



**Condensed Interim Financial Statements
(Unaudited)**

For the three and six months ended June 30, 2020

MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Harte Gold Corp. for the three and six months ended June 30, 2020 and 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, Harte Gold Corp. herewith discloses that the accompanying unaudited condensed interim financial statements have not been reviewed by an auditor.

"Sam Coetzer"

Sam Coetzer
President & CEO

"Graham du Preez"

Graham du Preez
EVP & CFO

August 12, 2020

Harte Gold Corp.

Condensed Statements of Financial Position

(Unaudited)

in thousands of Canadian dollars

| | As at | |
|--|------------------|----------------------|
| | June 30, 2020 | December 31, 2019 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 4,922 | \$2,096 |
| Receivables (note 3) | 237 | 4,281 |
| Inventories (note 4) | 1,243 | 2,775 |
| Prepays | 757 | 735 |
| | 7,159 | 9,887 |
| Long term assets | | |
| Restricted cash (note 5) | 1,324 | - |
| Property, plant and equipment (note 6) | 116,078 | 112,882 |
| | \$124,561 | \$122,769 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 7) | \$17,623 | \$25,630 |
| Debt (note 8) | 12,134 | 8,911 |
| Current portion of derivative financial instruments (note 9) | 13,722 | 3,947 |
| Flow-through share premium (note 10) | 9,872 | 920 |
| | 53,351 | 39,408 |
| Long term liabilities | | |
| Debt (note 8) | 80,411 | 81,072 |
| Derivative financial instruments (note 9) | 26,836 | 15,366 |
| Environmental rehabilitation provision | 5,296 | 5,096 |
| | 165,894 | 140,942 |
| Shareholders' equity | | |
| Capital stock (note 11) | 170,792 | 155,058 |
| Warrants (note 13) | 5,620 | 5,620 |
| Contributed surplus | 18,132 | 18,035 |
| Deficit | (235,877) | (196,886) |
| | (41,333) | (18,173) |
| | \$124,561 | \$122,769 |

Going concern – note 1

Commitments – note 21

Subsequent events – note 22

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 six months ended June 30, 2020 and 2019

(Unaudited)

| in thousands of Canadian dollars | Three months ended | | Six months ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | June 30, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Mine operations | | | | |
| Revenues (note 14) | \$3,669 | \$12,280 | \$19,336 | \$20,383 |
| Production costs (note 4) | (2,690) | (9,091) | (13,762) | (19,513) |
| Royalties and selling expenses | (200) | (458) | (904) | (702) |
| Depreciation and depletion | - | (3,775) | (4,215) | (6,859) |
| Mine operating earnings/(loss) | 779 | (1,044) | 455 | (6,691) |
| Other expenses | | | | |
| Care and maintenance (note 15) | 5,203 | - | 5,203 | - |
| General and administrative (note 16) | 2,326 | 1,010 | 4,171 | 5,259 |
| Exploration and evaluation | 127 | 1,699 | 619 | 3,832 |
| Operating loss | (6,877) | (3,753) | (9,538) | (15,782) |
| Finance expenses/(income) & other | | | | |
| Flow-through share premium (note 10) | - | - | (920) | (1,702) |
| Loss on loan modification/termination (notes 8.1, 8.5) | 385 | 10,427 | 385 | 10,427 |
| Loss on production payment liability (note 8.5) | - | 112 | - | 1,183 |
| Interest & accretion expense | 1,600 | 3,133 | 3,161 | 6,507 |
| Foreign exchange (gain)/loss | (4,722) | (2,085) | 5,048 | (3,499) |
| Change in the fair value of derivative financial instruments (note 9) | 18,594 | 10,571 | 21,660 | 10,571 |
| Other expense/(income) | 126 | (11) | 119 | (15) |
| | 15,983 | 22,147 | 29,453 | 23,472 |
| Net loss before income taxes | (22,860) | (25,900) | (38,991) | (39,254) |
| Income taxes | - | - | - | - |
| Net loss and comprehensive loss | (\$22,860) | (\$25,900) | (\$38,991) | (\$39,254) |
| Net loss per share - basic and fully diluted (note 17) | \$ (0.027) | \$ (0.043) | \$ (0.050) | \$ (0.065) |
| Weighted average number of shares outstanding | | | | |
| - Basic and diluted (note 17) | 846,207,229 | 602,884,397 | 778,208,602 | 601,367,575 |

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Condensed Statements of Changes in Shareholders' Equity

(Unaudited)

| in thousands of Canadian dollars | Shares (note 11) | Warrants (note 13) | Contributed surplus | Deficit | Total shareholders' equity |
|---|---------------------|-----------------------|------------------------|------------------|----------------------------------|
| December 31, 2018 | 136,818 | 4,195 | 13,855 | (135,305) | 19,563 |
| Issued as a result of: | | | | | |
| Special shares (note 11) | 13,278 | - | - | - | 13,278 |
| Share issuance costs (note 11) | (1,021) | - | - | - | (1,021) |
| Stock options granted | - | - | 3,465 | - | 3,465 |
| Warrants issued (note 13) | - | 890 | - | - | 890 |
| Stock options exercised (note 12) | 769 | - | (263) | - | 506 |
| Net loss for the period | - | - | - | (39,254) | (39,254) |
| June 30, 2019 | 149,844 | 5,085 | 17,057 | (174,559) | (2,573) |
| Issued as a result of: | | | | | |
| Private placement, net (note 11) | 5,980 | - | - | - | 5,980 |
| Property acquisitions | 28 | - | - | - | 28 |
| Share issuance costs (note 11) | (808) | - | - | - | (808) |
| Share based compensation (note 12) | - | - | 982 | - | 982 |
| Warrants issued (note 13) | - | 535 | - | - | 535 |
| Stock options exercised (note 12) | 14 | - | (4) | - | 10 |
| Net loss for the period | - | - | - | (22,327) | (22,327) |
| December 31, 2019 | 155,058 | 5,620 | 18,035 | (196,886) | (18,173) |
| Issued as a result of: | | | | | |
| Private placement (note 11) | 27,000 | - | - | - | 27,000 |
| Allocated to flow-through premium (note 10) | (9,872) | - | - | - | (9,872) |
| Share issuance costs (note 11) | (1,474) | - | - | - | (1,474) |
| Share based compensation (note 12) | - | - | 127 | - | 127 |
| Stock options exercised (note 12) | 80 | - | (30) | - | 50 |
| Net loss for the period | - | - | - | (38,991) | (38,991) |
| June 30, 2020 | 170,792 | 5,620 | 18,132 | (235,877) | (41,333) |

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Condensed Statements of Cash Flows

(Unaudited)

| in thousands of Canadian dollars | Three months ended | | Six months ended | |
|---|--------------------|----------------|-------------------|----------------|
| | June 30, 2020 | 30-Jun 2019 | June 30, 2020 | 30-Jun 2019 |
| Operating activities | | | | |
| Net loss for the period | (\$22,860) | (\$25,900) | (\$38,991) | (\$39,254) |
| Adjusted for: | | | | |
| Depreciation | 951 | 3,814 | 5,245 | 6,936 |
| Share-based payments (note 12) | 309 | 122 | 127 | 3,465 |
| Flow-through share premium (note 10) | - | - | (920) | (1,702) |
| Loss on production payment (note 8.5) | - | 113 | - | 1,184 |
| Loss on loan modification/termination (notes 8.1, 8.5) | 385 | 10,427 | 385 | 10,427 |
| Loan accretion & accrued interest (note 8) | 1,457 | 2,595 | 2,978 | 5,117 |
| Unrealized foreign exchange (gain)/loss | (4,933) | (2,092) | 5,018 | (3,484) |
| Change in the fair value of derivative financial instruments (note 9) | 18,594 | 10,571 | 21,660 | 10,571 |
| | (6,097) | (350) | (4,498) | (6,740) |
| Net changes in non-cash working capital items: | | | | |
| Inventory | 2,576 | (2,172) | 1,532 | (2,625) |
| Prepays | (202) | (532) | (22) | 449 |
| Receivables | 4,085 | 2,365 | 4,044 | (792) |
| Accounts payable and accrued liabilities | (3,323) | (5,531) | (6,033) | (3,085) |
| Cash flows used in operating activities | (2,961) | (6,220) | (4,977) | (12,793) |
| Investing | | | | |
| Restricted cash (note 5) | (1,324) | 500 | (1,324) | 500 |
| Plant and equipment additions (note 6) | 432 | (1,162) | (1,033) | (2,163) |
| Mine development costs (note 6) | (2,380) | (4,286) | (8,361) | (8,802) |
| Cash flows used in investing activities | (3,272) | (4,948) | (10,718) | (10,465) |
| Financing | | | | |
| Appian & Sprott loan repayments, net (notes 8.4, 8.5) | - | (87,567) | - | (81,985) |
| Production payments and other loan expenses | - | (6,458) | - | (6,520) |
| BNP loan drawdown/(repayment), net (note 8.1) | (375) | 94,908 | (2,628) | 94,908 |
| Gold hedge payments | (403) | - | (1,112) | - |
| Interest paid (note 8) | (1,297) | - | (2,910) | - |
| Payment of leases and mortgages (notes 8.2, 8.3) | (251) | (60) | (498) | (60) |
| Proceeds from issuance of shares, net (note 11) | (214) | 13,147 | 25,526 | 13,147 |
| Exercise of options | - | 437 | 50 | 507 |
| Cash flows (used in)/from financing activities | (2,540) | 14,407 | 18,428 | 19,997 |
| Effects of exchange rate changes on cash | 20 | (31) | 93 | (110) |
| Net (decrease)/increase in cash and cash equivalents | (8,753) | 3,207 | 2,826 | (3,371) |
| Cash and cash equivalents, beginning of the period | 13,675 | 714 | 2,096 | 7,293 |
| Cash and cash equivalents, end of the period | \$4,922 | \$3,922 | \$4,922 | \$3,922 |

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

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, New Brunswick, Saskatchewan, Alberta and British Columbia. The common shares of the Company trade on the Toronto Stock Exchange under the symbol “HRT”, on the Frankfurt Stock Exchange under the symbol “H4O”, and on the OTC market under the symbol “HRTFF”. The head office and principal address of the Company is 161 Bay Street, Suite 2400, Toronto, Ontario, M5J 2S1.

The Company is engaged in the acquisition, exploration, evaluation, development and mining of mineral resource properties. Harte Gold’s primary focus is on the Sugar Zone Mine, 30 km north of White River, Ontario.

On March 30, 2020, the Company temporarily suspended operations at the Sugar Zone Mine to preserve the health and safety of the Company’s workforce and the surrounding communities during the COVID-19 pandemic. During suspension of operations, the Company prepared a restart plan, incorporating enhanced health and safety procedures in response to COVID-19. Operations resumed on July 17, 2020 after arranging sufficient funding (see below) to address the Company’s anticipated working capital requirements during the restart of operations.

The global COVID-19 crisis continues to evolve including the continuing imposition of restrictions on the movement of people and goods, social distancing measures, restrictions on group gatherings, quarantine requirements and contact tracing. The Company has been closely monitoring and taking necessary measures to manage the impact of the COVID-19 crisis on its operations. The Company has and will continue to take extensive steps, at its Sugar Zone Mine and corporate office, to protect the health and safety of employees, contractors and local communities in response to the COVID-19 crisis.

On May 15, 2020, the Company and BNP amended the BNP term loan and revolving facility (the “BNP Debt Facilities”) to delay the effective date of certain financial covenants from June 30, 2020 to April 1, 2021 and June 30, 2021 and to remove a covenant related to mine production and mill throughput tonnages, while waiving any covenant breaches since January 1, 2020. The amendment also provides for the rescheduling of the principal payments for June 30, 2020 and September 30, 2020 over the remaining term of the agreement, starting on March 31, 2021 and for the deferral of certain payments due under the Company’s gold hedge program with BNP, enhancing the Company’s near-term liquidity. The interest payable under the agreement increased by 50 basis points and the agreement now provides for mandatory pre-payments under certain circumstances.

On July 14, 2020, the Company entered into a financing agreement with an affiliate of a major shareholder, ANR Investments 2 B.V. (“Appian”), to provide up to US\$30 million in funding. The funding was structured in various tranches to facilitate the timely restart of operations and the Company concurrently received US\$9.5 million in proceeds from the first tranche of the financing to facilitate a restart of the Sugar Zone Mine (refer note 23). The remainder of the funding is structured as a subordinated loan facility and the sale of a royalty and is conditional on consent from BNP, perfection of 2nd lien security over the Company’s assets, the execution of an intercreditor agreement between Appian and BNP and other customary conditions.

At June 30, 2020, the Company had current liabilities of \$53.4 million and current assets of \$7.2 million with which to discharge such liabilities. The Company’s debt facility with BNP Paribas (“BNP”) was fully drawn down at June 30, 2020. The Company has a history of operating losses, may incur operating losses in future and does not expect to generate sufficient cash from operations in the next 12 months to fully fund planned investment activities and debt service obligations. The US\$30 million in funding from Appian is expected to be sufficient to fund the working capital requirements associated with the restart of the Sugar Zone Mine as well as planned investment activities through 2021. The Company is currently in discussion with BNP to re-schedule principal payments due on the BNP Debt Facilities during 2021.

The Company’s ability to continue as a going concern is dependent on the restart and successful operation of its one mining property, the Sugar Zone Mine, satisfying the conditions to draw down the remaining US\$20.5 million of the Appian facility (as described above), its ability to manage its working capital deficiency, satisfactory agreement with BNP on the re-scheduling of principal payments, and access to external funding (if required). There can be no assurance that the Company will satisfy the conditions precedent to draw down the remaining proceeds from the Appian facility or reach an acceptable agreement with BNP on the re-scheduling of principal payments, or that the Company will be able to obtain other required financing 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

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

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 cast significant doubt about the Company's ability to continue as a going concern.

In the light of the actions already taken and the alternatives available to the Company, these interim financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management have taken into account all available information about the future, which is at least, but is not limited to, twelve months from June 30, 2020. These interim financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and follow the same accounting policies and methods as described in note 2 to the Company's audited financial statements for the year ended December 31, 2019. These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019.

These condensed interim financial statements were authorized for issuance by the Company's Board of Directors on August 12, 2020.

2.2. Basis of measurement

Except for financial instruments that are measured at fair value, the financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the asset acquired.

2.3. Measurement uncertainty - critical accounting judgments and estimation uncertainties

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. These judgments, estimates and assumptions are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from those estimates.

The significant judgments, estimates and assumptions made by management in applying the Company's accounting policies were the same as those that applied to the audited financial statements as at and for the year ended December 31, 2019.

3. RECEIVABLES

| | June 30, 2020 | December 31, 2019 |
|-------------------------------|------------------|----------------------|
| GST/HST receivable | \$ 209 | \$ 977 |
| Gold sales revenue receivable | 28 | 3,278 |
| Other | - | 26 |
| | \$ 237 | \$ 4,281 |

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

4. INVENTORIES

| | June 30, 2020 | December 31, 2019 |
|----------------------------|------------------|----------------------|
| In-circuit inventory | \$ 19 | \$ 320 |
| Gold concentrate inventory | 17 | 667 |
| Gold bullion inventory | 5 | 774 |
| Total mineral inventory | 41 | 1,761 |
| Materials and supplies | 1,202 | 1,014 |
| Total inventory | \$ 1,243 | \$ 2,775 |

During the six months ended June 30, 2020, the Company recognized \$13.8 million (2019: \$10.5 million) as production cost and \$4.2 million (2019: \$6.9 million) as depreciation in the Statements of Operations and Comprehensive Loss. During the six months ended June 30, 2020, no net realizable value adjustment was recognized against the gold concentrate and gold bullion inventory (2019: \$0.8 million).

5. RESTRICTED CASH

At June 30, the Company has an outstanding surety bond in the amount of \$5.3 million in favour of the Ontario Ministry of Northern Development and Mines and in relation to its reclamation obligation of the Sugar Zone property. On June 29, 2020, the Company made a cash deposit of \$1.3 million to the surety bond issuer as collateral towards the obligation.

6. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Furniture, vehicles & other | Plant & infra- structure | Mine develop- ment | Right-of-use assets | Total |
|---------------------------------|--------------|----------------|-----------------------------------|--------------------------------|--------------------------|------------------------|------------------|
| COST | | | | | | | |
| As at December 31, 2019 | \$903 | \$1,909 | \$1,313 | \$101,116 | \$21,278 | \$2,302 | \$128,821 |
| Additions | - | 25 | 67 | 874 | 6,608 | 828 | 8,402 |
| As at June 30, 2020 | \$903 | \$1,934 | \$1,380 | \$101,990 | \$27,886 | \$3,130 | \$137,223 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| As at December 31, 2019 | \$- | \$317 | \$514 | \$5,795 | \$9,215 | \$98 | \$15,939 |
| Additions | - | 105 | 93 | 2,170 | 2,422 | 416 | 5,206 |
| As at June 30, 2020 | - | \$422 | \$607 | \$7,965 | \$11,637 | \$514 | \$21,145 |
| NET BOOK VALUE | | | | | | | |
| As at December 31, 2019 | \$903 | \$1,592 | \$799 | \$95,321 | \$12,063 | \$2,204 | \$112,882 |
| As at June 30, 2020 | \$903 | \$1,512 | \$773 | \$94,025 | \$16,249 | \$2,616 | \$116,078 |

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

| | Land | Buildings | Furniture, vehicles & other | Construction in process (1) | Plant & infra- structure | Mine develop- ment | Right-of-use assets | Total |
|---------------------------------|--------------|----------------|-----------------------------------|-----------------------------------|--------------------------------|--------------------------|------------------------|------------------|
| COST | | | | | | | | |
| As at December 31, 2018 | \$903 | \$1,010 | \$767 | \$110,757 | - | - | - | \$113,437 |
| Additions | - | 50 | 292 | - | 3,549 | 18,455 | 2,302 | 24,648 |
| Sale of royalty | - | - | - | - | - | (6,083) | - | (6,083) |
| Transfers and other movements | - | 849 | 254 | (\$110,757) | 97,567 | 8,906 | - | (3,181) |
| As at December 31, 2019 | \$903 | \$1,909 | \$1,313 | - | \$101,116 | \$21,278 | \$2,302 | \$128,821 |
| ACCUMULATED DEPRECIATION | | | | | | | | |
| As at December 31, 2018 | \$0 | \$128 | \$281 | - | - | - | - | \$409 |
| Additions | - | 189 | 233 | - | 5,795 | 9,215 | 98 | 15,530 |
| As at December 31, 2019 | - | \$317 | \$514 | - | \$5,795 | \$9,215 | \$98 | \$15,939 |
| NET BOOK VALUE | | | | | | | | |
| As at December 31, 2018 | \$903 | \$882 | \$486 | \$110,757 | - | - | - | \$113,028 |
| As at December 31, 2019 | \$903 | \$1,592 | \$799 | - | \$95,321 | \$12,063 | \$2,204 | \$112,882 |

Certain of the claims and leases associated with the Sugar Zone property are subject to net smelter royalties ("NSR") of 2.0% in favour of the original vendors of the properties. The NSR was reduced from 3.5% to 2.5% on October 31, 2018 for \$1.0 million in consideration. The Company also sent notices to exercise its option to acquire a further 0.5% for \$0.5 million and continues its attempts to locate those royalty holders. Additionally, the Company entered into an agreement for a claim in 2017 on which a 3.0% NSR would be payable if metals are produced from this claim in future.

On December 18, 2019, the Company granted a 1.5% NSR on the entire Sugar Zone Property in favour of an affiliate of Appian in exchange for payment by Appian of US \$7.5 million. The Company has treated this transaction as a partial disposition of its investment in the Sugar Zone Property. The proportion of the estimated fair value of the Sugar Zone Property disposed of was calculated and the net book value of the Company's plant and equipment was reduced by such proportion. The difference of \$3.7 million was recorded as a gain on the partial disposition of its property in 2019.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | June 30, 2020 | December 31, 2019 |
|---|------------------|----------------------|
| Accounts payable | \$ 13,497 | \$ 19,270 |
| Accrued liabilities | 4,126 | 6,360 |
| Total accounts payable and accrued liabilities | \$ 17,623 | \$ 25,630 |

8. DEBT

| | June 30, 2020 | December 31, 2019 |
|--|------------------|----------------------|
| BNP Debt Facilities (note 8.1) | \$ 89,566 | \$ 87,399 |
| Leases (note 8.2) | 2,631 | 2,166 |
| Mortgages (note 8.3) | 348 | 418 |
| Total debt | \$ 92,545 | \$ 89,983 |
| Less: current portion | (12,134) | (8,911) |
| Total debt: non-current portion | \$ 80,411 | \$ 81,072 |

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

8.1. BNP Debt Facilities

On June 14, 2019, the Company completed the BNP debt financing for US \$72.5 million ("BNP Debt Facilities"). The BNP Debt Facilities consists of a non-revolving term credit facility of US \$52.5 million and a revolving term credit facility of US \$20.0 million. Up to the effective date of the third amending agreement (see description of the third amendment below), interest on the BNP Debt Facilities was 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. The weighted average borrowing rate during the 6 months ended June 30, 2020 was 5.63% (2019: 6.16%).

The BNP Debt Facilities are secured by a lien on all the present and future assets, property and undertaking of Harte Gold as governed by a general security agreement and a demand debenture granted by Harte Gold in favour of BNP.

Principal repayments under the term loan began 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 production tonnages for the month of September 2019 and in 2020 up to the date of the third amendment (see below) and obtained waivers from BNP for these breaches.

The BNP Debt Facilities were amended on August 28, 2019 and November 19, 2019 to clarify the definition of certain defined terms and to amend the minimum mine and mill production tonnage amounts. The Company achieved the amended minimum production tonnages for the remainder of 2019. On May 15, 2020, the Company and BNP entered into a third amending agreement, that provided for the following:

- Waiver of any breaches of the minimum mine and mill production covenant during 2020, to the effective date of the third amendment;
- Removal of the minimum mine and mill production covenant from the credit agreement from the effective date of the third amendment;
- Postponement of date on which financial covenants must be complied with, to April 1, 2021 for one of the covenants and June 30, 2021 for the remaining financial covenants (other than a reserve tail ratio covenant);
- The rescheduling of the principal repayments under the non-revolving term credit facility due June 30, 2020 and September 30, 2020 over the remaining term of the credit agreement, starting on March 31, 2021;
- An increase in the interest rates payable under the credit agreement to the following (dependent on leverage ratios):
 - LIBOR plus a margin of 3.375% to 4.375%
 - Alternate Base Rate plus a margin of 2.375% to 3.375%
 - Standby fee ranging from 1.506% to 1.856%;
- Mandatory prepayment of the non-revolving term loan from excess cash flow as defined in the third amending agreement until an aggregate total of US\$16.7 million has been repaid; and
- Cash management arrangements, including depositing all payments and receivables in an account maintained with BNP.

The Company determined that the third amending agreement represented a non-substantial modification of the existing BNP Debt Facilities and the amendment was treated as a loan modification under IFRS 9. As a result, a \$0.4 million loan modification loss was recognized in the statement of operations and comprehensive loss.

In connection with the granting of a 1.5% NSR on the Sugar Zone Property in December 2019, (note 6) BNP required the coincident repayment of principal under the BNP Debt Facilities. Accordingly, the Company repaid US \$4 million of the BNP Debt Facilities on December 24, 2019 upon its exercise of the Appian Standby Commitment and granting of a 1.5% NSR to Appian.

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

Movement in the BNP Debt Facilities is summarized as follows:

| | June 30, 2020 | December 31, 2019 |
|---|------------------|----------------------|
| Balance at beginning of the period | \$ 87,399 | \$ - |
| Loan drawdown | - | 97,041 |
| Fees, costs | (375) | (2,133) |
| Interest expense | 2,658 | 3,265 |
| Accretion | 240 | 287 |
| Exchange loss/(gain) | 4,414 | (2,755) |
| Interest paid | (2,902) | (3,043) |
| Repayment | (2,253) | (5,263) |
| Loss on modification | 385 | - |
| Balance at end of the period | \$ 89,566 | \$ 87,399 |
| Less: current portion | (11,205) | (8,251) |
| Balance end of the period: non-current portion | \$ 78,361 | \$ 79,148 |

On June 30, 2020, the remaining scheduled debt repayments under the BNP Debt Facilities were as follows:

| Year | Non-revolving term credit facility US\$ | Revolving term credit facility US\$ | Total US\$ | Non-revolving term credit facility \$ | Revolving term credit facility \$ | Total \$ |
|--------------|--|--|---------------|--|--|------------------|
| 2020 | 1,588 | - | 1,588 | \$ 2,164 | \$ - | \$ 2,164 |
| 2021 | 13,268 | - | 13,268 | 18,081 | - | 18,081 |
| 2022 | 18,688 | 20,000 | 38,688 | 25,468 | 27,256 | 52,724 |
| 2023 | 9,259 | - | 9,259 | 12,618 | - | 12,618 |
| 2024 | 3,896 | - | 3,896 | 5,310 | - | 5,310 |
| 2025 | 213 | - | 213 | 290 | - | 290 |
| Total | 46,912 | 20,000 | 66,912 | \$ 63,931 | \$ 27,256 | \$ 91,187 |

8.2. Leases

The Company leases several assets including light and heavy surface vehicles and office space. The average lease term is 4 years.

| | June 30, 2020 | December 31, 2020 |
|---|------------------|----------------------|
| Balance at beginning of the period | \$ 2,166 | \$ - |
| Additions | 821 | 2,293 |
| Interest expense | 72 | 23 |
| Lease payments | (428) | (150) |
| Balance at end of the period | 2,631 | 2,166 |
| Less: current portion | (791) | (451) |
| Balance end of the period: non-current portion | \$ 1,840 | \$ 1,715 |

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

Scheduled payment under the Company's lease liabilities are as follows:

| | June 30, 2020 |
|--------------------|------------------|
| Less than one year | 791 |
| One to three years | 1,359 |
| Over three years | 480 |
| | \$ 2,630 |

8.3. Mortgages

a) 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. As at June 30, 2020, no outstanding amounts remained on the secured mortgage.

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

c) 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.

The mortgage repayment schedule is as follows:

| Year | Mortgage (b) | Mortgage (c) | Total |
|----------------------------|---------------|--------------|---------------|
| 2020 | 105 | 33 | 138 |
| 2021 | 105 | - | 105 |
| 2022 | 105 | - | 105 |
| Total | 315 | 33 | 348 |
| Current portion | 105 | 33 | 138 |
| Non-current portion | \$ 210 | \$ - | \$ 210 |

8.4. Appian Debt

On May 3, 2018, the Company closed on a short-term debt financing with Appian in the amount of US \$20 million (the "Appian Debt"). The term of the debt was originally until November 10, 2018 and it was extended from time to time, eventually for the maturity to coincide with the receipt of the proceeds from the BNP Debt Facilities on June 14, 2019. The original interest rate was 9.5%, which increased to 12.0% as the term of the facility was extended. The Appian Debt was secured by all the assets of the Company, but subordinate to the Sprott long-term debt financing (note 8.5).

Principal and accrued interest were payable on maturity and the debt was repayable at any time without penalty. On June 14, 2019, the Company closed the BNP Debt Facilities (note 8.1) and repaid Appian the loan principal and accrued interest of \$30.3 million in full.

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

8.5. Sprott Debt

On May 31, 2018, the Company closed a long-term debt financing with Sprott Private Resource Lending (Collector) LP ("Sprott") (the "Sprott Debt"). Total funding available under the Sprott Debt was US \$50 million. Interest was payable monthly at an annual rate of 7.5% plus the 3 month LIBOR rate. 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 the facility on February 11, 2019 of \$6.2 million (net), the production payment was adjusted from a fixed rate per ounce to be a variable rate based on the average monthly gold price, with a floor and a ceiling per ounce for the gold price calculation. 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 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 \$1.1 million was recognized as a loss in the statement of operations and comprehensive loss.

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 \$2.6 million was allocated to the warrants. The Company has the option to settle the warrants in cash at the time they are exercised.

On June 14, 2019, the Company repaid the Sprott Debt of \$58.0 million and production payment liability of \$6.5 million in full. A loss of \$8.3 million was recognized on the termination of the loan in addition to \$2.1 million in prepayment and cancellation fees, for a total loss of \$10.4 million.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Concurrent with and as required under the BNP Debt Facilities, 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 is 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.

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

| Derivative instruments outstanding | Quantity outstanding | Maturity dates | Strike Price (US\$/oz) | Fair value asset (liability) US\$ | June 30, 2020 | |
|------------------------------------|----------------------|------------------------------|---------------------------|--------------------------------------|------------------------------------|------------------------------------|
| | | | | | Fair value asset (liability) \$ | Fair value asset (liability) \$ |
| Gold call options | 10,590 oz | July 2020 - December 2020 | 1,391 | (4,817) | \$ | (6,565) |
| Gold Put options | 10,590 oz | July 2020 - December 2020 | 1,300 | 4 | | 6 |
| Gold call options | 3,661 oz | January 2021 - March 2021 | 1,393 | (1,470) | | (2,004) |
| Gold call options | 19,080 oz | January 2021 - December 2021 | 1,399 | (7,768) | | (10,587) |
| Gold Put options | 22,741 oz | January 2021 - December 2021 | 1,300 | 198 | | 270 |
| Gold call options | 23,520 oz | January 2022 - December 2022 | 1,393 | (10,269) | | (13,995) |
| Gold Put options | 23,520 oz | January 2022 - December 2022 | 1,310 | 805 | | 1,097 |
| Gold call options | 11,040 oz | January 2023 - December 2023 | 1,393 | (5,045) | | (6,875) |
| Gold Put options | 11,040 oz | January 2023 - December 2023 | 1,310 | 663 | | 903 |
| | | | | (27,699) | \$ | (37,750) |

| Derivative instruments outstanding | Quantity outstanding | Maturity dates | Strike Price (US\$/oz) | Fair value asset (liability) US\$ | June 30, 2020 | |
|------------------------------------|----------------------|--------------------------|---------------------------|--------------------------------------|------------------------------------|------------------------------------|
| | | | | | Fair value asset (liability) \$ | Fair value asset (liability) \$ |
| Gold swap | 5,134 oz | January 2024 - June 2024 | \$1,355 | (2,060) | \$ | (2,808) |
| | | | | (2,060) | \$ | (2,808) |

The movement in the gold hedge derivative liability were as follows:

| | June 30, 2020 | December 31, 2019 |
|---|------------------|-------------------|
| Balance at beginning of the period | \$ 19,313 | \$ - |
| Derivative financial instrument recognized | - | 10,571 |
| Change in fair value | 21,660 | 8,742 |
| Exchange loss | 697 | - |
| Cash settlements | (1,112) | - |
| Balance at end of the period | \$ 40,558 | \$ 19,313 |
| Less: current portion | (13,722) | (3,947) |
| Balance end of the period: non-current portion | \$ 26,836 | \$ 15,366 |

As at June 30, 2020, a total of 73,025.1 ounces of the originally issued hedges remain outstanding. During the six months ended June 30, 2020, 6,065.1 gold call options were exercised by BNP and the Company paid BNP \$1.1 million during the period, with a further \$0.9 million payable in early July 2020 (2019: nil).

In connection with the third amendment to the BNP Facilities, the Company and BNP agreed to delay delivery of 1,831.3 ounces of gold scheduled to be delivered in April 2020 and 1,830.0 ounces schedule to be delivered in May 2020 to the first three months of 2021. The delay in delivery reduced the settlements due to BNP in May and June 2020.

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

10. FLOW-THROUGH SHARE PREMIUM

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

| | June 30, 2020 | December 31, 2019 |
|--|------------------|----------------------|
| Balance at beginning of the period | \$ 920 | \$ 1,702 |
| Settlement of liability through renouncement | (920) | (1,702) |
| Liability incurred on flow-through shares issued | 9,872 | 920 |
| Balance at end of the period | \$ 9,872 | \$ 920 |

On October 2, 2019, the Company completed a private placement of 23,000,000 flow-through common shares at a price of \$0.30 per share for gross proceeds of \$6.9 million. A flow-through share premium of \$0.9 million was recorded on this financing. The liability was settled through renouncement in the first three months of 2020.

On March 11, 2020 and March, 19 2020, the Company completed a phased brokered private placement of 120,937,495 flow-through common shares collectively at a price of \$0.16 per share for gross proceeds of \$27.0 million. A flow-through share premium of \$9.9 million was recorded on this financing.

11. CAPITAL STOCK

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

The issued and outstanding common shares are as follows:

| | March 31, 2020 | December 31, 2019 |
|--|--------------------|----------------------|
| Balance beginning of period | 676,957,229 | 599,739,452 |
| Private placement of flow-through shares | 168,750,000 | 23,000,000 |
| Special share issuance for Appian | - | 49,177,777 |
| Shares for property acquisition | - | 100,000 |
| Options exercised (note 12) | 500,000 | 4,940,000 |
| Balance end of period | 846,207,229 | 676,957,229 |

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 (note 8.1). The Special Shares were convertible into common shares at \$0.27 per common share two weeks from the later of (i) the date of shareholder approval, (ii) the date the Appian Debt was paid in full and (iii) the date the Sprott Debt was 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 18, 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 royalty financing available at the Company's option (the "Appian 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 Facilities, 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. The warrants were valued at \$0.9 million and allocated to share issuance cost.

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

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.

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. 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 warrants were valued at \$0.5 million and allocated to stock-based compensation expense.

On March 19, 2020, the Company completed a brokered private placement of flow-through common shares of the Company. The flow-through common shares were issued in two tranches, the first tranche consisting of 120,937,495 flow-through common shares and the final tranche consisting of 47,812,505, at an issue price of \$0.16 per flow-through common shares, respectively. The total proceeds raised were \$27 million. Net expenses associated with the offering were \$1.5 million.

12. STOCK BASED COMPENSATION

The Company historically has had 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 Company also established a Deferred Share Unit plan (DSU) for directors and a Restricted Share Unit plan (RSU) for officers and employees. The DSU and RSU plans were approved by shareholders on June 24, 2020. The RSUs and DSUs are valued based on the fair market value of the Company's common shares at the date of grant. The fair value of the awards is expensed over their vesting periods.

The number of shares reserved for issuance under the Company's stock option, DSU and RSU plans in aggregate is not to exceed 10% of the issued and outstanding common shares from time-to-time. At June 30, 2020, the Company had 26,646,118 (2019: 5,171,118) common shares available for granting of future stock options, DSUs and RSUs. Notwithstanding the foregoing, in its 2016 subscription agreement with Appian, the Company agreed to limit the number of new stock based compensation grants in any 1 year period to 3% and in any 3 year period to 6% of the outstanding common shares at the beginning of such periods.

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

Stock Options

The following table provides information regarding stock options outstanding.

| | Number of options # | Weighted average exercise price \$ |
|---|---------------------------|---|
| Balance at December 31, 2018 | 45,690,000 | 0.31 |
| Granted | 19,284,605 | 0.31 |
| Exercised | (4,940,000) | 0.10 |
| Cancelled | (6,005,000) | 0.40 |
| Expired | (255,000) | 0.10 |
| Balance at December 31, 2019 | 53,774,605 | 0.32 |
| Exercised | (500,000) | 0.10 |
| Cancelled | (4,050,000) | 0.39 |
| Balance at March 31, 2020 | 49,224,605 | 0.32 |
| Exercisable at the end of the period | | |
| December 31, 2019 | 45,782,500 | 0.35 |
| June 30, 2020 | 42,440,000 | 0.35 |

Generally stock options granted up to June 30, 2020 fully vested on the date of grant, except when otherwise determined by the compensation committee of the Company's board of directors.

The weighted average share price on the date of exercise was \$0.16 (2019 - \$0.27).

The following table provides additional information regarding stock options outstanding at June 30, 2020.

| Exercise price range | Awards outstanding | | | Awards exercisable | | |
|-------------------------|---------------------------|---|---|---------------------------|---|---|
| | Number of options # | Remaining contractual life Years | Weighted average exercise price \$ | Number of options # | Remaining contractual life Years | Weighted average exercise price \$ |
| | \$0.100 - \$0.175 | 14,684,605 | 1.95 | 0.11 | 8,850,000 | 0.34 |
| \$0.270 - \$0.350 | 10,500,000 | 1.70 | 0.34 | 9,550,000 | 1.47 | 0.35 |
| \$0.400 - \$0.440 | 11,000,000 | 3.50 | 0.40 | 11,000,000 | 3.50 | 0.40 |
| \$0.450 - \$0.450 | 12,140,000 | 2.75 | 0.45 | 12,140,000 | 2.75 | 0.45 |
| \$0.700 - \$0.710 | 900,000 | 1.85 | 0.70 | 900,000 | 1.85 | 0.70 |
| | 49,224,605 | 2.44 | 0.32 | 42,440,000 | 2.13 | 0.35 |

No stock options were granted during the six months ended June 30, 2020. In the year ended December 31, 2019, the weighted average fair value per option of \$0.31 was estimated using the Black-Scholes valuation model using the following assumptions:

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

| | December 31, 2019 |
|------------------------------------|----------------------|
| Expected life | 5 years |
| Expected volatility ⁽¹⁾ | 85.9% - 92.1% |
| Risk-free interest rate | 1.94% - 2.16% |
| Expected dividend yield | 0% |

Certain options were granted to consultants during 2019. 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.

Deferred Share Units

The following table reflects the movement in DSUs outstanding:

| | June 30, 2020 | December 31, 2019 |
|---|------------------|----------------------|
| Number of DSUs | | |
| Balance at beginning of the period | 5,000,000 | - |
| Granted | - | 5,000,000 |
| Balance at end of the period | 5,000,000 | 5,000,000 |

Non-executive directors of the Company were granted 5 million DSUs on November 18, 2019 at \$0.12 per share, vesting immediately. Upon exercise, the Company may, at its discretion, issue cash, shares or a combination thereof. It is the Company's intention to settle in shares and the Company has not settled any DSUs in cash to date. The DSU related expense was included in the statement of operations and comprehensive loss and calculated by using the fair value of the Company's common shares at the date of grant.

Restricted Share Units

The following table reflects the movement in RSUs outstanding:

| | June 30, 2020 | December 31, 2019 |
|---|------------------|----------------------|
| Number of RSUs | | |
| Balance at beginning of the period | 3,750,000 | - |
| Granted | - | 3,750,000 |
| Balance at end of the period | 3,750,000 | 3,750,000 |

Certain officers of the Company were granted 3,750,000 RSUs on November 18, 2019 at \$0.12 per share, vesting three years from grant date. Upon exercise, the Company may, at its discretion, issue cash, shares or a combination thereof. It is the Company's intention to settle in shares and the Company has not settled any RSUs in cash to date. The RSU expense is included as an expense in the statement of operations and comprehensive loss over the vesting period using the fair value of the Company's common shares at the date of grant.

13. WARRANTS

As at June 30, 2020 there were 26,463,388 (2019: 26,581,707) warrants to purchase common shares outstanding.

| | Number of warrants |
|---|-----------------------|
| Balance at December 31, 2018 | 16,118,319 |
| Issued | 10,463,388 |
| Expired | (118,319) |
| Balance at December 31, 2019 and June 30, 2020 | 26,463,388 |

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

On June 8, 2019, 5,000,000 warrants, valued at \$0.9 million, were issued to Appian as part of the Special Share Subscription Agreement. On August 28, 2019, a further 3,950,000 warrants, valued at \$0.5 million, were issued to Appian as part of the Settlement Agreement.

In connection with the flow-through share issue that closed on October 2, 2019, 1,130,334 warrants, valued at \$0.1 million were issued to the brokers and 383,054 warrants, valued at \$0.02 million, were issued to Appian.

The value of warrants issued were determined using the Black-Scholes option pricing method with the following assumptions:

| | December 31, 2019 |
|---|------------------------------|
| Expected life in years | 1.5 - 5.0 years |
| Volatility (based on historical volatility) | 52.8% - 83.1% |
| Risk-free interest rate | 1.35% - 1.50% |
| Dividend yield | 0% |

The expiry dates of warrants outstanding as of June 30, 2020 are as follows:

| Expiry date | Number of warrants outstanding | Exercise price | Remaining contractual life (years) |
|--------------------|---|---------------------------|---|
| April 2, 2021 | 1,130,334 | \$ 0.30 | 0.76 |
| April 2, 2021 | 383,054 | \$ 0.35 | 0.76 |
| August 28, 2022 | 3,950,000 | \$ 0.35 | 2.16 |
| May 11, 2023 | 4,000,000 | \$ 0.51 | 2.86 |
| May 11, 2023 | 2,000,000 | \$ 0.50 | 2.86 |
| May 31, 2023 | 10,000,000 | \$ 0.49 | 2.92 |
| June 8, 2024 | 5,000,000 | \$ 0.27 | 3.94 |
| | 26,463,388 | \$ 0.42 | 2.86 |

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

14. REVENUES

| | Three months ended | | Six months ended | |
|-----------------------------------|--------------------|------------------|------------------|------------------|
| | June 30, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Gold and silver sales | \$ 3,700 | \$ 12,635 | \$ 19,676 | \$ 20,986 |
| Less treatment and refining costs | (31) | (355) | (340) | (603) |
| | \$ 3,669 | \$ 12,280 | \$ 19,336 | \$ 20,383 |

The Company is principally engaged in the business of producing and selling gold in the form of gold doré and gold concentrate. Revenue from silver sales is immaterial.

15. CARE AND MAINTENANCE EXPENSES

| | Three months ended | | Six months ended | |
|------------------------------|--------------------|------------------|------------------|------------------|
| | June 30, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Depreciation | \$ 951 | \$ - | \$ 951 | \$ - |
| Underground mine maintenance | 888 | - | 888 | - |
| Site general administration | 748 | - | 748 | - |
| Site surface maintenance | 743 | - | 743 | - |
| Mill general maintenance | 663 | - | 663 | - |
| Effluent treatment plant | 457 | - | 457 | - |
| Hydo power, electricity | 340 | - | 340 | - |
| Environmental Services | 215 | - | 215 | - |
| Equipment rentals | 198 | - | 198 | - |
| | \$ 5,203 | \$ - | \$ 5,203 | \$ - |

Care and maintenance expenses reflect expenditure incurred during temporary suspension of operations since March 30, 2020, to keep the Sugar Zone Mine in compliance with health, safety and environmental regulations, and to ensure that operations could be restarted seamlessly.

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

16. GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended | | Six months ended | |
|---------------------------------------|--------------------|------------------|------------------|------------------|
| | June 30, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Salaries, benefits and directors fees | \$ 880 | \$ 200 | \$ 1,497 | \$ 317 |
| Severance pay | 432 | - | 792 | - |
| Legal fees | 190 | 43 | 634 | 82 |
| Office and general | 228 | 200 | 440 | 305 |
| Management and consulting fees | 143 | 432 | 299 | 829 |
| Shareholders' information | 67 | 3 | 147 | 181 |
| Share-based payments (note 12) | 309 | 122 | 127 | 3,465 |
| Travel & accommodation | 20 | 8 | 121 | 77 |
| Depreciation | 57 | 2 | 114 | 3 |
| | \$ 2,326 | \$ 1,010 | \$ 4,171 | \$ 5,259 |

17. LOSS PER SHARE

| | Three months ended | | Six months ended | |
|---|--------------------|------------------|------------------|------------------|
| | June 30, 2020 | June 30, 2019 | June 30, 2020 | June 30, 2019 |
| Loss attributable to common shareholders | (\$22,860) | (\$25,900) | (\$38,991) | (\$39,254) |
| Weighted average shares outstanding - basic and fully diluted | 846,207,229 | 602,884,397 | 778,208,602 | 601,367,575 |
| Loss per share - basic and fully diluted | \$ (0.027) | \$ (0.043) | \$ (0.050) | \$ (0.065) |

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.

18. RELATED PARTY TRANSACTIONS

Global Atomic Corporation ("GAC") and ANR Investments B.V ("Appian") are related parties to the Company. GAC is a related party since one or more directors, officers and consultants were associated with the Company in the same capacity. Appian is a related party as a result of its 24.4% ownership interest in Harte Gold's shares at June 30, 2020 and Appian's right to appoint two directors to the Company's board. The Company has entered into several funding transactions with Appian.

| | Amount charged by (to) | Due (to) from |
|---|---------------------------|------------------|
| For period ended June 30, 2020 | | |
| Global Atomic Corporation | \$ 60 | \$ (127) |
| For year ended December 31, 2019 | | |
| Global Atomic Corporation | \$ 226 | \$ (67) |

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

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

For the six months ended June 30, 2020 and 2019, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

| | June 30, 2020 | June 30, 2019 |
|--|------------------|------------------|
| Management, consulting and director fees | \$ 1,189 | \$ 543 |
| Stock based compensation | | |
| - expensed to the Statement of Operations and Comprehensive Loss | 416 | 2,380 |
| | \$ 1,605 | \$ 2,923 |

19. FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities were classified as follows:

| June 30, 2020 | Level | Amortized cost | FVTPL |
|--|-------|----------------|--------|
| Financial assets | | | |
| Cash and cash equivalents | 1 | \$ 4,922 | \$ - |
| Restricted cash | 1 | 1,324 | - |
| Receivables (excluding HST receivable) | 1 | 28 | - |
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | 1 | 17,623 | - |
| Short-term debt | 2 | 12,134 | - |
| Long-term debt | 2 | 80,411 | - |
| Derivative financial instruments | 2 | - | 40,558 |
| December 31, 2019 | | | |
| Financial assets | | | |
| Cash and cash equivalents | 1 | \$ 2,096 | \$ - |
| Receivables (excluding HST receivable) | 1 | 3,304 | - |
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | 1 | 25,630 | - |
| Short-term debt | 2 | 8,911 | - |
| Long-term debt | 2 | 81,072 | - |
| Derivative financial instruments | 2 | - | 19,313 |

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

- 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 or indirectly
- Level 3 – Inputs for the asset or liability that are not based on observable market data

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement.

The estimated fair value of cash and cash equivalents, receivables (excluding HST receivable), restricted cash and accounts payable and accrued liabilities approximate their carrying values due the short nature of these financial

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

instruments. The fair values of the Company's short-term and long-term debts also approximates their carrying value due to the fact that the effective interest rate is not significantly different from market rates.

The Company's risk exposure and impact on the Company's financial instruments are summarized below.

a) Credit risk

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

The Company is not exposed to any significant credit risk on its financial assets. Cash and cash equivalents have been deposited with strong or high-credit quality Canadian chartered banks. Accounts receivable are owed to the Company by a limited number of counterparties, each of whom the Company believes to be financially strong. The Company has concluded that there is no material credit losses in respect of these customers.

b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets or alternative forms of financing, such as debt, is hindered, whether or not as a result of a downturn in debt and/or equity market conditions generally or related to matters specific to the Company. The Company has historically generated cash flow primarily from its financing activities.

As at June 30, 2020, the Company had cash and cash equivalents of \$4.9 million (2019: \$2.1 million) to settle accounts payable and accrued liabilities of \$17.6 million (2019: \$25.6 million) that are considered short-term and expected to be settled within 30 to 90 days. Additionally, the Company is obligated, as of June 30, 2020, to pay interest and principal on the BNP Debt Facilities. Managing liquidity risk will be dependent on the success of its mining activities, as well as the Company's on-going ability to raise additional funds through debt or equity issues (see note 1).

c) Market risk

(i) *Interest rate risk*

The Company's exposure to the risk of changes in market interest rates relates primarily to the BNP Debt Facilities, which bears interest based on the three month U.S. dollar LIBOR rates. As a result, the Company is subject to a medium level of interest rate risk. All other financial assets and liabilities are non-interest bearing or bear interest at fixed rates. A 1.0% increase/decrease in the LIBOR rate would have increased/decreased the interest paid by \$0.5 million.

(ii) *Foreign currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk with respect to monetary items not denominated in Canadian dollars. The Company has exposure to currency risk on its operations, as gold prices are denominated in US dollars, while operating expenses are incurred in Canadian dollars. Additionally, the Company has debt outstanding with BNP which is denominated in US dollars. In respect of its exposure on debts outstanding, a \$0.01 increase or decrease in the Canadian dollar exchange rate would have a +/- \$0.7 million impact on its outstanding debt balance.

(iii) *Commodity price risk:*

Gold prices have fluctuated widely in recent years and there is no assurance that a profitable market will exist for gold produced by the Company. In 2019, pursuant to the BNP Debt Facilities, the Company entered into a gold hedge program on approximately 79,000 ounces of future production. Zero cost collars were used for approximately 74,000 ounces, spread over the years 2020 through 2023. The balance of the hedges is structured as gold swaps, maturing in the first half of 2024. The floor price of the gold collars has been set at US \$1,300 per ounce with varying ceiling prices of the collars ranging from US \$1,391 per ounce to US \$1,399 per ounce.

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

20. CAPITAL MANAGEMENT

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

The Company defines capital as total equity plus debt. Total equity is comprised of share capital, reserves and accumulated deficit. 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 arranged US\$30 million in debt and royalty sale funding subsequent to June 30, 2020 (see note 23).

| | June, 30 2020 | December 31, 2019 |
|--------|--------------------------|----------------------|
| Equity | \$ (41,333) | \$ (18,173) |
| Debt | 92,545 | 89,983 |
| | \$ 51,212 | \$ 71,810 |

21. COMMITMENTS

The Company has a commitment under a site access agreement to pay \$70 thousand per annum, subject to a cumulative maximum of \$0.5 million.

In connection with the issuance of flow-through shares and the related renouncement of exploration and development expenditures, the Company commits to spend such funds on eligible exploration and development expenditures (see note 10).

Under the terms of an agreement with Maximos Metals Corp. ("Maximos"), Maximos is entitled to a bonus grant of 10 million options, conditional on certain economic thresholds being met on one of the exploration targets identified by Maximos within a 10 year period.

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 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 \$0.5 million per annum, an implementation payment of \$0.1 million per annum on April 1 of the year immediately after the Company receives approval of its closure plan, and stock options to purchase 500,000 common shares of the Company at a price of \$0.41 for a period of five years (issued).

Harte Gold Corp.

Notes to Condensed Interim Financial Statements June 30, 2020 (Expressed in thousands of Canadian dollars)

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. Due to the temporary suspension of the Sugar Zone Mine on March 30, 2020 and the brief term remaining on the agreement before expiry, the potential commitment pursuant to the Redpath agreement is limited to the amounts payable to Redpath for work performed up to the temporary suspension of operations.

22. SUBSEQUENT EVENTS

The Company resumed operations at the Sugar Zone Mine on July 17, 2020, following a temporary closure since March 30, 2020 due to the global COVID-19 pandemic. A phased approach was taken to restart the mine, starting with mine development and backfill. The Company resumed full operations early in August 2020.

On July 14, 2020, the Company entered into a binding agreement with Appian providing for up to US\$30 million in financing (the "Financing Agreement") and closed a related US\$9.5 million private placement (the "Private Placement"). The Private Placement entailed the issuance of 9,500,000 Series B special shares (the "Special Shares") of the Company to ANR Investments B.V. ("ANR") at a price of US\$1.00 per Special Share for aggregate gross proceeds of US\$9.5 million. Proceeds will be used to fund working capital needs, the restart of the Sugar Zone Mine, and general corporate purposes.

Concurrent with the closing of the Private Placement, the Company issued to ANR 6,970,844 common shares, representing an upfront arrangement fee of US\$600,000 (2.0% of US\$30 million); and 7,500,000 purchase warrants to acquire common shares, exercisable at \$0.1349 (representing a 15% premium to the five-day VWAP of \$0.1173 as of July 1, 2020), which expire on July 14, 2025.

The Company also entered into an offtake agreement with ANR, on the same terms and conditions as the original offtake agreement (as amended and except for the repurchase right), pursuant to which ANR was granted an 18.5% offtake of total Refined Gold (as defined in the original offtake agreement (as amended)) produced from the Sugar Zone properties until 500,000 ounces of Refined Gold are delivered.

The Company anticipates closing a US\$18.5 million non-revolving credit facility with ANR (the "Credit Facility") on or before August 29, 2020 (the "Final Closing Date"). At the closing of the Credit Facility, the Special Shares would convert into the principal amount under the Credit Facility, bringing the aggregate principal amount of the Credit Facility to US\$28 million. Closing of the Credit Facility is subject to BNP's consent to the Credit Facility, perfection of 2nd lien security over the Company's assets, the execution of an intercreditor agreement between Appian and BNP and other customary conditions. On the Final Closing Date, an affiliate of Appian will have the right to acquire a 0.5% NSR on the entire Sugar Zone Property from the Company, on similar terms as the Company's existing 1.5% NSR, in exchange for payment to the Company of US\$2.0 million.

Pursuant to the terms of the Financing Agreement, Appian has been granted the right to appoint one additional nominee to the Company's Board of Directors (the "Board"). Appian exercised its right by having Mr. Igor Gonzales appointed to the Board as its nominee, thereby increasing the number of Appian-related nominees from two to three directors on the Board, which is comprised of seven directors in total. To facilitate the addition of Mr. Gonzales, Mr. Stephen Roman agreed to resign from the Board. Appian's additional nomination right terminates on repayment of the Credit Facility.

The Toronto Stock Exchange (the "TSX") approved the listing of all of the common shares issuable in connection with the transactions contemplated by the Financing Agreement (the "Transactions"). The TSX also granted an exemption to the Company from the requirement to seek shareholder approval for the Transactions pursuant to the financial hardship exemption available to companies listed on the TSX that are in serious financial difficulty, in each case subject to customary conditions. As a result of the Company's reliance on the "financial hardship" exemption, the TSX has placed the Company under remedial delisting review, which is customary in these circumstances. Although the Company believes that it will be in compliance with the TSX's continued listing requirements upon closing the Transactions, no assurance can be provided as to the outcome of such review or continued qualification for listing on the TSX.

Each of the Transactions is a "related party transaction" as defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is exempt from the requirements to obtain a formal valuation or minority shareholder approval in connection with the Transactions in reliance on sections 5.5(g) and 5.7(1)(e), respectively, of MI 61-101, as the Company meets the requirements of the financial hardship exemption.