8**	1,859.8	**601.7**	567.0

1. *Capital expenditures per consolidated statement of cash flows.*
2. *Other includes corporate balances, exploration properties and the El Morro gold stream asset.*
3. *Prior-year period comparatives have been revised as per note 5.*
4. *Refer to Note 16 for further information on assets and liabilities held for sale.*
5. *Other includes Peak Mines' cash and cash equivalents, which do not form part of the net assets held for sale.*

(c) Geographical information

The Company operates in four principal geographical areas - Canada (country of domicile), the United States, Australia, and Mexico. The Company's revenue by location of operations and information about the Company's non-current assets by location of assets are detailed below for the years ended December 31, 2017 and 2016.

	Revenue[1]		Non-current assets[2]	
(in millions of U.S. dollars)	**2017**	**2016**	**2017**	**2016**
REVENUE AND NON-CURRENT ASSETS BY LOCATION				
Canada	**336.3**	287.2	**2,971.0**	2,762.4
United States	**215.7**	141.7	**302.4**	359.2
Australia[3]	**-**	-	**85.3**	121.2
Mexico	**52.4**	93.9	**5.1**	17.8
Other	**-**	-	**0.6**	34.0
Total	**604.4**	**522.8**	**3,364.4**	3,294.6

1. *Presented based on the location in which the sale originated.*
2. *Non-current assets exclude financial instruments (investments, reclamation deposits and other) and deferred tax assets.*
3. *For the years ended December 31, 2017 and 2016, revenue from Peak Mines is included in earnings from discontinued operations. As at December 31, 2017, the Company's non-current assets held in Australia are classified as assets held-for-sale.*

(d) Information about major customers

The following table presents sales to individual customers exceeding 10% of annual sales for the following periods. The following three customers represent 79% (2016 – 71%) of the Company's concentrate and doré sales revenue for the years ended December 31.

		Year ended December 31	
(in millions of U.S. dollars)		**2017**	**2016**
CUSTOMER	**REPORTING SEGMENT**		
1	Mesquite[1]	**210.8**	138.7
	Rainy River[1]	**34.3**	-
	Cerro San Pedro [1]	**4.4**	34.1
2	New Afton	**125.5**	99.8
3	New Afton	**99.8**	99.3
Total sales to customers exceeding 10% of annual sales[2]		**474.8**	371.9

1. *Mesquite, Rainy River and Cerro San Pedro all sell to the same customer.*
2. *Amounts presented exclude sales generated from Peak Mines, which has been classified as a discontinued operation for the year ended December 31, 2017.*

The Company is not economically dependent on a limited number of customers for the sale of its product because gold and other metals can be sold through numerous commodity market traders worldwide. Refer to Note 22(a) for further discussion on the Company's exposure to credit risk.

21. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

In the management of capital, the Company includes the components of equity, long-term debt, net of cash and cash equivalents, and investments.

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
CAPITAL (AS DEFINED ABOVE) IS SUMMARIZED AS FOLLOWS		
Equity	**2,139.5**	2,073.2
Long-term debt	**1,007.7**	889.5
	3,147.2	2,962.7
Cash and cash equivalents	**(216.2)**	(185.9)
Total	**2,931.0**	2,776.8

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying capital instruments. To maintain or adjust the capital structure, the Company may issue new shares, restructure or issue new debt, acquire or dispose of assets or sell its investments.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual budget is approved by the Board of Directors. The Company's investment policy is to invest its surplus funds in permitted investments consisting of treasury bills, bonds, notes and other evidences of indebtedness of Canada, the United States or any of the Canadian provinces with a minimum credit rating of R-1 mid from the Dominion Bond Rating Service ("DBRS") or an equivalent rating from Standard & Poor's and Moody's and with maturities of 12 months or less at the original date of acquisition. In addition, the Company is permitted to invest in bankers' acceptances and other evidences of indebtedness of certain financial institutions. All investments must have a maximum term to maturity of 12 months and the average term will generally range from seven days to 90 days. Under the policy, the Company is not permitted to make investments in asset-backed commercial paper.

22. FINANCIAL RISK MANAGEMENT

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to the Company's financial instruments fails to meet its contractual obligations. The Company's financial assets are primarily composed of cash and cash equivalents, and trade and other receivables. Credit risk is primarily associated with trade and other receivables; however, it also arises on cash and cash equivalents, gold and copper price options, and copper forward contracts. To mitigate exposure to credit risk, the Company has established policies to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable credit worthiness, and to ensure liquidity of available funds.

The Company closely monitors its financial assets and does not have any significant concentration of credit risk. The Company sells its gold exclusively to large international organizations with strong credit ratings. The historical level of customer defaults is minimal and, as a result, the credit risk associated with gold and copper concentrate trade receivables at December 31, 2017 is not considered to be high.

The Company's maximum exposure to credit risk is as follows:

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
CREDIT RISK EXPOSURE		
Cash and cash equivalents	**216.2**	185.9
Trade receivables	**27.1**	37.1
Gold price option contracts	**-**	17.6
Copper forward contracts	**-**	0.3
Total financial instrument exposure to credit risk	**243.3**	240.9

A significant portion of the Company's cash and cash equivalents is held in large Canadian financial institutions. Short-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks with high investment-grade ratings and the governments of Canada and the U.S.

The Company employs a restrictive investment policy as detailed in the capital risk management section, which is described in Note 21.

The aging of trade and other receivables is as follows:

						As at December 31	
(in millions of U.S. dollars)	0-30 days	31-60 days	61-90 days	91-120 days	Over 120 days	2017 Total	2016 Total
AGING TRADE AND OTHER RECEIVABLES							
Rainy River	6.0	4.8	6.1	-	0.4	**17.3**	5.2
New Afton	(2.3)	3.7	-	-	-	**1.4**	22.5
Mesquite	0.2	-	-	-	0.5	**0.7**	0.2
Peak Mines[1]	-	-	-	-	-	**-**	1.3
Cerro San Pedro	4.3	0.5	0.5	0.5	0.5	**6.3**	5.5
Blackwater	0.4	-	-	-	-	**0.4**	0.3
Corporate	1.0	-	-	-	-	**1.0**	2.1
Total trade and other receivables	9.6	9.0	6.6	0.5	1.4	**27.1**	37.1

1. *Trade and other receivables as at December 31, 2017 are presented excluding sales generated from Peak Mines, which has been classified as a discontinued operation for the year ended December 31, 2017.*

The Company sells its gold and copper concentrate production from New Afton to four different customers under off-take contracts. The Company sells its gold and copper concentrate production from Peak Mines to one customer under an off-take contract.

The Company is not economically dependent on a limited number of customers for the sale of its gold and other metals because gold and other metals can be sold through numerous commodity market traders worldwide.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 21.

The following table shows the contractual maturities of debt commitments. The amounts presented represent the future undiscounted principal and interest cash flows, and therefore, do not equate to the carrying amounts on the consolidated statements of financial position.

					As at December 31	
(in millions of U.S. dollars)	< 1 year	1-3 years	4-5 years	After 5 years	2017 Total	2016 Total
DEBT COMMITMENTS						
Trade and other payables	153.7	-	-	-	**153.7**	169.2
Long-term debt	-	230.0	500.0	300.0	**1,030.0**	900.0
Interest payable on long-term debt	43.5	100.8	100.8	47.8	**292.9**	252.5
Gold stream obligation	24.7	52.4	54.8	158.6	**290.5**	277.7
Total debt commitments	221.9	383.2	655.6	506.4	**1,767.1**	1,599.5

The Company's future operating cash flow and cash position are highly dependent on metal prices, including gold, silver and copper, as well as other factors. Taking into consideration the Company's current cash position, volatile equity markets, and global uncertainty in the capital markets, the Company is continually reviewing expenditures and assessing business opportunities to enhance liquidity in order to ensure adequate liquidity and flexibility to support its growth strategy, including the development of its projects, while continuing production at its current operations. A period of continuous low gold and copper prices may necessitate the deferral of capital expenditures which may impact the timing of development work and project completion, as well as production from mining operations. In addition, in such a price environment, the Company may be required to adopt one or more alternatives to increase liquidity.

(c) Currency Risk

The Company operates in Canada, the United States, Australia, and Mexico. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk for the Company can be categorized as follows:

(i) Transaction exposure

The Company's operations sell commodities and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate.

(ii) Exposure to currency risk

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the U.S. dollar: cash and cash equivalents, investments; accounts receivable, accounts payable and accruals, reclamation and closure cost obligations.

The currencies of the Company's financial instruments and other foreign currency denominated liabilities, based on notional amounts, were as follows:

	As at December 31, 2017		
(in millions of U.S. dollars)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	**16.6**	**5.9**	**1.5**
Trade and other receivables	**19.5**	**-**	**6.2**
Income tax receivable	**0.4**	**-**	**4.2**
Deferred tax asset	**130.5**	**-**	**-**
Trade and other payables	**(141.6)**	**-**	**(11.5)**
Deferred tax liability	**(183.9)**	**-**	**(0.1)**
Reclamation and closure cost obligations	**(84.6)**	**-**	**(11.7)**
Performance share units and restricted share units	**(2.6)**	**-**	**-**
Total exposure to currency risk	**(245.7)**	**5.9**	**(11.4)**

	As at December 31, 2016		
(in millions of U.S. dollars)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	95.3	4.6	1.2
Trade and other receivables	8.0	0.5	5.5
Income tax (payable) receivable	(1.1)	(4.5)	3.1
Deferred tax asset	173.3	14.0	0.9
Trade and other payables	(118.3)	(12.0)	(16.2)
Deferred tax liability	(321.1)	(26.1)	(0.5)
Reclamation and closure cost obligations	(36.5)	(13.6)	(12.2)
Warrants	(1.3)	-	-
Employee benefits	(1.1)	(7.9)	-
Restricted share units	(2.8)	-	-
Total exposure to currency risk	(205.6)	(45.0)	(18.2)

(iii) Translation exposure

The Company's functional and reporting currency is U.S. dollars. The Company's operations translate their operating results from the host currency to U.S. dollars. Therefore, exchange rate movements in the Canadian dollar, Australian dollar, and Mexican peso can have a significant impact on the Company's consolidated operating results. A 10% strengthening (weakening) of the U.S. dollar against the following currencies would have decreased (increased) the Company's net loss from the financial instruments presented by the amounts shown below.

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
IMPACT OF 10% CHANGE IN FOREIGN EXCHANGE RATES		
Canadian dollar	**24.6**	20.5
Australian dollar	**(0.6)**	4.6
Mexican peso	**1.1**	1.8

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's outstanding debt obligations are fixed and are therefore not exposed to changes in market interest rates. The Credit Facility interest is variable and a 1% change in interest rates would result in a difference of approximately $1.4 million in interest paid for the year ended December 31, 2017.

The Company is exposed to interest rate risk on its cash and cash equivalents. Interest earned on cash and cash equivalents is based on prevailing money market and bank account interest rates which may fluctuate. A 1.0% change in the interest rate would result in a difference of approximately $2.0 million in interest earned by the Company for the year ended December 31, 2017. The Company has not entered into any derivative contracts to manage this risk.

(e) Metal and Input Price Risk

The Company's earnings, cash flows and financial condition are subject to price risk due to fluctuations in the market price of gold, silver and copper. Gold prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations;
- global or regional political or economic conditions;
- the relative strength of the U.S. dollar and other currencies;
- expectations with respect to the rate of inflation;
- interest rates;
- purchases and sales of gold by central banks and other large holders, including speculators;
- demand for jewellery containing gold; and
- investment activity, including speculation, in gold as a commodity.

For the year ended December 31, 2017, the Company's revenue and cash flows were impacted by gold prices in the range of $1,151 to $1,346 per ounce, and by copper prices in the range of $2.49 to $3.27 per pound. Metal price declines could cause continued development of, and production from, the Company's properties to be uneconomic. There is a time lag between the shipment of gold and copper and final pricing, and changes in pricing can impact the Company's revenue and working capital position. The Company's exposure to changes in copper prices has been significantly reduced during 2018 as the Company has entered into copper price option contracts (whereby it sold a series of call option contracts and purchased a series of put option contracts) to reduce exposure to changes in copper prices. The details of the remaining contracts as at December 31, 2017 can be found in Note 14.

Reserve calculations and mine plans using significantly lower gold, silver, copper and other metal prices could result in significant reductions in mineral reserve and resource estimates and revisions in the Company's life-of-mine plans, which in turn could result in material write-downs of its investments in mining properties and increased depletion, reclamation and closure charges. Depending on the price of gold or other metals, the Company may determine that it is impractical to commence or, if commenced, to continue commercial production at a particular site. Metal price fluctuations also create adjustments to the provisional prices of sales made in previous periods that have not yet been subject to final pricing, and these adjustments could have an adverse impact on the Company's financial results and financial condition. Any of these factors could result in a material adverse effect on the Company's results of operations and financial condition.

The Company is also subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. The Company's costs are affected by the prices of commodities and other inputs it consumes or uses in its operations, such as lime, sodium cyanide and explosives. The prices of such commodities and inputs are influenced by supply and demand trends affecting the mining industry in general and other factors outside the Company's control. Increases in the price for materials consumed in the Company's mining and production activities could materially adversely affect its results of operations and financial condition.

An increase in gold, copper and silver prices would decrease the Company's net loss whereas an increase in fuel or restricted share unit vested prices would increase the Company's net loss. A 10% change in commodity prices would impact the Company's net earnings before taxes and other comprehensive income before taxes as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
(in millions of U.S. dollars)	**Net Earnings**	**Other Comprehensive Income**	**Net Earnings**	**Other Comprehensive Income**
IMPACT OF 10% CHANGE IN COMMODITY PRICES				
Gold price	**52.5**	**-**	47.4	-
Copper price	**9.0**	**-**	22.1	-
Silver price	**1.1**	**-**	1.4	-
Fuel price	**4.6**	**0.3**	3.5	0.1

23. FAIR VALUE MEASUREMENT

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

The Company has certain financial assets and liabilities that are held at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

There were no transfers among Levels 1, 2 and 3 during the year ended December 31, 2017 or the year ended December 31, 2016. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Valuation methodologies for Level 2 and 3 financial assets and liabilities:

Provisionally priced contracts and gold and copper swap contracts

The fair value of the provisionally priced contracts and the gold and copper swap contracts is calculated using the mark-to-market forward prices of London Metals Exchange gold and copper based on the applicable settlement dates of the outstanding provisionally priced contracts and copper swap contracts.

Gold and copper price option contracts and copper forward contracts

The fair value of the gold and copper price option contracts and copper forward contracts are calculated using the mark-to-market method based on fair value prices obtained from the counterparties of the gold price option contracts, copper price option contracts and copper forward contracts.

Gold stream obligation

The fair value of the gold stream obligation is calculated using the risk-free interest rate derived from the fifteen-year U.S. Treasury rate, forward metal prices, company specific credit spread based on the yield on the Company's 2025 Senior Unsecured Notes, and expected gold and silver ounces to be delivered from the Rainy River project life of mine model.

Performance share units (PSU)

The fair value of the PSU liability is calculated using the quantity of base options subject to cash settlement, the weighted-average three-year achieved performance ratio (calculated using the annualized return of the Company's share price compared to the annualized return of the S&P Global Gold Index) and the expected share price at the end of the vesting period.

The following table summarizes the Company's financial assets and liabilities by category and information about financial assets and liabilities measured at fair value on a recurring basis in the statement of financial position categorized by level of significance of the inputs used in making the measurements:

		As at December 31, 2017		As at December 31, 2016	
(in millions of U.S. dollars)	**Category**	**Level**		**Level**	
FINANCIAL ASSETS					
Cash and cash equivalents	Loans and receivables at amortized cost		**216.2**		185.9
Trade and other receivables	Loans and receivables at amortized cost		**29.0**		41.6
Provisionally priced contracts	Financial instruments at FVTPL	**2**	**4.2**	2	4.5
Gold and copper swap contracts	Financial instruments at FVTPL	**2**	**(6.1)**	2	(9.0)
Gold price option contracts	Financial Instruments at FVTPL	**2**	**-**	2	17.6
Investments	Financial instruments at FVTPL	**1**	**1.0**	1	1.1
Copper forward contracts	Financial instruments at FVTPL	**2**	**-**	2	0.3
FINANCIAL LIABILITIES					
Trade and other payables[1]	Financial liabilities at amortized cost		**146.0**		168.3
Long-term debt	Financial liabilities at amortized cost		**1,007.7**		889.5
Warrants	Financial Instruments at FVTPL	**1**	**-**	1	1.3
Gold stream obligation	Financial Instruments at FVTPL	**3**	**273.5**	3	246.5
Diesel swap contracts	Financial liability at fair value through OCI	**2**	**-**	2	0.1
Performance share units	Financial Instruments at FVTPL	**3**	**1.8**	3	2.1
Restricted share units	Financial instruments at FVTPL	**1**	**0.8**	1	0.9
Copper price option contracts	Financial instruments at FVTPL	**2**	**4.1**	2	-

1. *Trade and other payables exclude the short-term portion of reclamation and closure cost obligations, copper forward contracts and the short-term portion of the gold stream obligation.*

The carrying values and fair values of the Company's financial instruments are as follows:

	As at December 31, 2017		As at December 31, 2016	
(in millions of U.S. dollars)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
FINANCIAL ASSETS				
Cash and cash equivalents	**216.2**	**216.2**	185.9	185.9
Trade and other receivables	**29.0**	**29.0**	41.6	41.6
Provisionally priced contracts	**4.2**	**4.2**	4.5	4.5
Gold and copper swap contracts	**(6.1)**	**(6.1)**	(9.0)	(9.0)
Investments	**1.0**	**1.0**	1.1	1.1
Gold price option contracts	**-**	**-**	17.6	17.6
Copper forward contracts	**-**	**-**	0.3	0.3
FINANCIAL LIABILITIES				
Trade and other payables[1]	**146.0**	**146.0**	168.3	168.3
Long-term debt	**1,007.7**	**1,064.3**	889.5	920.0
Gold stream obligation	**273.5**	**273.5**	246.5	246.5
Share purchase warrants	**-**	**-**	1.3	1.3
Diesel swap contracts	**-**	**-**	0.1	0.1
Performance share units	**1.8**	**1.8**	2.1	2.1
Restricted share units	**0.8**	**0.8**	0.9	0.9
Copper price option contracts	**4.1**	**4.1**	-	-

1. Trade and other payables exclude the short-term portion of reclamation and closure cost obligation, copper price option contracts and the short-term portion of the gold stream obligation.

24. PROVISIONS

In addition to the environmental rehabilitation provision in Note 18, provisions include the cash-settled portion of the Company's PSUs and RSUs as well as employee benefits. The following table presents changes in provisions:

(in millions of U.S. dollars)	**Performance share units**	**Restricted share units**	**Employee benefits**	**Total**
As at December 31, 2015	0.8	1.6	7.9	10.3
Additional provisions recognized	2.1	5.2	3.3	9.7
Used during the year	(0.8)	(3.8)	(2.0)	(5.9)
Foreign exchange	-	(0.1)	(0.2)	(0.3)
As at December 31, 2016	2.1	2.9	9.0	14.0
Less: current portion	-	(2.0)	-	(2.0)
Non-current portion of provisions	2.1	0.9	9.0	12.0
Additional provisions recognized	**0.4**	**3.8**	**2.8**	**7.0**
Used during the year	**(0.7)**	**(3.5)**	**(3.3)**	**(7.5)**
Foreign exchange	**-**	**-**	**0.6**	**0.6**
As at December 31, 2017	**1.8**	**3.2**	**9.1**	**14.1**
Less: reclassified as liabilities held for sale	**-**	**(1.7)**	**(9.1)**	**(10.8)**
Less: current portion	**-**	**(0.7)**	**-**	**(0.7)**
Non-current portion of provisions	**1.8**	**0.8**	**-**	**2.6**

25. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
NON-CANCELLABLE OPERATING LEASE RENTALS		
Less than 1 year	**2.0**	1.9
Between 1 and 5 years	**5.0**	0.7
More than 5 years	**3.2**	-
Total non-cancellable operating lease rentals	**10.2**	2.6

For the year ended December 31, 2017, an amount of $9.0 million was recognized as an expense in profit or loss in respect of operating leases (2016 - $7.7 million).

26. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Company's key management personnel [1] was as follows:

	Year ended December 31	
(in millions of U.S. dollars)	**2017**	**2016**
KEY MANAGEMENT PERSONNEL REMUNERATION		
Short-term benefits[2]	**2.5**	3.4
Post-employment benefits	**-**	-
Other long-term benefits	**-**	-
Share-based payments	**2.4**	4.0
Termination benefits	**1.5**	1.2
Total key management personnel remuneration	**6.4**	8.7

1. *Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company.*
2. *Short-term benefits include salaries, bonuses payable within twelve months of the Statement of Financial Position date and other annual employee benefits.*

The remuneration of key executives is determined by the compensation committee having regard to the performance of individuals and market trends.

27. COMMITMENTS AND CONTINGENCIES

The Company has entered into a number of contractual commitments for capital items relating to operations and development. At December 31, 2017, these commitments totalled $51.4 million, $48.5 million of which is expected to fall due over the next 12 months. This compares to commitments of $130.2 million as at December 31, 2016, $103.2 million of which was expected to fall due over the upcoming year. Certain contractual commitments may contain cancellation clauses; however, the Company discloses its commitments based on management's intent to fulfill the contracts.

Exhibit 3

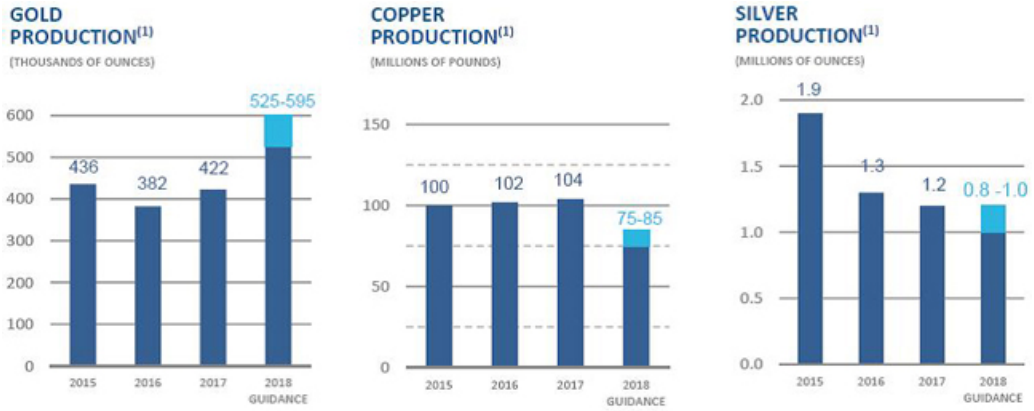

newgold™
Management's Discussion and Analysis
For the year ended December 31, 2017

OPERATING AND FINANCIAL HIGHLIGHTS

OPERATING HIGHLIGHTS

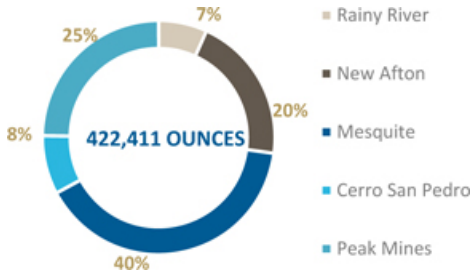
All dollar figures are in United States dollars and tabular dollar amounts are in millions, unless otherwise noted.

New Gold Inc. ("New Gold" or the "Company") is an intermediate gold producer with operating mines in Canada, the United States, Australia and Mexico, and a development project in Canada. For the year ended December 31, 2017, the Rainy River Mine in Canada ("Rainy River"), the New Afton Mine in Canada ("New Afton"), the Mesquite Mine in the United States ("Mesquite"), the Peak Mines in Australia ("Peak Mines"), which has been classified as a discontinued operation during 2017, and the Cerro San Pedro Mine in Mexico ("Cerro San Pedro"), which has been is in residual leaching since June 2016, combined to produce 422,411 gold ounces (430,949 gold ounces inclusive of the Rainy River pre commercial production period), 104.3 million pounds of copper and 1.2 million silver ounces. For the three months ended December 31, 2017, the Company's operating mines combined to produce 145,992 gold ounces (154,530 gold ounces inclusive of the Rainy River pre commercial production period), 28.1 million pounds of copper and 0.3 million silver ounces. New Gold's Rainy River Mine commenced commercial production during the fourth quarter of 2017.



New Gold's production costs remained very competitive compared to the broader gold mining industry as New Gold had operating expenses [(2)] of $646 per gold ounce sold, all-in sustaining costs from continuing operations[(2)] of $668 per gold ounce sold, and all-in sustaining costs[(2)] of $727 per gold ounce sold in 2017.

2017 GOLD PRODUCTION BY OPERATING MINE

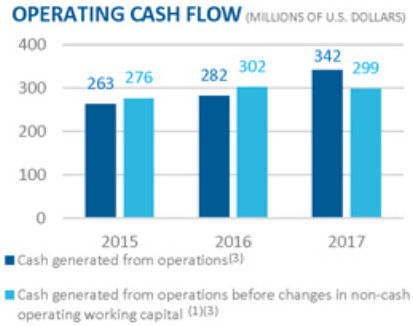


1. *Amounts presented include production from Peak Mines, which has been classified as a discontinued operation for the year ended December 31, 2017.*
2. *The Company uses certain non-GAAP financial performance measures throughout this Management's Discussion and Analysis ("MD&A"). For a detailed description of each of the non-GAAP measures used in this MD&A and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*

FINANCIAL HIGHLIGHTS

New Gold has total available liquidity of $247 million, comprised of $216 million in cash and cash equivalents and $31 million available for drawdown under the Company's $400 million revolving credit facility, each as at December 31, 2017.





	2017	2016	2015
OPERATING INFORMATION(4)			
Gold production from continuing operations (ounces)	**317,898**	274,214	345,866
Gold production (ounces)	**422,411**	381,663	435,718
Gold sales from continuing operations (ounces)	**309,454**	274,843	339,587
Gold sales (ounces)	**410,086**	378,239	428,852
Gold revenue from continuing operations ($/ounce)(1)	**1,247**	1,207	1,122
Gold average realized price from continuing operations ($/ounce)(1)	**1,278**	1,246	1,152
Operating expenses per gold ounce sold from continuing operations ($/ounce)(1)	**646**	623	606
All-in sustaining costs per gold ounce sold from continuing operations ($/ounce)(1)	**668**	675	867
All-in sustaining costs per gold ounce sold ($/ounce)(1)	**727**	692	903
FINANCIAL INFORMATION			
Revenue	**604.4**	522.8	582.9
(Loss) earnings from continuing operations	**(101.7)**	5.5	(168.3)
Net (loss)	**(108.0)**	(7.0)	(201.4)
Adjusted net earnings from continuing operations(1)	**21.3**	19.4	1.8
Adjusted net earnings (loss)(1)	**49.3**	14.6	(10.9)
Operating cash flows generated from continuing operations	**275.0**	225.0	245.8
Cash generated from operations	**342.2**	282.2	262.6
Cash generated from operations before changes in non-cash operating working capital(3)	**299.2**	301.8	276.4
Cash and cash equivalents	**216.2**	185.9	335.5
Total capital expenditures (sustaining capital) (1)	**88.4**	87.4	121.5
Total capital expenditures (growth capital) (1)	**513.4**	479.6	268.0
SHARE DATA			
(Loss) earnings per share from continuing operations ($)	**(0.18)**	(0.02)	(0.33)
(Loss) earnings per basic share ($)	**(0.19)**	(0.01)	(0.40)
Adjusted net earnings per basic share from continuing operations(1) ($)	**0.04**	0.04	0.00
Adjusted net earnings (loss) per basic share(1) ($)	**0.09**	0.03	(0.02)

1. *The Company uses certain non-GAAP financial performance measures throughout this MD&A. For a detailed description of each of the non-GAAP measures used in this MD&A and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
2. *Of the $400 million credit facility, $230 million has been drawn and $139 million has been utilized for letters of credit, both as at December 31, 2017.*
3. *Amounts presented include operating cash flows from Peak Mines, which has been classified as a discontinued operation for the year ended December 31, 2017.*
4. *Gold production excludes 8,538 gold ounces produced during Rainy River's pre commercial production period.*

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

The following Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of New Gold Inc. and its subsidiaries ("New Gold" or the "Company"). This MD&A should be read in conjunction with New Gold's audited consolidated financial statements for the years ended December 31, 2017 and 2016 and related notes, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains forward-looking statements that are subject to risks and uncertainties, as discussed in the cautionary note contained in this MD&A. The reader is cautioned not to place undue reliance on forward-looking statements. All dollar figures are in **United States dollars** and tabular dollar amounts are in millions, unless otherwise noted. This MD&A has been prepared as at February 20, 2018. Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

OUR BUSINESS

New Gold is an intermediate gold producer with operating mines in Canada, the United States and Australia, and a development project in Canada. The Company's operating properties consist of the Rainy River gold mine in Canada ("Rainy River"), New Afton gold-copper mine in Canada ("New Afton"), the Mesquite gold mine in the United States ("Mesquite"), and the Peak Mines gold-copper mine in Australia ("Peak Mines") which has been classified as a discontinued operation during 2017. The Company's Cerro San Pedro gold-silver mine in Mexico ("Cerro San Pedro") has been in residual leaching since June 2016. New Gold's development project is its 100%-owned Blackwater gold-silver project ("Blackwater"), located in Canada. On February 17, 2017, the Company sold its 4% stream on future gold production from the El Morro property located in Chile ("El Morro") to an affiliate of Goldcorp Inc. for $65 million cash.

New Gold's operating portfolio is diverse in the range of commodities it produces. The assets produce gold, with copper and silver by-products, at low costs**.** The Company believes it has a solid platform to continue to execute its growth strategy, both organically and through value-enhancing accretive acquisitions, to further establish itself as an industry-leading intermediate gold producer.



OPERATING AND FINANCIAL HIGHLIGHTS

OPERATING HIGHLIGHTS

	Three months ended December 31		Year ended December 31		
	2017	**2016**	**2017**	**2016**	**2015**
OPERATING INFORMATION					
Gold (ounces):					
Produced from continuing operations [1]	**110,240**	77,296	**317,898**	274,214	345,866
Produced[1]	**145,992**	95,883	**422,411**	381,663	435,718
Sold from continuing operations [1]	**108,782**	75,887	**309,454**	274,843	339,587
Sold [1]	**143,644**	93,936	**410,086**	378,239	428,852
Copper (millions of pounds):					
Produced from continuing operations [1]	**24.6**	21.4	**90.6**	87.3	85.9
Produced[1]	**28.1**	25.6	**104.4**	102.3	100.0
Sold from continuing operations [1]	**22.0**	21.1	**84.5**	84.9	79.7
Sold [1]	**24.9**	24.6	**96.6**	99.2	92.9
Silver (millions of ounces):					
Produced from continuing operations [1]	**0.3**	0.3	**1.0**	1.1	1.7
Produced[1]	**0.3**	0.3	**1.2**	1.3	1.9
Sold from continuing operations [1]	**0.2**	0.2	**0.9**	1.1	1.7
Sold [1]	**0.3**	0.3	**1.1**	1.3	1.8
Revenue from continuing operations [1] :					
Gold ($/ounce)	**1,252**	1,181	**1,247**	1,207	1,122
Copper ($/pound)	**2.44**	2.24	**2.41**	2.03	2.21
Silver ($/ounce)	**15.84**	16.35	**16.41**	16.71	15.20
Average realized price from continuing operations [1] [2]:					
Gold ($/ounce)	**1,274**	1,199	**1,278**	1,242	1,152
Copper ($/pound)	**2.70**	2.47	**2.66**	2.23	2.42
Silver ($/ounce)	**16.29**	16.78	**16.88**	17.09	15,38
Operating expenses per gold ounce sold from continuing operations ($/ounce) [3]	**738**	771	**646**	623	606
Operating expenses per copper pound sold from continuing operations ($/pound) [3]	**1.56**	1.57	**1.34**	1.11	1.27
Operating expenses per silver ounce sold from continuing operations ($/ounce) [3]	**9.44**	10.66	**8.54**	8.55	8.66
Total cash costs per gold ounce sold from continuing operations ($/ounce) [2][4]	**572**	288	**360**	259	618
Total cash costs per gold ounce sold ($/ounce) [2][4]	**533**	360	**403**	349	443
All-in sustaining costs per gold ounce sold from continuing operations ($/ounce) [2][4]	**774**	590	**668**	675	867
All-in sustaining costs per gold ounce sold ($/ounce) [2][4]	**771**	619	**727**	692	809
Total cash costs per gold ounce sold on a co-product basis ($/ounce) [2][4]	**746**	647	**697**	634	661
All-in sustaining costs per gold ounce sold on a co-product basis ($/ounce) [2][4]	**916**	812	**909**	861	903

1. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.*
2. *The Company uses certain non-GAAP financial performance measures throughout this MD&A. Average realized price, total cash costs and all-in sustaining costs per gold ounce sold and total cash costs and all-in sustaining costs on a co-product basis are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
3. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
4. *The calculation of total cash costs and all-in sustaining costs per gold ounce sold is net of by-product silver and copper revenue. Total cash costs and all-in sustaining costs on a co-product basis remove the impact of other metal sales that are produced as a by-product of the Company's gold production and apportions the cash costs to each metal produced on a percentage of revenue basis. If silver and copper revenue were treated as co-products, co-product total cash costs for the year ended December 31, 2017 from continuing operations would be $ 8.98 per silver ounce sold (2016 - $8.19) and $ 1.58 per copper pound sold (2016 - $1.22) and co-product all-in sustaining costs for the year ended December 31, 2017 would be $ 11.52 per silver ounce sold (2016 - $11.74) and $1.98 per copper pound sold (2016 - $1.66). Co-product total cash costs for the three months ended December 31, 2017 from continuing operations would be $9.90 per silver ounce sold (2016 - $ 8.80) and $1.83 per copper pound sold (2016 - $1.41) and co-product all-in sustaining costs for the year ended December 31, 2017 would be $11.67 per silver ounce sold (2016 - $11.39) and $2.13 per copper pound sold (2016 - $1.79).*

The Company began a process for the sale of Peak Mines and entered into a binding agreement with Aurelia Metals Limited ("Aurelia") in 2017; closing of the sale of the asset is expected in the first quarter of 2018. As such Peak Mines has been classified as a discontinued operation. Operating highlights are disclosed on a continuing and total basis, where appropriate.

Rainy River reached commercial production in the fourth quarter of 2017. From an accounting perspective, the Company recognized commercial production effective November 1, 2017, being the first day of the month following satisfaction of the commercial production criteria. Prior to the commercial production date the mine produced 8,538 gold ounces, with the associated proceeds reducing the capital costs of the project. Gold ounces produced for the year ended December 31, 2017 are shown exclusive of the pre commercial period, unless otherwise noted. Other operating and financial information represent the post commercial production period.

Gold production from continuing operations of 317,898 ounces for the year ended December 31, 2017 was higher than the 274,214 ounces in the prior-year period. Higher production at Mesquite and additional ounces from Rainy River's start-up were partially offset by planned lower production at New Afton and Cerro San Pedro. Cerro San Pedro's production decreased as the mine is in the residual leaching phase. Gold production from total operations of 422,411 ounces (430,949 ounces including the Rainy River pre commercial production period) was above the prior-year period. The combination of Rainy River's start up, Mesquite's very strong year and solid operating results at New Afton and Peak Mines, enabled the Company to achieve its guidance range of 380,000 to 430,000 ounces.

For the three months ended December 31, 2017, gold production from continuing operations was 110,240 compared with 77,926 in the prior-year period. Higher production was attributable to Mesquite's strong fourth quarter gold production and the additional ounces from Rainy River's start-up. In the fourth quarter of 2017, the Company delivered record quarterly gold production of 145,992 ounces (including Peak Mines).

Gold sales from total operations were 410,086 ounces for the year ended December 31, 2017, compared to 378,239 ounces in the prior-year period. Timing of sales at the end of the period resulted in a difference between ounces sold and ounces produced. Gold sales were 143,644 ounces for the three months ended December 31, 2017, compared to 93,936 ounces in the prior-year period.

Copper production from continuing operations and total operations for the year ended December 31, 2017 increased compared to the prior-year period due to higher grades and higher ore tonnes processed at New Afton. Total copper production of 104.4 million pounds achieved the Company's guidance range of 100 to 110 million pounds. Copper production for the quarter ended December 31, 2017 was higher than the prior-year quarter.

Copper sales from total operations were 96.6 million pounds for the year ended December 31, 2017, compared to 99.2 million pounds in the prior-year period. Timing of sales at the end of the period resulted in a difference between pounds sold and pounds produced. For the three months ended December 31, 2017, copper sales were 24.9 million pounds consistent with the prior-period of 24.6 million pounds.

Operating expenses from continuing operations per gold ounce for the year ended December 31, 2017 was $646, an increase from the prior-year of $623 due to increased process flow solution at Mesquite operations and higher operating expenses at Rainy River which commenced commercial production in the fourth quarter of 2017. Operating expense per ounce of gold sold achieved the guidance range of $630 to $670 per ounce. For the three months ended December 31, 2017, operating expenses from continuing operations per gold ounce sold was $738 compared with $771 in the prior-year period due to the prior-year period being negatively impacted by a heap leach silver inventory write-down of $24.0 million at Cerro San Pedro.

Total cash costs per gold ounce sold from continuing operations, net of by-product sales, were $360 per ounce for the year ended December 31, 2017 compared to $259 per ounce in the prior year. The increase in total cash costs was primarily driven by higher operating expenses partially offset by the effect of by-product revenues which benefitted from an increase in the realized copper price.

Total cash costs per gold ounce sold from continuing operations, net of by-product sales, were $572 per ounce for the three months ended December 31, 2017 compared to $288 per ounce in the prior year. The increase in total cash costs was primarily driven by higher operating expenses partially offset by the effect of by-product revenues which benefitted from an increase in the realized copper price.

All-in sustaining costs per gold ounce sold from continuing operations were $668 for the year ended December 31, 2017, compared to $675 in the prior year. In addition to the Company's strong operating performance, all-in sustaining costs benefitted from the timing of sustaining capital expenditure payments at Rainy River. All-in sustaining costs per gold ounce sold from continuing operations was positively impacted by the exclusion of Peak Mines consolidated sustaining costs. All-in sustaining costs from all operations were $727 per ounce for the year ended December 31, 2017, compared to $692 per ounce in the prior-year period and came in below the guidance range of $760 to $800 per ounce which had previously been lowered by $65 per ounce in the second quarter of 2017.

All-in sustaining costs per gold ounce sold from continuing operations were $774 for the three months ended December 31, 2017, compared to $590 in the prior-year period. All-in sustaining costs from all operations were $771 for the three months ended December 31, 2017, compared to $619 in the prior-year period. This increase was due to the start-up of Rainy River and slightly higher sustaining costs at Mesquite and lower gold and silver sale volumes at Cerro San Pedro.

Rainy River achieved commercial production in the fourth quarter of 2017 with mining and milling activities continuing to progress well during the quarter. Rainy River produced 37,047 ounces during the fourth quarter including the pre- commercial period, with an additional 8,607 ounces of gold inventory in circuit at the end of the period. The milling rate for December averaged 21,000 tonnes per day, which is the nameplate capacity for the facility. Gold production for 2017, including gold inventory in circuit, totalled 45,654 ounces. This was slightly lower than the guidance range of 50,000 to 60,000 ounces, as the mill ramp-up began hitting nameplate throughput slightly later in the fourth quarter than planned, resulting in lower total tonnes milled. Consistent with the Company's plans, during the two month initial commercial production period, the gold grade averaged 0.94 gram per tonne with recoveries of 86%. With the mill operating at nameplate capacity, Rainy River is well positioned to deliver strong production in 2018. All-in sustaining costs for the year ended December 31, 2017 were above the guidance range of $1,400 to $1,440 per ounce primarily due to lower gold sales volumes.

For a detailed review of the Company's operating mines, refer to the "Review of Operating Mines" sections of this MD&A.

FINANCIAL HIGHLIGHTS

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
FINANCIAL INFORMATION[3]					
Revenue	**193.5**	140.7	**604.4**	522.8	582.9
Operating margin[1]	**76.5**	46.5	**283.4**	247.3	261.9
Revenue less cost of goods sold[2]	**6.0**	(10.6)	**63.1**	47.2	68.0
(Loss) earnings from continuing operations[2]	**(179.6)**	(23.3)	**(101.7)**	(8.6)	34.2
Net loss[2]	**(195.6)**	(22.3)	**(108.0)**	(7.0)	(201.4)
Adjusted net earnings from continuing operations [1] [2]	**6.2**	1.5	**21.3**	19.4	1.8
Adjusted net earnings (loss) [1][2]	**32.5**	(4.9)	**49.3**	14.6	(10.9)
Operating cash flows generated from continuing operations	**91.2**	49.1	**275.0**	225.0	245.8
Cash generated from continuing operations before changes in non-cash operating working capital [1]	**64.8**	64.6	**234.1**	245.3	265.1
Capital expenditures (sustaining capital) [1]	**27.4**	15.7	**88.3**	87.4	121.5
Capital expenditures (growth capital) [1]	**84.2**	149.1	**513.4**	479.6	268.0
		3,933.0		3,933.0	
Total assets[2]	**4,017.3**	3,831.5	**4,017.3**	3,831.5	3,675.5
Cash and cash equivalents	**216.2**	185.9	**216.2**	185.9	335.5
Long-term debt	**1,007.7**	889.5	**1,007.7**	889.5	787.6
SHARE DATA					
(Loss) earnings per share from continuing operations[2]:					
Basic ($)	**(0.31)**	(0.05)	**(0.18)**	(0.02)	(0.33)
Diluted ($)	**(0.31)**	(0.05)	**(0.18)**	(0.02)	(0.33)
(Loss) earnings per share[2]:					
Basic ($)	**(0.34)**	(0.04)	**(0.19)**	(0.01)	(0.40)
Diluted ($)	**(0.34)**	(0.04)	**(0.19)**	(0.01)	(0.40)
Adjusted net earnings (loss) per basic share ($)[1][2]	**0.06**	(0.01)	**0.09**	0.03	(0.02)
Adjusted net earnings per basic share from continuing operations ($) [1][2]	**0.01**	-	**0.04**	0.04	-
Share price as at December 31 (TSX – Canadian dollars)	**4.13**	4.71	**4.13**	4.71	3.22
Weighted average outstanding shares (basic) (millions)	**578.1**	513.0	**564.7**	511.8	509.0

1. *The Company uses certain non-GAAP financial performance measures throughout this MD&A. Operating margin, adjusted net loss, adjusted net loss per basic share, capital expenditures (sustaining and growth) and cash generated from operations before changes in non-cash operating working capital are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
2. *Prior-year period comparatives have been revised. Please refer to the "Key Quarterly Operating and Financial Information" section of this MD&A for further information.*
3. *As the Company has entered into a binding agreement to sell the Peak Mines and the Company expects to close the sale in the first quarter of 2018, Peak Mines has been classified as a discontinued operation. Financial highlights are disclosed on a continuing and total basis, where appropriate.*

Revenue was $604.4 million for the year ended December 31, 2017, compared to $522.8 million in the prior year. Revenue benefitted from the higher gold sales volumes and higher gold and copper prices when compared to the prior year. Relative to the prior year, the average realized price increased by $36 (3%) per ounce of gold and $0.43 (19%) per pound of copper.

Revenue was $193.5 million for the three months ended December 31, 2017, compared to $140.7 million in the prior-year period. The increase is due to higher metal sales volumes and higher gold and copper prices. Relative to the prior-year period, gold sales increased by 53%, mainly attributable to the startup of Rainy River and Mesquite's strong quarter. Average realized gold price increased by $75 (6%) per ounce and the copper price increased by $0.23 (9%) per pound compared to the prior-year period.

Revenue less cost of goods sold for the year ended December 31, 2017 was $63.1 million compared to $47.2 million in the prior year. Revenue less cost of goods sold was $6.0 million for the three months ended December 31, 2017, compared to a loss of $10.6 million in the prior year period. This increase in the three months and year ended December 31, 2017 was driven by the higher gold sales and higher metal prices.

For the year ended December 31, 2017, the loss from continuing operations was $101.7 million compared to an $8.6 million loss in the prior year. The net loss includes the net impact of an after-tax impairment charge in the current year of $181.0 million relating to Rainy River, a $43.8 million non-cash foreign exchange gain, a $33.0 million pre-tax gain on the disposal of the El Morro stream, a $21.8 million pre-tax loss on the revaluation of the Company's gold stream obligation, a $18.3 million pre-tax loss on the revaluation of Company's gold and copper price option contracts and copper forward contracts, and a $3.3 million gain on the modification of long-term debt. The prior year included a $31.1 million pre-tax loss on the revaluation of the Company's gold stream obligation, a non-cash $27.3 million inventory write-down at Cerro San Pedro, a $12.0 million non-cash foreign exchange gain, and a $10.5 million gain on the revaluation of gold price option contracts. The net loss was higher than the loss from continuing operations due to a non-cash loss of $49.0 million from the sale of Peak Mines, partially offset by strong earnings from operations from Peak Mines for the year ended December 31, 2017.

The loss from continuing operations was $179.6 million for the three months ended December 31, 2017, compared to $23.3 million in the prior-year period. The fourth quarter loss from continuing operations included a net impact of an after-tax impairment charge of $181.0 million relating to Rainy River, a $17.0 million loss on the revaluation of the gold stream obligation, and a $8.8 million pre-tax foreign exchange loss, finance costs of $12.7 million, and a $4.2 million expense relating to the Company's restructuring of its corporate office workforce. The prior-year period included a non-cash $27.3 million inventory write-down at Cerro San Pedro, a $5.1 million pre-tax foreign exchange loss, an $11.4 million gain on the revaluation of the Company's gold option contracts, and a pre-tax gain of $3.3 million on the revaluation of the gold stream obligation. The net loss was higher than the loss from continuing operations due to due to a non-cash loss of $49.0 million from the sale of Peak Mines, which was only partially offset by strong earnings from operations from Peak Mines for the three months ended December 31, 2017.

Adjusted net earnings from continuing operations for the year ended December 31, 2017 were $21.3 million, or $0.04 per basic share, compared to $19.4 million or $0.04 per basic share in the prior year. Adjusted net earnings from continuing operations were primarily impacted by higher operating expenses, net of inventory write-downs, of $69.5 million, higher depreciation and depletion, net of inventory write-downs, of $23.5 million, higher net finance costs of $6.9 million (excluding gains on debt modification), partially offset by higher revenue of $81.6 million. Adjusted net earnings from continuing operations benefitted from an adjusted tax recovery of $8.8 million. For the year ended December 31, 2017, adjusted net earnings were $49.3 million or $0.09 per share when compared to $14.6 million or $0.03 per share in the prior year. Adjusted earnings for the year ended December 31, 2017 positively benefitted from higher adjusted earnings from discontinued operations, resulting from the cessation of depreciation and depletion at Peak Mines upon classification to discontinued operations.

Adjusted net earnings from continuing operations for the three months ended December 31, 2017 were $6.2 million or $0.01 per basic share, compared to adjusted net earnings from continuing operations of $1.5 million or $nil per basic share in the prior-year period. Adjusted net earnings from continuing operations were positively impacted by higher revenue of $52.8 million, lower corporate administration (including share-based payment expenses) of $3.8 million and lower exploration and business development expenses of $1.2 million. Additionally, adjusted earnings from continuing operations benefitted from an adjusted tax recovery of $17.1 million. This was partially offset by higher operating expenses, net of inventory write-downs, of $46.8 million, higher depreciation and depletion, net of inventory write-downs, of $16.9 million, and higher net finance costs of $11.8 million. For the three months ended December 31, 2017, adjusted net earnings were $32.5 million or $0.06 per share when compared to an adjusted net loss of $4.9 million or $0.01 per share in the prior-year period. Adjusted earnings for the three months ended December 31, 2017 positively benefitted from higher adjusted earnings from discontinued operations, resulting from increased revenues at Peak Mines and the cessation of depreciation and depletion at Peak Mines upon classification to discontinued operations.

For the year ended December 31, 2017, cash generated from continuing operations was $275.0 million, compared to $225.0 million in the prior year. Cash generated from continuing operations before changes in non-cash working capital for the year ended December 31, 2017 was $234.1 million compared with $245.3 million in the prior year as higher operating margins, were offset by higher income taxes paid and a $4.2 million expense relating to the Company's restructuring of its corporate office workforce. Cash generated from continuing operations for the year ended December 31, 2017 was higher than the prior-year period, benefitting from an increase in trade and other payables at Rainy River and the collection of a concentrate receivable of $21.2 million at New Afton which was outstanding at December 31, 2016.

For the year ended December 31, 2017, cash generated from operations was $342.2 million, compared to $282.2 million in the prior-year period, benefitting from the cash generated from continuing operations working capital movements noted above.

Cash generated from continuing operations for the three months ended December 31, 2017 was $91.2 million, compared with $49.1 million in the prior-year period. Cash generated from continuing operations before changes in non-cash working capital for the three months ended December 31, 2017 of $64.8 was in line with the prior-year period. Cash generated from continuing operations benefitted from an increase in trade and other payables at Rainy River, while the prior year-period included an outstanding concentrate receivable of $21.2 million at New Afton.

For the three months ended December 31, 2017, cash generated from operations was $118.9 million, compared to $51.9 million in the prior-year period, benefitting from the cash generated from continuing operations, working capital movements noted above and higher gold sales volumes at Peak Mines.

For further information on the Company's liquidity and cash flow position, please refer to the "Liquidity and Cash Flow" section of this MD&A. For further information on the Company's financial results, please refer to the "Financial Results" section of this MD&A.

CORPORATE DEVELOPMENTS

New Gold's strategy involves strong operational execution at its current assets and disciplined growth through both organic initiatives and value-enhancing mergers and acquisitions. Since the middle of 2009, New Gold has focused on enhancing the value of its portfolio of assets, while also continually looking for compelling external growth opportunities. New Gold's objective is to pursue corporate development initiatives that will maximize long-term shareholder value.

On February 17, 2017, New Gold sold its 4% stream on future gold production from El Morro to an affiliate of Goldcorp Inc. for $65.0 million cash. This transaction provided the Company with additional liquidity as the Company advanced the construction of Rainy River.

In 2017, New Gold entered into an agreement with a syndicate of underwriters to purchase, on a bought deal basis, 53,600,000 common shares of New Gold (plus an over-allotment option) at a price of $2.80 per share. On March 10, 2017, New Gold closed the bought deal financing of 61,640,000 common shares (including the over-allotment) for net proceeds to New Gold of approximately $164.7 million (gross proceeds of $172.9 million less equity issuance costs of $8.2 million).

On June 27, 2017, New Gold entered into gold price option contracts covering 120,000 ounces of New Gold's second half 2017 gold production. New Gold purchased put options with a strike price of $1,250 per ounce covering 120,000 ounces of gold and simultaneously sold call options with a strike price of $1,400 per ounce covering an equivalent 120,000 ounces. The contracts covered 20,000 ounces of gold per month for six months beginning in July 2017. The net cost of entering into the option contracts was approximately $1 million.

In October 2017, the Company entered into copper price option contracts by purchasing put options at a strike price of $3.00 per pound and selling call options at a strike price of $3.37 per pound for 27,600 tonnes (approximately 60 million pounds) of copper production during 2018 ("copper option contracts").

On November 20, 2017, New Gold announced that the Company had entered into a binding agreement with Aurelia to sell the Peak Mines for cash consideration of $58.0 million subject to a closing adjustment. Aurelia paid a $3.0 million deposit, which will be retained by New Gold in certain circumstances if the transaction is not completed. The transaction is subject to customary closing conditions, including consent from the New South Wales Minister responsible for the Mining Act 1992 for the transfer of control of certain exploration licenses, and is expected to close in the first quarter of 2018.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS FOR 2017

- For the fourth time, New Gold was recognized as the top ranking mining company, and ninth overall in the Future 40 Most Responsible Corporate Leaders in Canada by Corporate Knights, which identifies Canada's emerging sustainability leaders from small to mid-cap corporations.
- A New Gold Indigenous relations strategy was developed to address five key pillars: engagement, capacity building, economic development, inclusion and environmental stewardship.
- A New Gold local procurement standard was established to optimize local procurement and business opportunities and support sustainable economic development in the communities where we operate.
- Independent Tailings Review Board conducted meetings at New Afton and Rainy River to ensure that best New Gold practices are adopted in Tailings Management.
- New Afton received the 2016 Towards Sustainable Mining Leadership Award from the Mining Association of Canada and the 2016 J.T, Ryan Safety Award for Metal Mines for the lowest accident frequency in British Columbia and Yukon.
- New Afton's Safety Initiative Committee received the BC Chief Inspector's Recognition Award.
- New Afton held Health & Career Fairs at local First Nations communities and held a fundraiser for the Kamloops Foodbank.
- New Afton underwent an external audit of its Environmental Management System. This resulted in only minor findings and the site will be certified under ISO14001:2015.
- The New Afton community and mine rescue teams provided critical support to a local Indigenous community to prepare for and protect from the BC wildfires.
- Cerro San Pedro achieved level A or greater for all protocols in Towards Sustainable Mining initiative including AAA rating for all performance indicators in the Community and Aboriginal Outreach protocol.
- Cerro San Pedro was recertified by the International Cyanide Management Institute.
- Cerro San Pedro held a Biodiversity Day event at local schools and built a potable water tank for the local community
- The Todos par Cerro de San Pedro foundation launched a microfinancing program and provided a microloan to its first local small business owner.
- Cerro San Pedro Mine continued to reclaim and revegetate waste piles as part of its closure and reclamation plan as well as complete the fencing off of the open pit area.
- Peak Mines participated in Clean Up Australia Day and the Cobar Shire Festival of the Miners Ghost.
- Continued working toward Environmental Assessment Approval and Participation Agreements with first Nations at Blackwater.

CORPORATE SOCIAL RESPONSIBILITY TARGETS FOR 2018

- Achieve a minimum of AA ranking at the Mining Association of Canada's Towards Sustainable Mining Aboriginal and Community Relations Protocol at Canadian operations.
- Reduce reportable environmental incidents across all operations.
- Reduce the Total Reportable Injury Frequency Rate (TRIFR).
- Establish guidance for workforce with regard to high-risk activities such as working at heights, confined space, lock-out/tag-out and hazardous substances.

New Gold is committed to excellence in corporate social responsibility. The Company considers its ability to make a lasting and positive contribution toward sustainable development a key driver to achieving a productive and profitable business. New Gold aims to achieve this objective through the protection of the health and well-being of its people and host communities as well as employing industry-leading practices in the areas of environmental stewardship and community engagement and development.

As a participant of the United Nations Global Compact, New Gold's policies and practices are guided by its principles with regard to human rights, labour, environmental stewardship and anti-corruption. As a member of the Mining Association of Canada ("MAC"), New Gold's operations adopt the MAC's Towards Sustainable Mining protocols.

New Gold's objectives include protecting the welfare of its employees and contractors through safety-first work practices, upholding fair employment practices and encouraging a diverse workforce, where people are treated with respect and are supported to realize their full potential. The Company strives to create a culture of inclusiveness and tolerance that begins at the top and is reflected in its hiring, promotion and overall human resources practices. In each of its host communities, the Company strives to be an employer of choice through the provision of competitive wages and benefits, and through the implementation of policies of recognizing and rewarding employee performance and promoting from within wherever possible.

The Company is committed to preserving the long-term health and viability of the natural environments that host its operations. Wherever New Gold operates – in all stages of mining activity, from early exploration and planning, to commercial mining operations through to eventual closure – the Company is committed to excellence in environmental management. From the earliest site investigations, New Gold carries out comprehensive environmental studies to establish baseline measurements for flora, fauna, earth, air and water. During operations, the Company promotes the efficient use of raw materials and resources and works to minimize environmental impacts and maintain robust monitoring programs. After mining activities are complete, New Gold's objective is to restore the land to a sustainable end land use.

The New Gold environmental management standards are based on internationally recognized standards. The standards serve to guide site-level management systems to ensure that site operations identify and appropriately manage their environmental aspects, adopt a consistent approach to identifying and controlling environmental risks, report progress through audits and assessments, and adopt a high level of environmental stewardship. All sites are expected to have an external audit, peer audit or self-assessment annually based on our audit schedule.

As part of the implementation process, each operation has also compiled a register of significant environmental risks. This register contains the main environmental risks for each operation and allows corporate representatives to test the adequacy and effectiveness of controls as well as emergency preparedness and mitigation measures associated with these greatest potential risks.

In 2017, New Gold was subject to charges in relation to two incidents from 2016. Specifically, on July 13, 2017, New Gold was charged with five breaches of the Environmental Protection Act (Ontario) in connection with alleged effluent discharges at the Rainy River project in July 2016 in excess of permit limits. On November 9, 2017, New Gold plead guilty to discharging un-ionized ammonia above the ECA limit on July 27, 2016 and failing to report a July 20, 2016 discharge above the standard for un-ionized ammonia. The three remaining charges were withdrawn. New Gold was sentenced to a fine of C$100,000 for the July 27, 2016 discharge and C$50,000 for the failure to report the July 20, 2016 discharge. A mandatory victim surcharge of 25% applies to the fines, for a total amount owing of C$187,500. In addition, on July 24, 2017, New Gold was charged with two breaches of the Lakes and Rivers Improvement Act (Ontario) in connection with water allegedly overtopping a dam on the Rainy River construction site prior to completion of construction of the dam. New Gold takes all environmental incidents seriously and is in the process of evaluating this matter.

New Gold is committed to establishing relationships based on mutual benefit and active participation with its host communities to contribute to healthy and sustainable communities. Wherever the Company's operations interact with Indigenous peoples, New Gold promotes understanding of, and respect for traditional values, customs and culture and takes meaningful action to consider their interests through collaborative agreements aimed at creating jobs, training and other lasting socio-economic benefits.

The New Gold community engagement and development standards provide guidance to our sites to identify our communities of interest, and effectively engage and sustain dialogue, and to find opportunities to contribute to long-term development within our host communities. They also drive us to monitor and continually improve our processes and performance. The standards are based on several internationally recognized principles and values. At each site, the standards are being progressively implemented to guide site-level management systems to ensure that site operations appropriately identify and engage with local communities of interest, respect human rights, identify opportunities for sustainable community investments, and makes commercially reasonable efforts to maximize local hiring and contracting.

Our standards also guide our operations to adopt a consistent approach to identifying and controlling social risks and to report progress through audits and assessments. All sites are expected to have an external audit, peer audit or self-assessment annually based on an audit schedule.

NEW GOLD'S INVESTMENT THESIS

Our primary focus is the exploration, development and operation of our portfolio of gold producing assets. We currently have an established foundation, with our four producing assets providing us with the cash flow that should position us to grow the business as we further explore and develop our exciting development projects. As we deliver on what we believe is an industry-leading organic growth profile, we intend to remain focused on the following key strengths that have helped New Gold become a leading intermediate producer.

PORTFOLIO OF ASSETS IN TOP-RATED JURISDICTIONS

New Gold has a diverse portfolio of assets. Operating assets consist of Rainy River and New Afton in Canada, Mesquite in the United States, Peak Mines in Australia (classified as a discontinued operation) and Cerro San Pedro in Mexico, which transitioned into residual leaching in the second half of 2016. Our significant development project is the Blackwater project in Canada. All assets are located in jurisdictions that have been ranked in the top five mining jurisdictions based on the Behre Dolbear Report "2015 Ranking of Countries for Mining Investment". In 2017, 43% of our revenue was generated from Canada, 22% from Australia, 28% from the United States and 7% from Mexico, and over 92% of our gold reserves are located in Canada.

INVESTED AND EXPERIENCED TEAM

New Gold has an invested and experienced executive management team and Board of Directors with extensive mining sector knowledge, a successful track record of identifying and developing mines and significant experience in leading successful mining companies. Our Board of Directors provides valuable stewardship and includes individuals with a breadth of knowledge across the mining sector that the Company believes provides New Gold with a distinct competitive advantage.

ESTABLISHED TRACK RECORD

New Gold has a portfolio of mines that have a history of delivering on consolidated Company guidance. In 2017, New Gold achieved its production guidance at low costs which enabled us to generate robust margins. New Gold produced 422,411 gold ounces at operating expenses per gold ounce sold of $664 and all-in sustaining costs of $727 per gold ounce sold net of by-product sales.

PEER-LEADING GROWTH PIPELINE

In addition to our operating mines, we have development potential that significantly enhances our production base and growth profile. As at December 31, 2017, the Rainy River mine contains Proven and Probable Mineral Reserves of 4.4 million gold ounces and 12.8 million silver ounces. The Blackwater project contains Proven and Probable Mineral Reserves of 8.2 million gold ounces and 61 million silver ounces. Please refer to the "Mineral Reserves and Mineral Resources" section of this MD&A for further details

A HISTORY OF VALUE CREATION

Since the middle of 2008, New Gold has grown through the acquisition of largely single asset companies which has further strengthened the Company. The experience of our management team and Board of Directors has allowed the Company to be opportunistic in its corporate development initiatives. In addition, New Gold continues to look for opportunities to organically increase the value of each of its operations.

OUTLOOK FOR 2018

	Gold Production[1]	Copper Production[1]	Operating Expense[2] [4]	Operating Expense[2] [4]	All-in Sustaining Costs[3] [4]
	(thousands of ounces)	*(millions of pounds)*	*(per gold ounce sold)*	*(per copper pound sold)*	*(per gold ounce sold)*
Rainy River	310 - 350	-	$430 - $470	-	$990 - $1,090
New Afton	55 - 65	75 - 85	$455 - $495	$1.10 - $1.30	($1,020) - ($980)
Mesquite	140 - 150	-	$890 - $930	-	$1,005 - $1,045
Cerro San Pedro	20 - 30	-	$1,255 - $1,295	-	$1,330 - $1,370
Total	**525 - 595**	**75 - 85**	**$555 - $595**	**$1.35 - $1.55**	**$860 - $900**

1. *Consolidated silver production is estimated to be approximately 0.9 million ounces in 2018.*
2. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
3. *Net of by-product silver and copper revenues.*
4. *For details on the key assumptions, which apply to all 2017 and 2018 production and cost guidance contained in this MD&A, refer to "Total Operating Expense and All-in Sustaining Costs per Gold Ounce Sold" below.*

Production

New Gold's 2018 consolidated gold production is expected to increase by approximately 30% relative to the prior year due to the benefit of the first full year of operations at Rainy River more than offsetting the planned decreases in gold production at New Afton, Mesquite and Cerro San Pedro, and the sale of Peak Mines. Consolidated copper production for 2018 is expected to decrease relative to the prior year primarily due to the sale of Peak Mines and planned lower mill throughput at New Afton. Consolidated silver production is scheduled to remain in line with 2017 at approximately 0.9 million ounces.

Consistent with previous years, New Gold's 2018 full-year gold production is not scheduled to be evenly distributed across the four quarters. Approximately 60% of the Company's consolidated gold production is expected to occur evenly in the second and fourth quarters.

Total Operating Expense and All-in Sustaining Costs per Gold Ounce Sold

New Gold's by-product pricing assumptions for 2018 are $3.20 per copper pound, which was in line with spot prices and approximates the mid-point of the Company's copper collar pricing, and $17.00 per silver ounce which is in line with spot prices. The 2018 assumptions for the Canadian dollar and Mexican peso exchange rates of $1.25 and $18.00 to the U.S. dollar were in line with spot exchange rates at the time guidance was set.

The Company's operating expense per gold ounce is expected to decrease in 2018, as a higher proportion of gold sales will be from the lower operating expense per ounce Rainy River Mine. Operating expense per copper pound in 2018 is expected to increase relative to the prior year due to lower mill throughput and copper grades at New Afton.

New Gold's 2018 all-in sustaining costs are expected to increase relative to the prior year. The Company's 2018 consolidated total cash costs, which form a component of all-in sustaining costs, are expected to be $360 to $400 per ounce. Sustaining costs for 2018, including sustaining capital, exploration, general and administrative and amortization or reclamation expenditures, are expected to increase by approximately $145 million relative to the prior year primarily due to an increase in sustaining capital expenditures during Rainy River's first full year of operation. This increase is expected to be partially offset by lower capital and exploration expenditures at New Afton, Mesquite and Cerro San Pedro, as well as a sustainable reduction in corporate general and administration expenditures.

Consistent with previous years, New Gold's 2018 full-year gold production is not scheduled to be evenly distributed across the four quarters. Approximately 60% of the Company's consolidated gold production is expected to occur evenly in the second and fourth quarters. The Company's sustaining capital profile is also not scheduled to be evenly distributed across the four quarters. Approximately 40% of the sustaining capital is expected to occur in the first quarter with the remaining 60% to occur evenly over the second, third and fourth quarters. As a result of the combined impact of planned lower first quarter production and higher sustaining capital spend profile, the first quarter is expected to have a higher all-in sustaining cost relative to the full-year guidance range.

KEY PERFORMANCE DRIVERS

There is a range of key performance drivers that are critical to the successful implementation of New Gold's strategy and the achievement of its goals. The key internal drivers are production volumes and costs. The key external drivers are market prices of gold, copper and silver, as well as foreign exchange rates.

Production Volumes and Costs

New Gold's portfolio of continuing operating mines produced 317,898 gold ounces for the year ended December 31, 2017 and 110,240 gold ounces for the three months ended December 31, 2017.

Operating expenses per gold ounce sold from continuing operations for the year ended December 31, 2017 was $646, compared to $623 in the prior-year period. Operating expenses per copper pound sold from continuing operations for the year ended December 31, 2017 was $1.34, compared to $1.11 in the prior-year period. Operating expenses per silver ounce sold from continuing operations for the year ended December 31, 2017 was $8.54, compared to $8.55 in the prior-year period.

Operating expenses per gold ounce sold from continuing operations for the three months ended December 31, 2017 were $738, compared to $771 in the prior-year period. Operating expenses per copper pound sold from continuing operations for the three months ended December 31, 2017 were $1.56, compared to $1.57 in the prior-year period. Operating expenses per silver ounce sold from continuing operations for the three months ended December 31, 2017 were $9.44 compared to $10.66 in the prior-year period.

For the year ended December 31, 2017, total cash costs and all-in sustaining costs from continuing operations, net of by-product sales, were $360 and $668 per gold ounce sold, respectively. In the prior-year periods, total cash costs and all-in sustaining costs were $259 and $675 per gold ounce sold, respectively.

For the three months ended December 31, 2017, total cash costs and all-in sustaining costs from continuing operations, net of by-product sales, were $572 and $774 per gold ounce sold, respectively. In the prior-year periods, total cash costs and all-in sustaining costs were $288 and $590 per gold ounce sold, respectively.

For an analysis of the impact of production volumes and costs for the year ended December 31, 2017 relative to prior-year periods, refer to the "Operating Highlights" section of this MD&A.

Commodity Prices



Gold prices

The price of gold is the single largest factor affecting New Gold's profitability and operating cash flows. As such, the current and future financial performance of the Company is expected to be closely related to the prevailing price of gold. In the third quarter of 2016, the Company entered into gold price option contracts related to its production for the first half of 2017. New Gold purchased put options with a strike price of $1,300 per ounce covering 120,000 ounces of gold and simultaneously sold call options with a strike price of $1,400 per ounce covering an equivalent 120,000 ounces.

In June 2017, the Company entered into further gold option contracts for the periods July 2017 to December 2017 with a strike price of $1,250 per ounce covering 120,000 ounces of gold and simultaneously sold call options with a strike price of $1,400 per ounce covering an equivalent 120,000 ounces. For the year ended December 31, 2017, the Company recognized $7.4 million in revenue related to these gold price option contracts. At December 31, 2017, the contracts have expired. No further gold price option contracts have been entered into for 2018. For the year ended December 31, 2017, New Gold's gold revenue per ounce and average realized gold price from continuing operations per ounce were $1,247 and $1,278 respectively, compared to the LBMA p.m. average gold price of $1,257 per ounce. For the three months ended December 31, 2017, New Gold's gold revenue per ounce and average realized gold price per ounce were $1,252 and $1,274, respectively, compared to the LBMA p.m. average gold price of $1,274 per ounce. The difference between New Gold's average realized gold price and the LBMA p.m. average gold price is primarily a result of the gold price option contracts described above.

Copper prices

In November 2016, the Company entered copper swap contracts for 5.3 million pounds of copper per month from January through June 2017, at a fixed price of $2.52 per pound settling against the LME monthly average price. In February 2017, the Company entered into further copper swap contracts for 7.3 million pounds of copper per month from July 2017 through December 2017 at a fixed price of $2.73 per pound. The copper forward contracts are treated as derivative financial instruments and mark-to-market at each reporting period on the consolidated statement of financial position with changes in fair value recognized in other gains and losses. As at December 31, 2017, all of the aforementioned copper forward contracts have expired.

For the year ended December 31, 2017, New Gold's copper revenue per pound and average realized copper price per pound from continuing operations per pound were $2.41 and $2.66, respectively, compared to the average LME copper price of $2.79 per pound. For the three months ended December 31, 2017, New Gold's copper revenue per pound and average realized copper price per pound were $2.44 and $2.70, respectively, compared to the average LME copper price of $3.09 per pound. The difference between New Gold's average realized copper price and the LME average copper price is primarily a result of the copper forward contracts described above.

On October 18, 2017, New Gold entered into copper price option contracts covering approximately 60 million pounds of its 2018 production, with put options at a strike price of $3.00 per pound and call options at a strike price of $3.37 per pound, at a nominal cost to the Company. Call options sold and put options purchased are treated as derivative financial instruments and mark-to-market at each reporting period on the consolidated statement of financial position with changes in fair value recognized in other gains and losses.

Silver prices

For the year ended December 31, 2017, New Gold's silver revenue per ounce and average realized silver price per ounce from continuing operations were $16.41 and $16.88, respectively, compared to the LBMA p.m. average silver price of $16.80 per ounce. For the three months ended December 31, 2017, New Gold's silver revenue per ounce and average realized silver price per ounce were $15.84 and $16.29 respectively, compared to the LBMA p.m. average silver price of $16.70 per ounce. The difference between New Gold's average realized silver price and the LBMA p.m. average silver price is as a result of timing of spot sales.

Foreign Exchange Rates

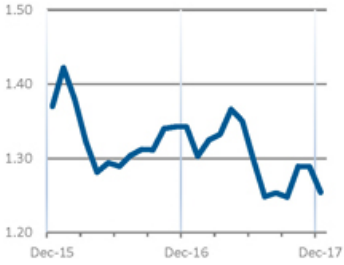
The Company operates in Canada, the United States, Australia and Mexico, while revenue is generated in U.S. dollars. As a result, the Company has foreign currency exposure with respect to costs not denominated in U.S. dollars. New Gold's operating results and cash flows are influenced by changes in various exchange rates against the U.S. dollar. The Company has exposure to the Canadian dollar through New Afton, Rainy River and Blackwater, as well as through corporate administration costs. The Company also has exposure to the Australian dollar through Peak Mines, and to the Mexican peso through Cerro San Pedro.

The average Canadian dollar against the average U.S. dollar for the year ended December 31, 2017 strengthened by approximately 2% when compared to the prior year. The Canadian dollar weakened against the U.S. dollar by approximately 1% from September 30, 2017 to December 31, 2017. The strengthening or weakening of the Canadian dollar impacts costs in U.S. dollar terms at the Company's Canadian operations, as well as capital costs at the Company's Canadian development property, as a significant portion of operating and capital costs are denominated in Canadian dollars.

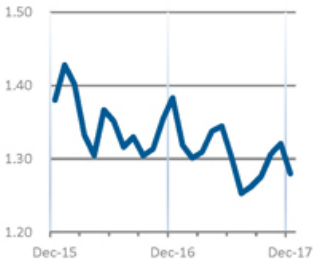
The average Australian dollar against the average U.S. dollar for the year ended December 31, 2017 strengthened by approximately 3% when compared to the prior year. The Australian dollar weakened against the U.S. dollar by approximately 0.3% from September 30, 2017 to December 31, 2017. The strengthening or weakening of the Australian dollar impacts costs in U.S. dollar terms at the Company's Australian operation, Peak Mines, as a significant portion of operating costs are denominated in Australian dollars.

The average Mexican peso against the average U.S. dollar for the year ended December 31, 2017 weakened by approximately 1% when compared to the prior year. The Mexican peso weakened against the U.S. dollar by approximately 8% from September 30, 2017 to December 31, 2017. The strengthening or weakening of the Mexican peso impacts costs in U.S. dollar terms at the Company's Mexican operation, Cerro San Pedro, as a portion of operating costs are denominated in Mexican pesos.

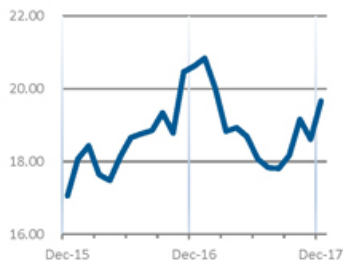
AVERAGE MONTHLY USD TO CAD EXCHANGE RATES



AVERAGE MONTHLY USD TO AUD EXCHANGE RATES



AVERAGE MONTHLY USD TO MXN EXCHANGE RATES



For an analysis of the impact of foreign exchange fluctuations on operating costs for the year ended December 31, 2017 relative to prior-year periods, refer to the “Review of Operating Mines and Discontinued Operations” sections for Rainy River, New Afton, Peak Mines and Cerro San Pedro.

Economic Outlook

The LBMA p.m. gold price increased by 6% since the start of 2017, declining by 4% during the fourth quarter. The current U.S administration continues to generate considerable uncertainty and unpredictability, and U.S. economic data has been mixed. Although the Federal Reserve is expected to increase the pace of interest rate hikes in 2018 and most asset markets continue to set new highs, there are numerous U.S legislative hurdles on the horizon, as well as continuing challenges with Brexit and ongoing geopolitical concerns. Against this backdrop, gold has started 2018 well.

Prospects for gold are encouraged by several structural factors. Mine supply has been plateauing as high quality deposits become more difficult to find and more expensive to develop and mine. Exploration budgets have been cut in recent years, increasing the likelihood that supply will remain muted, even in the face of increasing gold prices. Gold held in exchange-traded products is significantly below the peak in 2012, suggesting that the broad investment community has capacity to add length to positions as sentiment improves. As a low all-in sustaining cost producer with a pipeline of development projects, New Gold believes it is particularly well positioned both to operate in a lower gold price environment and to take advantage of higher prices in the gold market.

Economic events can have significant effects on the price of gold, through currency rate fluctuations, the relative strength of the U.S. dollar, gold supply and demand, and macroeconomic factors such as interest rates and inflation expectations. Management anticipates that the long-term economic environment should provide support for precious metals and for gold in particular, and believes the prospects for the business are favourable. New Gold’s growth plan is focused on organic and acquisition-led growth, and the Company plans to remain flexible in the current environment to be able to respond to opportunities as they arise.

FINANCIAL RESULTS

Summary of Quarterly and Year-to-Date Financial Results

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
FINANCIAL RESULTS[3]					
Revenue	**193.5**	140.7	**604.4**	522.8	582.9
Operating expenses	**117.0**	94.2	**321.0**	275.5	321.0
Depreciation and depletion[2]	**70.5**	57.1	**220.3**	200.1	193.9
Revenue less cost of goods sold[2]	**6.0**	(10.6)	**63.1**	47.2	68.0
Corporate administration	**4.9**	6.4	**23.7**	22.9	20.4
Corporate restructuring	**4.2**	-	**4.2**	-	3.0
Share-based payment expenses	**(1.8)**	0.5	**5.1**	8.3	7.3
Asset impairment	**268.4**	6.4	**268.4**	6.4	(13.6)
Exploration and business development	**1.3**	2.5	**6.4**	4.1	16.7
(Loss) earnings from operations[2]	**(271.0)**	(26.4)	**(244.7)**	5.5	37.2
Finance income	**0.2**	0.7	**1.1**	1.4	1.3
Finance costs	**(12.7)**	(1.4)	**(13.2)**	(9.9)	(37.9)
Other gains and losses					
Unrealized gain on share purchase warrants	-	1.5	**1.2**	0.2	14.2
(Loss) gain on foreign exchange	**(8.8)**	(5.1)	**43.8**	12.0	(98.2)
Loss on disposal of El Morro project	**-**	**-**	**-**	-	(180.3)
Gain on disposal of El Morro stream	-	-	**33.0**	-	-
Other gain (loss) on disposal of assets	**0.2**	(0.1)	**0.3**	0.1	(4.4)
Revaluation of AFS securities	**(0.1)**	(0.2)	**(0.2)**	0.5	(0.2)
Gain (loss) on copper forward contracts and copper option contracts	**0.3**	-	**(4.4)**	-	-
Unrealized (loss) gain on revaluation of gold stream obligation	**(17.0)**	3.3	**(21.8)**	(31.1)	6.2
Gain (loss) on revaluation of gold price option	**0.3**	11.4	**(13.9)**	10.5	6.0
Financial instrument transaction costs	**-**	-	**-**	-	(2.4)
Company's share of the net loss of El Morro	**-**	-	**-**	-	(0.8)
Other	**0.1**	(0.2)	**1.2**	0.1	(0.2)
Loss before taxes[2]	**(308.5)**	(16.5)	**(217.6)**	(10.7)	(262.4)
Income tax recovery (expense)[2]	**128.9**	(6.8)	**115.9**	2.1	94.1
Net loss from continuing operations[2]	**(179.6)**	(23.3)	**(101.7)**	(8.6)	(168.3)
(Loss) earnings from discontinued operations	**(16.0)**	1.0	**(6.3)**	1.6	(33.1)
Net loss	**(195.6)**	(22.3)	**(108.0)**	(7.0)	(201.4)
Adjusted earnings from continuing operations[1][2]	**6.2**	1.5	**21.3**	19.4	1.8
Adjusted net earnings (loss)[1][2]	**32.5**	(4.9)	**49.3**	14.6	(10.9)

1. *The Company uses certain non-GAAP financial performance measures throughout this MD&A. For a detailed description of each of the non-GAAP measures used in this MD&A and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
2. *Prior-year period comparatives have been revised. Please refer to the "Key Quarterly Operating and Financial Information" section of this MD&A for further information.*
3. *As the Company began a process for the sale of Peak Mines and the Company expects to close the sale in the first quarter of 2018, Peak Mines has been classified as a discontinued operation. Financial highlights are disclosed on a continuing and total basis, where appropriate.*

Revenue

The $81.6 million, or 16%, increase in revenue for the year ended December 31, 2017 was due to the combined impact of a $45.0 million increase driven by higher gold and copper prices and a $36.6 million increase in metal sales volumes. The average realized prices for the year ended December 31, 2017 were $1,278 per gold ounce, $2.66 per pound of copper and $16.88 per silver ounce, compared to $1,242 per gold ounce, $2.33 per pound of copper and $17.09 per silver ounce in the prior year.

For the three months ended December 31, 2017, the $52.8 million increase in revenue was attributable to higher gold and copper prices. The 38% increase in revenue was due to the combined impact of a $9.8 million increase driven by higher gold and copper prices and a $43.0 million increase in metal sales volumes. The average realized prices for the three months ended December 31, 2017 were $1,274 per gold ounce, $2.70 per pound of copper and $16.29 per silver ounce. This compared to $1,199 per gold ounce, $2.47 per pound of copper and $16.78 per silver ounce in the prior-year period.

A detailed discussion of production is included in the “Review of Operating Mines” section of this MD&A.

Operating expenses

For the year and three months ended December 31, 2017, operating expenses increased compared with the prior-year periods. Higher operating costs at Mesquite were due to higher process solution flow which drove higher production. The increase in operating costs was also attributable to Rainy River as the mine commenced commercial production in the fourth quarter of 2017. This was partially offset by lower operating costs at Cerro San Pedro, as the mine has been in residual leaching since June 2016. The prior-year period operating expenses included a non-cash heap leach inventory write-down of $24.0 million at Cerro San Pedro.

Depreciation and depletion

For the three months and year ended December 31, 2017, depreciation and depletion increased compared with prior-year periods due to higher production from the Mesquite operations compared to prior periods, and depreciation and depletion being recognized at Rainy River as the mine commenced commercial production in the fourth quarter.

Revenue less cost of goods sold

For the three months and year ended December 31, 2017, revenue less cost of goods sold increased primarily due to higher revenues, partially offset by higher operating expenses and depreciation and depletion.

Corporate administration and share-based payment expenses

For the year ended December 31, 2017, corporate administration was consistent with the prior-year period. For the three months ended December 31, 2017, the decrease in corporate administration costs was due to a reduction in salaries and benefits expenses as the Company initiated a restructuring plan that impacted its corporate office workforce. As a result, the Company incurred $4.2 million in severance and termination related charges in the quarter.

For the three months and year ended December 31, 2017, the decrease in share-based payment expenses was a result of a lower amount of share units due to the above-noted restructuring and a decrease in share price used to value share-based compensation when compared to the prior-year period.

Asset impairment

In accordance with the Company's accounting policies, the recoverable amount of an asset is estimated when an indication of impairment exists. As at December 31, 2017, indicators of impairment existed at the Rainy River cash generating unit ('CGU').

In January 2018, the Company announced higher estimated operating expenses and capital expenditures over Rainy River's first nine years of operations. The Company has identified the revised operating expense and capital expenditure estimates at Rainy River as an indicator of impairment.

For the year ended December 31, 2017, the Company recorded an after-tax impairment loss of $181.0 million within net loss, as noted below:

	Year ended December 31, 2017
(in millions of U.S. dollars)	**Rainy River**
IMPAIRMENT CHARGE INCLUDED WITHIN NET LOSS	
Rainy River depletable mining properties	**268.4**
Tax recovery	**(87.4)**
Total impairment charge after tax	**181.0**

In the prior year, indicators of impairment existed at the Rainy River CGU and for the Company's 3% NSR royalty on the production of the Rio Figueroa property ("Rio Figueroa NSR"). The Company had identified the revised capital cost and three-month delay at the Rainy River project and the lack of activity on the Rio Figueroa project as indicators of impairment in the prior year and performed an impairment assessment to determine the recoverable amount of these CGUs at December 31, 2016. In the prior year, an impairment loss of $6.4 million was recorded relating to Rio Figueroa NSR. No impairment loss was recorded at Rainy River in the prior year as the carrying value exceeded the recoverable amount as at December 31, 2016.

For the year ended December 31, 2016, the Company recorded an impairment charge of $6.4 million within net loss, as noted below:

	Year ended December 31, 2016
(in millions of U.S. dollars)	**Rio Figueroa NSR**
IMPAIRMENT CHARGE INCLUDED NET LOSS	
Exploration and evaluation assets	**6.4**

(i) Methodology and key assumptions

Impairment is recognized when the carrying amount of a CGU exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each operating mine and development project represents a separate CGU as each mine site or project has the ability to, or the potential to, generate cash inflows that are separately identifiable and independent of each other. The Company has the following CGUs: New Afton, Mesquite, Peak Mines, Cerro San Pedro, Rainy River, and Blackwater. Other assets consist of corporate assets and exploration properties.

As outlined in the accounting policies, the Company uses fair value less cost of disposal to determine the recoverable amount of an asset as it believes that this will generally result in a value greater than or equal to the value in use. When there is no binding sales agreement, fair value less costs of disposal is estimated as the discounted future after-tax cash flows expected to be derived from a mine site, less an amount for costs to sell estimated based on similar past transactions. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy.

(a) Rainy River CGU:

Key estimates and judgements include production levels, operating costs, project costs and other capital expenditures reflected in the Company's life-of-mine ('LOM') plans, the value of in-situ ounces, exploration potential and land holdings, as well as economic factors beyond management's control, such as gold, and silver prices, discount rates and foreign exchange rates. The Company considers this approach to be consistent with the valuation approach taken by market participants.

Life-of-Mine plans

Estimated cash flows are based on LOM plans which estimate expected future production, commodity prices, exchange assumptions, operating costs and capital costs. The current Rainy River LOM plan is 13 years. LOM plans use proven and probable mineral reserves only and do not utilize mineral resource estimates for a CGU. When options exist for the future extraction and processing of these resources, an estimate of the value of the unmined mineral resources (also referred to as in-situ ounces) is included in the determination of fair value.

In-situ ounces

In-situ ounces are excluded from the LOM plans due to the need to continually reassess the economic returns on and timing of specific production options in the current economic environment. The value of in-situ ounces has been estimated based on an enterprise value per equivalent resource ounce, with the enterprise value based on the market capitalization of a subset of publicly traded companies.

Discount rates

When discounting estimated future cash flows, the Company uses a real, after-tax discount rate that is designed to approximate what market participants would assign. This discount rate is calculated using the Capital Assets Pricing Model ('CAPM'). The CAPM includes market participant's estimates for equity risk premium, cost of debt, target debt to equity, risk-free rates and inflation. For the December 31, 2017 impairment analysis, a real discount rate of 4.00% was used (2016 - real discount rates of 5.50%). The decrease in the real discount rate was due to the removal of the project development risk premium and stronger bond markets.

Commodity prices and exchange rates

Commodity prices and exchange rates are estimated with reference to external market forecasts. The rates applied have been estimated using consensus commodity prices and exchange rate forecasts. For impairment analysis, the following commodity prices and exchange rate assumptions were used:

	As at December 31, 2017		As at December 31, 2016	
(in U.S. dollars, except where noted)	**2018 - 2022 Average**	**Long-term**	**2017 - 2021 Average**	**Long-term**
COMMODITY PRICES				
Gold ($/ounce)	**1,300**	**1,300**	1,325	1,300
Silver ($/ounce)	**19.16**	**19.25**	19.66	20.00
EXCHANGE RATES				
CAD:USD	**1.24**	**1.24**	1.31	1.30

Significant judgments and assumptions are required in making estimates of fair value. It should be noted that CGU valuations are subject to variability in key assumptions including, but not limited to, long-term gold prices, currency exchange rates, discount rates, production, operating and capital costs. An adverse change in one or more of the assumptions used to estimate fair value could result in a reduction in a CGU's fair value.

(b) Rio Figueroa NSR:
Key estimates and judgments used in the fair value less cost of disposal calculation are estimates of production levels, probability of the project being developed and economic factors beyond management's control, such as copper prices and discount rates.

(ii) Impact of impairment tests
The Company calculated the recoverable amount of the Rainy River CGU using the fair value less cost of disposal method as noted above. For the year ended December 31, 2017, the Company recorded pre-tax impairment losses of $268.4 million, $181.0 million net of tax, within net loss. The fair value of the Rainy River CGU was negatively impacted by the higher development capital costs incurred to date as well as higher expected all-in sustaining costs over the LOM.

For the year ended December 31, 2016, the Company recorded impairment losses of $6.4 million related to the Rio Figueroa NSR, within net loss, as noted above.

(iii) Sensitivity analysis
After effecting the impairment for the Rainy River CGU, the fair value of this CGU is assessed as being equal to its respective carrying amount as at December 31, 2017. Any variation in the key assumptions used to determine fair value would result in a change of the assessed fair value. It is estimated that changes in the key assumptions would have the following approximate impact on the fair value of the Rainy River CGU at December 31, 2017:

	As at December 31, 2017
(in millions of U.S. dollars)	**Rainy River**
IMPACT OF CHANGES IN THE KEY ASSUMPTIONS USED TO DETERMINE FAIR VALUE	
$100 per ounce change in gold price	**235.1**
0.5% change in discount rate	**25.9**
5% change in exchange rate	**106.5**
5% change in operating costs	**90.3**
5% change in in-situ ounces	**20.2**

Exploration and business development

For the year ended December 31, 2017, expensed exploration was primarily incurred at Rainy River and the Fifield project, located in central New South Wales, Australia. The prior-year included expensed exploration costs primarily at New Afton and Mesquite. Capitalized exploration costs were $2.0 million for the year ended December 31, 2017 and were incurred at Rainy River and New Afton.

Please refer to the "Development and Exploration review" section of this MD&A for further details on the Company's exploration and business development activities.

Finance income and finance costs

For the three months and year ended December 31, 2017, finance costs increased as the Company capitalized less interest to its qualifying development property due to the commencement of commercial production at Rainy River, and additional interest was incurred on the additional drawn portion of the Company's revolving credit facility.

Other gains and losses

Other gains and losses consist of the following items:

Share purchase warrants

For the year ended December 31, 2017, the Company recorded a gain on share purchase warrants. As the traded value of the New Gold share purchase warrants increases or decreases, a related loss or gain on the mark-to-market of the liability is reflected in earnings. In June 2017 all share purchase warrants expired unexercised, thus there was no loss for the three months ended December 31, 2017.

Gold stream obligation

For the year ended December 31, 2017, the unrealized loss on revaluation of the gold stream obligation derivative instrument was related to the decrease in the discount rate, increase in expected gold ounce production, and the periodic recognition of the accretion expense. The loss on the revaluation of the gold stream obligation is a result of the change in the Company's own credit risk narrowing.

Gold price option contracts

In the prior year, the Company entered into gold price option contracts whereby it sold a series of call option contracts and purchased a series of put option contracts. These gold price option contracts covered of 120,000 ounces of New Gold's first half 2017 gold production. In June 2017, the Company entered into further gold option contracts for the period July 2017 to December 2017 with a strike price of $1,250 per ounce covering 120,000 ounces of gold and simultaneously sold call options with a strike price of $1,400 per ounce covering an equivalent 120,000 ounces.

These derivative instruments were fair valued at the end of each reporting period. For the year ended December 31, 2017, the Company recognized $7.5 million increase in revenue related to these gold price option contracts.

As at December 31, 2017, these options have expired and no further gold price option contracts have been entered into in 2018.

Gain on disposal of El Morro gold stream

During the first quarter of 2017, the Company sold its 4% stream on future gold production from El Morro for $65 million cash. As a result, the Company recorded a gain on disposal of $33.0 million representing the difference between the net proceeds received and the carrying value of the asset. Please refer to the "Corporate Developments" section of this MD&A for more information on this transaction.

Foreign exchange

Movements in foreign exchange are due to the revaluation of the non-monetary assets and liabilities at the balance sheet date and the appreciation or depreciation of the Canadian and Australian dollars compared to the U.S. dollar in the current period.

Income tax

Income tax recovery from continuing operations for the year ended December 31, 2017 was $115.9 million on loss before taxes of $217.6 million compared to $2.1 million on a loss of 10.7 million in prior-year, reflecting an effective tax rate of 53.3% in 2017 compared to 19.6% in 2016. The primary reason for the change in the unadjusted effective tax rate is the impact of US tax rate change, lower tax rate applicable on the disposal of the El Morro stream and the impact of foreign exchange movements on the deferred tax related to non-monetary assets and liabilities. On December 22, 2017, the Tax Cuts and Jobs Act ("tax reform") was signed into law in the U.S. Tax reform lowered the U.S Federal corporate tax rate from 35% to 21% and made numerous other tax law changes. The change in tax law required the Company to remeasure existing net deferred tax liabilities using the lower rate in the period of enactment resulting in an income tax benefit of approximately $32.6 million to reflect these changes in the year ended December 31, 2017. For the year ended December 31, 2017, the Company recorded a foreign exchange gain of $7.4 million on non monetary assets and liabilities, compared to a gain of $10.1 million in the prior year with no associated tax impact. For the year ended December 31, 2017 the unadjusted effective tax rate was impacted due to higher income tax rate in the province of British Columbia.

The Company had unrecognized deferred tax assets in Mexico of $20.1 million as at December 31, 2017 compared to $18.4 million in the prior year. The Company had $1.6 million of unrecognized deferred tax asset in the U.S. as at December 31, 2017 relating to decommissioning obligations compared to $1.2 million relating to alternative minimum tax credits in the prior year. In addition, the Company had unrecognized deferred tax assets of $43.6 million for investment tax credits in Canada as at December 31, 2017. The deferred tax asset were not recognized as the Company did not meet more likely than not criteria for recognizing these assets.

During the year the Company paid income taxes of $17.6 million compared to refund of $2.4 million in the prior year. The increase is primarily due to higher income taxes paid in the U.S.

On an adjusted net earnings (loss) basis, the adjusted tax recovery from continuing operations for the year ended December 31, 2017 was $8.8 million, compared to an adjusted tax expense of $11.3 million in the prior year. The adjusted tax recovery excludes the impact of asset impairment at Rainy River, foreign exchange, disposal of the El Morro gold stream, revaluation of the gold stream obligation and the gain on revaluation of the gold price option contracts. Please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.

(Loss) earnings from discontinued operations

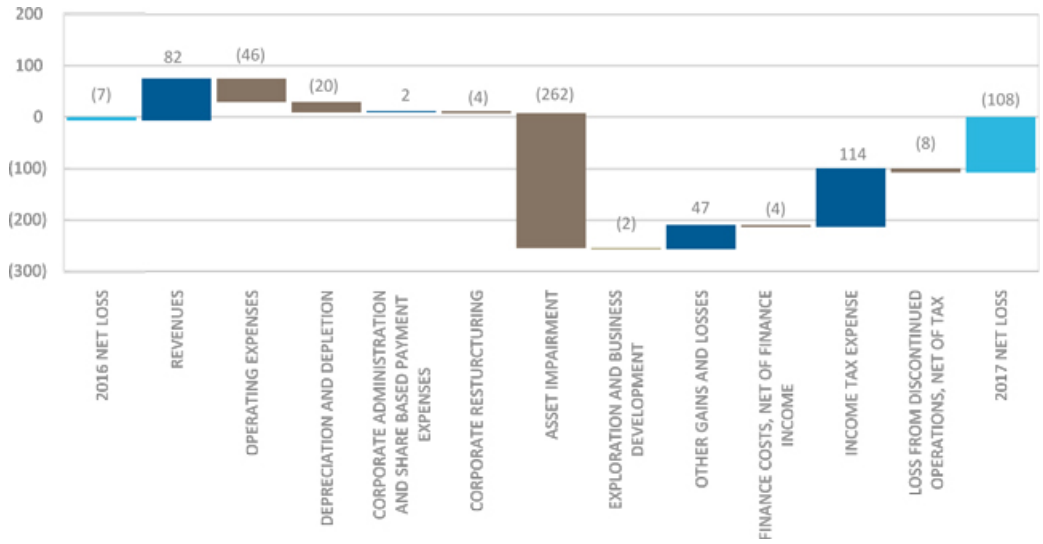
For the three months and year ended December 31, 2017 earnings from discontinued operations decreased due to the impairment loss on held-for-sale assets, partially offset by an increase in revenues and the cessation of depreciation and depletion upon classification of Peak Mines to a discontinued operation.

Net earnings (loss)

Please see below for a reconciliation of net earnings for the year ended December 31, 2017.

RECONCILIATION OF NET EARNINGS (LOSS) – 2016 TO 2017

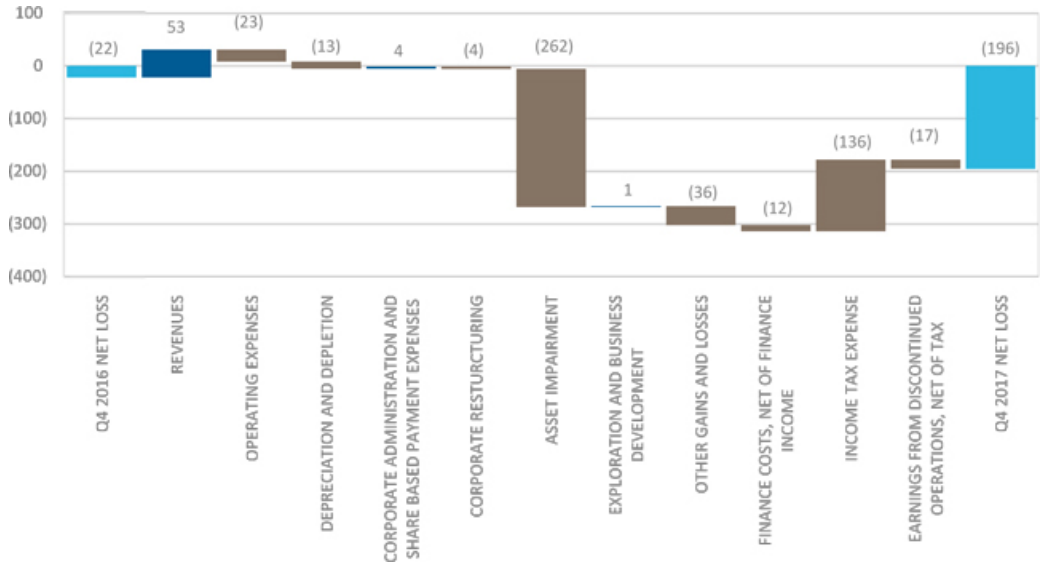
(*in millions of U.S. dollars*)



Please see below for a reconciliation of net earnings (loss) for the quarter ended December 31, 2017.

RECONCILIATION OF NET EARNINGS (LOSS) – Q4 2016 TO Q4 2017

(*in millions of U.S. dollars*)



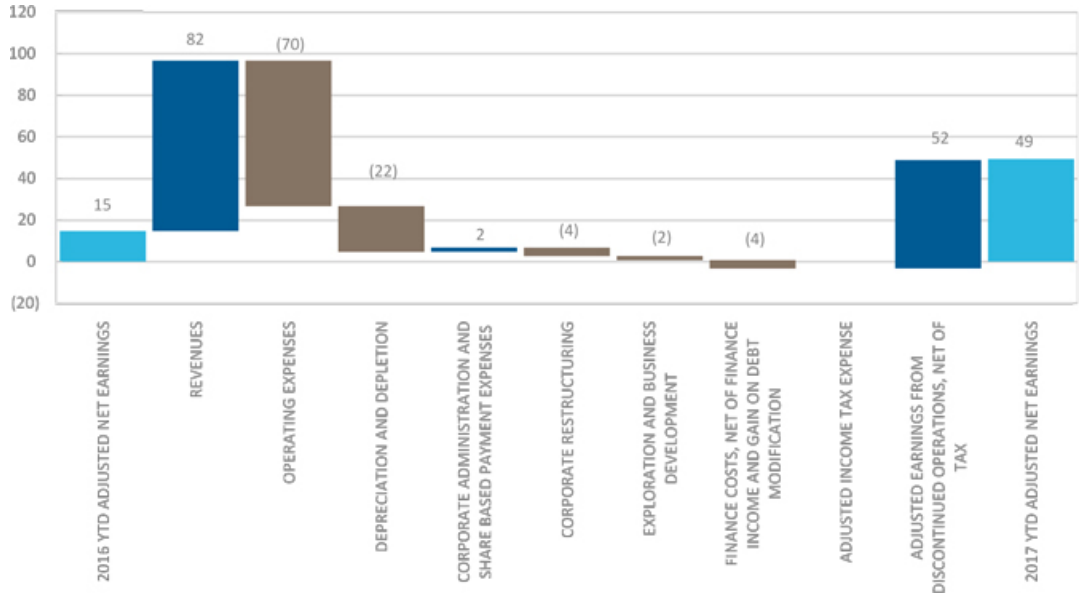
Adjusted net earnings (loss)

The net earnings have been adjusted, including the associated tax impact, for asset impairments, inventory write-downs, gains on the modification of long-term debt, and "Other gains and losses" on the audited consolidated income statement. Key entries in this grouping are: the fair value changes for the gold stream obligation; share purchase warrants and the fair value changes for gold option contracts; foreign exchange gain or loss; and loss on disposal of assets. The adjusted entries are also impacted for tax to the extent that the underlying entries are impacted for tax in the unadjusted net earnings. Please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.

Please see below for a reconciliation of adjusted net earnings for the year ended December 31, 2017.

RECONCILIATION OF ADJUSTED NET EARNINGS (LOSS) – 2016 TO 2017

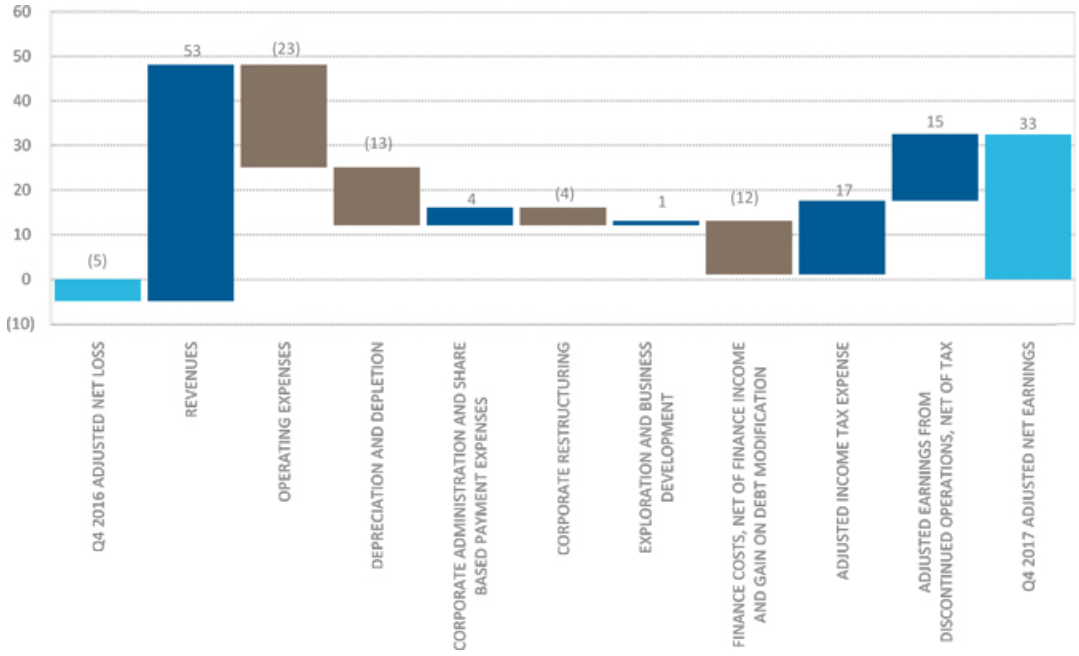
(*in millions of U.S. dollars*)



Please see below for a reconciliation of adjusted net earnings (loss) for the quarter ended December 31, 2017 from the prior-year period.

RECONCILIATION OF ADJUSTED NET EARNINGS (LOSS) – Q4 2016 TO Q4 2017

(*in millions of U.S. dollars*)



Key Quarterly Operating and Financial Information

Selected financial and operating information for the current and previous quarters is as follows:

(in millions of U.S. dollars, except where noted)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
OPERATING INFORMATION									
Total gold production (ounces)[1]	**145,992**	82,027	105,064	89,327	95,883	95,546	99,423	90,811	131,719
Gold production from continuing operations (ounces)[1]	**110,240**	67,653	79,025	60,980	77,026	57,565	68,138	71,215	96,921
Total gold sales (ounces)[1]	**143,644**	79,904	99,235	87,304	93,936	96,452	101,820	86,031	133,005
Gold sales from continuing operations (ounces)[1]	**108,782**	67,052	73,707	59,913	75,887	56,038	74,036	68,882	98,315
Revenue	**193.5**	142.5	143.8	124.5	140.7	125.2	140.1	126.8	155.2
(Loss) earnings from continuing operations	**(179.6)**	29.2	17.8	30.9	(23.3)	0.8	(14.1)	28.5	1.7
per share:									
Basic ($)	**(0.31)**	0.05	0.03	0.06	(0.05)	$nil	(0.03)	0.06	$nil
Diluted ($)	**(0.31)**	0.05	0.03	0.06	(0.05)	$nil	(0.03)	0.06	$nil
(Loss) earnings from discontinued operations, net of tax	**(16.0)**	(2.2)	5.3	6.6	1.0	3.3	0.2	(2.9)	(11.2)
Net (loss) earnings	**(195.6)**	27.0	23.1	37.5	(22.3)	4.1	(13.9)	25.6	(9.5)
per share:									
Basic ($)	**(0.34)**	0.05	0.04	0.07	(0.04)	0.01	(0.03)	0.05	(0.02)
Diluted ($)	**(0.34)**	0.05	0.04	0.07	(0.04)	0.01	(0.03)	0.05	(0.02)

A detailed discussion of production is included in the “Operating Highlights” section of this MD&A.

In the first quarter of 2017, the Company identified an immaterial error relating to depletion of its New Afton mining interest for the year ended December 31, 2016 resulting in a reduction in 2016 net earnings of $9.7 million.

The quarterly impact on the comparative consolidated income statement is outlined in the table below. The resulting overstatement of the mining interest's balance of $15.4 million, overstatement of deferred tax liability of $5.3 million and understatement of inventories totalling $0.4 million as at December 31, 2016 has also been revised in the comparative consolidated statement of financial position and the associated notes to the audited consolidated financial statements. There has been no change to the cash flows from operating, investing and financing activities in the comparative consolidated statement of cash flow.

(in millions of U.S. dollars)	Three months ended **March 31, 2016**	Three months ended **September 30, 2016**	Three months ended **September 30, 2016**	Three months ended **December 31, 2016**	Year ended **December 31, 2016**
IMPACT ON NET EARNINGS (LOSS)					
Net earnings (loss) before revision	26.8	(8.8)	5.1	(19.9)	**2.7**
Depreciation and depletion	(3.4)	(4.1)	(3.4)	(4.1)	**(15.0)**
Income tax recovery	2.2	(1.0)	2.4	1.7	**5.3**
Revision to net earnings (loss)	(1.2)	(5.1)	(1.0)	(2.4)	**(9.7)**
Revised net earnings (loss)	25.6	(13.9)	4.1	(22.3)	**(7.0)**
Basic weighted average number of shares outstanding (in millions)	509.6	511.2	513.0	513.3	**511.8**
Dilution of securities:					
Stock options	1.1	-	2.8	-	**-**
Diluted weighted average number of shares outstanding (in millions)	510.7	511.2	515.8	513.3	**511.8**
Net earnings (loss) per share before revision:					
Basic	0.05	(0.02)	0.01	(0.04)	**0.01**
Diluted[1]	0.05	(0.02)	0.01	(0.04)	**0.01**
Impact of revision to net earnings (loss) per share:					
Basic	-	(0.01)	-	-	**(0.02)**
Diluted[1]	-	(0.01)	-	-	**(0.02)**
Revised net earnings (loss) per share:					
Basic	0.05	(0.03)	0.01	(0.04)	**(0.01)**
Diluted[1]	0.05	(0.03)	0.01	(0.04)	**(0.01)**

1. *For the periods in which the Company records a loss, diluted loss per share is calculated using the basic weighted average number of shares outstanding, as using the diluted weighted average number of shares outstanding in the calculation would be anti-dilutive.*

REVIEW OF OPERATING MINES

Rainy River Mine, Ontario, Canada

Rainy River is a gold mine located approximately 50 kilometres northwest of Fort Frances, a town of approximately 8,000 people, in northwestern Ontario, Canada. The property is located near infrastructure and is comprised of approximately 192 square kilometres of freehold and leasehold patented surface rights and mining rights, properties and unpatented mining claims.

At December 31, 2017, the mine had 4.4 million ounces of Proven and Probable Gold Mineral Reserves, with 1.8 million ounces of Measured and Indicated Gold Mineral Resources, exclusive of Mineral Reserves. Rainy River enhances New Gold's growth pipeline through its significant production scale and exciting longer-term exploration potential in a great mining jurisdiction.

AT-A-GLANCE
AS AT DECEMBER 31, 2017

2018 GUIDANCE:
GOLD: 310,000 - 350,000 OUNCES
OPERATING EXPENSES/OZ: $430 - $470
ALL-IN SUSTAINING COSTS/OZ: $990 - $1,090

2017 PRODUCTION
GOLD: 28,509 OUNCES
SILVER: 0.04 MILLION OUNCES
ALL-IN SUSTAINING COSTS/OZ: $1,549

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
OPERATING INFORMATION					
Ore mined (thousands of tonnes)	**1,808**	-	**1,808**	-	-
Waste mined (thousands of tonnes)	**6,821**	-	**6,821**	-	-
Ore processed (thousands of tonnes)	**977**	-	**977**	-	-
Average grade:					
Gold (grams/tonne)	**0.94**	-	**0.94**	-	-
Silver (grams/tonne)	**2.20**	-	**2.20**	-	-
Recovery rate (%):					
Gold	**86.1**	-	**86.1**	-	-
Silver	**55.6**	-	**55.6**	-	-
Gold (ounces):					
Produced (inclusive of pre-commercial ounces)	**37,047**	**-**	**37,047**	**-**	**-**
Produced [1]	**28,509**	-	**28,509**	-	-
Sold [1]	**26,359**	-	**26,359**	-	-
Silver (millions of ounces):					
Produced [1]	**0.04**	-	**0.04**	-	-
Sold [1]	**0.04**	-	**0.04**	-	-
Revenue					
Gold ($/ounce)	**1,276**	-	**1,276**	-	-
Silver ($/ounce)	**16.50**	-	**16.50**	-	-
Average realized price [2]:					
Gold ($/ounce)	**1,276**	-	**1,276**	-	-
Silver ($/ounce)	**16.50**	-	**16.50**	-	-
Operating expenses per gold ounce sold ($/ounce) [4]	**1,432**	-	**1,432**	-	-
Operating expenses per silver ounce sold ($/ounce) [4]	**18.52**	-	**18.52**	-	-
Total cash costs per gold ounce sold [2][3]	**1,436**	-	**1,436**	-	-
All-in sustaining costs per gold ounce sold [2][3]	**1,549**	-	**1,549**	-	-
Total cash costs on a co-product basis [2][3]					
Gold ($/ounce)	**1,432**	-	**1,432**	-	-
Silver ($/ounce)	**18.52**	-	**18.52**	-	-

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
All-in sustaining costs on a co-product basis[2][3]					
Gold ($/ounce)	**1,543**	-	**1,543**	-	-
Silver ($/ounce)	**19.96**	-	**19.96**	-	-
FINANCIAL INFORMATION					
Revenue	**34.3**	-	**34.3**	-	-
Operating margin[2]	**(4.2)**	-	**(4.2)**	-	-
Revenue less cost of goods sold	**(18.3)**	-	**(18.3)**	-	-
Capital expenditures (sustaining capital) [2]	**2.6**	-	**2.6**	-	-
Capital expenditures (growth capital) [2]	**80.7**	145.9	**496.7**	-	-

1. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory adjustments, where applicable.*
2. *We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price, and operating margin and capital expenditures (sustaining capital) are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
3. *The calculation of total cash costs per gold ounce is net of by-product silver revenue. Total cash costs and all-in sustaining costs on a co-product basis removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*

Operating results

Rainy River reached commercial production in the fourth quarter of 2017. From an accounting perspective, the Company recognized commercial production effective November 1, 2017, being the first day of the month following satisfaction of the commercial production criteria. Prior to the commercial production date the mine produced 8,538 gold ounces, with the associated proceeds reducing the capital costs of the project. Gold ounces produced for the year ended December 31, 2017 are shown exclusive of the pre commercial period, unless otherwise noted. Other operating and financial information represent the post commercial production period.

Production

Rainy River commenced processing ore on September 14, 2017 and completed its first gold pour on October 5, 2017. Commercial production was achieved ahead of plan in mid-October. Mining and milling activities continued to progress well during the fourth quarter of 2017. For the year and three months ended December 31, 2017, post-commercial production gold production at Rainy River was 28,509 ounces. Total gold production, inclusive of pre-commercial gold production was 37,047 ounces and 8,607 ounces of gold inventory in circuit at the end of the period, was 45,654 ounces.

This was slightly lower than the guidance range of 50,000 to 60,000 ounces, as the mill ramp-up began hitting nameplate throughput slightly later in the fourth quarter than planned, resulting in lower total tonnes milled.

Revenue and Revenue less cost of goods sold

For the year ended December 31, 2017, revenue was $34.3 million, and revenues less cost of goods sold was a loss of $18.3 million, as the operation ramped up to nameplate capacity during the operating period.

Operating expenses, total cash costs and all-in sustaining costs

For the year and three months ended December 31, 2017, operating expense per gold ounce sold was $1,432. For the year and three months ended December 31, 2017, total cash costs and all-in sustaining costs per gold ounce sold were $1,436 and $1,549 respectively, as the operation ramped up to nameplate capacity during the operating period.

Capital expenditures

For the year and three months ended December 31, 2017, total capital expenditures were $499.3 million and $83.3 million respectively, which related primarily to project development spending. Subsequent to the start of commercial production, the Company paid $52 million in payables associated with the project development in the fourth quarter, with approximately $15 million in payables remaining at the end of 2017. Including the remaining project development payables, the total 2017 development cost was $512 million, which was in line with the company's estimate for the year of $515 million.

Exploration Activities

During 2017, exploration efforts at Rainy River primarily involved infill drilling to further upgrade mineral resource classification in the open pit and deeper underground portions of the ODM deposit. Results of this work have been incorporated into the Company's updated mineral resource and reserve estimates for year-end 2017. Additionally, during the three months ended December 31, 2017, the Company completed a high-resolution, airborne geophysical survey over a portion of the Off Lake claim block located to the east of the Rainy River Mine. Results of this survey will be used to support future exploration plans.

Outlook for 2018

As Rainy River enters its first full year of operations, gold and silver production are expected to increase significantly relative to the partial operating year in 2017. The focus for 2018 will be on optimizing throughput at the mill, which has a 21,000 tonne per day nameplate capacity, as well as advancing initiatives to potentially increase production.

Both operating expenses and all-in sustaining costs for 2018 are expected to decrease relative to 2017 due to higher gold sales volumes. As previously noted, Rainy River's 2018 sustaining capital expenditures will be higher than the life-of-mine average as the mine completes construction of the full tailings dam footprint. In addition, approximately $45 million of 2018 waste stripping is scheduled to be capitalized. The remainder of the sustaining capital expenditures are related to open pit sustaining costs as well as property and equipment. The $20 million of growth capital expenditures are related to underground development which is scheduled to begin in the second half of 2018.

The company has incorporated the insights gained from the first two months of operation in Rainy River's long-term outlook. Based on the Company's current estimates, annual gold production for the first nine years of the mine life (including 2018) should average between 275,000 to 375,000 ounces. At the same time, based on current input cost estimates, silver prices and foreign exchange rates, all-in sustaining costs over Rainy River's first nine years of operation (including 2018) are expected to average approximately $875 per ounce. Costs are expected to be higher than this average in the next three years as a result of sustaining capital expenditures associated with completion of the full tailings dam footprint in 2018 as well as the construction of the first tailings lift later in 2018 into 2019.

	Year ended December 31	
	2017 Actuals	**2018 Guidance**
2017 ACTUALS AND 2018 GUIDANCE		
Gold (ounces)	**28,509**	310,000 - 350,000
Operating expenses per gold ounce sold ($/ounce)	**1,432**	430 – 470
All-in sustaining costs ($/ounce)	**1,549**	990 – 1,090
Capital expenditures (sustaining capital)	**2.6**	195
Capital expenditures (growth capital)	**496.7**	20

Please refer to the "Outlook for 2018" section of this MD&A for details of the relevant key assumptions.

New Afton Mine, British Columbia, Canada

The New Afton Mine is located near Kamloops, British Columbia. At December 31, 2017, the mine had 1.0 million ounces of Proven and Probable Gold Mineral Reserves and 941 million pounds of Proven and Probable Copper Mineral Reserves, with 1.2 million ounces of Measured and Indicated Gold Mineral Resources, exclusive of Mineral Reserves, and 968 million pounds of Measured and Indicated Copper Mineral Resources, exclusive of Mineral Reserves. A summary of New Afton's operating results is provided below.

AT-A-GLANCE

2018 GUIDANCE:
GOLD: 55,000 - 65,000 OUNCES
COPPER: 75 - 85 MILLION POUNDS
OPERATING EXPENSE/GOLD OZ: $455 - $495
ALL-IN SUSTAINING COSTS/OZ: ($1,020) - ($980)

2017 PRODUCTION:
GOLD: 86,163 OUNCES
COPPER: 90.6 MILLION POUNDS
OPERATING EXPENSE/GOLD OZ: $412
ALL-IN SUSTAINING COSTS/OZ: ($605)

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
OPERATING INFORMATION					
Ore mined (thousands of tonnes)	**1,728**	1,628	**6,325**	6,113	5,255
Ore processed (thousands of tonnes)	**1,483**	1,522	**5,993**	5,773	5,097
Average grade:					
Gold (grams/tonne)	**0.58**	0.60	**0.56**	0.65	0.78
Copper (%)	**0.93**	0.78	**0.85**	0.81	0.90
Recovery rate (%):					
Gold	**80.8**	80.9	**80.1**	81.9	82.5
Copper	**80.9**	81.5	**80.8**	84.4	84.9
Gold (ounces):					
Produced [1]	**22,384**	23,879	**86,163**	98,098	105,487
Sold [1]	**20,132**	24,171	**81,067**	96,851	99,458
Copper (millions of pounds):					
Produced [1]	**24.6**	21.4	**90.6**	87.3	85.9
Sold [1]	**22.0**	21.1	**84.5**	84.9	79.7
Silver (millions of ounces):					
Produced [1]	**0.1**	0.1	**0.3**	0.3	0.3
Sold [1]	**0.1**	0.1	**0.3**	0.3	0.3
Revenue					
Gold ($/ounce)	**1,132**	1,102	**1,162**	1,140	1,061
Copper ($/pound)	**2.44**	2.24	**2.41**	2.03	2.21
Silver ($/ounce)	**13.92**	14.97	**15.11**	16.52	13.60
Average realized price [1][2]:					
Gold ($/ounce)	**1,254**	1,212	**1,280**	1,251	1,164
Copper ($/pound)	**2.70**	2.47	**2.66**	2.23	2.42
Silver ($/ounce)	**15.43**	16.47	**16.64**	18.14	14.94

(in millions of U.S. dollars, except where noted)	Three months ended December 31 2017	2016	Year ended December 31 2017	2016	2015
OPERATING INFORMATION					
Operating expenses per gold ounce sold ($/ounce) [4]	**362**	415	**412**	415	364
Operating expenses per copper pound sold ($/pound) [4]	**0.78**	0.84	**0.85**	0.74	0.76
Total cash costs per gold ounce sold ($/ounce) [2][3]	**(1,363)**	(720)	**(1,126)**	(634)	(724)
All-in sustaining costs per gold ounce sold ($/ounce) [2][3]	**(909)**	(253)	**(605)**	(218)	(242)
Total cash costs on a co-product basis [2][3]					
Gold ($/ounce)	**484**	525	**530**	527	464
Copper ($/pound)	**1.04**	1.07	**1.10**	0.94	0.96
All-in sustaining costs on a co-product basis [2][3]					
Gold ($/ounce)	**617**	691	**692**	686	646
Copper ($/pound)	**1.33**	1.41	**1.44**	1.22	1.34
FINANCIAL INFORMATION:					
Revenue	**77.3**	74.9	**302.0**	287.2	284.6
Operating margin [2]	**52.5**	46.6	**194.8**	182.4	186.9
Revenue less cost of goods sold [5]	**16.8**	7.3	**55.6**	30.1	44.7
Capital expenditures (sustaining capital) [2]	**8.3**	10.2	**39.3**	37.7	46.7
Capital expenditures (growth capital) [2]	**0.3**	0.2	**2.9**	3.2	15.4

1. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.*
2. *We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price, operating margin, and capital expenditures (sustaining capital and growth capital) are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
3. *The calculation of total cash costs per gold ounce is net of by-product revenue while total cash costs and all-in sustaining costs on a co-product basis removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
5. *Prior-year period comparatives have been revised. Please refer to the "Key Quarterly Operating and Financial Information" section of this MD&A for further information.*

Operating results

Production

For the year ended December 31, 2017, the decrease in gold production at New Afton relative to the prior year was due to an expected decrease in gold grade and gold recovery. Copper production was higher than the prior-year due to higher throughput and higher copper grades. New Afton's full-year gold production exceeded the guidance range of 70,000 to 80,000 ounces by 8%.

For the three months ended December 31, 2017, gold production was below the prior-year period due to an expected decrease in gold grade and gold recovery. Copper production was higher than the prior-year quarter due to higher copper grades.

Revenue

For the year ended December 31, 2017, revenue increased compared with the prior periods due to increases in the realized gold and copper prices. At the end of the period, New Afton's exposure to the impact of movements in market metal prices for provisionally priced contracts was 13,872 ounces of gold and 24.5 million pounds of copper. Exposure to these movements in market metal prices was reduced by 11,900 ounces of gold swaps and 22.9 million pounds of copper swaps outstanding as at December 31, 2017. For the three months ended December 31, 2017, revenue was higher than the prior year period due to an increase in gold and copper prices in addition to higher copper sales volumes.

Revenue less cost of goods sold

For the year and three months ended December 31, 2017, the increase in revenue less cost of goods sold was primarily driven by an increase in realized gold and copper prices, and lower depreciation and depletion compared to the prior-year periods, partially offset by operating expenses (described below).

Operating expenses, total cash costs and all-in sustaining costs per gold ounce sold

For the year ended December 31, 2017, operating expense was in line with the prior year. For the three months ended December 31, 2017, operating expense per ounce was lower than the prior-year quarter due to gold revenue representing a lower portion of total sales in the prior-year quarter.

All-in sustaining costs decreased compared to the prior-year period due to lower sustaining costs and higher by-product revenues. By-product revenues benefitted from an increase in the realized copper price and higher copper sales volumes. New Afton's full year sustaining costs increased by $2 million to $42 million when compared to the prior year.

New Afton's 2017 operating expense per gold ounce and per copper pound both achieved their respective guidance ranges of $405 to $445 per gold ounce and $0.80 to $1.00 per copper pound. 2017 all-in sustaining costs were below the guidance range of $520 to $480 per ounce, primarily due to an increase in the realized copper price relative to the assumption used when setting 2017 guidance.

Capital expenditures

In both the current and prior-year periods, sustaining capital expenditures were primarily related to mine development, and growth capital expenditures were primarily related to capitalized exploration at the New Afton C-zone.

Impact of foreign exchange on operations

New Afton's operations is impacted by fluctuations in the valuation of the U.S. dollar against the Canadian dollar. For the year ended December 31, 2017, the value of the U.S. dollar averaged $1.29 against the Canadian dollar, compared to $1.32 in the prior-year period, resulting in a negative impact on total cash costs of $16 per gold ounce sold.

For the three months ended December 31, 2017, the value of the U.S. dollar was $1.27 against the Canadian dollar, compared to $1.33 in the prior year, resulting in a negative impact on total cash costs of $37 per gold ounce.

Outlook for 2018

Gold production at New Afton is expected to decrease relative to 2017 due to a scheduled decrease in gold grade, and a planned decrease in mill throughput from approximately 16,400 tonnes per day in 2017 to 14,400 tonnes per day in 2018. The Company had previously increased the throughput rate at New Afton in order to maximize cash flow in support of the development of Rainy River. New Gold has elected to decrease New Afton's throughput from 2017 levels in order to achieve higher copper recoveries. Copper production is expected to decrease as the impact of lower throughput is only partially offset by the targeted higher recoveries.

New Afton's 2018 operating expense per gold ounce is expected to increase relative to 2017 due to lower grades. At the same time, all-in sustaining costs are expected to decrease due to an increase in by-product revenues resulting from the 2018 copper price assumption of $3.20 per pound being higher than the 2017 realized price.

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

	Year ended December 31	
	2017 Actuals	**2018 Guidance**
2017 ACTUALS AND 2018 GUIDANCE		
Gold (ounces)	**86,163**	55,000 - 65,000
Copper (millions of pounds)	**90.6**	75 – 85
Operating expenses per gold ounce sold ($/ounce)	**412**	455 – 495
Operating expenses per copper pound sold ($/pound)	**0.85**	1.10 - 1.30
All-in sustaining costs ($/ounce)	**(605)**	(1,020) - (980)
Capital expenditures (sustaining capital)	**39.3**	40
Capital expenditures (growth capital)	**2.9**	5

Please refer to the "Outlook for 2018" section of this MD&A for details of the relevant key assumptions.

Mesquite Mine, California, USA

The Company's Mesquite Mine is located in Imperial County, California, approximately 70 kilometres northwest of Yuma, Arizona and 230 kilometres east of San Diego, California. It is an open pit, run-of-mine heap leach gold mining operation. The mine was operated between 1985 and 2001 by Goldfields Mining Corporation, subsequently Santa Fe Minerals Corporation, and finally Newmont Mining Corporation with Western Goldfields Inc. acquiring the mine in 2003. The mine resumed production in 2008. New Gold acquired Mesquite as part of the business combination with Western Goldfields in mid-2009. At December 31, 2017, the mine had 1.1 million ounces of Proven and Probable Gold Mineral Reserves and 1.2 million ounces of Measured and Indicated Gold Mineral Resources, exclusive of Mineral Reserves. A summary of Mesquite's operating results is provided below.

AT-A-GLANCE

2018 GUIDANCE:

GOLD: 140,000 - 150,000 OUNCES
OPERATING EXPENSES/OZ: $890 - $930
ALL-IN SUSTAINING COSTS/OZ: $1005 - $1045

2017 PRODUCTION:

GOLD: 168,889 OUNCES
OPERATING EXPENSES/OZ: $727
ALL-IN SUSTAINING COSTS/OZ: $817

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
OPERATING INFORMATION					
Ore mined and placed on leach pad (thousands of tonnes)	**5,868**	5,762	**20,828**	18,969	19,987
Waste mined (thousands of tonnes)	**5,818**	5,021	**38,023**	39,782	38,791
Ratio of waste-to-ore	**0.99**	0.87	**1.83**	2.10	1.94
Average grade:					
Gold (grams/tonne)	**0.29**	0.31	**0.32**	0.38	0.34
Gold (ounces):					
Produced [1][2]	**52,170**	39,353	**168,889**	111,123	134,868
Sold [1]	**54,612**	38,366	**168,800**	113,843	133,712
Revenue					
Gold ($/ounce)	**1,281**	1,217	**1,278**	1,244	1,144
Average realized price [3]:					
Gold ($/ounce)	**1,281**	1,217	**1,278**	1,244	1144
Operating expenses per gold ounce sold ($/ounce) [4]	**749**	660	**727**	628	734
Total cash costs per gold ounce sold ($/ounce) [3]	**749**	670	**727**	638	743
All-in sustaining costs per gold ounce sold ($/ounce) [3]	**833**	771	**817**	979	1,156
FINANCIAL INFORMATION					
Revenue	**70.0**	46.7	**215.7**	141.7	152.9
Operating margin [3]	**29.1**	21.4	**93.0**	70.2	54.8
Revenue less cost of goods sold	**10.1**	7.9	**32.8**	31.3	12.1
Capital expenditures (sustaining capital) [3]	**3.9**	1.9	**12.8**	35.6	53.2

1. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory, where applicable.*
2. *Tonnes of ore processed each period does not necessarily correspond to ounces produced during the period, as there is a time delay between placing tonnes on the leach pad and pouring gold ounces.*
3. *We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs and all-in sustaining costs per gold ounce sold, average realized price, operating margin and capital expenditures (sustaining capital) are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
4. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*

Operating results

Production

For the year and three months ended December 31, 2017, the increase in gold production at Mesquite relative to the prior year was due to increased ore tonnes mined and accelerated inventory drawdown due to the increase of process solution flow on the leach pad. Mesquite's full-year production significantly exceeded the 2017 guidance range of 140,000 to 150,000 ounces.

Revenue

For the year ended December 31, 2017, the increase in revenue was attributable to higher gold prices and sales volumes.

Revenue less cost of goods sold

For the year and three months ended December 31, 2017, the increase in revenue less cost of goods sold was primarily driven by an increase in gold revenue compared to the prior year. The increase in revenue described above was partially offset by higher operating expenses and depreciation and depletion compared to the prior year.

Operating expenses, total cash costs and all-in sustaining costs per gold ounce sold

For the year ended December 31, 2017, operating expenses increased when compared to the prior year due to higher process solution flow and the drawdown of leach pad inventory. Full-year 2017 all-in sustaining costs decreased due to the increase in gold ounces sold and lower sustaining costs, primarily due to no capitalized waste stripping, which were only partially offset by higher operating expenses. Operating expense per ounce for 2017 was above the guidance range of $675 to $715 per ounce. All-in sustaining costs achieved the guidance range of $805 to $845 per ounce. For the three months ended December 31, 2017, all-in sustaining costs increased due to an increase in operating costs and slightly higher sustaining costs.

Capital expenditures

For the year ended December 31, 2017, the decrease in sustaining capital expenditures was due to no capitalized waste stripping in the year. For three months ended December 31, 2017, capital expenditures increased when compared with the prior-year period due to major component replacements for existing equipment.

Outlook for 2018

As planned, production at Mesquite is expected to decrease relative to 2017 as the impact of lower ore tonnes mined and placed is only partially offset by higher gold grade.

Both operating expenses and all-in sustaining costs in 2018 are expected to increase relative to 2017 due to lower gold sales volumes.

	Year ended December 31	
	2017 Actuals	**2018 Guidance**
2017 ACTUALS AND 2018 GUIDANCE		
Gold (ounces)	**168,889**	140,000 - 150,000
Operating expenses per gold ounce sold ($/ounce)	**727**	890 - 930
All-in sustaining costs ($/ounce)	**817**	1,005 - 1,045
Capital expenditures (sustaining capital)	**12.8**	10

Please refer to the "Outlook for 2018" section of this MD&A for details of the relevant key assumptions.

Cerro San Pedro Mine, San Luis Potosí, México

The Cerro San Pedro Mine is located in the state of San Luis Potosí in central México, approximately 20 kilometres east of the city of San Luis Potosí. The mine is a gold-silver, open pit, run-of-mine heap leach operation. Cerro San Pedro finished active mining late in the second quarter of 2016 and is now in residual leaching. A summary of Cerro San Pedro's operating results is provided below:

AT-A-GLANCE

2018 GUIDANCE:

GOLD: 20,000 - 30,000 OUNCES
OPERATING EXPENSES/GOLD OZ: $1,255 - $1,295
ALL-IN SUSTAINING COSTS/OZ: $1,330 - $1,370

2017 PRODUCTION

GOLD: 34,337 OUNCES
OPERATING EXPENSES/GOLD OZ: $1,264
ALL-IN SUSTAINING COSTS/OZ: $1,425

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
OPERATING INFORMATION					
Gold (ounces)					
Produced [1][2]	**7,177**	14,064	**34,337**	64,993	105,512
Sold [1]	**7,679**	13,351	**33,228**	64,149	106,417
Silver (millions of ounces)					
Produced [1][2]	**0.12**	0.18	**0.61**	0.87	1.47
Sold [1]	**0.13**	0.17	**0.58**	0.85	1.47
Revenue					
Gold ($/ounce)	**1,279**	1,219	**1,278**	1,243	1,152
Silver ($/ounce)	**16.71**	16.91	**17.02**	16.76	15.40
Average realized price [3]:					
Gold ($/ounce)	**1,279**	1,219	**1,278**	1,243	1,152
Silver ($/ounce)	**16.71**	16.91	**17.02**	16.76	15.44
Operating expenses per gold ounce sold ($/ounce) [5]	**1,380**	2,586	**1,287**	1,311	991
Operating expenses per silver ounce sold ($/ounce) [5]	**18.03**	35.87	**17.14**	17.68	13.38
Total cash costs per gold ounce sold ($/ounce) [3][4]	**1,414**	1,014	**1,264**	933	865
All-in sustaining costs per gold ounce sold ($/ounce) [3][4]	**1,545**	1,045	**1,425**	959	879
Total cash costs on a co-product basis [2][3]					
Gold ($/ounce)	**1,390**	1,045	**1,267**	980	910
Silver ($/ounce)	**18.16**	14.49	**16.87**	13.22	12.19
All-in sustaining costs on a co-product basis [2][3]					
Gold ($/ounce)	**1,498**	1,071	**1397**	1,002	922
Silver ($/ounce)	**19.56**	14.86	**18.61**	13.52	12.36
FINANCIAL INFORMATION					
Revenue	**11.9**	19.1	**52.4**	93.9	145.4
Operating margin [3]	**(1.0)**	(21.5)	**(0.3)**	(5.3)	20.2
Revenue less cost of goods sold	**(2.6)**	(25.8)	**(7.0)**	(14.2)	11.2
Capital expenditures (sustaining capital) [3]	**-**	0.2	**0.7**	1.0	1.3

1. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory adjustments, where applicable.*
2. *Tonnes of ore processed each period does not necessarily correspond to ounces produced during the period, as there is a time delay between placing tonnes on the leach pad and pouring gold ounces.*
3. *We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price, and operating margin and capital expenditures (sustaining and growth) are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Performance Measures" section of this MD&A.*
4. *The calculation of total cash costs per gold ounce sold and all-in sustaining costs per gold ounce sold is net of by-product silver revenue. Total cash costs and all-in sustaining costs on a co-product basis removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
5. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*

Operating results

Production

Cerro San Pedro finished active mining late in the second quarter of 2016 and has transitioned to residual leaching. As a result, and consistent with expectations, for the year and three months ended December 31, 2017, gold and silver production decreased compared to the prior-year periods. 2017 full-year gold production was slightly below the guidance range of 35,000 to 45,000 ounces.

Revenue

For the year ended December 31, 2017, the decrease in revenue was attributable to the decrease in metal sales volumes as Cerro San Pedro is drawing down leach pad inventory during the residual leach period.

Revenue less cost of goods sold

For the year ended December 31, 2017, the increase in revenue less cost of goods sold was primarily attributable to lower operating expenses. The prior-year period was negatively impacted by a heap leach silver inventory write-down of $24.0 million.

Operating expenses, total cash costs and all-in sustaining costs

For the year and three months ended December 31, 2017, operating expenses decreased when compared to the prior-year periods as prior-year periods included the impact of a heap leach inventory write-down of $24.0 million. All-in sustaining costs increased when compared to the prior-year periods due to lower gold and silver sales volumes. As the Company is drawing down leach pad inventory during the residual leach period, $400 operating expense per gold ounce in the fourth quarter, and $404 operating expense per gold ounce in the year, of the reported operating expense per gold ounce and all-in sustaining costs are related to mining costs that were incurred in prior periods. Cerro San Pedro's 2017 costs were above the guidance ranges of $1,080 to $1,120 per ounce for operating costs, and $1,090 to $1,130 per ounce for all-in sustaining costs, primarily due to lower gold sales and higher sustaining costs.

Impact of Foreign Exchange on Operations

Cerro San Pedro was impacted by changes in the value of the Mexican peso against the U.S. dollar. For the year ended December 31, 2017, the value of the Mexican peso averaged MXN18.91 against the U.S. dollar compared to MXN18.67 in the prior-year period. This had a positive impact on total cash costs of $4 per gold ounce sold.

For the three months ended December 31, 2017, the value of the Mexican peso averaged MXN18.95 against the U.S. dollar compared to MXN19.81 in the prior-year period. This had a negative impact on total cash costs of $15 per gold ounce sold.

Outlook for 2018

As Cerro San Pedro enters its second full-year of residual leaching in 2018, gold and silver production are expected to decline while costs should remain in line with 2017. As the Company is drawing down leach pad inventory during the residual leach period, approximately $380 per ounce of the estimated all-in sustaining costs for 2018 are related to mining costs that were incurred in prior periods.

	Year ended December 31	
	2017 Actuals	**2018 Guidance**
2017 ACTUALS AND 2018 GUIDANCE		
Gold (ounces)	**34,337**	20,000 - 30,000
Operating expenses per gold ounce sold ($/ounce)	**1,287**	1,255 – 1,295
All-in sustaining costs ($/ounce)	**1,425**	1,330 – 1,370
Capital expenditures (sustaining capital)	**0.7**	-

Please refer to the “Outlook for 2018” section of this MD&A for details of the relevant key assumptions.

DISCONTINUED OPERATIONS

In July 2017, the Company announced a process for the sale of Peak Mines, its gold-copper mine located in Australia, and upon commencement of the process met the criteria as a discontinued operation under IFRS 5. In November 2017, the Company entered into a binding agreement to sell Peak Mines and expects a sale to be completed within the first quarter of 2018. In conjunction with the agreement, the Company has received a $3.0 million prepayment from the buyer which has been recorded as a deferred benefit within current liabilities on the consolidated statement of financial position.

For the year ended December 31, 2017, the net earnings from Peak Mines is reported as earnings from discontinued operations. Total assets and liabilities of Peak Mines (excluding any assets and liabilities which do not form part of the net assets being sold) are reported as assets and liabilities held-for-sale, respectively, as at December 31, 2017 without restatement of the prior-year period comparative amounts. Upon classification of Peak Mines as held-for-sale, the Company ceased recognizing depreciation and depletion at Peak Mines for the year ended December 31, 2017.

As at December 31, 2017, the Company has measured the asset group at the lower of carrying value and fair value less costs to sell (“FVLCS”). The expected purchase consideration was used as the basis for determining the fair value, and an estimate of the disposal costs was used as the basis for the costs to sell. In performing this assessment, the Company concluded that the expected fair value less costs to sell of Peak Mines was lower than the carrying value. As a result, the Company recognized an impairment loss of $49.0 million for the year ended December 31, 2017, inclusive of $0.4 million in incurred transaction costs to date. This impairment loss was entirely allocated to Peak Mines mining interests.

Peak Mines, New South Wales, Australia

The Company's Peak Mines gold-copper mining operation is an underground mine/mill operation located in the Cobar Mineral Field near Cobar, New South Wales, Australia. At December 31, 2017, the mine had 246,000 ounces of Proven and Probable Gold Mineral Reserves and 84 million pounds of Proven and Probable Copper Mineral Reserves, with 380,000 ounces of Measured and Indicated Gold Mineral Resources, exclusive of Mineral Reserves, and 183 million pounds of Measured and Indicated Copper Mineral Resources, exclusive of Mineral Reserves. During 2017, the Company entered into a binding agreement to sell Peak Mines and expects the sale to close in the first quarter of 2018. Accordingly, Peak Mines has been classified as a discontinued operation. A summary of Peak Mines' operating results is provided below:

AT-A-GLANCE

2017 PRODUCTION

GOLD: 104,512 OUNCES
COPPER: 13.8 MILLION POUNDS
ALL-IN SUSTAINING COSTS/OZ: $909

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
OPERATING INFORMATION					
Ore mined (thousands of tonnes)	**165**	219	**574**	755	693
Ore processed (thousands of tonnes)	**167**	191	**634**	736	723
Average grade:					
Gold (grams/tonne)	**7.20**	3.16	**5.49**	4.82	4.19
Copper (%)	**1.07**	1.10	**1.10**	1.03	1.00
Recovery rate (%):					
Gold	**97.6**	91.9	**94.8**	93.3	93.00
Copper	**94.0**	90.8	**89.4**	90.1	88.32
Gold (ounces):					
Produced [1]	**35,753**	18,587	**104,512**	107,449	89,852
Sold [1]	**34,861**	18,049	**100,632**	103,396	89,265
Copper (millions of pounds):					
Produced [1]	**3.6**	4.2	**13.8**	15.0	14.0
Sold [1]	**2.9**	3.5	**12.0**	14.3	13.2
Revenue					
Gold ($/ounce)	**1,233**	1,157	**1,245**	1,249	1,137
Copper ($/pound)	**3.07**	2.09	**2.73**	2.02	2.42
Average realized price [2]:					
Gold ($/ounce)	**1,271**	1,191	**1,289**	1,278	1,137
Copper ($/pound)	**3.18**	2.36	**2.85**	2.21	2.42
Total cash costs per gold ounce sold [2][3]	**412**	662	**535**	590	791
All-in sustaining costs per gold ounce sold [2][3]	**762**	742	**909**	736	1,071
Total cash costs on a co-product basis [2][3]					
Gold ($/ounce)	**688**	816	**776**	720	858
Copper ($/pound)	**1.74**	1.82	**1.73**	1.38	2.00
All-in sustaining costs on a co-product basis [2][3]					
Gold ($/ounce)	**972**	872	**1,067**	837	1,067
Copper ($/pound)	**2.45**	1.93	**2.37**	1.58	2.45

	Three months ended December 31				Year ended December 31
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
FINANCIAL INFORMATION					
Revenue	**57.7**	29.6	**170.5**	161.0	130.0
Operating margin [2]	**30.0**	9.1	**76.1**	70.7	31.4
Revenue less cost of goods sold	**30.9**	(5.4)	**51.5**	0.4	(15.4)
Capital expenditures (sustaining capital) [2]	**12.3**	3.1	**32.2**	11.1	20.2
Capital expenditures (growth capital) [2]	**0.8**	-	**2.5**	-	-

1. *Production is shown on a total contained basis while sales are shown on a net payable basis, including final product inventory and smelter payable adjustments, where applicable.*
2. *We use certain non-GAAP financial performance measures throughout our MD&A. Total cash costs and all-in sustaining costs per gold ounce sold, total cash costs and all-in sustaining costs on a co-product basis, average realized price, and operating margin and capital expenditures (sustaining capital) are non-GAAP financial performance measures with no standard meaning under IFRS. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*
3. *The calculation of total cash costs per gold ounce is net of by-product copper revenue. Total cash costs and all-in sustaining costs on a co-product basis removes the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis. For further information and a detailed reconciliation, please refer to the "Non-GAAP Financial Performance Measures" section of this MD&A.*

Operating results

Production

For the year ended December 31, 2017, gold production at Peak Mines was in line with the prior year. Copper production decreased compared to the prior-year period due to an expected decrease in copper grades and tonnes processed.

Full-year 2017 gold production exceeded the guidance range of 85,000 to 95,000 ounces and copper production was in line with the guidance range of approximately 15 million pounds.

For the three months ended December 31, 2017, gold production increased at Peak Mines when compared to the prior-year period due to an increase in gold grade and gold recovery. Quarterly copper production decreased compared to the prior-year period due to a decrease in copper grade and tonnes processed.

Revenue

For the year ended December 31, 2017, revenue increased compared to the prior year due to higher gold and copper realized prices offsetting the decrease in gold and copper sales for the year. Revenue was also impacted by the significant increase in gold sales volumes during the fourth quarter when compared to the prior-year period.

Revenue less cost of goods sold

For the year and three months ended December 31, 2017, the increase in revenue less cost of goods sold compared to the prior-year periods was due to higher gold and copper prices, a significant increase in gold sales during the fourth quarter of 2017 and the cessation of depreciation and depletion upon classification to discontinued operations.

Operating expenses and all-in sustaining costs

As the Peak Mines has been classified as a discontinued operation and is presented separately on the consolidated income statement for the year ended December 31, 2017, the asset's operating expenses per ounce of gold sold is no longer disclosed.

For the year ended December 31, 2017, all-in sustaining costs increased when compared to the prior-year period due to higher operating costs and sustaining capital. Peak Mines' 2017 all-in sustaining costs were below the guidance range of $975 to $1,015 per ounce. For the three months ended December 31,2017, all-in sustaining costs increased relative to the prior-year period due higher operating costs and sustaining capital, which were partially offset by an increase in gold sales volumes.

Capital expenditures

For the year ended December 31, 2017, the increase in capital expenditures was a result of increases in capital development on Chronus, Jubilee, and Perseverance deposits, and increased capitalized exploration activities. Capital development is related to mine and infrastructure development.

Impact of Foreign Exchange on Operations

Peak Mines' operations are impacted by fluctuations in the valuation of the U.S. dollar against the Australian dollar. For the year ended December 31, 2017, the value of the U.S. dollar averaged $1.30 against the Australian dollar compared to $1.34 in the prior-year period, resulting in a negative impact on total cash costs of $22 per gold ounce.

For the three months ended December 31, 2017, the value of the U.S. dollar averaged $1.30 against the Australian dollar compared to $1.33 in the prior-year period, resulting in a negative impact on total cash costs of $16 per gold ounce sold.

Exploration Activities

During 2017, exploration at the Company's Peak Mines operation focused on the delineation of additional gold and copper resources extending from the Perseverance Zone D, Jubilee and Great Cobar deposits located along the nine kilometre trend that defines the Peak Mines Corridor. Additionally, the surface drilling and reconnaissance work to test prospective targets identified along the Company's greater regional tenement holdings continued to return encouraging results that merit further follow up going forward.

Blackwater Project, British Columbia, Canada

Blackwater is a bulk-tonnage, gold-silver project located approximately 160 kilometres southwest of Prince George, a city of approximately 80,000 people, in central British Columbia, Canada. The project property position covers over 1,000 square kilometres and is located near infrastructure.

AT-A-GLANCE

AS AT DECEMBER 31, 2017

PROVEN AND PROBABLE RESERVES

GOLD: 8.2 MILLION OUNCES
SILVER: 60.8 MILLION OUNCES

MEASURED AND INDICATED RESOURCES

(Exclusive of Reserves)

GOLD: 1.4 MILLION OUNCES
SILVER: 8.9 MILLION OUNCES

Exploration

During 2017, a reconnaissance mapping and sampling survey was conducted over the 445 km^2 of mineral claims recently acquired from Parlane Resource Corp. and RJK Explorations Ltd. Results of this survey will be used to support plans for follow-up exploration work. Exploration activity at Blackwater remained otherwise suspended while the Company maintained its focus on development and commercial start-up at Rainy River.

Environmental and permitting activities

The following environmental and permitting related activities occurred at Blackwater during 2017:

- The Provincial and Federal environmental assessment technical review stage continued, with approvals anticipated in mid-2018.
- Performed key engineering studies for advancement of post-environmental assessment approval permits.
- Advanced discussions with key First Nations on Participation Agreements.
- Advanced project trade-off studies.

Project costs and outlook

For the year ended December 31, 2017, capital expenditures totalled $11.3 million compared to $10.0 million in the prior year. For the three months ended December 31, 2017, capital expenditures totalled $2.4 million, compared with $2.1 million in the prior-year period. Expenditures in the current period related to continued advancement of the environmental assessment process, including work to resolve remaining regulatory and First Nations comments and related environmental and engineering studies, as well as discussions with First Nations on Participation Agreements.

The Company is currently working on internal trade-off studies for the Blackwater project. The objective of these studies is to further enhance project economics and maximize free cash flow by reducing the project strip ratio, maximizing the feed grade and lowering both development capital and operating costs. Aspects of the project being evaluated include the scale of the operation, ore sorting and flowsheet configurations. The internal studies are expected to be completed in the second half of 2018.

Blackwater's 2018 non-sustaining capital expenditures are expected to be approximately $10 million and relate to the continued advancement of the Environmental Assessment process and completion of the internal trade-off studies.

New Afton C-zone, British Columbia, Canada

The C-zone is the down-plunge extension of the B-zone block cave currently being mined at New Afton. In early 2016 New Gold completed a feasibility study which confirmed the viability and positive economics for the C-zone deposit. The feasibility study relates to the C-zone Mineral Reserves which have demonstrated economic viability at the New Afton property and is not part of, and should be distinguished from, the current mining of the B-zone reserves. Work completed in 2016 included additional exploration drilling, mine optimizations and planning reviews, and development of a Project Implementation Plan. The detailed results from the feasibility study can be found in the Company's Management's Discussion and Analysis for the year ended December 31, 2015.

AT-A-GLANCE

AS AT DECEMBER 31, 2017

PROVEN AND PROBABLE RESERVES

GOLD: 616,000 OUNCES
COPPER: 453 MILLION POUNDS

MEASURED AND INDICATED RESOURCES

(Included in New Afton Measured and Indicated Resources)

GOLD: 472,000 OUNCES
COPPER: 383 MILLION POUNDS

Project update and costs

During 2017, work on the C-zone focused on tailings management optimization studies. Studies on the use of thickened and amended tailings were initiated based on an evaluation of the potential for significant cost savings compared with either filtered tailings or the construction of a new conventional tailings storage facility. Discussions with the Ministry of Energy and Mines confirmed that decline development could be initiated by adding it to the New Afton five-year Mine Plan and would not require separate permitting.

Mining studies to advance the design of the conveyor system were completed during 2017, as well as studies to evaluate sub-level caving as a mining method for a portion of the deposit. Geotechnical studies are currently also underway to better understand stresses at depth. For the three months and year ended December 31, 2017, project capital expenditures totalled $0.3 million and $2.9 million, respectively.

Consistent with the Company's commitment to maximizing free cash flow, New Gold has elected to defer development of the C-zone in 2018. While the 2016 Feasibility Study for the project includes solid project economics at spot prices, the Company intends to defer the commencement of capital spending while evaluating the above-noted opportunities that have the potential to further optimize the C-zone project.

Exploration activities

During 2017, a final campaign of underground infill drilling on the planned C-zone block cave was completed and the results were incorporated into updated mineral resource and reserve estimates and their life-of-mine operational plan. Results of this work have also been incorporated into the Company's updated mineral resource and reserve estimates for year-end 2017. Additionally, surface reconnaissance within the Afton mine lease and greater mineral tenements was completed to support plans for future exploration programs.

MINERAL RESERVES AND RESOURCES UPDATE (1)

New Gold's production profile is underpinned by the Company's mineral reserve and resource base combined with organic growth from its existing portfolio of mines and development projects. Consistent with previous years, metal pricing assumptions for the Company's year-end 2017 mineral reserve estimates are determined based on an assessment of different factors that include current spot prices, three-year trailing average prices and street consensus pricing forecasts for gold, silver and copper. For the Company's year-end 2017 mineral reserve updates, pricing assumptions increased by $25 per ounce to $1,275 per ounce for gold, $2.00 per ounce to $17.00 per ounce for silver and remained unchanged for copper. Details of these pricing assumptions are provided in the notes to the consolidated mineral reserves and resource estimates provided on pages 110 to 114 of this Management discussion and analysis.

On a consolidated basis, and excluding the Peak Mines operation, the Company's total gold reserves of 14.8 million ounces remained materially unchanged compared to year-end 2016. This was due to the conversion to reserves of approximately 0.7 million ounces of gold at Rainy River, New Afton, and Mesquite offsetting approximately 0.4 million ounces of mining depletion at the three operations during 2017. Excluding Peak Mines, New Gold's consolidated 2017 year-end copper reserves of 941 million pounds decreased by 92 million pounds due mining depletion at New Afton in 2017.

2017 YEAR-END MINERAL RESERVES AND RESOURCE OVERVIEW

Rainy River: Proven and Probable Mineral Reserves increased by 475,000 ounces of gold and 2.8 million ounces of silver compared to year-end 2016. This increase is due primarily to a combination of higher gold and silver pricing assumptions and an updated mineral resource model, which were partially offset by increases to operating cost and capital assumptions on the open pit and underground mine designs and consolidated life-of-mine plan. For the updated open pit design, a gold price of $1,275 per ounce gold was applied compared to the $800 per ounce price used for open pit designs in previous years. As a result, total open pit reserves increased by 377,000 ounces of gold and 1.9 million ounces of silver. For the updated underground mine design, a lower grade cut-off of 2.2 g/t gold-equivalent has been applied to improve confidence and reduce risk associated with mining selectivity and dilution at higher cut-off grade thresholds. This change has resulted in higher underground ore tonnes at lower grade for an overall increase in underground reserves of 96,000 ounces of gold and 0.8 million ounces of silver. Measured and indicated resources correspondingly decreased by 478,000 ounces of gold and 1.8 million ounces of silver due to the conversion of resources to reserves. Inferred resources decreased by 429,000 ounces of gold and 0.3 million ounces of silver as a result of revised mineral resource estimation criteria.

New Afton: Probable mineral reserves decreased by 83,000 ounces of gold and 92 million pounds of copper compared to the prior year as a result of 2017 mine depletion. Total measured, indicated and inferred gold and copper resources remained materially unchanged compared to year-end 2016.

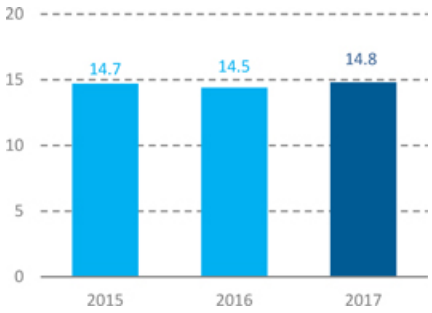
Mesquite: Proven and probable mineral reserves decreased by 50,000 ounces of gold as 2017 mine depletion, was largely offset by an updated open pit plan and higher gold pricing assumptions. Measured and indicated resources increased by 141,000 ounces of gold, due primarily to an updated open pit design and revised lower cut-off grade criteria. Inferred mineral resources remain materially unchanged compared to year-end 2016.

Blackwater: Proven and probable mineral reserves remain unchanged compared to year-end 2016. Measured and indicated resources increased by 79,000 ounces of gold and 0.7 million ounces of silver largely as a result of higher metal pricing assumptions.

Cerro San Pedro: Proven and probable mineral reserves have been expended and mining operations have ceased as the mine is in residual leaching.

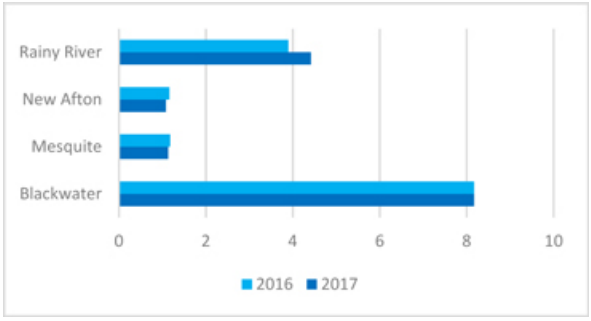
PROVEN AND PROBABLE GOLD RESERVES [2]

(MILLIONS OF OUNCES)



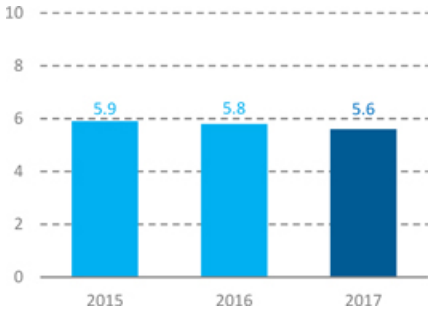
PROVEN AND PROBABLE GOLD RESERVES BY SITE

(MILLIONS OF OUNCES)



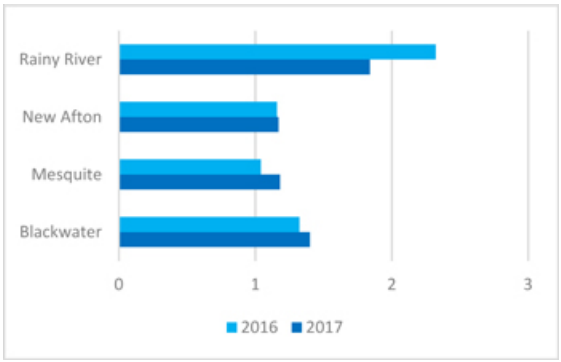
MEASURED AND INDICATED GOLD RESOURCES (EXCLUSIVE OF GOLD RESERVES)[2]

(MILLIONS OF OUNCES)



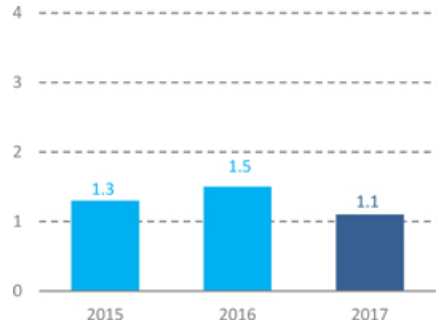
MEASURED AND INDICATED GOLD RESOURCES BY SITE (EXCLUSIVE OF GOLD RESERVES)

(MILLIONS OF OUNCES)



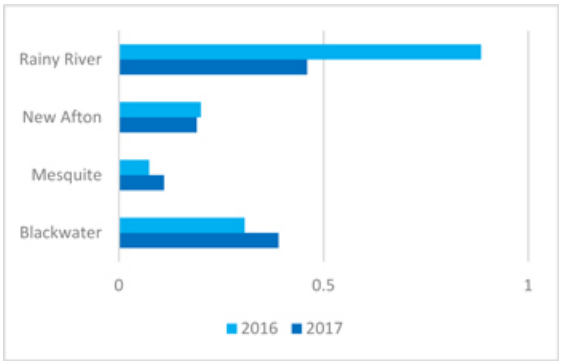
INFERRED GOLD RESOURCES[2]

(MILLIONS OF OUNCES)



INFERRED GOLD RESOURCES BY SITE

(MILLIONS OF OUNCES)



1. *For a detailed breakdown of mineral reserves and mineral resources by category and additional information relating to key estimation assumptions and parameters, please refer to the "Mineral Reserves and Mineral Resources" section of this MD&A.*
2. *Peak Mines has been classified as a discontinued operation and the charts presented above exclude mineral reserves and resources for the Peak Mines operation.*

FINANCIAL CONDITION REVIEW

Balance Sheet Review

(in millions of U.S. dollars)	As at December 31 2017	As at December 31 2016
BALANCE SHEET INFORMATION		
Cash and cash equivalents	**216.2**	185.9
Other current assets	**238.8**	224.1
Non-current assets	**3,453.3**	3,523.0
Assets held for sale	**109.0**	-
Total assets	**4,017.3**	3,933.0
Current liabilities	**181.2**	175.4
Non-current liabilities excluding long-term debt	**626.1**	794.9
Long-term debt	**1,007.7**	889.5
Liabilities held for sale	**62.8**	-
Total liabilities	**1,877.8**	1,859.8
Total equity	**2,139.5**	2,073.2
Total liabilities and equity	**4,017.3**	3,933.0

Assets

Cash and cash equivalents

The increase in cash and cash equivalents was primarily driven by the Company's bought deal financing of common shares resulting in net proceeds of $165.7 million, the sale of the El Morro stream for $65.0 million, drawdown of $100.0 million from the Company's revolving credit facility in August 2017 and $30.0 million in November 2017, and the Company's operating cash flows generated during the current period. This was partially offset by growth capital expenditures at Rainy River, of $496.7 million was spent during the year ended December 31, 2017, other capital expenditure and financing payments. Please see the "Corporate Developments" section of this MD&A for further information on the Company's bought deal financing of common shares and the sale of the El Morro stream.

Other current assets

Other current assets primarily consist of trade and other receivables, inventories, prepaid expenses, and derivative assets. The increase in other current assets is attributable to an increase in inventories at Rainy River as the mine commenced commercial production on November 1, 2017. This increase is offset by a decrease in derivative assets on the settlement of the gold price option contracts.

Non-current assets

Non-current assets primarily consist of mining interests which include the Company's mining properties, development projects and property, plant and equipment and long-term inventory. The movement in non-current assets is primarily attributable to the Company's investments in its mining interests less depreciation and depletion, offset by the impairment charge at Rainy River. For the year ended December 31, 2017, the Company spent $567.0 million, primarily focused on completing the development of Rainy River, and sustaining capital expenditures at the Company's operating sites.

Liabilities

Current liabilities

Current liabilities consists of trade and other payables and derivative liabilities. Current liabilities increased compared to the prior year as a larger portion of the gold stream obligation became current, and an increase was also a result of the mark-to-market on copper option contracts. In addition, the Company received a $3.0 million prepayment from the buyer of Peak Mines, which has been recorded as a current liability.

Non-current liabilities excluding long-term debt

Non-current liabilities consist primarily of reclamation and closure cost obligations, the gold stream obligation and deferred tax liabilities.

The Company's asset retirement obligations consist of reclamation and closure costs for Rainy River, New Afton, Mesquite, Cerro San Pedro and Blackwater. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing monitoring and other costs.

The long-term discounted portion of the liability as at December 31, 2017 was $181.3 million compared to $109.5 million as at December 31, 2016. For the year ended December 31, 2017, the Company updated the reclamation and closure cost obligations for each of its mine sites. The impact of these assessments was an increase of $52.3 million (year ended December 31, 2016 – $15.5 million), which primarily related to Rainy River and Mesquite. Key drivers of the Rainy River liability increase of $41.4 million include advancement of the processing plant site area, construction of tailings management area, placement of mine rock and other additional obligations related to significant project advancement achieved during the period as the project reached commercial production. The key driver of the Mesquite liability increase of $6.6 million was an increase in the requirements for reclamation sloping on waste rock, increasing the amount of earthworks required.

The net deferred income tax liability decreased from $230.3 million as at December 31, 2016 to $78.7 million at December 31, 2017. For the year ended December 31, 2017, the Company recorded a decrease in deferred tax liability of $87.4 million as a result of asset impairment at Rainy River and $43.6 million as a result of a derecognition of the deferred tax related to the investment tax credits in Canada.

Long-term debt and other financial liabilities containing financial covenants

The majority of the Company's contractual obligations consist of long-term debt and interest payable. Long-term debt includes senior unsecured notes and the amounts drawn on the Company's revolving credit facility.

In 2015, the Company entered into a $175 million streaming transaction with RGLD Gold AG, a wholly owned subsidiary of Royal Gold Inc. ("Royal Gold"). The Company has designated the gold stream obligation as a financial liability under the scope of IFRS 9. Accordingly, the Company values the liability at the present value of its expected future cash flows at the end of each reporting period, with the changes in fair value reflected in the consolidated income statements and the consolidated statements of comprehensive income. The gold stream obligation contains a maximum leverage ratio covenant (net debt to earnings before interest, taxes, depreciation, amortization, exploration, impairment and other non-cash adjustments "Adjusted EBITDA") of 3.5: 1.0, with the exception that the net leverage covenant limit may increase to 4.0: 1.0 for two consecutive quarters, provided that it thereafter returns to a maximum of 3.5: 1.0. However, in order to provide additional flexibility, Royal Gold has agreed to adjust this leverage ratio to match the revised maximum leverage ratio under the revolving credit facility for the quarters ending March 31, 2018. New Gold currently estimates that approximately 22,600 ounces of gold and 203,100 ounces of silver will be delivered to RGLD Gold AG ("Royal Gold") in 2018, in accordance with a streaming agreement, and will be accounted for as financing activities in the Company's cash flow statement.

On November 15, 2012, the Company issued $500.0 million of senior unsecured notes (“2022 Unsecured Notes”). As at December 31, 2017, the face value was $500.0 million. The 2022 Unsecured Notes are denominated in U.S. dollars, mature and become due and payable on November 15, 2022, and bear interest at the rate of 6.25% per annum. Interest is payable in arrears in equal semi-annual instalments on May 15 and November 15 of each year.

On May 18, 2017, the Company issued $300.0 million of senior unsecured notes (“2025 Unsecured Notes”) for net cash proceeds of $295.1 million after a banker’s fee and other transaction costs. The proceeds were used to redeem and purchase for cancellation the $300.0 million principal amount of the previously outstanding senior unsecured notes (“2020 Unsecured Notes”) for which the Company was required to pay a redemption premium of $5.3 million. As a result, total costs paid relating to this refinancing were $10.2 million. Additionally, the Company was required to pay $2.8 million of accrued interest on the 2020 Unsecured Notes on redemption and cancellation.

The 2025 Unsecured Notes bear interest at the rate of 6.375% per annum. Interest is payable in arrears in equal semi-annual instalments on May 15 and November 15 of each year. As at December 31, 2017, the face value was $300.0 million.

The 2022 and 2025 Unsecured Notes are subject to a minimum interest coverage incurrence covenant (earnings before interest taxes depreciation, amortization, impairment and other non-cash adjustments to interest) of 2.0: 1.0. The test is applied on a pro-forma basis prior to the Company incurring additional debt, entering into business combinations or acquiring significant assets, or certain other corporate actions.

In June 2017, the Company amended its $400.0 million revolving credit facility (the “Credit Facility”) to extend the maturity date of the agreement by one year to August 2020.

Net debt is used to calculate leverage for the purpose of covenant tests and pricing levels. The Credit Facility contains various covenants customary for a loan facility of this nature, including limits on indebtedness, asset sales and liens. The Credit Facility contains two covenant tests, the minimum interest coverage ratio, earnings before interest, taxes, depreciation, amortization, exploration, impairment, and other non-cash adjustments (“Adjusted EBITDA”) to interest and the maximum leverage ratio (net debt to Adjusted EBITDA), both of which are measured on a rolling four-quarter basis at the end of every quarter.

In June 2017, the Company amended the Credit Facility’s Net Debt to Adjusted EBITDA ("Leverage Ratio") covenant, to increase the maximum Leverage Ratio to 4.0 to 1.0 from January 1, 2018 to March 31, 2018 (previously 3.5 to 1.0). Following that period, the maximum leverage ratio will be 3.5 to 1.0. The maximum Leverage Ratio from October 1, 2017 to December 31, 2017 is 4.0 to 1.0.

Significant financial covenants are as follows:

		Twelve months ended December 31	Twelve months ended December 31
	Financial covenant	**2017**	**2016**
FINANCIAL COVENANTS			
Minimum interest coverage ratio (EBITDA to interest)	>3.0 : 1	**4.7 : 1**	5.7 : 1
Maximum leverage ratio (net debt to EBITDA)	<4.0 : 1	**3.1 : 1**	2.6 : 1

The interest margin on drawings under the Credit Facility ranges from 1.00% to 3.25% over LIBOR, the Prime Rate or the Base Rate, based on the Company's net debt to adjusted EBITDA ratio and the currency and type of credit selected by the Company. Based on the Company's net debt to adjusted EBITDA ratio, the rate is 3.25% over LIBOR as at December 31, 2017 (December 31, 2016 – 3.25%). The standby fees on undrawn amounts under the Credit Facility range from 0.45% to 0.73%, depending on the Company's net debt to adjusted EBITDA ratio. Based on the Company's net debt to adjusted EBITDA ratio, the rate is 0.73% as at December 31, 2017 (December 31, 2016 – 0.73%).

As at December 31, 2017, the Company had drawn $230.0 million under the Credit Facility and the Credit Facility has been used to issue letters of credit of $138.8 million as at December 31, 2017 (December 31, 2016 - $122.1 million). Of the issued letters of credit, $16.6 million relate to Peak Mines. Letters of credit relate to reclamation bonds, worker's compensation security and other financial assurances required with various government agencies.

Liquidity and Cash Flow

As at December 31, 2017, the Company had cash and cash equivalents of $216.2 million compared to $185.9 million at December 31, 2016. The Company's investment policy is to invest its surplus funds in permitted investments consisting of treasury bills, bonds, notes and other evidences of indebtedness of Canada, the U.S. or any of the Canadian provinces with a minimum credit rating of R-1 mid from the DBRS or an equivalent rating from Standard & Poor's or Moody's and with maturities of 12 months or less at the original date of acquisition. In addition, the Company is permitted to invest in bankers' acceptances and other evidences of indebtedness of certain financial institutions. Surplus corporate funds are only invested with approved government or bank counterparties.

The Company's liquidity is impacted by several factors which include, but are not limited to, gold and copper market prices, capital expenditures, operating costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis and will continue to be reviewed.

The Company's cash flows from operating, investing and financing activities, as presented in the audited consolidated statements of cash flows, are summarized in the following table for the three months and year ended December 31, 2017 and 2016:

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
CASH FLOW INFORMATION					
Cash generated from operations	**119.0**	51.9	**342.2**	282.2	262.6
Cash used by investing activities (capital expenditures and other)	**(108.6)**	(164.8)	**(598.6)**	(568.6)	(386.9)
Cash generated from investing activities (sale of El Morro stream and sale of the Company's 30% interest in El Morro)	**-**	-	**65.0**	-	62.4
Cash generated from financing activities	**-**	148.5	**219.8**	128.4	45.7
Effect of exchange rate changes on cash and cash equivalents	**(1.3)**	(0.9)	**1.9**	8.4	(18.8)
Change in cash and cash equivalents	**9.1**	34.7	**30.3**	(149.6)	(35.0)

Operations

For the year ended December 31, 2017, the increase in cash generated from operations was primarily due to an increase in total operating margin.

Investing Activities

Cash used in investing activities is primarily for the continued capital investment in the Company's operating mines and development projects. Spending was $598.6 million for the year ended December 31, 2017 compared to $568.6 million in the prior-year period. In both the current and prior-year periods, investing activities primarily focused on continued project advancement at Rainy River. In addition to growth capital spending at Rainy River, the Company received $65.0 million of net proceeds from the sale of the El Morro stream during the first quarter of 2017.

The following table summarizes the total growth and sustaining capital expenditures (mining interests per the audited consolidated statements of cash flows) for the years ended December 31, 2017 and 2016:

	Three months ended December 31				Year ended December 31
(in millions of U.S. dollars)	**2017**	**2016**	**2017**	**2016**	**2015**
CAPITAL EXPENDITURES BY SITE					
Rainy River	**83.4**	145.9	**499.3**	466.4	245.5
New Afton	**8.6**	10.4	**42.2**	40.9	62.1
Mesquite	**3.9**	1.9	**12.8**	35.6	53.2
Cerro San Pedro	**-**	0.2	**0.7**	1.0	1.3
Blackwater	**2.4**	3.0	**11.3**	10.0	7.1
Corporate	**0.2**	0.3	**0.6**	2.0	0.1
Capital expenditures from continuing operations	**98.5**	161.8	**567.0**	555.9	369.5
Peak Mines	**13.1**	3.1	**34.7**	11.1	20.2
Total capital expenditures	**111.7**	164.8	**601.7**	567.0	389.5

Financing Activities

Cash generated from financing activities was primarily related to the bought deal financing of common shares in March 2017 for net proceeds of $165.7 million, partially offset by interest paid. Please refer to the “Corporate Developments” section of this MD&A for further information on the bought deal financing transaction.

The Company’s December 31, 2017 cash balance of $216.2 million, together with the $30.8 million available for drawdown under the Credit Facility at December 31, 2017 provide the Company with $247.0 million of liquidity, in addition to the net cash the Company’s operating mines are expected to generate and the enhanced liquidity resulting from the sale of Peak Mines.

A decrease in gold or copper prices or depreciation of the U.S. dollar relative to the Canadian dollar, or, to a lesser extent, the Australian dollar or Mexican peso, could negatively impact the Company’s liquidity.

The net cash generated by operations is highly dependent on metal prices, including gold and copper, as well as other factors, including the Canadian/U.S. dollar exchange rate. To mitigate a portion of this risk, in particular during the Rainy River construction period, New Gold entered into gold price option contracts covering 120,000 ounces of New Gold’s second half of 2017 production. Specifically, New Gold purchased put options at a strike price of $1,250 per ounce and sold call options at a strike price of $1,400 per ounce for 120,000 ounces of gold production between July 2017 and December 2017. At December 31, 2017, the contracts have expired. No further gold price option contracts have been entered for 2018.

In February 2017, the Company entered into copper swap contracts for 7.3 million pounds of copper per month from July 2017 through December 2017 at a fixed price of $2.73 per pound. As at December 31, 2017, all copper forward contracts have expired.

In October 2017, the Company entered into copper price option contracts by purchasing put options at a strike price of $3.00 per pound and selling call options at a strike price of $3.37 per pound for 27,600 tonnes (approximately 60 million pounds) of copper production during 2018.

The Company has outstanding notes in the principal amount of $500 million maturing in 2022 and $300 million maturing in 2025. The Company also has $230 million outstanding under the credit facility, excluding letters of credit. Assuming the continuation of prevailing commodity prices and exchange rates, and operations performing in accordance with mine plans, the Company will be able to repay indebtedness from internally generated cash flow during the projected life of the operating mines.

Taking into consideration the Company's current cash position, volatile equity markets and foreign exchange rates, global uncertainty in the capital markets and increasing cost pressures, the Company regularly reviews expenditures and assesses business opportunities to enhance liquidity in order to ensure adequate liquidity and flexibility to support its growth strategy, including the development of its projects, while continuing production at its current operations.

In addition, the Company entered into a binding agreement to sell the Peak Mines. New Gold expects the transaction to close in the first quarter of 2018. The transaction will provide the Company enhanced liquidity and an opportunity to develop and grow its core assets. The sale of Peak Mines will further enable the Company to focus on its America's centric portfolio of operating mining and development projects.

Commitments

The Company has entered into a number of contractual commitments for capital items relating to operations and development. At December 31, 2017, these commitments totalled $51.4 million, $48.5 million of which are expected to fall due over the next 12 months. This compares to commitments of $130.2 million as at December 31, 2016, $103.2 million of which was expected to fall due over the upcoming year. In addition, the decrease when compared to the prior year is due to Rainy River achieving commercial production in the fourth quarter of 2017. Certain contractual commitments may contain cancellation clauses; however, the Company discloses its commitments based on management's intent to fulfill the contracts.

Contingencies

In assessing the loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. If the assessment of a contingency suggests that a loss is probable, and the amount can easily be estimated, then a loss is recorded. When a contingent loss is not probable but is reasonably possible, or is probable but the amount of the loss cannot be reliably estimated, then details of the contingent loss are disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the Company discloses the nature of the guarantees. Legal fees incurred in connection with pending legal proceedings are expensed as incurred. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on our financial condition, cash flow and results of operations.

Contractual Obligations

The following is a summary of the Company's payments due under contractual obligations:

	< 1 year	1-3 Years	4-5 Years	After 5 Years	As at December 31 2017 Total	As at December 31 2016 Total
CONTRACTUAL OBLIGATIONS[1]						
Long-term debt	-	230.0	500.0	300.0	**1,030.0**	900.0
Interest payable on long-term debt	43.5	100.8	100.8	47.8	**292.9**	252.5
Operating lease commitments	2.1	2.8	2.2	3.2	**10.3**	2.6
Capital expenditure commitments	48.5	2.7	0.2	-	**51.4**	130.2
Reclamation and closure cost obligations	3.4	14.7	17.7	151.0	**187.1**	105.9
Gold stream obligation	24.7	52.4	54.8	158.6	**290.5**	277.7
Total contractual obligations	122.2	403.4	675.7	660.6	**1,862.2**	1,668.9

1. *The majority of the Company's contractual obligations consist of long-term debt and interest payable. Long-term debt obligations are comprised of senior unsecured notes.*

Related Party Transactions

The Company did not enter into any related party transactions during the three months or year ended December 31, 2017.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Shares

As at February 20, 2018, there were 578,635,838 common shares of the Company outstanding. The Company had 12,282,466 stock options outstanding under its share option plan, exercisable for up to 12,282,466 common shares.

NON-GAAP FINANCIAL PERFORMANCE MEASURES

Total Cash Costs per Gold Ounce

"Total cash costs per gold ounce" is a non-GAAP measure that is a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. New Gold reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate liquidity through operating cash flow to fund future capital expenditures and working capital needs. New Gold believes that this measure, along with sales, is a key indicator of a Company's ability to generate operating earnings and cash flow from its mining operations. In addition, the Compensation Committee of the Board of Directors uses all-in sustaining costs, together with other measures, in its company scorecard to set incentive compensation goals and assess performance.

Total cash cost figures are calculated in accordance with a standard developed by The Gold Institute, a worldwide association of suppliers of gold and gold products that ceased operations in 2002. Adoption of the standard is voluntary and the cost measures presented may not be comparable to other similarly titled measures of other companies. Total cash costs include mine site operating costs such as mining, processing and administration costs, royalties, production taxes and realized gains and losses on fuel contracts, but are exclusive of amortization, reclamation, capital and exploration costs and net of by-product sales. Total cash costs are then divided by gold ounces sold to arrive at the total cash costs per ounce sold.

The Company produces copper and silver as by-products of its gold production. The calculation of total cash costs per gold ounce for Rainy River and Cerro San Pedro is net of by-product silver sales revenue, and the calculation of total cash costs per gold ounce sold for Peak Mines and New Afton is net of by-product silver and copper sales revenue. New Gold notes that in connection with New Afton, the copper by-product revenue is sufficiently large to result in a negative total cash cost on a single mine basis. Notwithstanding this by-product contribution, as a Company focused on gold production, New Gold aims to assess the economic results of its operations in relation to gold, which is the primary driver of New Gold's business. New Gold believes this metric is of interest to its investors, who invest in the Company primarily as a gold mining Company. To determine the relevant costs associated with gold only, New Gold believes it is appropriate to reflect all operating costs, as well as any revenue related to metals other than gold that are extracted in its operations.

To provide additional information to investors, New Gold has also calculated total cash costs on a co-product basis, which removes the impact of other metal sales that are produced as a by-product of gold production and apportions the cash costs to each metal produced on a percentage of revenue basis, and subsequently divides the amount by the total gold ounces, silver ounces or pounds of copper sold, as the case may be, to arrive at per ounce or per pound figures. Unless indicated otherwise, all total cash cost information in this MD&A is net of by-product sales.

Total cash costs are intended to provide additional information only and do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other mining companies. They should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS.

As the Company has classified the Peak Mines as a discontinued operation during 2017, total cash costs per gold ounce have been disclosed on a continuing (not including Peak Mines) and total basis (including Peak Mines).

All-in Sustaining Costs per Gold Ounce

"All-in sustaining costs per gold ounce" is a non-GAAP measure based on guidance announced by the World Gold Council ("WGC") in September 2013. The WGC is a non-profit association of the world's leading gold mining companies established in 1987 to promote the use of gold to industry, consumers and investors. The WGC is not a regulatory body and does not have the authority to develop accounting standards or disclosure requirements. The WGC has worked with its member companies, including New Gold, to develop a measure that expands on IFRS measures such as operating expenses and non-GAAP measures to provide visibility into the economics of a gold mining Company. Current IFRS measures used in the gold industry, such as operating expenses, do not capture all of the expenditures incurred to discover, develop and sustain gold production. New Gold believes the all-in sustaining costs measure provides further transparency into costs associated with producing gold and will assist analysts, investors and other stakeholders of the Company in assessing its operating performance, its ability to generate free cash flow from current operations and its overall value.

All-in sustaining costs per gold ounce is intended to provide additional information only and does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other mining companies. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of cash flow from operations under IFRS or operating costs presented under IFRS.

New Gold defines all-in sustaining costs per ounce as the sum of total cash costs, net capital expenditures that are sustaining in nature, corporate general and administrative costs, capitalized and expensed exploration that is sustaining in nature, and environmental reclamation costs, all divided by the total gold ounces sold to arrive at a per ounce figure. To determine sustaining capital expenditures, New Gold uses cash flow related to mining interests from its statement of cash flows and deducts any expenditures that are non-sustaining. Capital expenditures to develop new operations or capital expenditures related to major projects at existing operations where these projects will materially increase production are classified as non-sustaining and are excluded. The table "Sustaining Capital Expenditure Reconciliation" reconciles New Gold's sustaining capital to its cash flow statement. The definition of sustaining versus non-sustaining is similarly applied to capitalized and expensed exploration costs. Exploration costs to develop new operations or that relate to major projects at existing operations where these projects are expected to materially increase production are classified as non-sustaining and are excluded.

Costs excluded from all-in sustaining costs are non-sustaining capital expenditures and exploration costs, financing costs, tax expense, transaction costs associated with mergers and acquisitions, and any items that are deducted for the purposes of adjusted earnings.

By including total cash costs as a component of all-in sustaining costs, the measure deducts by-product revenue from gross cash costs. Refer to the discussion above regarding total cash costs per gold ounce for the discussion of deduction of by-product revenue as the Company has classified the Peak Mines as a discontinued operation.

Cash Costs and All-in Sustaining Costs ("AISC") per Ounce Reconciliation Tables

The following tables reconcile these non-GAAP measures to the most directly comparable IFRS measure on an aggregate and mine-by-mine basis.

	Three months ended December 31, 2017			
(in millions of U.S. dollars, except where noted)	**Gold**	**Copper**	**Silver**	**Total**
CONSOLIDATED OPEX, CASH COST AND AISC RECONCILIATION				
Operating expenses[1]	**80.3**	**34.5**	**2.2**	**117.0**
Units of metal sold from continuing operations (ounces/millions of pounds/millions of ounces)	**108,782**	**22.0**	**0.2**	
Operating expenses per unit of metal sold ($/ounce or pound)	**738**	**1.56**	**9.44**	
Operating expenses[1]	**80.3**	**34.5**	**2.2**	**117.0**
Treatment and refining charges on concentrate sales	**2.5**	**5.8**	**0.1**	**8.4**
Adjustments[2]	**0.1**	**-**	**-**	**0.1**
Total cash costs from continuing operations	**82.9**	**40.3**	**2.3**	**125.5**
By-product silver and copper sales from continuing operations				**(63.3)**
Total cash costs net of by-product revenue from continuing operations				**62.2**
Units of metal sold from continuing operations (ounces/millions of pounds/millions of ounces)	**108,782**	**22.0**	**0.2**	
Total cash costs on a co-product basis from continuing operations[3] ($/ounce or pound)	**762**	**1.83**	**9.90**	
Total cash costs per gold ounce sold from continuing operations ($/ounce)				**572**
Total cash costs on a co-product basis[6]	**107.2**	**44.9**	**2.9**	
Total cash costs net of by-product revenue[6]				**76.5**
Units of metal sold (ounces/millions of pounds/millions of ounces)[6]	**143,644**	**24.9**	**0.3**	
Total cash costs on a co-product basis[3] ($/ounce or pound) [4]	**746**	**1.80**	**9.73**	
Total cash costs per gold ounce sold ($/ounce) [4]				**533**
Total co-product cash costs from continuing operations[6]	**82.9**	**40.3**	**2.3**	
Total cash costs net of by-product revenue from continuing operations[6]				**62.2**
Sustaining capital expenditures[4]	**10.4**	**4.5**	**0.3**	**15.2**
Sustaining exploration - expensed	**0.4**	**0.2**	**-**	**0.6**
Corporate G&A including share-based compensation[5]	**2.6**	**1.1**	**0.1**	**3.8**
Reclamation expenses	**1.8**	**0.8**	**-**	**2.5**
Total co-product all-in sustaining costs from continuing operations[6]	**98.0**	**46.8**	**2.8**	
Total all-in sustaining costs net of by-product revenue from continuing operations[6]				**84.3**
All-in sustaining costs on a co-product basis from continuing operations[3] ($/ounce or pound)	**901**	**2.12**	**11.67**	
All-in sustaining costs per gold ounce sold from continuing operations ($/ounce)				**774**
Total co-product all-in sustaining costs [6]	**131.6**	**54.4**	**3.6**	
Total all-in sustaining costs net of by-product revenue[6]				**110.8**
All-in sustaining costs on a co-product basis[3] ($/ounce or pound) [4]	**916**	**2.17**	**11.91**	
All-in sustaining costs per gold ounce sold ($/ounce)[4]				**771**

1. *Operating expenses ("Opex") are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to inventory write-down reversals and social closure costs incurred at Cerro San Pedro that are included in operating expenses.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
5. *Includes the sum of corporate administration costs and share-based payment expense per the income statement, net of any non-cash depreciation within those figures.*
6. *Includes the impact of Peak Mine, which has been classified as a discontinued operation as at and for the year ended December 31, 2017. Please refer to Peak Mine's Opex, Cash Cost and AISC Reconciliation tables for a more detailed reconciliation of the total cash costs and all-in sustaining costs from discontinued operations.*

	Year ended December 31, 2017			
(in millions of U.S. dollars, except where noted)	**Gold**	**Copper**	**Silver**	**Total**
CONSOLIDATED OPEX, CASH COST AND AISC RECONCILIATION				
Operating expenses[1]	**200.0**	**113.5**	**7.6**	**321.1**
Units of metal sold from continuing operations (ounces/millions of pounds/millions of ounces)	**309,454**	**84.5**	**0.9**	
Operating expenses per unit of metal sold ($/ounce or pound)	**646**	**1.34**	**8.54**	
Operating expenses[1]	**200.0**	**113.5**	**7.6**	**321.1**
Treatment and refining charges on concentrate sales	**9.6**	**20.7**	**0.4**	**30.6**
Adjustments[2]	**(0.5)**	**(0.3)**	**-**	**(0.8)**
Total cash costs from continuing operations	**209.0**	**133.9**	**8.0**	**350.9**
By-product silver and copper sales from continuing operations				**(239.6)**
Total cash costs net of by-product revenue from continuing operations				**111.3**
Units of metal sold from continuing operations (ounces/millions of pounds/millions of ounces)	**309,454**	**84.5**	**0.9**	
Total cash costs on a co-product basis from continuing operations[3] ($/ounce or pound)	**675**	**1.58**	**8.98**	
Total cash costs per gold ounce sold from continuing operations ($/ounce)				**360**
Total cash costs on a co-product basis[4]	**285.8**	**156.0**	**9.9**	
Total cash costs net of by-product revenue[4]				**165.2**
Units of metal sold (ounces/millions of pounds/millions of ounces)[6]	**410,086**	**96.6**	**1.1**	
Total cash costs on a co-product basis[3] ($/ounce or pound) [4]	**697**	**1.62**	**9.22**	
Total cash costs per gold ounce sold ($/ounce) [4]				**403**
Total co-product cash costs from continuing operations[6]	**209.0**	**133.9**	**8.0**	**111.3**
Total cash costs net of by-product revenue from continuing operations[6]				
Sustaining capital expenditures[4][7]	**34.8**	**19.7**	**1.3**	**55.8**
Sustaining exploration - expensed	**1.3**	**0.8**	**0.1**	**2.1**
Corporate G&A including share-based compensation[5]	**17.6**	**10.0**	**0.7**	**28.3**
Reclamation expenses	**5.6**	**3.2**	**0.2**	**9.0**
Total co-product all-in sustaining costs from continuing operations[6]	**268.3**	**167.6**	**10.3**	
Total all-in sustaining costs net of by-product revenue from continuing operations[6]				**206.6**
All-in sustaining costs on a co-product basis from continuing operations[3] ($/ounce or pound)	**867**	**1.98**	**11.52**	
All-in sustaining costs per gold ounce sold from continuing operations ($/ounce)				**668**
Total co-product all-in sustaining costs [4]	**372.8**	**198.9**	**12.9**	
Total all-in sustaining costs net of by-product revenue [4]				**298.2**
All-in sustaining costs on a co-product basis[3] ($/ounce or pound) [4]	**909**	**2.06**	**12.01**	
All-in sustaining costs per gold ounce sold ($/ounce) [4]				**727**

1. *Operating expenses ("Opex") are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to inventory write-down reversals and social closure costs incurred at Cerro San Pedro that are included in operating expenses.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
5. *Includes the sum of corporate administration costs and share-based payment expense per the income statement, net of any non-cash depreciation within those figures.*
6. *Includes the impact of Peak Mines, which has been classified as a discontinued operation as at and for the year ended December 31, 2017. Please refer to Peak Mines Opex, Cash Cost and AISC Reconciliation tables for a more detailed reconciliation of the total cash costs and all-in sustaining costs from discontinued operations.*
7. *For the year ended December 31, 2017, sustaining capital expenditures are net of $0. 3 million in proceeds from disposal of assets.*

	Three months ended December 31, 2016			
(in millions of U.S. dollars, except where noted)	**Gold**	**Copper**	**Silver**	**Total**
CONSOLIDATED OPEX, CASH COST AND AISC RECONCILIATION				
Operating expenses[1]	58.5	33.1	2.6	94.2
Units of metal sold from continuing operations (ounces/millions of pounds/millions of ounces)	75,887	21.1	0.2	
Operating expenses per unit of metal sold ($/ounce or pound)	771	1.57	10.66	
Operating expenses[1]	58.5	33.1	2.6	94.2
Treatment and refining charges on concentrate sales	2.7	4.7	0.1	7.5
Adjustments[2]	(15.1)	(8.1)	(0.6)	(23.8)
Total cash costs from continuing operations	46.1	29.6	2.1	77.8
By-product silver and copper sales from continuing operations				(56.0)
Total cash costs net of by-product revenue from continuing operations				21.8
Units of metal sold from continuing operations (ounces/millions of pounds/millions of ounces)	75,887	21.1	0.2	
Total cash costs on a co-product basis from continuing operations[3] ($/ounce or pound)	607	1.41	8.80	
Total cash costs per gold ounce sold from continuing operations ($/ounce)				288
Total cash costs on a co-product basis[4]	60.5	36.2	2.6	
Total cash costs net of by-product revenue[4]				99.3
Units of metal sold (ounces/millions of pounds/millions of ounces)[6]	93,936	24.6	0.3	
Total cash costs on a co-product basis[3] ($/ounce or pound) [4]	647	1.47	9.11	
Total cash costs per gold ounce sold ($/ounce) [4]				360
Total co-product cash costs from continuing operations[6]	46.1	29.6	2.1	
Total cash costs net of by-product revenue from continuing operations[6]				21.8
Sustaining capital expenditures[4]	7.9	4.4	0.3	12.7
Sustaining exploration - expensed	1.5	0.9	0.1	2.5
Corporate G&A including share-based compensation[5]	4.2	2.4	0.2	6.8
Reclamation expenses	0.6	0.3	-	1.0
Total co-product all-in sustaining costs from continuing operations[6]	60.3	37.6	2.7	
Total all-in sustaining costs net of by-product revenue from continuing operations[6]				44.8
All-in sustaining costs on a co-product basis from continuing operations[3] ($/ounce or pound)	795	1.79	11.39	
All-in sustaining costs per gold ounce sold from continuing operations ($/ounce)				590
Total co-product all-in sustaining costs [4]	76.0	44.3	3.2	
Total all-in sustaining costs net of by-product revenue [4]				57.8
All-in sustaining costs on a co-product basis[3] ($/ounce or pound) [4]	812	1.80	11.40	
All-in sustaining costs per gold ounce sold ($/ounce) [4]				619

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to inventory write-downs, the amortization of Mesquite's Purchase Price Allocation ("PPA") associated with royalties and social closure costs incurred at Cerro San Pedro that are included in operating expenses.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
5. *Includes the sum of corporate administration costs and share-based payment expense per the income statement, net of any non-cash depreciation within those figures.*
6. *Includes the impact of Peak Mine, which has been classified as a discontinued operation as at and for the year ended December 31, 2017. Please refer to Peak Mines Opex, Cash Cost and AISC Reconciliation tables for a more detailed reconciliation of the total cash costs and all-in sustaining costs from discontinued operations.*
7. *For the three months ended December 31, 2017, sustaining capital expenditures are net of $0.1 million in proceeds from disposal of assets.*

(in millions of U.S. dollars, except where noted)	Gold	Copper	Silver	Year ended December 31, 2016 Total
CONSOLIDATED OPEX, CASH COST AND AISC RECONCILIATION				
Operating expenses[1]	171.3	94.6	9.6	275.5
Units of metal sold from continuing operations (ounces/millions of pounds/millions of ounces)	274,843	84.9	1.1	
Operating expenses per unit of metal sold ($/ounce or pound)	623	1.11	8.55	
Operating expenses[1]	171.3	94.6	9.6	275.5
Treatment and refining charges on concentrate sales	10.8	16.8	0.4	28.0
Adjustments[2]	(14.9)	(8.2)	(0.8)	(23.9)
Total cash costs from continuing operations	167.2	103.2	9.2	279.6
By-product silver and copper sales from continuing operations				(208.3)
Total cash costs net of by-product revenue from continuing operations				71.3
Units of metal sold from continuing operations (ounces/millions of pounds/millions of ounces)	274,843	84.9	1.1	
Total cash costs on a co-product basis from continuing operations[3] ($/ounce or pound)	608	1.22	8.19	
Total cash costs per gold ounce sold from continuing operations ($/ounce)				259
Total cash costs on a co-product basis[4]	239.9	124.5	10.8	
Total cash costs net of by-product revenue[4]				132.3
Units of metal sold (ounces/millions of pounds/millions of ounces)[6]	378,239	99.2	1.3	
Total cash costs on a co-product basis[3] ($/ounce or pound) [4]	634	1.26	8.64	
Total cash costs per gold ounce sold ($/ounce) [4]				349
Total co-product cash costs from continuing operations[6]	167.2	103.2	9.2	
Total cash costs net of by-product revenue from continuing operations[6]				279.6
Sustaining capital expenditures[4][7]	47.0	25.9	2.6	75.5
Sustaining exploration - expensed	3.1	1.7	0.2	5.0
Corporate G&A including share-based compensation[5]	19.1	10.6	1.1	30.8
Reclamation expenses	2.0	1.1	0.1	3.2
Total co-product all-in sustaining costs from continuing operations[6]	238.4	142.5	13.2	
Total all-in sustaining costs net of by-product revenue from continuing operations[6]				185.7
All-in sustaining costs on a co-product basis from continuing operations[3] ($/ounce or pound)	861	1.66	11.74	
All-in sustaining costs per gold ounce sold from continuing operations ($/ounce)				675
Total co-product all-in sustaining costs [4]	325.7	164.5	14.6	
Total all-in sustaining costs net of by-product revenue [4]				261.9
All-in sustaining costs on a co-product basis[3] ($/ounce or pound) [4]	861	1.66	11.74	
All-in sustaining costs per gold ounce sold ($/ounce) [4]				692

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to inventory write-downs, the amortization of Mesquite's Purchase Price Allocation ("PPA") associated with royalties and social closure costs incurred at Cerro San Pedro that are included in operating expenses.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
5. *Includes the sum of corporate administration costs and share-based payment expense per the income statement, net of any non-cash depreciation within those figures.*
6. *Includes the impact of Peak Mine, which has been classified as a discontinued operation as at and for the year ended December 31, 2017. Please refer to Peak Mine's Opex, Cash Cost and AISC Reconciliation tables for a more detailed reconciliation of the total cash costs and all-in sustaining costs from discontinued operations.*
7. *For the year ended December 31, 2017, sustaining capital expenditures are net of $0.7 million in proceeds from disposal of assets.*

	Year ended December 31, 2015			
(in millions of U.S. dollars, except where noted)	**Gold**	**Copper**	**Silver**	**Total**
CONSOLIDATED OPEX, CASH COST AND AISC RECONCILIATION				
Operating expenses[1]	277.4	126.6	15.6	419.6
Units of metal sold (ounces/millions of pounds/millions of ounces)	428,852	92.9	1.8	
Operating expenses per unit of metal sold ($/ounce or pound)	647	1.36	8.66	
Operating expenses[1]	277.4	126.6	15.6	419.6
Treatment and refining charges on concentrate sales	12.4	20.0	0.5	32.9
Adjustments[2]	(6.0)	(3.0)	(0.4)	(9.4)
Total cash costs	283.8	143.6	15.7	443.1
By-product silver and copper sales				(253.0)
Total cash costs net of by-product revenue				190.1
Units of metal sold (ounces/millions of pounds/millions of ounces)	428,852	92.9	1.8	
Total cash costs on a co-product basis[3] ($/ounce or pound)	661	1.54	8.70	
Total cash costs per gold ounce sold ($/ounce)				443
Total co-product cash costs	283.8	143.6	15.7	
Total cash costs net of by-product revenue				190.1
Sustaining capital expenditures[4]	80.4	36.6	4.5	121.5
Sustaining exploration - expensed	2.7	1.2	0.1	4.0
Corporate G&A including share-based compensation[5]	17.6	8.1	1.0	26.7
Reclamation expenses	3.0	1.4	0.2	4.6
Total co-product all-in sustaining costs	387.5	190.9	21.5	
Total all-in sustaining costs net of by-product revenue				346.9
All-in sustaining costs on a co-product basis[3] ($/ounce or pound)	903	2.06	11.94	
All-in sustaining costs per gold ounce sold ($/ounce)				809

1. Operating expenses are apportioned to each metal produced on a percentage of revenue basis.
2. Adjustments include non-cash items related to inventory write-downs, the amortization of Mesquite's Purchase Price Allocation ("PPA") associated with royalties and social closure costs incurred at Cerro San Pedro that are included in operating expenses.
3. Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.
4. See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.
5. Includes the sum of corporate administration costs and share-based payment expense per the income statement, net of any non-cash depreciation within those figures.

	Three months and year ended December 31, 2017		
(in millions of U.S. dollars, except where noted)	**Gold**	**Silver**	**Total**
RAINY RIVER OPEX, CASH COSTS AND AISC RECONCILIATION			
Operating expenses[1]	**37.8**	**0.7**	**38.5**
Units of metal sold (ounces/millions of ounces)	**26,359**	**39,739**	
Operating expenses per unit of metal sold ($/ounce)	**1,432**	**18.52**	
Operating expenses[1]	**37.8**	**0.7**	**38.5**
By-product silver and copper sales			**(0.7)**
Total cash costs net of by-product revenue			**37.8**
Units of metal sold (ounces/millions of ounces)	**26,359**	**39,739**	
Total cash costs on a co-product basis[3] ($/ounce)	**1,432**	**18.5**	
Total cash costs per gold ounce sold ($/ounce)			**1,436**
Total co-product cash costs	**37.8**	**0.7**	
Total cash costs net of by-product revenue			**37.8**
Sustaining capital expenditures[4]	**2.6**	**0.1**	**2.6**
Reclamation expenses	**0.3**	**-**	**0.3**
Total co-product all-in sustaining costs	**40.7**	**0.8**	
Total all-in sustaining costs net of by-product revenue			**40.8**
All-in sustaining costs on a co-product basis[3] ($/ounce)	**1,543**	**19.96**	
All-in sustaining costs per gold ounce sold ($/ounce)			**1,549**

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include social closure costs that are included in operating expenses.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Rainy River Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*

(in millions of U.S. dollars, except where noted)	Three months ended December 31, 2017 Gold	Copper	Silver	Total
NEW AFTON OPEX, CASH COSTS AND AISC RECONCILIATION				
Operating expenses[1]	7.3	17.1	0.3	24.7
Units of metal sold (ounces/millions of pounds/millions of ounces)	20,132	22.0	0.1	
Operating expenses per unit of metal sold ($/ounce or pound)	362	0.78	4.45	
Operating expenses	7.3	17.1	0.3	24.7
Treatment and refining charges on concentrate sales	2.5	5.8	0.1	8.4
Total cash costs	9.8	23.0	0.5	33.1
By-product silver and copper sales				(60.5)
Total cash costs net of by-product revenue				(27.4)
Units of metal sold (ounces/millions of pounds/millions of ounces)	20,132	22.0	0.1	
Total cash costs on a co-product basis[2] ($/ounce or pound)	484	1.04	5.96	
Total cash costs per gold ounce sold ($/ounce)				(1,363)
Total co-product cash costs	9.7	23.0	0.4	
Total cash costs net of by-product revenue				(27.4)
Sustaining capital expenditures[3]	2.4	5.8	0.1	8.3
Sustaining exploration expense	0.1	0.2	-	0.3
Reclamation expenses	0.2	0.3	-	0.5
Total co-product all-in sustaining costs	12.4	29.3	0.5	
Total all-in sustaining costs net of by-product revenue				(18.2)
All-in sustaining costs on a co-product basis[2] ($/ounce or pound)	617	1.33	7.60	
All-in sustaining costs per gold ounce sold ($/ounce)				(909)

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
3. *See "New Afton Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*

	Year ended December 31, 2017			
(in millions of U.S. dollars, except where noted)	**Gold**	**Copper**	**Silver**	**Total**
NEW AFTON OPEX, CASH COSTS AND AISC RECONCILIATION				
Operating expenses[1]	**33.4**	**72.3**	**1.4**	**107.1**
Units of metal sold (ounces/millions of pounds/millions of ounces)	**81,067**	**84.5**	**0.3**	**81,067**
Operating expenses per unit of metal sold ($/ounce or pound)	**412**	**0.85**	**5.36**	**1,321**
Operating expenses	**33.4**	**72.3**	**1.4**	**107.1**
Treatment and refining charges on concentrate sales	**9.6**	**20.6**	**0.5**	**30.7**
Total cash costs	**43.0**	**92.9**	**1.9**	**137.8**
By-product silver and copper sales				**(229.0)**
Total cash costs net of by-product revenue				**(91.2)**
Units of metal sold (ounces/millions of pounds/millions of ounces)	**81,067**	**84.5**	**0.3**	
Total cash costs on a co-product basis[2] ($/ounce or pound)	**530**	**1.10**	**6.89**	
Total cash costs per gold ounce sold ($/ounce)				**(1,126)**
Total co-product cash costs	**43.0**	**92.9**	**1.9**	
Total cash costs net of by-product revenue				**(91.3)**
Sustaining capital expenditures[3][4]	**12.2**	**26.3**	**0.5**	**39.1**
Sustaining exploration expense	**0.3**	**1.0**	**-**	**1.3**
Reclamation expenses	**0.6**	**1.2**	**-**	**1.8**
Total co-product all-in sustaining costs	**56.1**	**121.4**	**2.4**	
Total all-in sustaining costs net of by-product revenue				**(49.0)**
All-in sustaining costs on a co-product basis[2] ($/ounce or pound)	**692**	**1.44**	**9.00**	
All-in sustaining costs per gold ounce sold ($/ounce)				**(605)**

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
3. *See "New Afton Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
4. *For the year ended December 31, 2017, sustaining capital expenditures are net of $0.3M in proceeds from disposal of assets.*

(in millions of U.S. dollars, except where noted)	Gold	Copper	Silver	Three months ended December 31, 2016 Total
NEW AFTON OPEX, CASH COSTS AND AISC RECONCILIATION				
Operating expenses[1]	10.1	17.8	0.4	28.3
Units of metal sold (ounces/millions of pounds/millions of ounces)	24,171	21.1	-	
Operating expenses per unit of metal sold ($/ounce or pound)	415	0.84	5.64	
Operating expenses	10.1	17.8	0.4	28.3
Treatment and refining charges on concentrate sales	2.7	4.7	0.1	7.5
Total cash costs	12.8	22.5	0.5	35.8
By-product silver and copper sales				(53.1)
Total cash costs net of by-product revenue				(17.3)
Units of metal sold (ounces/millions of pounds/millions of ounces)	24,171	21.1	0.1	
Total cash costs on a co-product basis[2] ($/ounce or pound)	525	1.07	7.14	
Total cash costs per gold ounce sold ($/ounce)				(720)
Total co-product cash costs	12.8	22.5	0.5	
Total cash costs net of by-product revenue				(17.3)
Sustaining capital expenditures[3][4]	3.6	6.5	0.1	10.2
Sustaining exploration - expensed	0.3	0.5	-	0.8
Reclamation expenses	0.1	0.2	-	0.3
Total co-product all-in sustaining costs	16.8	29.7	0.6	
Total all-in sustaining costs net of by-product revenue				(6.0)
All-in sustaining costs on a co-product basis[2] ($/ounce or pound)	691	1.41	9.39	
All-in sustaining costs per gold ounce sold ($/ounce)				(253)

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
3. *See "New Afton Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
4. *For year ended December 31, 2016, sustaining capital expenditures are net of $0.7M in proceeds from disposal of assets.*

(in millions of U.S. dollars, except where noted)	Gold	Copper	Silver	Total
				Year ended December 31, 2016
NEW AFTON OPEX, CASH COSTS AND AISC RECONCILIATION				
Operating expenses[1]	40.4	62.8	1.6	104.8
Units of metal sold (ounces/millions of pounds/millions of ounces)	96,851	84.9	0.3	
Operating expenses per unit of metal sold ($/ounce or pound)	415	0.74	6.02	
Operating expenses	40.4	62.8	1.6	104.8
Treatment and refining charges on concentrate sales	10.8	16.8	0.4	28.0
Total cash costs	51.2	79.6	2.0	132.8
By-product silver and copper sales				(194.0)
Total cash costs net of by-product revenue				(61.2)
Units of metal sold (ounces/millions of pounds/millions of ounces)	96,851	84.9	0.3	
Total cash costs on a co-product basis[2] ($/ounce or pound)	527	0.94	7.63	
Total cash costs per gold ounce sold ($/ounce)				(634)
Total co-product cash costs	51.2	79.6	2.0	
Total cash costs net of by-product revenue				(61.2)
Sustaining capital expenditures[3][4]	14.2	22.2	0.6	37.0
Sustaining exploration - expensed	0.8	1.3	-	2.1
Reclamation expenses	0.4	0.7	-	1.1
Total co-product all-in sustaining costs	66.6	103.8	2.6	
Total all-in sustaining costs net of by-product revenue				(21.0)
All-in sustaining costs on a co-product basis[2] ($/ounce or pound)	686	1.22	9.95	
All-in sustaining costs per gold ounce sold ($/ounce)				(218)

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
3. *See "New Afton Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
4. *For year ended December 31, 2016, sustaining capital expenditures are net of $0.7M in proceeds from disposal of assets.*

(in millions of U.S. dollars, except where noted)	Gold	Copper	Silver	Total
				Year ended December 31, 2015
NEW AFTON OPEX, CASH COSTS AND AISC RECONCILIATION				
Operating expenses[1]	36.2	60.4	1.1	97.7
Units of metal sold (ounces/millions of pounds/millions of ounces)	99,458	79.7	0.2	
Operating expenses per unit of metal sold ($/ounce or pound)	364	0.76	4.68	
Operating expenses	36.2	60.4	1.1	97.7
Treatment and refining charges on concentrate sales	10.3	17.0	0.3	27.6
Adjustments[2]	(0.4)	(0.5)	-	(0.9)
Total cash costs	46.1	76.9	1.4	124.4
By-product silver and copper sales				(196.4)
Total cash costs net of by-product revenue				(72.0)
Units of metal sold (ounces/millions of pounds/millions of ounces)	99,458	79.7	0.2	
Total cash costs on a co-product basis[3] ($/ounce or pound)	464	0.96	5.95	
Total cash costs per gold ounce sold ($/ounce)				(724)
Total co-product cash costs	46.1	76.9	1.4	
Total cash costs net of by-product revenue				(72.0)
Sustaining capital expenditures[4]	17.3	28.9	0.5	46.7
Reclamation expenses	0.5	0.8	-	1.3
Total co-product all-in sustaining costs	63.9	106.6	1.9	
Total all-in sustaining costs net of by-product revenue				(24.0)
All-in sustaining costs on a co-product basis[3] ($/ounce or pound)	642	1.34	8.25	
All-in sustaining costs per gold ounce sold ($/ounce)				(242)

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to supplies inventory write-downs.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. See *"New Afton Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*

(in millions of U.S. dollars, except where noted)	Three months ended December 31		Year ended December 31		
	2017	**2016**	**2017**	**2016**	**2015**
MESQUITE OPEX, CASH COSTS AND AISC RECONCILIATION					
Operating expenses	**40.9**	25.3	**122.7**	71.5	98.1
Gold ounces sold	**54,612**	38,366	**168,800**	113,843	133,712
Operating expenses per gold ounce sold	**749**	660	**727**	628	733.7
Operating expenses	**40.9**	25.3	**122.7**	71.5	98.1
Adjustments[1]	**-**	0.4	**-**	1.1	1.3
Total cash costs	**40.9**	25.7	**122.7**	72.6	99.4
Gold ounces sold	**54,612**	38,366	**168,800**	113,843	133,712
Total cash costs per gold ounce sold ($/ounce)	**749**	670	**727**	638	743
Total cash costs	**40.9**	25.7	**122.7**	72.6	99.4
Sustaining capital expenditures[2]	**3.9**	1.9	**12.7**	35.6	53.2
Sustaining exploration - expensed	**-**	1.5	**-**	1.9	0.6
Reclamation expenses	**0.7**	0.5	**2.3**	1.4	1.5
Total all-in sustaining costs	**45.5**	29.6	**137.9**	111.5	154.7
All-in sustaining costs per gold ounce sold ($/ounce)	**833**	771	**817**	979	1,156

1. *Adjustments include the amortization of Mesquite's Purchase Price Allocation ("PPA") associated with royalties.*
2. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*

(in millions of U.S. dollars, except where noted)	Three months ended December 31, 2017			Three months ended December 31, 2016		
	Gold	Silver	Total	Gold	Silver	Total
CERRO SAN PEDRO OPEX, CASH COSTS AND AISC RECONCILIATION						
Operating expenses[1]	**10.6**	**2.3**	**12.9**	34.5	6.1	40.6
Units of metal sold (ounces/millions of ounces)	**7,679**	**0.1**		13,351	0.2	
Operating expenses per unit of metal sold ($/ounce)	**1,380**	**18.03**		2,586	35.87	
Operating expenses[1]	**10.6**	**2.3**	**12.9**	34.5	6.1	40.6
Adjustments[2]	**0.1**	**-**	**0.1**	(20.6)	(3.7)	(24.3)
Total cash costs	**10.7**	**2.3**	**13.0**	13.9	2.4	16.3
By-product silver and copper sales			**(2.1)**			(2.9)
Total cash costs net of by-product revenue			**10.9**			13.4
Units of metal sold (ounces/millions of ounces)	**7,679**	**0.1**		13,351	0.2	
Total cash costs on a co-product basis[3] ($/ounce)	**1,390**	**18.16**		1,045	14.49	
Total cash costs per gold ounce sold ($/ounce)			**1,414**			1,014
Total co-product cash costs	**10.7**	**2.3**		13.9	2.4	
Total cash costs net of by-product revenue			**10.9**			13.4
Sustaining capital expenditures[4]	**-**	-	**-**	0.2	-	0.2
Reclamation expenses	**0.8**	**0.2**	**1.0**	0.1	**-**	0.1
Total co-product all-in sustaining costs	**11.5**	**2.5**		14.2	2.4	
Total all-in sustaining costs net of by-product revenue			**11.9**			13.7
All-in sustaining costs on a co-product basis[3] ($/ounce)	**1,498**	**19.56**		1,071	14.86	
All-in sustaining costs per gold ounce sold ($/ounce)			**1,545**			1,045

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include social closure costs that are included in operating expenses.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Cerro San Pedro Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*

(in millions of U.S. dollars, except where noted)	Year ended December 31, 2017			Year ended December 31, 2016		
	Gold	Silver	Total	Gold	Silver	Total
CERRO SAN PEDRO OPEX, CASH COSTS AND AISC RECONCILIATION						
Operating expenses[1]	**42.8**	**9.9**	**52.7**	84.1	15.1	99.2
Units of metal sold (ounces/millions of ounces)	**33,228**	**0.6**		64,149	0.9	
Operating expenses per unit of metal sold ($/ounce)	**1,287**	**17.14**		1,311	17.68	
Operating expenses[1]	**43.1**	**9.9**	**52.7**	84.1	15.1	99.2
Adjustments[2]	**(0.7)**	**(0.1)**	**(0.8)**	(21.2)	(3.8)	(25.0)
Total cash costs	**42.1**	**9.8**	**51.9**	62.9	11.3	74.2
By-product silver and copper sales			**(9.9)**			(14.3)
Total cash costs net of by-product revenue			**42.0**			59.9
Units of metal sold (ounces/millions of ounces)	**33,228**	**0.6**		64,149	0.9	
Total cash costs on a co-product basis[3] ($/ounce)	**1,267**	**16.87**		980	13.22	
Total cash costs per gold ounce sold ($/ounce)			**1,264**			933
Total co-product cash costs	**42.1**	**9.8**		62.9	11.3	
Total cash costs net of by-product revenue			**42.0**			59.9
Sustaining capital expenditures[4]	**0.6**	**0.1**	**0.7**	0.8	0.2	1.0
Reclamation expenses	**3.8**	**0.9**	**4.6**	0.6	0.1	0.7
Total co-product all-in sustaining costs	**46.4**	**10.8**		64.3	11.6	
Total all-in sustaining costs net of by-product revenue			**47.3**			61.6
All-in sustaining costs on a co-product basis[3] ($/ounce)	**1,397**	**18.61**		1,002	13.52	
All-in sustaining costs per gold ounce sold ($/ounce)			**1,425**			959

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include social closure costs that are included in operating expenses.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Cerro San Pedro Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*

(in millions of U.S. dollars, except where noted)	Gold	Silver	Year ended December 31, 2015 Total
CERRO SAN PEDRO OPEX, CASH COSTS AND AISC RECONCILIATION			
Operating expenses[1]	105.5	19.7	125.2
Units of metal sold (ounces/millions of ounces)	106,417	1.5	
Operating expenses per unit of metal sold ($/ounce)	991	13.38	
Operating expenses[1]	105.5	19.7	125.2
Adjustments[2]	(8.7)	(1.7)	(10.4)
Total cash costs	96.8	18.0	114.8
By-product silver and copper sales			(22.7)
Total cash costs net of by-product revenue			92.1
Units of metal sold (ounces/millions of ounces)	106,417	1.5	
Total cash costs on a co-product basis[3] ($/ounce)	910	12.19	
Total cash costs per gold ounce sold ($/ounce)			865
Total co-product cash costs	96.8	18.0	
Total cash costs net of by-product revenue			92.1
Sustaining capital expenditures[4]	1.1	0.2	1.3
Reclamation expenses	0.2	-	0.2
Total co-product all-in sustaining costs	98.1	18.2	
Total all-in sustaining costs net of by-product revenue			93.6
All-in sustaining costs on a co-product basis[3] ($/ounce)	922	12.36	
All-in sustaining costs per gold ounce sold ($/ounce)			879

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to silver inventory write-down and social closure costs that are included in operating expenses.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Cerro San Pedro Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*

(in millions of U.S. dollars, except where noted)	Gold	Copper	Silver	Three months ended December 31, 2017 Total
PEAK MINES OPEX, CASH COSTS AND AISC RECONCILIATION[5]				
Operating expenses from discontinued operation [1]	**22.6**	**4.7**	**0.6**	**27.8**
Units of metal sold (ounces/millions of pounds/millions of ounces)	**34,861**	**2.9**	**0.1**	
Operating expenses per unit of metal sold ($/ounce or pound)	**647**	**1.64**	**8.60**	
Operating expenses	**22.6**	**4.7**	**0.6**	**27.8**
Treatment and refining charges on concentrate sales	**1.3**	**0.3**	**-**	**1.7**
Adjustments	**0.1**	**-**	**-**	**0.1**
Total cash costs	**24.0**	**5.0**	**0.6**	**29.6**
By-product silver and copper sales				**(15.2)**
Total cash costs net of by-product revenue				**14.4**
Units of metal sold (ounces/millions of pounds/millions of ounces)	**34,861**	**2.9**	**0.1**	
Total cash costs on a co-product basis[3] ($/ounce or pound)	**688**	**1.74**	**9.07**	
Total cash costs per gold ounce sold ($/ounce)				**412**
Total co-product cash costs	**24.0**	**5.2**	**0.6**	
Total cash costs net of by-product revenue				**15.7**
Sustaining capital expenditures[4]	**9.9**	**2.1**	**0.2**	**12.2**
Sustaining exploration - expensed	**(0.2)**	**-**	**-**	**(0.2)**
Reclamation expenses	**0.2**	**-**	**-**	**0.2**
Total co-product all-in sustaining costs	**33.9**	**7.1**	**0.9**	
Total all-in sustaining costs net of by-product revenue				**26.6**
All-in sustaining costs on a co-product basis[3] ($/ounce or pound)	**972**	**2.45**	**12.80**	
All-in sustaining costs per gold ounce sold ($/ounce)				**762**

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to inventory write-down reversals.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
5. *During 2017, Peak Mines has been classified as a discontinued operation.*

	Year ended December 31, 2017			
(in millions of U.S. dollars, except where noted)	**Gold**	**Copper**	**Silver**	**Total**
PEAK MINES OPEX, CASH COSTS AND AISC RECONCILIATION[5]				
Operating expenses from discontinued operation[1]	**73.4**	**19.4**	**1.6**	**94.5**
Units of metal sold (ounces/millions of pounds/millions of ounces)	**100,632**	**12.0**	**0.2**	
Operating expenses per unit of metal sold ($/ounce or pound)	**730**	**1.6**	**9.48**	
Operating expenses	**73.4**	**19.4**	**1.6**	**94.4**
Treatment and refining charges on concentrate sales	**4.4**	**1.4**	**0.2**	**6.1**
Adjustments[2]	**0.3**	**-**	**-**	**0.3**
Total cash costs	**78.1**	**20.8**	**1.8**	**100.8**
By-product silver and copper sales				**(46.9)**
Total cash costs net of by-product revenue				**53.9**
Units of metal sold (ounces/millions of pounds/millions of ounces)	**100,632**	**12.0**	**0.2**	
Total cash costs on a co-product basis[3] ($/ounce or pound)	**776**	**1.73**	**10.12**	
Total cash costs per gold ounce sold ($/ounce)				**535**
Total co-product cash costs	**78.1**	**20.8**	**1.8**	
Total cash costs net of by-product revenue				**53.9**
Sustaining capital expenditures[4]	**25.1**	**6.6**	**0.6**	**32.2**
Sustaining exploration - expensed	**3.6**	**0.9**	**0.1**	**4.6**
Reclamation expenses	**0.7**	**0.2**	**-**	**0.9**
Total co-product all-in sustaining costs	**107.3**	**28.6**	**2.5**	
Total all-in sustaining costs net of by-product revenue				**91.5**
All-in sustaining costs on a co-product basis[3] ($/ounce or pound)	**1,067**	**2.37**	**13.90**	
All-in sustaining costs per gold ounce sold ($/ounce)				**909**

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to inventory write-down reversals.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
5. *During 2017, Peak Mines has been classified as a discontinued operation.*

(in millions of U.S. dollars, except where noted)	Gold	Copper	Silver	Three months ended December 31, 2016 Total
PEAK MINES OPEX, CASH COSTS AND AISC RECONCILIATION[5]				
Operating expenses from discontinued operation[1]	14.4	5.7	0.4	20.5
Units of metal sold (ounces/millions of pounds/millions of ounces)	18,049	3.5	0.1	
Operating expenses per unit of metal sold ($/ounce or pound)	815	1.62	11.60	
Operating expenses	14.4	5.7	0.4	20.5
Treatment and refining charges on concentrate sales	0.6	0.8	0.1	1.6
Adjustments	(0.6)	(0.2)	-	(0.8)
Total cash costs	14.4	6.3	0.5	21.3
By-product silver and copper sales	-			(9.7)
Total cash costs net of by-product revenue				11.6
Units of metal sold (ounces/millions of pounds/millions of ounces)	18,049	3.5	0.1	
Total cash costs on a co-product basis[3] ($/ounce or pound)	816	1.82	12.91	
Total cash costs per gold ounce sold ($/ounce)				662
Total co-product cash costs	14.4	6.3	0.5	
Total cash costs net of by-product revenue				11.5
Sustaining capital expenditures[4]	1.9	0.7	0.1	2.7
Sustaining exploration - expensed	(1.1)	(0.4)	-	(1.5)
Reclamation expenses	0.2	0.1	-	0.3
Total co-product all-in sustaining costs	15.4	6.8	0.6	
Total all-in sustaining costs net of by-product revenue				13.0
All-in sustaining costs on a co-product basis[3] ($/ounce or pound)	872	1.93	13.71	
All-in sustaining costs per gold ounce sold ($/ounce)				742

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to inventory write-downs.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
5. *During 2017, Peak Mines has been classified as a discontinued operation.*

(in millions of U.S. dollars, except where noted)	Gold	Copper	Silver	Year ended December 31, 2016 Total
PEAK MINES OPEX, CASH COSTS AND AISC RECONCILIATION[5]				
Operating expenses from discontinued operation[1]	71.9	17.1	1.3	90.3
Units of metal sold (ounces/millions of pounds/millions of ounces)	103,396	14.3	0.1	
Operating expenses per unit of metal sold ($/ounce or pound)	695	1.20	9.62	
Operating expenses	71.9	17.1	1.3	90.3
Treatment and refining charges on concentrate sales	2.9	2.6	0.2	5.7
Adjustments	(0.4)	(0.1)	-	(0.5)
Total cash costs	74.4	19.6	1.5	95.5
By-product silver and copper sales				(34.6)
Total cash costs net of by-product revenue				60.9
Units of metal sold (ounces/millions of pounds/millions of ounces)	103,396	14.3	0.1	
Total cash costs on a co-product basis[3] ($/ounce or pound)	720	1.38	10.80	
Total cash costs per gold ounce sold ($/ounce)				590
Total co-product cash costs	74.4	19.6	1.5	
Total cash costs net of by-product revenue				60.9
Sustaining capital expenditures[4]	8.3	2.0	0.1	10.4
Sustaining exploration - expensed	2.4	0.6	-	3.0
Reclamation expenses	1.3	0.3	-	1.6
Total co-product all-in sustaining costs	86.4	22.5	1.6	
Total all-in sustaining costs net of by-product revenue				75.9
All-in sustaining costs on a co-product basis[3] ($/ounce or pound)	837	1.58	12.41	
All-in sustaining costs per gold ounce sold ($/ounce)				736

1. *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to inventory write-downs.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*
5. *During 2017, Peak Mines has been classified as a discontinued operation.*

(in millions of U.S. dollars, except where noted)	Gold	Copper	Silver	Total
				Year ended December 31, 2015
PEAK MINES OPEX, CASH COSTS AND AISC RECONCILIATION				
Operating expenses[1]	74.2	23.3	1.1	98.6
Units of metal sold (ounces/millions of pounds/millions of ounces)	89,265	13.2	0.1	
Operating expenses per unit of metal sold ($/ounce or pound)	830	1.77	11.26	
Operating expenses	74.2	23.3	1.1	98.6
Treatment and refining charges on concentrate sales	2.2	3.0	0.2	5.4
Adjustments[2]	0.4	0.1	-	0.5
Total cash costs	76.8	26.4	1.3	104.5
By-product silver and copper sales				(33.9)
Total cash costs net of by-product revenue				70.6
Units of metal sold (ounces/millions of pounds/millions of ounces)	89,265	13.2	0.1	89,265
Total cash costs on a co-product basis[3] ($/ounce or pound)	858	2.00	12.86	
Total cash costs per gold ounce sold ($/ounce)				791
Total co-product cash costs	76.8	26.4	1.3	
Total cash costs net of by-product revenue				70.6
Sustaining capital expenditures[4]	15.2	4.8	0.2	20.2
Sustaining exploration - expensed	2.6	0.8	-	3.4
Reclamation expenses	1.1	0.3	-	1.4
Total co-product all-in sustaining costs	95.7	32.3	1.5	
Total all-in sustaining costs net of by-product revenue				95.6
All-in sustaining costs on a co-product basis[3] ($/ounce or pound)	1,067	2.45	15.81	
All-in sustaining costs per gold ounce sold ($/ounce)				1,071

1 *Operating expenses are apportioned to each metal produced on a percentage of revenue basis.*
2. *Adjustments include non-cash items related to inventory write-downs.*
3. *Amounts presented on a co-product basis remove the impact of other metal sales that are produced as a by-product of our gold production and apportions the cash costs to each metal produced on a percentage of revenue basis.*
4. *See "Total Sustaining Capital Expenditure Reconciliation" below to reconcile sustaining capital expenditures to mining interests per the statement of cash flows.*

Sustaining Capital Expenditures Reconciliation Tables

	Three months ended December 31	
(in millions of U.S. dollars, except where noted)	**2017**	**2016**
TOTAL SUSTAINING CAPITAL EXPENDITURES		
Mining interests per statement of cash flows	**98.5**	161.7
New Afton growth capital expenditure[1]	**(0.3)**	(0.2)
Rainy River growth capital expenditure	**(80.7)**	(145.9)
Blackwater growth capital expenditure	**(2.4)**	(3.0)
Sustaining capital expenditures from continuing operations	**15.1**	12.6
Sustaining capital from discontinued operations: Peak Mines	**12.3**	3.1
Total sustaining capital expenditures	**27.4**	15.7

1. *Growth capital expenditures at New Afton in the current period and prior-year period relate to exploration for the C-zone. Growth capital expenditures at Peak Mines in the current period relate to capitalized exploration activities at Great Cobar.*

	Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2015**
TOTAL SUSTAINING CAPITAL EXPENDITURES			
Mining interests per statement of cash flows	**567.0**	555.9	369.3
New Afton growth capital expenditure[1]	**(2.9)**	(3.2)	(15.4)
Rainy River growth capital expenditure	**(496.7)**	(466.4)	(245.5)
Blackwater growth capital expenditure	**(11.3)**	(10.0)	(7.1)
Sustaining capital expenditures from continuing operations	**56.1**	76.3	101.3
Sustaining capital from discontinued operations: Peak Mines	**32.2**	11.1	20.2
Total sustaining capital expenditures	**88.3**	87.4	121.5

1. *Growth capital expenditures at New Afton in the current period and prior-year period relate to exploration for the C-zone. Growth capital expenditures at Peak Mines in the current period relate to capitalized exploration activities at Great Cobar.*

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
RAINY RIVER SUSTAINING CAPITAL EXPENDITURES					
Capital expenditure per segmented information	**83.4**	145.9	**499.3**	466.4	245.5
Rainy River growth capital expenditure[1]	**(80.7)**	(145.9)	**(496.7)**	(466.4)	(245.5)
Rainy River sustaining capital expenditures	**2.6**	-	**2.6**	-	-

1. *Growth capital expenditures at Rainy River relate to project development.*

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
NEW AFTON SUSTAINING CAPITAL EXPENDITURES					
Capital expenditure per segmented information	**8.6**	10.4	**42.2**	40.9	62.1
New Afton growth capital expenditure[1]	**(0.3)**	(0.2)	**(2.9)**	(3.2)	(15.4)
New Afton sustaining capital expenditures	**8.3**	10.2	**39.3**	37.7	46.7

1. *Growth capital expenditures at New Afton in the current period and prior-year period relate to exploration for the C-zone. Growth capital expenditures at New Afton in the prior-year period relate to the mill expansion and scoping study/preliminary economic assessment and exploration for the C-zone.*

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
PEAK MINES SUSTAINING CAPITAL EXPENDITURES					
Capital expenditure per discounted operations note	**13.1**	3.1	**34.7**	11.1	20.2
Peak Mines growth capital expenditure[1]	**(0.8)**	-	**(2.5)**	-	0
Peak Mines sustaining capital expenditures	**12.3**	3.1	**32.2**	11.1	20.2

1. *Growth capital expenditures at Peak Mines in the current period relate to capitalized exploration activities at Great Cobar.*

Adjusted Net Earnings and Adjusted Net Earnings per Share

"Adjusted net earnings" and "adjusted net earnings per share" are non-GAAP financial measures with no standard meaning under IFRS which exclude the following from net earnings:

- Impairment losses;
- Inventory write-downs;
- Items included in "Other gains and losses" as per Note 6 of the Company's audited consolidated financial statements; and
- Certain non-recurring items.

As the Company has classified the Peak Mines as a discontinued operation during 2017, adjusted earnings and adjusted earnings per share have been disclosed on a continuing and total basis. Net earnings have been adjusted, including the associated tax impact, for the group of costs in "Other gains and losses" on the audited consolidated income statements. Key entries in this grouping are: the fair value changes for the gold stream obligation; share purchase warrants and the gold and copper option contracts and copper forward contracts; foreign exchange gain or loss; and loss on disposal of assets. Other adjustments to net earnings also include impairment losses, inventory write-downs, and a gain on the issuance and settlement of senior unsecured notes and corporate restricting charges. The adjusted entries are also impacted for tax to the extent that the underlying entries are impacted for tax in the unadjusted net earnings.

The Company uses adjusted net earnings for its own internal purposes. Management's internal budgets and forecasts and public guidance do not reflect the items which have been excluded from the determination of adjusted net earnings. Consequently, the presentation of adjusted net earnings enables shareholders to better understand the underlying operating performance of our core mining business through the eyes of management. Management periodically evaluates the components of adjusted net earnings based on an internal assessment of performance measures that are useful for evaluating the operating performance of our business and a review of the non-GAAP measures used by mining industry analysts and other mining companies.

Adjusted net earnings is intended to provide additional information only and does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The measure is not necessarily indicative of operating profit or cash flows from operations as determined under IFRS. The following table reconciles this non-GAAP measure to the most directly comparable IFRS measure.

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
ADJUSTED EARNINGS FROM CONTINUING OPERATIONS RECONCILIATION					
Loss before taxes from continuing operations[2]	**(308.5)**	(16.5)	**(217.6)**	(10.7)	(262.4)
Other losses (gains)[1]	**25.0**	(10.6)	**(39.2)**	7.7	259.2
Asset impairment and inventory write-down	**268.4**	33.7	**268.4**	33.7	11.8
Gain on modification of long-term debt	**-**	-	**(3.3)**	-	
Corporate restructuring	**4.2**	-	**4.2**	**-**	
Provision for office consolidation	**-**	-	**-**	**-**	3.0
Adjusted net (loss) earnings before taxes[2]	**(10.9)**	6.6	**12.5**	30.7	11.6
Income tax recovery (expense)[2]	**128.9**	(6.8)	**115.9**	2.1	94.1
Income tax adjustments	**(111.8)**	1.7	**(107.1)**	(13.4)	(103.9)
Adjusted income tax recovery (expense)[2]	**17.1**	(5.1)	**8.8**	(11.3)	(9.8)
Adjusted net earnings from continuing operations[2]	**6.2**	1.5	**21.3**	19.4	1.8
Adjusted earnings per share (basic and diluted)[2]	**0.01**	-	**0.04**	0.04	-
Adjusted effective tax rate[2]	**157%**	77%	**70%**	37%	84%

1. *Please refer to Note 6 of the Company's audited consolidated financial statements for a detailed breakdown of other gains and losses.*
2. *Prior-year period comparatives have been revised. Please refer to the "Key Quarterly Operating and Financial Information" section of this MD&A for further information.*

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
ADJUSTED EARNINGS RECONCILIATION					
Loss before taxes from continuing operations[2]	**(308.5)**	(16.6)	**(217.6)**	(10.7)	(262.4)
Loss before taxes from discontinuing operations[2]	**(19.5)**	(4.5)	**(6.0)**	(2.3)	(45.9)
Other losses (gains)[1]	**25.0**	(10.6)	**(39.2)**	7.7	259.2
Other losses (gains) from discontinuing operations[2]	**1.3**	(2.4)	**2.9**	(3.9)	6.5
Asset impairment and inventory write-down	**268.6**	33.7	**268.4**	33.7	31.9
Gain on modification of long-term debt	**-**	-	**(3.3)**	**-**	-
Corporate restructuring	**4.2**	-	**4.2**	-	-
Provision for office consolidation	**-**	-	**-**	-	3.0
Impairment loss on held-for-sale assets	**49.0**	-	**49.0**	-	-
Adjusted net earnings (loss) before taxes[2]	**20.1**	(0.4)	**58.4**	24.5	(7.7)
Income tax recovery (expense)[2]	**132.3**	(1.4)	**115.6**	6.0	106.9
Income tax adjustments	**(119.9)**	(3.1)	**(124.7)**	(15.9)	(110.1)
Adjusted income tax recovery (expense)[2]	**12.4**	(4.5)	**(9.1)**	(9.9)	(3.2)
Adjusted net earnings (loss)	**32.5**	(4.9)	**49.3**	14.6	(10.9)
Adjusted earnings (loss) per share (basic and diluted)[2]	**0.06**	(0.01)	**0.09**	0.03	(0.02)
Adjusted effective tax rate[2]	**62%**	1125%	**16%**	40%	42%

1. *Please refer to Note 6 of the Company's audited consolidated financial statements for a detailed breakdown of other gains and losses.*
2. *Prior-year period comparatives have been revised. Please refer to the "Key Quarterly Operating and Financial Information" section of this MD&A for further information.*
3. *Please refer to Note 16 of the Company's audited consolidated financial statements for a detailed breakdown of the earnings (loss) from Peak Mines, which has been classified as a discontinued operation in 2017.*

Cash Generated from Operations, before Changes in Non-Cash Operating Working Capital

"Cash generated from operations, before changes in non-cash operating working capital" is a non-GAAP financial measure with no standard meaning under IFRS, which excludes changes in non-cash operating working capital. Management uses this measure to evaluate the Company's ability to generate cash from its operations before temporary working capital changes.

Cash generated from operations, before non-cash changes in working capital is intended to provide additional information only and does not have any standardized meaning under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently and this measure is unlikely to be comparable to similar measures presented by other companies.

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars)	**2017**	**2016**	**2017**	**2016**	**2015**
CASH RECONCILIATION					
Operating cash flow generated from continuing operations	**91.2**	49.1	**275.0**	225.0	256.1
Add back (deduct): Change in non-cash operating working capital from continuing operations	**(26.4)**	15.5	**(40.9)**	20.3	15.1
Operating cash flows generated from continuing operations before changes in non-cash operating working capital	**64.8**	64.6	**234.1**	245.3	271.2
Operating cash flows generated from discontinued operations[1]	**27.7**	2.8	**67.2**	57.2	6.5
Add back (deduct): Change in non-cash operating working capital from discontinued operations[1]	**0.5**	1.1	**(2.1)**	(0.7)	(1.3)
Cash generated from operations before changes in non-cash operating working capital	**93.0**	68.5	**299.2**	301.8	276.4

1. *Please refer to Note 12 of the Company's audited consolidated financial statements for a detailed breakdown of the cash flows from Peak Mines, which has been classified as a discontinued operation.*

Operating Margin

"Operating margin" is a non-GAAP financial measure with no standard meaning under IFRS, which management uses to evaluate the Company's aggregated and mine-by-mine contribution to net earnings before non-cash depreciation and depletion charges. Operating margin is calculated as revenue less operating expenses and therefore does not include depreciation and depletion. Operating margin is intended to provide additional information only and does not have any standardized meaning under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently and this measure is unlikely to be comparable to similar measures presented by other companies. The following tables reconcile this non-GAAP measure to the most directly comparable IFRS measure on an aggregated and mine-by-mine basis.

Operating Margin Reconciliation Tables

	Three months ended December 31				Year ended December 31
(in millions of U.S. dollars)	**2017**	**2016**	**2017**	**2016**	**2015**
TOTAL OPERATING MARGIN					
Revenue[1]	**193.5**	140.7	**604.4**	522.8	582.9
Less: Operating expenses[1]	**(117.0)**	(94.2)	**(321.0)**	275.5	(321.0)
Total operating margin	**76.5**	46.5	**283.4**	247.3	261.9

1. *As the Company has entered into a binding agreement to sell the Peak Mines and the Company expects to close the sale in the first quarter of 2018, Peak Mines has been classified as a discontinued operation. Total operating margins are disclosed on a continuing and total basis, where appropriate.*

	Three months ended December 31				Year ended December 31
(in millions of U.S. dollars)	**2017**	**2016**	**2017**	**2016**	**2015**
RAINY RIVER OPERATING MARGIN					
Revenue	**34.3**	-	**34.3**	-	-
Less: Operating expenses	**(38.5)**	-	**(38.5)**	-	-
Rainy River operating margin	**(4.2)**	-	**(4.2)**	-	-

	Three months ended December 31				Year ended December 31
(in millions of U.S. dollars)	**2017**	**2016**	**2017**	**2016**	**2015**
NEW AFTON OPERATING MARGIN					
Revenue	**77.3**	74.9	**302.0**	287.2	284.6
Less: Operating expenses	**(24.8)**	(28.3)	**(107.2)**	(104.8)	(97.7)
New Afton operating margin	**52.5**	46.6	**194.8**	182.4	186.9

	Three months ended December 31				Year ended December 31
(in millions of U.S. dollars)	**2017**	**2016**	**2017**	**2016**	**2015**
MESQUITE OPERATING MARGIN					
Revenue	**70.0**	46.7	**215.7**	141.7	152.9
Less: Operating expenses	**(40.9)**	(25.3)	**(122.7)**	(71.5)	(98.1)
Mesquite operating margin	**29.1**	21.4	**93.0**	70.2	54.8

	Three months ended December 31				Year ended December 31
(in millions of U.S. dollars)	**2017**	**2016**	**2017**	**2016**	**2015**
CERRO SAN PEDRO OPERATING MARGIN					
Revenue	**11.9**	19.1	**52.4**	93.9	145.4
Less: Operating expenses	**(12.9)**	(40.6)	**(52.7)**	(99.2)	(125.2)
Cerro San Pedro operating margin	**(1.0)**	(21.5)	**(0.3)**	(5.3)	20.2

	Three months ended December 31				Year ended December 31
(in millions of U.S. dollars)	**2017**	**2016**	**2017**	**2016**	**2015**
PEAK MINES OPERATING MARGIN					
Revenue[1]	**57.7**	29.6	**170.5**	161.0	130.0
Less: Operating expenses[1]	**(27.7)**	(20.5)	**(94.4)**	(90.3)	(98.6)
Peak Mines operating margin[1]	**30.0**	9.1	**76.1**	70.7	31.4

1. *Please refer to Note 12 of the Company's audited consolidated financial statements for a detailed breakdown of the earnings (loss) from Peak Mines, which has been classified as a discontinued operation.*

Average Realized Price

"Average realized price per ounce of gold sold" is a non-GAAP financial measure with no standard meaning under IFRS. Management uses this measure to better understand the price realized in each reporting period for gold sales. Average realized price is intended to provide additional information only and does not have any standardized meaning under IFRS; it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate this measure differently and this measure is unlikely to be comparable to similar measures presented by other companies. The following tables reconcile this non-GAAP measure to the most directly comparable IFRS measure on an aggregate and mine-by-mine basis.

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
TOTAL AVERAGE REALIZED PRICE					
Revenue from gold sales	**136.4**	89.6	**385.9**	331.8	381.0
Treatment and refining charges on gold concentrate sales	**2.5**	2.8	**9.6**	10.8	10.2
Gross revenue from gold sales	**138.9**	92.4	**395.5**	342.6	391.2
Gold ounces sold	**108,782**	75,887	**309,454**	274,843	339,587
Total average realized price per gold ounce sold ($/ounce)	**1,274**	1,199	**1,278**	1,242	1152

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
RAINY RIVER AVERAGE REALIZED PRICE					
Revenue from gold sales	**33.6**	-	**33.6**	-	-
Gold ounces sold	**26,359**	-	**26,359**	-	-
Rainy River average realized price per gold ounce sold ($/ounce)	**1,276**	-	**1,276**	-	-

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
NEW AFTON AVERAGE REALIZED PRICE					
Revenue from gold sales	**22.8**	26.6	**94.1**	110.4	105.5
Treatment and refining charges on gold concentrate sales	**2.4**	2.7	**9.6**	10.8	10.2
Gross revenue from gold sales	**25.2**	29.3	**103.7**	121.2	115.7
Gold ounces sold	**20,132**	24,171	**81,067**	96,851	99,458
New Afton average realized price per gold ounce sold ($/ounce)	**1,254**	1,212	**1,280**	1,251	1,164

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
MESQUITE AVERAGE REALIZED PRICE					
Revenue from gold sales	**70.0**	46.7	**215.7**	141.7	152.9
Gold ounces sold	**54,612**	38,366	**168,800**	113,843	133,712
Mesquite average realized price per gold ounce sold ($/ounce)	**1,281**	1,217	**1,278**	1,244	1,144

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
CERRO SAN PEDRO AVERAGE REALIZED PRICE					
Revenue from gold sales	**9.8**	16.3	**42.5**	79.7	122.6
Gold ounces sold	**7,679**	13,351	**33,228**	64,149	106,417
Cerro San Pedro realized price per gold ounce sold ($/ounce)	**1,279**	1,219	**1,278**	1,243	1,152

	Three months ended December 31		Year ended December 31		
(in millions of U.S. dollars, except where noted)	**2017**	**2016**	**2017**	**2016**	**2015**
PEAK MINES AVERAGE REALIZED PRICE					
Revenue from gold sales	**43.0**	21.4	**125.2**	129.2	99.3
Treatment and refining charges on gold concentrate sales	**1.3**	0.1	**4.4**	2.9	2.2
Gross revenue from gold sales	**44.3**	21.5	**129.6**	132.1	101.5
Gold ounces sold	**34,861**	18,049	**100,632**	103,396	89,265
Peak Mines average realized price per gold ounce sold ($/ounce)	**1,271**	1,191	**1,289**	1,278	1,137

1. Please refer to Note 12 of the Company's audited consolidated financial statements for a detailed breakdown of the earnings (loss) from Peak Mines, which has been classified as a discontinued operation.

ENTERPRISE RISK MANAGEMENT AND RISK FACTORS

The Company is subject to various financial and other risks that could materially adversely affect the Company's future business, operations and financial condition. The following is a summary of certain risks facing the Company. For a more comprehensive discussion of these and other risks facing Company, please refer to the section entitled "Risk Factors" in the Company's most recent Annual Information Form and the section entitled "Enterprise Risk Management" in the Company's Management's Discussion and Analysis for the year ended December 31, 2017, both filed on SEDAR at www.sedar.com. There were no significant changes to those risks or to the Company's management of exposure to those risks for the year ended December 31, 2017, except as noted below:

Financial Risk Management

The Company holds a mixture of financial instruments, which are classified and measured as follows. For a discussion of the methods used to value financial instruments, as well as any significant assumptions, refer to Note 2 to our audited consolidated financial statements for the years ended December 31, 2017 and 2016.

		As at December 31, 2017		As at December 31, 2016	
(in millions of U.S. dollars)	**Category**	**Level**		**Level**	
FINANCIAL ASSETS					
Cash and cash equivalents	Loans and receivables at amortized cost		**216.2**		185.9
Trade and other receivables	Loans and receivables at amortized cost		**29.0**		41.6
Provisionally priced contracts	Financial instruments at FVTPL	**2**	**4.2**	2	4.5
Gold and copper swap contracts	Financial instruments at FVTPL	**2**	**(6.1)**	2	(9.0)
Gold price option contracts	Financial instruments at FVTPL	**2**	**-**	2	17.6
Investments	Financial instruments at FVTPL	**1**	**1.0**	1	1.1
Copper forward contracts	Financial instruments at FVTPL	**2**	**-**	2	0.3
FINANCIAL LIABILITIES					
Trade and other payables[1]	Financial liabilities at amortized cost		**146.0**		168.3
Long-term debt	Financial liabilities at amortized cost		**1,007.7**		889.5
Warrants	Financial Instruments at FVTPL	**1**	**-**	1	1.3
Gold stream obligation	Financial instruments at FVTPL	**3**	**273.5**	3	246.5
Diesel swap contracts	Financial liability at fair value through OCI	**2**	**-**	2	0.1
Performance share units	Financial instruments at FVTPL	**3**	**1.8**	3	2.1
Restricted share units	Financial instruments at FVTPL	**1**	**0.9**	1	0.9
Copper option contracts	Financial instruments at FVTPL	**2**	**4.1**	2	-

1. Trade and other payables exclude the short-term portion of reclamation and closure cost obligations.

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

Credit risk is the risk of an unexpected loss if a party to the Company's financial instruments fails to meet its contractual obligations. The Company's financial assets are primarily composed of cash and cash equivalents, investments and trade and other receivables. Credit risk is primarily associated with trade and other receivables, investments, options, swaps, and forward contracts; however, it also arises on cash and cash equivalents. To mitigate exposure to credit risk, the Company has established policies to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable credit worthiness, and to ensure liquidity of available funds.

The Company closely monitors its financial assets and does not have any significant concentration of credit risk. The Company sells its gold exclusively to large international organizations with strong credit ratings. The historical level of customer defaults is minimal and, as a result, the credit risk associated with gold and copper concentrate trade receivables at December 31, 2017 is not considered to be high.

The Company's maximum exposure to credit risk at December 31, 2017 and December 31, 2016 is as follows:

	As at December 31	As at December 31
(in millions of U.S. dollars, except where noted)	**2017**	**2016**
CREDIT RISK EXPOSURE		
Cash and cash equivalents	**216.2**	185.9
Trade and other receivables	**27.1**	37.1
Gold price options	**-**	17.6
Copper forward contracts	**-**	0.3
Total financial instrument exposure to credit risk	**243.3**	240.9

A significant portion of the Company's cash and cash equivalents is held in large Canadian financial institutions. Short-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks with high investment-grade ratings and the governments of Canada and the U.S. The Company employs a restrictive investment policy, which is described in Note 20 to our audited consolidated financial statements for the years ended December 31, 2017 and 2016.

The aging of trade and other receivables at December 31, 2017 and December 31, 2016 is as follows:

						As at December 31	
(in millions of U.S. dollars)	**0-30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**Over 120 days**	**2017 Total**	**2016 Total**
AGING TRADE AND OTHER RECEIVABLES							
Rainy River	6.0	4.8	6.1	-	0.4	**17.3**	5.2
New Afton	(2.3)	3.7	-	-	-	**1.4**	22.5
Mesquite	0.2	-	-	-	0.5	**0.7**	0.2
Peak Mines	-	-	-	-	-	**-**	1.3
Cerro San Pedro	4.3	0.5	0.5	0.5	0.5	**6.3**	5.5
Blackwater	0.4	-	-	-	-	**0.4**	0.3
Corporate	1.0	-	-	-	-	**1.0**	2.1
Total trade and other receivables	9.6	9.0	6.6	0.5	1.4	**27.1**	37.1

The Company sells its gold and copper concentrate production from New Afton to four different customers under off-take contracts. The Company sells its gold and copper concentrate production from Peak Mines to one customer under an off-take contract.

The Company is not economically dependent on a limited number of customers for the sale of its gold because gold can be sold through numerous commodity market traders worldwide.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 20 to our audited consolidated financial statements for the years ended December 31, 2017 and 2016.

The following are the contractual maturities of debt commitments and certain other obligations. The amounts presented represent the future undiscounted cash flows, and therefore, do not equate to the carrying amounts on the consolidated statements of financial position.

					As at December 31	As at December 31
(in millions of U.S. dollars, except where noted)	**< 1 year**	**1-3 years**	**4-5 years**	**After 5 years**	**2017 Total**	**2016 Total**
DEBT COMMITMENTS						
Trade and other payables	153.7	-	-	-	**153.7**	169.2
Long-term debt	-	230.0	500.0	300.0	**1,030.0**	900.0
Interest payable on long-term debt	43.5	100.8	100.8	47.8	**292.9**	252.5
Gold stream obligation	24.7	52.4	54.8	158.6	**290.5**	277.7
Total debt commitments	221.9	383.2	655.6	506.4	**1,767.1**	1,599.5

The Company's future operating cash flow and cash position are highly dependent on metal prices, including gold, copper and silver, as well as other factors. Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is continually reviewing expenditures and assessing business opportunities to enhance liquidity in order to ensure adequate liquidity and flexibility to support its growth strategy, including the development of its projects, while continuing production at its current operations. A period of continuous low gold and copper prices may necessitate the deferral of capital expenditures which may impact production from mining operations. In addition, in such a price environment, the Company may be required to adopt one or more alternatives to increase liquidity.

Currency Risk

The Company operates in Canada, the United States, Australia and Mexico. As a result, the Company has foreign currency exposure with respect to items not denominated in U.S. dollars. The three main types of foreign exchange risk for the Company can be categorized as follows:

Transaction exposure

The Company's operations sell commodities and incur costs in different currencies. This creates exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate.

Exposure to currency risk

The Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than the U.S. dollar: cash and cash equivalents, investments, accounts receivable, accounts payable and accruals, reclamation and closure cost obligations, and long-term debt. The currencies of the Company's financial instruments and other foreign currency denominated liabilities, based on notional amounts, were as follows:

	Year ended December 31, 2017		
(in millions of U.S. dollars, except where noted)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	**16.6**	**5.9**	**1.5**
Trade and other receivables	**19.5**	**-**	**6.2**
Income tax (payable) receivable	**0.4**	**-**	**4.2**
Deferred tax asset	**130.5**	**-**	**-**
Trade and other payables	**(141.6)**	**-**	**(11.5)**
Deferred tax liability	**(183.9)**	**-**	**(0.1)**
Reclamation and closure cost obligations	**(84.6)**	**-**	**(11.7)**
Performance share units and restricted share units	**(2.6)**	**-**	**-**
Total exposure to currency risk	**(245.7)**	**5.9**	**(11.4)**

	Year ended December 31, 2016		
(in millions of U.S. dollars, except where noted)	**CAD**	**AUD**	**MXN**
EXPOSURE TO CURRENCY RISK			
Cash and cash equivalents	95.3	4.6	1.2
Trade and other receivables	8.0	0.5	5.5
Income tax receivable/(payable)	(1.1)	(4.5)	(3.1)
Deferred tax asset	173.3	14.0	0.9
Trade and other payables	(118.3)	(12.0)	(16.2)
Deferred tax liability	(321.1)	(26.1)	(0.5)
Reclamation and closure cost obligations	(36.5)	(13.6)	(12.2)
Warrants	(1.3)	-	-
Employee benefits	(1.1)	(7.9)	-
Performance share units and Restricted share units	(2.8)	-	-
Total exposure to currency risk	(205.6)	(45.0)	(18.2)

Translation exposure

The Company's functional and reporting currency is U.S. dollars. The Company's operations translate their operating results from the host currency to U.S. dollars. Therefore, exchange rate movements in the Canadian dollar, Australian dollar and Mexican peso can have a significant impact on the Company's consolidated operating results. A 10% strengthening (weakening) of the U.S. dollar against the following currencies would have decreased (increased) the Company's net earnings (loss) from the financial instruments presented by the amounts shown below.

	Year ended December 31	Year ended December 31
(in millions of U.S. dollars, except where noted)	**2017**	**2016**
IMPACT OF 10% CHANGE IN FOREIGN EXCHANGE RATES		
Canadian dollar	**24.6**	20.5
Australian dollar	**(0.6)**	4.6
Mexican peso	**1.1**	1.8

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's outstanding debt obligations are fixed and are therefore not exposed to changes in market interest rates. The Credit Facility interest is variable and a 1% change in interest rates would result in a difference of approximately $1.4 million in interest paid for the year ended December 31, 2017.

The Company is exposed to interest rate risk on its cash and cash equivalents. Interest earned on cash and cash equivalents is based on prevailing money market and bank account interest rates which may fluctuate. A 1.0% change in the interest rate would result in a difference of approximately $2.0 million in interest earned by the Company for the year ended December 31, 2017. The Company has not entered into any derivative contracts to manage this risk.

Metal price risk

The Company's earnings, cash flows and financial condition are subject to risk due to fluctuations in the market price of gold, copper and silver. World gold prices have historically fluctuated widely. World gold prices are affected by numerous factors beyond the Company's control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations;
- global or regional political or economic conditions;
- the relative strength of the U.S. dollar and other currencies;
- expectations with respect to the rate of inflation;
- interest rates;
- purchases and sales of gold by central banks and other large holders, including speculators;
- demand for jewellery containing gold;
- investment activity, including speculation, in gold as a commodity

For the year ended December 31, 2017, the Company's revenue and cash flows were impacted by gold prices in the range of $1,151 to $1,346 per ounce, and by copper prices in the range of $2.49 to $3.27 per pound. Metal price declines could cause continued development of, and commercial production from, the Company's properties to be uneconomic. There is a time lag between the shipment of gold and copper and final pricing, and changes in pricing can impact the Company's revenue and working capital position. As at December 31, 2017, working capital includes unpriced gold and copper concentrate receivables totalling 1,972 ounces of gold and 1.6 million pounds of copper not offset by copper swap contracts. A $100 change in the gold price per ounce would have an impact of $0.2 million on the Company's working capital. A $0.10 change in the copper price per pound would have an impact of $0.2 million on the Company's working capital position. The Company's exposure to changes in gold prices has been significantly reduced during the year ended December 31, 2017 as the Company has entered into gold price option contracts to reduce exposure to changes in gold prices. Furthermore, the Company's exposure to changes in copper prices has been significantly reduced during 2018 as the Company has entered into copper price option contracts (whereby it sold a series of call option contracts and purchased a series of put option contracts) to reduce exposure to changes in copper prices:

	Quantity outstanding	Remaining term	Exercise price ($/lb)	Fair value - asset (liability) (1)
COPPER OPTION CONTRACTS OUTSTANDING				
Copper call contracts - sold	27,600 tonnes(1)	January – December 2018	3.37	(7.8)
Copper put contracts - purchased	27,600 tonnes(1)	January – December 2018	3.00	3.7

1. *Approximates 60 million pounds of copper.*

An increase in gold, copper and silver prices would decrease the Company's net loss whereas an increase in fuel or restricted share unit vested prices would increase the Company's net loss. A 10% change in commodity prices would impact the Company's net earnings before taxes and other comprehensive income before taxes as follows:

	Year ended December 31		Year ended December 31	
(in millions of U.S. dollars, except where noted)	**2017 Net Earnings**	**2017 Other Comprehensive Income**	**2016 Net Earnings**	**2016 Other Comprehensive Income**
IMPACT OF 10% CHANGE IN COMMODITY PRICES				
Gold price	**52.5**	**-**	**47.4**	**-**
Copper price	**9.0**	**-**	**22.1**	**-**
Silver price	**1.1**	**-**	**1.4**	**-**
Fuel price	**4.6**	**0.3**	**3.5**	**0.1**

Reserve calculations and mine plans using significantly lower gold, silver, copper and other metal prices could result in significant reductions in Mineral Reserve and Resource estimates and revisions in the Company's life-of-mine plans, which in turn could result in material write-downs of its investments in mining properties and increased depletion, reclamation and closure charges. Depending on the price of gold or other metals, the Company may determine that it is impractical to commence or, if commenced, to continue commercial production at a particular site. Metal price fluctuations also create adjustments to the provisional prices of sales made in previous periods that have not yet been subject to final pricing, and these adjustments could have an adverse impact on the Company's financial results and financial condition. In addition, cash costs and all-in sustaining costs of gold production are calculated net of by-product credits, and therefore may also be impacted by downward fluctuations in the price of by-product metals. Any of these factors could result in a material adverse effect on the Company's results of operations and financial condition.

The Company is also subject to price risk for fluctuations in the cost of energy, principally electricity and purchased petroleum products. The Company's costs are affected by the prices of commodities and other inputs it consumes or uses in its operations, such as lime, sodium cyanide and explosives. The prices of such commodities and inputs are influenced by supply and demand trends affecting the mining industry in general and other factors outside our control. Increases in the price for materials consumed in the Company's mining and production activities could materially adversely affect its results of operations and financial condition.

The Company is also subject to price risk for changes in the Company's common stock price per share. The Company has granted, under its long-term incentive plan, restricted share units that the Company is required to satisfy in cash upon vesting. The amount of cash the Company will be required to expend is dependent upon the price per common share at the time of vesting. The Company considers this plan a financial liability and is required to fair value the outstanding liability with the resulting changes included in compensation expense each period.

Other Risks

Production Estimates

Forecasts of future production are estimates based on interpretation and assumptions, and actual production may be less than estimated. The Company's production forecasts are based on full production being achieved at all of its mines. The Company's ability to achieve and maintain full production rates at these mines is subject to a number of risks and uncertainties. The Company's production estimates are dependent on, among other things, the accuracy of Mineral Reserve and Mineral Resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions, physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics, and the accuracy of estimated rates and costs of mining and processing, and the receipt and maintenance of permits. The Company's actual production may vary from its estimates for a variety of reasons, including, those identified under the heading "Operating Risks" below. The failure of the Company to achieve its production estimates could have a material adverse effect on the Company's prospects, results of operations and financial condition.

Cost Estimates

The Company prepares estimates of operating costs and/or capital costs for each operation and project. The Company's actual costs are dependent on a number of factors, including the exchange rate between the United States dollar and the Canadian dollar, Australian dollar and Mexican peso, smelting and refining charges, penalty elements in concentrates, royalties, the price of gold and byproduct metals, the cost of inputs used in mining operations and events that impact production levels.

New Gold's actual costs may vary from estimates for a variety of reasons, including changing waste-to-ore ratios, ore grade metallurgy, labour and other input costs, commodity prices, general inflationary pressures and currency exchange rates, as well as those identified under the heading "Operating Risks" below. Failure to achieve cost estimates or material increases in costs could have an adverse impact on New Gold's future cash flows, profitability, results of operations and financial condition.

Government Regulation

The mining, processing, development and exploration activities of the Company are subject to various laws governing prospecting, development, production, exports, imports, taxes, labour standards and occupational health and safety, mine safety, toxic substances, waste disposal, environmental protection and remediation, protection of endangered and protected species, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have an adverse effect on the Company's financial position and results of operations. Amendments to current laws, regulations and permits governing operations or development activities and activities of mining and exploration companies, or more stringent or different implementation, could have a material adverse impact on the Company's results of operations or financial position, or could require abandonment or delays in the development of new mining properties or the suspension or curtailment of operations at existing mines. Failure to comply with any applicable laws, regulations or permitting requirements may result in enforcement actions against the Company, including orders issued by regulatory or judicial authorities causing operations or development activities to cease or be curtailed or suspended, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions (see also "Permitting" below). The Company could be forced to compensate those suffering loss or damage by reason of its mining operations or exploration or development activities and could face civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such regulatory or judicial action could materially increase the Company's operating costs and delay or curtail or otherwise negatively impact the Company's operations and other activities.

Permitting

The Company's operations, development projects and exploration activities are subject to receiving and maintaining licenses, permits and approvals (collectively, "permits") from appropriate governmental authorities. Before any development on any of its properties the Company must receive numerous permits, and continued operations at the Company's mines is also dependent on maintaining and renewing required permits or obtaining additional permits.

New Gold may be unable to obtain on a timely basis or maintain in the future all necessary permits required to explore and develop its properties, commence construction or operation of mining facilities and properties or maintain continued operations. Delays may occur in connection with obtaining necessary renewals of permits for the Company's existing operations and activities, additional permits for existing or future operations or activities, or additional permits associated with new legislation. It is possible that previously issued permits may become suspended or revoked for a variety of reasons, including through government or court action.

In October 2016, the federal and provincial governments entered into a memorandum of understanding regarding the environmental assessment process for the Blackwater Project with the Ulkatcho First Nation and the Lhoosk'uz Dené Nation to facilitate government-to-government collaboration in such process. In addition, in April 2015, the provincial government entered into an agreement with the Nadleh Whuten First Nation, Saik'uz First Nation, Stellat'en First Nation and other First Nations included in the Carrier Sekani Tribal Council to facilitate a government-to-government relationship based on collaboration in connection with natural resource development carried on in their traditional territories, including the Blackwater Project. New Gold continues to engage indigenous groups who have interests in the Blackwater Project area. New Gold anticipates receiving environmental assessment approval for the Blackwater Project in 2018, however, there can be no assurance that such approval will be obtained on such timeline or at all.

In the past there have been challenges to the Company's permits that were temporarily successful as well as delays in the renewal of certain permits or receiving additional required permits. There can be no assurance that the Company will receive or continue to hold all permits necessary to develop or continue operating at any particular property or to pursue the Company's exploration activities. To the extent that required permits cannot be obtained or maintained, the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties. Even if permits or renewals are available, the terms of such permits may be unattractive to the Company and result in the applicable operations or activities being financially unattractive or uneconomic. An inability to obtain or maintain permits or to conduct mining operations pursuant to applicable permits would materially reduce the Company's production and cash flow and could undermine its profitability.

Dependence on the Rainy River and New Afton mines

The Company's operations at the Rainy River and New Afton Mines are expected to account for 70% of the Company's gold production and 100% of its copper production in 2018. Any adverse condition affecting mining or milling conditions at the Rainy River Mine or New Afton Mine could have a material adverse effect on the Company's financial performance and results of operations.

Unless the Company acquires or develops other significant gold-producing assets, the Company will continue to be dependent on its operations at the Rainy River and New Afton Mines for a substantial portion of its cash flow provided by operating activities.

Operating Risks

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, copper and silver including unusual and unexpected geologic formations, seismic activity, rock bursts, rock slides, cave-ins, slope or pit wall failures, flooding, fire, metal losses, periodic interruption due to inclement or hazardous weather conditions and other conditions that would impact the drilling and removal of material. Block caving activities, including at the New Afton Mine, generally result in surface subsidence. The configuration of subsidence presently occurring above the west cave at the New Afton Mine is slightly offset from the original model, which is thought to be driven largely by the weaker rockmass located south of the cave footprint. The subsidence is being monitored and evaluated on an ongoing basis. Surface subsidence or any of the above hazards and risks could result in reduced production, damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. In addition, production may be adversely impacted by operational problems such as a failure of a production hoist, filter press, SAG mill or other equipment, or industrial accidents, as well as other potential issues such as actual ore mined varying from estimates of grade or tonnage, dilution, block cave performance and metallurgical or other characteristics, interruptions in electrical power or water, shortages of required inputs, labour shortages or strikes, restrictions or regulations imposed by government agencies or changes in the regulatory environment. The Company's milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability. In addition, short-term operating factors, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period. The occurrence of one or more of these events may result in the death of, or personal injury to, employees, other personnel or third parties, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, deferral or unanticipated fluctuations in production, suspension, curtailment or termination of operations, environmental damage and potential legal liabilities, any of which may adversely affect the Company's business, reputation, prospects, results of operations and financial condition.

Exploration and Development Risks

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge cannot eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Major expenses may be required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company or any of its partners will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, including but not limited to: the particular attributes of the deposit, such as accuracy of estimated size, continuity of mineralization, average grade and metallurgical characteristics (see "Uncertainty in the Estimation of Mineral Reserves and Mineral Resources" below); proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company being unable to receive an adequate return on invested capital.

Development projects are uncertain and capital cost estimates, projected operating costs, production rates, recovery rates, mine life and other operating parameters and economic returns may differ significantly from those estimated for a project. Development projects rely on the accuracy of predicted factors including capital and operating costs, metallurgical recoveries, reserve estimates and future metal prices. In addition, there can be no assurance that gold, silver or copper recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

The Company has one project currently in the development phase: the Blackwater project, which is in the permitting stage. In addition, the Company may engage in expansion activities at its operating mines from time to time. Expansion projects, including expansions of facilities and extensions to new ore bodies or new portions of existing ore bodies, can have risks and uncertainties similar to development projects.

A project is subject to numerous risks during development including, but not limited to, the accuracy of feasibility studies, obtaining and complying with required permits, changes in environmental or other government regulations, securing all necessary surface and land tenure rights, consulting and accommodating First Nations and other indigenous groups and financing risks. In particular, the Company is actively engaged in consultation with various First Nations and other indigenous groups in connection with the Blackwater Project. Unforeseen circumstances, including those related to the amount and nature of the mineralization at the development site, technological impediments to extraction and processing, legal challenges or restrictions or governmental intervention, infrastructure limitations, environmental issues, unexpected ground conditions or other unforeseen development challenges, commodity prices, disputes with local communities or other events, could result in one or more of New Gold's planned developments becoming impractical or uneconomic to complete. Any such occurrence could have an adverse impact on New Gold's growth, financial condition and results of operations. There can be no assurance that the development of either of the Rainy River underground mine or the Blackwater Project will continue in accordance with current expectations or at all. See also "Permitting" above.

Risks related to Rainy River's first year of production

The first year of production for the Rainy River Mine is subject to a number of inherent risks. It is not unusual in the mining industry for new mining operations to experience unexpected problems leading up to and during beginning period of production, including failure of equipment, machinery, the processing circuit or other processes to perform as designed or intended, inadequate water, insufficient ore stockpile or grade, and failure to deliver adequate tonnes of ore to the mill, any of which could result in delays, slowdowns or suspensions and require more capital than anticipated. In addition, mineral reserves and mineral resources projected by the Feasibility Study, and anticipated costs, including, without limitation, operating expenses, cash costs and all-in sustaining costs, anticipated mine life, projected production, anticipated production rates and other projected economic and operating parameters may not be realized, and the level of future metal prices needed to ensure commercial viability may deteriorate. Consequently, there is a risk that Rainy River may encounter problems, be subject to delays or have other material adverse consequences for the Company during its first year of production, including its operating results, cash flow and financial condition.

Financing Risks

The Company's mining, processing, development and exploration activities may require additional external financing. There can be no assurance that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be acceptable to the Company, and, if raised by offering equity securities or securities convertible into equity securities, any additional financing may involve substantial dilution to existing shareholders. Failure to obtain sufficient financing could result in the delay or indefinite postponement of exploration, development, construction or production on any or all of the Company's mineral properties. The cost and terms of such financing may significantly reduce the expected benefits from new developments and/or render such developments uneconomic.

Need for Additional Mineral Reserves and Mineral Resources

Because mines have limited lives based on Proven and Probable Mineral Reserves, the Company continually seeks to replace and expand its Mineral Reserves and Mineral Resources. The Company's ability to maintain or increase its annual production of gold, copper and silver depends in significant part on its ability to find or acquire new Mineral Reserves and Mineral Resources and bring new mines into production, and to expand Mineral Reserves and Mineral Resources at existing mines. Exploration is inherently speculative. New Gold's exploration projects involve many risks and exploration is frequently unsuccessful. See "Exploration and Development Risks" above. There is a risk that depletion of Reserves will not be offset by discoveries or acquisitions. The mineral base of New Gold may decline if Reserves are mined without adequate replacement.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

Mineral Reserves and Mineral Resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves can be mined or processed profitably. Mineral Reserve and Mineral Resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other risks and relevant issues. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work, drilling or actual production experience.

Fluctuations in gold, copper and silver prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties may require revision of Mineral Reserve and Mineral Resource estimates. Prolonged declines in the market price of gold (or applicable by-product metal prices) may render Mineral Reserves and Mineral Resources containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's Mineral Reserves and Mineral Resources. Mineral Resource estimates for properties that have not commenced production or at deposits that have not yet been exploited are based, in most instances, on very limited and widely spaced drill hole information, which is not necessarily indicative of conditions between and around the drill holes. Accordingly, such Mineral Resource estimates may require revision as more geologic and drilling information becomes available and as actual production experience is gained. Should reductions in Mineral Resources or Mineral Reserves occur, the Company may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in reduced net income or increased net losses and reduced cash flow. Mineral Resources and Mineral Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of Mineral Resources and Mineral Reserves and corresponding grades being mined and, as a result, the volume and grade of Reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of Mineral Reserves and Mineral Resources, or of the Company's ability to extract these Mineral Reserves and Mineral Resources, could have a material adverse effect on the Company's projects, results of operations and financial condition.

Mineral Resources are not Mineral Reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that Mineral Resources will be upgraded to Proven or Probable Mineral Reserves.

Impairment

On a quarterly basis, the Company reviews and evaluates its mining interests for indicators of impairment. Impairment assessments are conducted at the level of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each operating mine, development and exploration project represents a separate CGU. If an indication of impairment exists, the recoverable amount of the CGU is estimated. An impairment loss is recognized when the carrying amount of the CGU is in excess of its recoverable amount. The assessment for impairment is subjective and requires management to make significant judgments and assumptions in respect of a number of factors, including estimates of production levels, operating costs and capital expenditures reflected in New Gold's life-of-mine plans, the value of in situ ounces, exploration potential and land holdings, as well as economic factors beyond management's control, such as gold, copper and silver prices, discount rates, foreign exchange rates, and observable net asset value multiples. It is possible that the actual fair value could be significantly different from those estimates. In addition, should management's estimate of the future not reflect actual events, further impairment charges may materialize, and the timing and amount of such impairment charges is difficult to predict.

Title Claims and Rights of Indigenous Peoples

Certain of New Gold's properties may be subject to the rights or the asserted rights of various community stakeholders, including First Nations and other Aboriginal peoples. The presence of community stakeholders may impact the Company's ability to develop or operate its mining properties and its projects or to conduct exploration activities. Accordingly, the Company is subject to the risk that one or more groups may oppose the continued operation, further development or new development or exploration of the Company's current or future mining properties and projects. Such opposition may be directed through legal or administrative proceedings, or through protests or other campaigns against the Company's activities.

Governments in many jurisdictions must consult with, or require the Company to consult with, indigenous peoples with respect to grants of mineral rights and the issuance or amendment of project authorizations. Consultation and other rights of Indigenous peoples may require accommodation including undertakings regarding employment, royalty payments and other matters. This may affect the Company's ability to acquire within a reasonable time frame effective mineral titles, permits or licenses in these jurisdictions, including in some parts of Canada, the United States, Australia, and Mexico in which title or other rights are claimed by indigenous peoples, and may affect the timetable and costs of development and operation of mineral properties in these jurisdictions. The risk of unforeseen title claims by indigenous peoples also could affect existing operations as well as development projects. These legal requirements may also affect the Company's ability to expand or transfer existing operations or to develop new projects.

Environmental Risk

The Company is subject to environmental regulation in Canada, the United States, Australia and Mexico where it operates or has exploration or development activities. In addition, the Company will be subject to environmental regulation in any other jurisdictions in which it may operate or have exploration or development properties. These regulations address, among other things, endangered and protected species, emissions, noise, air and water quality standards, land use and reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid, liquid and hazardous waste.

Environmental legislation is evolving in a manner which will involve, in certain jurisdictions, stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. No certainty exists that future changes in environmental regulation, or the application of such regulations, if any, will not adversely affect the Company's operations or development properties or exploration activities. The Company cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and results from operations. Environmental hazards may exist on the Company's properties which are unknown to management at present and which have been caused by previous owners or operators of the properties. In addition, measures taken to address and mitigate known environmental hazards or risks may not be fully successful, and such hazards or risks may materialize.

New Gold may also acquire properties with known or undiscovered environmental risks. Any indemnification from the entity from which the Company acquires such properties may not be adequate to pay all the fines, penalties and costs (such as clean-up and restoration costs) incurred related to such properties. Some of New Gold's properties have also been used for mining and related operations for many years before the Company acquired them and were acquired as is or with assumed environmental liabilities from previous owners or operators. The Company has been required to address contamination at its properties in the past and may need to continue to do so in the future, either for existing environmental conditions or for leaks, discharges or contamination that may arise from its ongoing operations or other contingencies. The cost of addressing environmental conditions or risks, and liabilities associated with environmental damage, may be significant, and could have a material adverse effect the Company's business, prospects, results of operations and financial condition. Production at New Gold's mines involves the use of various chemicals, including certain chemicals that are designated as hazardous substances. Contamination from hazardous substances, either at the Company's own properties or other locations for which it may be responsible, may subject the Company to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources. The occurrence of any of these adverse events could have a material adverse effect on the Company's prospects, results of operations and financial position.

Production at certain of the Company's mines involves the use of sodium cyanide which is a toxic material. Should sodium cyanide leak or otherwise be discharged from the containment system, the Company may become subject to liability for cleanup work that may not be insured, in addition to liability for any damage caused. Such liability could be material.

Insurance and Uninsured Risks

New Gold's business is subject to a number of risks and hazards generally including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope or wall failures, cave-ins, metallurgical or other processing problems, fires, operational problems, changes in the regulatory environment and natural phenomena, such as inclement weather conditions, floods, hurricanes and earthquakes. Such occurrences could result in damage to mineral properties or production facilities or other property, personal injury or death, environmental damage to its properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, such insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available on acceptable terms or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration, development and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. New Gold may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect on results of operations and financial condition.

Reclamation Costs

The Company's operations are subject to reclamation plans that establish its obligations to reclaim properties after minerals have been mined from a site. These obligations represent significant future costs for the Company. Reclamation bonds or other forms of financial assurance are often required to secure reclamation activities. Governing authorities require companies to periodically recalculate the amount of a reclamation bond and may require bond amounts to be increased. It may be necessary to revise the planned reclamation expenditures and the operating plan for a mine in order to fund an increase to a reclamation bond. In addition, reclamation bonds are generally issued under the Company's credit facilities; increases in the amount of reclamation bonds will decrease the amount of the Credit Facility available for other purposes. Reclamation bonds may represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine operation. The actual costs of reclamation set out in mine plans are estimates only and may not represent the actual amounts that will be required to complete all reclamation activity. If actual costs are significantly higher than the Company's estimates, then its results of operations and financial position could be materially adversely affected.

Debt and Liquidity Risk

As of December 31, 2017, the Company had long-term debt comprising of two series of notes having an aggregate face value of $800 million. In addition, the Company has a $400 million Credit Facility. The Company's ability to make scheduled payments of the principal of, to pay interest on or to refinance its indebtedness depends on the Company's future performance, which is subject to economic, financial, competitive and other factors many of which are not under the control of New Gold. The Company is exposed to interest rate risk on variable rate debt, if any. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, including, among others, debt repayments, interest payments and contractual commitments.

The Company may not continue to generate cash flow from operations in the future sufficient to service its debt and make necessary or planned capital expenditures. If the Company is unable to generate such cash flow, it may be required to adopt one or more alternatives, such as selling assets, borrowing additional funds, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. The Company's ability to borrow additional funds or refinance its indebtedness will depend on the capital markets and its financial condition at such time. The Company may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on its debt obligations. In addition, if New Gold is unable to maintain its indebtedness and financial ratios at levels acceptable to its credit rating agencies, or should New Gold's business prospects deteriorate, the ratings currently assigned to New Gold by Moody's Investor Services and Standard & Poor's Ratings Services could be downgraded, which could adversely affect the value of New Gold's outstanding securities and existing debt and its ability to obtain new financing on favourable terms, and increase New Gold's borrowing costs.

If the Company's cash flow and other sources of liquidity are not sufficient to continue operations and make necessary and planned capital expenditures, the Company may cancel or defer capital expenditures and/or suspend or curtail operations. Such an action may impact production at mining operations and/or the timelines and cost associated with development projects, which could have a material adverse effect on the Company's prospects, results from operations and financial condition.

The terms of the Company's Credit Facility and stream agreement with Royal Gold require the Company to satisfy various affirmative and negative covenants and to meet certain financial ratios and tests. In addition, the terms of the Company's 2022 Notes and 2025 Notes require the Company to satisfy various affirmative and negative covenants. These covenants limit, among other things, the Company's ability to incur indebtedness, create certain liens on assets or engage in certain types of transactions. There are no assurances that in future, the Company will not, as a result of these covenants, be limited in its ability to respond to changes in its business or competitive activities or be restricted in its ability to engage in mergers, acquisitions or dispositions of assets. Furthermore, a failure to comply with these covenants, including, in the case of the Credit Facility and stream agreement with Royal Gold, a failure to meet the financial tests or ratios, would likely result in an event of default under the Credit Facility and/or the 2022 Notes and/or the 2025 Notes and/or stream agreement and would allow the lenders or noteholders or other contractual counterparty, as the case may be, to accelerate the debt or other obligations as the case may be.

Litigation and Dispute Resolution

From time to time New Gold is subject to legal claims, with and without merit. These claims may commence informally and reach a commercial settlement or may progress to a more formal dispute resolution process. The causes of potential future claims cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations. In particular, the complex activities and significant expenditures associated with construction activities may lead to various claims, some of which may be material. Defense and settlement costs may be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the Company's future cash flows, results of operations or financial condition. See "Legal Proceedings and Regulatory Actions".

Title Risks

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of such properties will not be challenged or impaired. Third parties may have valid claims underlying portions of our interest, including prior unregistered liens, agreements, transfers, royalties or claims, including Aboriginal land claims, and title may be affected by, among other things, undetected defects. In some cases, title to mineral rights and surface rights has been divided, and the Company may hold only surface rights or only mineral rights over a particular property, which can lead to potential conflict with the holder of the other rights. As a result of these issues, the Company may be constrained in its ability to operate its properties or unable to enforce its rights with respect to its properties or the economics of is mineral properties may be impacted. An impairment to or defect in the Company's title to its properties or a dispute regarding property or other related rights could have a material adverse effect on the Company's business, financial condition or results of operations.

Hedging Risks

From time to time the Company uses or may use certain derivative products to hedge or manage the risks associated with changes in gold prices, silver prices, copper prices, interest rates, foreign currency exchange rates and energy prices. The use of derivative instruments involves certain inherent risks including, among other things: (i) credit risk – the risk of an unexpected loss arising if a counterparty with which the Company has entered into transactions fails to meet its contractual obligations; (ii) market liquidity risk – the risk that the Company has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and (iii) unrealized mark-to-market risk – the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in the Company incurring an unrealized mark-to-market loss in respect of such derivative products.

There is no assurance that any hedging program or transactions which may be adopted or utilized by New Gold designed to reduce the risk associated with changes in gold prices, silver prices, copper prices, interest rates, foreign currency exchange rates or energy prices will be successful. Although hedging may protect New Gold from an adverse price change, it may also prevent New Gold from benefitting fully from a positive price change.

Climate Change Risks

Changes in climate conditions could adversely affect the Company's business and operations through the impact of (i) more extreme temperatures, precipitation levels and other weather events; (ii) changes to laws and regulations related to climate change; and (iii) changes in the price or availability of goods and services required by our business.

Climate change may lead to more extreme in temperatures, precipitation levels and other weather events. Extreme high or low temperatures could impact the operation of equipment and the safety of personnel at the Company's sites, which could result in damage to equipment, injury to personnel and production disruptions. Changes in precipitation levels may impact the availability of water at the Company's operations, which the mills require to operate, potentially leading to production disruptions. Low precipitation also increases the risk of large forest fires, as occurred in proximity to the Company's operations in British Columbia in the summer of 2017, which could cause production disruptions or damage site infrastructure. Increases in precipitation levels could also lead to water management challenges. Extreme weather events, such as forest fires, severe storms or floods, all of which may be more probable and more extreme due to climate change, may negatively impact operations and disrupt production. Significant capital investment may be required to address these occurrences and to adapt to changes in average operating conditions caused by these changes to the climate.

Climate change may lead to new laws and regulations that affect the Company's business and operations. Many governments are moving to enact climate change legislation and treaties at the international, national, state, provincial and local levels. Where legislation already exists, regulations relating to emission levels and energy efficiency are becoming more stringent. Some of the costs associated with meeting more stringent regulations can be offset by increased energy efficiency and technological innovation. However, if the current regulatory trend continues, meeting more stringent regulations is anticipated to result in increased costs.

Climate change may lead to changes in the price and availability of goods and services required for the Company's operations, which require the regular supply of consumables such as diesel, electricity, and sodium cyanide to operate efficiently. The Company's operations also depend on service providers to transport these consumables and other goods to the operations and to transport doré and concentrate produced by the Company to refiners. The effects of extreme weather described above and changes in legislation and regulation on the Company's suppliers and their industries may cause limited availability or higher price for these goods and services, which could result in higher costs or production disruptions.

We can provide no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks of climate change will not have an adverse effect on the Company's operations and profitability.

CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The areas which require management to make significant judgments, estimates and assumptions are described in the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016.

ACCOUNTING POLICIES

The Company's significant accounting policies are presented in the audited consolidated financial statements for the years ended December 31, 2017 and 2016 and have been consistently applied in the preparation of the audited consolidated financial statements.

Future changes in accounting policy

Revenue

On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). This standard outlines a single comprehensive model with prescriptive guidance for entities to use in accounting for revenue arising from contracts with its customers. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the current standard. This standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted. The Company will adopt IFRS 15 effective January 1, 2018 applying the retrospective method of transition.

The Company has evaluated the potential impact of applying IFRS 15, analyzing its sale agreements. The standard requires entities to apportion revenue earned from contracts to individual promises or performance obligations, on a relative standalone selling price basis. For the Company's concentrate sales, the seller may contract for and pay the shipping and insurance costs necessary to bring the goods to the named destination. Therefore, where material, a portion of the revenue earned under these contracts, representing the obligation to fulfill the shipping and insurance services, will be deferred and recognized over time as the obligations are fulfilled, along with the associated costs. Based on the Company's assessment, the impact of this change on the amount of revenue recognized in a year is not expected to be significant. As a result, the Company does not anticipate any changes in the amounts of the revenue recognized or a significant change in the timing of revenue recognition under the new standard.

Leases

On January 6, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard replaces IAS 17 Leases. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Company is assessing the effect of adoption of IFRS 16 on its consolidated financial statements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of and under the supervision of its President & Chief Executive Officer, and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act") and in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, as at and for the year ended December 31, 2017. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at and for the year ended December 31, 2017, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods.

Internal Controls over Financial Reporting

New Gold's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. New Gold's management assessed the effectiveness of the Company's internal controls over financial reporting as at and for the year ended December 31, 2017 based on the 2013 updated Committee of Sponsoring Organization of the Treadway Commission ("COSO") and has concluded that New Gold's internal controls over financial reporting are effective as at and for the year ended December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by Deloitte LLP, the Company's independent registered public accounting firm, as stated in their report immediately preceding the Company's audited consolidated financial statements for the year ended December 31, 2017.

Limitations of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any internal controls and procedures for financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations of all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented and/or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Controls over Financial Reporting

There has been no change in the Company's internal controls and procedures over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting during the period covered by this MD&A.

MINERAL RESERVES AND MINERAL RESOURCES

Mineral Reserves

New Gold's Mineral Reserve estimates as at December 31, 2017, exclusive of Peak Mines, is presented in the following table.

MINERAL RESERVES

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
RAINY RIVER				-			
Direct processing reserves							
Open Pit							
Proven	23,472	1.31	2.6	-	992	1,968	-
Probable	50,314	1.20	3.2	-	1,946	5,252	-
Open Pit P&P *(direct proc.)*	73,786	1.24	3.0	-	2,937	7,221	-
Underground							
Proven	-	-	-	-	-	-	-
Probable	9,056	3.52	9.6	-	1,025	2,807	-
Underground P&P *(direct proc.)*	9,056	3.52	9.6	-	1,025	2,807	-
Total Direct Processing Reserves	82,842	1.49	3.7	-	3,962	10,028	-
Low grade reserves							
Open Pit							
Proven	8,063	0.39	2.0	-	101	525	-
Probable	26,960	0.37	2.5	-	324	2,175	-
Open Pit P&P *(low grade)*	35,023	0.38	2.4	-	425	2,699	-
Stockpile							
Proven	1,851	0.51	0.8	-	30	48	-
Stockpile reserves	1,851	0.51	0.8	-	30	48	-
Combined P&P							
Proven	33,386	1.04	2.3	-	1,123	2,541	-
Probable	86,330	1.18	3.7	-	3,295	10,234	-
Total Rainy River P&P	**119,716**	**1.15**	**3.3**	**-**	**4,418**	**12,775**	**-**
NEW AFTON							
A&B Zones							
Proven	-	-	-	-	-	-	-
Probable	28,126	0.51	2.2	0.79	462	1,961	488
C-zone							
Proven	-	-	-	-	-	-	-
Probable	26,741	0.72	1.8	0.77	616	1,571	453
Total New Afton P&P	**54,867**	**0.61**	**2.0**	**0.78**	**1,078**	**3,533**	**941**
MESQUITE							
Proven	5,627	0.49	-	-	89	-	-
Probable	59,491	0.54	-	-	1,040	-	-
Total Mesquite P&P	**65,119**	**0.54**	**-**	**-**	**1,129**	**-**	**-**
BLACKWATER							
Direct processing reserves							
Proven	124,500	0.95	5.5	-	3,790	22,100	-
Probable	169,700	0.68	4.1	-	3,730	22,300	-
P&P *(direct proc.)*	294,200	0.79	4.7	-	7,520	44,400	-
Low grade reserves							
Proven	20,100	0.50	3.6	-	325	2,300	-
Probable	30,100	0.34	14.6	-	325	14,100	-
P&P *(low grade)*	50,200	0.40	10.2	-	650	16,400	-
Total Blackwater P&P	**344,400**	**0.74**	**5.5**	**-**	**8,170**	**60,800**	**-**
TOTAL PROVEN & PROBABLE RESERVES					**14,795**	**77,108**	**941**

Notes to the Mineral Reserve and Mineral Resource estimates are provided below.

Mineral Resources

Mineral Resource estimates as at December 31, 2017, exclusive of Peak Mines, are presented in the following tables:

MEASURED & INDICATED MINERAL RESOURCES (EXCLUSIVE OF MINERAL RESERVES)

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
RAINY RIVER							
Direct processing resources							
Open Pit							
Measured	2,556	1.11	3.2	-	91	266	-
Indicated	24,995	1.10	3.4	-	884	2,711	-
Open Pit M&I *(direct proc.)*	27,551	1.10	3.4	-	975	2,977	-
Underground							
Measured	-	-	-	-	-	-	-
Indicated	6,223	2.93	9.0	-	587	1,808	-
Underground M&I *(direct proc.)*	6,223	2.93	9.0	-	587	1,808	-
Low grade resources							
Open Pit							
Measured	2,023	0.36	2.3	-	23	150	-
Indicated	22,290	0.36	2.3	-	258	1,634	-
Open Pit M&I *(low grade)*	24,313	0.36	2.3	-	282	1,784	-
Combined M&I							
Measured	4,579	0.78	2.8	-	115	417	-
Indicated	53,508	1.00	3.6	-	1,729	6,152	-
Total Rainy River M&I	**58,087**	**0.99**	**3.5**	**-**	**1,844**	**6,569**	**-**
NEW AFTON							
A&B Zones							
Measured	17,155	0.63	2.0	0.83	348	1,090	313
Indicated	10,689	0.46	2.4	0.68	159	824	159
A&B Zone M&I	27,844	0.57	2.1	0.77	507	1,909	473
C-zone							
Measured	6,424	0.91	2.3	1.07	188	471	152
Indicated	11,918	0.74	2.1	0.88	284	816	231
C-zone M&I	18,342	0.80	2.2	0.95	472	1,284	383
HW Lens							
Measured	-	-	-	-	-	-	-
Indicated	11,841	0.50	2.0	0.43	191	750	111
HW Lens M&I	11,841	0.50	2.0	0.43	191	750	111
Total New Afton M&I	**58,038**	**0.63**	**2.1**	**0.76**	**1,170**	**3,970**	**968**
MESQUITE							
Measured	4,297	0.43	-	-	59	-	-
Indicated	75,859	0.46	-	-	1,122	-	-
Total Mesquite M&I	**80,156**	**0.46**	**-**	**-**	**1,181**	**-**	**-**
BLACKWATER							
Direct processing resources							
Measured	288	1.39	6.6	-	13	61	-
Indicated	45,440	0.84	4.7	-	1,227	6,866	-
M&I *(direct proc.)*	45,728	0.84	4.7	-	1,240	6,927	-
Low grade resources							
Measured	11	0.29	7.4	-	-	3	-
Indicated	15,831	0.32	3.9	-	162	1,985	-
M&I *(low grade)*	15,842	0.32	3.9	-	162	1,988	-
Total Blackwater M&I	**61,570**	**0.71**	**4.5**	**-**	**1,402**	**8,915**	**-**
TOTAL M&I EXCLUSIVE OF RESERVES CONTINUING OPERATIONS					**5,597**	**19,454**	**968**

Notes to the Mineral Reserve and Mineral Resource estimates are provided below.

Inferred Mineral Resources

INFERRED MINERAL RESOURCES

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
RAINY RIVER							
Direct processing							
Open Pit	6,016	1.20	3.4	-	232	650	-
Underground	1,271	3.68	3.8	-	150	156	-
Total Direct Processing	7,286	1.63	3.4	-	382	806	-
Low grade resources							
Open Pit	6,219	0.37	1.6	-	74	318	-
Rainy River Inferred	**13,505**	**1.05**	**2.6**	**-**	**456**	**1,124**	**-**
NEW AFTON							
A&B Zones	7,564	0.35	1.3	0.35	85	322	58
C-zone	7,688	0.43	1.3	0.48	106	325	72
HW Lens	-	-	-	-	-	-	-
New Afton Inferred	**15,253**	**0.39**	**1.3**	**0.41**	**192**	**647**	**131**
MESQUITE	**8,871**	**0.38**	**-**	**-**	**107**	**-**	**-**
BLACKWATER							
Direct processing	13,933	0.76	4.0	-	341	1,792	-
Low grade resources	4,225	0.32	3.5	-	44	475	-
Blackwater Inferred	**18,159**	**0.66**	**3.9**	**-**	**385**	**2,267**	**-**
TOTAL INFERRED					**1,140**	**4,038**	**131**

Notes to the mineral reserve and mineral resource estimates are provided below.

Peak Mines is classified as a discontinued operation. As previously disclosed, New Gold entered into a binding agreement to sell the Peak Mines for cash consideration of $58 million. New Gold continues to expect the transaction to close in the first quarter of 2018.

PEAK MINES MINERAL RESERVES & RESOURCES

		Metal grade			Contained metal		
	Tonnes 000s	Gold g/t	Silver g/t	Copper %	Gold Koz	Silver Koz	Copper Mlbs
MINERAL RESERVES							
Proven	1,460	2.94	9.9	1.42	138	464	46
Probable	1,400	2.41	8.6	1.24	107	381	38
Total Peak Mines P&P	**2,860**	**2.68**	**9.2**	**1.33**	**246**	**845**	**84**
MEASURED AND INDICATED RESOURCES EXCLUSIVE OF RESERVES							
Measured	1,500	3.11	7.8	1.01	150	370	33
Indicated	4,100	1.74	6.4	1.70	230	850	150
Total Peak Mines M&I	**5,600**	**2.10**	**6.8**	**1.52**	**380**	**1,200**	**190**

	Metal grade						Contained metal				
INFERRED RESOURCES	**Tonnes 000s**	**Gold g/t**	**Silver g/t**	**Copper %**	**Lead %**	**Zinc %**	**Gold Koz**	**Silver Koz**	**Copper Mlbs**	**Lead Mlbs**	**Zinc Mlbs**
Gold-Copper resources	2,620	1.32	6.4	1.94	NA	NA	113	553	115	NA	NA
Silver-Lead-Zinc resources	2,300	1.95	29.4	0.29	4.73	5.76	140	2,200	15	240	290
Total Peak Inferred											

Notes to the mineral reserve and mineral resource estimates are provided below

Notes to Mineral Reserve and Resource Estimates

1. New Gold's Mineral Reserves and Resources have been estimated in accordance with the CIM Standards, which are incorporated by reference in NI 43-101.

2. All Mineral Resource and Mineral Reserve estimates for New Gold's properties and projects are effective December 31, 2017.

3. New Gold's year-end 2017 Mineral Reserves and Mineral Resources have been estimated based on the following metal prices and foreign exchange rate criteria:

	Gold $/ounce	Silver $/ounce	Copper $/pound	Lead $/pound	Zinc $/pound	CAD	AUD	MXN
Mineral Reserves	$1,275	$17.00	$2.75	N/A	N/A	1. 30	1.30	18.00
Mineral Resources	$1,375	$19.00	$3.00	$1.00	$1.20	1.30	1.30	18.00

4. Lower cut-offs for the Company's Mineral Reserves and Mineral Resources are outlined in the following table:

Mineral Property		Mineral Reserves LOWER cut-off	Mineral Resources LOWER Cut-off
Rainy River	O/P direct processing: O/P low grade material: U/G direct processing:	0.30 – 0.50 g/t AuEq 0.30 g/t AuEq 2.20 g/t AuEq	0.30 – 0.50 g/t AuEq 0.30 g/t AuEq 2.00 g/t AuEq
New Afton	Main Zone – B1 & B2 Blocks: B3 Block & C-zone:	C$ 17.00/t C$ 24.00/t	All Resources: 0.40% CuEq
Mesquite	Oxide: Transitional & Non-ox:	0.14 g/t Au (0.0045 oz/t Au) 0.28 g/t Au (0.0090 oz/t Au)	0.12 g/t Au (0.0038 oz/t Au) 0.25 g/t Au (0.0081 oz/t Au)
Peak Mines	All ore types:	A$ 80/t to A$140/t	A$ 85/t to A$ 150/t
Blackwater	O/P direct processing: O/P low grade material:	0.26 – 0.38 g/t AuEq 0.32 g/t AuEq	All Resources: 0.40 g/t AuEq

5. New Gold reports its measured and indicated mineral resources exclusive of mineral reserves. Measured and indicated mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred Mineral Resources have a greater amount of uncertainty as to their existence, economic and legal feasibility, do not have demonstrated economic viability, and are likewise exclusive of mineral reserves. Numbers may not add due to rounding.

6. Mineral resources are classified as measured, indicated and inferred based on relative levels of confidence in their estimation and on technical and economic parameters consistent with the methods most suitable to their potential commercial extraction. Where different mining and/or processing methods might be applied to different portions of a mineral resource, the designators 'open pit' and 'underground' are used to indicate the envisioned mining method. The designators 'oxide', 'transitional', 'non-oxide' and 'sulphide' have likewise been applied to indicate the type of mineralization as it relates to the appropriate mineral processing method and expected payable metal recoveries, and the designators 'direct processing' and 'lower grade material' have been applied to differentiate material envisioned to be mined and processed directly from material to be mined and stored separately for future processing. Mineral reserves and mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other risks and relevant issues. Additional details regarding mineral reserve and mineral resource estimation, classification, reporting parameters, key assumptions and associated risks for each of New Gold's material properties are provided in the respective NI 43-101 Technical Reports, which are available at www.sedar.com.

7. Rainy River: In addition to the criteria described above, mineral reserves and mineral resources for Rainy River are reported according to the following additional criteria: Underground mineral reserves are reported peripheral to and/or below the open pit mineral reserve pit shell, which has been designed and optimized based on a $1,275/oz gold price. Underground mineral resources are reported below a larger mineral resource pit shell, which has been defined based on a $1,375/oz gold price. Approximately forty percent (40%) of the gold metal content defined as underground mineral reserves is derived from material located between the mineral reserve pit shell and the mineral resource pit shell; the remaining sixty percent (60%) of the metal content defined as underground mineral reserves is derived from material located below the mineral resource pit shell. Open pit mineral resources exclude material reported as underground Mineral Reserves.

8. Qualified Person: The preparation of New Gold's mineral reserve and mineral resource estimates has been completed by Qualified Persons as defined under NI 43-101, under the oversight and review of Mr. Mark A. Petersen, a Qualified Person under NI 43-101.

CAUTIONARY NOTES

Cautionary Note to U.S. Readers Concerning Estimates of Mineral Reserves and Mineral Resources

Information concerning the properties and operations of New Gold has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies. The terms “Mineral Resource”, “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource” used in this MD&A are Canadian mining terms as defined in the CIM Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on May 10, 2014 and incorporated by reference in National Instrument 43-101 (“NI 43-101”). While the terms “Mineral Resource”, “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource” are recognized and required by Canadian securities regulations, they are not defined terms under standards of the United States Securities and Exchange Commission. As such, certain information contained in this MD&A concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the United States Securities and Exchange Commission.

An “Inferred Mineral Resource” has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies. It cannot be assumed that all or any part of an “Inferred Mineral Resource” will ever be upgraded to a higher confidence category through additional exploration drilling and technical evaluation. Readers are cautioned not to assume that all or any part of an “Inferred Mineral Resource” exists or is economically or legally mineable.

Under United States standards, mineralization may not be classified as a “Reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the Reserve estimation is made. Readers are cautioned not to assume that all or any part of the Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. In addition, the definitions of “Proven Mineral Reserves” and “Probable Mineral Reserves” under CIM standards differ in certain respects from the standards of the United States Securities and Exchange Commission.

Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this MD&A, including any information relating to New Gold’s future financial or operating performance are “forward looking”. All statements in this MD&A, other than statements of historical fact, which address events, results, outcomes 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 use of forward-looking terminology such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “targeted”, “estimates”, “forecasts”, “intends”, “anticipates”, “projects”, “potential”, “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will be taken”, “occur” or “be achieved” or the negative connotation of such terms. Forward-looking statements in this MD&A include those under the heading “Outlook for 2018” and includes, among others, statements with respect to: guidance for production, operating expenses per gold ounce sold, total cash costs and all-in sustaining costs, and the factors contributing to those expected results, as well as expected capital expenditures; Mineral Reserve and Mineral Resource estimates; grades expected to be mined at the Company’s operations; planned activities for 2018 and beyond at the Company’s operations and projects; and expected permitting and development activities for Blackwater and the New Afton C-zone.

All forward-looking statements in this MD&A are based on the opinions and estimates of management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond New Gold's ability to control or predict. Certain material assumptions regarding such forward-looking statements are discussed in this MD&A, New Gold's Annual Information Form and its Technical Reports filed on SEDAR at www.sedar.com. In addition to, and subject to, such assumptions discussed in more detail elsewhere, the forward-looking statements in this MD&A are also subject to the following assumptions: (1) there being no significant disruptions affecting New Gold's operations; (2) political and legal developments in jurisdictions where New Gold operates, or may in the future operate, being consistent with New Gold's current expectations; (3) the accuracy of New Gold's current Mineral Reserve and Mineral Resource estimates; (4) the exchange rate between the Canadian dollar, Mexican peso and U.S. dollar being approximately consistent with current levels; (5) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (6) equipment, labour and material costs increasing on a basis consistent with New Gold's current expectations; (7) arrangements with First Nations and other Aboriginal groups in respect of Rainy River and Blackwater being consistent with New Gold's current expectations; (8) all required permits, licenses and authorizations being obtained from the relevant governments and other relevant stakeholders within the expected timelines; (9) the results of the feasibility studies for New Afton C-zone and Blackwater being realized; and (10) in the case of production, cost and expenditure outlooks at operating mines for 2018, commodity prices and exchange rates being consistent with those estimated for the purposes of 2018 guidance.

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 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: significant capital requirements and the availability and management of capital resources; additional funding requirements; price volatility in the spot and forward markets for metals and other commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, the United States and Mexico; discrepancies between actual and estimated production, between actual and estimated Mineral Reserves and Mineral Resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Canada, the United States and Mexico 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 and maintaining the validity and enforceability of the necessary licenses and permits and complying with the permitting requirements of each jurisdiction in which New Gold operates, including, but not limited to: in Canada, obtaining the necessary permits for New Afton C-zone and Blackwater. The uncertainties inherent to current and future legal challenges New Gold is or may become a party to; diminishing quantities or grades of Mineral Reserves and Mineral Resources; competition; loss of key employees; rising costs of labour, supplies, fuel and equipment; actual results of current exploration or reclamation activities; uncertainties inherent to mining economic studies including the feasibility studies for New Afton C-zone and Blackwater; the uncertainty with respect to prevailing market conditions necessary for a positive development or construction decision for New Afton C-zone and Blackwater; 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; unexpected delays and costs inherent to consulting and accommodating rights of First Nations and other Aboriginal groups; uncertainties and unanticipated delays associated with obtaining and maintaining necessary licenses, permits and authorizations and complying with permitting requirements, including those associated with the environmental assessment process for Blackwater. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental events and 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 "Risk Factors" included in New Gold's disclosure documents filed on and available on SEDAR 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 MD&A 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.

Technical Information

The scientific and technical information relating to the operation of New Gold's operating mines contained herein has been reviewed and approved by Mr. Nicholas Kwong, Director, Business Improvement of New Gold. The scientific and technical information relating to Mineral Resources and exploration contained herein has been reviewed and approved by Mr. Mark A. Petersen, Vice President, Exploration of New Gold. Mr. Kwong is a Professional Engineer and member of the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Petersen is a SME Registered Member, AIPG Certified Professional Geologist. Mr. Kwong and Petersen are "Qualified Persons" for the purposes of NI 43-101.

The estimates of Mineral Reserves and Mineral Resources discussed in this MD&A may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other relevant issues. New Gold's current Annual Information Form and the NI 43-101 Technical Reports for its mineral properties, all of which are available on SEDAR at www.sedar.com, contain further details regarding Mineral Reserve and Mineral Resource estimates, classification and reporting parameters, key assumptions and associated risks for each of New Gold's mineral properties, including a breakdown by category.

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Code of Business Conduct and Ethics

This Code of Business Conduct and Ethics ("Code") applies to every Director, Officer (including our President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO")), contractor and employee of New Gold Inc. or its subsidiaries (collectively the "Company"). For the purposes of this Code, the term "employee" includes contractors and any individual who is paid on the Company's payroll.

To further the Company's values of integrity, creativity, commitment, development of employees and teamwork, we have established this Code. Our Code strives to deter wrongdoing and promote the following objectives:

- Honest and ethical conduct, including ethical interactions with government officials and the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, understandable and transparent disclosure in periodic reports and documents required to be filed by the Company and in other public communications made by the Company;
- Compliance with the applicable exchange, government and self-regulatory organization laws, rules and regulations;
- Prompt internal reporting of Code violations; and
- Accountability for compliance with the Code.

Below, we discuss situations that require application of our fundamental principles and promotion of our objectives. If there is a conflict between this Code and a specific procedure, you should consult the CEO or the General Counsel for guidance. In the event of a conflict between this Code and any such procedure, or for any other guidance in respect of this Code absent a specific referral herein, the CEO or General Counsel, as the case may be, should consult the Chair of the Audit Committee of the Board of Directors.

Accountability for Compliance with the Code

Each of the Company's directors, officers and employees is expected to:

Understand. The Company expects **you** to understand the requirements of your position including Company expectations and laws, rules and regulations that apply to your position.

Comply. The Company expects **you** to comply with this Code and all applicable laws, rules and regulations.

Report. The Company expects **you** to report any violation of this Code of which you become aware.

Be Accountable. The Company holds **you** accountable for complying with this Code

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Accounting Policies

The Company and each of its subsidiaries will make and keep books, records and accounts which, in reasonable detail, accurately and fairly present the transactions and disposition of the assets of the Company.

All directors, officers and employees are prohibited from directly or indirectly falsifying or causing to be false or misleading any financial or accounting book, record or account. You and others are expressly prohibited from directly or indirectly manipulating an audit, and from destroying or tampering with any record, document or tangible object with the intent to obstruct a pending or contemplated audit, review or investigation. The commission of, or participation in, one of these prohibited activities or other illegal conduct will subject you to penalties under applicable laws and regulations, as well as disciplinary action, including termination of employment.

No director, officer or employee of the Company may directly or indirectly;

- Make or cause to be made a materially false or misleading statement, or
- Omit to state, or cause another person to omit to state, any material fact necessary to make statements made not misleading

in connection with the audit of financial statements by independent accountants, the preparation of any required reports whether by independent or internal accountants, or any other work which involves or relates to the filing of a document with the applicable Canadian securities regulatory authorities or the U.S. Securities and Exchange Commission ("**SEC**").

Commitment

To demonstrate our determination and commitment, the Company asks each director, officer and employee to review the Code periodically throughout the year. Take the opportunity to discuss with management any circumstances that may have arisen that could be an actual or potential violation of these ethical standards of conduct. Directors, officers and employees are required to confirm compliance with the Code annually.

Compliance with Laws, Rules and Regulations

The Company's goal and intention is to comply with the laws, rules and regulations by which we are governed. In fact, we strive to comply not only with requirements of the law but also with recognized compliance practices. All illegal activities or illegal conduct by or on behalf of New Gold are prohibited whether or not they are specifically identified in this Code. Where law does not govern a situation or where the law is unclear or conflicting, you should discuss the situation with your supervisor and management should seek advice from the CEO or General Counsel. Business should always be conducted in a fair and forthright manner. Directors, officers and employees are expected to act according to high ethical standards.

Computer and Information Systems

For business purposes, officers and employees are provided telephones, tablets, mobile devices and computers and software, including network access to computing systems such as the Internet and e-mail, to improve personal productivity and to efficiently manage proprietary information in a secure and reliable manner. As with other equipment and assets of the Company, we are each responsible for the appropriate use of these assets. Except for limited personal use of the Company's telephones, tablets, mobile devices and computers, such equipment may be used only for business purposes. Officers and employees should not expect a right to privacy of their e-mail, Internet or network use. All communications, e-mails or Internet use on Company equipment or networks may be subject to monitoring by the Company for legitimate business purposes.

Confidential Information Belonging to Others

You must respect the confidentiality of information, including, but not limited to, trade secrets and other information given in confidence by others, including but not limited to partners, suppliers, contractors, competitors, customers or acquisition or investment targets, just as we protect our own confidential information. However, certain restrictions arising in relation to the information of others may place an unfair or inappropriate burden on the Company's future business. For that reason, directors, officers and employees should coordinate with the CEO, CFO or General Counsel to ensure appropriate agreements are in place prior to receiving any confidential third-party information. These agreements must reflect a balance between the value of the information received on the one hand and the logistical and financial costs of maintaining confidentiality of the information and, if applicable, limiting the Company's business opportunities on the other. In addition, any confidential information that you may possess from an outside source, such as a previous employer, must not, so long as such information remains confidential, be disclosed to or used by the Company. Unsolicited confidential information submitted to the Company should be refused, returned to the sender where possible and deleted, if received via the Internet.

Confidential and Proprietary Information

It is the Company's policy to ensure that all operations, activities and business affairs of the Company are kept confidential to the greatest extent possible. Confidential information includes all non-public information that might be of use to competitors, or that might be harmful to the Company or its customers if disclosed. Confidential and proprietary information about the Company belongs to the Company, must be treated with strictest confidence and is not to be disclosed or discussed with others.

Unless otherwise agreed to in writing, confidential and proprietary information includes any and all non-public information, methods, inventions, improvements or discoveries, whether or not patentable or copyrightable, and any other information of a similar nature disclosed to the directors, officers or employees of the Company or otherwise made known to the Company as a consequence of or through employment or association with the Company (including information originated by the director, officer or employee). This can include, but is not limited to, information regarding the Company's business, products, processes, and services. It also can include information relating to research, development, inventions, trade secrets, intellectual property of any type or description, data, business plans, marketing strategies, engineering, contract negotiations and business methods or practices.

The following are examples of information that are not considered confidential:

- Information that is in the public domain to the extent it is readily available;
- Information that becomes generally known to the public other than by disclosure by the Company or a director, officer or employee; or
- Information you receive from a party that is under no legal obligation of confidentiality with the Company with respect to such information.

We have exclusive property rights to all confidential and proprietary information regarding the Company. The unauthorized disclosure of this information could destroy its value to the Company and give others an unfair advantage. You are responsible for safeguarding Company information and complying with established security controls and procedures. All documents, records, notebooks, notes, memoranda and similar repositories of information containing information of a secret, proprietary, confidential or generally undisclosed nature relating to the Company or our operations and activities made or compiled by the director, officer or employee or made available to you prior to or during the term of your association with the Company, including any copies thereof, unless otherwise agreed to in writing, belong to the Company and shall be held by you in trust solely for the benefit of the Company, and shall be delivered to the Company by you on the termination of your association with us or at any other time we request.

Conflicts of Interest

Conflicts of interest can arise in virtually every area of our operations. A “conflict of interest” exists whenever an individual’s personal interests interfere or conflict with the interests of the Company. We must strive to handle in an ethical and practical manner actual or apparent conflicts of interest between personal and professional relationships. We must each make decisions in the best interest of the Company. Business, financial or other relationships with suppliers, customers or competitors that might impair or appear to impair the exercise of our judgment should be avoided.

Here are some examples of potential conflicts of interest:

Family Members. Actions of family members may create a conflict of interest. For example, gifts to family members by a supplier of the Company are considered gifts to you and should be reported if they involve more than ordinary social amenity or are of more than nominal value from any organization doing or seeking to do business with the Company. Doing business for the Company with organizations where your family members are employed or that are partially or fully owned by your family members or close friends may create a conflict or the appearance of a conflict of interest. For purposes of the Code “family members” include any child, stepchild, grandchild, parent, stepparent, grandparent, spouse (including a common-law spouse), sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, and adoptive relationships.

Gifts, Entertainment, Loans, or Other Favors. Directors, officers and employees shall not seek or accept gifts, entertainment, loans, or other favors for personal gain if it is more than ordinary social amenity or of more than nominal value from anyone soliciting business from, or doing business with the Company, or from any person or entity in competition with us. Other than common business courtesies, directors, officers, and employees must not offer or provide anything to any person or organization for the purpose of influencing the person or organization in their business relationship with us. Additional restrictions apply when providing anything of value to a government official or employee, employee or agent of a state-owned or controlled enterprise, employee or agent of a public international organization, political party or official thereof or any candidate for a political office. Please refer to the sections of this Code on Bribery and the Foreign Corrupt Practices Act and the Corruption of Foreign Public Officials Act for more information.

Directors, officers and employees are expected to deal with advisors or suppliers who best serve the needs of the Company as to price, quality and service in making decisions concerning the use or purchase of materials, equipment, property or services. Directors, officers and employees who use the company’s advisors, suppliers or contractors in a personal capacity are expected to pay market value for materials and services provided.

Outside Employment. Officers and employees may not participate in outside employment, self-employment, or serve as officers, directors, partners or consultants for outside organizations, if such activity:

- reduces work efficiency;
- interferes with your ability to act conscientiously in our best interest;
- requires you to utilize our proprietary or confidential procedures, plans or techniques; or
- negatively impacts the reputation of the Company.

You must inform your supervisor of any outside employment, including the employer’s name and expected work hours.

You should report any actual or potential conflict of interest involving yourself or others of which you become aware to your supervisor or the CEO or General Counsel. Officers and Directors should report any actual or potential conflict of interest involving yourself or another officer or director of which you become aware to the Chair of the Audit Committee of the Board of Directors.

Corporate Opportunities and Use and Protection of Company Assets

You are prohibited from:

- taking for yourself, personally, opportunities that are discovered through the use of Company property, information or position;
- using Company property, information or position for personal gain; or
- competing with the Company.

You have a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

You are personally responsible and accountable for the proper expenditure of Company funds, including money spent for travel expenses or for business entertainment. You are also responsible for the proper use of property over which you have control, including both Company property and funds and property that has been entrusted to your custody. Company assets must be used only for proper purposes.

Company property should not be misused. Company property may not be sold, loaned or given away regardless of condition or value, without proper authorization. Each director, officer and employee should protect our assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. Company assets should be used only for legitimate business purposes.

Disclosure Policies and Controls

The continuing excellence of the Company's reputation depends on our full and complete disclosure of important information about the Company that is used in the securities marketplace. Our financial and non-financial disclosures and filings with the applicable Canadian securities regulatory authorities and SEC must be accurate and timely. Proper reporting of reliable, truthful and accurate information is a complex process involving cooperation among many of us. We must all work together to ensure that reliable, truthful and accurate information is disclosed to the public.

The Company must disclose to the applicable Canadian securities regulatory authorities, the SEC, current security holders and the investing public, information that is required, and any additional information that may be necessary to ensure the required disclosures are not misleading or inaccurate. The Company requires you to participate in the disclosure process in accordance with the Disclosure, Confidentiality and Insider Trading Policy, which is overseen by the Disclosure Committee appointed in accordance with such policy. The disclosure process is designed to record, process, summarize and report material information as required by all applicable laws, rules and regulations. Participation in the disclosure process is a requirement of a public company, and full cooperation with members of the Disclosure Committee and other officers, managers and employees in the disclosure process is a requirement of this Code.

Officers and employees must fully comply with their disclosure responsibilities in an accurate and timely manner (within the guidelines of applicable securities regulatory authorities) or be subject to discipline of up to and including termination of employment.

Fair Dealing with Others

No director, officer or employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

Filing of Government Reports

Any reports or information provided by the Company, or on our behalf, to federal, provincial, territorial, state, local or foreign governments must be true and accurate. You are required to assist the Company in providing true and accurate reports and information. Any omission, misstatement or lack of attention to detail could result in a violation of the reporting laws, rules and regulations.

Bribery

You are strictly forbidden from, directly or indirectly, offering, promising or giving money, gifts, loans, rewards, favors or anything of value to any government official or employee, employee or agent of a state-owned or controlled enterprise, employee or agent of a public international organization, political party or official thereof or any candidate for a political office, including any agent or other intermediary, including a close family member or household member, of any of the above, in connection with the business of New Gold, except in full compliance with the Company's Anti-Bribery and Anti-Corruption Policy.

Those paying a bribe may subject the Company and themselves to civil and criminal penalties. When dealing with government representatives or officials and private parties, no improper payments will be tolerated. If you become aware of or receive any solicitation for, or offer of, money or a gift, that is intended to influence an official decision or business decision inside or outside of the Company, it should be reported to your supervisor, the General Counsel or the CEO immediately.

The Company prohibits improper payments in all of its activities, whether these activities are with governments or in the private sector. Please refer to the Company's Anti-Bribery and Anti-Corruption Policy and procedures implemented in respect of that policy for more information.

Foreign Corrupt Practices Act and the Corruption of Foreign Public Officials Act

The United States Foreign Corrupt Practices Act (" **FCPA**") and the Corruption of Foreign Public Officials Act (Canada) (" **CFPOA**") contain certain prohibitions with respect to giving anything of value, directly or indirectly, to foreign government officials or certain other individuals in order to obtain, retain or direct business for or to any person. Accordingly, corporate funds, property or anything of value may not be, directly or indirectly, offered or given by you or an agent acting on our behalf, to a government official or employee, employee or agent of a state-owned or controlled enterprise, employee or agent of a public international organization, political party or official thereof or any candidate for a political office, including any agent or other intermediary, including a close family member or household member, of any of the above for the purpose of influencing any act or decision of such party or person or inducing such party or person to use its or his influence, or to otherwise secure any improper advantage, in order to assist in obtaining or retaining business for, or directing business to, any person.

You are also prohibited from offering or paying anything of value to any person if it is known or there is a reason to know that all or part of such payment will be used for the above-described prohibited actions. This provision includes situations when intermediaries, such as affiliates, or agents, are used to channel payments to government officials.

In addition to complying with the FCPA and CFPOA, you are required to comply with local anti-bribery and anti-corruption laws in the jurisdictions in which New Gold conducts business.

Each officer, director and employee is also expected to comply with our additional policies, programs, standards and procedures related to anti-corruption compliance. Please refer to the Company's Anti-Bribery and Anti-Corruption Policy and procedures implemented in respect of that policy for more information.

Health, Safety, Environment & Corporate Social Responsibility

The Company is committed to managing and operating our assets in a manner that is protective of human health and safety and the environment, respects human rights and involves active engagement with host communities. It is our policy to comply, in all material respects, with applicable health, safety and environmental laws and regulations. Each employee is also expected to comply with our policies, programs, standards and procedures relating to health, safety, the environment, human rights, community engagement and corporate social responsibility.

Political Contributions

You must refrain from making any use of Company, personal or other funds or resources on behalf of the Company, or which may be attributed to or associated with the Company, for political or other purposes which are improper or prohibited by the applicable federal, provincial, territorial, state, local or foreign laws, rules or regulations. Company contributions, or those which may be associated with the Company, or expenditures in connection with election campaigns may be permitted only to the extent allowed by federal, provincial, territorial, state, local or foreign election laws, rules and regulations and require the approval of the CEO.

You are encouraged to participate actively in the political process in your personal capacity, but not on behalf of the Company. We believe that individual participation is a continuing responsibility of those who live in a free country.

Prohibited Substances

You are prohibited from using alcohol, illegal drugs or other prohibited items, including unauthorized legal drugs which affect the ability to perform your work duties, while on Company premises. You are also prohibited from the possession or use of alcoholic beverages, firearms, weapons or explosives on our property unless authorized by the CEO or an Executive Vice President. You are also prohibited from reporting to work while under the influence of alcohol or illegal drugs.

Relations, Respect and Contribution

We function as a team. Your success as part of this team depends on your contribution and ability to inspire the trust and confidence of your coworkers and supervisors. Respect for the rights and dignity of others and a dedication to the good of our Company are essential.

A cornerstone of our success is the teamwork of our directors, officers and employees. We must each respect the rights of others while working as a team to fulfill our objectives. To best function as part of a team, you must be trustworthy and dedicated to high standards of performance. The relationships between business groups also require teamwork.

To facilitate respect and contribution among employees, we have implemented the following employment policies:

- To hire, pay and assign work on the basis of qualifications and performance;
- Not to discriminate on the basis of race, religion, ethnicity, national origin, color, gender, age, sexual orientation, citizenship, veteran's status, marital status or disability;
- To attract and retain a highly talented workforce;
- To encourage skill growth through training and education and promotional opportunities;
- To encourage an open discussion between all levels of employees and to provide an opportunity for feedback from the top to the bottom and from the bottom to the top;
- To prohibit harassment (including sexual, physical, verbal) by others while an employee is on the job;
- To make the safety and security of our employees while at Company facilities a priority;
- To recognize and reward additional efforts that go beyond our expectations; and
- To respect all workers' rights to dignity and personal privacy by not disclosing employee information, including protected health information, unnecessarily.

Reporting of Code Violations

You should be alert and sensitive to situations that could result in actions that might violate federal, state, or local laws or the standards of conduct set forth in this Code. If you believe your own conduct or that of an employee, director or officer may have violated any such laws or this Code, you have an obligation to report the matter in accordance with this Code and/or the Whistleblower Policy.

Generally, you should raise such matters first with an immediate supervisor. However, if you are not comfortable bringing the matter up with your immediate supervisor, or do not believe the supervisor has dealt with the matter properly, then you should raise the matter with the CEO, CFO or General Counsel. Alternatively, complaints may be made in accordance with the Whistleblower Policy. The most important point is that possible violations should be reported and we support all means of reporting them.

Directors and officers should report any potential violations of this Code involving directors or officers to the Chair of the Audit Committee of the Board of Directors.

Non-Retaliation for Reporting

In no event will the Company take or threaten any action against you as a reprisal or retaliation for making a complaint in good faith in accordance with this Code or the Company's Whistleblower Policy. However, if a reporting individual was involved in improper activity the individual may be appropriately disciplined even if he or she was the one who disclosed the matter to the Company. In these circumstances, we may consider the conduct of the reporting individual in reporting the information as a mitigating factor in any disciplinary decision.

We will not allow retaliation against a reporting individual for reporting, in good faith, a concern regarding compliance with this Code in accordance with this Code or the Company's Whistleblower Policy. Retaliation for reporting an offense may be illegal under applicable law and prohibited under this Code. Retaliation for reporting any violation of a law, rule or regulation or a provision of this Code or the Company's policies and procedures is prohibited. Retaliation will result in discipline up to and including termination of employment and may also result in criminal prosecution.

Anonymous Reporting

If you wish to report a suspected violation of this Code anonymously, you may do so in accordance with the Company's Whistleblower Policy. You do not have to reveal your identity in order to make a report. If you do reveal your identity, it will not be disclosed by the Chair of the Audit Committee unless disclosure is unavoidable during an investigation.

Waivers

There shall be no waiver of any part of this Code for any director or executive officer (being the CEO, the CFO, the Chief Operating Officer, each Executive Vice President and each Vice President) except by a vote of the Board of Directors or a designated Board committee that will ascertain whether a waiver is appropriate under all the circumstances. If a waiver (or implicit waiver) is granted to a director or executive officer, notice of such waiver will be disclosed to the extent required by applicable law or stock exchange rules. For these purposes, the term "waiver" means the approval by the Company of a material departure from a provision of the Code, and the term "implicit waiver" means a failure of the Company to take action within a reasonable period of time regarding a material departure from a provision of the Code that has been made known to an executive officer. Any notices of waiver posted on our website shall remain there for a period of 12 months and shall be retained in our files as required by applicable law.

A waiver for a specific event arising under this Code may be granted to an employee that is not a director or executive officer on the approval of two of the following: the CEO, any Executive Vice President, and any director. No other waivers of this Code are permitted.

Amendments and Modifications of this Code

There shall be no amendment or modification to this Code except by a vote of the Board of Directors or a designated Board committee that will ascertain whether an amendment or modification is appropriate.

In case of any amendment or modification of this Code that applies to an officer or director of the Company, the amendment or modification shall be posted on the Company's website within five days of the Board vote or shall be otherwise disclosed as required by applicable law or applicable exchange rules. Notice posted on the website shall remain there for a period of 12 months and shall be retained in the Company's files as required by law.

Conclusion

This Code is an attempt to point all of us at the Company in the right direction, but no document can achieve the level of principled compliance that we are seeking. In reality, each of us must strive every day to maintain our awareness of these issues and to comply with the Code's principles to the best of our abilities. Before we take an action, we must always ask ourselves:

Does it feel right?

Is this action ethical in every way?

Is this action in compliance with the law?

Could my action create an appearance of impropriety?

Am I trying to fool anyone, including myself, about the propriety of this action?

If an action would elicit the wrong answer to any of these questions, do not take it. We cannot expect perfection, but we do expect good faith. If you act in bad faith or fail to report illegal or unethical behavior, then you will be subject to disciplinary procedures. We hope that you agree that the best course of action is to be honest, forthright and loyal at all times.

Discipline for Noncompliance with this Code

Disciplinary actions for violations of this Code can include oral or written reprimands, suspension or termination of employment or a potential civil lawsuit against you.

The violation of laws, rules or regulations, which can subject the Company to fines and other penalties, may result in your criminal prosecution.

Exhibit 5

Dodd-Frank Act Disclosure of Mine Safety and Health Administration Safety Data

The operation of New Gold Inc.'s ("**Company**") Mesquite Mine in California, the Company's sole mine in the United States, is subject to regulation by The Federal Mine Safety and Health Administration ("**MSHA**") under the Federal Mine Safety and Health Act of 1977 (" **FMSH Act**"). MSHA inspects the Mesquite Mine on a regular basis and issues citations and orders when it believes a violation has occurred under the FMSH Act.

As required by the reporting requirements regarding mine safety included in section 1503(a)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank Act**"), the table below presents the following information for the Mesquite Mine, for which the Company is the operator, for the year ended December 31, 2017 ("**Period**"):

Reporting Requirement	Disclosure for Mesquite Mine for the Period
The total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the FMSH Act for which the operator received a citation from the MSHA	1
The total number of orders issued under section 104(b) of the FMSH Act	0
The total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the FMSH Act	0
The total number of flagrant violations under section 110(b)(2) of the FMSH Act	0
The total number of imminent danger orders issued under section 107(a) of the FMSH Act	0
The total dollar value of proposed assessments from MSHA under the FMSH Act	405.00
The total number of mining-related fatalities	0
Notices received from MSHA during the Period regarding a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the FMSH Act	0
Notices received from MSHA during the Period regarding the potential to have a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the FMSH Act	0
The total number of legal actions before the Federal Mine Safety and Health Review Commission ("**FMSHRC**") pending as of the last day of the Period	0
The total number of legal actions before FMSHRC instituted during the Period	3
The total number of legal actions before FMSHRC resolved during the Period	3

Exhibit 6

Certification of President and Chief Executive Officer as Required by Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Hannes Portmann, certify that:

1. I have reviewed this annual report on Form 40-F of New Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2018

/s/ Hannes Portmann
Hannes Portmann
President and Chief Executive Officer

Exhibit 7

Certification of Chief Financial Officer as Required by Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Paula Myson, certify that:

1. I have reviewed this annual report on Form 40-F of New Gold Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2018

/s/ Paula Myson
Paula Myson
Chief Financial Officer

Exhibit 8

Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the annual report on Form 40-F for the fiscal year ended December 31, 2017 (the " **Report**") by New Gold Inc. (the "**Company**"), I, Hannes Portmann, as President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 29, 2018

/s/ Hannes Portmann
Hannes Portmann
President and Chief Executive Officer

Exhibit 9

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the annual report on Form 40F for the fiscal year ended December 31, 2017 (the " **Report**") by New Gold Inc. (the "**Company**"), I, Paula Myson, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 29, 2018

/s/ Paula Myson
Paula Myson
Chief Financial Officer

Exhibit 10

Consent of Independent Registered Public Accounting Firm

We consent to the use of our reports dated February 20, 2018 relating to the consolidated financial statements of New Gold Inc. and subsidiaries ("**New Gold Inc.**") and the effectiveness of New Gold Inc.'s internal control over financial reporting appearing in this annual report on Form 40-F of New Gold Inc. for the year ended December 31, 2017.

/s/ Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 29, 2018

Exhibit 11

Consent of Mark Petersen

United States Securities and Exchange Commission
Ladies and Gentlemen:

I, Mark A. Petersen, SME Registered Member, AIPG Certified Professional Geologist, hereby consent to the use of and reference to my name, and the inclusion in the annual report on Form 40-F of New Gold Inc. of the information reviewed and approved by me that is all the information of a scientific or technical nature contained in the Annual Information Form of New Gold Inc. for the financial year ended December 31, 2017, other than the scientific and technical information relating to the operation of New Gold's operating mines.

Dated this 29th day of March, 2018

Yours truly,

/s/ Mark Petersen
Name: Mark A. Petersen
AIPG Certified Professional Geologist – CPG N^{O} 10563
SME Registered Member N^{O} 2519520
New Gold Inc.

Exhibit 12

Consent of Nicholas Kwong

United States Securities and Exchange Commission

Ladies and Gentlemen:

I, Nicholas Kwong, Professional Engineer, hereby consent to the use of and reference to my name, and the inclusion in the annual report on Form 40-F of New Gold Inc. of the information reviewed and approved by me that is of a scientific or technical nature relating to the operation of New Gold's operating mines contained in the Annual Information Form for the financial year ended December 31, 2017.

Dated this 29th day of March, 2018

Yours truly,

/s/ Nicholas Kwong

Name: Nicholas Kwong
Professional Engineer
New Gold Inc.