Financial Statements

December 31, 2017 and 2016
(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Harte Gold Corp.

We have audited the accompanying financial statements of Harte Gold Corp**.,** which comprise the statements of financial position as at December 31, 2017 and December 31, 2016 and the statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Harte Gold Corp. as at December 31, 2017, and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 29, 2018
Toronto, Ontario

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

The financial statements have been audited by RSM Canada LLP. Their report outlines the scope of their examination and opinion on the financial statements.

"Stephen G. Roman"	"Rein A. Lehari"
Stephen G. Roman Chairman, President & CEO	Rein A. Lehari Chief Financial Officer

March 29, 2018

Harte Gold Corp.

Statements of Financial Position

Canadian dollars		**December 31, 2017**		December 31, 2016
Assets				
Current Assets				
Cash and cash equivalents	**$**	**24,789,164**	$	27,232,409
Receivables (note 5)		**1,500,286**		2,777,498
Prepaids		**291,880**		25,448
		26,581,330		30,035,355
Long Term Assets				
Restricted Cash (note 4)		**1,721,281**		1,537,588
Property and Equipment (note 6)		**2,057,321**		102,940
Exploration and Evaluation Expenditures (note 7)		**103,558,424**		44,170,665
	$	**133,918,356**	$	75,846,548
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (note 8)	**$**	**19,303,392**	$	10,384,552
Current portion of long-term debt (note 10)		**198,333**		-
Flow-through share premium (note 11)		**1,173,838**		4,680,385
		20,675,563		15,064,937
Long Term Liabilities				
Long-term debt (note 10)		**616,667**		2,203,254
Environmental Rehabilitation Provision (note 9)		**1,718,836**		1,370,807
Deferred Tax Liability (note 16)		**3,891,851**		625,819
Total Liabilities		**26,902,917**		19,264,817
Shareholders' Equity				
Capital stock and warrants (notes 12 & 14)		**120,006,504**		67,797,467
Other reserves		**8,083,435**		7,810,536
Deficit		**(21,074,500)**		(19,026,272)
		107,015,439		56,581,731
	$	**133,918,356**	$	75,846,548

Commitments – see note 21
Subsequent events – see note 22

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Statements of Operations and Comprehensive Income (Loss)
For the Years Ended December 31,

Canadian dollars		**2017**		2016
Revenue	**$**	**-**	**$**	**-**
Expenses				
Management and consulting fees (note 17)		**1,137,432**		906,000
Promotion and travel		**261,597**		122,171
Office and general		**551,500**		269,524
Interest and accretion expense (note 10)		**674,398**		450,802
Professional fees		**182,269**		103,587
Stock-based compensation (note 13)		**483,421**		1,534,893
Shareholders' information		**407,796**		260,283
Amortization		**2,425**		592
		3,700,838		3,647,852
Other income				
Flow-through share premium (note 11)		**4,680,385**		60,000
Interest and other income		**238,257**		24,774
		4,918,642		84,774
Net Income (loss) before income taxes		**1,217,804**		(3,563,078)
Deferred income tax recovery (expense) (note 16)		**(3,266,032)**		555,491
Net Income (Loss) and Comprehensive Income (Loss)	**$**	**(2,048,228)**	$	(3,007,587)
Net loss per share - basic and fully diluted (note 15)	**$**	**(0.004)**	$	(0.009)
Weighted average number of shares outstanding				
- Basic and diluted (note 15)		**471,454,777**		335,290,003

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Statements of Cash Flows
For the Years Ended December 31,

Canadian dollars		2017		2016
Cash provided by (used in):				
Operations				
Net loss	**$**	**(2,048,228)**	$	(3,007,587)
Adjustments to reconcile net income (loss) to cash flow from operating activities:				
Amortization		**2,425**		592
Stock-based compensation		**483,421**		1,534,893
Flow-through share premium		**(4,680,385)**		(60,000)
Loan accretion (note 10)		**296,746**		160,305
Deferred tax (recovery) expense		**3,266,032**		(555,491)
		(2,679,989)		(1,927,288)
Net changes in non-cash working capital items:				
Prepaids		**(266,432)**		1,867
Receivables		**1,277,212**		(183,567)
Accounts payable and accrued liabilities		**655,567**		224,592
		(1,013,642)		(1,884,396)
Financing				
Long-term debt (note 10)		**(2,500,000)**		2,427,250
Cost of share issuances		**(2,149,228)**		(1,315,201)
Issuance of units		**49,790,168**		31,050,000
Exercise of options		**951,500**		75,000
Exercise of warrants		**4,111,663**		3,572,751
		50,204,103		35,809,800
Investing				
Restricted cash		**(183,693)**		(1,182,048)
Additions to property and equipment (note 6)		**(1,238,282)**		(81,517)
Additions to exploration and evaluation expenditures		**(60,216,449)**		(21,443,258)
Bulk Sample cash receipts [1]		**10,004,718**		15,613,510
		(51,633,706)		(7,093,313)
Net increase (decrease) in cash and cash equivalents		**(2,443,245)**		26,832,091
Cash and cash equivalents, beginning of year		**27,232,409**		400,318
Cash and cash equivalents, end of year	**$**	**24,789,164**	$	27,232,409
Cash and cash equivalents includes the following:				
Cash	**$**	**24,784,134**	$	17,223,861
Guaranteed investment certificates		**5,030**		10,008,548
	$	**24,789,164**	$	27,232,409
Supplemental cash flow information:				
Interest paid on Secured Note	**$**	**375,000**	$	290,497
Shares issued on settlement of accounts payable		**-**		1,487,360
Shares issued for property acquisitions		**61,000**		-

[1] The Company presents gross bulk sample revenue in investing activities.

Harte Gold Corp.

Statements of Changes in Shareholders' Equity
For the Years Ended

	Common Shares (Note 12)		Warrants (Note 14)		Subtotal	Shares to be Issued	Other Reserves	Deficit	Total Shareholders' Equity
Canadian dollars	#	$	#	$	$	$	$	$	$
December 31, 2015	**306,354,364**	**36,608,398**	**44,404,663**	**807,444**	**37,415,842**	**215,049**	**5,423,923**	**(16,018,685)**	**27,036,129**
Issued as a result of:									
Private placements (notes 12 and 14)	95,294,871	29,210,653	18,500,000	1,839,347	31,050,000				31,050,000
Secured notes			10,291,000	384,301	384,301				384,301
Shares issued to Technica (note 21)	4,249,600	1,487,360			1,487,360	(215,049)			1,272,311
Flow-through premium (note 11)		(4,680,385)			(4,680,385)				(4,680,385)
Share issuance costs		(1,612,327)	2,642,246	297,126	(1,315,201)				(1,315,201)
Stock options exercised	700,000	75,000			75,000				75,000
Warrants exercised (note 14)	24,165,069	4,037,838	(24,165,069)	(465,087)	3,572,751				3,572,751
Warrants expired (note 14)			(5,416,256)	(192,201)	(192,201)		192,201		-
Stock options granted (note 13)							2,194,412		2,194,412
Net loss for the year								(3,007,587)	(3,007,587)
December 31, 2016	**430,763,904**	**65,126,537**	**46,256,584**	**2,670,930**	**67,797,467**	**-**	**7,810,536**	**(19,026,272)**	**56,581,731**
Issued as a result of:									
Private placements (notes 12 and 14)	91,194,180	49,790,168			49,790,168				49,790,168
Flow-through premium (note 11)		(1,173,838)			(1,173,838)				(1,173,838)
Property acquisitions (note 21)	100,000	61,000			61,000				61,000
Share issuance costs		(2,149,228)			(2,149,228)				(2,149,228)
Stock options exercised	3,730,000	1,573,790			1,573,790		(622,290)		951,500
Warrants exercised (note 14)	24,019,570	4,876,987	(24,019,570)	(765,324)	4,111,663				4,111,663
Warrants expired (note 14)			(172,161)	(4,518)	(4,518)		4,518		-
Stock options granted (note 13)							890,671		890,671
Net loss for the year								(2,048,228)	(2,048,228)
December 31, 2017	**549,807,654**	**118,105,416**	**22,064,853**	**1,901,088**	**120,006,504**	**-**	**8,083,435**	**(21,074,500)**	**107,015,439**

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

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

The Company is engaged in the acquisition and exploration of mineral resource properties with a focus on gold properties located in the Province of Ontario, Canada, and currently owns interests in two exploration projects: (i) the Sugar Zone Property, 60 km east of the Hemlo area gold mines, located on the north shore of Lake Superior and (ii) the Stoughton-Abitibi Property (formerly Stoughton-Porcupine), 110 km east of Timmins and 50 km north east of Kirkland Lake. Harte Gold completed an Advanced Exploration and Bulk Sample program on its Sugar Zone Property to determine the recoverability and economics of its resource. The Company has begun economic studies on the resource and is pursuing permits to enable commercial production.

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

2. BASIS OF PREPARATION

a) Statement of Compliance

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

These financial statements were approved by the Board of Directors on March 29, 2018.

b) Basis of Measurement

These financial statements have been prepared on a historic cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting and are presented in Canadian dollars, which is also the Company’s functional currency.

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

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

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

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

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

Note 7	measurement of the recoverable amounts of exploration and evaluation projects
Note 9	environmental rehabilitation provision
Note 10	compound financial instruments
Note 11	measurement of flow-through share premium
Note 13-14	measurement of stock-based compensation and warrants

2. BASIS OF PREPARATION cont'd

Note 16 utilization of tax losses

The Company has completed an Advanced Exploration and Bulk Sample program on its Sugar Zone Property to determine the recoverability and economics of its resource. An in-fill drilling program was also undertaken during 2017 to further support its interpretation of the resource. Subsequent to year end, an independent updated resource estimate was prepared and is the basis for completion of an economic study. The Company is also pursuing permit applications that would enable commercial production from the Sugar Zone Property. As such, the Company continues to be in the exploration and evaluation stage. Operations may move to a development stage, subject to the results of additional economic studies that are being completed, as well as positive responses to its permit applications.

c) Continuance of Operations

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are described below:

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

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

b) ***Financial Instruments***

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

Financial assets

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

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

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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

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

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

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

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

Other financial liabilities – Other financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost.

The Company has designated cash and cash equivalents and restricted cash as assets at fair value through profit and loss. Receivables (excluding HST receivable) and subscription receivable are designated as loans and receivables and accounts payable, accrued liabilities, and long-term debt are designated as other financial liabilities.

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

c) *Property and Equipment*

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

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately are capitalized. The carrying value of the replaced part is derecognized. Amortization of buildings is recorded using the

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

straight line method, and corporate property and equipment, and property and equipment used in the exploration and evaluation phase is recorded using the declining balance method with management reviewing the useful lives of property and equipment at each statement of financial position reporting date to verify the asset is being amortized over a period equivalent to the useful life of the asset.

The assets are amortized at the following rates:

Buildings	10%
Site vehicles	20%
Equipment and furniture	30%

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

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

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

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

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

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

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

e) ***Impairment***

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

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

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

f) *Compound Financial Instruments*

The Company may issue compound financial instruments from time to time. An example of such a compound financial instrument is the issuance of a note payable financial liability that is issued with options or warrants to acquire common shares. A compound financial instrument contains both a liability component and an equity component (represented by the incentive options or warrants). The compound financial instrument is separated into its liability and equity components on the statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability based upon debt issued by comparable issuers without incentive options or warrants and accounted for at amortized cost using the effective interest method. The effective interest rate used is the estimated rate for debt with similar terms at the time of issue. The fair value of the liability component is accreted to the original face value of the debt over the respective term of the debt instrument and charged to operations as interest and accretion expense based on the effective interest method. The value of the equity component is accounted for as the difference between the face value of the liability component and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

g) *Stock-based Compensation Transactions*

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. At each reporting date, the Company revises its estimates of the number of options that are expected to vest, based on the non-market vesting conditions. Consideration paid for the shares on the exercise of stock options is credited to share capital.

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

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

h) *Warrants*

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

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

i) *Income Taxes*

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

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

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

j) *Flow-through Shares*

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

Proceeds received from the issuance of flow-through shares must be spent on Canadian resource property exploration expenditures prior to the calendar year following the year of issuance. The portion of the proceeds received but not yet expended is detailed in Note 11.

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

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

k) *Provision for Environmental Rehabilitation*

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

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

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

l) ***Related Party Transactions***

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

m) ***Income/Loss Per Share***

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

n) ***Share Capital***

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

o) ***Provisions***

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

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

p) ***Segment Reporting***

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

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

q) ***Accounting Standards and Amendments Issued But Not Yet Adopted***

IFRS 9 – Financial Instruments

In July 2014, the IASB issued IFRS 9 ***Financial Instruments***, which addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. IFRS 9 introduces a single expected credit loss model, which is based on changes in credit quality since initial

3. SIGNIFICANT ACCOUNTING POLICIES cont'd

recognition. IFRS 9 changes the requirements for hedge effectiveness and consequently for the application of hedge accounting. The IAS 39 effectiveness test is replaced with a requirement for an economic relationship between the hedged item and the hedging instrument, and for the hedged ratio to be the same as that used by the entity for risk management purposes. Certain restrictions that prevented some hedging strategies and hedging instruments from qualifying for hedge accounting were removed under IFRS 9. Generally, the mechanics of hedge accounting remain unchanged. IFRS is mandatory for accounting periods beginning on or after January 1, 2018, although early adoption is permitted. The Company has concluded that the application of IFRS 9 will not have a material impact on its financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 ***Revenue from Contracts with Customers***, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. 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 effective date of the standard is for annual reporting periods beginning on or after January 1, 2018. The Company has evaluated the standard and has concluded that the application of IFRS 15 will not have a historical material impact on its financial statements.

IFRS 16 – Leases

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

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Restricted cash of $1,721,281 at December 31, 2017 (December 31, 2016 - $1,537,588) is cash held by the Ontario Ministry of Northern Development and Mines ("MNDM") as assurance that the Company will complete its remediation obligations for all permitted work on the Sugar Zone Property.

5. RECEIVABLES

		December 31, 2017		December 31, 2016
GST/HST receivable	**$**	**1,308,005**	$	643,488
Subscription receivable		**15,120**		-
Bulk Sample Revenue receivable		**-**		2,093,683
Other		**177,161**		40,327
	$	**1,500,286**	$	2,777,498

6. PROPERTY AND EQUIPMENT

	Equipment and Furniture [1]			Site Vehicles [1]			TOTAL
	Cost	Amortization	NBV	Cost	Amortization	NBV	NBV
December 31, 2015	**$ 12,030**	**$ 8,455**	**$ 3,575**	**$ 107,665**	**$ 73,301**	**$ 34,364**	**$ 37,939**
Additions	8,359	2,326	6,033	73,158	14,190	58,968	65,001
December 31, 2016	**20,389**	**10,781**	**9,608**	**180,823**	**87,491**	**93,332**	**102,940**
Additions	141,418	22,620	118,798	143,370	33,005	110,365	229,163
December 31, 2017	**$ 161,807**	**$ 33,401**	**$ 128,406**	**$ 324,193**	**$ 120,496**	**$ 203,697**	**$ 332,103**

	Land			Buildings [1]			TOTAL
	Cost	Amortization	NBV	Cost	Amortization	NBV	NBV
December 31, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Additions	902,968	-	902,968	865,526	43,276	822,250	1,725,218
December 31, 2017	**$ 902,968**	**$ -**	**$ 902,968**	**$ 865,526**	**$ 43,276**	**$ 822,250**	**$ 1,725,218**

Grand Total	Cost	Amortization	NBV
December 31, 2016	$ 201,212	$ 98,272	$ 102,940
December 31, 2017	**$2,254,494**	**$ 197,173**	**$ 2,057,321**

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

7. EXPLORATION AND EVALUATION EXPENDITURES

Sugar Zone Property, Hemlo Gold Area

The Sugar Zone Property consists of approximately 66,395 hectares within the Sault Ste. Marie Mining Division located in Ontario. The Sugar Zone Property includes 4 mining leases (1,467 hectares), with the remainder held in the form of unpatented mining claims. The Company holds a 100% interest in all of these.

Certain of these claims and leases are subject to net smelter royalties (“NSR”) of 3.5% in favour of the original vendors of the properties which can be reduced by 1.5% upon payments of $1.5 million. Additionally, the Company entered into agreements for certain other claims in 2010 and 2017 on which royalties are payable, as described in note 21.

7. EXPLORATION AND EVALUATION EXPENDITURES cont'd

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

		December 31, 2017		December 31, 2016
Opening Balance	**$**	**44,170,665**	$	29,397,307
Expenditures incurred during the year				
Land costs		**326,405**		208,650
Environmental Rehabilitation Provision (note 9)		**348,029**		1,022,854
Bulk Sample revenues		**(10,004,718)**		(17,707,193)
Bulk Sample costs		**3,676,501**		21,311,214
Phase 1 excavation costs		**17,091,160**		1,839,328
Exploration		**18,790,583**		2,376,908
Site costs		**7,821,278**		5,046,154
Processing plant construction		**20,834,796**		-
Stock-based compensation (note 13)		**407,249**		659,519
Amortization of site assets (note 6)		**96,476**		15,924
Total for this year		**59,387,759**		14,773,358
Closing Balance end of year	**$**	**103,558,424**	$	44,170,665

Stoughton-Abitibi Property, Timmins Porcupine Gold Area

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

In 2009, the Company concluded that it should prioritize the Sugar Zone Property and recorded an impairment provision against the Stoughton-Abitibi Property. Minimal exploration activity has taken place since then, and any costs incurred have similarly been provided for as an additional impairment provision. In view of the current poor investment climate for mining exploration properties on which no indications of resources exist, management have concluded that it would be too speculative to estimate a recoverable amount for the Stoughton-Abitibi Property in excess of $nil at December 31, 2017.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2017		December 31, 2016
Accounts Payable	**$**	**13,186,752**	$	6,843,721
Deferred Contract Mining Fee (note 21)		**-**		2,065,774
Accrued Liabilities		**6,116,640**		1,475,057
Total accounts payable and accrued liabilities	**$**	**19,303,392**	$	10,384,552

9. ENVIRONMENTAL REHABILITATION PROVISION

Pursuant to the Sugar Zone Mine Closure Plan, the Company is obligated to rehabilitate the Sugar Zone site. The cost of such rehabilitation work was estimated at an amount of $1,370,807 in late 2016 and increased by $348,029 in May 2017. On May 15, 2017, a Notice of Material Change was approved, permitting the Company to construct its processing plant. Accordingly, the additional rehabilitation liability was recorded to adjust the liability previously estimated in 2016.

	December 31, 2017	December 31, 2016
Balance beginning of year	**$ 1,370,807**	$ 347,953
Rehabilitation liability arising during the year	**348,029**	1,022,854
Balance end of year	**$ 1,718,836**	$ 1,370,807

10. LONG-TERM DEBT

a) Secured Notes

In March 2016, the Company completed a non-brokered private placement of $2,500,000 Secured Notes (the "Notes"). The Notes bore interest at a rate of 15% per annum, payable quarterly in arrears. Principal was repayable on the second anniversary (March 31, 2018), and could be prepaid after April 1, 2017 with payment of interest in full for the particular quarter. The Notes were secured by a charge on the mining leases and unpatented mining claims of the Sugar Zone Property. In connection with the Notes, the Company issued 4 warrants per $1.00 principal amount of the Notes (10,000,000 warrants in total). Each warrant is exercisable into one common share of the Company on payment of $0.15 on or before the date that is twenty-four (24) months from Closing, provided that should the closing price of the common shares of the Company on the Toronto Stock Exchange be equal to or greater than $0.20 for a period of 10 consecutive trading days any time after the Closing Date, the Company may accelerate the Expiry Date of the Warrants by giving notice to the holders thereof through the issuance of a press release by the Company and in such case, the Warrants will expire on the 30th day after the date on which such notice is given by the Company. In connection with the placement of the Notes, the Company paid finders fees of $72,750 cash and 291,000 warrants. Each finders warrant is exercisable on or before March 22, 2018 at a price of $0.15 per common share. As of December 31, 2017, 5,760,000 of the warrants were still outstanding, as well as 51,000 of the finders warrants.

The Notes were accounted for as a compound financial instrument. The amount allocated to the liability component ($2,042,949) was determined by estimating the fair value of the debt assuming no equity component, and the balance was allocated to the warrants ($384,301). Subsequently, the liability amount was accreted with an effective interest rate of 27% so that the balance outstanding would be $2,500,000 on maturity, March 31, 2018. Accretion results in additional non-cash interest expense recorded for the duration of the Notes. Total interest and accretion expense for the year was $671,746 (2016 - $450,802). The Company elected to repay the Notes in full as of December 31, 2017.

	December 31, 2017	December 31, 2016
Balance beginning of year	**$ 2,203,254**	$ -
Secured notes		2,042,949
Loan accretion	**296,746**	160,305
Loan repayment	**(2,500,000)**	-
Balance end of year	**$ -**	$ 2,203,254

b) Mortgage Payable

On January 31, 2017, Harte Gold acquired land and buildings in White River at a cost of $340,000 to be used as accommodation for its employees. The vendors took back a mortgage of $190,000, repayable annually over 3 years and secured by the property. Principal and interest payments on each of February 1, 2018 through 2020. Interest accrues at a rate of 3.0% per annum. Future principal payments are as follows:

10. LONG-TERM DEBT cont'd

February 1, 2018	$60,000
February 1, 2019	$60,000
February 1, 2020	$70,000

c) Mortgage Payable

On July 19, 2017, Harte Gold acquired a trailer park property in White River at a cost of $775,000 to be used as a camp facility for employees and contractors. The vendors took back a mortgage of $525,000, repayable annually over 5 years and secured by the property. Interest is payable semi-annually at a rate of 4.0% per annum and principal payments are due on each of July 20, 2018 through 2022. Future principal payments are as follows:

July 20, 2018	$105,000
July 20, 2019	$105,000
July 20, 2020	$105,000
July 20, 2021	$105,000
July 20, 2022	$105,000

d) Mortgage Payable

On August 9, 2017, Harte Gold acquired land and buildings in White River that were previously leased as its core shack at a cost of $145,000. The vendors took back a mortgage of $100,000, repayable annually over 3 years and secured by the property. Principal and interest payments on each of August 10, 2018 through 2020. Interest accrues at a rate of 3.0% per annum. Future principal payments are as follows:

August 10, 2018	$33,333
August 10, 2019	$33,333
August 10, 2020	$33,334

Long-term Debt		
Mortgages payable	$	815,000
Less: Current portion of long-term debt		198,333
Long-term portion of debt	**$**	**616,667**

11. 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, 2015	**$**	**60,000**
Settlement of liability through renouncement in Q1 2016		(60,000)
Liability incurred on flow-through shares issued		
March 31, 2016		65,000
December 14, 2016		4,615,385
Balance on December 31, 2016	**$**	**4,680,385**
Settlement of liability through renouncement in Q1 2017		(4,680,385)
Liability incurred on flow-through shares issued		
December 31, 2017		1,173,838
Balance on December 31, 2017	**$**	**1,173,838**

On April 29, 2016, Harte Gold completed its third and final closing of a non-brokered private placement financing. In total, 10,000,000 flow-through units were issued at a price of $0.20 per unit for gross proceeds of $2,000,000. Each unit consists of one flow-through common share and one-half common share purchase warrant. Each full warrant is exercisable at $0.25 per common share for a period of 24 months from closing, subject to an acceleration clause on 30 days' notice should the Company's common shares trade at $0.30 or higher for a period of 10 consecutive trading days. Terms and conditions were identical on each tranche. A flow-through share premium of $65,000 was recorded on the financing. As of December 31, 2017, all funds had been spent.

On December 14, 2016, Harte Gold completed a bought deal offering of 38,461,538 flow-through common shares at a price of $0.39 per share, for gross proceeds of $15,000,000. A flow-through share premium of $4,615,385 was recorded on this financing. As of December 31, 2017, all funds had been spent.

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 December 31, 2017, none of these funds had been spent.

12. CAPITAL STOCK

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

Number of shares issued and outstanding.

The issued and outstanding common shares are as follows:

	December 31, 2017	December 31, 2016
Balance beginning of year	**430,763,904**	306,354,364
Private placement of units and shares	81,412,198	46,833,333
Private placement of flow-through units (note 11)	9,781,982	48,461,538
Shares for property acquisition (note 21)	100,000	-
Shares issued to Technica (note 21)	-	4,249,600
Options exercised (note 13)	3,730,000	700,000
Warrants exercised (note 14)	24,019,570	24,165,069
Balance end of year	**549,807,654**	430,763,904

On July 20, 2016, Harte Gold completed a non-brokered private placement financing of 13,500,000 units at a price of $0.30 per unit for gross proceeds of $4,050,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at $0.35 per common share for a period of 24 months from closing.

On December 14, 2016, Harte Gold completed a brokered private placement financing of 33,333,333 common shares at a price of $0.30 per share, for gross proceeds of $10,000,000.

On July 5, 2017, Harte Gold completed a brokered private placement financing of 40,323,500 common shares at a price of $0.62 per share for gross proceeds of $25,000,570 and costs of $1,003,376 for net proceeds of $23,997,154.

On December 29, 2017, Harte Gold completed the first closing of the common share tranche of its bought deal private placement, comprising 41,088,698 common shares at a price of $0.47 per share for gross proceeds of $19,311,688 and costs of $1,144,052 for net proceeds of $18,167,636.

13. STOCK OPTION PLAN

The Company has established a stock option plan to provide additional incentives to officers, directors, employees and consultants in their efforts on behalf of the Company in the conduct of its affairs. The terms of the stock option plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant. The number of shares reserved for issuance is not to exceed 10% of the issued and outstanding common shares from time-to-time. At December 31, 2017, the Company had 22,130,765 (December 31, 2016 – 8,456,390) common shares available for granting of future options.

Under the terms of the plan, options vest immediately unless otherwise determined by the Board, and expire on the fifth anniversary from the date of issue unless otherwise specified. As at December 31, 2017, a total of 32,850,000 (December 31, 2016 - 34,620,000) options were outstanding under the stock option plan.

13. STOCK OPTION PLAN cont'd

The following table provides additional information regarding stock options outstanding at December 31, 2017.

	December 31, 2017		December 31, 2016	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price	Number of Options
Outstanding beginning of year	**$ 0.20**	**34,620,000**	$ 0.14	23,800,000
Transactions during the year:				
Granted	**$ 0.42**	**1,600,000**	$ 0.175	1,200,000
Granted	**$ 0.70**	**900,000**	$ 0.350	11,600,000
Granted	**$ 0.71**	**150,000**		
Exercised	**$ 0.10**	**(750,000)**	$ (0.10)	(600,000)
Exercised	**$ 0.30**	**(2,630,000)**	$ (0.15)	(100,000)
Exercised	**$ 0.35**	**(150,000)**		
Exercised	**$ 0.175**	**(200,000)**		
Cancelled	**$ 0.10**	**(35,000)**	$ (0.10)	(150,000)
Cancelled	**$ 0.30**	**(55,000)**	$ (0.30)	(200,000)
Cancelled	**$ 0.35**	**(150,000)**		
Cancelled	**$ 0.42**	**(250,000)**		
Expired	**$ 0.30**	**(50,000)**	$ (0.50)	(150,000)
Expired	**$ 0.35**	**(150,000)**	$ (0.47)	(780,000)
Outstanding at end of year	**$ 0.22**	**32,850,000**	$ 0.20	34,620,000
Exercisable at end of year	**$ 0.21**	**31,225,000**	$ 0.20	33,695,000

The weighted average share price on the date of exercise was $0.61 (2016 - $0.21).

The following table provides additional information regarding stock options outstanding at December 31, 2017.

Expiry Date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
April 25, 2019	$0.10	1.32	6,040,000	6,040,000
May 9, 2019	$0.15	1.35	50,000	50,000
July 31, 2019	$0.30	1.58	5,000	5,000
October 14, 2020	$0.10	2.79	11,355,000	11,355,000
November 9, 2020	$0.10	2.86	600,000	600,000
March 22, 2021	$0.175	3.22	1,000,000	750,000 (3)
December 14, 2021	$0.35	3.96	11,400,000	10,975,000 (4)
February 26, 2022	$0.42	4.16	1,350,000	975,000 (5)
May 1, 2022	$0.70	4.33	900,000	325,000 (6)
May 29, 2022	$0.71	4.41	150,000	150,000
	$0.22	**3.04**	**32,850,000**	**31,225,000**

13. STOCK OPTION PLAN cont'd

Stock-based Compensation

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of stock-based compensation costs for stock options issued during the years ended December 31, 2017 and 2016:

Grant date	**22-Mar-16**	**14-Dec-16**	**26-Feb-17**	**1-May-17**	**29-May-17**
Number of options	1,200,000 (3)	11,600,000 (4)	1,600,000 (5)	900,000 (6)	150,000
Share price	$ 0.175	$ 0.270	$ 0.420	$ 0.690	$ 0.710
Exercise price	$ 0.175	$ 0.350	$ 0.420	$ 0.700	$ 0.710
Expected life in years	5	5	5	5	5
Volatility (1)	93.83%	93.62%	93.05%	93.83%	93.83%
Risk-free interest rate	0.65%	1.07%	1.33%	0.92%	0.86%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value per option (2)	$ 0.124	$ 0.182	$ 0.2989	$ 0.4902	$ 0.5056
Fair value assigned to options	$ 149,226	$ 2,109,741	$ 478,223	$ 441,214	$ 75,845

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. 250,000 of these options vest over time based on the occurrence of certain future events. 500,000 of these options were issued as a result of an extension of non-vested options previously expired.
4. 425,000 options of these options vest over time based on the occurrence of certain future events.
5. 375,000 of these options vest over time based on the occurrence of certain future events
6. 575, 000 of these options vest over time based on the occurrence of certain future events.

The fair value assigned to options is capitalized to exploration and evaluation expenditures if the expenses related to the services of those individuals have also been capitalized. For the year ended December 31, 2017, $407,249 was capitalized to exploration and evaluation expenditures ($659,519 - December 31, 2016). The balance of the fair value assigned to options is expensed - $483,421 for the year ended December 31, 2017 ($1,534,893 - December 31, 2016).

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.

14. WARRANTS

As at December 31, 2017 there were 22,064,853 (December 31, 2016 – 46,256,584) warrants to purchase common shares outstanding. Warrants expire as follows:

		Exercise Price	Warrants	Expiry date
Balance at December 31, 2015			**44,404,663**	
Expired			(5,416,256)	
Exercised			(24,165,069)	
Issued on secured notes	$	0.15	10,291,000	March 22, 2018
Issued	$	0.25	1,625,000	March 31, 2018
Issued for finder's fee	$	0.22	195,000	March 31, 2018
Issued	$	0.25	2,875,000	April 20, 2018
Issued for finder's fee	$	0.22	245,400	April 20, 2018
Issued	$	0.25	500,000	April 29, 2018
Issued for finder's fee	$	0.22	48,000	April 29, 2018
Issued	$	0.35	13,500,000	July 20, 2018
Issued for finder's fee	$	0.375	1,000,000	December 14, 2018
Issued for finder's fee	$	0.49	1,153,846	December 14, 2018
Balance at December 31, 2016			**46,256,584**	
Expired			(172,161)	
Exercised			(24,019,570)	
Balance at December 31, 2017			**22,064,853**	

The weighted average share price on the date of exercise was $0.55 (2016 - $0.26).

The following tables summarize assumptions used with the Black-Scholes valuation model for the determination of the value allocated to the warrants issued as part of the unit financings during the years ended December 31, 2017 and 2016:

Issue date		**31-Mar-16**		**31-Mar-16**		**20-Apr-16**		**20-Apr-16**		**29-Apr-16**
Number of warrants		1,625,000		195,000 [1]		2,875,000		245,400 [1]		500,000
Share price	$	0.18	$	0.18	$	0.24	$	0.24	$	0.24
Exercise price	$	0.25	$	0.22	$	0.25	$	0.22	$	0.25
Expected life in years		2.0		2.0		2.0		2.0		2.0
Volatility [(2)]		117.92%		117.92%		117.82%		117.82%		117.82%
Risk-free interest rate		0.54%		0.54%		0.62%		0.62%		0.67%
Dividend yield		0%		0%		0%		0%		0%
Fair value per warrant	$	0.0954	$	0.1002	$	0.1415	$	0.1476	$	0.1415
Fair value of warrants issued	$	155,024	$	19,540	$	406,736	$	36,232	$	70,761
Relative fair value assigned to warrants	$	136,165	$	-	$	261,788	$	-	$	45,540

Issue date		**29-Apr-16**		**20-Jul-16**		**14-Dec-16**		**14-Dec-16**
Number of warrants		48,000 [1]		13,500,000		1,000,000 [1]		1,153,846 [1]
Share price	$	0.24	$	0.28	$	0.27	$	0.27
Exercise price	$	0.22	$	0.35	$	0.375	$	0.490
Expected life in years		2.0		2.0		2.0		2.0
Volatility [(2)]		117.82%		112.03%		98.49%		98.49%
Risk-free interest rate		0.67%		0.59%		0.79%		0.79%
Dividend yield		0%		0%		0%		0%
Fair value per warrant	$	0.1477	$	0.1473	$	0.1181	$	0.1007
Fair value of warrants issued	$	7,089	$	1,987,956	$	118,101	$	116,164
Relative fair value assigned to warrants	$	-	$	1,395,854	$	-	$	-

14. WARRANTS cont'd

[1] In the absence of a reliable measure of the services received, the services have been measured at the fair value of the finder's warrants issued.
[2.] Volatility is determined based on historical share prices.

The expiry dates of warrants outstanding as of December 31, 2017 are as follows:

Expiry date	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life (years)
March 22, 2018	5,811,000	$ 0.15	0.22
April 20, 2018	2,087,562	$ 0.25	0.30
April 20, 2018	134,445	$ 0.22	0.30
April 29, 2018	25,000	$ 0.25	0.33
April 29, 2018	3,000	$ 0.22	0.33
July 20, 2018	11,850,000	$ 0.35	0.55
December 14, 2018	1,000,000	$ 0.38	0.95
December 14, 2018	1,153,846	$ 0.49	0.95
	22,064,853	**$ 0.30**	**0.48**

15. LOSS PER SHARE

The calculation of the basic earnings (loss) per share for the year ended December 31, 2017 was based on the loss attributable to common shareholders of $2,048,228 (December 31, 2016 – ($3,007,587)) and a weighted average number of common shares outstanding of 471,454,777 (December 31, 2016 – 352,290,003).

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

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

16. INCOME TAXES

(a) Provision for Income Taxes

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

16. INCOME TAXES cont'd

	December 31, 2017	December 31, 2016
Income (loss) before income taxes	**$ 1,215,359**	$ (3,563,078)
Combined Federal and Provincial tax rate	**25.00%**	25.00%
Expected recovery at statutory rates	**303,840**	(890,770)
Stock-based compensation	**120,855**	383,723
Flow-through share premium	**(1,170,096)**	(15,000)
Share issue costs	**(537,307)**	(403,085)
Other	**298,740**	(5,359)
CEE renounced in the year	**4,250,000**	375,000
Deferred income tax expense (income)	**$ 3,266,032**	$ (555,491)

(b) Deferred Tax Balances

The deferred income tax balances comprise the following temporary differences:

	December 31, 2017	December 31, 2016
Resource properties	**$ (11,320,183)**	$ (4,002,605)
Non-capital loss carry forwards	**6,267,546**	2,834,705
Share issue costs and other	**1,160,786**	542,081
Deferred tax liability	**$ (3,891,851)**	$ (625,819)

(c) Tax Loss Carry-forwards

The Company has accumulated non-capital losses of $25,070,000 which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

2025	$ 623,000
2026	535,000
2027	496,000
2028	1,070,000
2029	775,000
2030	108,000
2031	883,000
2032	873,000
2033	744,000
2034	2,783,000
2035	2,652,000
2036	3,707,000
2037	9,821,000
	$ 25,070,000

17. RELATED PARTY TRANSACTIONS

Corporations related to Harte Gold during 2016 and 2017 were Silvermet Inc. and Global Atomic Fuels Corporation. These companies are related parties since one or more directors, officers and consultant are associated with these companies in the same capacity. On December 22, 2017, Silvermet Inc. and Global Atomic Fuels Corporation were combined and the combined company's name was changed from Silvermet Inc. to Global Atomic Corporation. Because of this event, it is appropriate to consider the activity and outstanding balances for 2017 on a combined basis, as if the combination had occurred at the beginning of the year.

For period ended December 31, 2017		**Amount charged**		**Due (to) from**
Global Atomic Corporation	**$**	**266,769**	$	111,054

For year ended December 31, 2016		**Amount charged**		**Due (to) from**
Silvermet Inc.	**$**	**81,585**	$	18,681
Global Atomic Fuels Corporation		**50,183**		18,909

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.

An officer of the Company invested $250,000 in the Secured Notes that were issued during 2016 (Note 10) and was paid an amount of $37,500 interest during the year (2016 - $29,050). These Secured Notes were repaid prior to year end.

For the years ended December 31, 2017 and 2016, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

		December 31, 2017		December 31, 2016
Management and consulting fees	**$**	**971,000**	$	906,000
Consulting fees included in exploration and evaluation expenditures		**475,700**		470,200
Stock based compensation				
- expensed to the Statement of Operations and Comprehensive Loss		**149,445**		1,498,519
- capitalized to exploration and evaluation expenditures		**30,312**		428,696
	$	**1,626,457**	$	3,303,415

18. FINANCIAL INSTRUMENTS

As at December 31, 2017 and 2016, the estimated fair values of cash and cash equivalents, receivables (excluding HST receivable), subscription receivable, restricted cash, and accounts payable and accrued liabilities approximate their carrying values due to the short nature of these instruments. The fair values of the Secured Notes and mortgages also approximate their carrying value due to the fact that the effective interest rate is not significantly different from market rates. The risk exposure is summarized as follows:

18. FINANCIAL INSTRUMENTS cont'd

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. Bulk sample receivables are owed to the Company by one customer. The Company has concluded that there is limited credit risk in respect of this customer.

b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity is to periodically monitor actual and projected cash flows to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at December 31, 2017, the Company had cash and cash equivalents of $24,789,164 (December 31, 2016 - $27,232,409) to settle current liabilities of $19,103,392 (December 31, 2016 - $10,384,552) that primarily consist of accounts payable and accrued liabilities that are considered short-term and expected to be settled within 30 to 90 days. In addition to current liabilities, the Company was obligated, as of December 31, 2016, to repay $2,500,000 Secured Notes on or before March 31, 2018 (note 10), which was repaid at December 31, 2017. Managing liquidity risk will be dependent on the success of its exploration activities, as well as the Company's on-going ability to raise additional funds through debt or equity issues.

c) Market risk

(i) Interest rate risk
The Company's exposure to the risk of changes in market interest rates relates primarily to cash which are deposits attracting a floating interest rate. Interest rate risk is managed by the selection of term deposits with interest rates that reflect management's market expectations. All other financial assets and liabilities are non-interest bearing or bear interest at fixed rates. As a result, the Company is not subject to significant interest rate risk.

(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 limited exposure to currency risk at present, as most of its transactions are denominated in Canadian dollars. Although gold prices are denominated in US dollars, the Company receives payment in Canadian dollars for its gold sales based on exchange rates at the time, so there is no foreign exchange risk to its assets or liabilities. At December 31, 2017, the Company held US dollar denominated cash of approximately US $14.9 million (2016 - $nil). A 5% increase or decrease in the Canadian dollar exchange rate would have a +/- $825,000 impact.

19. 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 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.

19. CAPITAL MANAGEMENT cont'd

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

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

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

The Company expects that additional capital will be required to begin full commercial production, should a commercial production decision be made, and the Company is currently evaluating funding alternatives.

20. SEGMENTED INFORMATION

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

21. COMMITMENTS

In 2015, Harte Gold engaged Technica Group Inc. ("Technica") to complete the Bulk Sample work on a contract basis ("Bulk Sample contract"). Work under the contract was completed in March 2017 and final fees were settled thereafter. Under the terms of this contract, Technica agreed to defer its contractor fee component until 90 days after completion of the contract, one half of which to be paid in shares and one half in cash. In December 2016, Harte Gold agreed to pay the share portion of Technica's fees in advance of the completion of the Bulk Sample. On December 30, 2016, 4,249,600 shares were issued to Technica at a price of $0.35 per share as payment of $1,487,360 of deferred fees.

In accordance with a 2010 agreement, the Company has acquired a 100% interest in 3 claims known as the Halverson claims, which are subject to a 3% net smelter royalty. The Company must make 5 annual royalty prepayments of $20,000 for the 5 years ended June 28, 2019 ($60,000 paid to date). If an economically viable deposit is found within that period, these payments ($100,000 cumulatively) are deemed to be a prepayment of royalties. Otherwise, the royalty obligation is cancelled on completion of the 5 payments. The royalty can be reduced to 1.5% by payment of $1,500,000.

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, the shares were valued at $61,000. On the first anniversary, a further payment of $20,000 and 100,000 common shares is required. A final payment of 100,000 common shares is required on the second anniversary. Upon making all such payments, the Company will acquire 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. The Company has committed to fly an airborne survey over the claim during the option period.

The Company also has a commitment under a site access agreement to pay $20,000 per annum during exploration. Upon the start of commercial production, the annual payments increase to $70,000 per annum, 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 11).

22. SUBSEQUENT EVENTS

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 gross proceeds of $7,653,547.

Subsequent to year end, 6,121,000 warrants have been exercised for proceeds of $988,150.

Subsequent to year end, an additional 12,960 hectares were added to the Sugar Zone Property, bringing the total to 79,355 hectares.