



**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018**

Management's Comments on Unaudited Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Harte Gold Corp. (the "Company" or "Harte") for the three and nine months ended September 30, 2019 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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

November 14, 2019

"Sam Coetzer"

Sam Coetzer
President and CEO

"Rein A. Lehari"

Rein A. Lehari
Chief Financial Officer

Harte Gold Corp.

Statements of Financial Position as at (Unaudited)

Canadian dollars	September 30, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 890,291	\$ 7,293,216
Receivables (note 5)	3,439,367	2,351,478
Inventories (note 6)	2,339,506	-
Prepays	83,772	3,074,686
	6,752,936	12,719,380
Long Term Assets		
Restricted cash (note 4)	-	500,000
Plant and equipment (note 7)	116,581,987	100,939,764
Exploration and evaluation expenditures	-	12,087,814
	\$ 123,334,923	\$ 126,246,958
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 25,042,125	\$ 23,614,991
Short-term debt (note 9)	-	28,216,768
Long-term debt classified as current (note 10)	-	42,499,758
Production payment liability (note 10)	-	5,250,328
Current portion of long-term debt (note 12)	6,443,961	198,333
Current portion of lease liability (note 3)	276,537	-
Flow-through share premium (note 13)	-	1,702,281
	31,762,623	101,482,459
Long Term Liabilities		
Long-term debt (note 12)	88,237,884	418,334
Long-term lease liability (note 3)	653,954	-
Derivative financial instrument liability (note 20)	15,400,153	-
Environmental rehabilitation provision (note 11)	5,057,722	4,783,587
	141,112,336	106,684,380
Shareholders' Equity		
Capital stock and warrants (notes 14 & 16)	154,827,593	141,012,949
Other reserves	17,136,513	13,854,726
Deficit	(189,741,519)	(135,305,097)
	(17,777,414)	19,562,578
	\$ 123,334,923	\$ 126,246,958

Going Concern – see note 1

Commitments – see note 22

Subsequent events – see note 23

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Condensed Statements of Operations and Comprehensive Loss For the Three and Nine Months Ended September 30, 2019

(unaudited)

Canadian dollars	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018 (as restated) (note 3)	September 30, 2019	September 30, 2018 (as restated) (note 3)
Revenue (note 17)	\$ 14,477,166	\$ -	\$ 34,157,458	\$ -
Production costs (note 18)	(15,138,171)	-	(34,651,048)	-
Depreciation and depletion	(4,120,629)	-	(10,979,347)	-
Mine operating loss	(4,781,634)	\$ -	(11,472,937)	\$ -
Corporate expenses	1,475,771	502,702	3,266,772	1,749,184
Exploration and evaluation expenses	1,152,289	10,448,693	4,984,188	24,441,526
Share-based payments (note 15)	79,849	371,637	3,544,772	4,836,878
Amortization	1,511	1,511	4,532	4,532
Operating earnings loss	(7,491,054)	(11,324,543)	(23,273,201)	(31,032,120)
Other Expenses (Income)				
Interest income and other income	(5,932)	(68,121)	(20,852)	(129,560)
Flow-through share premium (note 13)	-	-	(1,702,281)	(1,173,838)
Loss on loan termination (note 10)	-	-	10,426,717	-
Loss on production payment liability (note 10)	-	-	1,184,036	-
Interest & accretion expense	1,663,149	131,926	8,170,225	148,126
Foreign exchange (gain)/loss	1,204,072	169,435	(2,294,777)	(71,669)
Unrealized derivative instrument loss (note 20)	4,829,216	-	15,400,153	-
	7,690,505	233,240	31,163,221	(1,226,941)
Net loss before income taxes	(15,181,559)	(11,557,783)	(54,436,422)	(29,805,179)
Income taxes (note)	-	-	-	-
Net Loss and Comprehensive Loss	\$ (15,181,559)	\$ (11,557,783)	\$ (54,436,422)	\$ (29,805,179)
Net loss per share - basic and fully diluted (note 19)	\$ (0.024)	\$ (0.020)	\$ (0.089)	\$ (0.052)
Weighted average number of shares outstanding				
- Basic and diluted (note 19)	641,489,959	580,783,308	615,062,590	574,081,018

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Condensed Statements of Cash Flows For the Three and Nine Months Ended September 30, 2019 (unaudited)

Canadian dollars	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018 (as restated)	September 30, 2019	September 30, 2018 (as restated)
Cash provided by (used in):				
Operations				
Net loss	\$ (15,181,559)	\$ (11,557,783)	\$ (54,436,422)	\$ (29,805,179)
Adjustments to reconcile net income (loss) to cash flow from operating activities:				
Depreciation	4,122,140	1,511	10,983,879	4,532
Share-based payments (note 15)	79,849	371,637	3,544,772	4,836,878
Flow-through share premium (note 13)	-	-	(1,702,281)	(1,173,838)
Loss on production payment (note 10)	-	-	1,184,036	-
Loss on loan termination (note 10)	-	-	10,426,717	-
Loan accretion & accrued interest (note 9 & 10)	1,665,896	-	6,782,507	-
Accretion of reclamation obligation (note 11)	37,382	-	111,521	-
Shares issued to pay for property acquisitions	28,000	-	28,000	-
Unrealized foreign exchange (gain)/loss	1,159,026	-	(2,434,145)	-
Unrealized hedging loss (note 20)	4,829,216	-	15,400,153	-
	(3,260,050)	(11,184,635)	(10,111,263)	(26,137,607)
Net changes in non-cash working capital items:				
Inventory	3,467,060	-	842,510	-
Prepays	86,618	(39,083)	535,799	(118,174)
Receivables	(295,770)	(2,201,687)	(1,087,890)	(4,061,804)
Accounts payable and accrued liabilities	4,512,626	(249,920)	1,427,134	(719,832)
	4,510,484	(13,675,325)	(8,393,710)	(31,037,417)
Financing				
Appian loan repayment (note 9)	-	-	(30,259,275)	-
Sprott loan repayment, including prepayment penalties (note 10)	-	-	(58,004,745)	-
Sprott production payment payout (note 10)	-	-	(6,249,842)	-
Appian loan drawdown (note 9)	-	721,218	-	27,553,960
Sprott loan drawdown (note 10)	-	74,049	6,281,859	25,432,124
Production payments and other loan expenses	-	-	(269,561)	-
BNP loan drawdown (note 12)	-	-	97,041,250	-
Fees and expenses (note 12)	(26,284)	-	(2,161,952)	-
BNP loan interest paid (note 12)	(1,583,125)	-	(1,583,125)	-
Mortgage payments (note 12)	(138,333)	(138,333)	(198,333)	(198,333)
Payment of lease liabilities	(15,984)	-	(15,984)	-
Issuance of shares (note 14)	(452,287)	-	12,825,713	7,653,547
Share issuance costs	322,636	-	191,446	(120,599)
Exercise of options (note 15)	-	200,000	506,500	240,000
Exercise of warrants (note 16)	-	1,021,183	-	3,106,751
	(1,893,377)	1,878,117	18,103,951	63,667,450
Investing				
Restricted cash	-	-	500,000	-
Plant and equipment additions (note 7)	(1,144,491)	(229,532)	(3,307,047)	(1,060,379)
Additions to exploration and evaluation expenditures	-	(9,975,903)	-	(52,652,258)
Mine development costs (note 7)	(4,504,283)	-	(13,306,119)	-
	(5,648,774)	(10,205,435)	(16,113,166)	(53,712,637)
Net increase (decrease) in cash and cash equivalents	(3,031,667)	(22,002,643)	(6,402,925)	(21,082,604)
Cash and cash equivalents, beginning of the period	3,921,958	25,709,203	7,293,216	24,789,164
Cash and cash equivalents, end of the period	\$ 890,291	\$ 3,706,560	\$ 890,291	\$ 3,706,560
Cash and cash equivalents includes the following:				
Cash	\$ 890,291	\$ 2,670,855	\$ 890,291	\$ 3,706,560
Guaranteed investment certificates	-	-	-	-
	\$ 890,291	\$ 2,670,855	\$ 890,291	\$ 3,706,560

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Condensed Statements of Changes in Shareholders' Equity (unaudited)

Canadian dollars	Capital Stock (Note 14)		Warrants (Note 16)		Subtotal	Other Reserves	Deficit	Shareholders' Equity
	# of common shares	\$	#	\$	\$	\$	\$	\$
December 31, 2017	549,807,654	118,105,416	22,064,853	1,901,088	120,006,504	8,083,435	(95,432,797)	32,657,142
Issued as a result of:								
Private placements (notes 13 and 14)	16,284,143	7,653,547	-	-	7,653,547	-	-	7,653,547
Property acquisitions	100,000	30,000	-	-	30,000	-	-	30,000
Share issuance costs	-	(120,599)	-	-	(120,599)	-	-	(120,599)
Warrants issued on loan	-	-	14,000,000	3,726,200	3,726,200	-	-	3,726,200
Stock options exercised (note 15)	2,400,000	361,211	-	-	361,211	(121,211)	-	240,000
Warrants exercised (note 16)	12,851,030	4,031,609	(12,851,030)	(924,858)	3,106,751	-	-	3,106,751
Warrants expired (note 16)	-	-	(7,059,978)	(730,051)	(730,051)	730,051	-	-
Stock options granted (note 15)	-	-	-	-	-	4,866,923	-	4,866,923
Net loss for the period	-	-	-	-	-	-	(29,805,179)	(29,805,179)
September 30, 2018	581,442,827	130,061,185	16,153,845	3,972,379	134,033,564	13,559,198	(125,237,976)	22,354,786
Issued as a result of:								
Private placements (notes 13 and 14)	16,596,625	8,307,383	-	-	8,307,383	-	-	8,307,383
Flow-through premium (note 13)	-	(1,702,281)	-	-	(1,702,281)	-	-	(1,702,281)
Share issuance costs	-	(71,691)	118,319	8,165	(63,526)	-	-	(63,526)
Warrants issued on debt (note 9 and 10)	-	-	2,000,000	461,262	461,262	-	-	461,262
Stock options exercised (note 15)	1,700,000	222,726	-	-	222,726	(176,826)	-	45,900
Warrants expired (note 16)	-	-	(2,153,846)	(246,179)	(246,179)	246,179	-	-
Stock options granted (note 15)	-	-	-	-	-	226,175	-	226,175
Net loss for the year	-	-	-	-	-	-	(10,067,122)	(10,067,122)
December 31, 2018	599,739,452	136,817,322	16,118,318	4,195,627	141,012,949	13,854,726	(135,305,097)	19,562,577
Issued as a result of:								
Special shares (note 14)	49,177,777	12,825,713	-	-	12,825,713	-	-	12,825,713
Share issuance costs (note 14)	-	(1,150,574)	-	-	(1,150,574)	-	-	(1,150,574)
Property acquisitions	100,000	28,000	-	-	28,000	-	-	28,000
Warrants issued (note 16)	-	-	8,950,000	1,342,020	1,342,020	-	-	1,342,020
Stock options exercised (note 15)	4,840,000	769,485	-	-	769,485	(262,985)	-	506,500
Stock options granted (note 15)	-	-	-	-	-	3,544,772	-	3,544,772
Net loss for the period	-	-	-	-	-	-	(54,436,422)	(54,436,422)
September 30, 2019	653,857,229	149,289,946	25,068,318	5,537,647	154,827,593	17,136,513	(189,741,519)	(17,777,414)

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 and exploration of mineral resource properties with a focus on gold properties located in the Province of Ontario, Canada, and currently owns an interest in two properties: 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.

In 2017, Harte Gold completed a bulk sample program on its Sugar Zone Property to determine the recoverability and economics of its resource. In 2017, the Company also began economic studies on the resource and pursuing permits to enable commercial production. In May 2018, the Company filed a Preliminary Economic Assessment Report and in September 2018, the Company obtained permits required for commercial production. The Company was in the exploration and evaluation stage at December 31, 2018 and declared commercial production in 2019. In February 2019, the Company issued a press release providing an update to its resources and on May 2, 2019, the Company filed a Feasibility Study Report on its Sugar Zone Property.

On the basis of information to date, the Company has not yet identified a mineral resource on its Stoughton-Abitibi Property.

These financial statements have been prepared using accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position.

At September 30, 2019, the Company has current liabilities of \$31,486,086, of which, \$25,042,125 relate to accounts payable and accrued liabilities generally payable within 30 to 90 days. The Company has current assets of \$6,752,936 with which to discharge such liabilities. The Company has historically financed its activities by accessing debt and/or equity markets from time to time. Additionally, the Company has financing available under the Appian Standby Commitment (see note 14).

The Company’s ability to continue as a going concern is dependent on the successful operation of its one mining property, the Sugar Zone Mine. If revenues generated from future mining activities are not sufficient to cover operating costs, capital costs and the payment of debt obligations, the Company will have to access sources of funding, including capital markets. There can be no assurance that the Company will be able to obtain any required financing in the future or at favorable terms. Due to uncertainties surrounding a number of factors such as, but not limited to, the ability to raise additional funds, exploration results, mine operating results, the price of underlying commodities and financial market conditions, it is not possible to predict the success of the Company’s efforts in this regard. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (“IFRIC”) interpretations applicable to companies reporting under IFRS, including IAS 34, Interim Financial Reporting. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

2. BASIS OF PRESENTATION cont'd

The management of Harte prepared these unaudited condensed interim financial statements, which were then reviewed by the Audit Committee and the Board of Directors. The unaudited condensed interim financial statements were authorized for issue by the Board of Directors on November 14, 2019.

b) Continuation 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 non-compliance with regulatory and environmental requirements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Company's financial statements for the year ended December 31, 2018.

Plant and equipment

Plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. The costs of mineral properties, plant and equipment consist of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Upon commercial production, the accumulated capitalized development and construction in process costs are transferred to the appropriate mine development, plant and equipment and other assets.

Capitalized mine development expenditures are, upon commencement of production, amortized using a unit of production method, which is measured by the portion of a mine's economically recoverable and proven and probable ore reserves produced during the period.

Depreciation is recognized based on the cost of an item of plant and equipment, less its estimated residual value, over its expected useful life:

Cost Component	Useful Life
Furniture, vehicles and other equipment	Straight line over 2 – 5 years
Buildings	Straight line over 10 years
Plant and infrastructure	Units of production over life of mine ("LOM")
Mine development	Units of production over LOM

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statements of operations and comprehensive loss.

Derivative Instruments

The Company uses derivative financial instruments to manage exposure to fluctuations in gold prices and may use derivatives to manage exposure to interest rates, foreign currency exchange rates and input costs.

The Company initially recognizes all derivative financial instruments at fair value and on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are classified as current or non-current based on contractual maturity.

IFRS 6 – Exploration and Evaluation of Mineral Resources

Under IFRS 6, “Exploration and Evaluation of Mineral Resources” (“IFRS 6”), the Company historically capitalized its expenditures on exploration and evaluation (“E&E”) activities. Effective December 31, 2018, the Company adopted a voluntary change in accounting policy on E&E expenditures that is also generally accepted under IFRS 6. The Company’s new policy on accounting for E&E expenditures is to expense these costs until the requisite permits to enter into commercial production have been obtained. All subsequent expenditures on the property are then capitalized until development stage has been reached or commercial production has been achieved.

In accordance with IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, the change in accounting policy has been made retrospectively and the comparatives have been adjusted accordingly for all periods presented. The following table summarizes the impact of the aforementioned voluntary change in accounting policy on affected line items within the Company’s statements of financial position, operations and comprehensive loss.

For the three months ended September 30, 2018

	As Previously Reported	Effect of Change in accounting policy	Restated
Statement of Operations and Comprehensive Loss			
Exploration and evaluation expenses	-	10,448,693	10,448,693
Loss and comprehensive loss for year	(1,109,090)	(10,448,693)	(11,557,783)
Basic and diluted loss per share	(0.002)	(0.018)	(0.020)

For the nine months ended September 30, 2018

	As Previously Reported	Effect of Change in accounting policy	Restated
Statement of Operations and Comprehensive Loss			
Exploration and evaluation expenses	-	24,441,526	24,441,526
Loss and comprehensive loss for year	(5,363,653)	(24,441,526)	(29,805,179)
Basic and diluted loss per share	(0.009)	(0.043)	(0.052)

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

IFRS 15 – Revenue from Contracts with Customers

On January 1, 2019, the Company has adopted IFRS 15 “Revenue from Contracts with Customers”. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The Company has evaluated the standard and has concluded that the application of IFRS 15 did not have a historical impact on its financial statements, during which time the only revenues were those credited against the exploration and evaluation asset during the bulk sample period. Furthermore, the Company has concluded that there are no significant differences between the point of transfer of risks and rewards for its metals under IAS 18 and the point of transfer of control under IFRS 15.

The following principles apply in accounting for revenues:

Gold

The Company sells gold to customers in the form of gold ounces, after the gold doré bars have been refined. The Company recognizes revenues from these sales when control of the gold has transferred to the customer. This is generally at the point in time when the gold is credited to the metal account of the customer. Once the gold has been credited to the customer's metal account, the customer has legal title to, physical possession of, and the risks and rewards of ownership of the gold. Therefore, the customer is able to direct the use of and obtain substantially all of the remaining benefits from the gold.

Revenue is measured at the transaction price agreed to under the contract. Payment of the transaction price is due immediately when control of the gold is transferred to the customer.

Gold Concentrates

The Company sells concentrates containing gold to a third-party smelter customer. The Company recognizes revenue from these concentrate sales when control of the concentrate has transferred to the customer, which is the point in time that the concentrate is delivered to the customer. Upon delivery, the customer has legal title to, physical possession of, and the risks and rewards of ownership of the concentrate. The customer is also committed to accept and pay for the concentrates once delivered. Therefore, the customer is able to direct the use of and obtain substantially all of the remaining benefits from the concentrate.

The final prices for metals contained in the concentrate are generally determined based on prevailing spot market metal prices on a specific future date, which is established as of the date the concentrate is delivered to the customer. Upon transfer of control at delivery, the Company measures revenue under these contracts based on prices at the time of delivery and the most recent determination of the quantity of contained metals, less smelting and refining charges charged by the customer. This reflects the best estimate of the transaction price expected to be received at final settlement. A receivable is recognized for this amount and subsequently measured at fair value to reflect the variability associated with the embedded derivative for changes in the market metal prices. These changes in the fair value of the receivable are adjusted through revenue at each subsequent financial settlement date.

Inventories

Inventories include gold-in-circuit, gold doré, gold concentrates and consumables inventory. The value of all production inventories includes direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. General and administrative costs for the corporate office are excluded from any inventories. All inventories are valued at the lower of cost and net realizable value, with net realizable value determined with reference to market prices, less estimated future production costs (including royalties) to convert inventories into saleable form.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

In-circuit inventory represents material that is currently being processed to extract the contained gold into a saleable form. The amount of gold in-circuit is determined by assay values and by measure of the various gold bearing materials in the recovery process. The in-circuit gold is valued at the average of the beginning inventory and the costs of material fed into the processing stream plus in-circuit conversion costs, including applicable mine-site overheads and depreciation related to the processing facility.

Finished goods inventory is saleable gold in the form of doré bars that have been poured or gold concentrates that are awaiting shipment to the smelter. Included in the costs are the direct costs of mining and processing operations as well as direct mine site overheads and depreciation.

Materials and supplies inventories consist mostly of equipment parts and other consumables required in the mining and ore processing activities, and are valued at the lower of average cost and net realizable value.

IFRS 16 – Leases

IFRS 16 introduces a single lessee accounting model which requires the lessee to recognize assets and liabilities for all leases with a term longer than 12 months, with the exception of low-value assets. The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach. As a result, comparative information has not been restated and is accounted for under IAS 17, "Leases".

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. The Company recognizes a right-of-use asset ("ROU") and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The right-of-use assets are included in the cost of property, plant and equipment in the statements of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company has elected to apply the exemptions not to recognize right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The Company recognized right-of-use assets and initial liabilities of \$0.9 million, relating to leases entered during the current period. The lease liabilities have remaining terms of three years and are discounted at rates ranging from 3% to 6%.

The expected timing of undiscounted lease payments at September 30, 2019 for leases recognized under IFRS16 is as follows:

	<u>September 30,</u> <u>2019</u>
Less than one year	287,167
One to three years	<u>703,247</u>
	<u>\$ 990,413</u>

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

The adoption of IFRS 16 did not have a significant impact to the balance sheet, however, did result in the recognition of additional right-of-use assets and lease liabilities and consequently had an increase in depreciation and interest expense. The Company also expects cash flows from operating activities to increase under IFRS 16 as lease payments for substantially all leases will be recorded as financing outflows.

4. RESTRICTED CASH

At December 31, 2018, \$500,000 was held as restricted cash in accordance with the Sprott financing agreement. Upon the repayment of the Sprott debt financing, no further restriction on cash is required.

5. RECEIVABLES

	September 30, 2019	December 31, 2018
GST/HST receivable	\$ 2,267,361	\$ 1,695,399
Gold sales revenue receivable	1,165,381	433,143
Other	6,625	222,936
	\$ 3,439,367	\$ 2,351,478

6. INVENTORIES

	September 30, 2019	December 31, 2018
In-circuit inventory	\$ 399,841	\$ -
Gold concentrate inventory	248,454	-
Gold bullion inventory	903,066	-
Total mineral inventory	1,551,360	-
Materials and supplies	788,146	-
Total inventory	\$ 2,339,506	\$ -

The change of inventory recognized in production costs in the three and nine months ended September 30, 2019 was \$3,629,841 and \$1,384,775 respectively.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

7. PLANT AND EQUIPMENT

	Land	Buildings	Furniture, Vehicles & Other Equipment	Construction In Process	Plant and Infrastructure	Mine Development	ROU Assets	Total
COST								
As at December 31, 2017	902,968	865,526	486,000	25,308,276	-	-	-	27,562,770
Additions	-	144,360	280,866	73,361,064	-	-	-	73,786,290
As at December 31, 2018	\$ 902,968	\$ 1,009,886	\$ 766,866	\$ 98,669,340	\$ -	\$ -	\$ -	\$ 101,349,060
Additions	-	899,018	465,406	(98,669,340)	100,723,821	22,211,928	944,523	26,575,357
As at September 30, 2019	\$ 902,968	\$ 1,908,905	\$ 1,232,272	\$ -	\$ 100,723,821	\$ 22,211,928	\$ 944,523	\$ 127,924,418
ACCUMULATED DEPRECIATION								
As at December 31, 2017	-	43,276	153,897	-	-	-	-	197,173
Additions	-	85,143	126,980	-	-	-	-	212,123
As at December 31, 2018	\$ -	\$ 128,419	\$ 280,877	\$ -	\$ -	\$ -	\$ -	\$ 409,296
Additions	-	155,553	197,758	-	4,185,002	6,381,706	13,116	10,933,135
As at September 30, 2019	\$ -	\$ 283,971	\$ 478,635	\$ -	\$ 4,185,002	\$ 6,381,706	\$ 13,116	\$ 11,342,431
NET BOOK VALUE								
As at December 31, 2017	\$ 902,968	\$ 822,250	\$ 332,103	\$ 25,308,276	\$ -	\$ -	\$ -	\$ 27,365,597
As at December 31, 2018	\$ 902,968	\$ 881,467	\$ 485,989	\$ 98,669,340	\$ -	\$ -	\$ -	\$ 100,939,764
As at September 30, 2019	\$ 902,968	\$ 1,624,933	\$ 753,637	\$ -	\$ 96,538,819	\$ 15,830,222	\$ 931,407	\$ 116,581,987

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	December 31, 2018
Accounts Payable	\$ 19,903,544	\$ 9,992,753
Accrued Liabilities	5,138,581	13,622,237
Total accounts payable and accrued liabilities	\$ 25,042,125	\$ 23,614,991

9. SHORT-TERM DEBT

On May 3, 2018, the Company closed on a short-term debt financing with ANR Investments B.V. ("Appian") in the amount of US \$20,000,000. The term of the debt was until November 10, 2018 at an interest rate of 9.5%, unless extended. The debt was extendible to January 25, 2019 at the option of the Company, but the interest rate would increase to 11.5%. The Company did exercise its option to extend. On December 31, 2018, the Company and Appian agreed to further extend the maturity of the debt to May 9, 2019 with an increase in the interest rate to 12.0% and agreed to a further extension until the closing of the BNP financing. The Appian debt was secured by all the assets of the Company, but subordinate to Spratt long-term debt financing (See Note 10). Prepayment of the Appian debt could be made any time without penalty.

Principal and accrued interest were payable on maturity and the debt was repayable at any time without penalty. In connection with the debt financing, the Company issued 4,000,000 common share warrants to Appian, exercisable at any time until May 11, 2023 at an exercise price of \$0.51 per common share. An amount of \$1,133,200 was allocated to the warrants.

Subsequently, the debt amount, net of warrants, was accreted at the effective interest rate of 18.1% so that the balance outstanding would equal the principal amount on maturity.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

9. SHORT-TERM DEBT cont'd

On June 14, 2019, the Company closed the BNP financing (note 12) and repaid Appian the loan principal and accrued interest in full.

Movement in the Appian debt facility is summarized as follows:

Loan drawdown	\$ 25,686,100
Fees, costs & warrants	(1,133,200)
Initial loan amount	24,552,900
Interest expense	3,424,401
Accretion	2,178,644
Exchange loss (gain)	1,042,738
Gain on loan modification	(507,272)
Additional warrants issued	(461,262)
Additional closing fees	29,125
Balance at June 14, 2019	\$ 30,259,275
Net loan repayment	(30,259,275)
Balance at June 30, 2019	\$ -

10. LONG-TERM DEBT CLASSIFIED AS CURRENT

On May 31, 2018, the Company closed a long-term debt financing with Sprott Private Resource Lending (Collector) LP ("Sprott"). Total funding available under the Sprott debt was US \$50,000,000. An initial amount of US \$20,000,000 was drawn on closing. On October 11, 2018, the Company drew down US \$15,000,000 and a further US \$5,000,000 was drawn on February 11, 2019. An initial payment of 2.25% was payable at the time of each draw, calculated on the amount of the draw. Interest was payable monthly at an annual rate of 7.5% plus the 3 month LIBOR rate, with 50% of the monthly interest payable in cash and the balance accrued until June 30, 2019. Thereafter, all interest is payable monthly on a cash basis. Principal plus accrued interest was payable in 42 equal monthly installments, beginning January 31, 2020. Prepayment of the Sprott debt could be made at any time, subject to a prepayment penalty of 3% if made prior to the second anniversary, 2% prior to the third anniversary and nil thereafter. The Sprott debt was a first charge and secured by all the assets of the Company.

The Company also entered into a production payment agreement with Sprott concurrently with the debt facility agreement. In connection with the third drawdown on February 11, 2019, the production payment was adjusted from a fixed rate of US \$14 per ounce to be a variable rate calculated at 1.3% of the average monthly gold price, with a floor of US \$1,250 and a ceiling of US \$1,450 per ounce for the gold price calculation. The change in the variable rate applicable to production payments is effective from February 1, 2019. The Company had the option to terminate the production payment agreement upon payment of a termination fee equal to the net present value of the remaining production payments discounted at 3.5%. The initial fair value of the production payment liability was \$4,909,852. The change of the production payment terms from a fixed to a variable rate was determined to be an extinguishment of the initial liability. The net present value of the production payment liability was remeasured using the same discount rate of 3.5% and the difference of \$1,101,532 was recognized as a loss in the statement of operations and comprehensive loss.

The production payment liability was accreted at the effective interest rate of 3.5% so that the balance outstanding equals the principal amount on maturity.

In connection with the debt financing, the Company issued 10,000,000 common share warrants to Sprott, exercisable at any time until May 31, 2023 at an exercise price of \$0.49 per common share. An amount of \$2,593,000 was allocated to the warrants. The Company has the option to settle the warrants in cash at the time they are exercised.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

10. LONG-TERM DEBT CLASSIFIED AS CURRENT cont'd

The cash settlement amount is calculated as the excess of the market price of the common shares as of the day prior to the exercise day over the exercise price. The Company has recorded these warrants in warrants reserve as the intention is not to settle in cash.

Transaction costs related to the Sprott debt facility comprise the issue payment amount, warrants, initial production payment liability, legal expenses and other costs. Transaction costs were recognized as deferred charges and transferred to the debt balance in proportion to debt drawdowns. Since there was no other subsequent drawdown of the final US \$10,000,000 availability under the Sprott debt, the remaining deferred transaction costs were no longer recognized on the balance sheet at June 30, 2019.

The debt amount, net of fees, issuance costs and production payments, is accreted at the effective interest rate of 15.1% at the time of the initial draw and 15.8% at the time of the subsequent draw, so that the balance outstanding will equal the principal amount on maturity. Accretion results in additional non-cash interest expense recorded for the duration of the Sprott debt.

Movement in the production payment liability is summarized as follows:

Initial Production Liability	\$	4,909,852
Production payments made		(165,782)
(Gain)/Loss on revaluation		1,184,036
Exchange loss (gain)		244,251
Balance at June 14, 2019	\$	6,172,357
Repayment		(6,249,842)
Loss on loan termination	\$	77,485

Movement in the Sprott debt facility is summarized as follows:

Loan drawdowns	\$	52,120,000
Warrants		(2,593,000)
Production payment liability		(4,909,852)
Fees		(2,221,599)
Loan amount		42,395,549
Interest expense		2,363,424
Accretion		1,717,616
Exchange loss (gain)		1,178,910
Balance at June 14, 2019	\$	47,655,499
Net loan repayment		(55,920,463)
Loss on loan termination		(8,264,964)
Loss on Production payment Liability		(77,485)
Prepayment & cancellation fees		(2,084,268)
Total loss on refinancing	\$	(10,426,717)

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

11. ENVIRONMENTAL REHABILITATION PROVISION

Pursuant to the Sugar Zone Mine Closure Plan (the "Closure Plan"), the Company is obligated to rehabilitate the Sugar Zone site. The cost of such rehabilitation work was increased to \$4,946,201 in 2019, on approval of the increase in the permitted mining rate to 800 tonnes per day, being the present value of the estimated future costs, discounted at a rate of 3.07% per annum. The balance is accreted over the life of mine.

	September 30, 2019	December 31, 2018
Balance beginning of period	\$ 4,783,587	\$ 1,718,836
Rehabilitation liability arising during the period	162,614	3,064,751
Accretion	111,521	-
Balance end of period	\$ 5,057,722	\$ 4,783,587

12. LONG-TERM DEBT

On June 14, 2019 the Company closed a credit agreement with BNP Paribas (the "BNP Debt") for US \$72.5 million. The BNP debt facility consists of a non-revolving term credit facility of US \$52.5 million and a revolving term credit facility of US \$20.0 million. Interest on the BNP Debt is LIBOR plus 2.875% to 3.875% dependent on credit ratios, payable every 3 months in arrears. The Company also has the option to convert from a LIBOR based loan to either: (i) an Alternate Base Rate, being the Federal Funds Rate plus 5/8% or (ii) Canadian prime interest rate, in each case plus a margin of 1.875% to 2.875%, dependent on the leverage ratio. To the extent funds are not fully drawn under the revolving credit facility, there is a standby fee ranging from 1.006% to 1.356% dependent on the leverage ratio.

Principal repayments under the term loan begin on March 31, 2020 repayable quarterly over 22 quarters through June 30, 2025. Amounts outstanding under the revolving term credit facility are due on June 30, 2022. Various financial covenants are measured on a quarterly basis but failure to meet such covenants does not constitute a default or event of default prior to June 30, 2020. Additionally, the Company covenanted to achieve certain minimum mine and mill production tonnage amounts in each month. The Company did not achieve such minimum mine production tonnage for the month of September and has obtained a waiver from BNP.

Movement in the BNP Debt facility is summarized as follows:

Loan drawdown	\$97,041,250
Fees, costs	(2,123,276)
Initial loan amount	94,917,974
Interest expense	1,804,122
Accretion	126,015
Exchange loss (gain)	(1,001,475)
Interest paid	(1,583,125)
Balance at September 30, 2019	\$94,263,511

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

12. LONG-TERM DEBT cont'd

Debt repayments under the BNP Debt facility are as follows:

BNP Debt Repayment Schedule (US \$)			
Year	Non-revolving term credit facility	Revolving term credit facility	Total
2019	\$ -	\$ -	\$ -
2020	6,353,000	-	6,353,000
2021	12,338,000	-	12,338,000
2022	17,378,000	20,000,000	37,378,000
2023	8,610,000	-	8,610,000
2024	3,623,000	-	3,623,000
2025	4,198,000	-	4,198,000
Total	52,500,000	20,000,000	72,500,000
Current portion	4,764,750	-	4,764,750
	<u>\$ 47,735,250</u>	<u>\$ 20,000,000</u>	<u>\$ 67,735,250</u>

Current portion (C\$)	\$ 6,235,628
Long-term Portion (C\$)	\$ 88,027,883

Long-term debt also comprises the following mortgages payable:

a) Mortgage Payable

On January 31, 2017, Harte Gold acquired land and buildings in White River, on which the vendors took back a mortgage secured by the property, of \$190,000, repayable annually over 3 years, at an annual interest rate of 3.0%. Principal and interest payments are due annually, on each of February 1, 2018 through 2020.

b) Mortgage Payable

On July 19, 2017, Harte Gold acquired a property in White River, on which the vendors took back a mortgage secured by the property, of \$525,000, repayable in 5 equal principal payments on each anniversary. Interest is payable semi-annually at a rate of 4.0% per annum.

c) Mortgage Payable

On August 9, 2017, Harte Gold acquired land and buildings in White River, on which the vendors took back a mortgage of \$100,000 secured by the property, repayable annually over 3 years at an annual interest rate of 3.0% per annum. Principal and interest payments are due annually, on each of August 10, 2018 through 2020.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

12. LONG-TERM DEBT cont'd

The mortgage repayment schedule is as follows:

Mortgage Repayment Schedule (Cdn \$)				
Year	Mortgage (a)	Mortgage (b)	Mortgage (c)	Total
2020	70,000	105,000	33,333	208,333
2021	-	105,000	-	105,000
2022	-	105,000	-	105,000
Total	70,000	315,000	33,333	418,333
Current portion	70,000	105,000	33,333	208,333
Long-term portion	\$ -	\$ 210,000	\$ -	\$ 210,000

13. 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.

Balance on December 31, 2017	\$ 1,173,838
Settlement of liability through renouncement in Q1 2018	(1,173,838)
Liability incurred on flow-through shares issued October 31, 2018	1,702,281
Balance on December 31, 2018	\$ 1,702,281
Settlement of liability through renouncement in Q1 2019	(1,702,281)
Balance on September 30, 2019	\$ -

On December 22, 2017, Harte Gold completed a bought deal offering of 9,781,982 flow-through common shares at a price of \$0.56 per share, for gross proceeds of \$5,477,910. A flow-through share premium of \$1,173,838 was recorded on this financing. As of September 30, 2019, all such funds had been spent.

On October 31, 2018, the Company completed a private placement of 13,367,999 flow-through common shares at a price of \$0.52 per share for gross proceeds of \$6,951,360. A flow-through share premium of \$1,702,281 was recorded on this financing. As of September 2019, all such funds had been spent.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

14. CAPITAL STOCK

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

Common Shares

The issued and outstanding common shares are as follows:

	September 30, 2019	December 31, 2018
Balance beginning of period	599,739,452	549,807,654
Private placement of units and shares		19,512,769
Private placement of flow-through units (note 13)		13,368,000
Special share issuance for Appian	49,177,777	
Shares for property acquisition (note 22)	100,000	100,000
Options exercised (note 15)	4,840,000	4,100,000
Warrants exercised (note 16)		12,851,029
Balance end of period	653,857,229	599,739,452

On January 9, 2018, Harte Gold completed the final closing of its bought deal private placement, comprising 16,284,143 common shares at a price of \$0.47 per share for proceeds of \$7,653,547.

On November 23, 2018, Harte Gold completed a private placement of 3,228,626 common shares at a price of \$0.42 per share for proceeds of \$1,356,023.

Special Shares

On June 6, 2019, the Company entered into a Subscription Agreement with Appian for the purchase of US \$10 million Special Shares, which investment closed on June 11, 2019. The investment of US \$10 million was a condition of closing the BNP debt facilities. The Special Shares were convertible into common shares at \$0.27 per common share two weeks from the later of (i) the date of such shareholder approval, (ii) the date the Appian debt is paid in full and (iii) the date the Sprott debt is paid in full. As Appian would own in excess of 20% of the common shares of the Company upon conversion, shareholder approval was required prior to such conversion. The shareholders of the Company approved the conversion on July 4, 2019 and the Special Shares were converted to 49,177,777 common shares on July 25, 2019.

Pursuant to the Subscription Agreement between Appian and the Company, and as consideration for a standby commitment from Appian to provide up to an additional US\$7.5 million in non-equity financing, available at the Company's option (the "Standby Commitment"), and the extension of the due date on the outstanding bridge loan facility with Appian to coincide with the closing of the BNP Debt Financing, the Company also issued to Appian 5,000,000 common share purchase warrants that are exercisable at \$0.27 per Common Share for a period of five years from closing.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

14. CAPITAL STOCK cont'd

Under the terms of the Subscription Agreement, the parties agreed to a standstill provision, pursuant to which Appian has agreed not to acquire securities of the Company in excess of 30% for a period ending on the earlier of (i) 18 months from the date of the Subscription Agreement and (ii) the date on which Appian holds less than 7.5% of the Common Shares (on a partially diluted basis). The standstill provision will also cease to apply under certain circumstances set out in the Subscription Agreement, including non-compliance with certain provisions of the Subscription Agreement.

The Company has also agreed to a number of covenants regarding the governance of the Company, including that: (i) the Board fixes the number of directors of the Company at seven directors; (ii) Appian is entitled to designate two directors to be appointed to the Board and included with the slate of nominees to be proposed by the Company for election as directors at each meeting of shareholders (consistent with Appian's existing nomination rights); (iii) the Company continues to have a finance committee to assist the Company and the Board, which consists of two nominees of each of the Company and Appian; (iv) the Company shall present the Board with a plan to bolster management, which plan shall include changes to the positions of the President, Chief Financial Officer, Chief Operating Officer and other functional roles at the Company that may be determined in good faith with Appian and (v) the Company shall use reasonable efforts to recruit and appoint suitable candidates for the above listed positions within three months of the subscription agreement. The majority of the governance covenants (other than those concerning management) will cease to apply once Appian holds less than 15% of the common shares (on a partially diluted basis). However, if the Company does not satisfy certain management changes within six months of the date of the subscription agreement, Appian's standstill obligations described above will cease to apply. Should the Company not satisfy certain management changes within one year of the date of the subscription agreement, the exercise price of the 5,000,000 warrants issued in connection with the Special Shares and the 6,000,000 warrants previously issued in connection with the Appian debt will be repriced at the "market price" at that time if it is lower than \$0.27, subject to approval of the TSX and disinterested shareholder approval, if necessary.

On August 28, 2019, the Company announced the entering into of a settlement agreement among the Company, each of the directors of the Company, and Appian (the "Settlement Agreement") that superseded certain provisions of the Subscription Agreement and under which, the parties agreed to accelerate previously announced plans to bolster management and update corporate governance practices to facilitate the Company's transition from an exploration company to an operating gold mining company. The Settlement Agreement was entered into as a result of a further agreement between Appian and the Company primarily in respect of the pace of the implementation of certain agreed management changes contemplated in the Appian Subscription Agreement and the timing of Board renewal as discussed below. Pursuant to the Settlement Agreement, management changes specifically included that the new President would also be the CEO and become a director of the Company, two new independent directors would be appointed to the Board to replace certain existing directors, and the Governance Committee was reconstituted and would make recommendations on the selection of management and Board candidates. In addition, under the terms of the Settlement Agreement and pursuant to Appian's participation rights in respect of certain prior option issuances, the Company issued to Appian 3,950,000 warrants to purchase common shares of the Company at an exercise price of \$0.35 per common share, expiring on August 28, 2022.

The Subscription Agreement also provides for the Standby Commitment to issue a 1.0% or 1.5% royalty to Appian at any time until June 30, 2020 for aggregate gross proceeds to the Company of US\$5.0 million or US\$7.5 million, respectively (the "Standby Commitment Proceeds"). The Standby Commitment Proceeds are available to the Company within two weeks of the exercise of its option under the Standby Commitment, and would assist the Company in satisfying short term cash requirements, if exercised. The Company's ability to exercise the Standby Commitment is subject to the coincident repayment of US\$4.0 million under the BNP Debt Financing if a 1.5% royalty is issued and US\$2.0 million under the BNP Debt Financing if a 1.0% royalty is issued. The Company's exercise of the Standby Commitment is also subject to certain conditions set out in the Appian Subscription Agreement including, but not limited to: (i) there shall not have been a material adverse effect on or before closing of the Standby Commitment; (ii) the Company shall be in material compliance with the terms of the Appian Subscription Agreement; (iii) the new royalty being registered on title; (iv) Appian receiving a legal opinion from Company's counsel and (v) approval of the TSX.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

15. 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. This rolling stock option plan has been approved by shareholders of the Company at its Annual General Meeting. At September 30, 2019, the Company had 14,990,723 (December 31, 2018 – 14,283,945) common shares available for granting of future options. Notwithstanding the foregoing, in its 2016 subscription agreement with Appian, the Company agreed to limit the number of new options granted in any 1 year period to 3% and in any 3 year period to 6%.

Under the terms of the plan, options vest immediately unless otherwise determined by the board of directors, and expire on the fifth anniversary from the date of issue unless otherwise specified. As at September 30, 2019, a total of 50,395,000 (December 31, 2018 – 45,690,000) options were outstanding under the stock option plan.

The following table provides additional information regarding stock options outstanding at September 30, 2019.

	September 30, 2019		December 31, 2018	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding beginning of period	\$ 0.31	45,690,000	\$ 0.21	32,850,000
Transactions during the period:				
Granted	\$ 0.40	12,450,000	\$ 0.45	16,140,000
Granted	\$ 0.27	1,000,000	\$ 0.35	500,000
Granted			\$ 0.41	500,000
Exercised	\$ 0.10	(4,790,000)	\$ 0.10	(4,100,000)
Exercised	\$ 0.15	(50,000)		
Cancelled	\$ 0.35	(650,000)	\$ 0.70	(150,000)
Cancelled	\$ 0.42	(1,000,000)	\$ 0.45	(50,000)
Cancelled	\$ 0.45	(1,550,000)		
Cancelled	\$ 0.40	(200,000)		
Expired	\$ 0.10	(250,000)		
Expired	\$ 0.30	(5,000)		
Expired	\$ 0.45	(250,000)		
Outstanding at end of period	\$ 0.35	50,395,000	\$ 0.31	45,690,000
Exercisable at end of period	\$ 0.35	47,712,500	\$ 0.31	55,520,000

The weighted average share price on the date of exercise was \$0.295 (2018 - \$0.39).

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

15. STOCK OPTION PLAN cont'd

The following table provides additional information regarding stock options outstanding at September 30, 2019.

Expiry Date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
October 14, 2020	\$0.10	1.04	8,255,000	8,255,000
November 9, 2020	\$0.10	1.11	600,000	600,000
March 22, 2021	\$0.175	1.48	1,000,000	1,000,000
December 14, 2021	\$0.35	2.21	10,750,000	10,750,000
February 26, 2022	\$0.42	2.41	350,000	350,000
May 1, 2022	\$0.70	2.59	750,000	750,000
May 29, 2022	\$0.71	2.66	150,000	150,000
March 29, 2023	\$0.45	3.50	14,290,000	12,970,000
June 21, 2023	\$0.35	3.73	500,000	500,000
July 26, 2023	\$0.40	3.82	500,000	500,000
January 18, 2024	\$0.41	4.30	12,250,000	11,837,500
July 4, 2024	\$0.27	4.76	1,000,000	50,000
	\$0.35	2.95	50,395,000	47,712,500

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

15. STOCK OPTION PLAN cont'd

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of stock-based compensation costs for stock options issued during the year ended December 31, 2018 and the nine months ended September 30, 2019.

Grant date	29-Mar-18	21-Jun-18	26-Jul-18	18-Jan-19
Number of options	16,140,000 ⁽³⁾	500,000 ⁽⁴⁾	500,000 ⁽⁴⁾	12,450,000 ⁽⁵⁾
Share price	\$ 0.43	\$ 0.36	\$ 0.37	\$ 0.40
Exercise price	\$ 0.45	\$ 0.35	\$ 0.41	\$ 0.40
Expected life in years	5.00	5.00	4.75	5.00
Volatility ⁽¹⁾	92.11%	89.81%	85.94%	85.24%
Risk-free interest rate	1.94%	1.97%	2.16%	1.96%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Fair value per option ⁽²⁾	\$ 0.3030	\$ 0.2536	\$ 0.2409	\$ 0.2704
Fair value assigned to options	\$ 4,890,371	\$ 126,776	\$ 120,430	\$ 3,366,169

¹ Volatility is determined based on historical share prices

² 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.

³ 1,295,000 of these options vest on the first anniversary and 1,295,000 vest on the second anniversary.

⁴ Options vested immediately.

⁵ 162,500 of these options vest after 3 months and 412,500 vest on the first anniversary.

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.

On June 6, 2019, the Company entered into a service agreement with Maximos Metals Corp. ("Maximos") by which Maximos provided technical data in respect to the Sugar Zone property. Upon receiving the technical data, the Company issued 1,000,000 options to Maximos on July 4, 2019. The options have a term of five years and an exercise price of \$0.27 per common shares. Such options will vest and become exercisable upon satisfaction of the following conditions:

- 1) 50,000 options vested immediately upon the Company receiving the technical data;
- 2) 250,000 options will vest upon the discovery of economic mineralization on one or more Maximos targets
- 3) 700,000 options will vest upon preparation of an executed resource report, outlining resources totaling at least 500,000 Au equivalent ounces.

The Company also granted Maximos a bonus option grant under certain circumstances (see note 22).

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

16. WARRANTS

As at September 30, 2019 there were 25,068,318 (December 31, 2018 – 16,118,318) warrants to purchase common shares outstanding.

			Warrants
Balance at December 31, 2017			22,064,853
Issued on loans	\$	0.49	10,000,000
Issued on loans	\$	0.51	4,000,000
Issued on loans	\$	0.50	2,000,000
Issued for finder's fee	\$	0.52	118,319
Expired			(9,213,824)
Exercised			(12,851,030)
Balance at December 31, 2018			16,118,318
Issued	\$	0.27	5,000,000
Issued	\$	0.35	3,950,000
Balance at September 30, 2019			25,068,318

The expiry dates of warrants outstanding as of September 30, 2019 are as follows:

Expiry date	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life (years)
April 22, 2020	41,750	\$ 0.52	0.56
May 1, 2020	76,569	\$ 0.52	0.59
August 28, 2022	3,950,000	\$ 0.35	2.91
May 11, 2023	4,000,000	\$ 0.51	3.61
May 11, 2023	2,000,000	\$ 0.50	3.61
May 31, 2023	10,000,000	\$ 0.49	3.67
June 8, 2024	5,000,000	\$ 0.27	4.69
	25,068,319	\$ 0.43	3.73

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

16. WARRANTS cont'd

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of warrants issued during the year ended December 31, 2018 and the nine months ended September 30, 2019.

Issue date	11-May-18	01-Jun-18	22-Oct-18	31-Oct-18
Number of warrants	4,000,000	10,000,000	41,750 ¹	76,569
Share price	\$ 0.42	\$ 0.39	\$ 0.40	\$ 0.38
Exercise price	\$ 0.51	\$ 0.49	\$ 0.52	\$ 0.52
Expected life in years	5.0	5.0	1.5	1.5
Volatility (based on historical volatility)	90.48%	89.86%	55.64%	55.51%
Risk-free interest rate	2.15%	2.06%	2.25%	2.29%
Dividend yield	0%	0%	0%	0%
Fair value per warrant	\$ 0.283	\$ 0.259	\$ 0.075	\$ 0.066
Fair value of warrants issued	\$ 1,133,200	\$ 2,593,000	\$ 3,149	\$ 5,016

Issue date	31-Dec-18	08-Jun-19	28-Aug-19
Number of warrants	2,000,000	5,000,000	3,950,000
Share price	\$ 0.39	\$ 0.27	\$ 0.33
Exercise price	\$ 0.50	\$ 0.27	\$ 0.35
Expected life in years	4.36	5.00	3.00
Volatility (based on historical volatility)	84.66%	83.11%	52.80%
Risk-free interest rate	1.88%	1.35%	1.39%
Dividend yield	0%	0%	0%
Fair value per warrant	\$ 0.231	\$ 0.178	\$ 0.115
Fair value of warrants issued	\$ 461,262	\$ 889,733	\$ 452,287

17. REVENUE

Revenue for the three and nine months ended September 30, 2019 comprised the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Gold and silver sales	\$ 15,188,358	\$ -	\$ 36,174,535	\$ -
Less royalties	(300,014)	-	(688,096)	-
Less treatment, refining and transport costs	(411,178)	-	(1,328,981)	-
	\$ 14,477,166	\$ -	\$ 34,157,458	\$ -

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

18. PRODUCTION COSTS

Production costs for the three and nine months ended September 30, 2019 comprised the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Mining costs	\$ 5,439,979	\$ -	\$ 14,974,667	\$ -
Milling costs	2,547,711	-	7,964,266	-
Site indirect costs	3,520,640	-	10,327,340	-
Production costs	11,508,330	-	33,266,273	-
Change in inventory	3,629,841	-	1,384,775	-
	\$ 15,138,171	\$ -	\$ 34,651,048	\$ -

19. LOSS PER SHARE

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Loss attributable to common shareholders	\$ (15,181,559)	\$ (11,557,783)	\$ (54,436,422)	\$ (29,805,179)
Weighted average shares outstanding - basic and fully diluted	641,489,959	580,783,308	615,062,590	574,081,018
Loss per share - basic and fully diluted	\$ (0.024)	\$ (0.020)	\$ (0.089)	\$ (0.052)

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.

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

20. DERIVATIVE FINANCIAL INSTRUMENTS

Concurrent with and as required under the BNP Debt financing, the Company entered into a gold hedge program on approximately 79,000 ounces of future production. Zero cost collar swaps were used for approximately 74,000 ounces, spread over the years 2020 through 2023. The balance of the hedges are structured as gold swaps, maturing in the first half of 2024. The Company has elected not to designate the cash flow hedges for hedge accounting under IFRS 9. These derivative financial instruments are recorded at fair value using external broker-dealer quotations, based on their option pricing models that utilize a variety of inputs that are a combination of quoted prices and market corroborated inputs. These valuations are intended to closely match the cost or benefit that would be incurred to unwind the hedge positions. The Company recognizes the mark-to-market adjustments in its statements of operations and comprehensive loss as changes in unrealized derivative instrument gains (losses) and on its statements of financial position as derivative instrument assets (liabilities) as appropriate. The Company presents the fair value of put and call options on a net basis on the Statements of Financial Position.

Derivative Instruments outstanding	Quantity outstanding	Maturity Dates	Strike Price (US\$/oz)	Fair value asset (liability)
Gold call options	20,316 oz	January 2020 - December 2020	\$1,391	\$ (2,529,276)
Gold Put options	20,316 oz	January 2020 - December 2020	\$1,300	276,674
Gold call options	19,080 oz	January 2021 - December 2021	\$1,399	(3,201,675)
Gold Put options	19,080 oz	January 2021 - December 2021	\$1,300	570,162
Gold call options	23,520 oz	January 2022 - December 2022	\$1,393	(4,970,267)
Gold Put options	23,520 oz	January 2022 - December 2022	\$1,310	1,154,292
Gold call options	11,040 oz	January 2023 - December 2023	\$1,393	(2,752,213)
Gold Put options	11,040 oz	January 2023 - December 2023	\$1,310	813,008
				US \$ (10,639,296)

Derivative Instruments outstanding	Quantity outstanding	Maturity Dates	Strike Price (US\$/oz)	Fair value asset (liability)
Gold swap	5,134 oz	January 2024 - June 2024	\$1,355	(989,605)
				US \$ (989,605)

Total fair value liability in Canadian dollars **\$ (15,400,153)**

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

21. RELATED PARTY TRANSACTIONS

The corporation related to Harte Gold during 2019 is Global Atomic Corporation ("GAC"). GAC is a related party since one or more directors, officers and consultants are associated with the Company in the same capacity.

For period ended September 30, 2019	Amount charged	Due (to) from
Global Atomic Corporation	\$ 90,000	\$ (86,005)

For year ended December 31, 2018	Amount charged	Due (to) from
Global Atomic Corporation	\$ 120,000	\$ 159,289

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. The transactions relate to certain head office costs, such as supplies and rent that are incurred by one entity on behalf of the other.

For the nine months ended September 30, 2019 and 2018, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

	September 30, 2019	September 30, 2018
Management and consulting fees	\$ 702,000	\$ 542,000
Consulting fees included in exploration and evaluation expenditures	-	233,950
Stock based compensation		
- expensed to the Statement of Operations and Comprehensive Loss	2,549,525	4,217,235
	\$ 3,251,525	\$ 4,993,185

Harte Gold Corp.

Notes to Condensed Financial Statements For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)

22. COMMITMENTS

On August 14, 2017, the Company entered into an option agreement to acquire a 100% interest in a claim within the Sugar Zone Property. An initial payment of \$12,000 plus 100,000 common shares was made. On the first anniversary, a further payment of \$20,000 and 100,000 common shares was made. A final payment of 100,000 common shares is required on the second anniversary. Such final payment was made in August 2019 and upon making such payment, the Company acquired a 100% interest in the claim, subject to a 3.0% net smelter royalty, which can be reduced to 1.5% by payment of \$1,500,000.

Under the terms of the Maximos agreement (see note 15), Maximos is entitled to a bonus grant of 10 million options, priced at market at the time and with a term of 5 years. Such bonus grant is conditional on an economic report on one of the Maximos targets within a 10 year period that has an in situ undiscounted net smelter return value in excess of US \$300 million.

The Company also has a commitment under a site access agreement to pay \$70,000 per annum beginning January 1, 2019, 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 13).

The Company has entered into an Impact Benefits Agreement (“IBA”) with Pic Mobert First Nation (“Pic Mobert” or “PMFN”), the proximal First Nation, in connection with the Company’s Sugar Zone property. The Sugar Zone property is located within the exclusive traditional territory of Pic Mobert. The IBA applies to all mines that may be developed on the 80,000 Ha Sugar Zone property and provides the framework within which Harte Gold and PMFN will continue to work together during the production phase of the Sugar Zone Mine. Key IBA terms include a 4% Net Profits Interest (“NPI”), based on the World Gold Council definition of “all in sustaining cost” metrics, subject to a minimum amount of \$500,000 per annum, an implementation payment of \$100,000 per annum payable on April 1st of each year, and stock options to purchase 500,000 common shares of the Company at a price of \$0.41 for a period of five years.

On May 1, 2018, the Company entered into a service agreement with Redpath Canada Ltd to perform underground mine development and tramming at the Sugar Zone Mine. The contract is for a period of twenty-five months. As at September 30, 2019, the Company has a commitment to pay \$30.2 million to Redpath to complete the project.

On July 4, 2018, the Company entered into a service agreement with Foraco Canada Ltd to perform longhole drilling and blasting services. The Company is contracted to pay \$8.4 million over the two-year contract terms.

23. SUBSEQUENT EVENTS

On July 22, 2019, the Company entered into an underwriting agreement on a bought deal basis with Echelon Wealth Partners Inc. (“Echelon”) for 20,000,000 flow-through common shares at a price of \$0.30 per common share for gross proceeds of \$6,000,000. Echelon will receive a cash fee of 5% plus warrants to purchase up to 5% of the common shares sold, with each warrant exercisable at a price of \$0.30 per common share for 18 months. The Company also granted Echelon an over-allotment option of up to 15% of the underwritten common shares, or up to 3,000,000 additional flow-through common shares. The Echelon financing was completed on October 2, 2019, including the exercise by Echelon of the full amount of the over-allotment option.