HARTE GOLD CORP

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

Management’s Comments on Unaudited Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Harte Gold Corp. (the “Company” or “Harte”) for the three and nine months ended September 30, 2012 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited interim consolidated financial statements have not been reviewed by an auditor.

November 8, 2012

“Stephen G. Roman”
Stephen G. Roman
Chairman, President and CEO

“Rein A. Lehari”
Rein a. Lehari
Chief Financial Officer

Harte Gold Corp.

(An Exploration Stage Company)

Condensed Statement of Financial Position as at

(unaudited)

Canadian dollars		September 30, 2012		December 31, 2011
Assets				
Current Assets				
Cash and cash equivalents (note 4)	**$**	**817,020**	$	4,320,645
Receivables (note 5)		**238,678**		86,171
Subscription receivable		**-**		184,500
Prepaids		**15,412**		44,636
		1,071,110		4,635,952
Property and Equipment (note 6)		**75,946**		89,875
Exploration and Evaluation Expenditures (note 7)		**17,598,613**		12,114,761
	$	**18,745,669**	$	16,840,588
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (note 8)		**290,849**		186,577
Contingency provisions (note 17)		**427,425**		427,425
Flow-through share premium (note 9)		**102,292**		101,625
	$	**820,566**	$	715,627
Shareholders' Equity				
Capital stock (notes 10, 11 & 12)		**27,141,578**		25,222,430
Other reserves (note 13)		**3,339,796**		2,635,482
Deficit		**(12,556,271)**		(11,732,951)
		17,925,103		16,124,961
	$	**18,745,669**	$	16,840,588

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Condensed Statements of Operations and Comprehensive Loss and Deficit

(unaudited)

Canadian dollars	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue				
Interest Income	**$ 7,384**	$ 5,486	**$ 18,994**	$ 14,697
Expenses				
Management and consulting fees (note 15)	**60,000**	60,000	**180,000**	182,850
Promotion and travel	**1,558**	2,452	**6,323**	6,129
Office and general	**39,192**	39,978	**112,060**	111,832
Professional fees	**7,499**	12,640	**58,972**	72,036
Stock-based compensation (note 11)	**-**	106,894	**471,604**	190,539
Shareholders' information	**14,522**	45,950	**107,793**	198,513
Amortization	**100**	142	**300**	426
Part XII.6 interest and penalties	**-**	-	**6,887**	1,823
Flow-through share premium (note 9)	**-**	-	**(101,625)**	(547,571)
	122,871	268,056	**842,314**	216,577
Income (Loss) and Comprehensive Loss before income taxes	**(115,487)**	(262,570)	**(823,320)**	(201,880)
Net Income (Loss) and Comprehensive Loss	**$ (115,487)**	$ (262,570)	**$ (823,320)**	$ (201,880)
Deficit beginning of period	**(12,440,784)**	(11,339,419)	**(11,732,951)**	(11,400,109)
Deficit end of period	**$ (12,556,271)**	$ (11,601,989)	**$ (12,556,271)**	$ (11,601,989)
Net Income (Loss) per share - basic and fully diluted	**$ (0.001)**	$ (0.002)	**$ (0.005)**	$ (0.001)
Weighted average number of shares outstanding				
Basic	**172,436,393**	142,512,563	**167,779,750**	142,556,683

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Condensed Statements of Cash Flow

(unaudited)

Canadian dollars	Three Months Ended September 30, **2012**	2011	Nine Months Ended September 30, **2012**	2011
Operations				
Net income	**$ (115,487)**	$ (262,570)	**$ (823,320)**	$ (201,880)
Adjustments to reconcile net income (loss) to cash flow from operating activities:				
Amortization	**100**	142	**300**	426
Stock-based compensation	**-**	106,894	**471,604**	190,539
Flow-through share premium	**-**	-	**(101,625)**	(547,571)
	(115,387)	(155,534)	**(453,041)**	(558,486)
Net changes in non-cash working capital items:				
Prepaids	**21,496**	(3,934)	**29,225**	(4,518)
Shares to be issued	**-**	(753,000)	**-**	-
Subscription receivables	**100,000**	-	**184,500**	304,500
Receivables	**929**	(130,265)	**(152,507)**	15,575
Accounts payable and accrued liabilities	**(563,634)**	224,579	**104,273**	(123,516)
	(556,596)	(818,154)	**(287,550)**	(366,445)
Financing				
Cost of share issuances	**(27,039)**	(39,270)	**(53,984)**	(39,827)
Issuance of units	**507,249**	1,095,000	**2,064,748**	1,095,000
Issuance of Halverson shares	**-**	-	**23,000**	19,000
Exercise of warrants	**-**	168,750	**-**	777,600
Exercise of options	**-**	7,500	**-**	15,000
	480,210	1,231,980	**2,033,764**	1,866,773
Investing				
Property and equipment	**-**	(4,106)	**-**	(26,590)
Additions to exploration and evaluation expenditures	**(659,196)**	(1,112,299)	**(5,249,839)**	(2,900,153)
	(659,196)	(1,116,405)	**(5,249,839)**	(2,926,743)
Net decrease in cash	**(735,582)**	(702,579)	**(3,503,625)**	(1,426,415)
Cash, beginning of period	**1,552,602**	3,385,020	**4,320,645**	4,108,856
Cash, end of period	**$ 817,020**	$ 2,682,441	**$ 817,020**	$ 2,682,441

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Condensed Statement of Changes in Shareholders' Equity

(unaudited)

Canadian dollars	Common Shares #	Common Shares $	Warrants #	Warrants $	Subtotal	Other Reserves	Deficit	Shareholders' Equity
December 31, 2010	**139,746,315**	**19,561,977**	**20,370,076**	**961,633**	**20,523,610**	**2,077,029**	**(11,400,109)**	**11,200,530**
Issued as a result of:								
Private placements	2,737,500	1,095,000			1,095,000			1,095,000
Flow-through premium		(101,625)			(101,625)			(101,625)
Exercise of warrants	3,791,248	944,739	(3,791,248)	(167,139)	777,600			777,600
Warrants expired		(52)	(857)		(52)	52		-
Exercise of options	100,000	24,200			24,200	(9,200)		15,000
Issued to Halverson	50,000	19,000			19,000			19,000
Share issuance costs		(52,152)	93,000	12,325	(39,827)			(39,827)
Stock options granted					-	450,874		450,874
Net loss for the period							(201,880)	(201,880)
September 30, 2011	**146,425,063**	**21,491,087**	**16,670,971**	**806,819**	**22,297,906**	**2,518,755**	**(11,601,989)**	**13,214,672**
Issued as a result of:								
Private placements	2,000,000	500,000			500,000			500,000
Flow-through premium					-			-
Exercise of warrants	16,463,051	3,236,593	(16,463,051)	(778,504)	2,458,089			2,458,089
Share issuance costs		(17,575)			(17,575)			(17,575)
Warrants expired			(114,920)	(15,990)	(15,990)	15,938		(52)
Exercise of options					-	52		52
Stock options granted					-	100,737		100,737
Net loss for the period							(130,962)	(130,962)
December 31, 2011	**164,888,114**	**25,210,105**	**93,000**	**12,325**	**25,222,430**	**2,635,482**	**(11,732,951)**	**16,124,961**
Issued as a result of:								
Private placements	7,882,500	1,986,154	3,000,000	78,595	2,064,749			2,064,749
Flow-through premium		(102,292)			(102,292)			(102,292)
Issued to Halverson	100,000	23,000			23,000			23,000
Share issuance costs		(57,355)	90,510	3,371	(53,984)			(53,984)
Warrants expired			(93,000)	(12,325)	(12,325)	12,325		-
Stock options granted						691,989		691,989
Net loss for the period							(823,320)	(823,320)
September 30, 2012	**172,870,614**	**27,059,612**	**3,090,510**	**81,966**	**27,141,578**	**3,339,796**	**(12,556,271)**	**17,925,103**

1. CORPORATE INFORMATION

Harte Gold Corp. (The "Company" or "Harte Gold") The Company was incorporated in Ontario on January 22, 1982 and is a reporting issuer in the Provinces of Ontario, Alberta and British Columbia. The common shares of the Company trade on the Toronto Stock Exchange under the symbol "HRT" and on the Frankfurt Stock Exchange under the symbol "H4O". The head office and principal address of the Company is 8 King Street East, Suite 1700, Toronto, Ontario, M5C 1B5

The Company is engaged in the acquisition, exploration and development of mineral resource properties with a focus on gold properties located in the Province of Ontario, Canada, and currently owns interests in two advanced exploration projects: the Sugar Zone Property, 60 km east of the Hemlo area gold mines, located on the north shore of Lake Superior and the Stoughton-Abitibi Property (formerly Stoughton-Porcupine), 110 km east of Timmins and 50 km north east of Kirkland Lake. On the basis of information to date, the Company has not yet determined whether these mineral properties contain economically recoverable reserves.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these condensed interim financial statements have been prepared in compliance with IFRS.

These condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2011, which were prepared in accordance with IFRS as issued by the IASB.

The management of Harte Gold prepared these unaudited condensed interim financial statements, which were then reviewed by the Audit Committee and the Board of Directors. The unaudited condensed interim financial statements were authorized for issue by the Board of Directors on November 8, 2012.

(b) Continuance of Operations

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interests in mineral properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and noncompliance with regulatory and environmental requirements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Company's financial statements for the year ended December 31, 2011.

4. CASH AND CASH EQUIVALENTS

Assets		September 30, 2012		December 31, 2011
Cash	$	428,226	$	344,654
Liquid short term investment		388,794		3,975,991
	$	817,020	$	4,320,645

5. RECEIVABLES

		September 30, 2012		December 31, 2011
GST/HST receivable	$	238,264	$	86,171
Miscellaneous receivables		414		-
Total accounts receivable	$	238,678	$	86,171

6. PROPERTY AND EQUIPMENT

	Office Equipment			Site Vehicles (1)			TOTAL
	Cost	Amortization	NBV	Cost	Amortization	NBV	NBV
December 31, 2010	**2,102**	**202**	**1,900**	**87,336**	**6,096**	**81,240**	**83,140**
Additions	5,467	1,390	4,077	20,075	18,465	1,610	5,687
Dispositions	-	-	-	254	(794)	1,048	1,048
December 31, 2011	**7,569**	**1,592**	**5,977**	**107,665**	**23,767**	**83,898**	**89,875**
	-	1,344	-	-	12,585	-	-
September 30, 2012	**7,569**	**2,936**	**4,633**	**107,665**	**36,352**	**71,313**	**75,946**

1) Amortization on these site vehicles is capitalized to exploration and evaluation assets.

7. EXPLORATION AND EVALUATION ASSETS

Sugar Zone Property, Hemlo Gold Area

The Sugar Zone Property consists of 412 contiguous claims within the Sault Ste. Marie Mining Division located in Ontario, approximately 60 km east of the Hemlo area gold mines, 25 km northeast of White River off the Trans-Canada Highway (#17). Of these, 288 claims are subject to a 3.5% net smelter royalty ("NSR") in favour of the original vendors of the property which can be reduced to 2% through the payment of $1.5 million.

The Company also holds an option on 3 claims that are subject to a 3% NSR that can be reduced to 1.5% upon payment of $1.5 million (see note 16).

The following costs have been capitalized to exploration and evaluation assets in respect of the Sugar Zone Property.

	September 30, 2012	December 31, 2011
Opening Balance	**12,114,761**	8,183,187
Expenditures incurred during the period		
Acquisition costs	**2,574,810**	244,111
Drilling	**1,355,811**	1,597,411
Geophysics	**340,124**	355,479
Sampling	**-**	3,274
Assays	**25,338**	80,234
Camp costs	**77,104**	386,318
Direct management/employees	**235,929**	376,377
Site access	**113,812**	146,719
Consultants	**505,955**	324,826
Stock-based compensation	**220,384**	362,605
Amortization of vehicles	**13,629**	19,287
Other costs	**20,956**	34,933
Total for this period	**5,483,852**	3,931,574
Closing Balance	**17,598,613**	12,114,761

Stoughton-Abitibi Property, Timmins Porcupine Gold Area

The Stoughton-Abitibi Property (formerly known as Stoughton-Porcupine property), is located along the Destor-Porcupine Fault, 110 km east of the Timmins, 50 km northeast of Kirkland Lake, Ontario and 10 km due east of the Holloway-Holt gold mine and mill and consists of a 90% interest in 9 claims and a 100% interest in 25 claims in the Larder Lake Mining Division of Ontario.

In 2009, the Company concluded that it should prioritize the Sugar Zone Property and has not funded any exploration expenses on the Stoughton-Abitibi Property since then. Accordingly, the Company recorded an impairment provision of $2,756,133 against the Stoughton-Abitibi Property at November 30, 2009.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2012	**December 31, 2011**
Accounts Payable	268,349	152,744
Accrued Liabilities		
Audit	22,500	30,000
Payroll liabilities	-	3,833
Total accounts payable and accrued liabilities	**290,849**	**186,577**

9. FLOW-THROUGH LIABILITIES

Flow-through liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through issues.

Balance on December 31, 2010	**$ 547,571**
Settlement of liability through renouncement in Q1 2011	(547,571)
Liability incurred on flow-through shares issued	
July 5, 2011	67,500
July 15, 2011	34,125
Balance on December 31, 2011	**$ 101,625**
Settlement of liability through renouncement in Q1 2012	(101,625)
Liability incurred on flow-through shares issued June 15, 2012	49,000
Liability incurred on flow-through shares issued July 23, 2012	53,292
Balance on September 30, 2012	**$ 102,292**

On July 5, 2011, the Company completed an initial closing of a non-brokered private placement financing of 2,250,000 flow-through shares at a price of $0.40 per share for gross proceeds of $900,000. A flow-through share premium of $67,500 was recorded on this financing. As of September 30, 2012, all funds have been spent.

On July 15, 2011, the Company completed the final closing of a non-brokered private placement financing of 487,500 flow-through shares at a price of $0.40 per share for gross proceeds of $195,000. A flow-through share premium of $34,125 was recorded on this financing. As of September 30, 2012, all funds have been spent.

On December 23, 2011, the Company completed a non-brokered private placement financing of 2,000,000 flow-through shares at a price of $0.25 per share for gross proceeds of $500,000. There was no flow-through share premium for this financing. As of September 30, 2012, all funds have been spent.

On June 15, 2012, the Company completed an initial closing of a non-brokered private placement financing of 816,667 flow-through shares at a price of $0.30 per share for gross proceeds of $245,000. A flow-through share premium of $49,000 was recorded on this financing. As of September 30, 2012, all funds have been spent.

On July 23, 2012, the Company completed its final closing of a non-brokered private placement financing of 1,065,833 flow-through shares at a price of $0.30 per share for gross proceeds of $319,750. A flow-through share premium of $53,292 was recorded on this financing. As of September 30, 2012, all funds have been spent.

In early 2011, the flow-through expenditures related to the various 2010 flow-through share issues were renounced, thus settling the liability that had been carried forward on the balance sheet. Similarly, the flow-through expenditures related to the various 2011 flow-through share issues were renounced in early 2012.

10. CAPITAL STOCK

The Company is authorized to issue an unlimited number of common shares without par value.

Number of shares issued and outstanding.

The issued and outstanding common shares are as follows:

	September 30, 2012	December 31, 2011
Balance at beginning of period	**164,888,114**	139,746,315
Private placement of units	6,746,083	
Private placement of flow-through shares	1,136,417	4,737,500
Issuance of shares to Halverson	100,000	50,000
Exercise of warrants		20,254,299
Exercise of stock options		100,000
Balance end of period	**172,870,614**	164,888,114

11. STOCK OPTION PLAN

The Company has established a stock option plan to provide additional incentive to officers, directors, employees and consultants in their efforts on behalf of the Company in the conduct of its affairs. The terms of the stock option plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant. The number of shares reserved for issuance is not to exceed 10% of the issued and outstanding common shares from time-to-time. At September 30, 2012, the Company had 1,027,061 (December 31, 2011 – 3,208,811) common shares available for granting of future options.

Under the terms of the plan, options vest immediately unless otherwise determined by the Board, and expire on the fifth anniversary from the date of issue unless otherwise specified. As at September 30, 2012, a total of 16,260,000 options were outstanding under the stock option plan.

	September 30, 2012		December 31, 2011	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price	Number of Options
Outstanding beginning of period	**$ 0.20**	**13,280,000**	$ 0.19	12,150,000
Transactions during the period:				
Granted	**$ 0.30**	**2,980,000**	$ 0.47	1,200,000
Granted	**$ 0.35**	**250,000**	$ 0.40	400,000
Granted			$ 0.50	400,000
Exercised (1)			$ 0.15	(100,000)
Forfeited	**$ 0.50**	**(250,000)**	$ 0.46	(770,000)
Outstanding at end of period	**$ 0.23**	**16,260,000**	$ 0.20	13,280,000
Exercisable at end of period	**$ 0.22**	**15,885,000**	$ 0.20	12,892,500

The following table provides additional information regarding stock options outstanding at September 30, 2012.

Expiry Date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
February 14, 2013	$0.47	0.38	50,000	50,000
February 17, 2014	$0.15	1.38	3,050,000	3,050,000
May 25, 2014	$0.15	1.65	250,000	250,000
January 26, 2015	$0.15	2.32	150,000	150,000
June 22, 2015	$0.15	2.73	6,800,000	6,800,000
July 26, 2015	$0.20	2.82	800,000	800,000
November 9, 2015	$0.70	3.11	500,000	500,000
February 14, 2016	$0.47	3.38	880,000	505,000
July 14, 2016	$0.40	3.79	400,000	400,000
October 21, 2016	$0.50	4.06	150,000	150,000
May 3, 2017	$0.30	4.59	130,000	130,000
May 28, 2017	$0.35	4.66	250,000	250,000
June 20, 2017	$0.30	4.72	2,850,000	2,850,000
	$0.23	**2.93**	**16,260,000**	**15,885,000**

Stock-based Compensation

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of stock-based compensation costs for stock options issued during the year ended December 31, 2011 and the nine months ended September 30, 2012:

Grant date	14-Feb-11	14-Feb-11	15-Jul-11	21-Oct-11
Number of options	1,150,000 (1)	50,000	400,000	400,000
Exercise price	$ 0.47	$ 0.47	$ 0.40	$ 0.50
Expected life in years	5	2	5	5
Volatility(3)	114.00%	118.86%	112.19%	111.28%
Risk-free interest rate	2.36%	1.69%	1.92%	1.46%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Fair value of options granted	$ 0.380	$ 0.213	$ 0.257	$ 0.221
Stock-based compensation expense	$ 437,460	$ 10,630	$ 102,960	$ 88,400

Grant date	4-May-12	29-May-12	20-Jun-12
Number of options	130,000	250,000	2,850,000
Exercise price	$ 0.30	$ 0.35	$ 0.30
Expected life in years	5	5	5
Volatility(3)	110.82%	110.03%	109.60%
Risk-free interest rate	1.44%	1.32%	1.26%
Dividend yield	0.00%	0.00%	0.00%
Fair value of options granted	$ 0.193	$ 0.214	$ 0.200
Stock-based compensation expense	$ 25,103	$ 53,475	$ 571,140

1 An aggregate of 775,000 stock options were vested as of September 30, 2012

12. WARRANTS

As at September 30, 2012, there were 3,090,510 warrants to purchase common shares outstanding. Warrants expire as follows:

	Exercise Price	Warrants	Expiry date
Balance at December 31, 2010		**20,370,076**	
Expired		(115,777)	
Issued for finder's fee	$ 0.40	71,125	July 5, 2012
Issued for finder's fee	$ 0.40	21,875	July 15, 2012
Exercised	$ 0.15	(17,698,500)	
Exercised	$ 0.24	(2,321,248)	
Exercised	$ 0.10	(220,151)	
Exercised	$ 0.125	(14,400)	
Balance at December 31, 2011		**93,000**	
Expired		(93,000)	
Issued	$ 0.35	2,625,000	June 15, 2013
Issued for finder's fee	$ 0.30	37,200	June 15, 2013
Issued	$ 0.35	375,000	July 23, 2013
Issued for finder's fee	$ 0.30	53,310	July 23, 2013
Balance at September 30, 2012		**3,090,510**	

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of the value allocated to the warrants issued as finder's warrants during the nine months ended September 30, 2012 and year ended December 31, 2011 in connection with financings:

Issue date	**5-Jul-11**	**15-Jul-11**	**15-Jun-12**	**15-Jun-12**
Number of warrants	71,125 [1]	21,875 [1]	2,625,000	37,200 [1]
Exercise price	$ 0.40	$ 0.40	$ 0.35	$ 0.30
Expected life in years	1.0	1.0	1.0	1.0
Volatility	104.26%	99.25%	56.84%	55.75%
Risk-free interest rate	1.47%	1.47%	0.97%	0.97%
Dividend yield	0%	0%	0%	0%
Fair value of warrants issued	0.140	0.108	0.025	0.036
Fair value assigned to warrants	$ 9,972	$ 2,354	$ 65,222	$ 1,324

Issue date	**23-Jul-12**	**23-Jul-12**
Number of warrants	375,000	53,310 [1]
Exercise price	$ 0.35	$ 0.30
Expected life in years	1.0	1.0
Volatility	54.89%	54.89%
Risk-free interest rate	0.98%	0.98%
Dividend yield	0%	0%
Fair value of warrants issued	0.038	0.038
Fair value assigned to warrants	$ 14,400	$ 2,047

[1] Finder's warrants

The expiry dates of warrants outstanding as of September 30, 2012 are as follows:

Expiry date	Number of warrants outstanding	Exercise price
June 15, 2013	2,625,000	$ 0.35
June 15, 2013	37,200	$ 0.30
July 23, 2013	53,310	$ 0.30
July 23, 2013	375,000	$ 0.35
	3,090,510	**$ 0.35**

13. OTHER RESERVES

	9 months ended 30-Sep-12	Year ended 31-Dec-11
Balance beginning of period	**2,635,482**	2,077,029
Stock-based compensation expense (note 11)	**691,989**	551,611
Fair value assigned to options exercised (note 11)	**-**	(9,148)
Fair value assigned to expired warrants	**12,325**	15,990
Balance end of period	**3,339,796**	2,635,482

14. INCOME/LOSS PER SHARE

The calculation of the basic earnings per share for the nine months ended September 30, 2012 was based on the loss attributable to common shareholders of $823,320 (earnings for the nine months ended September 30, 2011 - $201,880) and a weighted average number of common shares outstanding of 167,779,750 (September 30, 2011 – 142,556,683).

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

Loss for the nine months ended September 30, 2012 divided by weighted average number of common shares outstanding is equal to $0.005 per share.

BASIC

Numerator	$823,320
Denominator	167,779,750
Loss per share	$0.005

15. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties as at and in the nine months ended September 30, 2012 were as follows:

For nine months ended September 30, 2012	Amount charged	Outstanding balance
Silvermet Inc.	$ 37,022	$ -
Global Atomic Fuels Corp.	58,508	20,665

Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. These are settled on a regular basis.

Transactions with related parties were in the normal course of operations and were measured at the same value as if the transactions had occurred with non-related parties.

For the period ended September 30, 2012, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

	9 months ended September 30, 2012	Year ended December 31, 2011
Management and consulting	**$ 180,000**	$ 240,000
Consulting fees included in exploration and evaluation expenditures	**60,000**	90,000
Stock based compensation	**470,940**	102,960

16. COMMITMENTS

On May 28, 2010, the Company entered into an option agreement to acquire Corona Gold Corporation's 51% interest in the Sugar Zone joint venture. The Company completed the last of the conditions with the payment of $2,500,000 on May 23, 2012, thereby becoming the owner of 100% of the Sugar Zone Property.

On June 28, 2010, the Company entered into an Option Agreement to acquire 3 mining claims contiguous to the 326 claims previously held, referred to as the "Halverson Option". Under this Option Agreement, the Company must make further cash payments of $120,000 over the 2 years ended June 28, 2014 and incur cumulative exploration expenditures of $300,000 through June 28, 2015 (a total of $110,000 exploration expense has been spent through June 28, 2012).

In addition to the above commitments, the Company has relatively small contractual commitments to pay rent for office, living and core storage areas in White River, Ontario and for certain access rights to its properties, totaling approximately $45,000 per annum.

17. CONTINGENCIES

Mr. John Ternowesky, a former director of the Company, has filed a Statement of Claim in the amount of $3,000,000 against the Company in the Ontario Superior Court of Justice. The claim alleges that Mr Ternowesky had provided services as a director and consultant to the Company during the period November 1993 through June 2001. The Company has filed a Statement of Defence and Counterclaim. Management is of the position that the claim by Mr. Ternowesky is without merit as there are no corporate records of any such services or agreements. The Company's Counterclaim is in respect of Mr. Ternowesky's breach of his duties as a director in respect of flow-through share issuances (see below) and seeks damages in the amount of $750,000 relating to CRA liabilities and indemnity of $750,000 for any amounts that may be needed to be reimbursed to investors, plus a discharge of any royalties owing to Mr. Ternowesky. (Mr. Ternowesky holds a portion of the royalties on Sugar Zone Property – see note 10). Mr. Ternowesky has made an offer to settle his claim at a significantly reduced amount but the Company has rejected this. At present, the Company believes it will prevail in this matter and no liability will result. Since any such liability is remote, no provision is included.

Pursuant to a 2009 audit by the Canada Revenue Agency ("CRA") of 2003 exploration expenses, current management conducted a review of expenditures incurred and filings made in respect of flow-through share issuances during the period 2003 – 2008. This review uncovered issues related to the use of flow-through funds, timing of expenditures and other related compliance matters. The Company has filed the required documents with CRA related to the issuance of flow-through common shares during this period and estimates it may incur interest charges and penalties associated with the foregoing and may incur other costs. These financial statements contain a provision of $144,125 (2010 - $144,125) to reflect the interest charges and penalties that are probable under the Part XII.6 provisions in the Income Tax Act. In addition, it is probable that the Company will be obligated to reimburse investors for an estimated amount of $283,300 (2010 - $283,300), which has been accrued, in tax liabilities and interest due to CRA re-assessments which re-assessments are a result of flow through funds not spent within prescribed time limits. The Company has approached CRA with a proposal to minimize payments associated with the above. While some relief may be obtained, any such amount is uncertain and may not be material and so has been excluded from the provision.

In addition to the claim against Mr. Ternowesky as noted above, the Company also filed a claim against the other former directors and officers of the Company that were retained, employed or otherwise engaged by the Company during the relevant period, for damages of $750,000 relating to CRA liabilities and indemnity of $750,000 for any amounts that may need to be reimbursed to investors. A number of such directors have in turn filed a claim against Mr. Ternowesky for any such damages or indemnity liability. Any recovery by the Company is very uncertain so no amount has been included in the financial statements for any such potential recovery.

18. OPERATING SEGMENT

The Company is engaged in the exploration and evaluation of properties for the mining of precious metals in Canada. The present focus of the Company is entirely on its Sugar Zone Property. The corporate office operates to support the field work being carried out on the Sugar Zone Property. As a result, the Company operates in one reportable operating segment.