UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Harte Gold Corp. for the three months ended March 31, 2011 were prepared by management in accordance with International Financial Reporting Standards. The most significant of these accounting principles are disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the period end unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the period end unaudited interim financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the period end unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the period end unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial statements, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

In accordance with National Instrument 52-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited interim financial statements have not been reviewed by an auditor.

Harte Gold Corp.

(An Exploration Stage Company)

Statement of Financial Position as at

(unaudited)

Canadian dollars	**March 31, 2011**	December 31, 2010	December 1, 2009
Assets			
Current Assets			
Cash (note 6)	**$ 3,322,233**	$ 4,108,856	$ 29,166
Receivables (note 7)	**360,626**	243,932	981
Subscription receivable	**-**	304,500	-
Prepaids	**11,442**	6,323	-
	3,694,301	4,663,611	30,147
Property and Equipment (note 8)	**92,121**	83,140	-
Exploration and Evaluation Expenditures (note 9)	**9,437,364**	8,183,187	2,109,768
	$ 13,223,786	$ 12,929,938	$ 2,139,915
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities (note 10)	**1,336,357**	1,181,837	575,086
Flow-through share premium (note 11)	**-**	547,571	-
	$ 1,336,357	$ 1,729,408	$ 575,086
Shareholder's Equity			
Capital stock (note 12)	**20,469,494**	20,411,494	10,199,879
Other reserves (note 15)	**2,497,823**	2,189,145	1,002,512
Deficit	**(11,079,888)**	(11,400,109)	(9,637,562)
	11,887,429	11,200,530	1,564,829
	$ 13,223,786	$ 12,929,938	$ 2,139,915

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Statements of Operations and Comprehensive Loss and Deficit
For the Three Months Ended

(unaudited)

Canadian dollars		**March 31, 2011**		February 28, 2010
Revenue				
Interest Income	**$**	**2,429**	$	86
Expenses				
Management and consulting fees (note 17)		**60,000**		42,500
Promotion and travel		**2,427**		3,553
Office and general		**38,470**		6,239
Professional fees		**16,147**		12,722
Stock-based compensation (note 16)		**76,080**		7,785
Shareholders' information		**34,690**		7,648
Amortization		**142**		-
Part XII.6 interest and penalties (note 12)		**1,823**		-
Flow-through share premium (note 11)		**(547,571)**		(128,951)
		(317,792)		(48,504)
Income (Loss) and comprehensive loss before income taxes		**320,221**		48,590
Net Income (Loss) and Comprehensive Loss	**$**	**320,221**	$	48,590
Deficit beginning of period		**(11,400,109)**		(9,637,562)
Deficit end of period	**$**	**(11,079,888)**	$	(9,588,972)
Net income per share - basic and fully diluted	**$**	**0.002**	$	0.001
Weighted average number of shares outstanding				
Basic		**139,831,135**		62,125,900
Fully diluted		**160,572,269**		62,125,900

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Statements of Cash Flow

For the Three Months Ended

(unaudited)

Canadian dollars	**March 31, 2011**	February 28, 2010
Operations		
Net income	**$ 320,221**	$ 48,590
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Amortization	**142**	-
Stock-based compensation	**76,080**	7,785
Flow-through share premium	**(547,571)**	(128,951)
	(151,128)	(72,576)
Net changes in non-cash working capital items:		
Prepaids	**(5,119)**	-
Subscription receivables	**304,500**	-
Receivables	**(116,694)**	(691)
Accounts payable and accrued liabilities	**154,520**	27,163
	186,079	(46,104)
Financing		
Cost of share issuances	**-**	(22,387)
Issuance of units	**-**	701,334
Exercise of warrants	**58,000**	-
	58,000	678,947
Investing		
Property and equipment	**(13,550)**	-
Additions to exploration and evaluation expenditures	**(1,017,152)**	(41,157)
	(1,030,702)	(41,157)
Net increase (decrease) in cash	**(786,623)**	591,686
Cash, beginning of period	**4,108,856**	29,166
Cash, end of period	**$ 3,322,233**	$ 620,852

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Statement of Changes in Shareholders' Equity
For the Period Ended March 31, 2011
(unaudited)

	Common Shares		Warrants			Other		Total Shareholders'
	#	$	#	$	Subtotal	Reserves	Deficit	Equity
Canadian dollars								
December 1, 2009	**53,892,768**	**10,161,956**	**4,023,499**	**37,923**	**10,199,879**	**1,002,512**	**(9,637,562)**	**1,564,829**
Issued as a result of:								
Private placements	11,447,624	701,334			701,334			701,334
Flow-through premium		(128,952)			(128,952)			(128,952)
Share issuance costs		(25,059)	94,405	2,672	(22,387)			(22,387)
Expiration of warrants			(779,500)					-
Stock options granted						7,785		7,785
Adjustment to opening balance	(103)							-
Net gain (loss) for the period							32,472	32,472
February 28, 2010	**65,340,289**	**10,709,279**	**3,338,404**	**40,595**	**10,749,874**	**1,010,297**	**(9,605,090)**	**2,155,081**
Issued as a result of:								
Private placements	54,038,333	6,754,674	21,371,000	991,776	7,746,450			7,746,450
Flow-through premium		(547,571)			(547,571)			(547,571)
Share issuance costs		(481,828)	2,366,727	195,326	(286,502)			(286,502)
Issued to Corona	11,511,638	1,352,913			1,352,913			1,352,913
Issued to Halverson	50,000	7,250			7,250			7,250
Exercise of warrants	6,706,055	1,333,178	(6,706,055)	(378,180)	954,998			954,998
Exercise of options	2,100,000	434,082			434,082	(119,082)		315,000
Stock options granted						1,297,930		1,297,930
Net gain (loss) for the period							(1,795,019)	(1,795,019)
December 31, 2010	**139,746,315**	**19,561,977**	**20,370,076**	**849,517**	**20,411,494**	**2,189,145**	**(11,400,109)**	**11,200,530**
Issued as a result of:								-
Exercise of warrants	342,916	70,600	(342,916)	(12,600)	58,000			58,000
Stock options granted						308,678		308,678
Net gain (loss) for the period							320,221	320,221
March 31,2011	**140,089,231**	**19,632,577**	**20,027,160**	**836,917**	**20,469,494**	**2,497,823**	**(11,079,888)**	**11,887,429**

1. CORPORATE INFORMATION

Harte Gold Corp. (The "Company" or "Harte") 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). These are Harte's first financial statements and accordingly, the provisions of IFRS 1, *First time adoption of International Financial Reporting Standards* have been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Harte is provided in Note 22.

As these are the Company's first set of unaudited interim financial statements prepared under IFRS, the disclosures herein exceed the minimum requirements under IAS 34, *Interim Financial Reporting*. In particular, the Company's accounting policies under IFRS are presented in full and certain notes include more detail than the conventional updates required under interim reporting standards, in order to provide the reader with additional contextual information. In future interim reports, the Company may not provide the same amount of disclosure as the reader will be able to refer to earlier reports prepared in accordance with IFRS.

The management of Harte prepared the unaudited interim financial statements, which were then reviewed by the Audit Committee and the Board of Directors. The unaudited interim financial statements were authorized for issue by the Board of Directors on June 20, 2011

(b) Basis of Measurement

These interim 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 interim 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 unaudited financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation. The results of operations and cash flows for the current periods as presented are not necessarily indicative of the results to be expected for the full year.

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 4	valuation of financial assets at fair value through operations
Note 9	measurement of the recoverable amounts of exploration and evaluation projects
Note 18	utilization of tax losses
Note 20	provisions and contingencies
Note 13	measurement of share-based payments

(c) Going Concern of Operations

The Company has not generated revenue from operations. The Company recorded a net income of $320,221 during the three months ended March 31, 2011 and, as of that date, the Company's deficit was $11,079,888. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred development expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance that it will be able to do so in the future.

(d) Change of Year End

In 2010, the Company changed its year end from November 30th to December 31st. Accordingly, the statement of operations and comprehensive loss and deficit and the statement of cash flow showed a 13 month period ended December 31, 2010. The interim financial statements for the three months ended March 31, 2011 are therefore presented with a comparable previous quarterly period of the three months ended February 28, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Instruments

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 comprehensive loss or income.

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 comprehensive loss or income.

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 equity. 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 comprehensive loss or income.

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 asset was acquired, 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 comprehensive loss or income.

Other financial liabilities – This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost.

(b) Cash and Cash Equivalents

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.

(c) 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.

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 favourable or has been proven to exist and, in most cases, comprises a single mine or deposit.

Exploration and evaluation assets are recognized if the rights to the project are current and either (1) the expenditures are expected to be recouped through successful development an exploitation of the project, or alternatively by its sale, or (2) activities on the project have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and 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 assets 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 does not hold any assets classified as Mine Property and Development Projects.

(d) Property and Equipment

Capital assets 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, plant 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 capital assets and capital assets used in the exploration and evaluation phase is recorded using the declining balance method, with management reviewing the useful lives of capital assets 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:

Vehicles -	20%
Office equipment -	30%

(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.

(f) Reversal of Impairment

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.

(g) 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 statement of financial position 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. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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.

(h) 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.

(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. On issuance, the Company bifurcates the flow-through share into (1) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and (2) share capital. Upon expenses being incurred and renounced for income tax purposes, the Company derecognizes the deferred liability previously recorded in respect of the qualifying resource expenditures renounced to the investors and recognizes this premium as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's fiscal period is disclosed separately as flow-through share proceeds in Note 11.

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 a financial expense until paid.

(j) Share-based Payment 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 model, and is recognized over the vesting period. 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 entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, the share-based payments are measured at the fair value of goods or services received.

(k) 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 anti-dilutive.

(l) 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. At March 31, 2011, the Company does not have any provision for environmental rehabilitation.

(m) 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.

(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 environmental restoration, 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.

(o) New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these interim statements. Although the Company is continuing to evaluate their impact, most are not expected to have a significant effect on the financial statements of the Company.

- IFRS 9: Financial Instruments (effective for periods beginning on or after January 1, 2013). IFRS 9 will replace IAS 39 and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options under IAS 39. The basis of classification depends on the entity's business model and the contractual characteristics of the financial assets.

- IFRS 1: Severe Hyperinflation (effective for periods beginning on or after July 1, 2011)
- IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 effective for periods beginning on or after January 1, 2012)

4. FINANCIAL INSTRUMENTS AND RISK

The Company has designated cash and cash equivalents as assets at fair value through profit and loss. Accounts receivable are designated as receivables and accounts payable, accrued liabilities and taxes payable are designated as other liabilities. These financial instruments are initially measured at fair value. Accounts receivable, accounts payable and accrued liabilities are subsequently measured on the basis of amortized cost using the effective interest rate method. Assets at fair value through profit and loss are revalued on the reporting date based on relevant market information about the financial instrument. These valuations are estimates and changes in assumptions could significantly affect the estimates.

(a) Fair Value

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)

As at March 31, 2011, the Company's financial instruments are comprised of cash and cash equivalents, receivables, accounts payable and accrued liabilities. The carrying value of receivables, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows:

March 31, 2011

Assets		**Level 1**		**Level 2**		**Level 3**		**Total**
Cash	$	1,320,852	$	-	$	-	$	1,320,852
Cash equivalents		2,001,381		-		-		2,001,381
	$	**3,322,233**	**$**	**-**	**$**	**-**	**$**	**3,322,233**

Cash and cash equivalents comprise of cash in bank and money market fund investment. The latter can be redeemed at any time without penalty.

(b) Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash, cash equivalents and receivables.

The Company's cash and cash equivalents (note 6) are held through a Canadian chartered bank and a brokerage firm, which are high-credit quality financial institutions. The Company's receivables (note 7) consist of harmonized sales tax rebates due from the Government of Canada and receivables due from related companies.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it has sufficient liquid assets available to settle liabilities as such liability obligations are entered into. All of the Company's financial liabilities, except for provisions in respect of certain contingencies (see note 20), have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices.

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in a money market fund administered by the brokerage subsidiary of a Canadian chartered bank. The Company periodically monitors the investment to satisfy itself with the credit rating.

The Company is domiciled in Canada, its capital is raised in Canadian dollars and its expenditures are made in Canadian dollars. As a result, there is no foreign exchange exposure.

The Company is an exploration stage company actively exploring for gold. The price of gold varies from day to day and upon development of an operating gold mine, the Company would be exposed to gold price changes. Until then, there are no financial instruments of the Company that are exposed to gold prices.

(c) Sensitivity analysis

The carrying values of cash, cash equivalents, receivables, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments. Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

5. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are (1) to safeguard the Company's ability to continue as a going concern 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 includes the components of shareholders' equity, long-term debt, cash and cash equivalents and short-term investments, if any, in the management of capital.

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 its current capital resources will be sufficient to carry out its exploration and development plans and operations for 2011. However, significant additional capital will be required to complete the exploration and development of the Company's projects.

6. CASH AND CASH EQUIVALENTS

Assets	March 31, 2011	December 31, 2010	December 1, 2009
Cash	$ 1,320,852	$ 4,108,856	$ 29,166
Liquid short term investment	2,001,381	-	-
	$ 3,322,233	**$ 4,108,856**	**$ 29,166**

7. RECEIVABLES

	March 31, 2011	December 31, 2010
GST/HST receivable	$ 359,884	$ 242,355
Misc. receivables	742	1,577
Total accounts receivable	**$ 360,626**	$ 243,932

8. PROPERTY AND EQUIPMENT

	Office Equipment		Site Vehicles (1)		
	Cost	Amortization	Cost	Amortization	Net
December 31, 2009	-	-	-	-	-
Additions	2,102	202	87,336	6,096	83,140
December 31, 2010	**2,102**	**202**	**87,336**	**6,096**	**83,140**
Proceeds on disposition			254	(794)	1,048
Additions	-	142	12,502	4,427	7,933
March 31, 2011	**2,102**	**344**	**100,092**	**9,729**	**92,121**

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

9. EXPLORATION AND EVALUATION ASSETS

Sugar Zone Property, Hemlo Gold Area

The Sugar Zone Property consists of 412 (2009-326) contiguous claims within the Sault Ste. Marie Mining Division located in Ontario, approximately 60 km east of the Hemlo area gold mines, 25 km north of White River off the Trans-Canada Highway (#17).

The Company presently owns a 49% interest in 326 of the claims (51% of these are owned by Corona Gold Corporation) subject to an option in favour of Harte to acquire the balance (see note 19). 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 another 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 19).

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

	March 31, 2011	December 31, 2010
Opening Balance	**8,183,187**	**2,109,768**
Expenditures incurred during the period		
Acquisition costs	-	3,591,122
Drilling	598,845	1,296,434
Geophysics	92,760	138,332
Sampling	-	35,400
Assays	12,422	57,509
Camp costs	50,169	104,296
Direct management/employees	81,553	382,675
Site access	10,068	218,922
Consultants	170,643	201,796
Stock-based compensation	232,599	-
Depreciation of vehicles	4,427	6,096
Other costs	691	40,837
Total for this period	**1,254,177**	**6,073,419**
Closing Balance	**9,437,364**	**8,183,187**

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 north-east 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 (see note 22) against the Stoughton-Abitibi Property at November 30, 2009.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011		December 31, 2010	
Accounts Payable		877,180		676,730
Accrued Liabilities				
Audit	19,545		32,500	
Payroll liabilities	9,807		2,880	
Shares to be issued	2,400		-	
Share issue expense	-		42,302	
Part XII.6 tax (note 20)	144,125		144,125	
Shareholder indemnification (note 20)	283,300	459,177	283,300	505,107
Total accounts payable and accrued liabilities		**1,336,357**		**1,181,837**

11. 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 1, 2009	**$ -**
Liability incurred on flow-through shares issued	
December 23, 2009	129,952
Settlement of liability through renouncement in	
Q1 2010	(129,952)
Liability incurred on flow-through shares issued	
June 10, 2010	381,321
December 23, 2010	134,720
December 23, 2010	31,530
Balance on December 31, 2010	**$ 547,571**
Settlement of liability through renouncement in	
Q1 2011	(547,571)
Balance on March 31, 2011	**$ -**

As at December 1, 2009, the Company had fulfilled its commitments to incur exploration expenditures in relation to flow-through financings in fiscal 2009 (see note20 in respect of prior flow-through financings).

On December 23, 2009, the Company completed a non-brokered private placement financing of 6,447,624 flow-through shares at a price of $0.07 per share for gross proceeds of $451,334. A flow-through share premium of $129,952 was recorded on this financing. As of February 28, 2010, $21,881 of the funding had been spent and the balance was spent prior to December 31, 2010.

On June 10, 2010, the Company completed a non-brokered private placement financing of 8,000,000 flow-through shares at a price of $0.125 per share for gross proceeds of $1,000,000. A flow-through share premium of $381,321 was recorded on this financing. The full amount of the funding was spent prior to December 31, 2010.

On December 23, 2010, the Company completed a non-brokered private placement financing of 2,245,333 flow-through shares at a price of $0.75 per share for gross proceeds of $1,684,000. A flow-through share premium of $134,720 was recorded on this financing. None of this funding had been spent prior to December 31, 2010. As of March 31, 2011, $1,021,578 had been spent.

On December 30, 2010, the Company completed a non-brokered private placement financing of 1,051,000 flow-through shares at a price of $0.75 per share for gross proceeds of $788,250. A flow-through share premium of $31,530 was recorded on this financing. None of this funding had been spent prior to December 31, 2010. As of March 31, 2011, none had been spent.

12. 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 :

	Year Ended March 31, 2011	Year Ended December 31, 2010
Balance at beginning of period	**139,746,315**	**53,892,768**
Opening balance adjustment		(103)
Private placement of common shares		47,742,000
Private placement of flow-through shares		17,743,957
Issuance of shares to Corona		11,511,638
Issuance of shares to Halverson		50,000
Exercise of warrants	342,916	6,706,055
Exercise of stock options		2,100,000
Balance end of period	**140,089,231**	**139,746,315**

On December 23, 2009, the Company issued 4,000,000 common shares at a price of $0.05 per share for gross proceeds of $200,000. After fees and other out-of-pocket costs, net proceeds were $185,766. The costs included 50,000 finder warrants with a fair value of $1,255.

On December 23, 2009, the Company issued 6,447,624 flow-through common shares at a price of $0.07 per share for gross proceeds of $451,334. After fees and other out-of-pocket costs, net proceeds were $450,470. The costs included 34,405 finder warrants with a fair value of $863. An apportionment of proceeds to the flow-through premium liability amounted to $128,952.

On January 18, 2010, the Company issued 1,000,000 common shares at a price of $0.05 per share for gross proceeds of $50,000. After fees and other out-of-pocket costs, net proceeds were $49,446. The costs included 10,000 finder warrants with a fair value of $554.

On May 26, 2010, the Company issued 38,797,000 units at a price of $0.10 per unit for gross proceeds of $3,879,700. After fees and other out-of-pocket costs, net proceeds were $3,556,459. The costs included 1,709,336 finder warrants with a fair value of $172,136. The units comprised one common share and a half warrant and $902,362 of the proceeds was apportioned to the warrants.

On June 10, 2010, the Company issued 3,945,000 units at a price of $0.10 per unit for gross proceeds of $394,500. After fees and other out-of-pocket costs, net proceeds were $347,667. The costs included 250,264 finder warrants with a fair value of $21,673. The units comprised one common share and a half warrant and $89,414 of the proceeds was apportioned to the warrants.

On June 10, 2010, the Company issued 8,000,000 flow-through common shares at a price of $0.125 per share for gross proceeds of $1,000,000. After fees and other out-of-pocket costs, net proceeds were $974,304. The costs included 124,800 finder warrants with a fair value of $10,096. An apportionment of proceeds to the flow-through premium liability amounted to $381,321.

On December 23, 2010, the Company issued 2,245,333 flow-through common shares at a price of $0.75 per share for gross proceeds of $1,684,000. After fees and other out-of-pocket costs, net proceeds were $1,668,368. The costs included 8,900 finder warrants with a fair value of $2,776. An apportionment of proceeds to the flow-through premium liability amounted to $134,720.

On December 30, 2010, the Company issued 1,051,000 flow-through common shares at a price of $0.75 per share for gross proceeds of $788,250. After fees and other out-of-pocket costs, net proceeds were $749,129. The costs included 31,020 finder warrants with a fair value of $9,675. An apportionment of proceeds to the flow-through premium liability amounted to $31,530.

13. 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 March 31, 2011, the Company had 658,923 (December 31, 2010 – 1,824,631) 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 March 31, 2011, a total of 13,350,000 options were outstanding under the stock option plan.

	3 months ended March 31, 2011		13 months ended December 31, 2010	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price	Number of Options
Outstanding beginning of period	**$ 0.19**	**12,150,000**	$ 0.15	4,700,000
Transactions during the period:				
Granted	**$ 0.47**	**1,200,000**	$ 0.15	7,950,000
Granted			$ 0.20	800,000
Granted			$ 0.45	500,000
Granted			$ 0.70	500,000
Exercised			$ 0.15	(2,100,000)
Forfeited			$ 0.15	(200,000)
Outstanding at end of period	**$ 0.22**	**13,350,000**	$ 0.19	12,150,000
Exercisable at end of period	**$ 0.21**	**12,925,000**	$ 0.19	12,150,000

The following table provides additional information regarding stock options outstanding at March 31, 2011.

Expiry Date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
January 26, 2012	$0.15	0.82	150,000	150,000
February 17, 2014	$0.15	2.89	3,050,000	3,050,000
May 25, 2014	$0.15	3.15	250,000	250,000
June 22, 2015	$0.15	4.23	6,900,000	6,900,000
July 26, 2015	$0.20	4.32	800,000	800,000
September 27, 2015	$0.45	4.50	500,000	500,000
November 9, 2015	$0.70	4.61	500,000	500,000
February 14, 2016	$0.47	4.88	1,200,000	775,000
	$0.21	**3.95**	**13,350,000**	**12,925,000**

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 period ended December 31, 2010 and the three months ended March 31, 2011:

Grant date	25-Jan-10	24-Jun-10	27-Jul-10	28-Sep-10	10-Nov-10	14-Feb-11	14-Feb-11
Number of options	150,000	7,800,000	800,000	500,000	500,000	1,150,000 [1]	50,000 [2]
Exercise price	$ 0.15	$ 0.15	$ 0.20	$ 0.45	$ 0.70	$ 0.47	$ 0.47
Expected life in years	2	5	5	5	5	5	2
Volatility	135.69%	108.64%	110.18%	112.27%	112.85%	114.00%	121.96%
Risk-free interest rate	1.22%	2.20%	2.29%	1.79%	2.24%	2.36%	1.69%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value of options granted	$ 0.052	$ 0.092	$ 0.159	$ 0.360	$ 0.554	$ 0.380	$ 0.291
Stock-based compensation expense	$ 7,785	$ 713,700	$ 127,280	$ 179,950	$ 277,000	$ 437,460	$ 14,525

[1] An aggregate of 775,000 stock options were vested as of March 31, 2011
[2] None of these options were vested as of March 31, 2011

14. WARRANTS

As at March 31, 2011 there were 20,027,160 warrants to purchase common shares outstanding. Warrants expire as follows:

	Exercise Price		Warrants	Expiry date
Balance at November 30, 2009			**4,023,499**	
Expired			(779,500)	
Issued for finder's fee	$	0.10	84,405	June 22, 2011
Issued for finder's fee	$	0.10	10,000	July 19, 2011
Issued for finder's fee	$	0.10	1,709,336	November 25, 2011
Issued for finder's fee	$	0.10	250,264	December 9, 2011
Issued for finder's fee	$	0.125	124,800	December 9, 2011
Issued for finder's fee	$	0.75	39,920	December 30, 2011
Issued	$	0.15	19,398,500	November 25, 2011
Issued	$	0.15	1,972,500	December 9, 2011
Issued for broker warrants exercised	$	0.24	242,407	April 30, 2011
Exercised	$	0.10	(1,987,232)	
Exercised	$	0.12	(331,433)	
Exercised	$	0.125	(110,400)	
Exercised	$	0.15	(3,597,500)	
Exercised	$	0.24	(679,490)	
Balance at December 31, 2010			**20,370,076**	
Exercised	$	0.15	(270,000)	
Exercised	$	0.24	(72,916)	
Balance at March 31, 2011			**20,027,160**	

The following table summarizes 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 three month period ended March 31, 2011 and year ended December 31, 2010:

Issue date		**23-Dec-09**		**19-Jan-10**		**26-May-10**		**26-May-10**
Number of warrants		84,405		10,000		19,398,500		1,709,336 [1]
Exercise price	$	0.10	$	0.10	$	0.15	$	0.10
Expected life in years		1.5		1.5		1.5		1.5
Volatility		146.76%		147.31%		145.89%		145.89%
Risk-free interest rate		1.37%		1.20%		1.44%		1.44%
Dividend yield		0%		0%		0%		0%
Fair value of warrants issued	$	0.025	$	0.055		0.047		0.088
Fair value assigned to warrants	$	2,118	$	554	$	902,362	$	151,105

Issue date	10-Jun-10	10-Jun-10	10-Jun-10	23-Dec-10	30-Dec-10
Number of warrants	1,972,500	250,264 [1]	124,800 [1]	8,900	31,020
Exercise price	$ 0.15	$ 0.10	$ 0.125	$ 0.75	$ 0.75
Expected life in years	1.5	1.5	1.5	1.0	1.0
Volatility	140.54%	140.54%	140.54%	116.56%	116.56%
Risk-free interest rate	1.45%	1.45%	1.45%	1.68%	1.68%
Dividend yield	0%	0%	0%	0%	0%
Fair value of warrants issued	$ 0.045	0.087	0.081	0.312	0.312
Fair value assigned to warrants	$ 89,414	$ 21,673	$ 10,096	$ 2,776	$ 9,675

[1] Finder's warrants

The expiry dates of warrants outstanding as of March 31, 2011 are as follows:

Expiry date	Number of warrants outstanding	Exercise price
April 21, 2011	1,458,334	$ 0.24
April 30, 2011	790,000	$ 0.24
April 30, 2011	233	$ 0.12 [1]
April 30, 2011	622	$ 0.10 [1]
November 25, 2011	16,403,500	$ 0.15
November 25, 2011	138,736	$ 0.10
December 9, 2011	995,000	$ 0.15
December 9, 2011	186,884	$ 0.10
December 9, 2011	13,931	$ 0.13
December 22, 2011	8,900	$ 0.75
December 30, 2011	31,020	$ 0.75
	20,027,160	**$ 0.16**

1) Broker warrants exercisable into units at $0.12 or $0.10 per unit. Each unit consists of one common share and ½ common share warrant. Each full common share warrant is exercisable into one common share for $0.24 until April 30, 2011.

15. OTHER RESERVES

	3 months ended 31-Mar-11	13 months ended 31-Dec-10
Balance beginning of period	**2,189,145**	1,002,512
Stock-based compensation expense (note 13)	308,678	1,305,715
Fair value assigned to options exercised (note 13)	-	(119,082)
Balance end of period	**2,497,823**	2,189,145

16. INCOME/LOSS PER SHARE

The calculation of the basic earnings per share for the three months ended March 31, 2011 was based on the earnings attributable to common shareholders of $320,221 (earnings for the three months ended February 28, 2010 - $48,590) and a weighted average number of common shares outstanding of 139,831,135 (February 28, 2010 – 62,125,900).

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.

Income for the three months ended March 31, 2011 divided by weighted average number of common shares outstanding is equal to $0.002 per share.

BASIC

Numerator	$320,221
Denominator	139,831,135
Earnings per share	$0.002

FULLY DILUTED

Numerator	$320,221
Denominator	160,572,269
Earnings per share	$0.002

17. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties as at and in the three months ended March 31, 2011 were as follows:

For 3 months ended March 31, 2011	Amount charged	Outstanding balance
Silvermet Inc.	$ 14,940	$ 5,854
Global Atomic Fuels Corp.	17,531	14,650

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 March 31, 2011, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

For the periods ended	**March 31, 2011**	December 31, 2010
Management and consulting	**$ 60,000**	$ 227,500
Consulting fees included in exploration and evaluation expenditures	**22,500**	77,500

18. 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:

	March 31, 2011	December 31, 2010
Loss before income taxes	$ 320,221	$ (1,762,547)
Combined Federal and Provincial tax rate	26.50%	29.15%
Expected recovery at statutory rates	84,859	(513,782)
Non-deductible expenses	20,483	381,700
Change in valuation allowance	(832,830)	5,721
Renounced exploration expenditures	868,063	112,834
Flow-through share premium	(145,106)	(37,590)
Expired losses	-	61,180
Share issue costs	-	(126,722)
Change in tax rate and other	4,531	116,659
Future income tax recovery	$ (0)	$ (0)

(b) Future Tax Balances

The future income tax balances comprise the following temporary differences:

	March 31, 2011	December 31, 2010
Resource properties	$ (1,033,762)	$ (165,699)
Non-capital loss carry forwards	1,192,292	1,143,628
Share issue costs and other	128,940	142,371
	287,470	1,120,300
Valuation allowance	(287,470)	(1,120,300)
Future tax liability	$ -	$ -

(c) Tax Loss Carry-forwards

The Company has accumulated non-capital losses of 4,769,656 which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

2014	$ 670,000
2015	341,000
2026	623,000
2027	535,000
2028	496,000
2029	1,070,000
2030	840,000
2031	194,656
	$ 4,769,656

19. COMMITMENTS

On May 28, 2010, the Company finalized the Corona Option (note 9), entitling the Company to acquire Corona's 51% interest in the Sugar Zone joint venture on completion of certain conditions, including:

1) An initial payment of $10,000 made on March 5, 2010.

2) The issuance of that number of common shares equal to 9.9% of the issued and outstanding common shares of Harte as at the date of the Corona Option and after giving effect to the issuance of such shares. Accordingly, the Company issued a total of 11,511,638 common shares to Corona under this condition.

3) A $2 million cash payment on the execution of the Option Agreement.

4) A $90,000 cash payment on or before each sixth month anniversary of the Option Agreement until a final option payment of $2,500,000 is made on or before the second anniversary or a final option payment of $3,000,000 is made on or before the third anniversary.

Effective March 10, 2010 the Company became the Operator of the joint venture for as long as the Corona Option is in good standing.

On June 28, 2010, the Company entered into an Option Agreement to acquire 3 mining claims contiguous to the 326 claims previously held. To earn a 10% interest in the claims, the Company must make cash payments of $225,000 and incur work commitments of $300,000 plus issue 200,000 common shares over 3 years. The claims interest is subject to a 3% net smelter return that can be reduced to 1.5% upon payment of $1,500,000. Additionally, if an economically viable deposit is found, the Company must make advance royalty payments of $20,000 per year over 5 years or alternatively, may make annual payments of $20,000 to extend the Option for a further 5 years and complete the purchase of the claims.

In addition to the above commitments, the Company has minimum lease payments to make for site access and a building rental over the next 5 years as follows:

2011 (9 months)	$	31,500
2012	$	29,500
2013	$	12,000
2014	$	12,000
2015	$	4,000

20. 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 plus a discharge of any royalties owing to Mr. Ternowesky. (Mr. Ternowesky holds a portion of the royalties on Sugar Zone Property – see note 9).

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 $146,500 to reflect the interest charges and penalties that are likely under the Part XII.6 provisions in the Income Tax Act. In addition, the Company may be obligated to reimburse investors for an estimated amount of $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.

In addition to the Counterclaim against Mr. Ternowesky as noted above, the Company has determined that it will file a claim in respect of the CRA liabilities for previous flow-through issuances against the former directors and officers of the Company that were retained, employed or otherwise engaged by the Company during the relevant period.

21. 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.

22. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted International Financial Reporting Standards ("IFRS") beginning December 1, 2009 and as a result, the 2010 comparative information has been adjusted and presented in accordance with IFRS. However, the December 1, 2009 and December 31, 2010 comparative statements of financial position for the year ended December 31, 2011 may differ from herein if there are any changes to IFRS standards requiring retroactive adjustment.

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS. The accounting policies described in note 3 have been applied in preparing the comparative financial statements for the 3 months ended February 28, 2010 and the 13 months ended December 31, 2010 and in preparation of the opening IFRS statement of financial position at December 1, 2009.

(a) First time adoption of IFRS

Under IFRS 1, IFRS has been applied retrospectively at the transition statement of financial position date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings, except where certain exemptions and elections were applied. The primary exemptions and elections that were applied by the Company are:

Property and equipment

In valuing capital assets, a company may elect to use cost in accordance with IFRS; use fair value at the date of transition as deemed cost; or, use a revaluation carried out at a previous date as deemed cost, subject to certain conditions. The election may be applied to any individual item of property and equipment. The Company has elected to use cost in accordance with IFRS at the date of transition.

Expenditures on exploration and evaluation projects

The Company has elected to continue to capitalize exploration costs. Furthermore, the Company believes that the value of exploration and evaluation costs does not contain any material costs which were incurred prior to securing the legal right to explore the properties.

Impairment of exploration and evaluation projects

Under pre-transition Canadian GAAP, the Company evaluated its exploration and evaluation projects for impairment using information including projected cash flows. Such cash flows were not discounted. Under IFRS, impairment evaluations are performed using discounted cash flows. At the date of transition, the Company assessed its exploration and evaluation projects and determined that no adjustments were required to write down thye value of its projects.

In the year ended November 30, 2009, the Company recorded a write down of its Stoughton-Abitibi Property in the amount of $2,756,133 due to a change in recoverable value at that time. Under IFRS, reversals of write downs are permitted and required where the recoverable value of the project is supported. As of March 31, 2011, the Company has no information that would lead it ti reverse part or all of the previous write down on the Stoughton-Abitibi Property.

Flow-through shares

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity, less the tax effects of renunciation. Under IFRS, on the issuance of flow-through shares, the Company bifurcates the flow-through share into (1) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and (2) share capital. Upon expenses being incurred and renounced, the Company derecognizes the liability. The premium is recognized as other income.

Estimates

In accordance with IFRS 1, estimates made under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company’s estimates as of December 1, 2009 under IFRS are consistent with its Canadian GAAP estimates for the same date.

(b) The reconciliation between Canadian GAAP and IFRS statements

Reconciliation of Equity – Comparative and Transition Balance Sheets

Canadian dollars	December 31, 2010			December 01, 2009		
	Pre-transition Canadian GAAP	Effect of Transition	IFRS	Pre-transition Canadian GAAP	Effect of Transition	IFRS
Assets						
Current Assets						
Cash	$ 4,108,856		$ 4,108,856	$ 29,166		$ 29,166
Receivables	243,932		243,932	981		981
Subscription receivable	304,500		304,500	-		-
Prepaids	6,323		6,323	-		-
	4,663,611		4,663,611	30,147		30,147
Property and Equipment	83,140		83,140	-		-
Exploration and Evaluation Expenditures	8,183,187		8,183,187	2,109,768		2,109,768
	$ 12,929,938		$ 12,929,938	$ 2,139,915		$ 2,139,915
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	1,181,837		1,181,837	575,086		575,086
Flow-through share premium	-	547,571	547,571			
	$ 1,181,837	$ 547,571	$ 1,729,408	$ 575,086		$ 575,086
Shareholder's Equity						
Capital stock	20,125,666	285,828	20,411,494	10,161,956	37,923	10,199,879
Other reserves	3,038,662	(849,517)	2,189,145	1,040,435	(37,923)	1,002,512
Deficit	(11,416,227)	16,118	(11,400,109)	(9,637,562)		(9,637,562)
	11,748,101	(547,571)	11,200,530	1,564,829		1,564,829
	$ 12,929,938	$ 285,828	$ 12,929,938	$ 2,139,915	$ 37,923	$ 2,139,915

Canadian dollars	February 28, 2010		
	Pre-transition Canadian GAAP	Effect of Transition	IFRS
Assets			
Current Assets			
Cash	$ 620,852		$ 620,852
Receivables	1,672		1,672
	622,524		622,524
Exploration and Evaluation Expenditures	2,150,925		2,150,925
	$ 2,773,449		$ 2,773,449
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	602,249		602,249
	$ 602,249		$ 602,249
Shareholder's Equity			
Capital stock	10,725,398	24,477	10,749,875
Other reserves	1,050,892	(40,595)	1,010,297
Deficit	(9,605,090)	16,118	(9,588,972)
	2,171,200	-	2,171,200
	$ 2,773,449		$ 2,773,449

Reconciliation of Profit and Loss for the Year ended December 31, 2010 and Three Months ended February 28, 2010.

Canadian dollars	Year ended December 31, 2010			**Three months ended February 28, 2010**		
	Pre-transition Canadian GAAP	Effect of Transition	IFRS	**Pre-transition Canadian GAAP**	**Effect of Transition**	**IFRS**
Revenue						
Interest Income	$ 389		$ 389	**$ 86**		**$ 86**
Expenses						
Management and consulting fees	237,500		237,500	**42,500**		**42,500**
Promotion and travel	8,512		8,512	**3,553**		**3,553**
Office and general	98,808		98,808	**6,239**		**6,239**
Professional fees	59,648		59,648	**12,722**		**12,722**
Stock-based compensation	1,305,715		1,305,715	**7,785**		**7,785**
Shareholders' information	181,503		181,503	**7,648**		**7,648**
Amortization	202		202	**-**		**-**
Flow-through share premium	(112,834)	(16,118)	(128,952)	**(112,833)**	**(16,118)**	**(128,951)**
	1,779,054	(16,118)	1,762,936	**(32,386)**	**(16,118)**	**(48,504)**
						-
Income (Loss) and comprehensive loss before income taxes	(1,778,665)	16,118	(1,762,547)	**32,472**	**16,118**	**48,590**
						-
Net Income (Loss) and Comprehensive Loss	$ (1,778,665)	$ 16,118	$ (1,762,547)	**$ 32,472**	**$ 16,118**	**$ 48,590**
						-
Deficit beginning of period	(9,637,562)		(9,637,562)	**(9,637,562)**		**(9,637,562)**
						-
Deficit end of period	$ (11,416,227)	$ 16,118	$ (11,400,109)	**$ (9,605,090)**	**$ 16,118**	**(9,588,972)**
Net Income (loss) per share - basic and fully diluted	$ (0.018)		$ (0.017)	**$ 0.001**		**$ 0.001**
Weighted average number of shares outstanding						
- Basic	100,913,414		100,913,414	**62,125,900**		**62,125,900**

Harte Gold Corp.

(An Exploration Stage Company)

Notes to Financial Statements

For the Three Months Ended March 31, 2011

(unaudited)

Reconciliation of Cash Flow Statements for the Year ended December 31, 2010 and Three Months ended February 28, 2010

Canadian dollars	Year ended December 31, 2010			**Three months ended February 28, 2010**		
	Pre-transition Canadian GAAP	Effect of Transition	IFRS	**Pre-transition Canadian GAAP**	**Effect of Transition**	**IFRS**
Operations						
Net income (loss)	$ (1,778,665)	$ 16,118	(1,762,547)	**$ 32,472**	**$ 16,118**	**48,590**
Adjustments to reconcile net income (loss) to cash flow from operating activities:						
Amortization	202		202	**-**		**-**
Stock-based compensation	1,305,715		1,305,715	**7,785**		**7,785**
Flow-through share premium	(112,834)	(16,118)	(128,952)	**(112,833)**	**(16,118)**	**(128,951)**
	(585,582)	-	(585,582)	**(72,576)**	**-**	**(72,576)**
Net changes in non-cash working capital items:						
Prepaids	(6,323)		(6,323)	**-**		**-**
Subscription receivables	(304,500)		(304,500)	**-**		**-**
Receivables	(242,952)		(242,952)	**(691)**		**(691)**
Accounts payable and accrued liabilities	606,751		606,751	**27,163**		**27,163**
	(532,606)	-	(532,606)	**(46,104)**	**-**	**(46,104)**
Financing						
Cost of share issuances	(308,889)		(308,889)	**(22,387)**		**(22,387)**
Issuance of units	8,447,784		8,447,784	**701,334**		**701,334**
Exercise of options	315,000		315,000	**-**		**-**
Exercise of warrants	954,998		954,998	**-**		**-**
	9,408,893	-	9,408,893	**678,947**	**-**	**678,947**
			-			**-**
Investing			-			**-**
Property and equipment	(89,438)		(89,438)	**-**		**-**
Additions to exploration and evaluation expenditures	(4,707,160)		(4,707,160)	**(41,157)**		**(41,157)**
	(4,796,598)		(4,796,598)	**(41,157)**		**(41,157)**
			-			**-**
Net increase (decrease) in cash	4,079,690	-	4,079,689	**591,686**	**-**	**591,686**
			-			**-**
Cash, beginning of period	29,166		29,166	**29,166**		**29,166**
Cash, end of period	$ 4,108,856	$ -	$ 4,108,856	**$ 620,852**	**$ -**	**620,852**