



Management Discussion and Analysis
For the year ended
December 31, 2020



**Management's Discussion and Analysis of Financial Condition and Results of Operations
for the year ended December 31, 2020**

(in thousands of Canadian dollars except for share, per share and as noted)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of the results of operations and financial condition of Harte Gold Corp. ("Harte Gold" or the "Company") prepared as of March 24, 2021, summarizes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2020, and the factors reasonably expected to impact future operations and results ("Management's Discussion and Analysis of Financial Condition and Results of Operations" or "MD&A").

This MD&A should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2020 ("FY 2020") and December 31, 2019 ("FY 2019") (together, the "Financial Statements"), which were prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). The Financial Statements are available under the Company's profile on SEDAR at www.sedar.com.

This MD&A contains forward-looking statements that are based on management's current expectations, are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to Harte Gold's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in forward-looking statements (please see "Cautionary Note Regarding Forward-Looking Information" below).

The Financial Statements and the Company's Annual Information Form are available under the Company's profile at www.sedar.com and on the Company's website at www.hartegold.com. All amounts disclosed are in Canadian dollars unless otherwise noted.

COMPANY OVERVIEW

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

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. The Company also announced due to the uncertainty around when operations would resume, no assurance could be provided with respect to the Company meeting its 2020 gold production guidance targets. On July 1, 2020, the Company provided revised 2020 gold production guidance announcing it was targeting production levels of 20,000-24,000 ounces upon the mine restart from the Company's initial guidance of 42,000-48,000 ounces of gold production, which was adjusted to reflect the significant disruptions experienced due to the temporary suspension of operations. The Company also provided 2021 guidance of gold production of 60,000-65,000 ounces.

On July 17, 2020, the Company began its phased restart of mining operations at the Sugar Zone Mine, completing the restart on August 5, 2020 when the mill began processing ore.



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2020 HIGHLIGHTS

| | <i>Units</i> | 3 months ended December 31, 2020 | 3 months ended December 31, 2019 | Year ended December 31, 2020 | Year ended December 31, 2019 |
|--|--------------------------------|---|-------------------------------------|---|---------------------------------|
| Operating Performance | | | | | |
| Ore Tonnes Processed | <i>Tonnes</i> | 46,288 | 53,162 | 134,360 | 201,214 |
| Average Daily Throughput ¹ | <i>tpd</i> | 503 | 591 | 519 | 559 |
| Head Grade | <i>g/t</i> | 7.7 | 5.0 | 6.3 | 4.6 |
| Recovery | <i>%</i> | 95.0% | 93.3% | 94.2% | 92.5% |
| Gold Ounces Produced | <i>oz</i> | 10,835 | 8,017 | 25,649 | 27,316 |
| Gold Ounces Sold | <i>oz</i> | 9,228 | 7,537 | 23,345 | 28,114 |
| Key Financial Data | | | | | |
| Revenues, net | <i>000 \$</i> | 21,950 | 14,485 | 53,501 | 49,755 |
| Mine Operating Cash Flow ² | <i>000 \$</i> | 8,679 | 1,992 | 18,039 | 1,497 |
| EBITDA ² | <i>000 \$</i> | 1,935 | (875) | (581) | (9,620) |
| Net income / (loss) | <i>000 \$</i> | 10,562 | (7,145) | (40,179) | (61,581) |
| Net (decrease) / increase in cash | <i>000 \$</i> | (13,185) | 1,205 | 6,152 | (5,197) |
| Cash on hand at end of period | <i>000 \$</i> | 8,248 | 2,096 | 8,248 | 2,096 |
| Key Statistics | | | | | |
| Average Realized Gold Price ² | <i>US\$/oz</i> | 1,843 | 1,487 | 1,732 | 1,366 |
| Realized Gold Price After Hedge ² | <i>US\$/oz</i> | 1,547 | 1,487 | 1,446 | 1,366 |
| Cash Operating Cost | <i>C\$/tonne processed</i> | 291 | 241 | 269 | 246 |
| Cash Cost ² | <i>US\$/oz</i> | 1,122 | 1,287 | 1,155 | 1,326 |
| AISC ² | <i>US\$/oz</i> | 2,365 | 2,167 | 2,340 | 2,406 |

1) 2020 figures based on 259 operating days, including mine operating days in Q3 2020.

2) Non-IFRS measure. Refer to definition of non-IFRS measures below for a reconciliation.

Operations

- **Gold production:** 25,649 ounces of gold for FY 2020, exceeding the upper end of revised guidance of 24,000 ounces. Q4 2020 production of 10,835 ounces was the highest quarter of production on record.
- **Grade improvement:** Average head grade of 6.3 g/t Au for FY 2020 was a 37% improvement over FY 2019 (4.6 g/t Au). Average head grade in Q4 2020 of 7.7 g/t Au represents the highest quarterly average grade on record.
- **Mill operating smoothly:** 134,360 tonnes processed in FY 2020, averaging 519 tpd over 259 days of operation.
- **Transition to owner-operated:** The Company completed the acquisition of mobile equipment formerly owned and operated by Redpath in Q4 2020. The majority of the Redpath mine workforce was transitioned from contract miner to employee based in Q3 2020. The transition to owner-operator at the Sugar Zone mine is now complete.
- **Mine restart:** Mining operations were placed on temporary care and maintenance on March 30, 2020 as a precautionary health and safety measure due to COVID-19. Mine operations were subsequently restarted successfully on July 17, 2020.



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- **Planned Expansion:** On January 20, 2021, Harte Gold announced that it would be proceeding with an expansion of its 100% owned Sugar Zone mining operation and, on March 5, 2021, the Company filed a technical report in accordance with National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") (the "Technical Report"). Highlights of the 1,200 tpd feasibility study include:
 - Low-cost expansion: \$21.0 million in expansion capital to grow throughput from 800 tpd to 1,200 tpd in Q1 2023.
 - 58% increase in annual gold production: Increased throughput is expected to drive gold production to 102,000 ounces by 2023 and deliver sustainable annual gold production of 98,700 ounces from 2023 to 2027.
 - Attractive cost profile: AISC¹ is expected to decline to an average of US\$1,025 per ounce from 2023 to 2027.
 - Annual Mine Free Cash Flow² is expected to increase from \$36.0 million in 2021 to \$96.0 million by 2023.
 - Short expansion timeframe: Consistent production improvements are expected through to 2023 when 1,200 tpd steady-state is achieved.
 - After-tax IRR of 89%: Reflects significant incremental cash flow improvement over 800 tpd scenario.
 - NPV_{5%} of \$417.0 million (pre-tax) and \$332.0 million (post-tax): Adds considerable value to Harte Gold's net asset value.
 - Updated resource modelling forms the basis of the Feasibility Study:
 - Probable Mineral Reserve Estimate of approximately 797,000 ounces.
 - Indicated Mineral Resources of approximately 1.1 million ounces.
 - Inferred Mineral Resources of approximately 567,000 ounces.
 - Significant opportunities to further enhance value currently not factored into NPV estimates:
 - Expansion of near-mine mineralization along strike, increasing overall tonnes per vertical metre.
 - Expansion of mineralization at depth, extending overall mine life.
 - Cost optimization, particularly related to paste backfill versus rockfill.

Financial

- **Revenues:** \$53.5 million in revenue from 23,345 ounces sold for FY 2020 (\$49.8 million and 28,114 ounces respectively, in FY 2019).
- **Mine Operating Cash Flow¹:** \$18.0 million in FY 2020 (\$1.5 million in FY 2019).
- **Gold hedge impact:** Incurred \$8.9 million expense in FY 2020 (\$nil in FY 2019) for the settlement of 16,655 ounces hedged. Average Realized Gold Price¹ after hedge in FY 2020 was US\$1,446/oz (US\$1,366 in FY 2019). As production increases, the impact of the hedge is diminished, all else being equal.
- **EBITDA¹:** negative \$0.6 million for FY 2020 (negative \$9.6 million in FY 2019).

¹ Mine Operating Cash Flow, EBITDA, Average Realized Gold Price, Cash Cost, and AISC are non-IFRS measures, refer to the definitions of non-IFRS measures below for a reconciliation.

² Defined as operating cash flow net of capital, tax and First Nations NPI, excludes corporate and hedge payments



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- **Cash Cost³:** US\$1,155/oz in FY 2020, (US\$1,326/oz in FY 2019).
- **AISC³:** US\$2,340/oz in FY 2020, (US\$2,406/oz in FY 2019).
- **Mine Capital development:** Continued to prioritize mine development, \$23.9 million invested in FY 2020 (\$17.5 million in FY 2019).
- **Liquidity position:** Cash on hand at December 31, 2020 was \$8.2 million (\$2.1 million at December 31, 2019).

Exploration

- **TT8:** Summer prospecting completed at the TT8 area, six new mineralized showings discovered, extended overall mineralized area to 11 km. Drilling at TT8 will continue to define targeted areas.
- The Company is currently compiling its historical geological data, lithological mapping and diamond drilling, which will form the basis of a broader regional exploration workplan to be disclosed later in 2021.

Safety

- One lost time incident reported in FY 2020. No lost time incidents have been reported since operations were restarted in Q3 2020.

Corporate

- On March 19, 2020, the Company closed a flow-through private placement offering raising gross proceeds of \$27.0 million.
- On May 15, 2020, the Company entered an agreement to amend the terms of its senior credit facilities with BNP Paribas ("BNP"), including covenant waivers and amendments, rescheduling of near-term principal and hedge payments and an increase in the applicable interest rate of 50 basis points, among others.
- On July 14, 2020, the Company signed a binding agreement with an affiliate of ANR Investments B.V. ("Appian"), providing US\$30.0 million in financing to facilitate restart of the Sugar Zone Mine. The agreement closed on August 28, 2020.
- Executive management changes:
 - Appointment of Frazer Bouchier as the President, Chief Executive Officer and director of the Company effective September 21, 2020, replacing Sam Coetzer, who stepped down as an executive officer, but stayed on as a director.
 - Appointment of Graham du Preez as Executive Vice President and Chief Financial Officer effective March 2, 2020, replacing Rein Lehari.
 - Martin Raffield stepped down as Executive Vice President and COO of Harte Gold, effective September 21, 2020.

³ Mine Operating Cash Flow, EBITDA, Average Realized Gold Price, Cash Cost, and AISC are non-IFRS measures, refer to the definitions of non-IFRS measures below for a reconciliation.



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- Board of Directors changes:
 - Appointment of Joseph Conway as Chairman of the Board effective January 27, 2020, replacing Stephen Roman who continued to serve as a member of the Board of Directors until July 15, 2020.
 - Appointment of Igor Gonzales effective July 15, 2020, replacing Stephen Roman who resigned from the Board of Directors.
 - Appointment of Doug Cater effective September 17, 2020, replacing Richard Sutcliffe who resigned from the Board of Directors.
 - Jim Gallagher resigned from the Board of Directors effective September 17, 2020.

- Change of Auditor

On January 17, 2020, the Company announced that RSM Canada LLP ("RSM") had tendered its resignation at the request of the Company and KPMG LLP had been appointed as the successor auditor, effective immediately.

Liquidity and Capital Management

- The Company ended 2020 with a cash balance of \$8.2 million.
- On March 18, 2021 the Company announced a \$24.8 million strategic investment by New Gold Inc. ("New Gold") (the "Strategic Investment") which closed on March 24, 2021.
 - In exchange for waiving the (i) right to receive up to 35% of the net proceeds of the Strategic Investment for debt repayment under the August 28, 2020 Facility Agreement ("Appian Debt Facility"); and (ii) participation right under the November 23, 2016 Subscription Agreement, the Company granted to Appian a deferred participation warrant that will allow Appian to acquire up to 55,802,812 Common Shares at \$0.18 per share for a period of 15 months following the closing of the Strategic Investment (the "Appian Deferred Participation Warrant"). The Appian Deferred Participation Warrant is not exercisable by Appian, subject to certain exceptions, for a period of 12 months following the closing of the Strategic Investment. New Gold was also granted a warrant (the "New Gold Warrant") which provides New Gold with the right, subject to Appian exercising the Appian Deferred Participation Warrant, to acquire up to 8,314,619 additional Common Shares at \$0.18 per Common Share in order to maintain its pro rata interest in the Company.
- On March 18, 2021, the Company also announced a plan to reschedule senior debt repayments.
 - The Company received an indicative financing proposal from BNP on a rescheduling of principal debt payments, deferring approximately US\$38.4 million in principal debt payments over 2021 and 2022 and extending the overall maturity to June 2025 (the "Debt Refinancing Proposal").
 - The Debt Refinancing Proposal is subject to certain conditions including: (i) the closing of the Strategic Investment; (ii) obtaining final internal BNP approvals; (iii) the extension of the maturity of the Appian Debt Facility from June 2023 to June 2025, to which Appian has agreed in principle, subject to negotiating final terms. Shareholder approval for the extension of the Appian



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Debt Facility will be sought by the Company at its upcoming meeting of shareholders in June 2021; and (iv) negotiation of definitive documentation with BNP and Appian.

- The Strategic Investment and Debt Refinancing Proposal place the Company in a significantly improved financial position and provides the Company with sufficient liquidity to fund operations over the next 12 months.

2021 OUTLOOK

- Gold production of 60,000 to 65,000 ounces.
 - Approximately two thirds of gold production will be unhedged.
- Achieve mining rate and milling rate of 800 tpd during Q1 2021 and then through the remainder of 2021.
- Cash Cost⁴ per ounce of US\$800 to US\$850.
 - Includes full owner-operated workforce.
- All-in sustaining cost⁴ (“AISC”) of US\$1,400 to US\$1,550 per ounce.
 - Mine development: \$26.0 million.
 - Other capital: \$13.0 million, includes upgrade of existing camp and construction of a heavy equipment shop.
- Regional exploration approximately \$5.0 million to identify and develop new zones of mineralization.

OPERATING SUMMARY

Mine Capital Development

Development rates have improved steadily since the restart of the mine in late July 2020. Improved efficiencies, along with additional mobile equipment, had a positive impact on development rates for Q4 2020, which have resulted in increased ore mining rates in early 2021.

The Company will be adding an additional single boom jumbo to its equipment fleet in Q2 2021, establishing sufficient capacity to achieve targeted rates for 2021. The focus remains on workforce productivities, mine planning and geology, longhole ore drilling and blasting, and equipment availability to ensure improved mining and throughput rates are maintained throughout 2021.

⁴ Mine Operating Cash Flow, EBITDA, Average Realized Gold Price, Cash Cost, and AISC are non-IFRS measures, refer to the definitions of non-IFRS measures below for a reconciliation.

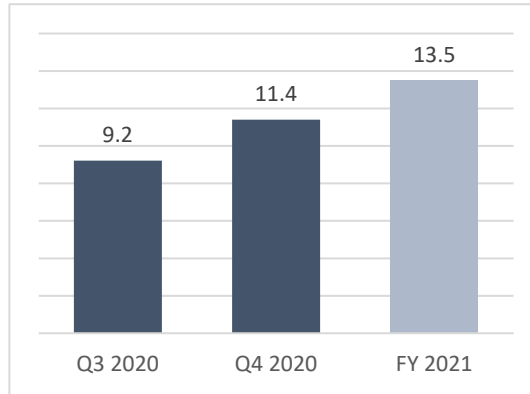


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Development rates continued to trend positively in Q3 2020 and Q4 2020 and the Company expects to meet targeted development rates for the year ended December 31, 2021.

Mine Development Metres (m/day)

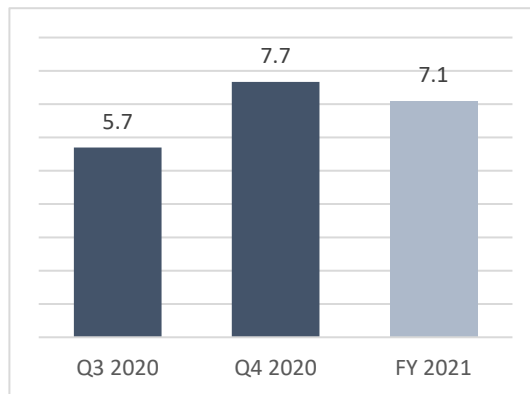


Grade Control

Processed grade at the Sugar Zone mine improved over 2020 due to the higher-grade areas of the mine that became accessible at depth and, overall, reconciled positively to the mineral resource model. Grade control practices continue to be a priority which help minimize ore dilution.

Average grade for 2021 is expected to be around 7.1 g/t Au, reflecting higher grade areas to be mined.

Head Grade (g/t Au)





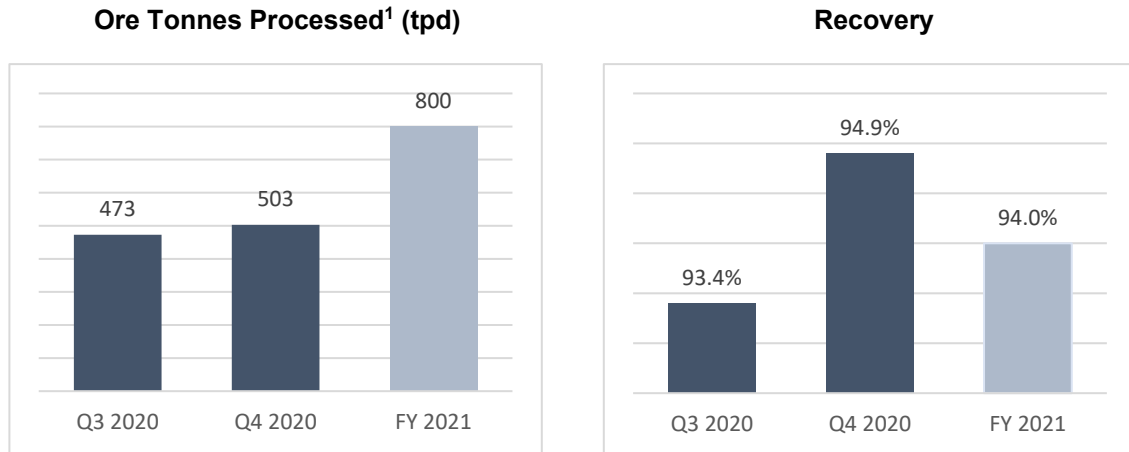
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Processing

The process plant was restarted on August 5, 2020. The mill has performed as planned, reconfirming the mill is not currently a bottleneck and will support 800 tpd throughput as mine production is increased.

Average ore tonnes processed improved consistently over 2020. Average recovery for FY 2020 was 94.2%, inline with plan for 2021.



1. Represents a mined daily rate for Q3 2020 as process plant was restarted midway through Q3 2020.

Health and Safety

Safety management in the current global COVID-19 pandemic continues to be a top priority of the Company. Proactive measures have been put in place, including enhanced daily screening at camp prior to work shifts and the hiring of an occupational health nurse to support site health and safety. No COVID-19 cases have been reported at site to-date.

In 2020, one lost-time incident was reported in July in relation to surface work maintenance that was completed. No lost time incidents have been reported since mine restart.

Owner Operator Transition

The transition to owner-operator was completed in December 2020. Redpath's mobile equipment has been fully secured and is now managed by Harte Gold.

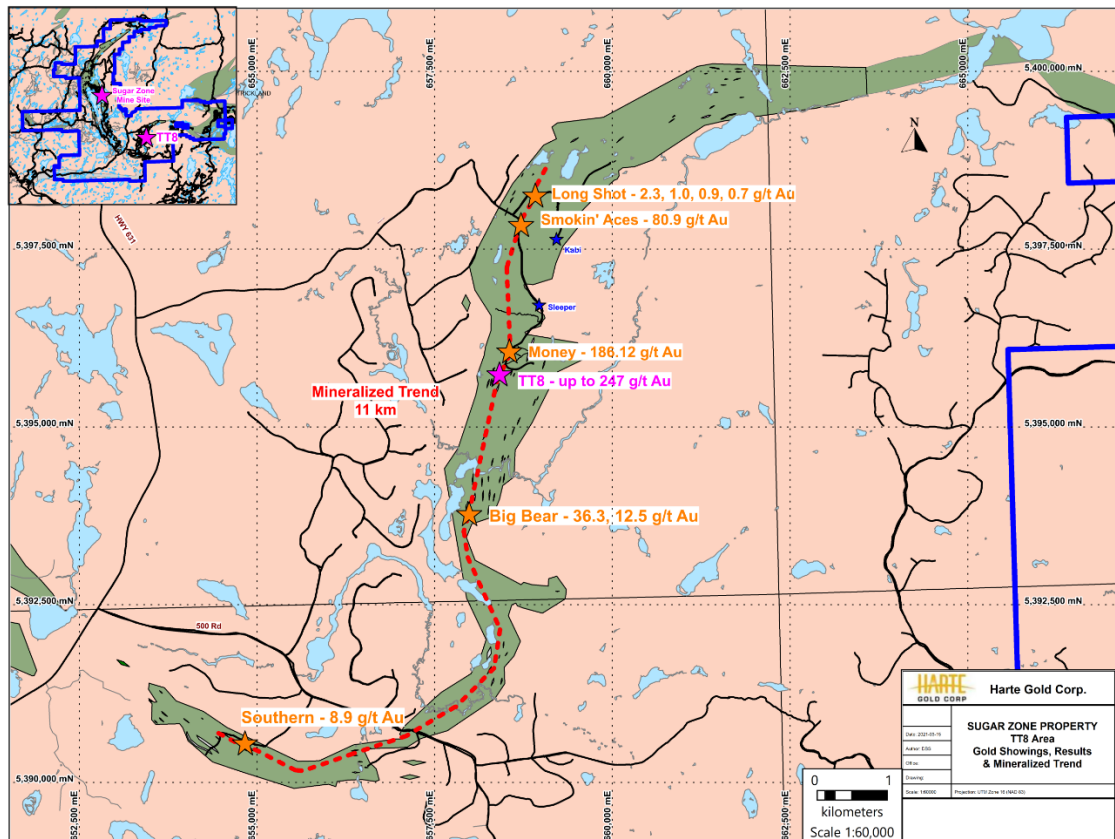
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EXPLORATION

The Company’s exploration focus over the coming months is to: (i) complete an exhaustive review and proper systematic database compilation of Harte Gold’s substantial historical geological data (including drilling, geophysics, magnetics, structural mapping, prospecting and surface sampling); (ii) complete various stage-gated regional exploration drill phases including TT8; (iii) complete lithological mapping, regional geology model compilation and geochemistry to help clearly define improved drilling targets for 2021 (including ongoing line cutting, allowing for an approximate 40-line km OreVision 3D IP survey and magnetic survey over key prospective areas called Big Bear (“BB”), BB extension, and Southern Showing); and (iv) continue diamond drilling to follow up on TT8 gold showings, as well as other gold showings and chargeability/resistivity anomalies along the same mineralized trend. These drilling results along with the exploration strategy and workplan for 2021 – 2022 will be highlighted in the coming months.

TT8 Area – Selected Grab Sample Showings





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RESULTS OF OPERATIONS

Results of operations for the three months and year ended December 31, 2020 compared with the three months and year ended December 31, 2019:

| | Three months ended December 31 | | Year ended December 31 | |
|--|-----------------------------------|-------------------|---------------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Mine operations | | | | |
| Revenues | \$ 21,950 | \$ 14,485 | \$ 53,501 | \$ 49,755 |
| Production costs | (12,297) | (12,108) | (33,032) | (46,760) |
| Royalties and selling expenses | (974) | (385) | (2,430) | (1,498) |
| Depreciation and depletion | (4,144) | (4,520) | (10,993) | (15,499) |
| Earnings/(loss) from mine operations | 4,535 | (2,528) | 7,046 | (14,002) |
| Other expenses | | | | |
| Care and maintenance | - | - | 6,119 | - |
| General and administrative | 3,688 | 3,350 | 10,119 | 10,166 |
| Exploration and evaluation | 416 | 890 | 1,170 | 5,874 |
| Operating earnings/ (loss) | 431 | (6,768) | (10,362) | (30,042) |
| Finance expenses/(income) & other | | | | |
| Flow-through share premium | (3,528) | - | (4,448) | (1,702) |
| Loss on loan modification/termination | - | - | 385 | 10,427 |
| Loss on production payment liability | - | (73) | - | 1,110 |
| Gain on sale of royalty | - | (3,711) | (622) | (3,711) |
| Interest & accretion expense | 3,599 | 1,902 | 8,991 | 10,072 |
| Foreign exchange (gain)/loss | (6,971) | (1,636) | (4,484) | (3,931) |
| Change in the fair value of derivative financial instruments | (6,630) | 3,913 | 21,069 | 19,313 |
| Settlement of gold derivatives | 3,565 | - | 8,934 | - |
| Other expense/(income) | (166) | (18) | (8) | (39) |
| | (10,131) | 377 | 29,817 | 31,539 |
| Net earnings / (loss) before income taxes | 10,562 | (7,145) | (40,179) | (61,581) |
| Income taxes | - | - | - | - |
| Net earnings / (loss) and comprehensive earnings / (loss) | \$ 10,562 | \$ (7,145) | \$ (40,179) | \$ (61,581) |

Results for the years ended December 31, 2020 and December 31, 2019

The Company produces gold doré bars and concentrates containing gold. The gold doré bars are sold to customers after further refinement and the gold concentrates are sold to a third-party smelter.

The Company's Average Realized Gold Price⁵ for gold bullion is generally below market averages due to the ability of certain bullion customers to select the applicable sales price over a number of days before and after the sales date. Realized prices are also affected by the pricing mechanism for concentrate sales,

⁵ Mine Operating Cash Flow, EBITDA, Average Realized Gold Price, Cash Cost, and AISC are non-IFRS measures, refer to the definitions of non-IFRS measures below for a reconciliation.



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including a payable factor and the smelting customer's ability to select sales prices over a one to three month period average after delivery of the concentrates as the applicable price.

Revenue of \$53.5 million in the year ended December 31, 2020 was 7.5% higher than the comparable period in 2019, primarily due to higher realized gold prices which was partially offset by lower sales due to the suspension of operations during Q2 2020 in response to COVID-19. Revenue during the year ended December 31, 2020 was derived from the sale of 23,345 ounces of gold, compared to 28,114 ounces of gold in the year ended December 31, 2019, of which approximately 70% was from the sale of gold bullion through doré bars and the remainder mostly from the sale of gold concentrates. The ounces sold in the year ended December 31, 2020 were 13% lower than the comparable period in 2019, primarily due to the suspension of operations during Q2 2020. The Average Realized Gold Price⁶ achieved in the year ended December 31, 2020 was US\$1,732 (2019 – US\$1,366), compared to an average spot gold price of US\$1,770 (average AM and PM prices reported by the London Bullion Market Association).

Production costs of \$33.0 million in 2020 were \$13.8 million lower than in 2019. The reduction in production costs is primarily due to processing fewer tonnes of higher grade ore, together with the cost savings realized from the transition to owner-operator.

Royalties and selling expenses increased to \$2.4 million in 2020 up from \$1.5 million in 2019. The increase in these expenses is primarily due to the additional Appian net smelter royalties ("NSR") commencing at 1.5% in December 2019 and increasing to 2.0% effective from July 2020 (as described below), together with the impact of higher gold sales in FY 2020.

Depreciation and depletion expense decreased by \$4.5 million from 2019 to 2020 for an expense of \$11.0 million. This was primarily due to the reduction in mining activity during the period of the operational shut down in the second quarter of 2020.

Mine operating earnings of \$7.0 million for the year ended December 31, 2020 improved from an operating loss of \$14.0 million in 2019. This change is largely due to higher revenues as a result of the 21% increase in the Average Realized Gold Price⁶, lower production costs, and lower depreciation and depletion.

Care and maintenance expenses were incurred during the year ended December 31, 2020 to keep the Sugar Zone Mine in compliance with health, safety and environmental regulations during the temporary suspension due to the COVID-19 pandemic, and to ensure that operations could be restarted seamlessly. Care and maintenance expenses of \$6.1 million included depreciation of \$1.1 million, underground mine maintenance of \$1.2 million, mill maintenance of \$0.8 million and general site costs of \$3.0 million.

The decrease of general and administrative expenses by approximately \$0.1 million in 2020 from 2019 was the result of a number of offsetting factors including decreases in shareholder information of \$4.5 million and severance pay of \$0.6 million, partially offset by increases in salaries, benefits and directors fees of \$2.1 million, general office expenses of \$1.1 million, share-based payments of \$0.6 million, legal fees of \$0.6 million, management and consulting fees of \$0.4 million, and depreciation of \$0.2 million.

Exploration and evaluation expenditures of \$1.2 million in the year ended December 31, 2020 were \$4.7 million lower compared to 2019 primarily due the suspension of all non-essential activities at the Sugar Zone Mine between March 30, 2020 and July 16, 2020 and a continued shift in focus from exploration to operations since the start of commercial operations at the Sugar Zone Mine on January 1, 2019. Exploration

⁶ Mine Operating Cash Flow, EBITDA, Average Realized Gold Price, Cash Cost, and AISC are non-IFRS measures, refer to the definitions of non-IFRS measures below for a reconciliation.



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expenditure in the years ended December 31, 2020 and 2019 represent expenditures on exploration of targets on the Company's land package in areas other than the Sugar Zone Mine.

In the year ended December 31, 2020, the Company renounced expenses related to the October 2019 CEE flow-through share issuance and the March 2020 CDE flow-through share issuance, resulting in income of \$4.4 million. In the year ended December 31, 2019, the Company renounced expenses related to the 2018 CEE flow-through share issuances, resulting in income of \$1.7 million.

The loss on loan modification of \$0.4 million in FY 2020 relates to the amendment of the BNP debt financing for US\$72.5 million that was entered into in FY 2019 ("BNP Debt Facilities"), on May 15, 2020, the loss on loan termination of \$10.4 million in FY 2019 related to the repayment of the Sprott debt facility in June 2019 and included prepayment and cancellation fees of \$2.1 million. The loss on production payment liability of \$1.1 million in FY 2019 related to fair value losses on revaluation of the production payment liability on the Sprott debt facility, which was repaid in June 2019.

In the year ended December 31, 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 property, 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 the year ended December 31, 2020, concurrently with the financing agreement with Appian completed to provide up to US\$28.0 million in funding (the "Appian Debt Facility"), the Company also agreed to the sale of an additional 0.5% NSR in exchange for payment by Appian of US\$2.0 million (together with the Appian Debt facility, the "Appian Financing"). Consistent with the prior year, the Company treated this transaction as a partial disposition of its investment in the Sugar Zone Property and recognized a gain of \$0.6 million on the disposition.

Interest and accretion expenses of \$9.0 million in the year ended December 31, 2020 were \$1.1 million lower than in the year ended December 31, 2019, primarily due to a lower weighted average cost of funding in 2020 compared to 2019, principally as a result of replacing the Sprott Debt and Appian Debt with the BNP Debt Facilities in June 2019, partially offset by recording interest associated with the Appian Debt Facility starting in Q3 2020.

Foreign exchange gains/losses result primarily from US dollar denominated debt and derivative financial instrument balances partially offset by US dollar cash and gold sales receivables. Exchange gains of \$4.5 million were recorded in the year ended December 31, 2020 as the CAD/US dollar exchange rate weakened from 1.30 to 1.27. Exchange gains of \$3.9 million were recorded in the comparable 2019 period as the US exchange rate weakened from 1.36 at December 31, 2018 to 1.30 at December 31, 2019.

The Company recognized expenses of \$21.1 million of changes in the fair value of derivative financial instruments in the year ended December 31, 2020, compared to \$19.3 million in the year ended December 31, 2019. In June 2019, a combination of zero cost collars comprised of offsetting put/call options and forward gold swaps were put in place as a hedge program to support the BNP Debt Facilities. For the year ended December 31, 2020, an expense of \$23.5 million reflected the mark-to-market valuation of the outstanding position as at December 31, 2020, which considers the change in gold price from US\$1,523 to US\$1,891, the change in the CAD/US exchange rate from 1.30 to 1.27, and the change in the remaining outstanding hedged ounces. Also included in the expense of \$21.1 million is the fair value change of the Appian Debt Facility Derivatives, which was a recovery of \$2.4 million in FY 2020, primarily due to the change in the Company's share price from date of issuance to December 31, 2020. The Appian Debt



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Facility contains derivative financial instruments based on the value of the Company's share price and CAD/US dollar exchange rates.

During 2020, gold hedge settlements of \$8.9 million (2019 - \$nil) were realized in respect of the gold hedges. As each hedge position matures, any related unrealized gains or losses are realized and settled on a cash basis.

Results for the three months ended December 31, 2020 (Q4 2020) and December 31, 2019 (Q4 2019)

Revenue of \$22.0 million during Q4 2020 was 52% higher than revenue of \$14.5 million in Q4 2019, driven largely by the increase in the Average Realized Gold Price⁷, together with the impact of higher ounces sold. Revenue during Q4 2020 was derived from the sale of 9,228 ounces of gold, compared to 7,537 ounces of gold in Q4 2019, of which approximately 75% was from the sale of gold bullion through doré bars and the remainder mostly from the sale of gold concentrates. The ounces sold in Q4 2020 were 22% higher than the comparable period in 2019. The Average Realized Gold Price⁷ achieved in Q4 2020 was US\$1,843 (2019 – US\$1,487), compared to an average spot gold price of US\$1,875 (average AM and PM prices reported by the London Bullion Market Association) during the quarter.

Production costs of \$12.3 million in Q4 2020 were \$0.2 million higher than in Q4 2019. The increase in production costs is primarily due to the increase in ounces of gold sold during Q4 2020 compared to Q4 2019 offset by the reduction in the cost per ounce sold in 2020 versus 2019 due to processing fewer tonnes of higher grade ore, together with the cost savings realized from the transition to owner-operator.

Royalties and selling expenses increased to \$1.0 million in Q4 2020 up from \$0.4 million in Q4 2019. The increase in these expenses is primarily due to the additional Appian NSR commencing at 1.5% in December 2019 and increasing to 2.0% effective from July 2020 together with the impact of high revenue in Q4 2020.

Depreciation and depletion expense decreased by \$0.4 million from Q4 2019 to Q4 2020 for an expense of \$4.1 million. The decrease was due to the net impact of increased ounces sold offset by fewer tonnes processed, as depletion is calculated on a per tonne basis.

Mine operating earnings of \$4.5 million for Q4 2020, improved from a mine operating loss of \$2.5 million in Q4 2019 largely due to the 22% increase in ounces sold in Q4 2020 at an Average Realized Gold Price⁷ which was 24% higher than in Q4 2019. The increase in revenues was partially offset by the increase in royalties.

The increase of general and administrative expenses by approximately \$0.3 million in Q4 2020 includes a \$3.6 million increase in share-based payments due to the reversal of previously recognized expenses in Q4 2019, offset by decreased severance costs and costs related to shareholders' information.

Exploration and evaluation expenditures of \$0.4 million in Q4 2020 consisted mainly of salaries and the VLF survey on TT8 and was \$0.5 million lower compared to Q4 2019 primarily due a continued shift in focus from exploration to operations since the start of commercial operations at the Sugar Zone Mine on January 1, 2019.

In Q4 2020, the Company renounced expenses related to the March 2020 CDE flow-through share issuance, resulting in income of \$3.5 million.

⁷ Mine Operating Cash Flow, EBITDA, Average Realized Gold Price, Cash Cost, and AISC are non-IFRS measures, refer to the definitions of non-IFRS measures below for a reconciliation.



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Interest and accretion expenses of \$3.6 million in Q4 2020 were \$1.7 million higher than Q4 2019, and consisted mainly of expenses related to the BNP Debt Facilities and the Appian Debt Facility, while in Q4 2019, the expenses mainly related to the BNP Debt Facilities only.

Foreign exchange gains/losses result primarily from debt and derivative financial instrument balances denominated in US dollars, partially offset by US dollar cash and gold sales receivables. Exchange gains of \$7.0 million were recorded in Q4 2020 as the CAD/US exchange rate weakened from 1.33 to 1.27. Exchange gains of \$1.6 million were recorded in Q4 2019 as the CAD/US exchange rate weakened from 1.32 to 1.30.

The Company recognized a recovery of \$6.6 million in changes in the fair value of derivative financial instruments in Q4 2020 compared to an expense of \$3.9 million in Q4 2019. In June 2019, a combination of zero cost collars comprised of offsetting put/call options and forward gold swaps were put in place as a hedge program to support the BNP Debt Facilities. In Q4 2020, a recovery of \$3.2 million reflected the mark-to-market valuation of the outstanding position as at December 31, 2020, which considers the change in gold price from US\$1,885 to US\$1,891, the change in the CAD/US exchange rate from 1.33 to 1.27, and the change in the remaining outstanding hedged ounces. Also included in the recovery of \$6.6 million for the quarter is the fair value change of the Appian Debt Facility Derivatives, a recovery of \$3.4 million in Q4 2020, primarily due to the change in the Company's share price during the period. The Appian Debt Facility contains derivative financial instruments based on the value of the Company's share price and CAD/US dollar exchange rates.

During Q4 2020, gold hedge settlements of \$3.6 million (Q4 2019 - \$nil) were made in respect of the gold hedges. As each hedge position matures, any unrealized gains or losses are realized and settled on a cash basis.



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SUMMARY OF QUARTERLY RESULTS

A summary of certain of the Company's quarterly information for the eight most recent quarters are as follows:

| | 2020 | | | | 2019 | | | |
|--|-----------|-----------|----------|-----------|-----------|-----------|-----------|----------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Total revenue | \$ 21,950 | \$ 12,215 | \$ 3,669 | \$ 15,667 | \$ 14,485 | \$ 14,888 | \$ 12,280 | \$ 8,103 |
| Net income (loss) | 10,562 | (11,750) | (22,860) | (16,131) | (7,145) | (15,182) | (25,900) | (13,354) |
| Income (loss) per share - basic and fully diluted | 0.012 | (0.014) | (0.027) | (0.023) | (0.011) | (0.024) | (0.043) | (0.022) |

The factors with the biggest impact on revenue and net income/(loss) on a quarterly basis include the volume of gold produced and sold during a quarter, the market price of gold and the CAD/US dollar exchange rate. Additional factors impacting net income/(loss) include changes in the Company's capital structure, including changes to the levels of borrowing and changes in the cost of borrowing. The suspension of operations at the Sugar Zone Mine from March 30, 2020 to July 16, 2020 had a negative impact on financial results.

The Company's sales or operations are not affected by seasonality, but fluctuations in the market price of gold and the CAD/US dollar exchange rate could have a material impact on the Company's results of operations. Results of operations for the year ended December 31, 2020 were negatively impacted in Q2 and Q3 due to the suspension of operations related to the COVID-19 pandemic. Average gold prices remained fairly constant during Q1 2019 and Q2 2019 at around US\$1,300 per ounce; however, gold prices increased in Q3 and Q4 2019 to around US\$1,475 per ounce, impacting revenue positively in Q3 2019 and Q4 2019. Gold prices continued to improve in 2020 ranging from approximately US\$1,580 per ounce in Q1 2020 to approximately US\$1,910 per ounce in Q3 2020 and US\$1,875 per ounce in Q4 2020. In Q2 2020, increased gold prices had a net negative impact on results, as lower gold sales as a result of the suspension precluded the Company from offsetting the increase in the hedge liability.

A 4% decline in the US dollar over the course of 2019 had a negative impact on revenue on a quarter-to-quarter basis, as all sales are denominated in US dollar. The weakening US dollar also resulted in unrealized foreign exchange gains on the Company's US dollar denominated debt and gold hedge balances from quarter to quarter, impacting net income/(loss) positively. In Q1 2020, the US dollar strengthened against the Canadian dollar by 9%, more than reversing the unrealized gains on debt and gold hedge balances but impacting revenue positively. The US dollar weakened by 4% over the course of Q2 2020, another 2% in Q3 2020 and a further 2% in Q4 2020, offsetting the impact of the strengthened US dollar in Q1 2020.

On May 3, 2018, the Company closed on a short-term debt financing with Appian in the amount of US\$20.0 million (the "Appian Debt") and on May 31, 2018, the Company closed a long-term debt financing with Sprott Private Resource Lending (Collector) LP ("Sprott") (the "Sprott Debt").

On June 14, 2019, the Company closed the BNP Debt Facilities and replaced the Appian Debt and Sprott Debt with the BNP Debt Facilities which resulted in reduced borrowing costs from Q3 2019 onwards, however, resulted in a one-time loss on loan modification in Q2 2019 of \$10.4 million related to the Sprott Debt. Additional interest and accretion expenses are being incurred from Q3 2020 onwards, related to the Appian Debt Facility. Income (loss) in Q4 2019 and Q3 2020 were positively impacted by the gain on the sale of a royalty of \$3.7 million and \$0.6 million respectively.



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SELECTED ANNUAL INFORMATION

The Company's Financial Statements and the financial data set out below have been prepared in accordance with IFRS. Harte Gold uses the Canadian dollar as functional and presentation currency.

| in thousands of Canadian dollars | Year ended | | |
|--|-----------------|-----------------|-----------------|
| | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2018 |
| Revenues | \$ 53,501 | \$ 49,755 | \$ - |
| Net loss | (40,179) | (61,581) | (39,872) |
| Total assets | 153,360 | 122,769 | 126,247 |
| Long term liabilities | 127,451 | 101,534 | 5,202 |
| Net loss per share - basic and fully diluted | \$ (0.049) | \$ (0.098) | \$ (0.069) |

During 2018, construction of the Sugar Zone Mine was substantially completed and mining initiated. Harte Gold declared the commencement of commercial production effective January 1, 2019 and results for the year ended December 31, 2019 reflect the first year of commercial production and operations. Proceeds from the sale of gold produced during 2018 were incidental to the commissioning process and were credited to capitalized project expenditures. Revenue in 2020 was higher than the comparable period in 2019, primarily due to higher realized gold prices which was partially offset by lower sales due to the suspension of operations during Q2 2020 in response to COVID-19.

The net loss increased from 2018 to 2019 primarily due to the mine operating loss as operations ramped up in 2019, as well as unrealized losses on gold hedges, costs and losses related to the Sprott Debt and Appian Debt, which were partially offset by reduced exploration and evaluation expenditure. The decrease in net loss in 2020 can be attributed to higher realized gold prices, lower operating costs and a reduction in financing costs and losses, partially offset by care and maintenance expenses while operations were suspended due to COVID-19 and settlements on gold hedges.

The decrease in assets from 2018 to 2019 is mostly attributable to working capital changes, as additions to long terms assets were offset by depreciation and depletion expenses in 2019. Total assets increased in 2020 mainly due to continued investment in plant and equipment and accelerated mine development, combined with increased working capital due to various financings completed during the year, partially offset by depreciation and depletion expenses.

Long term liabilities increased in 2019 compared to 2018, as the short term Sprott Debt and Appian Debt were replaced with the BNP Debt Facilities in June 2019. The further increase in 2020 is mostly due to the completion of the Appian Debt Facility in August 2020 and new equipment leases, which were partially offset by the weakening US dollar during the period and by principal repayments on the BNP Debt Facilities during the period.



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FINANCIAL POSITION

The Company's financial position at December 31, 2020 and December 31, 2019 is summarized as follows:

| | December 31 2020 | December 31 2019 |
|---|-----------------------------|---------------------|
| Current assets | \$ 21,430 | \$ 9,887 |
| Long term assets | 131,930 | 112,882 |
| Total assets | \$ 153,360 | \$ 122,769 |
| Payables and accruals | \$ 14,727 | \$ 25,630 |
| Flow through share premium | 6,344 | 920 |
| Current portion of derivative liabilities | 15,511 | 3,947 |
| Current portion of long-term debt | 26,427 | 8,911 |
| Long term portion of derivative liabilities | 30,011 | 15,366 |
| Long term liabilities | 97,440 | 86,168 |
| Total liabilities | 190,460 | 140,942 |
| Shareholders' equity | (37,100) | (18,173) |
| Total liabilities & shareholders' equity | \$ 153,360 | \$ 122,769 |

The Company's cash and cash equivalents increased to \$8.2 million at December 31, 2020 from \$2.1 million at December 31, 2019, primarily due to the completion of a flow-through private placement offering for proceeds of \$27.0 million in March 2020 and the completion of the US\$30.0 million Appian Financing in July/August 2020, offset by operational and capital expenditure requirements. Operations required \$6.1 million in cash in the year ended December 31, 2020, due to reduced earnings as a result of the suspension of operations at the Sugar Zone Mine. A further \$28.6 million was invested in mine development and additions to plant and equipment, and \$1.3 million was posted as collateral for the Company's environmental bonding obligations. The cash outflow from investing activities was partially offset by the disposition of a 0.5% NSR which generated proceeds of \$2.7 million (included in the US\$30.0 million Appian Financing described above).

Long-term assets primarily consist of property, plant and equipment at December 31, 2020. In connection with the Redpath Close-Out Agreement, the Company acquired \$0.8 million of equipment from Redpath and \$0.8 million of critical spare parts. The additions during the year were partially offset by depreciation and depletion of \$12.4 million.

The decrease in payables and accrued liabilities during the year was largely the result of the use of proceeds from the Appian Financing and the transition from contractor mining to owner operated mining.

The flow through share premium of \$0.9 million as at December 31, 2019 was renounced early in 2020 with an additional \$3.5 million of flow through share premium being renounced during the year related to the \$27.0 million CDE flow-through share issuance in March 2020. The remaining balance of \$6.3 million at December 31, 2020 will be renounced in stages as the proceeds from the March 2020 flow-through offering are spent on qualifying CDE expenditure.

At December 31, 2020, \$118.6 million was outstanding on the BNP Debt Facilities, Appian Debt Facility, leases and a mortgage, of which \$26.4 million was classified as current. The increase of \$28.6 million in



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debt was primarily the result of the completion of the Appian Debt Facility in August 2020 and new equipment leases, which were partially offset by the weakening US dollar during the period and by principal repayments on the BNP Debt Facilities during the period of \$5.6 million.

At December 31, 2020, the Company had derivative liabilities with a fair value of \$45.5 million of which \$15.5 million is considered a current liability. In connection with the BNP Debt Facilities, the Company put a gold hedge program in place, consisting of zero cost put/call options. Due to the gold price movement from US\$1,351 on June 14, 2019 to US\$1,891 on December 31, 2020, the fair value of the hedge position resulted in a liability of \$41.6 million, of which \$15.5 million is classified as current. Cash payments of \$7.8 million were made to BNP during the year ended December 31, 2020 on the gold hedges with the December 31, 2020 contracts of a further \$1.1 million being settled in early January 2021. The Appian Debt Facility contains derivative liabilities with a fair value of \$3.9 million at December 31, 2020 compared to \$nil at December 31, 2019.

Shareholders' equity decreased by \$18.9 million during the year ended December 31, 2020 due to the net loss of \$40.2 million for the period, partially offset by the net proceeds from the March 2020 flow-through private placement after adjustments for the flow-through premium of \$9.9 million, which is recognized as a current liability with a balance of \$6.3 million at December 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

Appian Financing

On July 14, 2020, the Company entered into a financing agreement with Appian, to provide up to US\$28.0 million in funding of which US\$9.5 million was drawn immediately to facilitate a restart of the Sugar Zone Mine. Concurrently with entering into the Appian Debt Facility, the Company also agreed to the sale of a 0.5% royalty for US\$2.0 million in proceeds from an affiliate of Appian.

On August 28, 2020, the Company closed the Appian Debt Facility and the second tranche of US\$18.5 million was drawn after receipt of consent to the Appian Financing from BNP, the perfection of the 2nd lien security agreement over the Company's assets and the execution of an intercreditor agreement between Appian and BNP as well as other customary conditions. The Company also received US\$2.0 million from the 0.5% royalty sale on August 28, 2020.

The facility has a 14% nominal interest rate and a maturity date of June 30, 2023. The Appian Debt Facility is secured by second priority ranking security over the Company's assets, subordinated to BNP.

The first tranche of the Appian Debt Facility was completed on July 14, 2020 through the issuance of 9.5 million Series B special shares ("Special Shares") at US\$1.00 per Special Share for gross proceeds of US\$9.5 million. Dividends on the Special Shares were paid monthly and settled in common shares of the Company at a nominal rate of 14% per annum. The number of common shares issued for the settlement of the monthly dividend payment was determined by using the lower of the 5-day volume-weighted average price of the Company's common shares translated into United States dollars at the 5-day average exchange rate and US\$0.086 per share.

The second tranche of US\$18.5 million was drawn on August 28, 2020, upon closing of the facility. The Special Shares converted into US\$9.5 million principal under the Appian Debt Facility with closing of the second tranche, increasing the principal amount of the Appian Debt Facility to US\$28.0 million on August 28, 2020.

Interest on the Appian Debt Facility is payable monthly and is settled through the issuance of common shares. From August 28, 2020, the number of common shares to be issued for each monthly interest payment is determined by the 5-day volume-weighted average price ("VWAP") of the common shares



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translated into United States dollars by using the 5-day average exchange rate. Upon maturity, the Company will pay a fee to an affiliate of Appian (the "Equity Structuring Fee"), determined primarily by the difference in the VWAP of the common shares over the life of the loan, translated into United States dollars using the average exchange rate over the life of the loan, compared to US\$0.086 per share. The Equity Structuring Fee is payable at maturity in cash or in common shares at the Company's election.

An arrangement fee was payable on the US\$30.0 million Appian Financing, which was settled through the issuance of 6,970,844 common shares and the Company issued 7.5 million share purchase warrants pursuant to the Appian Financing (collectively, the "Upfront Securities").

Although the Appian Debt Facility was structured in two tranches consisting of equity and debt instruments, the Company determined that the Appian Debt Facility was in substance a single instrument which should be accounted for as a financial liability. The dividends paid on the first tranche of the facility were accordingly recognized as interest.

The Company has the option to prepay the Appian Financing prior to maturity by incurring a prepayment penalty of between 10% to 20% of the outstanding principal balance, dependent on when the prepayment is made (the "Prepayment Option"). In the event of a change of control of the Company or when a default occurs pursuant to the Appian Debt Facility, the lender has the option to convert the debt into common shares of the Company with a conversion premium of 10% and 15%, respectively, of the outstanding principal balance (the "Conversion Option"). The number of common shares would be determined based on the 5-day VWAP at the time of the conversion translated into United States dollars at the 5-day average exchange rate. The Company may incur additional interest expense of between 4% and 8% if it fails to achieve or correct certain operational requirements and an additional 5% while an event of default is continuing. The applicable interest rate cannot exceed 22%, even if an event of default and breach of operational requirement occurs at the same time. Both the Prepayment Option and the Conversion Option are derivative instruments. Two breaches of operational requirements occurred in 2020, leading to an increase in the interest rate to 18% between January 1 and January 28, 2021, after which the interest rate reverted to 14%.

The Appian Debt Facility and the intercreditor agreement between Appian and BNP, provide the Company with an uncommitted up to US\$20.0 million accordion option, which may be provided by Appian (or an affiliate) or a third party on similar terms to the Appian Debt Facility. Amounts disbursed under the Accordion Facility may be used by the Company solely for the purpose of prepaying outstanding amounts or to otherwise meet debt services requirements under the BNP Debt Facilities.

The Appian Debt Facility was fully drawn at December 31, 2020.

The Company also entered into an offtake agreement with an affiliate of Appian on the same terms and conditions as the original offtake agreement (as amended and except for the repurchase right), pursuant to which the affiliate of Appian was granted an additional 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.

Pursuant to the terms of the Appian Financing, Appian was 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 currently 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 Appian Credit Facility.



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The Toronto Stock Exchange (the "TSX") approved the listing of all of the common shares issuable in connection with the transactions contemplated by the Appian Financing (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 placed the Company under remedial delisting review, which is customary in these circumstances. On October 20, 2020, the TSX completed its de-listing review and determined the Company is in compliance with all continued listing requirements.

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 was 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 met the requirements of the financial hardship exemption.

BNP Debt Facilities

On June 14, 2019 the Company completed the BNP debt financing for US\$72.5 million. The BNP Debt Facilities consist 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 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 year ended December 31, 2020 was 5.44% (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.

In connection with the granting of a 1.5% NSR on the Sugar Zone Property in December 2019, BNP required the coincident repayment of principal under the BNP Debt Facilities. Accordingly, the Company repaid US\$4.0 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.

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 were measured on a quarterly basis but failure to meet such covenants did 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 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.



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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 the 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;
- Deferral of certain payments due under the Company's gold hedge program with BNP;
- An increase in the interest rates payable of 50 basis points 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%; and,
 - 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 Financial Instruments ("IFRS 9"). As a result, a \$0.4 million loan modification loss was recognized in the statement of operations and comprehensive loss on May 15, 2020.

On August 28, 2020, in connection with the Appian Financing, the BNP Debt Facilities were further amended to permit the Appian Financing. The Company made a US\$1.0 million prepayment on the BNP Debt Facilities pursuant to this amendment, in part due to the granting of the additional 0.5% royalty to an affiliate of Appian.

The Company announced on March 18, 2021 that it has received a non-binding indicative proposal from BNP to re-schedule approximately US\$ 38.4 million of the Company's senior debt payments to BNP currently due in 2021 and 2022, which would provide Harte Gold with significantly more financial flexibility over the next two years.



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The proposed rescheduled principal repayments are highlighted below and would take effect after the March 31, 2021 scheduled payment of US\$3.3 million.

| Year | Revised repayment schedule (indicative) | Current repayment schedule |
|--------------------------|--|----------------------------|
| | US\$ millions | US\$ millions |
| 2021 (April to December) | \$- | \$10.0 |
| 2022 | 10.3 | *38.7 |
| 2023 | *30.3 | 9.3 |
| 2024 | 12.3 | 3.0 |
| 2025 | 8.1 | - |
| Total | \$61.0 | \$61.0 |

**Includes revolving term credit facility repayment for US\$ 20 million*

The Debt Refinancing Proposal is subject to certain conditions including: (i) obtaining final internal BNP approvals; (ii) the extension of the maturity of the Appian Debt Facility from June 2023 to June 2025, to which Appian has agreed in principle, subject to negotiating final terms. Shareholder approval for the extension of the Appian Debt Facility will be sought by the Company at its upcoming meeting of shareholders in June 2021; and (iii) negotiation of definitive documentation with BNP and Appian.

Other proposed amendments to existing terms include a customary amendment fee, adjustment of interest rates to reflect a market-based margin over LIBOR, inclusion of a Debt Service Coverage Ratio covenant and operational performance tests, and limitations/restrictions on certain types of expenditures, dependent on amount of cash generated from operations.

The proposed amendment of the BNP Debt Facilities is expected to occur in April 2021, but the terms of the amendment will only become effective on receipt of shareholder approval.

The BNP Debt Facilities were fully drawn down at December 31, 2020.

Echelon bought deal prospectus offering

On October 2, 2019, the Company completed a bought deal prospectus offering with Echelon Wealth Partners Inc. for 23,000,000 flow-through common shares at a price of \$0.30 per common share for gross proceeds of \$6.9 million. The gross proceeds from the issuance of the flow-through shares will be used for CEE eligible expenditure as defined in subsection 66(15) of the Income Tax Act (Canada).

On July 10, 2020, the Canadian Federal Department of Finance announced an extension of the timeline to spend the proceeds from flow-through funding by 12 months, and on December 16, 2020, the Department of Finance published corresponding draft legislative proposals. The Company renounced the eligible CEE for this offering effective December 31, 2019 and therefore would have to had incurred the eligible CEE in 2020, but due to the 12 month extension, now has until December 31, 2021 to incur the eligible CEE. The announcement also included a proposal to apply Part XII.6 tax as if the expenditures were incurred up to one year earlier than the date they were actually incurred. The proposed changes will not be effective until the relevant legislative amendments have been passed.

At December 31, 2020, the Company has incurred \$1.5 million of the \$6.9 million flow-through proceeds. The Company is re-evaluating its planned exploration expenditure for 2021 to ensure that eligible CEE expenditure is incurred in the required timeframe.



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Canaccord and Haywood led private placement

The Company and a syndicate of underwriters led by Canaccord Genuity Corp. ("Canaccord") and Haywood Securities Inc. ("Haywood"), including CIBC Capital Markets and BNP Paribas Canada, entered into an underwriting agreement dated February 19, 2020, as amended and restated as of March 9, 2020, for the sale of 168,750,000 flow-through shares at a price of C\$0.16 per flow-through share for gross proceeds of \$27.0 million.

In connection with the offering, Appian participated in purchasing common shares of the Company to the extent of its pro rata interest, which represents approximately 24.4% of the issued and outstanding common shares of the Company.

The flow-through shares qualify as "flow-through shares" (within the meaning of subsection 66(15) of the Income Tax Act (Canada)). The gross proceeds from the offering is being used by the Company to incur eligible "Canadian development expenses" ("CDE") as such term is defined in the Income Tax Act (Canada) related to the Company's assets in Ontario. All qualifying expenditures will be proportionately renounced in favour of the subscribers of the flow-through shares.

The offering of flow-through shares closed in two tranches. The first tranche closed on March 11, 2020 for gross proceeds of \$19.4 million and the second tranche closed on March 19, 2020 for gross proceeds of \$7.6 million. The flow-through shares of the Company issued in connection with the offering were subject to a hold period in Canada of four months and one day from the date of issuance.

On July 10, 2020, the Canadian Federal Department of Finance announced an extension of the timeline to spend the proceeds from flow-through funding by 12 months. The Company renounced \$9.6 million of the eligible CDE for this offering effective December 31, 2020 and therefore would have to have incurred the remaining \$17.4 million of eligible CDE in 2021, but due to the 12 month extension, now has until December 31, 2022 to incur the eligible CDE. The proposed changes will not be effective until the relevant legislative amendments have been passed. The Company expects to expend the remaining \$17.4 million in fiscal 2021.

New Gold Strategic Investment

On March 24, 2021, Harte Gold completed a private placement offering of 154,940,153 common shares to New Gold at a price of \$0.16 per common share for gross proceeds of \$24,790,424.

Following completion of the Strategic Investment, New Gold beneficially owned approximately 14.9% of the issued and outstanding common shares of Harte Gold.

Pursuant to the terms of an investor rights agreement entered into in conjunction with the Strategic Investment, as long as New Gold holds not less than 10% of the Company's issued and outstanding common shares:

- Commencing at Harte Gold's 2022 annual meeting of shareholders, New Gold will have the right to nominate one director to the Company's board of directors (the "Board"). In the event the Board increases in size to nine or more directors, New Gold will have the right to nominate an additional director;
- New Gold's nominee will be provided an observer right to the Board's Health, Safety, Environmental and Technical Committee; and
- New Gold will have the right to participate in future equity financings to maintain its 14.9% interest.

In exchange for waiving the (i) right to receive up to 35% of the net proceeds of the Strategic Investment for debt repayment under the Appian Debt Facility; and (ii) participation right under the November 23, 2016 Subscription Agreement, the Company granted to Appian a deferred participation warrant that will allow



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Appian to acquire up to 55,802,812 Common Shares at \$0.18 per share for a period of 15 months following the closing of the Strategic Investment (the "Appian Deferred Participation Warrant"). The Appian Deferred Participation Warrant is not exercisable by Appian, subject to certain exceptions, for a period of 12 months following the closing of the Strategic Investment. New Gold was also granted a warrant (the "New Gold Warrant") which provides New Gold with the right, subject to Appian exercising the Appian Deferred Participation Warrant, to acquire up to 8,314,619 additional Common Shares at \$0.18 per Common Share in order to maintain its pro rata interest in the Company.

The Strategic Investment was announced on March 18, 2021 and closed on March 24, 2021 after receipt of all required regulatory and other approvals including the approval of the Toronto Stock Exchange and the securities regulatory authorities.

Working capital and cash used in operations

The Company had a working capital deficit of \$40.3 million at December 31, 2020 compared to a deficit of \$29.5 million at December 31, 2019. During the year ended December 31, 2020, the Company's operations required \$6.1 million in cash, mostly due to reduced earnings as a result of the temporary suspension of the Sugar Zone Mine on March 30, 2020. The operational cash deficit was financed from cash on hand at December 31, 2019 of \$2.1 million and proceeds from the Canaccord and Haywood led private placement and the proceeds from the Appian Financing. Operations resumed at the Sugar Zone Mine on July 17, 2020.

The Strategic Investment and Debt Refinancing Proposal (as described above) places the Company in a significantly improved financial position and provides the Company with sufficient liquidity to fund operations over the next 12 months. The Debt Refinancing Proposal is subject to certain conditions including: (i) obtaining final internal BNP approvals; (ii) the extension of the maturity of the Appian Debt Facility from June 2023 to June 2025, to which Appian has agreed in principle, subject to negotiating final terms. Shareholder approval for the extension of the Appian Debt Facility would be sought by the Company at its upcoming meeting of shareholders in June 2021; and (iii) negotiation of definitive documentation with BNP and Appian. The proposed amendment of the BNP Debt Facilities is expected to occur in April 2021, but the terms of the amendment will only become effective on receipt of Shareholder approval.

The Company's liquidity is also impacted by several macro-economic factors, which include, but are not limited to, gold market prices, foreign exchange rates, fuel prices and corporate tax policies in Canada. Other factors impacting the Company's liquidity include the cost of inputs to the Sugar Zone mine. Management may also consider other options to enhance liquidity, as necessary, which may include the issuance of debt or equity securities to public markets or private investors.

Investing activities and current and future sources of funding

Capital expenditures of \$28.6 million in 2020 were funded from cash on hand, proceeds from the Canaccord and Haywood led private placement that closed in March 2020 and proceeds from the Appian Financing.

Capital expenditures for 2021 will be funded from cash on hand and the proceeds of the New Gold Strategic Investment.

The Company is reliant on the closing of the proposed refinancing with BNP to remain in compliance with all covenants related to the BNP Debt Facilities for the remainder of 2021.

The Company's ability to continue as a going concern is dependent on the successful operation of its one mining property, the Sugar Zone Mine, its ability to manage its working capital deficiency, closing of the proposed refinancing with BNP, and access to additional external funding (if required). There can be no assurance that the Company will close the proposed refinancing with BNP, or that the Company will be



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able to obtain other required financing on terms acceptable to the Company. Due to uncertainties surrounding a number of factors such as, but not limited to, the ability to continue operating during the COVID-19 pandemic, completion of the proposed refinancing, the ability to raise additional funds, exploration results, mine operating results, the price of underlying commodities and financial market conditions, it is not possible to predict the success of the Company's efforts in this regard. These factors indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

COMMITMENTS AND CONTINGENCIES

The Company has the following commitments at December 31, 2020:

| | Total | 2021 | 2022 - 2024 | 2025-2026 | 2027 onwards |
|--|-------------------|------------------|-------------------|-----------------|-----------------|
| Accounts payable and accrued liabilities | \$ 14,727 | 14,727 | - | - | - |
| BNP Debt Facility | | | | | |
| - Principal | 81,896 | 16,893 | 65,003 | - | - |
| - Interest | 6,214 | 3,561 | 2,653 | - | - |
| Appian Debt Facility ¹ | | | | | |
| - Principal | 35,650 | - | 35,650 | - | - |
| Lease obligations | 10,719 | 8,995 | 1,384 | 340 | |
| Mortgages | 210 | 105 | 105 | - | - |
| Contractual commitments | 840 | 840 | - | - | - |
| Minimum payments to First Nations ² | 6,600 | 600 | 1,800 | 1,200 | 3,000 |
| Other | 370 | 70 | 210 | 80 | 10 |
| Total contractual obligations | \$ 157,226 | \$ 45,791 | \$ 106,805 | \$ 1,620 | \$ 3,010 |

1) Interest on the Appian Debt Facility is settled monthly through the issuance of common shares.

2) The Company has entered into an Impact Benefits Agreement ("IBA") with Pic Moberg First Nation ("Pic Moberg" 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 Moberg. 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, 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).

Under the terms of an agreement with Maximus Metals Corp. ("Maximos"), Maximus 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 Maximus within a 10 year period.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS AND CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of the Company's financial condition and results of operations are based upon its Financial Statements which have been prepared in accordance with IFRS. The preparation of financial statements requires the Company to make estimates and judgments that affect the reported amounts of



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assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

The Company may issue hybrid financial liability instruments which may contain debt, derivative and equity instruments. The Company shall determine and recognize the fair values of each component of the hybrid financial liability instrument. The main assumptions of the hybrid financial instrument include estimated life of the option, the expected volatility of the Company's common share price, the estimated future common share price, the expected volatility of the US/CAD dollar exchange rate, estimated future USD/CAD exchange rate, the expected dividends and the risk-free rate of interest in Canada and the United States. Subsequent to the initial measurement, the Company shall apply its accounting policies to each component of the hybrid instrument as if it were a separate instrument. Judgement is involved in assessing the fair value of the individual components of a hybrid financial instrument.

In addition to the hybrid financial liability instruments, the impact of financial instruments and areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are discussed in more detail in the Company's audited annual financial statements for the years ended December 31, 2020 and 2019, which are available on the Company's website at www.hartegold.com and SEDAR at www.sedar.com.

RELATED PARTY TRANSACTIONS

Transactions with Appian

Appian is a related party to the Company. Appian is a related party as a result of its 23.3% ownership interest in Harte Gold's shares as at December 31, 2020 and Appian's right to appoint two directors to the Company's board. Affiliates of Appian own an additional 2.3% of the Company's shares at March 23, 2021. The Company has entered into several funding transactions with Appian. Appian has the right to maintain their ownership percentage in the Company through pro-rata participation in any equity financings.

Transactions, other than the funding transactions, with the related party were in the normal course of operations and were measured at the exchange amount. The transactions include gold sales, royalty payments, and services provided by Appian or its affiliates to support the Company's corporate development function and project management. Amounts due to related parties pursuant to these transactions are unsecured, non-interest bearing and due on demand. These are settled on a regular basis. For the year ended December 31, 2020, the Company included \$0.3 million (2019 - \$nil) of costs for these transactions in General and Administrative Expenses. At December 31, 2020, the Company owed the related party \$0.3 million (2019 - \$nil) and has included this amount in accounts payable and accrued liabilities.



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RISKS AND UNCERTAINTIES

Mineral exploration, development and operation of mining properties involves several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides, and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs and the operation of mines. The commercial viability of exploiting any precious metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals of sufficient quantity, quality, size, and grade will be discovered on any of the Company's properties to justify commercial operation.

The global COVID-19 crisis continues to evolve including the continuing imposition of restrictions on the movement of people and goods, physical distancing measures, the use of personal protective equipment, 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 taken 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. However, given the unforeseen conditions resulting from the ongoing COVID-19 crisis, there can be no assurance that the Company's response and business continuity plans will continue to be effective in managing the crisis and changing conditions could result in a material adverse effect on the Company's business, financial condition and/or results of operations. Additional risks and uncertainties are discussed in greater detail in the Company's Annual Information Form available on www.SEDAR.com.

NON-IFRS MEASURES

The Company uses certain non-IFRS measures in the MD&A as defined below. In the gold mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers as they have no standardized meaning under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance, profitability and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Mine Operating Cash Flow and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

Mine Operating Cash Flow and EBITDA are non-IFRS measures, do not have standardized meanings prescribed by IFRS and may not be comparable to similar terms and measures presented by other issuers.

Mine Operating Cash Flow comprises revenues, less royalties and production costs.

EBITDA represents net earnings before interest and accretion expense, income taxes, depreciation and depletion, foreign exchange (gain) / loss, unrealized derivative (gain) / loss, share-based payments, and other non-operational items.

Certain investors use Mine Operating Cash Flow and EBITDA in addition to conventional measures prepared in accordance with IFRS as an indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations and fund capital expenditures.



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A reconciliation of Mine Operating Cash Flow and EBITDA is provided below:

| | Q4 2020 | Q4 2019 | FY 2020 | FY 2019 |
|------------------------------------|--------------|--------------|---------------|----------------|
| Revenues | 21,950 | 14,485 | 53,501 | 49,755 |
| Royalties and selling expenses | (974) | (385) | (2,430) | (1,498) |
| Production costs | (12,297) | (12,108) | (33,032) | (46,760) |
| Mine Operating Cash Flow | 8,679 | 1,992 | 18,039 | 1,497 |
| General and administrative expense | (3,688) | (3,350) | (10,119) | (10,166) |
| Exploration | (416) | (890) | (1,170) | (5,874) |
| Add Back: | | | | |
| Share-based payments | 853 | 1,354 | 1,356 | 4,899 |
| Depreciation and depletion | 72 | 19 | 247 | 24 |
| Settlement of gold derivatives | (3,565) | 0 | (8,934) | 0 |
| EBITDA | 1,935 | (875) | (581) | (9,620) |

Average Realized Price per ounce sold "Average Realized Gold Price"

Average Realized Gold Price is a common performance measure in the gold mining industry that does not have a standardized meaning. The most directly comparable measure prepared in accordance with IFRS is revenue. Average Realized Gold Price should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The measure is intended to assist readers in evaluating the total revenues realized in a period from current operations.

Average Realized Gold Price is reconciled for the periods presented as follows:

| | Q4 2020 | | Q4 2019 | | FY 2020 | | FY 2019 | |
|--|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | \$ | US\$/oz | \$ | US\$/oz | \$ | US\$/oz | \$ | US\$/oz |
| Revenues, net | 21,950 | 1,826 | 14,485 | 1,456 | 53,501 | 1,710 | 49,755 | 1,334 |
| Add back: | | | | | | | | |
| Treatment and refining costs | 213 | 18 | 311 | 31 | 682 | 22 | 1,214 | 33 |
| Revenues, gross | 22,163 | 1,843 | 14,796 | 1,487 | 54,183 | 1,732 | 50,969 | 1,366 |
| Settlement of gold derivatives | (3,565) | (297) | 0 | 0 | (8,934) | (286) | 0 | 0 |
| Revenues net of gold hedge settlement | 18,598 | 1,547 | 14,796 | 1,487 | 45,249 | 1,446 | 50,969 | 1,366 |

| | Units | Q4 2020 | Q4 2019 | FY 2020 | FY 2019 |
|---------------------------------|---------|---------|---------|---------|---------|
| Ounces sold | oz | 9,228 | 7,537 | 23,345 | 28,114 |
| FX rate | USD/CAD | 0.77 | 0.76 | 0.75 | 0.75 |
| Average Realized Gold Price | US\$/oz | 1,843 | 1,487 | 1,732 | 1,366 |
| Realized Gold Price After Hedge | US\$/oz | 1,547 | 1,487 | 1,446 | 1,366 |



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Cash Cost Per Ounce Sold ("Cash Cost") and All In Sustaining Cash Cost Per Ounce Sold ("AISC")

Cash Cost and AISC are common financial performance measures in the gold mining industry that do not have standard meanings under IFRS. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as production costs and cash flows from operating activities, certain investors use this information to evaluate the Company's performance and ability to generate operating income and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating costs and all-in costs.

A reconciliation of Cash Cost and AISC is provided below:

| | Q4 2020 | | Q4 2019 | | FY 2020 | | FY 2019 | |
|-------------------------------------|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Cost (C\$ 000) | Cost (US\$/oz) | Cost (C\$ 000) | Cost (US\$/oz) | Cost (C\$ 000) | Cost (US\$/oz) | Cost (C\$ 000) | Cost (US\$/oz) |
| Treatment and refining costs | 213 | 18 | 311 | 31 | 682 | 22 | 1,214 | 33 |
| Royalties and selling expenses | 974 | 81 | 385 | 39 | 2,430 | 78 | 1,498 | 40 |
| Production Costs | 12,297 | 1,023 | 12,108 | 1,217 | 33,032 | 1,056 | 46,760 | 1,254 |
| Total Cash Costs | 13,484 | 1,122 | 12,804 | 1,287 | 36,144 | 1,155 | 49,472 | 1,326 |
| General and administrative expense | 3,688 | 307 | 3,350 | 337 | 10,119 | 323 | 10,166 | 273 |
| Deduct: | | | | | | | | |
| Share-based payments | (853) | (71) | (1,354) | (136) | (1,356) | (43) | (4,899) | (131) |
| Depreciation and depletion | (72) | (6) | (19) | (2) | (247) | (8) | (24) | (1) |
| Mine development costs | 11,140 | 927 | 4,987 | 501 | 23,902 | 764 | 17,520 | 470 |
| Plant and equipment additions | 1,046 | 87 | 1,789 | 180 | 4,663 | 149 | 17,519 | 470 |
| Total Costs | 28,433 | 2,365 | 21,556 | 2,167 | 73,225 | 2,340 | 89,754 | 2,406 |
| | <i>Units</i> | Q4 2020 | Q4 2019 | FY 2020 | FY 2019 | | | |
| Gold ounces sold | <i>oz</i> | 9,228 | 7,537 | 23,345 | 28,114 | | | |
| Tonnes Processed | <i>Tonnes</i> | 46,288 | 53,162 | 134,360 | 201,214 | | | |
| FX Rate | <i>USD/CAD</i> | 0.77 | 0.76 | 0.75 | 0.75 | | | |
| Cost Statistics (in dollars) | | | | | | | | |
| Cash Operating Cost | <i>C\$/tonne processed</i> | 291 | 241 | 269 | 246 | | | |
| Cash Cost | <i>US\$/oz</i> | 1,122 | 1,287 | 1,155 | 1,326 | | | |
| AISC | <i>US\$/oz</i> | 2,365 | 2,167 | 2,340 | 2,406 | | | |

OUTSTANDING SHARE DATA AS OF MARCH 24, 2021

| | |
|--------------------------------------|----------------------|
| Issued and outstanding common shares | 1,039,866,801 |
| Share purchase warrants | 98,080,819 |
| Stock options | 42,793,907 |
| Restricted share units | 8,245,912 |
| Deferred share units | 10,081,410 |
| Total | 1,199,068,849 |

The 9,500,000 Series B special shares issued pursuant to the Private Placement with Appian on July 14, 2020 were converted to debt on August 28, 2020.

The Company established a DSU plan for directors and a RSU plan for officers and employees in 2019, both of which were approved by shareholders on June 24, 2020.



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INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO") of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control framework was designed based on the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

There was no change in the Company's internal controls over financial reporting that occurred during 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

The Company's management, including the CEO and the CFO, do not expect that its internal controls over financial reporting and disclosure controls and procedures will prevent or detect all errors and frauds. A cost-effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

QUALITY CONTROL

Analytical work was performed by Activation Laboratories of Thunder Bay (Ontario), a certified commercial laboratory (Accredited Lab #673). Sample preparation was done at Activation Laboratories of Thunder Bay (Ontario). Assaying was done by fire assay methods with an atomic absorption finish. Any sample assaying >3 g/t Au was rerun by fire assay method with gravimetric finish, and any sample assaying >10 g/t Au was rerun with the metallic sieve method. Grab samples are selective by nature and are not necessarily representative of the mineralized zones. The sampling procedure and interpretation of the results were done by qualified employees using a QAQC program conformed to the best practices in the industry. In addition to laboratory internal duplicates, standards and blanks, the exploration department inserts blind duplicates, standards and blanks into the sample stream to monitor quality control.

QUALIFIED PERSON

The scientific and technical disclosures in this MD&A have been reviewed and approved by Chris McCann, P. Eng., Director of Technical Services for the Company. Mr. McCann is a "qualified person" under National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").



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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Specific forward-looking statements in this MD&A include, but are not limited to, the anticipated impact of the 1,200 tpd expansion; the Debt Refinancing Proposal resulting in an amendment of the BNP Debt Facilities in April 2021 and becoming effective on receipt of shareholder approval in June 2021; 2021 guidance, including gold production of 60,000 to 65,000 ounces, Cash Cost per ounce of US\$800 to US\$850, AISC of US\$1,400 to US\$1,550 per ounce and regional exploration expenditures of approximately \$5.0 million; the addition of an additional single boom jumbo to its equipment fleet in Q2 2021 to establish sufficient capacity to achieve targeted rates for 2021; the Company meeting targeted development rates for 2021; the average grade for 2021 being around 7.1 g/t Au; the Company's exploration focus over the coming months; payment of the Equity Structuring Fee; and the Company's ability to continue as a going concern. All statements in this MD&A that address events or developments that we expect to occur in the future are forward-looking statements.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Such risks and uncertainties include, but are not limited to, risks associated with projections; outlook; guidance; forecasts; estimates; and other statements regarding future or estimated financial and operational performance events, gold production and sales, revenues and cash flows, capital and operating costs, including projected cash, operating costs, and budgets; the impact of the COVID-19 pandemic on Harte Gold's operations, including any restrictions or suspensions with respect to our operations and the effect of any such restrictions or suspensions on our financial and operational results; the ability of Harte Gold to successfully maintain its operations if they are temporarily suspended, and to restart or ramp-up these operations efficiently and economically, the impact of COVID-19 on Harte Gold's workforce, suppliers and other essential resources and what effect those impacts, if they occur, the impact on Harte Gold's business; future or estimated mine life, metal price assumptions, ore grades and sources, recovery rates, stripping ratios, throughput, ore processing; statements regarding anticipated exploration, drilling, development, construction, permitting and other activities or achievements of Harte Gold; and including, without limitation: Harte Gold's ability to meet its projected gold production of between 60,000 and 65,000 ounces in 2021; the continued qualification for listing on the TSX; there being no events of default or breaches of key financing agreements, including agreements with BNP Paribas and Appian and Harte Gold having further potential through exploration at the Sugar Zone Property, and those risks associated with the mining industry, including the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environmental risks, the risk of commodity price and foreign exchange rate fluctuations; as well as other factors identified and as described in more detail in Harte Gold's most recent Annual Information Form, and Harte Gold's other filings and in other filings of the Company with securities and regulatory authorities which are available on SEDAR at www.sedar.com. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking



**Management's Discussion and Analysis of Financial Condition and Results of Operations
for the year ended December 31, 2020**

(in thousands of Canadian dollars except for share, per share and as noted)

statements. Statements in relation to mineral "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral reserves or resources described may be profitably produced in the future.

Readers are cautioned that the foregoing list of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

March 24, 2021

"Frazer Bourchier"

Frazer Bourchier
CEO

"Graham du Preez"

Graham du Preez
EVP and CFO