

**Form 51-102F4**  
***Business Acquisition Report***

**Item 1 Identity of Company**

**1.1 Name and Address of Company**

Artemis Gold Inc. (“**Artemis**” or the “**Company**”)  
Suite 3083, Three Bentall Centre, 595 Burrard Street  
Vancouver BC V7X 1L3  
Canada

**1.2 Executive Officer**

Chris Batalha  
Chief Financial Officer  
Tel: (604) 697-6206

**Item 2 Details of Acquisition**

**2.1 Nature of Business Acquired**

On August 21, 2020, BW Gold Ltd (“**BW Gold**”), a wholly-owned subsidiary of the Company, acquired the Blackwater Gold-Silver Project (the “**Project**”) and all associated infrastructure (the “**Acquisition**”) from New Gold Inc (“**New Gold**”). The Project is located in central British Columbia, approximately 160 km southwest of Prince George and 446 km northeast of Vancouver. The Acquisition was completed pursuant to the terms of an asset purchase agreement (the “**Purchase Agreement**”) among the Company, BW Gold and New Gold. A copy of the Purchase Agreement was filed under Artemis’ profile on SEDAR at [www.sedar.com](http://www.sedar.com).

BW Gold acquired New Gold’s 100% recorded interest in 328 mineral claims covering an area of 148,688 ha distributed among the Project and the Capoose, Auro, Key, Parlane and RJK claim blocks. The Acquisition also included all permits, licenses, approvals, vehicles and other machinery, equipment, infrastructure, contracts and other assets and property of New Gold relating exclusively to the Project or the Project’s operations.

**2.2 Acquisition Date**

August 21, 2020

## 2.3

### Consideration

Pursuant to the Purchase Agreement, the aggregate consideration for the Acquisition was comprised of (i) an initial payment of C\$140 million (the “**Initial Payment**”) which was paid at closing to New Gold, (ii) 7,407,407 common shares in the capital of the Company (the “**Consideration Shares**”) at a deemed issue price of \$2.70 per Consideration Share which were issued at closing to New Gold, (iii) a cash payment of \$50 million to be paid one year following the closing of the Acquisition (the “**Second Payment**”) and (iv) a secured gold stream participation in favor of New Gold (as described below).

#### *Initial Payment Financings*

The Initial Payment was funded through the proceeds of a “bought deal” private placement (“**Bought Deal Offering**”) and non-brokered private placement (“**Non-Brokered Offering**” and together with the Bought Deal Offering, the “**Financings**”) of an aggregate of 64,825,925 subscription receipts of the Company (the “**Subscription Receipts**”) at a price of \$2.70 per Subscription Receipt. The Bought Deal Offering consisted of the issuance of 38,900,000 Subscription Receipts for aggregate gross proceeds of \$105,030,000 and was conducted by a syndicate of underwriters, co-led by Canaccord Genuity Corp. and BMO Capital Markets and included Haywood Securities Inc., National Bank Financial Inc., PI Financial Corp. and Stifel GMP. The Non-Brokered Offering consisted of the issuance of 25,925,925 Subscription Receipts for aggregate gross proceeds of approximately \$70,000,000, issued to certain insiders of the Company and a president’s list on the same terms as the Bought Deal Offering.

The escrow release conditions for the Financings were satisfied immediately prior to the closing of the Acquisition and the Subscription Receipts converted into 64,825,925 common shares of Artemis.

#### *Gold Stream Agreement*

In connection with the Acquisition, Artemis entered into a gold stream agreement with New Gold whereby New Gold will purchase 8.0% of the refined gold produced from the Project. Once 279,908 ounces of refined gold have been delivered to New Gold, the gold stream will reduce to 4.0% for the remaining life of mine. New Gold will make payments for the gold purchased equal to 35% of the US dollar gold price quoted by the London Bullion Market Association two days prior to delivery. In the event that commercial production at the Project is not achieved by the 7th, 8th, or 9th anniversary of the closing of the Acquisition, New Gold will be entitled to receive additional cash payments of \$28 million on each of those dates.

New Gold has a first ranking security interest over the Project until the Second Payment is made, and will thereafter maintain a security interest over

the Project in connection with the gold stream agreement (subject to any security to be granted over the Project in respect of future project financing).

#### **2.4 Effect on Financial Position**

On August 24, 2020, Artemis announced the appointment of key staff members as the Company looks to execute on its primary objective of advancing the Project towards permitting and construction. The staff appointments include Nick Campbell (VP Capital Markets), Klaus Popelka (Manager Resource Geology) and Ryan Todd (VP Environment & Social Responsibility).

The Company does not currently have any further plans or proposals for material changes in its business affairs or the affairs of the business acquired pursuant to the Acquisition which may have a significant effect on the financial performance and financial position of the Company

#### **2.5 Prior Valuations**

None.

#### **2.6 Parties to Transaction**

The Acquisition was not completed with an informed person, associate or affiliate of Artemis.

#### **2.7 Date of Report**

November 3, 2020

### **Item 3 Financial Statements and Other Information**

Pursuant to Part 8 of National Instrument 51-102, the following financial statements are attached hereto:

- (a) Audited carve out financial statements of the Project as at and for the year ended December 31, 2019 and December 31, 2018 together with the notes thereto and the auditor's report thereon, attached hereto as Schedule "A"; and
- (b) Unaudited carve out interim financial statements of the Project as at and for the three and six months ended June 30, 2020 and 2019, together with the notes thereto, which are attached hereto as Schedule "B".

**SCHEDULE A**

(see attached)

**SCHEDULE "A"**  
**AUDITED CARVE-OUT FINANCIAL STATEMENTS OF BLACKWATER**

# **Blackwater Project**

Carve-out Financial Statements

For the years ended December 31, 2019 and 2018

# Independent Auditor's Report

To the Board of Directors of  
New Gold Inc.

## Opinion

We have audited the carve-out financial statements of the Blackwater Project (the "Project"), which comprise the carve-out statement of financial position as at December 31, 2019, and the carve-out statement of loss and comprehensive loss, carve-out statement of changes in net parent investment, and carve-out statement of cash flows for the year then ended, and notes to the carve-out financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Project as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Project has incurred a net loss of \$649 during the year ended December 31, 2019 and, as of that date, the Project's current liabilities exceeded its current assets by \$7,928. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Project's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, ON  
November 3, 2020

# Blackwater Project

Carve-out Statements of Financial Position  
(Expressed in thousands of U.S. dollars)

	Note	As at December 31, 2019	As at December 31, 2018 (unaudited)
<b>Assets</b>			
<b>Current assets:</b>			
Cash		\$ 409	\$ 572
Trade and other receivables		343	355
Prepaid expenses and other		132	128
		884	1,055
<b>Non-current assets:</b>			
Property and equipment	4	14,475	14,239
Mineral property interests	5	340,133	326,083
<b>Total assets</b>		<b>\$ 355,492</b>	<b>\$ 341,377</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities:</b>			
Trade and other payables		\$ 8,812	\$ 1,310
		8,812	1,310
Lease obligations	6	528	-
Reclamation and closure cost obligations	7	9,439	8,313
Deferred tax liabilities	8	8,128	9,181
<b>Total liabilities</b>		<b>26,907</b>	<b>18,804</b>
<b>Equity:</b>			
Net parent investment		328,585	322,573
<b>Total equity</b>		<b>328,585</b>	<b>322,573</b>
<b>Total liabilities and equity</b>		<b>\$ 355,492</b>	<b>\$ 341,377</b>

Going concern (Note 1)  
Subsequent event (Note 11)

These carve-out financial statements are authorized for issue by Officers of New Gold Inc. on November 3, 2020.

They are signed on the entity's behalf by:

"Robert J Chausse"  
Robert J. Chausse,  
Executive Vice President and  
Chief Financial Officer

"Sean Keating"  
Sean Keating,  
Vice President, General Counsel and  
Corporate Secretary

The accompanying notes form an integral part of these carve-out financial statements.

## Blackwater Project

Carve-out Statements of Loss and Comprehensive Loss  
(Expressed in thousands of U.S. dollars)

	Note	Year ended December 31, 2019	Year ended December 31, 2018 (unaudited)
<b>Operating expenses:</b>			
Impairment of mineral property	5	\$ -	\$ 218,233
		-	218,233
<b>Other income (expense)</b>			
Finance income		15	10
Finance costs		(230)	(206)
Foreign exchange (loss) gain		(437)	738
Total other income (expense)		(652)	542
<b>Loss before taxes</b>		<b>(652)</b>	<b>(217,691)</b>
Income and mining tax (recovery) expense	8	(3)	2,052
<b>Net loss and comprehensive loss for the year</b>		<b>\$ (649)</b>	<b>\$ (219,743)</b>

The accompanying notes form an integral part of these carve-out financial statements.

## Blackwater Project

### Carve-out Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	Year ended December 31, 2019	Year ended December 31, 2018
		(unaudited)
<b>Operating activities:</b>		
Net loss for the year	\$ (649)	\$ (219,743)
Non-cash transactions:		
Impairment of mineral property	-	218,233
Income tax (recovery) expense	(3)	2,052
Foreign exchange loss (gain)	437	(738)
Finance income	(15)	(10)
Finance costs	230	206
<b>Cash used in operating activities</b>	<b>-</b>	<b>-</b>
<b>Investing activities:</b>		
Purchase of mineral property	(5,050)	(7,275)
BC exploration tax refund	1,964	-
<b>Cash used in investing activities</b>	<b>(3,086)</b>	<b>(7,275)</b>
<b>Financing activities:</b>		
Lease payments	(66)	-
Interest paid, net	(51)	-
Contributions from parent	3,007	7,617
<b>Cash provided by financing activities</b>	<b>2,890</b>	<b>7,617</b>
Impact of foreign exchange on cash	33	-
Increase (decrease) in cash	(163)	342
Cash, beginning of the year	572	230
<b>Cash, end of the year</b>	<b>\$ 409</b>	<b>\$ 572</b>

The accompanying notes form an integral part of these carve-out financial statements.

## Blackwater Project

Carve-out Statements of Changes in Net Parent Investment  
(Expressed in thousands of U.S. dollars)

	December 31, 2019		December 31, 2018 (unaudited)	
<b>Balance, beginning of the year</b>	\$	<b>322,573</b>	\$	535,980
Contributions from parent		<b>6,661</b>		6,336
Net loss		<b>(649)</b>		(219,743)
<b>Balance, end of the year</b>	\$	<b>328,585</b>	\$	322,573

The accompanying notes form an integral part of these carve-out financial statements.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 1. Blackwater transaction, nature of operations, basis of presentation, and going concern

On August 21, 2020 (the “Closing” date), New Gold Inc. (“New Gold” or the “Parent”) completed the disposition of the Blackwater gold project (“Blackwater” or the “Project”) to Artemis Gold Inc. (“Artemis”) pursuant to the terms of an asset purchase agreement (the “Asset Purchase Agreement”) dated June 9, 2020 between New Gold and BW Gold Ltd. (“BW”), a wholly-owned subsidiary of Artemis. The aggregate purchase price for the Project is comprised of (i) an initial payment of CAD\$140 million (the “Initial Payment”), which was paid on Closing, (ii) 7,407,407 common shares in the capital of Artemis (the “Consideration Shares”) at a deemed issue price of CAD\$2.70 per Consideration Share, which were issued to New Gold on Closing, (iii) a cash payment of CAD\$50 million to be paid one year following Closing (the “Second Payment”). The Parent retained a secured gold stream participation (the “Gold Stream”) with a deposit/face value of \$150 million, which enables New Gold to purchase 8.0% of the refined gold produced from the Project at a 65% discount to the spot price (London Bullion Market Association) until 279,908 ounces of refined gold have been delivered to New Gold, and then the Gold Stream will reduce to 4.0% of the refined gold produced from the Project. In the event that commercial production at Blackwater is not achieved by the 7th, 8th, or 9th anniversary of Closing, New Gold will be entitled to receive additional cash payments of CAD\$28 million on each of those dates. New Gold also retains a first ranking security interest over the Project until the Second Payment is made, and will thereafter maintain a security interest over the Project in connection with the gold stream agreement (subject to any security to be granted over the Project in respect of future project financing).

Blackwater is gold mineral resource project located in central British Columbia, Canada.

These carve-out financial statements (the “carve out financial statements”) represent the activities, assets and liabilities of Blackwater on a “carve-out” basis, rather than representing the legal structure. These carve-out financial statements have been prepared for the purpose of presenting the financial position, results of operations and cash flows of Blackwater sold to Artemis on a stand-alone basis. Where appropriate, certain transactions and balances have been attributed to the Project based on specific identification or allocation. The carve-out financial statements may not be indicative of Blackwater’s future performance and they do not necessarily reflect what the results of operations, financial position and cash flows would have been had Blackwater operated as an independent entity and had it presented stand-alone financial statements during the periods presented.

The Project has incurred net losses of \$649 and \$219,743 (unaudited) for the years ended December 31, 2019 and 2018, respectively, had a working capital deficiency of \$7,928 and \$255 (unaudited) as at December 31, 2019 and 2018, respectively, and does not generate cash flows from operations. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration and development of Blackwater. The ability to continue as a going concern remains dependent upon Blackwater’s ability to obtain the financing necessary to continue exploration and development. These conditions create a material uncertainty that may cast significant doubt about the Blackwater’s ability to continue as a going concern.

Blackwater management plans to secure the necessary financing through future fundraising activities by Artemis. These carve-out financial statements have been prepared on the basis that the Project will continue as a going concern, which assumes that the Project will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. These carve-out financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Project be unable to continue as a going concern. Such adjustments could be material.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 2. Significant accounting policies

### (a) Statement of compliance

The carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). IFRS include International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

These carve-out financial statements were approved and authorized for issuance on November 3, 2020, by Officers of New Gold.

### (b) Basis of preparation

The carve-out 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. The carve-out financial statements comprise the Blackwater Project and its various mineral claims.

### (c) Property and equipment

Property and equipment consist of buildings and fixtures, and exploration equipment. Property and equipment which have an estimated useful life of 17 years are depreciated using the straight-line method over the estimated useful life, if shorter than the expected mine life.

### (d) Mining interests

Mining interests include the Blackwater mineral property and related exploration and evaluation costs.

#### Mining property

The costs associated with a mining property includes acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired, as applicable.

Mining property includes costs directly attributable to bringing the 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.

Management estimates its mineral reserves and mineral resources based on information compiled by appropriately qualified persons. The estimation of recoverable reserves will be impacted by forecasted 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 statement of income (loss).

A mining property is considered to be capable of operating in a manner intended by management when it commences commercial production. 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 determine that a property is not economically recoverable, the capitalized costs are written off.

The costs associated with the acquisition of landholdings are included within mineral property interests and are not depleted.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 2. Significant accounting policies (continued)

### 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:

- Management controls access to the benefit;
- Internal project economics are beneficial to the Project;
- 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.

### (e) Impairment of long-lived assets

Mineral property interests are reviewed and evaluated 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. An 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. Management determined that the Blackwater Project is one CGU.

The recoverable amount of a CGU is the greater of its fair value less costs to dispose and value in use. In determining the recoverable amount of Blackwater, management used the in-situ metric approach for reserves and resources, rather than a discounted cash flow approach, consistent with the approach a market participant would take. This approach incorporated values based on recent comparable market transactions. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The carrying amount of a CGU can include the carrying amounts of mining interests, 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 CGU to its assets is based on the relative book values of these assets at the date of impairment, to the extent that the impairment allocation does not reduce the carrying values of these asset classes below their recoverable amounts.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 2. Significant accounting policies (continued)

Management 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, management 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.

### (f) Reclamation and closure cost obligations

Blackwater's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. The Project has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Project 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 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 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.

### (g) 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.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 2. Significant accounting policies (continued)

### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax base 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 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 Project records foreign exchange gains and losses representing the impacts of movements in foreign exchange rates on the tax base 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 other (losses) gains in the statement of income (loss).

### Government assistance and tax credits

Any federal or provincial tax credits received by Blackwater, 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 relate. The Project records these tax credits when there is reasonable assurance with regard to collections and assessments as well as reasonable assurance that the Project will comply with the conditions associated to them.

#### (h) Foreign currency translation

Blackwater is presented in the currency of the primary economic environment in which it operates (its functional currency). The functional and presentation currency of Blackwater is the United States dollar ("U.S. dollar").

Management determines the functional currency by examining the primary economic environment of the Project. The following factors were considered 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.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 2. Significant accounting policies (continued)

When preparing the carve-out financial statements, non-U.S. dollar balances are translated into U.S. dollars as follows:

- Mining interest 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.

### (i) Financial assets

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

The Project has categorized its financial assets in accordance with International Financial Reporting Standard 9, Financial Instruments ("IFRS 9") into the following category:

Category under IFRS 9	Description
Financial assets at amortized cost	Includes cash and trade receivables at amortized cost.

### (j) Financial liabilities

Financial liabilities are accounted for at amortized cost except for those at fair value through profit or loss ("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 (loss) rather than the statement of income (loss). Financial liabilities at amortized cost are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 2. Significant accounting policies (continued)

The Project 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.
Financial liabilities at amortized cost	Includes trade and other payables.

(k) 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.

(l) Leases

As noted below, the Project has adopted IFRS 16, Leases ("IFRS 16") on January 1, 2019. As the Project adopted the IFRS 16, Leases using the modified retrospective approach, the leases in the prior-year comparative period are accounted for under IAS 17. Under IAS 17 leases were classified as finance leases when the terms of the lease transferred substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases were classified as operating leases.

Applying IFRS 16, the Project recognizes right-of-use assets and lease liabilities in the statement of financial position initially measured as the present value of future lease payment and recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of income (loss). Lease payments are recognized within the statement of cash flows within financing activities.

In the event the Project has short-term leases (lease terms of 12 months or less) and leases of low-value or immaterial assets, the Project opted to recognize these lease payments as expenses on the statement of income (loss), as permitted by IFRS 16.

(m) New and amended IFRS Standards

The Project has adopted the following new IFRS policy along with any amendments. These changes were made in accordance with the applicable transitional provisions.

IFRS 16 – Leases

On January 6, 2016, the IASB issued 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. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted.

The Project adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. Additionally, the Project has adopted the exemption for leases with a lease term of 12 months or less and for leases that are low value.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 2. Significant accounting policies (continued)

### IFRS 15 – Revenue from Contracts with Customers

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 Project has adopted IFRS 15 effective January 1, 2018 applying the retrospective method of transition.

The standard requires entities to apportion revenue earned from contracts to individual promises or performance obligations, on a relative standalone selling price basis. The adoption of IFRS 15 did not impact the Project as the Project does not yet generate revenue.

## 3. Critical judgments and estimation uncertainties

The preparation of the Blackwater carve-out financial statements in conformity with IFRS requires the Project’s management to make judgments, estimates and assumptions about the future events that affect the amounts reported in the 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 Project’s assets and liabilities are accounted for prospectively.

## 3. Critical judgments and estimation uncertainties (continued)

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

#### Functional currency

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

#### Determination of economic viability

Management has determined that exploratory drilling, evaluation, development and related costs incurred on the Blackwater 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.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 3. Critical judgments and estimation uncertainties (continued)

### Carrying value of long-lived assets and impairment charges

In determining whether the impairment or reversal of a previous 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 or impairment reversal. These indicators consist of but are not limited to the prolonged significant changes in commodity prices, per ounce in-situ multiples, significant change to LOM plans, significant changes in discount rates and the factors which lead to a market capitalization deficiency. If an impairment or impairment reversal indicator is identified, the Project 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, 2018, indicators of impairment existed for Blackwater. The results of the impairment assessment, including the significant estimates and assumptions used, are set out in Note 5.

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

#### 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 resource 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 Project's financial position and results of operations.

#### 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 Project considers tax planning opportunities that are within the Project'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 assets recognized. At the end of each reporting period, the Project reassesses unrecognized income tax assets.

## Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

### 3. Critical judgments and estimation uncertainties (continued)

#### Reclamation and closure cost obligations

The 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 Project.

### 4. Property and equipment

		Cost	Accumulated Depreciation	Carrying Amount
Balance as at December 31, 2017 (unaudited)	\$	20,406	\$ (5,763)	\$ 14,643
Disposal		(312)	294	(18)
Depreciation		-	(386)	(386)
Balance as at December 31, 2018 (unaudited)	\$	20,094	\$ (5,855)	\$ 14,239
Additions		738	-	738
Depreciation		-	(502)	(502)
<b>Balance as at December 31, 2019</b>	<b>\$</b>	<b>20,832</b>	<b>\$ (6,357)</b>	<b>\$ 14,475</b>

Property and equipment consist primarily of camp and related infrastructure, vehicles and equipment.

### 5. Mineral property interests

A continuity of the Blackwater mineral property interests is as follows:

	Carrying Amount
Balance as at December 31, 2017 (unaudited)	\$ 537,475
Additions	6,841
Impairment (see below)	(218,233)
Balance as at December 31, 2018 (unaudited)	\$ 326,083
Additions	16,014
Tax credit	(1,964)
<b>Balance as at December 31, 2019</b>	<b>\$ 340,133</b>

#### Impairment

In accordance with the Project's accounting policies, the recoverable amount of an asset or cash-generating unit is estimated when an indication of impairment exists.

## Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

### 5. Mineral property interests (continued)

During the second half of 2018, the Parent experienced a significant and prolonged period where the carrying value of its net assets was more than its market capitalization. The Parent identified this market capitalization deficiency as an indicator of impairment as at December 31, 2018. As a result of this impairment indicator, the Parent determined that impairment existed at Blackwater.

Management assessed the value of the project using an in-situ metric approach for reserves and resources, rather than a discounted cash flow approach, consistent with the approach a market participant would take. This approach incorporated values based on recent comparable market transactions.

For the year ended December 31, 2018, the Project recorded an impairment loss of \$218.2 million (unaudited).

### 6. Leases

#### (a) Right-of-use assets

The Project leases a building. This asset is included in property and equipment on the statement of financial position.

	<b>December 31,</b>
	<b>2019</b>
<b>Right-of-use assets</b>	
Balance as at January 1, 2019	\$ -
Additions	738
Depreciation	(116)
<b>Balance as at December 31, 2019</b>	<b>\$ 622</b>

#### (b) Lease liabilities

Please see below for a maturity analysis of the Project's lease payments:

	<b>December 31,</b>
	<b>2019</b>
<b>Maturity of leases</b>	
Less than 1 year	\$ 165
Between 1 and 3 years	340
Between 3 and 5 years	71
<b>Total<sup>(1)</sup></b>	<b>\$ 576</b>
Carrying value of lease liabilities	\$ 653
Less: current portion of lease liabilities <sup>(1)</sup>	(125)
<b>Non-current portion of lease liabilities</b>	<b>\$ 528</b>

1. The current portion of the lease liabilities is included in trade and other payables on the statement of financial position.

For the year ended December 31, 2019, the Project recognized \$38 in interest expense on lease liabilities.

## Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

### 7. Reclamation and closure cost obligations

Changes to the reclamation and closure cost obligations are as follows:

		<b>Carrying Amount</b>
Balance as at December 31, 2017 (unaudited)	\$	9,363
Reclamation expenditures		-
Unwinding of discount		199
Revisions to expected cash flows		(511)
Foreign exchange movement		(738)
Balance as at December 31, 2018 (unaudited)		8,313
Reclamation expenditures		-
Unwinding of discount		163
Revisions to expected cash flows		526
Foreign exchange movement		437
<b>Balance as at December 31, 2019</b>	<b>\$</b>	<b>9,439</b>

Each period the management reviews cost estimates and other assumptions used in the valuation of the obligations at Blackwater 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 Project 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 plan; 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.

The majority of the expenditures are expected to occur after 2040. The discount rates used in estimating the site reclamation and closure cost obligations were 1.8% for the year ended December 31, 2019 (2018 – 1.9% (unaudited)), and the inflation rate used was 1.4% for the year ended December 31, 2019 (2018 – 1.4% (unaudited)).

Regulatory authorities require that security be provided to cover the estimated reclamation and remediation obligations. As at December 31, 2019, the Parent provided letters of credit totalling \$2.1 million (2018 - \$2.0 million (unaudited)) to various regulatory agencies to satisfy financial assurance requirements for this purpose, which remained in effect until August 21, the date of sale (see Note 1) and transfer of the obligation to Artemis.

## Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

### 8. Income and mining taxes

(a) Income tax recovery provision

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:

	December 31, 2019		December 31, 2018 (unaudited)
Loss before income taxes	\$ (652)	\$	(217,691)
Canadian income tax rates	26.3%		26.3%
Expected income tax recovery	(171)		(57,253)
Increase (decrease) in income tax recovery resulting from:			
Other foreign exchange differences	115		(194)
Increase in unrecognized tax asset	53		59,499
<b>Income tax (recovery) expense</b>	<b>\$ (3)</b>	<b>\$</b>	<b>2,052</b>

(b) Significant components of the deferred tax assets and liabilities are:

	December 31, 2019		December 31, 2018 (unaudited)
Property and equipment	\$ 2,691	\$	2,472
Tax credits	4,959		4,721
Other	190		-
Deferred tax assets	7,840		7,193
BC mining tax	(8,128)		(9,181)
Other	(168)		(2)
Deferred tax liabilities	(8,296)		(9,183)
Unrecognized deferred tax assets	(7,672)		(7,191)
<b>Net deferred tax liability</b>	<b>\$ (8,128)</b>	<b>\$</b>	<b>(9,181)</b>

### 9. Capital management

The Project's objectives when managing capital are to safeguard Blackwater's ability to continue as a going concern in order to continue exploration and development activities. The Project manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure the Project may issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

## 10. Financial instruments

The Project's financial instruments consist of cash, trade and other receivables, and trade and other payables. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The following summarizes fair value hierarchy under which the Project's financial instruments are valued:

**Level 1** – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;

**Level 2** – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

**Level 3** – fair values based on inputs for the asset or liability that are not based on observable market data.

As at December 31, 2019 and 2018 there were no material financial instruments measured at fair value.

The Project's financial instruments are exposed to credit risk, and liquidity risk. As at December 31, 2019 the primary risk was as follows:

### Liquidity risk

This is the risk that the Project will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at December 31, 2019, the Project had a working capital deficiency of \$7,928 (2018 - \$255 (unaudited)).

### Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risks to which the Project is exposed are as follows:

#### (i) Foreign currency risk

The Project is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. As at December 31, 2019 and 2018, the Project's foreign currency exposure relates primarily to cash, trade and other receivables, prepaid expenses and trade and other payables that are in majority Canadian dollar.

The currency risk exposure for financial instruments denominated in foreign currencies is as follows:

	<b>December 31, 2019</b>	December 31, 2018 (unaudited)
Financial assets	\$ 731	\$ 903
Financial liabilities	(8,812)	(1,310)
<b>Net exposure</b>	<b>\$ (8,081)</b>	<b>\$ (407)</b>

Relative to the value of mineral property interest, a 10% increase or decrease in the Canadian dollar exchange rate would not have a material impact on the Project's net loss.

# Blackwater Project

Notes to the Carve-out Financial Statements

(Expressed in thousands of U.S. dollars)

Years ended December 31, 2019 (audited) and 2018 (unaudited)

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## 11. Subsequent event

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus (“COVID-19”). The expected impacts of COVID-19 on global commerce were anticipated to be far-reaching including significant volatility in stock markets, significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and restrictions in the global movement of people, certain services, and goods. The Project has assessed the economic impacts of COVID-19 on its carve-out financial statements and as at December 31, 2019, management has determined that the Project’s ability to execute its medium and longer term plans and the economic viability of Blackwater are not materially impacted. In making this judgment, management has assessed various criteria including, but not limited to, existing laws, regulations, orders, disruptions and potential disruptions in our supply chain, disruptions in the markets for our products, commodity prices and foreign exchange prices and the actions that the Project has taken at its operations to protect the health and safety of its workforce and local community.

**SCHEDULE B**

(see attached)

**SCHEDULE "B"**

**UNAUDITED CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS OF BLACKWATER**

# **Blackwater Project**

Condensed Interim Carve-out Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Unaudited)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim carve-out financial statements of the Blackwater Project for the three and six month periods ending June 30, 2020 and 2019, have been prepared in accordance with the International Accounting Standard 34 - Interim Financial Reporting as issued by the International Accounting Standards Board and are the responsibility of New Gold Inc.'s (the "Parent's") management.

No independent auditor has performed a review of these condensed interim carve-out financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Blackwater Project

Condensed Interim Carve-out Statements of Financial Position  
(Expressed in thousands of U.S. dollars - Unaudited)

	Note	As at June 30, 2020	As at December 31, 2019
<b>Assets</b>			
<b>Current assets:</b>			
Cash		\$ 534	\$ 409
Trade and other receivables		321	343
Prepaid expenses and other		118	132
		<b>973</b>	<b>884</b>
<b>Non-current assets:</b>			
Property and equipment	4	11,157	14,475
Mineral property interests	5	307,950	340,133
<b>Total assets</b>		<b>\$ 320,080</b>	<b>\$ 355,492</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities:</b>			
Trade and other payables		\$ 1,133	\$ 8,812
		<b>1,133</b>	<b>8,812</b>
Lease obligations		435	528
Reclamation and closure cost obligations	6	9,852	9,439
Deferred tax liabilities		-	8,128
<b>Total liabilities</b>		<b>11,420</b>	<b>26,907</b>
<b>Equity:</b>			
Net parent investment		308,660	328,585
<b>Total equity</b>		<b>308,660</b>	<b>328,585</b>
<b>Total liabilities and equity</b>		<b>\$ 320,080</b>	<b>\$ 355,492</b>
Going concern (Note 1)			

The accompanying notes form an integral part of these condensed interim carve-out financial statements.

## Blackwater Project

Condensed Interim Carve-out Statements of Loss and Comprehensive Loss  
(Unaudited - Expressed in thousands of U.S. dollars)

		Three months ended June 30		Six months ended June 30	
	Note	2020	2019	2020	2019
<b>Operating expenses:</b>					
Impairment of mineral property	5	\$ 37,701	-	\$ 37,701	-
		37,701	-	37,701	-
<b>Other income (expense)</b>					
Finance income		-	4	2	7
Finance costs		(47)	(65)	(105)	(133)
Foreign exchange (loss) gain		(354)	(190)	417	(363)
<b>Loss before taxes</b>		<b>\$ (37,305)</b>	<b>(251)</b>	<b>\$ (37,387)</b>	<b>(489)</b>
Income and mining tax recovery		(10,147)	-	(8,127)	(23)
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (27,158)</b>	<b>(251)</b>	<b>\$ (29,260)</b>	<b>(466)</b>

The accompanying notes form an integral part of these condensed interim carve-out financial statements.

## Blackwater Project

Condensed Interim Carve-out Statements of Cash Flows  
(Unaudited - Expressed in thousands of U.S. dollars)

	Six months ended June 30, 2020	Six months ended June 30, 2019
<b>Operating activities:</b>		
Net loss for the period	\$ (29,260)	\$ (466)
Non-cash transactions:		
Impairment of mineral property interest	37,701	
Income tax recovery	(8,127)	(23)
Foreign exchange (loss) gain	(417)	363
Finance income	(2)	(7)
Finance costs	105	133
<b>Cash used in operating activities</b>	<b>-</b>	<b>-</b>
<b>Investing activities:</b>		
Purchase of mineral property interests	(8,900)	(2,347)
<b>Cash used in investing activities</b>	<b>(8,900)</b>	<b>(2,347)</b>
<b>Financing activities:</b>		
Lease payments	(77)	(31)
Interest paid, net	(36)	(25)
Contributions from parent	9,154	3,066
<b>Cash provided by financing activities</b>	<b>9,041</b>	<b>3,010</b>
Impact of foreign exchange on cash	(16)	-
Increase in cash	125	663
Cash, beginning of the period	409	572
<b>Cash, end of the period</b>	<b>\$ 534</b>	<b>\$ 1,235</b>

The accompanying notes form an integral part of these condensed interim carve-out financial statements.

## Blackwater Project

Condensed Interim Carve-out Statements of Changes in Net Parent Investment  
(Unaudited - Expressed in thousands of U.S. dollars)

		June 30, 2020	June 30, 2019
<b>Balance, beginning of the period</b>	<b>\$</b>	<b>328,585</b>	322,573
Contributions from parent		<b>9,335</b>	3,517
Net loss		<b>(29,260)</b>	(466)
<b>Balance, end of the period</b>	<b>\$</b>	<b>308,660</b>	325,624

The accompanying notes form an integral part of these condensed interim carve-out financial statements.

# Blackwater Project

Notes to the Condensed Interim Carve-out Financial Statements

(Unaudited - Expressed in thousands of U.S. dollars)

Periods ended June 30, 2020 and 2019

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## 1. Blackwater transaction, nature of operations, basis of presentation, and going concern

On August 21, 2020 (the "Closing" date), New Gold Inc. ("New Gold" or the "Parent") completed the disposition of the Blackwater gold project ("Blackwater" or the "Project") to Artemis Gold Inc. ("Artemis") pursuant to the terms of an asset purchase agreement (the "Asset Purchase Agreement") dated June 9, 2020 between New Gold and BW Gold Ltd. ("BW"), a wholly-owned subsidiary of Artemis. The aggregate purchase price for the Project is comprised of (i) an initial payment of CAD\$140 million (the "Initial Payment"), which was paid on Closing, (ii) 7,407,407 common shares in the capital of Artemis (the "Consideration Shares") at a deemed issue price of CAD\$2.70 per Consideration Share, which were issued to New Gold on Closing, (iii) a cash payment of CAD\$50 million to be paid one year following Closing (the "Second Payment") and (iv) a secured gold stream participation (the "Gold Stream") in favor of New Gold with a deposit/face value of \$150 million, which enables New Gold to purchase 8.0% of the refined gold produced from the Project at a 65% discount to the spot price (London Bullion Market Association) until 279,908 ounces of refined gold have been delivered to New Gold, and then the Gold Stream will reduce to 4.0% of the refined gold produced from the Project. In the event that commercial production at Blackwater is not achieved by the 7th, 8th, or 9th anniversary of Closing, New Gold will be entitled to receive additional cash payments of CAD\$28 million on each of those dates. New Gold also retains a first ranking security interest over the Project until the Second Payment is made, and will thereafter maintain a security interest over the Project in connection with the gold stream agreement (subject to any security to be granted over the Project in respect of future project financing).

Blackwater is gold mineral resource project located in central British Columbia, Canada.

These condensed interim carve-out financial statements (the "interim carve out financial statements") represent the activities, assets and liabilities of Blackwater on a "carve-out" basis, rather than representing the legal structure. These interim carve-out financial statements have been prepared for the purpose of presenting the financial position, results of operations and cash flows of Blackwater sold to Artemis on a stand-alone basis. Where appropriate, certain transactions and balances have been attributed to the Project based on specific identification or allocation. The interim carve-out financial statements may not be indicative of Blackwater's future performance and they do not necessarily reflect what the results of operations, financial position and cash flows would have been had Blackwater operated as an independent entity and had it presented stand-alone financial statements during the periods presented.

In 2020, the global outbreak of the novel coronavirus ("COVID-19") resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to Blackwater cannot be determined, but they could have a potential material impact to Blackwater's project exploration activities, cash flows and liquidity.

The Project incurred net losses of \$29,260 and \$466 for the six months ended June 30, 2020 and 2019, respectively, had a working capital deficiency of \$160 and \$7,928 as at June 30, 2020 and December 31, 2019, respectively, and does not generate cash flows from operations. With no source of operating cash flow, there is no assurance that sufficient funding will be available to conduct further exploration and development of Blackwater. The ability to continue as a going concern remains dependent upon Blackwater's ability to obtain the financing necessary to continue exploration and development. These conditions create a material uncertainty that may cast significant doubt about the Blackwater's ability to continue as a going concern.

Management plans to secure the necessary financing through the transaction with Artemis. These carve-out financial statements have been prepared on the basis that the Project will continue as a going concern, which assumes that the Project will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. These interim carve-out financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should Blackwater be unable to continue as a going concern. Such adjustments could be material.

# Blackwater Project

Notes to the Condensed Interim Carve-out Financial Statements  
(Unaudited - Expressed in thousands of U.S. dollars)  
Periods ended June 30, 2020 and 2019

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## 2. Significant accounting policies

### *Statement of compliance*

These interim carve-out financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These interim carve-out financial statements should be read in conjunction with the Project's audited carve-out financial statements as at and for the year ended December 31, 2019 as some disclosures from the annual carve-out financial statements have been condensed or omitted.

These interim carve-out financial statements were approved and authorized for issuance on November 3, 2020, by Officers of New Gold.

## 3. Significant accounting policies, estimates and judgements

The preparation of condensed interim carve-out financial statements in conformity with IAS 34 requires management to select accounting policies and make estimates and judgments that may have a significant impact on the interim carve-out financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. Revisions to estimates and the resulting impacts on the carrying amounts of the Blackwater's assets and liabilities are accounted for prospectively.

The accounting policies followed to prepare these interim carve-out financial statements are the same as those disclosed in Note 2 of the Project's audited carve-out financial statements for the year ended December 31, 2019, except as follows:

- Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors:

The amendments are intended to clarify the definition of material in IAS 1 and not intended to alter the underlying concept of materiality in IFRS standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

- Amendments to IFRS 16 Leases

To provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19 the International Accounting Standards Board ("IASB") proposed an amendment to IFRS 16 which provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. This amendment did not have a significant impact to the Blackwater's interim carve-out financial statements as Blackwater has not received any material COVID-19 related rent concessions as of the date of these financial statements.

## Blackwater Project

Notes to the Condensed Interim Carve-out Financial Statements  
(Unaudited - Expressed in thousands of U.S. dollars)  
Periods ended June 30, 2020 and 2019

### 4. Property and equipment

		<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Carrying Amount</b>
Balance as at December 31, 2018	\$	20,094	\$ (5,855)	\$ 14,239
Disposal		738	-	738
Depreciation		-	(502)	(502)
Balance as at December 31, 2019	\$	20,832	\$ (6,357)	\$ 14,475
Additions		16	-	16
Depreciation		-	(3,334)	(3,334)
<b>Balance as at June 30, 2020</b>	<b>\$</b>	<b>20,848</b>	<b>\$ (9,691)</b>	<b>\$ 11,157</b>

During the three and six months ended June 30, 2020, \$ 1,667 and \$ 3,334 (three and six months ended June 30, 2019 - \$125 and \$ 251, respectively) of depreciation was recognized on property and equipment, which was recorded to mineral property interest.

### 5. Mineral property interest

A continuity of the Blackwater mineral property interests is as follows:

		<b>Carrying Amount</b>
Balance as at December 31, 2018	\$	326,083
Additions		16,014
Tax credit		(1,964)
Balance as at December 31, 2019	\$	340,133
Additions		5,518
Impairment		(37,701)
<b>Balance as at June 30, 2020</b>	<b>\$</b>	<b>307,950</b>

#### Impairment

In accordance with the Project's accounting policies, the recoverable amount of an asset or cash-generating unit is estimated when an indication of impairment exists.

During the second quarter of 2020, the Parent agreed to the sale of Blackwater to Artemis (see Note 1). Management impaired the carrying value of Blackwater to the equal the expected net proceeds and recoverable amount of the transaction. For the three and six months ended June 30, 2020, the Project recorded an impairment loss of \$37,701 and \$37,701, respectively.

## Blackwater Project

Notes to the Condensed Interim Carve-out Financial Statements

(Unaudited - Expressed in thousands of U.S. dollars)

Periods ended June 30, 2020 and 2019

### 6. Reclamation and closure cost obligations

Changes to the reclamation and closure cost obligations are as follows:

	<b>Carrying Amount</b>
Balance as at December 31, 2018	8,313
Reclamation expenditures	-
Unwinding of discount	163
Revisions to expected cash flows	526
Foreign exchange movement	437
Balance as at December 31, 2019	9,439
Reclamation expenditures	-
Unwinding of discount	66
Revisions to expected cash flows	764
Foreign exchange movement	(417)
<b>Balance as at June 30, 2020</b>	<b>\$ 9,852</b>

### 7. Capital management

The Project's objectives when managing capital are to safeguard Blackwater's ability to continue as a going concern in order to continue exploration and development activities. The Project manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure the Project may issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

### 8. Financial instruments

The Project's financial instruments consist of cash, trade and other receivables, and other, and trade and other payables. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

As at June 30, 2020 and December 31, 2019 there were no material financial instruments measured at fair value. The Project's financial instruments are exposed to certain financial risks and there has been no change to these risks since December 31, 2019.