



**Financial Statements**

**December 31, 2015 and 2014**  
(Expressed in Canadian dollars)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Harte Gold Corp.**

We have audited the accompanying financial statements of Harte Gold Corp., which comprise the statements of financial position as at December 31, 2015 and December 31, 2014 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Harte Gold Corp. as at December 31, 2015, and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Collins Barrow Toronto LLP*

Collins Barrow Toronto LLP  
Licensed Public Accountants  
March 24, 2016  
Toronto, Ontario

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The management of Harte Gold Corp. (the "Company" or "Harte Gold") is responsible for the integrity and fair presentation of the accompanying financial statements.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and reflect management's best estimates and judgements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable. Any system of internal control over financial reporting has inherent limitations, including the possibility of circumvention and overriding of controls, and therefore, can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems. The Board of Directors has reviewed and approved the financial statements.

The financial statements have been audited by Collins Barrow Toronto LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the financial statements.

"Stephen G. Roman"

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Stephen G. Roman  
Chairman, President & CEO

"Rein A. Lehari"

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Rein A. Lehari  
Chief Financial Officer

March 24, 2016

# Harte Gold Corp.

## Statements of Financial Position

Canadian dollars	December 31, 2015	December 31, 2014
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 400,318	\$ 1,656,234
Receivables (note 5)	489,048	145,440
Subscription Receivable	11,200	27,000
Prepays	27,315	8,000
	<b>927,881</b>	<b>1,836,674</b>
<b>Long Term Assets</b>		
Restricted Cash (note 4)	355,540	353,933
Property and Equipment (note 6)	37,939	46,237
Exploration and Evaluation Expenditures (note 7)	29,397,307	23,769,300
	<b>\$ 30,718,667</b>	<b>\$ 26,006,144</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 8)	\$ 1,774,409	\$ 406,288
Contingency provisions (note 22)	103,817	103,817
Flow-through share premium (note 10)	60,000	56,673
	<b>1,938,226</b>	<b>566,778</b>
<b>Long Term Liabilities</b>		
Deferred Contract Mining Fee (note 21)	215,049	-
Environmental Rehabilitation Provision (note 9)	347,953	-
Deferred Tax Liability (note 16)	1,181,310	826,531
	<b>3,682,538</b>	<b>1,393,309</b>
<b>Shareholders' Equity</b>		
Capital stock and warrants (notes 11 & 13)	37,415,842	34,894,459
Shares to be issued (note 21)	215,049	-
Other reserves (note 14)	5,423,923	4,216,209
Deficit	(16,018,685)	(14,497,833)
	<b>27,036,129</b>	<b>24,612,835</b>
	<b>\$ 30,718,667</b>	<b>\$ 26,006,144</b>

*The accompanying notes are an integral part of these financial statements*

# Harte Gold Corp.

## Statements of Operations and Comprehensive Loss For the Years Ended December 31,

Canadian dollars	2015	2014
<b>Revenue</b>		
Interest and other income	\$ 5,993	\$ 10,278
<b>Expenses</b>		
Management and consulting fees (note 17)	290,000	240,000
Promotion and travel	60,528	23,249
Office and general	185,123	147,430
Professional fees	86,225	43,504
Financing costs	82,920	-
Stock-based compensation (note 12)	378,609	387,584
Shareholders' information	170,523	111,084
Amortization	361	196
Flow-through share premium (note 10)	(121,840)	(234,278)
Part XII.6 interest and penalties	302	2,275
Mineral Property Impairment (note 7)	39,315	-
	1,172,066	721,044
Net Loss before income taxes	(1,166,073)	(710,766)
Deferred income tax expense (note 16)	354,779	287,379
<b>Net Loss and Comprehensive Loss</b>	<b>\$ (1,520,852)</b>	<b>\$ (998,145)</b>
Net loss per share - basic and fully diluted (note 15)	\$ (0.006)	\$ (0.004)
Weighted average number of shares outstanding		
- Basic and diluted (note 15)	267,212,151	225,663,050

*The accompanying notes are an integral part of these financial statements*

# Harte Gold Corp.

## Statements of Cash Flows For the Years Ended December 31,

Canadian dollars	2015	2014
<b>Cash provided by (used in):</b>		
<b>Operations</b>		
Net loss	\$ (1,520,852)	\$ (998,145)
Adjustments to reconcile net loss to cash flow from operating activities:		
Amortization	361	196
Stock-based compensation	378,609	387,584
Flow-through share premium	(121,840)	(234,278)
Deferred tax expense	354,779	287,379
Interest income	(5,993)	(10,278)
	<b>(914,936)</b>	<b>(567,542)</b>
Net changes in non-cash working capital items:		
Prepays	(19,315)	(720)
Subscription receivable	15,800	(27,000)
Receivables	(343,608)	(49,147)
Accounts payable and accrued liabilities	(17,997)	(11,210)
Contingency provision	-	(1,668)
	<b>(1,280,056)</b>	<b>(657,287)</b>
<b>Financing</b>		
Cost of share issuances	(131,026)	(199,684)
Issuance of units	3,450,000	3,911,606
Warrants exercised	7,232	343,020
	<b>3,326,206</b>	<b>4,054,942</b>
<b>Investing</b>		
Restricted cash	(1,607)	(2,815)
Additions to property and equipment (note 6)	(1,503)	-
Additions to exploration and evaluation expenditures	(3,304,949)	(2,573,073)
<sup>1</sup> Interest income	5,993	10,278
	<b>(3,302,066)</b>	<b>(2,565,610)</b>
Net increase in cash and cash equivalents	<b>(1,255,916)</b>	832,045
<b>Cash and cash equivalents, beginning of year</b>	<b>1,656,234</b>	824,189
<b>Cash and cash equivalents, end of year</b>	<b>\$ 400,318</b>	<b>\$ 1,656,234</b>

<sup>1</sup> The Company presents cash interest income in investing activities.

*The accompanying notes are an integral part of these financial statements*

# Harte Gold Corp.

## Statements of Changes in Shareholders' Equity For the Years Ended December 31,

Canadian dollars	Common Shares (Note 11)		Warrants (Note 13)		Subtotal	Shares to be Issued (Note 21)	Other (Note 14) Reserves	Deficit	Total Shareholders' Equity
	#	\$	#	\$					
<b>December 31, 2013</b>	<b>212,938,246</b>	<b>30,640,287</b>	<b>24,786,695</b>	<b>410,702</b>	<b>31,050,989</b>	-	<b>3,449,283</b>	<b>(13,499,688)</b>	<b>21,000,584</b>
Issued as a result of:									
Private placements (notes 10, 11 and 13)	31,814,486	3,236,264	21,290,409	675,342	3,911,606				3,911,606
Flow-through premium (note 10)		(56,673)			(56,673)				(56,673)
Share issuance costs		(288,205)	1,292,295	88,521	(199,684)				(199,684)
Warrants exercised (note 13)	2,487,800	388,699	(2,487,800)	(45,679)	343,020				343,020
Warrants expired (note 13)			(9,012,411)	(154,799)	(154,799)		154,799		-
Stock options granted (note 12)							612,127		612,127
Net loss for the period								(998,145)	(998,145)
<b>December 31, 2014</b>	<b>247,240,532</b>	<b>33,920,372</b>	<b>35,869,188</b>	<b>974,087</b>	<b>34,894,459</b>	-	<b>4,216,209</b>	<b>(14,497,833)</b>	<b>24,612,835</b>
Issued as a result of:									
Private placements (notes 10, 11 and 13)	58,999,999	3,000,195	30,750,001	449,805	3,450,000				3,450,000
Shares to be issued (note 21)						215,049			215,049
Flow-through premium (note 10)		(125,167)			(125,167)				(125,167)
Share issuance costs		(196,844)	1,860,340	65,818	(131,026)				(131,026)
Warrants exercised (note 13)	113,833	9,855	(113,833)	(2,623)	7,232				7,232
Warrants expired (note 13)			(23,961,700)	(679,656)	(679,656)		679,656		-
Stock options granted (note 12)							528,058		528,058
Net loss for the period								(1,520,852)	(1,520,852)
<b>December 31, 2015</b>	<b>306,354,364</b>	<b>36,608,411</b>	<b>44,403,996</b>	<b>807,431</b>	<b>37,415,842</b>	<b>215,049</b>	<b>5,423,923</b>	<b>(16,018,685)</b>	<b>27,036,129</b>

*The accompanying notes are an integral part of these financial statements*

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 1. NATURE OF OPERATIONS

Harte Gold Corp. (The “Company” or “Harte Gold”) 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 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. Harte Gold is completing an Advanced Exploration and Bulk Sample program on its Sugar Zone Property over the next year and this will determine the recoverability and economics of its resource, and may result in the reclassification of these resources as reserves. On the basis of information to date, the Company has not yet identified a mineral resource on its Stoughton-Abitibi Property.

### 2. BASIS OF PREPARATION

#### a) *Statement of Compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee.

These financial statements were approved by the board of directors on March 24, 2016.

#### b) *Basis of Measurement*

These financial statements have been prepared on a historic cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require material adjustment to the carrying amount of the asset or liability affected.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The accompanying financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation.

Information regarding significant areas of estimation, uncertainty and critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

Note 7	measurement of the recoverable amounts of exploration and evaluation projects
Note 9	environmental rehabilitation provision
Note 10	measurement of flow-through share premium
Note 12-13	measurement of stock-based compensation and warrants
Note 16	utilization of tax losses
Note 21	provisions and contingencies



# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 2. BASIS OF PREPARATION cont'd

#### c) *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 significant accounting policies used in the preparation of these financial statements are described below:

#### a) *Cash and Restricted Cash*

Cash and cash equivalents consist of cash on hand, balances with banks and short-term fixed income deposits, including money market instruments, which are readily convertible into cash with original maturity dates of less than ninety days. Restricted cash consists of cash deposited with a third party and held in trust (Note 4).

#### b) *Financial Instruments*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

#### **Financial assets**

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired, as follows:

***Fair value through profit or loss*** – This category comprises derivatives, or assets acquired or costs incurred principally for the purpose of selling or repurchasing such financial assets in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive loss.

***Loans and receivables*** – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

***Held-to-maturity investments*** – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of operations and comprehensive loss.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES cont'd

**Available-for-sale** – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in accumulated other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of operations and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

#### **Financial liabilities**

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was assumed, as follows:

**Fair value through profit and loss** – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing such financial liabilities in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive loss.

**Other financial liabilities** – This category includes accounts payable and accrued liabilities, deferred contract mining fees and environmental rehabilitation provision, all of which are recognized at amortized cost.

The Company has designated cash and cash equivalents and restricted cash as assets at fair value through profit and loss. Receivables (excluding HST receivable) and subscription receivable are designated as loans and receivables and accounts payable, accrued liabilities, deferred contract mining fees and environmental rehabilitation provision are designated as other financial liabilities.

The fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Financial instruments measured at fair value, level 1, on the statement of financial position consists of cash and cash equivalents and restricted cash.

#### **c) Property and Equipment**

Property and equipment are stated at cost less accumulated amortization. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately are capitalized. Amortization of corporate property and equipment, and property and equipment used in the exploration and evaluation phase is recorded using the declining balance method, with management reviewing the useful lives of property and equipment at each statement of financial position reporting date to verify the asset is being amortized over a period equivalent to the useful life of the asset.

The assets are amortized at the following rates:

Site vehicles	20%
Office equipment	30%

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 3. SIGNIFICANT ACCOUNTING POLICIES cont'd

#### d) *Exploration and evaluation expenditures*

Exploration and evaluation expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves and include costs related to the following: acquisition of exploration rights; conducting geological studies; exploratory drilling and sampling; and, evaluating the technical feasibility and commercial viability of extracting a mineral resource. Revenues generated as part of a bulk sample to test mineral content are netted against exploration and evaluation expenditures.

Exploration and evaluation expenditures, including costs of acquiring licenses, are capitalized as exploration and evaluation assets on an "area of interest basis" which generally is defined as a project. The Company considers a project to be an individual geological area whereby the presence of a mineral deposit is considered favorable or has been proven to exist and, in most cases, comprises a single mine or deposit.

Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits. The Company expenses all costs incurred prior to obtaining legal rights to a mineral property.

Exploration and evaluation assets are recognized if the rights to the project are current and (1) the expenditures are expected to be recouped through successful development and exploitation of the project, or alternatively by its sale, or (2) active and significant operations in, or in relation to, the project are continuing.

Exploration and evaluation expenditures are initially capitalized as intangible exploration and evaluation assets. Such exploration and evaluation expenditures may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, materials and fuels used, rentals and payments made to contractors and consultants. To the extent that a tangible asset is consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in a project are demonstrable and permitted, exploration and evaluation assets attributable to that project are first tested for impairment and then reclassified to *Mine Property and Development Projects*. Currently, Harte Gold does not hold any assets classified as Mine Property and Development Projects.

#### e) *Impairment*

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position reporting date. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the (1) asset's fair value less costs to sell and (2) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

#### f) *Stock-based Compensation Transactions*

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 3. SIGNIFICANT ACCOUNTING POLICIES cont'd

model, and is recognized over the vesting period. At each reporting date, the Company revises its estimates of the number of options that are expected to vest, based on the non-market vesting conditions. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be reliably measured, they are measured at the fair value of the share-based payment. Otherwise, the stock-based compensations are measured at the fair value of goods or services received.

The fair value of options granted to directors, officers, employees and consultants who work directly on the mineral properties are capitalized to exploration and evaluation expenditures.

#### g) *Warrants*

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The allocated value of the share component is credited to common shares and the allocated value of the warrant component is credited to warrants in the statement of changes in shareholders' equity. Upon exercise of warrants, consideration paid by the warrant holder, together with the amount previously recognized in warrants, is recorded as an increase to common shares. Upon expiration of warrants, the amount applicable to expired warrants is recorded as an increase to other reserves.

#### h) *Income Taxes*

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### i) *Flow-through Shares*

The Company will from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors, subject to a renouncement process. Renouncement may occur prospectively (the flow-through shares are issued, renouncement then occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through are issued, eligible expenditures are then incurred and renouncement occurs subsequently). On issuance, the Company bifurcates the flow-through share into (1) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and (2) share capital. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. The Company follows the retrospective approach, where the obligation to renounce is fulfilled when the paperwork to renounce is filed.

Proceeds received from the issuance of flow-through shares must be spent on Canadian resource property exploration expenditures prior to the calendar year following the year of issuance. The portion of the proceeds received but not yet expended is detailed in Note 10.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 3. SIGNIFICANT ACCOUNTING POLICIES cont'd

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

At the time of initial recognition, a taxable temporary difference exists and neither accounting profit nor taxable profit is affected, therefore the initial recognition exemption for deferred income taxes applies.

#### **j) Provision for Environmental Rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates from decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

#### **k) Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **l) Income/Loss Per Share**

The Company presents basic and diluted income/loss per share data for its common shares, calculated by dividing the income/loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income/ per share does not adjust the income/loss attributed to the common shareholders or the weighted average number of common shares outstanding when the effect is antidilutive.

#### **m) Share Capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

#### **n) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reasonable estimate can be made of the amount of the obligation. Provisions for legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

Provisions are measured at the present value of the expenditures required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 3. SIGNIFICANT ACCOUNTING POLICIES cont'd

#### o) *Segment Reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer of the Company.

The Company has determined that it has one operating segment, the acquisition, exploration and development of mineral resource properties, currently located in Canada. The Company's corporate head office expenditures are considered incidental to the activities of the Company and therefore do not meet the definition of an operating segment.

#### p) *Accounting Standards and Amendments Issued But Not Yet Adopted*

##### IAS 1 – Presentation of Financial Statements

IAS 1 *Presentation of Financial Statements* was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

##### IFRS 9 – Financial Instruments

In July 2014, the IASB issued IFRS 9 *Financial Instruments*, which addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. IFRS 9 introduces a single expected credit loss model, which is based on changes in credit quality since initial recognition. IFRS 9 changes the requirements for hedge effectiveness and consequently for the application of hedge accounting. The IAS 39 effectiveness test is replaced with a requirement for an economic relationship between the hedged item and the hedging instrument, and for the hedged ratio to be the same as that used by the entity for risk management purposes. Certain restrictions that prevented some hedging strategies and hedging instruments from qualifying for hedge accounting were removed under IFRS 9. Generally, the mechanics of hedge accounting remain unchanged. IFRS is mandatory for accounting periods beginning on or after January 1, 2018, although early adoption is permitted. The Company is assessing the impact of IFRS 9, along with the timing of its adoption.

##### IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, although early adoption is permitted. The Company is assessing the impact of IFRS 15, along with the timing of its adoption.

##### IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, although early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same time as IFRS 16. The Company is assessing the impact of IFRS 16, along with the timing of its adoption.

There are no other IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Restricted cash of \$355,540 at December 31, 2015 (2014 - \$353,933) is cash held by the Ontario Ministry of Northern Development and Mines ("MNNDM") as assurance that the Company will complete its remediation obligations under the Closure Plan in respect of the Advanced Exploration and Bulk Sample program. As of December 31, 2012, the Company had applied for Closure Plan approval and had submitted the cash assurance amount along with its application. The Closure Plan was approved in early February 2013 and the cash will be held in trust by the MNNDM until all remediation and closure procedures under the Closure Plan have been completed.

### 5. RECEIVABLES

	December 31, 2015	December 31, 2014
GST/HST receivable	\$ 473,815	\$ 144,499
Other	15,233	941
	<b>\$ 489,048</b>	<b>\$ 145,440</b>

### 6. PROPERTY AND EQUIPMENT

	Office Equipment <sup>(1)</sup>			Site Vehicles <sup>(1)</sup>			TOTAL NBV
	Cost	Amortization	NBV	Cost	Amortization	NBV	
<b>December 31, 2013</b>	<b>\$ 10,527</b>	<b>\$ 5,836</b>	<b>\$ 4,691</b>	<b>\$ 107,665</b>	<b>\$ 53,971</b>	<b>\$ 53,694</b>	<b>\$ 58,385</b>
Additions	-	1,359	(1,359)	-	10,789	(10,789)	(12,148)
<b>December 31, 2014</b>	<b>10,527</b>	<b>7,195</b>	<b>3,332</b>	<b>107,665</b>	<b>64,760</b>	<b>42,905</b>	<b>46,237</b>
Additions	1,503	1,260	243	-	8,541	(8,541)	(8,298)
<b>December 31, 2015</b>	<b>\$ 12,030</b>	<b>\$ 8,455</b>	<b>\$ 3,575</b>	<b>\$ 107,665</b>	<b>\$ 73,301</b>	<b>\$ 34,364</b>	<b>\$ 37,939</b>

- 1) Amortization on property and equipment located at the exploration site is capitalized to exploration and evaluation expenditures. Amortization on head office property and equipment is expensed.

### 7. EXPLORATION AND EVALUATION EXPENDITURES

#### Sugar Zone Property, Hemlo Gold Area

The Sugar Zone Property consists of approximately 29,435 hectares within the Sault Ste. Marie Mining Division located in Ontario. The Sugar Zone Property includes 4 mining leases (1,467 hectares) and 336 unpatented mining claims (27,968 hectares), and the Company holds a 100% interest in all of these.

Certain of these claims and leases are subject to net smelter royalties ("NSR") ranging from 3.0% to 3.5% in favour of the original vendors of the properties which can be reduced by 1.5% upon payments of up to \$3.0 million.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 7. EXPLORATION AND EVALUATION EXPENDITURES cont'd

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

	December 31, 2015	December 31, 2014
<b>Opening Balance</b>	<b>\$ 23,769,300</b>	<b>\$ 20,959,732</b>
Expenditures incurred during the year		
Acquisition costs	54,180	191,819
Environmental Rehabilitation Provision (note 9)	347,953	-
Bulk Sample	2,684,612	-
Drilling	623,852	601,740
Assays	62,005	93,393
Camp costs	75,701	161,383
Direct management/employees	493,809	561,390
Site access	860,149	590,892
Consultants	246,595	355,477
Stock-based compensation (note 12)	149,449	224,543
Amortization of vehicles (note 6)	9,440	11,952
Other costs	20,262	16,979
<b>Total for this year</b>	<b>5,628,007</b>	<b>2,809,568</b>
<b>Closing Balance</b>	<b>\$ 29,397,307</b>	<b>\$ 23,769,300</b>

### Stoughton-Abitibi Property, Timmins Porcupine Gold Area

The Stoughton-Abitibi Property (formerly known as Stoughton-Porcupine property) is within the Larder Lake Mining Division in Ontario and consists of a 90% interest in 9 claims and a 100% interest in 25 claims.

In 2009, the Company concluded that it should prioritize the Sugar Zone Property and recorded an impairment provision of \$2,756,133 against the Stoughton-Abitibi Property. A small exploration program was conducted in 2013, but this led to no changes in the known mineralization on the property and an impairment provision of \$66,842 was recorded in respect of the exploration expenditures incurred on the Stoughton-Abitibi Property during 2013. No significant exploration work was completed during 2014. In 2015, additional exploration expenditures of \$39,315 were incurred and an impairment provision was recorded in respect of these. In view of the current poor investment climate for mining exploration properties on which no indications of resources exist, management have concluded that it would be too speculative to estimate a recoverable amount for the Stoughton-Abitibi Property in excess of \$nil at December 31, 2015.



# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2015	December 31, 2014
Accounts Payable	\$ 1,469,592	\$ 365,288
Accrued Liabilities		
Audit	30,000	30,000
Other	274,817	11,000
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 1,774,409</b>	<b>\$ 406,288</b>

### 9. ENVIRONMENTAL REHABILITATION PROVISION

Pursuant to the Advanced Exploration and Bulk Sample Closure Plan, the Company is obligated to rehabilitate the Sugar Zone site on completion of the work. The cost of such rehabilitation work was estimated at an amount of \$347,953 at the time the Closure Plan was approved, and cash in such amount was deposited with the MNDM (see Note 4). The rehabilitation work relates to surface disturbances and openings, all of which development took place during the fourth quarter of 2015. Accordingly, the full amount of the rehabilitation liability was recorded in the fourth quarter of 2015. The Advanced Exploration and Bulk Sample is expected to be completed in the first quarter of 2017, and the environmental rehabilitation work would have to commence at that time. It should be noted that should a decision be made to undertake commercial production, this rehabilitation work will be deferred until the end of the mine life and incorporated as part of the overall life of mine environmental rehabilitation provision.

Environmental Rehabilitation Provision at January 1, 2015	\$	-
Rehabilitation liability arising during the year		347,953
<b>Environmental Rehabilitation Provision at December 31, 2015</b>	<b>\$</b>	<b>347,953</b>

### 10. FLOW -THROUGH SHARE PREMIUM

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

<b>Balance on December 31, 2013</b>	<b>\$ 234,278</b>
Settlement of liability through renouncement in Q1 2014	(234,278)
Liability incurred on flow-through shares issued August 19, 2014	56,673
<b>Balance on December 31, 2014</b>	<b>\$ 56,673</b>
Settlement of liability through renouncement in Q1 2015	(56,673)
Liability incurred on flow-through shares issued September 21, 2015	65,167
Settlement of liability through renouncement in Q4 2015	(65,167)
Liability incurred on flow-through shares issued December 4, 2015	55,880
December 17, 2015	4,120
<b>Balance on December 31, 2015</b>	<b>\$ 60,000</b>

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 10. FLOW-THROUGH SHARE PREMIUM cont'd

On June 23, 2014, the Company completed a non-brokered private placement financing of 4,000,000 flow-through units at a price of \$0.15 per unit for gross proceeds of \$600,000. Each unit consists of one flow-through common share and one common share purchase warrant. Each full warrant is exercisable at \$0.20 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.30 or higher for a period of 10 consecutive trading days. A flow-through share premium of \$nil was recorded on this financing. As of December 31, 2014, all funds had been spent.

On August 19, 2014, the Company completed a non-brokered private placement financing of 2,833,668 flow-through shares at a price of \$0.30 per share for gross proceeds of \$850,100. A flow-through share premium of \$56,673 was recorded on this financing. As of December 31, 2014, all funds had been spent.

On December 23, 2014, the Company completed an initial closing of a non-brokered private placement financing of 11,324,665 flow-through units at a price of \$0.06 per unit for gross proceeds of \$679,480. Each unit consists of one flow-through common share and one-half common share purchase warrant. Each full warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days. A flow-through share premium of \$nil was recorded on this financing. As of December 31, 2015, all funds had been spent.

On December 31, 2014, the Company completed a second closing of a non-brokered private placement financing of 450,000 flow-through units at a price of \$0.06 per unit for gross proceeds of \$27,000. Each unit consists of one flow-through common share and one-half common share purchase warrant. Each full warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days. A flow-through share premium of \$nil was recorded on this financing. As of December 31, 2015, all funds had been spent.

On September 21, 2015, the Company completed an initial closing of a non-brokered private placement financing of 6,516,666 flow-through units at a price of \$0.06 per unit for gross proceeds of \$391,000. Each unit consists of one flow-through common share and one-quarter common share purchase warrant. Each full warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days. A flow-through share premium of \$65,167 was recorded on this financing. As of December 31, 2015, all funds had been spent.

On September 30, 2015, the Company completed a second closing of a non-brokered private placement financing of 4,416,667 flow-through units at a price of \$0.06 per unit for gross proceeds of \$265,000. Each unit consists of one flow-through common share and one-quarter common share purchase warrant. Each full warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days. A flow-through share premium of \$nil was recorded on this financing. As of December 31, 2015, all funds had been spent.

On October 14, 2015, Harte Gold completed its third closing of a non-brokered private placement financing of 4,066,666 flow-through units at a price of \$0.06 per unit for gross proceeds of \$244,000. Each unit consists of one flow-through common share and one-quarter common share purchase warrant. Each full warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days. A flow-through share premium of \$nil was recorded on this financing. As of December 31, 2015, all funds had been spent.

On December 4, 2015, Harte Gold completed its first closing of a non-brokered private placement financing of 5,588,000 flow-through units at a price of \$0.10 per unit for gross proceeds of \$558,800. Each unit consists of one flow-through common share and one-half common share purchase warrant. Each full warrant is exercisable at \$0.15 per common share for a period of 24 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days. A flow-through share premium of \$55,880 was recorded on this financing. As of December 31, 2015, all funds had been spent.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 10. FLOW-THROUGH SHARE PREMIUM cont'd

On December 17, 2015, Harte Gold completed its second closing of a non-brokered private placement financing of 412,000 flow-through units at a price of \$0.10 per unit for gross proceeds of \$41,200. Each unit consists of one flow-through common share and one-half common share purchase warrant. Each full warrant is exercisable at \$0.15 per common share for a period of 24 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days. A flow-through share premium of \$4,120 was recorded on this financing. As of December 31, 2015, all funds had been spent.

### 11. 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:

	December 31, 2015	December 31, 2014
<b>Balance beginning of year</b>	<b>247,240,532</b>	<b>212,938,246</b>
Private placement of units	38,000,000	13,206,153
Private placement of flow-through units (note 9)	20,999,999	18,608,333
Warrants exercised	113,833	2,487,800
<b>Balance end of year</b>	<b>306,354,364</b>	<b>247,240,532</b>

On January 24, 2014, Harte Gold completed its final tranche of a non-brokered private placement financing of 3,600,000 units at \$0.05 per unit for gross proceeds of \$180,000. Each unit consists of one common share and one common share purchase warrant. Each full warrant is exercisable at \$0.15 per common share for a period of 24 months from closing.

On June 23, 2014, Harte Gold completed a non-brokered private placement financing of 6,000,000 units at a price of \$0.125 per unit for gross proceeds of \$750,000. Each unit consists of one common share and one common share purchase warrant. Each full warrant is exercisable at \$0.20 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days notice should the Company's common shares trade at \$0.30 or higher for a period of 10 consecutive trading days.

On July 22, 2014, the Company completed a non-brokered private placement financing of 2,666,667 units at a price of \$0.225 per unit for gross proceeds of \$600,000. Each unit consists of one common share and one half common share purchase warrant. Each full warrant is exercisable at \$0.30 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days notice should the Company's common shares trade at \$0.50 or higher for a period of 10 consecutive trading days.

On July 31, 2014, Harte Gold completed a non-brokered private placement financing of 666,667 units at a price of \$0.225 per unit for gross proceeds of \$150,000. Each unit consists of one common share and one half common share purchase warrant. Each full warrant is exercisable at \$0.30 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days notice should the Company's common shares trade at \$0.50 or higher for a period of 10 consecutive trading days.

On August 19, 2014, the Company completed a non-brokered private placement financing of 272,818 units at a price of \$0.275 per unit for gross proceeds of \$75,025. Each Unit consists of one common share and one half common share purchase warrant. Each full warrant is exercisable at \$0.35 per common share for a period of 12 months from closing

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 11. CAPITAL STOCK cont'd

subject to an acceleration clause on 30 days notice should the Company's common shares trade at \$0.50 or higher for a period of 10 consecutive trading days.

On January 23, 2015, Harte Gold completed the final tranche of its previously announced non-brokered private placement financing with the issuance of 5,000,000 units at \$0.05 per unit for gross proceeds of \$250,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days.

On January 23, 2015, Harte Gold completed an initial closing of a non-brokered private placement financing of 4,501,667 units at \$0.06 per unit for gross proceeds of \$270,100. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days.

On January 28, 2015, Harte Gold completed the final closing of a non-brokered private placement financing of 498,333 units at \$0.06 per unit for gross proceeds of \$29,900. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days.

On September 21, 2015, Harte Gold completed an initial closing of a non-brokered private placement financing of 6,134,000 units at \$0.05 per unit for gross proceeds of \$306,700. Each unit consists of one common share and one half common share purchase warrant. Each warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days.

On September 30, 2015, Harte Gold completed a second closing of a non-brokered private placement financing of 200,000 units at \$0.05 per unit for gross proceeds of \$10,000. Each unit consists of one common share and one half common share purchase warrant. Each warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days.

On October 14, 2015, Harte Gold completed a third closing of a non-brokered private placement financing of 21,666,000 units at \$0.05 per unit for gross proceeds of \$1,083,300. Each unit consists of one common share and one half common share purchase warrant. Each full warrant is exercisable at \$0.15 per common share for a period of 18 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at \$0.20 or higher for a period of 10 consecutive trading days.

### 12. STOCK OPTION PLAN

The Company has established a stock option plan to provide additional incentives 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 December 31, 2015, the Company had 6,835,436 (December 31, 2014 – 3,274,053) 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 December 31, 2015, a total of 23,800,000 options (2014 – 21,450,000) were outstanding under the stock option plan.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 12. STOCK OPTION PLAN cont'd

	December 31, 2015		December 31, 2014	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding beginning of year	\$ 0.18	21,450,000	\$ 0.23	16,110,000
Transactions during the period:				
Granted	\$ 0.10	12,440,000	\$ 0.10	7,740,000
Granted			\$ 0.15	150,000
Granted			\$ 0.30	750,000
Expired	\$ (0.20)	(10,090,000)	\$ (0.15)	(3,300,000)
Outstanding at end of year	\$ 0.14	23,800,000	\$ 0.18	21,450,000
Exercisable at end of year	\$ 0.14	22,850,000	\$ 0.18	21,050,000

The following table provides additional information regarding stock options outstanding at December 31, 2015.

Expiry Date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
February 14, 2016	\$0.47	0.12	780,000	530,000 <sup>(1)</sup>
November 13, 2016	\$0.50	0.87	150,000	150,000
May 3, 2017	\$0.30	1.34	130,000	130,000
May 28, 2017	\$0.35	1.41	250,000	100,000 <sup>(2)</sup>
June 20, 2017	\$0.30	1.47	2,650,000	2,650,000
April 25, 2019	\$0.10	3.32	7,090,000	7,090,000
May 9, 2019	\$0.15	3.36	150,000	150,000
July 31, 2019	\$0.30	3.58	160,000	160,000
October 14, 2020	\$0.10	4.79	11,840,000	11,540,000 <sup>(5)</sup>
November 9, 2020	\$0.10	4.86	600,000	350,000 <sup>(6)</sup>
	<b>\$0.14</b>	<b>3.74</b>	<b>23,800,000</b>	<b>22,850,000</b>

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 12. STOCK OPTION PLAN cont'd

#### 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 years ended December 31, 2015 and 2014:

Grant date	25-Apr-14	9-May-14	31-Jul-14
Number of options	7,740,000	150,000	750,000
Share price	\$ 0.08	\$ 0.14	\$ 0.30
Exercise price	\$ 0.10	\$ 0.15	\$ 0.30
Expected life in years	5	5	5
Volatility <sup>(3)</sup>	94.94%	96.80%	94.78%
Risk-free interest rate	1.43%	1.40%	1.41%
Dividend yield	0.00%	0.00%	0.00%
Fair value per option <sup>(4)</sup>	\$ 0.055	\$ 0.101	\$ 0.216
Fair value assigned to options	\$ 426,779	\$ 15,141	\$ 162,186

Grant date	14-Oct-15	9-Nov-15
Number of options	11,840,000	600,000
Share price	\$ 0.07	\$ 0.09
Exercise price	\$ 0.10	\$ 0.10
Expected life in years	5	5
Volatility <sup>(3)</sup>	85.88%	86.44%
Risk-free interest rate	1.16%	1.46%
Dividend yield	0.00%	0.00%
Fair value per option <sup>(4)</sup>	\$ 0.043	\$ 0.059
Fair value assigned to options	\$ 506,523	\$ 35,681

<sup>1</sup> 250,000 options of these options vest over time based on the occurrence of certain future events. 500,000 of these options will be extended for a further 5 year term if they are not exercised by February 14, 2016 (see subsequent events note 23).

<sup>2</sup> 100,000 of these options were vested as of December 31, 2014; 150,000 of these options vest based on the occurrence of certain future events, if these options are not exercised by May 28, 2017, they will be extended for a further 5 year term

<sup>3</sup> Volatility is determined based on historical share prices

<sup>4</sup> Where options have been granted in which vesting is conditional upon future events, the fair value has been estimated taking into account the probability and timing of meeting those future events, and the fair value is recognized based on these probabilities.

<sup>5</sup> 300,000 of these options vest over time based on the occurrence of certain future events.

<sup>6</sup> 250,000 of these options vest over time based on the occurrence of certain future events.

The fair value assigned to options is capitalized to exploration and evaluation expenditures if the expenses related to the services of those individuals have also been capitalized. For the year ended December 31, 2015, \$149,449 was capitalized to exploration and evaluation expenditures (\$224,543 for the year ended December 31, 2014). The balance of the fair value assigned to options is expensed - \$378,609 for the year ended December 31, 2015 (\$387,584 for the year ended December 31, 2014).

Certain options were granted to consultants during the year. In the absence of a reliable measure of the services received, the services have been measured at the fair value of the options issued to consultants.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 13. WARRANTS

As at December 31, 2015 there were 44,403,996 (December 31, 2014 – 35,869,188) warrants to purchase common shares outstanding. Warrants expire as follows:

	Exercise Price	Warrants	Expiry date
<b>Balance at December 31, 2013</b>		<b>24,786,695</b>	
Expired		(9,012,411)	
Exercised		(2,487,800)	
Issued	\$ 0.20	10,000,000	December 23, 2015
Issued for finder's fee	\$ 0.15	463,983	December 23, 2015
Issued	\$ 0.30	1,333,334	January 21, 2016
Issued for finder's fee	\$ 0.24	100,000	January 21, 2016
Issued	\$ 0.15	3,600,000	January 23, 2016
Issued for finder's fee	\$ 0.065	19,530	January 23, 2016
Issued	\$ 0.30	333,333	January 31, 2016
Issued for finder's fee	\$ 0.24	22,225	January 31, 2016
Issued	\$ 0.35	136,409	August 19, 2015
Issued for finder's fee	\$ 0.30	155,324	August 19, 2015
Issued	\$ 0.15	5,662,333	June 23, 2016
Issued for finder's fee	\$ 0.06	531,233	June 23, 2016
Issued	\$ 0.15	225,000	June 30, 2016
<b>Balance at December 31, 2014</b>		<b>35,869,188</b>	
Expired		(23,961,700)	
Exercised		(113,833)	
Issued	\$ 0.15	9,501,667	July 23, 2016
Issued for finder's fee	\$ 0.06	220,000	July 23, 2016
Issued for finder's fee	\$ 0.08	184,250	July 23, 2016
Issued	\$ 0.15	498,333	July 28, 2016
Issued for finder's fee	\$ 0.08	24,250	July 28, 2016
Issued	\$ 0.15	4,696,167	March 21, 2017
Issued for finder's fee	\$ 0.06	142,000	March 21, 2017
Issued	\$ 0.15	1,204,167	March 30, 2017
Issued for finder's fee	\$ 0.06	265,000	March 30, 2017
Issued	\$ 0.15	11,849,667	April 14, 2017
Issued for finder's fee	\$ 0.06	683,560	April 14, 2017
Issued	\$ 0.15	2,794,000	December 4, 2017
Issued for finder's fee	\$ 0.10	335,280	December 4, 2017
Issued	\$ 0.15	206,000	December 17, 2017
Issued for finder's fee	\$ 0.10	6,000	December 17, 2017
<b>Balance at December 31, 2015</b>		<b>44,403,996</b>	

The weighted average share price on the date of exercise was \$0.09 (2014 - \$0.22).

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 13. WARRANTS cont'd

The following tables summarize assumptions used with the Black-Scholes valuation model for the determination of the value allocated to the warrants issued as part of the unit financings during the years ended December 31, 2015 and 2014:

Issue date	23-Jan-14	23-Jan-14	23-Jun-14	23-Jun-14
Number of warrants	3,600,000	19,530 <sup>1</sup>	10,000,000	463,983 <sup>1</sup>
Share price	\$ 0.07	\$ 0.07	\$ 0.18	\$ 0.18
Exercise price	\$ 0.15	\$ 0.065	\$ 0.20	\$ 0.150
Expected life in years	2.0	2.0	1.5	1.5
Volatility <sup>(2)</sup>	100.10%	100.10%	98.39%	98.39%
Risk-free interest rate	0.98%	0.98%	1.13%	1.13%
Dividend yield	0%	0%	0%	0%
Fair value per warrant	\$ 0.0241	\$ 0.0380	\$ 0.0772	\$ 0.0914
Fair value of warrants issued	\$ 86,653	\$ 742	\$ 772,250	\$ 42,387
Relative fair value assigned to warrants	\$ 46,058	\$ -	\$ 405,302	\$ -

Issue date	21-Jul-14	02-Jul-14	31-Jul-14	31-Jul-14
Number of warrants	1,333,334	100,000 <sup>1</sup>	333,333	22,225 <sup>1</sup>
Share price	\$ 0.25	\$ 0.25	\$ 0.30	\$ 0.30
Exercise price	\$ 0.30	\$ 0.24	\$ 0.30	\$ 0.24
Expected life in years	1.5	1.5	1.5	1.5
Volatility <sup>(2)</sup>	98.22%	98.22%	100.68%	100.68%
Risk-free interest rate	1.07%	1.07%	1.08%	1.08%
Dividend yield	0%	0%	0%	0%
Fair value per warrant	\$ 0.1018	\$ 0.1170	\$ 0.1400	\$ 0.1579
Fair value of warrants issued	\$ 135,698	\$ 11,701	\$ 46,680	\$ 3,510
Relative fair value assigned to warrants	\$ 101,573	\$ -	\$ 28,385	\$ -

Issue date	19-Aug-14	19-Aug-14	23-Dec-14	23-Dec-14	31-Dec-14
Number of warrants	136,409	155,324 <sup>1</sup>	5,662,333	531,233 <sup>1</sup>	225,000
Share price	\$ 0.28	\$ 0.28	\$ 0.06	\$ 0.06	\$ 0.06
Exercise price	\$ 0.35	\$ 0.30	\$ 0.15	\$ 0.06	\$ 0.15
Expected life in years	1.0	1.0	1.5	1.5	1.5
Volatility <sup>(2)</sup>	91.31%	91.31%	107.14%	107.14%	108.60%
Risk-free interest rate	1.06%	1.06%	1.04%	1.04%	1.00%
Dividend yield	0%	0%	0%	0%	0%
Fair value per warrant	\$ 0.0933	\$ 0.0933	\$ 0.0160	\$ 0.0295	\$ 0.0164
Fair value of warrants issued	\$ 12,727	\$ 14,491	\$ 90,748	\$ 15,690	\$ 3,700
Relative fair value assigned to warrants	\$ 10,715	\$ -	\$ 80,056	\$ -	\$ 3,254



# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 13. WARRANTS cont'd

Issue date	23-Jan-15	23-Jan-15	23-Jan-15	28-Jan-15	28-Jan-15
Number of warrants	9,501,667	220,000 <sup>1</sup>	184,250 <sup>1</sup>	24,250 <sup>1</sup>	498,333
Share price	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.05	\$ 0.05
Exercise price	\$ 0.15	\$ 0.06	\$ 0.08	\$ 0.08	\$ 0.15
Expected life in years	1.5	1.5	1.5	1.5	1.5
Volatility <sup>(2)</sup>	107.95%	107.95%	107.95%	111.03%	111.03%
Risk-free interest rate	0.56%	0.56%	0.56%	0.46%	0.46%
Dividend yield	0%	0%	0%	0%	0%
Fair value per warrant	\$ 0.0213	\$ 0.0373	\$ 0.0322	\$ 0.0194	\$ 0.0123
Fair value of warrants issued	\$ 202,411	\$ 8,201	\$ 5,927	\$ 471	\$ 6,112
Relative fair value assigned to warrants	\$ 121,349	\$ -	\$ -	\$ -	\$ 5,890

Issue date	21-Sep-15	21-Sep-15	30-Sep-15	30-Sep-15	14-Oct-15
Number of warrants	4,696,167	142,000 <sup>1</sup>	1,204,167	265,000 <sup>1</sup>	11,849,667
Share price	\$ 0.05	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.07
Exercise price	\$ 0.15	\$ 0.06	\$ 0.15	\$ 0.06	\$ 0.15
Expected life in years	1.5	1.5	1.5	1.5	1.5
Volatility <sup>(2)</sup>	104.44%	104.44%	105.48%	105.48%	105.97%
Risk-free interest rate	0.53%	0.53%	0.52%	0.52%	0.52%
Dividend yield	0%	0%	0%	0%	0%
Fair value per warrant	\$ 0.0107	\$ 0.0216	\$ 0.0154	\$ 0.0290	\$ 0.0206
Fair value of warrants issued	\$ 50,191	\$ 3,067	\$ 18,587	\$ 7,691	\$ 244,325
Relative fair value assigned to warrants	\$ 46,501	\$ -	\$ 17,292	\$ -	\$ 158,531

Issue date	14-Oct-15	04-Dec-15	04-Dec-15	17-Dec-15	17-Dec-15
Number of warrants	683,560 <sup>1</sup>	2,794,000	335,280 <sup>1</sup>	206,000	6,000 <sup>1</sup>
Share price	\$ 0.07	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09
Exercise price	\$ 0.06	\$ 0.15	\$ 0.10	\$ 0.15	\$ 0.10
Expected life in years	1.5	2.0	2.0	2.0	2.0
Volatility <sup>(2)</sup>	105.97%	100.23%	100.23%	99.06%	99.06%
Risk-free interest rate	0.52%	0.52%	0.62%	0.52%	0.52%
Dividend yield	0%	0%	0%	0%	0%
Fair value per warrant	\$ 0.0368	\$ 0.0361	\$ 0.0449	\$ 0.0355	\$ 0.0444
Fair value of warrants issued	\$ 25,132	\$ 100,991	\$ 15,063	\$ 7,323	\$ 266
Relative fair value assigned to warrants	\$ -	\$ 93,447	\$ -	\$ 6,795	\$ -

<sup>1</sup> In the absence of a reliable measure of the services received, the services have been measured at the fair value of the finder's warrants issued.

<sup>2</sup> Volatility is determined based on historical share prices.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 13. WARRANTS cont'd

The expiry dates of warrants outstanding as of December 31, 2015 are as follows:

Expiry date	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life (years)
January 21, 2016	1,333,334	\$ 0.30	0.06
January 21, 2016	100,000	\$ 0.24	0.06
January 23, 2016	3,600,000	\$ 0.15	0.06
January 23, 2016	19,530	\$ 0.065	0.06
January 31, 2016	333,333	\$ 0.30	0.08
January 31, 2016	22,225	\$ 0.24	0.08
June 23, 2016	5,662,333	\$ 0.15	0.48
June 23, 2016	497,900	\$ 0.06	0.48
June 30, 2016	225,000	\$ 0.15	0.50
July 23, 2016	9,501,667	\$ 0.15	0.56
July 23, 2016	220,000	\$ 0.06	0.56
July 23, 2016	184,250	\$ 0.08	0.56
July 28, 2016	498,333	\$ 0.15	0.58
July 28, 2016	24,250	\$ 0.08	0.58
March 21, 2017	4,696,167	\$ 0.15	1.22
March 21, 2017	142,000	\$ 0.06	1.22
March 30, 2017	1,204,167	\$ 0.15	1.25
March 30, 2017	265,000	\$ 0.06	1.25
April 14, 2017	11,849,667	\$ 0.15	1.29
April 14, 2017	683,560	\$ 0.06	1.29
December 4, 2017	2,794,000	\$ 0.15	1.93
December 4, 2017	335,280	\$ 0.10	1.93
December 17, 2017	206,000	\$ 0.15	1.96
December 17, 2017	6,000	\$ 0.10	1.96
	<b>44,403,996</b>	<b>\$ 0.14</b>	<b>0.89</b>

### 14. OTHER RESERVES

	31-Dec-15	31-Dec-14
<b>Balance beginning of year</b>	<b>\$ 4,216,209</b>	<b>\$ 3,449,283</b>
Stock-based compensation expense (note 12)	<b>528,058</b>	612,127
Fair value assigned to expired warrants	<b>679,656</b>	154,799
<b>Balance end of year</b>	<b>\$ 5,423,923</b>	<b>\$ 4,216,209</b>

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 15. LOSS PER SHARE

The calculation of the basic loss per share for the year ended December 31, 2015 was based on the loss attributable to common shareholders of \$1,520,852 (year ended December 31, 2014 - \$998,145) and a weighted average number of common shares outstanding of 267,212,151 (December 31, 2014 – 225,663,050).

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

The Company excluded the effect of the stock options and warrants in the determination of diluted loss per share as their impact would have been anti-dilutive.

### 16. INCOME TAXES

#### (a) Provision for Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	December 31, 2015	December 31, 2014
Loss before income taxes	\$ (1,166,073)	\$ (710,766)
Combined Federal and Provincial tax rate	25.00%	25.00%
Expected recovery at statutory rates	(291,518)	(177,692)
Stock-based compensation	94,652	96,896
Flow-through share premium	(30,460)	(58,570)
Share issue costs	(58,528)	(72,051)
Change in tax rate and other	3,668	(14,547)
Non-capital losses expired in the year	85,345	167,438
CEE renounced in the year	551,620	345,905
Deferred income tax expense	\$ 354,779	\$ 287,379

#### (b) Deferred Tax Balances

The deferred income tax balances comprise the following temporary differences:

	December 31, 2015	December 31, 2014
Resource properties	\$ (4,135,261)	\$ (3,240,075)
Non-capital loss carry forwards	2,826,638	2,295,612
Share issue costs and other	127,313	117,932
Deferred tax liability	\$ (1,181,310)	\$ (826,531)

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 16. INCOME TAXES cont'd

#### (c) Tax Loss Carry-forwards

The Company has accumulated non-capital losses of \$11,307,000 which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

2025	\$	623,000
2026		535,000
2027		496,000
2028		1,070,000
2029		732,000
2030		108,000
2031		883,000
2032		837,000
2033		744,000
2034		2,814,000
2035		2,465,000
	<b>\$</b>	<b>11,307,000</b>

### 17. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties as at and for the years ended December 31, 2015 and 2014 were as follows:

	<b>Amount</b>	<b>Outstanding</b>
<b>For year ended December 31, 2015</b>	<b>charged</b>	<b>balance</b>
Silvermet Inc.	\$ 56,090	\$ -
Global Atomic Fuels Corporation	51,218	(14,191)

  

	<b>Amount</b>	<b>Outstanding</b>
<b>For year ended December 31, 2014</b>	<b>charged</b>	<b>balance</b>
Silvermet Inc.	\$ 48,647	\$ 15,565
Global Atomic Fuels Corporation	72,867	21,053

Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. These are settled on a regular basis. These companies are related parties since one or more directors, officers and consultant are associated with these companies in the same capacity. The related party payments to Silvermet relate to reimbursement for Harte Gold's share of the office lease and are expensed. The related party payments to Global Atomic Fuels Corporation reimburse for Harte Gold's share of office personnel and supplies expenses, and are expensed as incurred.

For the years ended December 31, 2015 and 2014, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

### 17. RELATED PARTY TRANSACTIONS cont'd

	December 31, 2015	December 31, 2014
Management and consulting fees	\$ 290,000	\$ 240,000
Consulting fees included in exploration and evaluation expenditures	100,000	90,000
Stock based compensation		
- expensed to the Statement of Operations and Comprehensive Loss	295,186	212,286
- capitalized to exploration and evaluation expenditures	85,561	82,709

### 18. FINANCIAL INSTRUMENTS

As at December 31, 2015 and 2014, the Company's financial instruments consist of cash and cash equivalents, receivables (excluding HST receivable), subscription receivable, restricted cash, accounts payable and accrued liabilities, deferred contract mining fees and environmental rehabilitation provision. The carrying values of the Company's financial instruments approximate their fair value due to the short maturity of these instruments. The risk exposure is summarized as follows:

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The carrying amounts of the Company's financial assets represent the maximum credit risk exposure.

The Company is not exposed to any significant credit risk on its financial assets. Cash and cash equivalents have been deposited with strong or high-credit quality Canadian chartered banks.

b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity is to periodically monitor actual and projected cash flows to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at December 31, 2015, the Company had cash and cash equivalents of \$400,318 (December 31, 2014 - \$1,656,234) to settle current liabilities of \$1,774,409 (December 31, 2014 - \$406,288) that primarily consist of accounts payable and accrued liabilities that are considered short-term and expected to be settled within 30 to 90 days. As described in Note 23, subsequent to year end, the Company had secured financing to help protect its liquidity needs. Managing liquidity risk will be dependent on the success of the Advanced Exploration and Bulk Sample Program, as well as the Company's ability to raise additional funds through debt or equity issues.

c) Market risk

(i) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to cash which are deposits attracting a floating interest rate. Interest rate risk is managed by the selection of term deposits with interest rates that reflect management's market expectations. All other financial assets and liabilities are non-interest bearing or bear interest at fixed rates, and the Company has no debt. As a result, the Company is not subject to significant interest rate risk.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 18. FINANCIAL INSTRUMENTS cont'd

(ii) *Foreign currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk with respect to monetary items not denominated in Canadian dollars. The Company transacts all of its activities in Canadian dollars at present and accordingly, is not presently exposed to any foreign currency risk. As the Company proceeds with its bulk sample in the future, there will be some foreign exchange exposure, as the gold price is denominated in US dollars.

### 19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are (1) to safeguard the Company's ability to continue operations in order to pursue the development of its mineral properties and provide returns for shareholders and (2) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company considers its levels of debt and shareholders' equity in its management of capital, as well as its existing cash position.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions.

The Company is not subject to any externally imposed capital requirements limiting or restricting the use of capital. In order to maximize ongoing development efforts, the Company does not pay out dividends at this time.

The Company's investment policy is to invest its cash in highly liquid, short-term, interest-bearing investments with maturities of less than a year from the original date of acquisition, selected with regard to the expected timing of expenditures from operations.

The Company expects that additional capital will be required to begin the proposed Advanced Exploration and Bulk Sample program that is designed to test grades and recoveries before moving towards a commercial production decision, and the Company is currently evaluating funding alternatives.

### 20. SEGMENTED INFORMATION

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.

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 21. COMMITMENTS

During 2015, the Company entered a contract with Technica Group Inc. (“Technica”) to complete the Advanced Exploration and Bulk Sample work on a contract basis. The total amount of the Technica contract is based on a budgeted cost amount of \$13,938,157 (“Budget Amount”), which is invoiced to Harte Gold as the work is completed, plus a 20% contractor fee (\$2,787,631). As of December 31, 2015, \$1,659,888 of the Budget Amount had been invoiced under the contract. Based on the current work schedule, the Company expects the Advanced Exploration and Bulk Sample work to be completed by the fourth quarter 2016, with final work and billing to be completed by Technica shortly thereafter. The contractor fee payment is deferred and payable after completion of the Advanced Exploration and Bulk Sample work. Half of the contractor fee is payable in cash and half in common shares of the Company, to be priced at the market price at the time. Technica has the option to elect that the full amount of the fee be paid in common shares of the Company. Accordingly, the Company has accrued the contractor fee earned through December 31, 2015 in the amount of \$430,098, with 50% recorded as a long-term liability and 50% recorded as shares to be issued. Under the terms of the Technica contract, Harte Gold must also reimburse Technica for cost over-runs up to a maximum of \$696,908 (5% of the Budget Amount). Should Technica’s costs be lower than the Budget Amount, the savings are shared equally between Harte Gold and Technica.

In accordance with a 2010 agreement, the Company has acquired a 100% interest in 3 claims known as the Halverson claims, which are subject to a 3% net smelter royalty. The Company must make 5 annual royalty prepayments of \$20,000 for the 5 years ended June 28, 2019 (the first \$20,000 was paid during 2015). If an economically viable deposit is found within that period, these payments (\$100,000 cumulatively) are deemed to be a prepayment of royalties. Otherwise, the royalty obligation is cancelled on completion of the 5 payments.

The Company also has a commitment under a site access agreement to pay \$20,000 per annum during exploration and \$70,000 per annum upon commercial production, subject to a cumulative maximum of \$500,000.

In connection with the issuance of flow-through shares and the related renouncement of exploration expenditures, the Company commits to spend such funds on eligible exploration expenditures (see note 9). All funds related to the flow-through shares had been spent on eligible expenditures as of December 31, 2015.

### 22. CONTINGENCY PROVISIONS

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 subsequently filed the required documents with CRA related to the issuance of flow-through common shares. During the year ended December 31, 2015, the Company paid no amounts to reimburse any investors (\$1,668 during the year ended December 31, 2014). The Company estimates that the remaining provision of \$103,817 is sufficient for any additional reimbursements that may be required.

The Company has filed a claim against 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 have been or may need to be reimbursed to investors. Any recovery by the Company is very uncertain so no amount has been included in the financial statements for any such potential recovery.

### 23. SUBSEQUENT EVENTS

In March 2016, the Company completed a non-brokered private placement of \$2,500,000 Secured Notes (the “Notes”). The Notes bear interest at a rate of 15% per annum, payable quarterly in arrears. Principal is repayable on the second anniversary, with accelerated redemption options. The Notes are being secured by a charge on the mining leases and unpatented mining claims of the Sugar Zone Property. In connection with the Notes, the Company issued 4 warrants per \$1.00 principal amount of the Notes. Each warrant is exercisable into one common share of the Corporation on payment of \$0.15 on or before the date that is twenty-four (24) months from Closing, provided that should the closing price of the common shares of the Corporation on the Toronto Stock Exchange be equal to or greater than \$0.20 for a period of 10 consecutive trading days any time after the Closing Date, the Corporation may accelerate the Expiry Date of the Warrants

# Harte Gold Corp.

## Notes to Financial Statements Years Ended December 31, 2015 and 2014

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### 23. SUBSEQUENT EVENTS cont'd

by giving notice to the holders thereof through the issuance of a press release by the Corporation and in such case, the Warrants will expire on the 30<sup>th</sup> day after the date on which such notice is given by the Corporation.

Subsequent to year end, the Company finalized its contract milling agreement with Barrick Gold Corporation ("Barrick"), under which Barrick will process ore from the Company's Exploration and Bulk Sample Program at the nearby Hemlo mill. The Company also entered into a fixed price crushing and hauling contract with Kabi Lake Resource Corp. ("Kabi Lake"). Kabi Lake is based in northern Ontario and operates in White River, where it is involved in the road, power plant construction and forestry industries.

In January 2016, 5,408,422 warrants expired without exercise. In March 2016, 883,334 warrants were exercised for proceeds to the Company of \$132,500.

In February 2016, 980,000 options expired and/or were cancelled. On March 22, 2016, 1,200,000 options were granted to a director, employees and Pic Mobert. The options are exercisable at a price of \$0.175 per share any time prior to March 22, 2021. All options vested immediately, except for 330,000 options which vest over time based on the occurrence of certain future events (see subscript 1 to note 12).