



**Condensed Interim Financial Statements  
(Unaudited)**

**For the three months ended March 31, 2021**

## MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Harte Gold Corp. (the "Company" or "Harte") for the three months ended March 31, 2021 and 2020 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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

"Frazer Bourchier"

"Graham du Preez"

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Frazer Bourchier  
President & CEO

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Graham du Preez  
EVP & CFO

May 13, 2021

**STATEMENTS OF FINANCIAL POSITION**

**(unaudited)**

(in thousands of Canadian dollars)

	Note	March 31 2021	December 31 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 21,054	\$ 8,248
Receivables	3	5,667	4,229
Inventories	4	6,259	7,889
Prepays		1,263	1,064
		<b>34,243</b>	21,430
<b>Long term assets</b>			
Restricted cash		1,324	1,324
Property, plant and equipment	5	132,697	130,606
		<b>\$ 168,264</b>	<b>\$ 153,360</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	\$ 16,583	\$ 14,727
Current portion of debt	7	25,926	26,427
Current portion of derivative financial instruments	8	9,088	15,511
Flow-through share premium	9	5,057	6,344
		<b>56,654</b>	63,009
<b>Long term liabilities</b>			
Debt	7	88,064	92,144
Derivative financial instruments	8	21,095	30,011
Environmental rehabilitation provision		5,296	5,296
		<b>171,109</b>	190,460
<b>Shareholders' equity</b>			
Capital stock	10	199,295	174,746
Warrants	11	9,979	6,340
Contributed surplus	12	19,113	18,879
Deficit		(231,232)	(237,065)
		<b>(2,845)</b>	<b>(37,100)</b>
		<b>\$ 168,264</b>	<b>\$ 153,360</b>

*Going concern – note 1*

*Commitments – note 19*

***The accompanying notes are an integral part of these financial statements***

**STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS / (LOSS)**  
**(unaudited)**

(in thousands of Canadian dollars except share and per share amounts)

	Note	Three months ended March 31	
		2021	2020
<b>Mine operations</b>			
Revenues	13	\$ 27,368	\$ 15,667
Production costs		(17,022)	(11,072)
Royalties and selling expenses		(1,194)	(704)
Depreciation and depletion		(6,540)	(4,215)
<b>Earnings / (loss) from mine operations</b>		<b>2,612</b>	<b>(324)</b>
<b>Other expenses</b>			
General and administrative	14	3,058	1,845
Exploration and evaluation		493	492
<b>Operating loss</b>		<b>(939)</b>	<b>(2,661)</b>
<b>Finance expenses/(income) &amp; other</b>			
Flow-through share premium	9	(1,287)	(920)
Appian Deferred Participant Warrants	11	3,104	-
Interest & accretion expense		3,479	1,561
Foreign exchange (gain)/loss		(1,644)	9,770
Change in the fair value of derivative financial instruments	8	(14,768)	1,954
Settlement of gold derivatives	8	4,344	1,112
Other expense/(income)		-	(7)
		<b>(6,772)</b>	<b>13,470</b>
Net earnings / (loss) before income taxes		5,833	(16,131)
Income taxes		-	-
<b>Net earnings / (loss) and comprehensive earnings / (loss)</b>		<b>\$ 5,833</b>	<b>\$ (16,131)</b>
Net earnings / (loss) per share - basic and fully diluted	15	\$ 0.007	\$ (0.023)
Weighted average number of shares outstanding			
- Basic	10	895,353,543	710,209,976
- Diluted	15	896,721,105	710,209,976

*The accompanying notes are an integral part of these financial statements*

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

(in thousands of Canadian dollars)

	Note	Capital Stock	Warrants	Contributed surplus	Deficit	Total shareholders' equity
<b>December 31, 2019</b>		<b>\$ 155,058</b>	<b>\$ 5,620</b>	<b>\$ 18,035</b>	<b>\$(196,886)</b>	<b>\$ (18,173)</b>
Issued as a result of:						
Private placement	10	27,000	-	-	-	27,000
Allocated to flow-through premium	9	(9,872)	-	-	-	(9,872)
Share issuance costs	10	(1,260)	-	-	-	(1,260)
Share based compensation		-	-	(182)	-	(182)
Stock options exercised	12	80	-	(30)	-	50
Net loss for the period		-	-	-	(16,131)	(16,131)
<b>March 31, 2020</b>		<b>\$ 171,006</b>	<b>\$ 5,620</b>	<b>\$ 17,823</b>	<b>\$(213,017)</b>	<b>\$ (18,568)</b>
Issued as a result of:						
Share issuance costs	10	(214)	-	-	-	(214)
Shares issued Appian financing	7	1,058	-	-	-	1,058
Shares issued for interest	7	1,683	-	-	-	1,683
Shares issued for DSUs redemption	12	141	-	(160)	-	(19)
Share based compensation	12	-	-	1,538	-	1,538
Warrants issued	11	-	720	-	-	720
Stock options exercised	12	1,072	-	(322)	-	750
Net loss for the period		-	-	-	(24,048)	(24,048)
<b>December 31, 2020</b>		<b>\$ 174,746</b>	<b>\$ 6,340</b>	<b>\$ 18,879</b>	<b>\$(237,065)</b>	<b>\$ (37,100)</b>
Issued as a result of:						
Private placement	10	24,255	535	-	-	24,790
Share issuance costs	10	(1,088)	-	-	-	(1,088)
Shares issued for interest	7	1,338	-	-	-	1,338
Shares issued for DSUs redemption	12	44	-	(56)	-	(12)
Share based compensation	12	-	-	290	-	290
Appian Deferred Participant Warrants	11	-	3,104	-	-	3,104
Net earnings for the period		-	-	-	5,833	5,833
<b>March 31, 2021</b>		<b>\$ 199,295</b>	<b>\$ 9,979</b>	<b>\$ 19,113</b>	<b>\$(231,232)</b>	<b>\$ (2,845)</b>

*The accompanying notes are an integral part of these financial statements*

## STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands of Canadian dollars)

		Three months ended	
	Note	2021	March 31 2020
<b>Operating activities</b>			
Net earnings / (loss) for the period		\$ 5,833	\$ (16,131)
Adjusted for:			
Depreciation		6,655	4,294
Share-based payments	12	265	(182)
Flow-through share premium	9	(1,287)	(920)
Loan accretion & accrued interest		3,479	1,521
Unrealized foreign exchange (gain)/loss		(1,641)	9,951
Appian Deferred Participant Warrants	11	3,104	-
Change in the fair value of derivative financial instruments	8	(14,981)	2,357
		<b>1,427</b>	<b>890</b>
Net changes in non-cash working capital items:			
Inventory		1,630	(1,044)
Prepays		(199)	180
Receivables		(1,438)	(41)
Accounts payable and accrued liabilities		1,631	(2,710)
<b>Cash flows from / (used in) operating activities</b>		<b>3,051</b>	<b>(2,725)</b>
<b>Investing</b>			
Plant and equipment additions		(1,841)	(1,465)
Mine development costs		(6,321)	(5,981)
<b>Cash flows used in investing activities</b>		<b>(8,162)</b>	<b>(7,446)</b>
<b>Financing</b>			
BNP loan repayment	7	(4,171)	(2,253)
Interest paid		(980)	(1,613)
CAT Financing Arrangement	7	869	-
Payment of leases and mortgages	7	(1,435)	(247)
Proceeds from issuance of shares, net	10	23,702	25,740
Exercise of options	12	-	50
<b>Cash flows from financing activities</b>		<b>17,985</b>	<b>21,677</b>
Effects of exchange rate changes on cash		(68)	73
Net increase in cash and cash equivalents		12,806	11,579
<b>Cash and cash equivalents, beginning of the period</b>		<b>8,248</b>	<b>2,096</b>
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 21,054</b>	<b>\$ 13,675</b>

*The accompanying notes are an integral part of these financial statements*



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## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Harte Gold Corp. (the "Company" or "Harte Gold") was incorporated in Ontario on January 22, 1982 and is a reporting issuer in the Provinces of Ontario, New Brunswick, Saskatchewan, Alberta and British Columbia. The common shares of the Company trade on the Toronto Stock Exchange under the symbol "HRT", on the Frankfurt Stock Exchange under the symbol "H4O", and on the OTC market under the symbol "HRTFF". The head office and principal address of the Company is 161 Bay Street, Suite 2400, Toronto, Ontario, M5J 2S1.

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

At March 31, 2021, the Company had current liabilities of \$56.7 million and current assets of \$34.2 million with which to discharge such liabilities. The Company has a history of operating losses and may incur operating losses in future.

The Company's debt facilities with BNP Paribas ("BNP") and an affiliate of its major shareholder, ANR investments B.V. ("Appian") were fully drawn at March 31, 2021.

On March 24, 2021, the Company received \$24.8 million in gross proceeds from a private placement of common shares to New Gold Inc. ("New Gold") (the "Strategic Investment"). The Company concurrently announced the indicative terms of a proposed refinancing of the BNP term loan and revolving facility (the "BNP Debt Facilities") that provided for the deferral of certain principal debt payments, amongst other items (the "BNP Refinancing Proposal"). The BNP Refinancing Proposal also included amendments to the financial covenants related to the BNP Debt Facilities.

The BNP Refinancing Proposal was subject to certain conditions including: (i) obtaining final internal BNP approvals; (ii) the extension of the maturity of the US\$28.0 million credit agreement with Appian (the "Appian Debt Facility") from June 2023 to June 2025; (iii) negotiation of definitive documentation with BNP and Appian; and (iv) shareholder approval being obtained for the extension of the maturity of the Appian Debt Facility.

In light of the updated production guidance for 2021, the Company has deferred its plan to seek shareholder approval of the extension of the maturity of the Appian Debt Facility at the Company's annual general meeting in June 2021. The Company is now targeting to obtain shareholder approval of the extension to the maturity date of the Appian Debt Facility in the third quarter of 2021.

Due to the deferral of the proposed BNP refinancing, the Company does not expect to be in compliance with current financial covenants of the BNP Debt Facilities on June 30, 2021, which would constitute an event of default under the BNP Debt Facilities and the Appian Debt Facility. In addition, there is a scheduled US\$3.3 million principal repayment on the BNP term loan due June 30, 2021. The Company intends to seek a waiver of the anticipated financial covenant breaches and a deferral of the US\$3.3 million principal payment due June 30, 2021, but there can be no assurance that such waivers or deferral will be granted by BNP. The Company is reliant on the closing of the proposed refinancing with BNP to be in compliance with all covenants related to the BNP Debt Facilities for the remainder of 2021.

The Company does not expect that it will generate sufficient cash from operations in the next 12 months to fully fund planned investment activities and debt service obligations (including the US\$3.3 million principal repayment to BNP due on June 30, 2021) due to the estimated cash flow based on the reduction in expected gold production for 2021.

The Company plans to initiate a strategic process to explore, review and evaluate a broad range of alternatives focused on ensuring financial liquidity and to fund accelerated life-of-mine capital. This includes the restructuring of its long-term debt and reviewing other potential strategic alternatives. There can be no assurance that the strategic review will result in any transaction or that the Company will be able to continue as a going concern.

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, the closing of the proposed refinancing with BNP, obtaining waivers of expected covenant breached from BNP, and access to additional external funding. There can be no assurance on the final terms of the proposed refinancing with BNP, that the Company will close the proposed refinancing with BNP, or that the Company will be able to obtain required financing or 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 on terms acceptable to the Company, the ability to raise additional funds, exploration results, mine operating results, the price of underlying commodities, foreign

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## **NOTES TO FINANCIAL STATEMENTS**

At and for the three months ended March 31, 2021

(Expressed in thousands of Canadian dollars except where noted)

exchange rates, and financial market conditions, it is not possible to predict the success of the Company's efforts in this regard. These factors indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

In the light of the actions already taken and the alternatives available to the Company, these financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management has taken into account all available information about the future, which is at least, but is not limited to, twelve months from March 31, 2021. These financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

### **2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and follow the same accounting policies and methods as described in note 2 to the Company's audited financial statements for the year ended December 31, 2020. These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2020.

The Board of Directors (the "Board") approved these financial statements on May 13, 2021.

#### **2.2 Basis of measurement**

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

#### **2.3 Measurement uncertainty - critical accounting judgments and estimation uncertainties**

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

The significant judgments, estimates and assumptions made by management in applying the Company's accounting policies were the same as those that applied to the audited financial statements as at and for the year ended December 31, 2020.

#### **2.4 New accounting standards and amendments effective in the period**

##### *IAS 16, Property, Plant and Equipment*

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The Company currently recognizes all sales proceeds in profit or loss and does not expect the adoption of this amendment to have a material impact on its results.



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

### 3. RECEIVABLES

	March 31 2021	December 31 2020
Gold sales revenue receivable	3,952	3,437
GST/HST receivable	\$ 1,715	\$ 792
Other	-	-
	<b>\$ 5,667</b>	<b>\$ 4,229</b>

### 4. INVENTORIES

	March 31 2021	December 31 2020
In-circuit inventory	\$ 1,529	\$ 612
Finished goods inventory	1,967	4,482
Total mineral inventory	3,496	5,094
Materials and supplies	2,763	2,795
<b>Total inventory</b>	<b>\$ 6,259</b>	<b>\$ 7,889</b>

During the three months ended March 31, 2021 and March 31, 2020, \$nil net realizable value adjustment was recognized against the gold concentrate and gold bullion inventory.

During the three months ended March 31, 2021, the Company recognized \$17.0 million (three months ended March 31, 2020 – \$11.1 million) as production costs; and, \$6.5 million (three months ended March 31, 2020 – \$4.2 million) as depreciation expense in the Statements of Operations and Comprehensive Loss.

### 5. PROPERTY, PLANT AND EQUIPMENT

COST	Land		Furniture, vehicles & other	Plant & infra- structure	Mine develop- ment	Right-of-use assets	Construction in Progress	Total
	<b>As at December 31, 2020</b>	<b>\$ 903</b>	<b>\$ 1,945</b>	<b>\$ 1,899</b>	<b>\$ 105,302</b>	<b>\$ 37,152</b>	<b>\$ 13,218</b>	
Additions	-	-	116	1,882	6,321	335	104	8,758
Transfers	-	-	-	4,474	-	(4,474)	-	-
Disposals	-	-	(12)	-	-	-	-	(12)
<b>As at March 31, 2021</b>	<b>\$ 903</b>	<b>\$ 1,945</b>	<b>\$ 2,003</b>	<b>\$ 111,658</b>	<b>\$ 43,473</b>	<b>\$ 9,079</b>	<b>\$ 104</b>	<b>\$ 169,165</b>
<b>ACCUMULATED DEPRECIATION</b>								
<b>As at December 31, 2020</b>	<b>\$ -</b>	<b>\$ 507</b>	<b>\$ 789</b>	<b>\$ 11,174</b>	<b>\$ 16,060</b>	<b>\$ 1,283</b>	<b>\$ -</b>	<b>\$ 29,813</b>
Additions	-	48	93	2,850	3,221	450	-	6,662
Transfers	-	-	-	255	-	(255)	-	-
Disposals	-	-	(7)	-	-	-	-	(7)
<b>As at March 31, 2021</b>	<b>-</b>	<b>555</b>	<b>875</b>	<b>14,279</b>	<b>19,281</b>	<b>1,478</b>	<b>-</b>	<b>\$ 36,468</b>
<b>NET BOOK VALUE</b>								
<b>As at December 31, 2020</b>	<b>\$ 903</b>	<b>\$ 1,438</b>	<b>\$ 1,110</b>	<b>\$ 94,128</b>	<b>\$ 21,092</b>	<b>\$ 11,935</b>	<b>\$ -</b>	<b>\$ 130,606</b>
<b>As at March 31, 2021</b>	<b>\$ 903</b>	<b>\$ 1,390</b>	<b>\$ 1,128</b>	<b>\$ 97,379</b>	<b>\$ 24,192</b>	<b>\$ 7,601</b>	<b>\$ 104</b>	<b>\$ 132,697</b>



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021

(Expressed in thousands of Canadian dollars except where noted)

COST			Furniture, vehicles & other	Plant & infra-structure	Mine develop-ment	Right-of-use assets	Construction in Progress	Total
	Land	Buildings						
As at December 31, 2019	\$ 903	\$ 1,909	\$ 1,313	\$ 101,116	\$ 21,278	\$ 2,302	\$ -	\$ 128,821
Additions	-	36	630	4,186	17,975	10,916	-	33,743
Disposals	-	-	(44)	-	(2,101)	-	-	(2,145)
As at December 31, 2020	\$ 903	\$ 1,945	\$ 1,899	\$ 105,302	\$ 37,152	\$ 13,218	\$ -	\$ 160,419

### ACCUMULATED DEPRECIATION

As at December 31, 2019	\$ -	\$ 317	\$ 514	\$ 5,795	\$ 9,215	\$ 98	\$ -	\$ 15,939
Additions	-	190	303	5,379	7,106	1,185	-	14,163
Disposals	-	-	(28)	-	(261)	-	-	(289)
As at December 31, 2020	\$ -	\$ 507	\$ 789	\$ 11,174	\$ 16,060	\$ 1,283	\$ -	\$ 29,813

### NET BOOK VALUE

As at December 31, 2019	\$ 903	\$ 1,592	\$ 799	\$ 95,321	\$ 12,063	\$ 2,204	\$ -	\$ 112,882
As at December 31, 2020	\$ 903	\$ 1,438	\$ 1,110	\$ 94,128	\$ 21,092	\$ 11,935	\$ -	\$ 130,606

Certain of the claims and leases associated with the Sugar Zone property are subject to net smelter royalties ("NSR") of 2.0% in favour of the original vendors of the properties.

On December 18, 2019, the Company granted a 1.5% NSR on the entire Sugar Zone Property in favour of an affiliate of Appian in exchange for payment by Appian of US\$7.5 million.

On July 17, 2020, the Company granted a further 0.5% NSR on the entire Sugar Zone Property in favour of an affiliate of Appian in exchange for a payment by Appian of US\$2.0 million as part of the Appian Financing. The Company treated this transaction as a partial disposition of its investment in the Sugar Zone Property. The proportion of the estimated fair value of the Sugar Zone Property disposed of was calculated and the net book value of the Company's plant and equipment was reduced by such proportion. The difference of \$0.6 million was recorded as a gain on the partial disposition of its property during the year ended December 31, 2020. The July 2020 royalty grant has increased the royalty payable to an affiliate of Appian from 1.5% to 2.0%.

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31 2021	December 31 2020
Accounts payable	\$ 11,339	\$ 11,079
Accrued liabilities	5,244	3,648
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 16,583</b>	<b>\$ 14,727</b>

## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

### 7. DEBT

	Note	March 31 2021	December 31 2020
BNP Debt Facilities	7.1	\$ 75,450	\$ 80,405
Appian Debt Facility	7.2	\$ 27,514	\$ 27,237
Leases	7.3	6,360	10,719
CAT Financing Arrangement	7.4	4,456	-
Mortgages	7.5	210	210
Total debt		\$ 113,990	\$ 118,571
Less: current portion		(25,926)	(26,427)
<b>Total debt: non-current portion</b>		<b>\$ 88,064</b>	<b>\$ 92,144</b>

#### 7.1 BNP Debt Facilities

The Company entered into a credit agreement with BNP on June 14, 2019, which provided for both revolving and non-revolving term credit facilities (the "BNP Debt Facilities"). The credit agreement was most recently amended on August 28, 2020 (the fourth amending agreement) and the BNP Debt Facilities now consist of a non-revolving term credit facility of US\$46.9 million and a revolving term credit facility of US\$20.0 million. The BNP Debt Facilities was fully drawn on March 31, 2021. Interest on the BNP Debt Facilities accrues at LIBOR plus 3.375% to 4.375% dependent on credit ratios, payable every 3 months in arrears. The weighted average borrowing rate during the quarter ended March 31, 2021 was 4.69% (three months ended March 31, 2020 – 5.71%).

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

Principal repayments under the non-revolving term loan are due quarterly through December 31, 2024. Amounts outstanding under the revolving term credit facility are due on June 30, 2022. The BNP Debt Facilities provide for a mandatory prepayment of the non-revolving term loan from excess cash flow until an aggregate total of US\$16.7 million has been repaid.

Various financial covenants are measured on a quarterly basis but failure to meet such covenants does not constitute a default or event of default prior to June 30, 2021, except for a minimum liquidity covenant, which is effective from April 1, 2021. Prior to the third amendment of the BNP Debt Facilities on May 15, 2020, the Company also 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 May 15, 2020 and obtained waivers from BNP for these breaches.

The Company determined that the amendment which took place in May 2020 (the third amending agreement), which included rescheduling of the repayments of the non-revolving term loan, an increase in the interest rate payable and mandatory repayment terms, 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 and the fourth amending agreement of the BNP Debt Facilities, the Company made a US\$1.0 million prepayment on the BNP Debt facilities, in part due to the granting of the additional 0.5% royalty to an affiliate of Appian.



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

Movement in the BNP Debt Facilities is summarized as follows:

	<b>March 31 2021</b>	December 31 2020
Balance at beginning of the period	\$ 80,405	\$ 87,399
Repayment	(4,171)	(5,609)
Fees, costs	-	(785)
Interest expense	947	4,772
Accretion	221	675
Interest paid	(948)	(4,980)
Loss on modification	-	385
Exchange loss / (gain)	(1,004)	(1,452)
Balance at end of the period	\$ 75,450	\$ 80,405
Less: current portion	(18,388)	(16,904)
<b>Balance end of the period: non-current portion</b>	<b>\$ 57,062</b>	<b>\$ 63,501</b>

At March 31, 2021, the remaining scheduled debt repayments under the BNP Debt Facilities were as follows:

Year	Non-revolving term credit facility US\$	Revolving term credit facility US\$	Total US\$	Non-revolving term credit facility \$	Revolving term credit facility \$	Total \$
2021	9,951	-	9,951	\$ 12,513	\$ -	\$ 12,513
2022	18,688	20,000	38,688	23,500	25,150	48,650
2023	9,259	-	9,259	11,643	-	11,643
2024	3,109	-	3,109	3,910	-	3,910
<b>Total</b>	<b>41,007</b>	<b>20,000</b>	<b>61,007</b>	<b>\$ 51,566</b>	<b>\$ 25,150</b>	<b>\$ 76,716</b>

### 7.2 Appian Debt Facility

On July 14, 2020, the Company entered into a financing agreement with an affiliate of Appian to provide up to US\$28.0 million in funding (the "Appian Debt Facility"). The Company closed the Appian Debt Facility on August 28, 2020. 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 (together with the Appian Debt facility, the "Appian Financing").

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 Appian Debt Facility was fully drawn at March 31, 2021.

Interest on the Appian Debt Facility is payable monthly and is settled through the issuance of common shares. 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 in cash or in common shares at the Company's election. As the ultimate settlement of the Equity Structuring Fee is based on the future price of the Company's common shares and the future US/CAD exchange rate, the Company has determined this fee to be a derivative instrument (refer to note 8.2).

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"). The Company also agreed to increase the percentage of gold sold to Appian under its existing offtake agreement from 11.5% of bullion produced to 30%. The fair value of the Upfront Securities on July 14, 2020 was \$1.1 million for the common shares issued (refer to note 10) and \$0.7 million for the share purchase warrants issued (refer to note 11) and has been included in equity.



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

The Company determined that the Appian Debt Facility is a hybrid financial instrument containing debt, derivative and equity instruments and, accordingly, has determined and recognized the initial fair value of each contained component financial instrument (refer to notes 8.2, 10 and 11). Subsequently, the debt instrument is measured at amortized cost using the effective interest rate method and the derivatives are measured at fair value through profit or loss.

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. 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%. A further breach of operational requirements occurred in the three months ended March 31, 2021, increasing the interest rate to 18% effective April 1, 2021.

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 following table summarizes the movement in the Appian Debt Facility:

	<b>March 31 2021</b>	December 31 2020
Balance at beginning of the period	\$ 27,237	\$ -
Fair value of debt instrument	-	28,592
Fees, costs	-	(1,624)
Interest expense	1,331	2,102
Accretion	619	754
Interest paid	(1,338)	(1,679)
Exchange loss / (gain)	(335)	(908)
Balance at end of the period	\$ 27,514	\$ 27,237
Less: current portion	(417)	(423)
<b>Balance end of the period: non-current portion</b>	<b>\$ 27,097</b>	<b>\$ 26,814</b>

At March 31, 2021, the scheduled debt repayment under the Appian Financing was as follows:

<b>Year</b>	<b>US\$</b>	<b>\$</b>
2021	\$ -	\$ -
2022	-	-
2023	28,000	35,210
2024	-	-
2025	-	-
<b>Total</b>	<b>\$ 28,000</b>	<b>\$ 35,210</b>



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

### 7.3 Leases

The Company leases several assets including surface and underground vehicles and office space.

	<b>March 31</b>	December 31
	<b>2021</b>	2020
Balance at beginning of the period	\$ 10,719	\$ 2,166
Additions	335	10,908
Transfers (CAT Financing Arrangement)	(3,523)	-
Interest expense	264	641
Lease payments	(1,435)	(2,996)
Balance at end of the period	6,360	10,719
Less: current portion	(4,889)	(8,995)
<b>Balance end of the period: non-current portion</b>	<b>\$ 1,471</b>	<b>\$ 1,724</b>

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

	<b>March 31</b>
	<b>2021</b>
Less than one year	4,889
One to three years	1,471
Over three years	-
	<b>\$ 6,360</b>

### 7.4 CAT Financing Arrangement

During the three months ended March 31, 2021, the Company entered into an equipment financing arrangement with Caterpillar Financial Services Limited ("CAT Financial") according to the terms of a Master Lease Agreement with CAT Financial, whereby the Company may acquire Caterpillar equipment for use in its mining operations.

	<b>March 31</b>	December 31
	<b>2021</b>	2020
Balance at beginning of the period	\$ -	\$ -
Additions	4,392	-
Interest expense	64	-
Lease payments	-	-
Balance at end of the period	4,456	-
Less: current portion	(2,127)	-
<b>Balance end of the period: non-current portion</b>	<b>\$ 2,329</b>	<b>\$ -</b>

During the three months ended March 31, 2021, the Company purchased equipment and then sold it to and leased it back from CAT Financial under the Master Lease Agreement. The Company has determined that this transaction did not constitute a sale according to IFRS 15 and therefore has accounted for the transaction as a separate financing arrangement. The Company expects that future transactions under the Master Lease Agreement will be accounted for as leases.



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

Scheduled payments of the CAT Financing Arrangement are as follows:

	<b>2021</b>
Less than one year	2,127
One to three years	2,329
Over three years	-
	<b>\$ 4,456</b>

### 7.5 Mortgages

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

The mortgage repayment schedule is as follows:

<b>Year</b>	<b>Mortgage</b>
2021	<b>\$ 105</b>
2022	105
<b>Total</b>	<b>210</b>
Current portion	105
<b>Non-current portion</b>	<b>\$ 105</b>

## 8. DERIVATIVE FINANCIAL INSTRUMENTS

<b>Derivative liabilities</b>	<b>Note</b>	<b>March 31 2021</b>	<b>December 31 2020</b>
Gold Hedge	8.1	<b>\$ 23,770</b>	\$ 41,575
Appian Debt Facility Derivatives	8.2	<b>6,413</b>	3,947
		<b>\$ 30,183</b>	\$ 45,522
Less: current portion		<b>(9,088)</b>	(15,511)
<b>Non-current</b>		<b>\$ 21,095</b>	\$ 30,011

## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

### 8.1 Gold Hedge

Concurrent with and as required under the BNP Debt Facilities, the Company entered into a gold hedge program on 79,090 ounces of future production. Zero cost collar swaps were used for 73,956 ounces, spread over the years 2020 through 2023. The balance of the hedges is structured as gold swaps, maturing in the first half of 2024. The Company has elected not to designate the cash flow hedges for hedge accounting under IFRS 9. These derivative financial instruments are recorded at fair value using external broker-dealer quotations, based on their option pricing models that utilize a variety of inputs that are a combination of quoted prices and market corroborated inputs. These valuations are intended to closely match the cost or benefit that would be incurred to unwind the hedge positions. The Company recognizes the mark-to-market adjustments as change in the fair value of derivative financial instruments and settlement of gold derivatives on the Statements of Operations and Comprehensive Earnings / (Loss), and as a derivative financial instrument on the Statements of Financial Position. The Company presents the fair value of put and call options on a net basis on the Statements of Financial Position.

Derivative instruments outstanding	Quantity outstanding	Maturity dates	Strike Price (US\$/oz)	March 31 2021	
				Fair value asset (liability)	Fair value asset (liability)
				US\$	\$
Settlement		March 31, 2021		\$ (719)	\$ (904)
Gold call options	14,310 oz	January 2021 - December 2021	1,399	(4,598)	(5,782)
Gold Put options	14,310 oz	January 2021 - December 2021	1,300	37	46
Gold call options	23,520 oz	January 2022 - December 2022	1,393	(8,271)	(10,401)
Gold Put options	23,520 oz	January 2022 - December 2022	1,310	368	463
Gold call options	11,040 oz	January 2023 - December 2023	1,393	(4,222)	(5,309)
Gold Put options	11,040 oz	January 2023 - December 2023	1,310	384	483
				<b>\$ (17,021)</b>	<b>\$ (21,404)</b>

Derivative instruments outstanding	Quantity outstanding	Maturity dates	Strike Price (US\$/oz)	March 31 2021	
				Fair value asset (liability)	Fair value asset (liability)
				US\$	\$
Gold swap	5,134 oz	January 2024 - June 2024	\$1,355	\$ (1,882)	\$ (2,366)
				<b>\$ (1,882)</b>	<b>\$ (2,366)</b>





## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

The movement in the gold derivative liability was as follows:

	March 31 2021	December 31 2020
Balance at beginning of the period	\$ 41,575	\$ 19,313
Change in fair value	(12,938)	32,425
Exchange (gain)/loss	(310)	(2,382)
Cash settlements	(4,557)	(7,781)
Balance at end of the period	\$ 23,770	\$ 41,575
Less: current portion	(9,088)	(15,511)
<b>Balance end of the period: non-current portion</b>	<b>\$ 14,682</b>	<b>\$ 26,063</b>

At March 31, 2021, a total of 54,004.2 ounces of the originally issued hedges remained outstanding (March 31, 2020 – 74,854.9 ounces). During the three months ended March 31, 2021, 8,431.3 gold call options were exercised by BNP (three months ended March 31, 2020 – 4,235.1 ounces) and the Company paid BNP \$4.6 million (three months ended March 31, 2020 – \$0.7 million).

In connection with the third amendment to the BNP Facilities, the Company and BNP agreed to delay the maturity dates of 1,831.3 options scheduled to mature in April 2020 and 1,830.0 options scheduled to mature in May 2020 to the first three months of 2021. The delay in delivery reduced the settlements due to BNP in May and June 2020.

### 8.2 Appian Debt Facility Derivatives

Upon maturity of the Appian Debt Facility, the Company will pay an Equity Structuring Fee to an affiliate of Appian, 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 in cash or in common shares at the Company's election.

The Company determined that the Equity Structuring Fee was a derivative requiring separation from the debt instrument. The future value the equity structuring fee is dependent on the future price of the Company's common shares and the future exchange rate as compared to the established base of US\$0.086.

The movement in the valuation of the Equity Structuring Fee was as follows:

	March 31 2021	December 31 2020
Balance at beginning of the period	\$ 3,947	\$ -
Derivative financial instrument recognized	-	6,795
Change in fair value	2,515	(2,422)
Exchange (gain)/loss	(49)	(426)
Balance at end of the period	\$ 6,413	\$ 3,947
Less: current portion	-	-
<b>Balance end of the period: non-current portion</b>	<b>\$ 6,413</b>	<b>\$ 3,947</b>



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021

(Expressed in thousands of Canadian dollars except where noted)

The Company used a simulation model to determine the fair value of the derivative instruments. The main assumptions used in a multivariable simulation option model include the estimated life of the option, the expected volatility of the Company's common share price, the expected volatility of the US/CAD dollar exchange rate, the expected dividends, and the risk-free rate of interest in Canada and the United States and are set out below:

	<b>July 14 2020</b>	<b>March 31 2021</b>
Expected life	2.96 years	2.25 years
Expected volatility of share price	80%	90%
Expected volatility of exchange rate	7.0%	6.5%
Risk-free Canadian interest rate	0.61%	0.70%
Risk-free US interest rate	0.23%	0.35%
Expected dividend yield	0%	0%

### 9. FLOW-THROUGH SHARE PREMIUM

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

	<b>March 31 2021</b>	December 31 2020
Balance at beginning of the period	\$ 6,344	\$ 920
Settlement of liability through renouncement	(1,287)	(4,448)
Liability incurred on flow-through shares issued	-	9,872
<b>Balance at end of the period</b>	<b>\$ 5,057</b>	<b>\$ 6,344</b>

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

On March 11, 2020 and March,19 2020, the Company completed a phased brokered private placement of 168,750,000 flow-through common shares collectively at a price of \$0.16 per share for gross proceeds of \$27.0 million. A flow-through share premium of \$9.9 million was recorded on this financing. The liability was partially settled through the renouncement of \$9.6 million of expenditures in 2020 and \$3.5 million of expenditures in Q1 2021.



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

### 10. CAPITAL STOCK

The Company is authorized to issue an unlimited number of common shares without par value. The issued and outstanding common shares are as follows:

	Note	March 31 2021	December 31 2020
<b>Balance beginning of period</b>		<b>874,641,445</b>	676,957,229
Private Placement - New Gold Strategic Investment		<b>154,940,153</b>	-
Private placement of flow-through shares		-	168,750,000
Appian Financing Up-Front Securities		-	6,970,844
Appian Financing Interest		<b>9,947,293</b>	12,862,816
Deferred stock units redemption	12	<b>337,912</b>	1,100,556
Options exercised	12	-	8,000,000
<b>Balance end of period</b>		<b>1,039,866,803</b>	874,641,445
<b>Weighted average number of shares outstanding</b>		<b>895,353,543</b>	821,234,351

On March 19, 2020, the Company completed a brokered private placement of 168,750,000 flow-through common shares of the Company (refer to note 9). The total proceeds raised were \$27.0 million. Net expenses associated with the offering were \$1.5 million.

On July 14, 2020, the Company issued 6,970,844 common shares at an issue price of \$0.1518 per share to Appian in connection with the Appian Financing (refer to note 7.2).

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 \$24.8 million. Following completion of the Strategic Investment, New Gold beneficially owned approximately 14.9% of the issued and outstanding common shares of Harte Gold. At this time, New Gold was also issued 8,314,619 million warrants (refer to note 11). 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.

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.

The Company issued 9,947,293 common shares to an affiliate of Appian for the payment of interest during the three months ended March 31, 2021 (December 31, 2020 - 12,862,816). The Company recorded \$1.3 million (December 31, 2020 - \$2.1 million) of interest expense related to the issuance of these common shares.

During the three months ended March 31, 2021, the Company issued 337,912 common shares on the redemption of DSUs (December 31, 2020 - 1,100,556) (refer to note 12).



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

### 11. WARRANTS

At March 31, 2021 there were 98,080,819 (December 31, 2020 – 33,963,388) warrants to purchase common shares outstanding.

	<b>Number of warrants</b>
<b>Balance at December 31, 2019</b>	26,581,707
Issued	7,500,000
Expired	(118,319)
<b>Balance at December 31, 2020</b>	<b>33,963,388</b>
Issued	64,117,431
Expired	-
<b>Balance at March 31, 2021</b>	<b>98,080,819</b>

On July 14, 2020, in connection with the Appian Financing, the Company granted 7.5 million warrants to purchase common stock to an affiliate of Appian with an exercise price of \$0.1349 per share and expiring on July 14, 2025.

On March 24, 2021, in connection with the New Gold Strategic Investment, the Company granted 55,802,812 warrants to purchase common stock to Appian (the "Appian Deferred Participation Warrant") with an exercise price of \$0.18 per share and expiring on June 24, 2022. The assumptions used to fair value the warrants issued using a Black-Scholes option pricing model are outlined in the table below and resulted in a fair value of \$3.1 million.

	<b>March 31 2021</b>
Expected life	1.25 years
Expected volatility of share price	89%
Risk-free interest rate	0.24%
Expected dividend yield	0%

In connection with the New Gold Strategic Investment, the Company also granted 8,314,619 million warrants to purchase common stock to New Gold (the "New Gold Warrant") with an exercise price of \$0.18 per share and expiring on July 24, 2022. The assumptions used to fair value the warrants issued using a Black-Scholes option pricing model are outlined in the table below and resulted in a fair value of \$0.5 million.

	<b>March 31 2021</b>
Expected life	1.33 years
Expected volatility of share price	99%
Risk-free interest rate	0.24%
Expected dividend yield	0%



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

The expiry dates of warrants outstanding as of March 31, 2021 are as follows:

<b>Expiry date</b>	<b>Number of warrants outstanding</b>	<b>Exercise price</b>	<b>Remaining contractual life (years)</b>
April 2, 2021	1,130,334	\$ 0.30	0.01
April 2, 2021	383,054	\$ 0.35	0.01
August 28, 2022	3,950,000	\$ 0.35	1.41
May 11, 2023	4,000,000	\$ 0.51	2.11
May 11, 2023	2,000,000	\$ 0.50	2.11
May 31, 2023	10,000,000	\$ 0.49	2.17
June 8, 2024	5,000,000	\$ 0.27	3.19
July 14, 2025	7,500,000	\$ 0.13	4.29
June 24, 2022	55,802,812	\$ 0.18	1.23
July 24, 2022	8,314,619	\$ 0.18	1.32
	<b>98,080,819</b>	<b>\$ 0.24</b>	<b>1.74</b>

## 12. STOCK BASED COMPENSATION

The Company historically has had a stock option plan to provide additional incentives to officers, directors, employees and consultants in their efforts on behalf of the Company in the conduct of its affairs. The Company also established a Deferred Share Unit plan (DSU) for directors and a Restricted Share Unit plan (RSU) for officers and employees. The DSU and RSU plans were approved by shareholders on June 24, 2020. The RSUs and DSUs are valued based on the fair market value of the Company's common shares at the date of grant. The fair value of the awards is expensed over their vesting periods. Upon exercise of DSUs or RSUs, the Company may, at its discretion, issue cash, shares, or a combination thereof. It is the Company's intention to settle in shares and the Company has not settled any DSUs or RSUs in cash to date.

The number of shares reserved for issuance under the Company's stock option, DSU and RSU plans in aggregate is not to exceed 10% of the issued and outstanding common shares from time-to-time. At March 31, 2021, the Company had 44,197,579 (December 31, 2020 – 26,342,915) common shares available for future grants of stock based compensation. Notwithstanding the foregoing, in its 2016 subscription agreement with Appian, the Company agreed to limit the number of new stock-based compensation grants in any 1 year period to 3% and in any 3 year period to 6% of the outstanding common shares at the beginning of such periods.



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

### 12.1 Stock Options

The following table provides information regarding stock options outstanding:

	Number of options #	Weighted average exercise price \$
<b>Balance at December 31, 2019</b>	<b>53,774,605</b>	<b>0.32</b>
Granted	6,467,815	0.15
Exercised	(8,000,000)	0.01
Cancelled	(9,198,513)	0.25
Expired	(250,000)	0.10
<b>Balance at December 31, 2020</b>	<b>42,793,907</b>	<b>0.36</b>
Cancelled	(200,000)	0.40
Expired	(1,000,000)	0.18
<b>Balance at March 31, 2021</b>	<b>41,593,907</b>	<b>0.36</b>
<b>Exercisable at the end of the period</b>		
December 31, 2020	36,284,869	0.39
<b>March 31, 2021</b>	<b>35,084,869</b>	<b>0.40</b>

Generally stock options granted prior to November 2019 fully vested on the date of grant, except when otherwise determined by the compensation committee of the Company's board of directors. Stock options granted subsequent to November 1, 2019 generally have vesting periods of 3 years where 1/3 of the total granted vest upon each anniversary date of the grant.

The Company amortizes the fair value of the stock option grants over the vesting period. If the stock options are cancelled or forfeited prior to vesting the Company derecognizes the previously amortized fair value related to the unvested options cancelled or forfeited.

The following table provides additional information regarding stock options outstanding at March 31, 2021.

Awards outstanding				Awards exercisable		
Exercise price range	Number of options	Remaining contractual life	Weighted average exercise price	Number of options	Remaining contractual life	Weighted average exercise price
	#	Years	\$	#	Years	\$
\$0.100 - \$0.175	7,453,907	4.19	0.15	1,944,869	3.64	0.12
\$0.270 - \$0.350	10,400,000	0.95	0.34	9,400,000	0.71	0.35
\$0.400 - \$0.440	10,750,000	2.75	0.40	10,750,000	2.75	0.40
\$0.450 - \$0.450	12,090,000	1.99	0.45	12,090,000	1.99	0.45
\$0.700 - \$0.710	900,000	1.10	0.70	900,000	1.10	0.70
	<b>41,593,907</b>	<b>2.30</b>	<b>0.36</b>	<b>35,084,869</b>	<b>1.95</b>	<b>0.40</b>



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021

(Expressed in thousands of Canadian dollars except where noted)

No stock options were issued during the three months ended March 31, 2021. In the year ended December 31, 2020, the weighted average fair value per stock option for the 6,467,815 stock options granted to certain executive officers was \$0.097 and was estimated using the Black-Scholes valuation model based on the following assumptions:

	<b>December 31 2020</b>
Expected life	5 years
Expected volatility	85.8% - 88.4%
Risk-free interest rate	0.30% - 0.32%
Expected dividend yield	0%

### 12.2 Deferred Share Units

The following table reflects the movement in DSUs outstanding:

	<b>March 31 2021</b>	December 31 2020
<b>Balance at beginning of the period</b>	<b>10,081,410</b>	5,000,000
Granted	301,205	6,314,743
Redeemed	(433,333)	(1,233,333)
<b>Balance at end of the period</b>	<b>9,949,282</b>	10,081,410

On November 18, 2019, non-executive directors of the Company were granted 5 million DSUs at \$0.15 per share, vesting immediately subject to shareholder approval of the plan. Prior to approval of the plan on June 24, 2020, the Company was required to fair value the DSUs based on the common share price at each balance sheet date with changes in the fair value being included in the determination of stock-based compensation.

During the three months ended March 31, 2021, the Company granted 301,205 DSUs to non-executive directors at \$0.166 per share (year ended December 31, 2020 – 6,314,743 at prices between \$0.118 and \$0.148 per share), vesting immediately. The Company recorded total net expense of \$25 as DSU related stock-based compensation for the three months ended March 31, 2021 (year ended December 31, 2020 - \$0.7 million).

During the three months ended March 31, 2021, 433,333 DSUs were redeemed (year ended December 31, 2020 – 1,233,333 DSUs). The weighted average share price on the date of redemption for DSUs during the three months ended March 31, 2021 was \$0.15 per share (year ended December 31, 2020 – \$0.14 per share).

### 12.3 Restricted Share Units

The following table reflects the movement in RSUs outstanding:

	<b>March 31 2021</b>	December 31 2020
<b>Number of RSUs</b>		
<b>Balance at beginning of the period</b>	<b>8,245,912</b>	3,750,000
Granted	-	7,604,020
Cancelled	-	(3,108,108)
<b>Balance at end of the period</b>	<b>8,245,912</b>	8,245,912

During the year ended December 31, 2020, certain officers of the Company were granted 7,604,020 RSUs at prices between \$0.148 per share and \$0.162 per share, vesting over three years from grant date, where 1/3 of the total RSU's granted vest upon each anniversary date of the grant. The Company recorded total net expense of \$0.2 million as RSU related stock-based compensation for the three months ended March 31, 2021 (year ended December 31, 2020 - \$0.4 million).



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

### 13. REVENUES

	<b>Three Months Ended</b>	
	<b>March 31 2021</b>	March 31 2020
Gold and silver sales	\$ 27,644	\$ 15,976
Less treatment and refining costs	(276)	(309)
	<b>\$ 27,368</b>	<b>\$ 15,667</b>

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

### 14. GENERAL AND ADMINISTRATIVE EXPENSES

	<b>Three Months Ended</b>	
	<b>March 31 2021</b>	March 31 2020
Salaries, benefits and directors fees	\$ 1,760	\$ 978
Office and general	507	213
Management and consulting fees	268	157
Share-based payments	265	(183)
Shareholders' information	101	80
Legal fees	73	443
Depreciation	71	56
Travel & accommodations	13	101
	<b>\$ 3,058</b>	<b>\$ 1,845</b>

### 15. EARNINGS PER SHARE

Basic earnings / (loss) per share is calculated as shown in the table below.

	<b>Three Months Ended</b>	
	<b>March 31 2021</b>	March 31 2020
Earnings/(loss) attributable to common shareholders	<b>\$5,833</b>	(\$16,131)
Weighted average shares outstanding - basic	<b>895,353,543</b>	710,209,976
<b>Earnings/(loss) per share - basic</b>	<b>\$ 0.007</b>	<b>\$ (0.023)</b>





## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021  
(Expressed in thousands of Canadian dollars except where noted)

Diluted earnings / (loss) per share is calculated as shown in the table below. The diluted earnings for share for the period ended March 31, 2021 includes the impact of certain outstanding options, RSUs, and warrants. The Company excluded the effect of the stock options and warrants in the determination of diluted loss per share for the three months ended March 31, 2020 as their impact would have been anti-dilutive.

	<b>Three Months Ended</b>	
	<b>March 31</b>	<b>March 31</b>
	<b>2021</b>	<b>2020</b>
Earnings/(loss) attributable to common shareholders	<b>\$5,833</b>	(\$16,131)
Weighted average shares outstanding - diluted	<b>896,721,105</b>	710,209,976
<b>Earnings/(loss) per share - diluted</b>	<b>\$ 0.007</b>	\$ (0.023)

The weighted average diluted number of common shares for the three months ended March 31, 2021 is calculated as follows:

	<b>Three Months Ended</b>
	<b>March 31</b>
	<b>2021</b>
Weighted average shares outstanding - basic	<b>895,353,543</b>
In the money shares - stock options	<b>380,631</b>
Dilutive RSUs and DSUs	<b>268,096</b>
Dilutive warrants	<b>718,834</b>
<b>Weighted average shares outstanding - diluted</b>	<b>896,721,105</b>

### 16. RELATED PARTY TRANSACTIONS

Appian is a related party to the Company as a result of its 19.9% ownership interest in Harte Gold's shares as at March 31, 2021 and Appian's right to appoint three directors to the Company's board. Affiliates of Appian own an additional 2.9% of the Company's shares at March 31, 2021. The Company has entered into several funding transactions with Appian (refer to note 7).

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 function. 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 three months ended March 31, 2021, the Company included \$0.2 million (three months ended March 31, 2020 – \$nil) of costs for these transactions in General and Administrative Expenses. At March 31, 2021, the Company owed the related party \$0.1 million (March 31, 2020 – \$nil) and has included this amount in accounts payable and accrued liabilities.

## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021

(Expressed in thousands of Canadian dollars except where noted)

For the three months ended March 31, 2021 and 2020, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

	March 31 2021	March 31 2020
Management, consulting and director fees	\$ 545	\$ 586
Stock based compensation		
- expensed to the Statement of Operations and Comprehensive Loss	247	(137)
	\$ 792	\$ 449

### 17. FINANCIAL INSTRUMENTS

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

March 31, 2021	Level	Amortized cost	FVTPL
<b>Financial assets</b>			
Cash and cash equivalents	1	\$ 21,054	\$ -
Restricted Cash	1	1,324	-
Receivables (excluding HST receivable)	1	3,952	-
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	1	16,583	-
Short-term debt	2	25,926	-
Long-term debt	2	88,064	-
Derivative financial instruments	2	-	30,183

December 31, 2020	Level	Amortized cost	FVTPL
<b>Financial assets</b>			
Cash and cash equivalents	1	\$ 8,248	\$ -
Restricted Cash	1	1,324	-
Receivables (excluding HST receivable)	1	3,437	-
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	1	14,727	-
Short-term debt	2	26,427	-
Long-term debt	2	92,144	-
Derivative financial instruments	2	-	45,522

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

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

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

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## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021

(Expressed in thousands of Canadian dollars except where noted)

The estimated fair value of cash and cash equivalents, receivables (excluding HST receivable), restricted cash and accounts payable and accrued liabilities approximates their carrying values due the short nature of these financial instruments. The fair values of the Company's short-term and long-term debts also approximates their carrying value due to the fact that the effective interest rate is not significantly different from market rates.

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

a) Credit risk

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

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

b) Liquidity risk

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

At March 31, 2021, the Company had cash and cash equivalents of \$21.1 million (December 31, 2020: \$8.2 million) to settle accounts payable and accrued liabilities of \$16.6 million (December 31, 2020: \$14.7 million) that are considered short-term and expected to be settled within 30 to 90 days. Additionally, the Company is obligated, as of March 31, 2021, to pay interest and principal on the BNP Debt Facilities. Managing liquidity risk will be dependent on the success of its mining activities, as well as the Company's on-going ability to raise additional funds through debt or equity issues (refer to note 1).

c) Market risk

(i) *Interest rate risk*

The Company's exposure to the risk of changes in market interest rates relates primarily to the BNP Debt Facilities, which bears interest based on the three-month U.S. dollar LIBOR rates. As a result, the Company is subject to a medium level of interest rate risk. All other financial assets and liabilities are non-interest bearing or bear interest at fixed rates. A 1.0% increase/decrease in the LIBOR rate would have increased/decreased the interest paid by \$0.2 million for the three months ended March 31, 2021.

(ii) *Foreign currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk with respect to monetary items not denominated in Canadian dollars. The Company has exposure to currency risk on its operations, as gold prices are denominated in US dollars, while operating expenses are incurred in Canadian dollars.

Additionally, the Company has debt instruments outstanding which are denominated in US dollars. In respect of its exposure on debts outstanding, a \$0.01 increase or decrease in the Canadian dollar exchange rate would have a +/- \$0.8 million impact on its outstanding debt balance.

(iii) *Commodity price risk:*

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



## NOTES TO FINANCIAL STATEMENTS

At and for the three months ended March 31, 2021

(Expressed in thousands of Canadian dollars except where noted)

US\$1,300 per ounce with varying ceiling prices of the collars ranging from US\$1,391 per ounce to US\$1,399 per ounce. A US\$10 per ounce change in the average price of gold in the quarter ended March 31, 2021 would have affected revenues by approximately \$0.2 million.

### 18. CAPITAL MANAGEMENT

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

Total equity is comprised of share capital, reserves and accumulated deficit. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

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

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

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

	<b>March 31</b>	March 31
	<b>2021</b>	2020
Equity	\$ (2,845)	\$ (37,100)
Debt	<b>113,990</b>	118,571
	<b>\$ 111,145</b>	\$ 81,471

### 19. COMMITMENTS

The Company has a commitment under a site access agreement to pay \$0.1 million per annum, subject to a cumulative maximum of \$0.5 million.

In connection with the issuance of flow-through shares and the related renouncement of exploration and development expenditures, the Company commits to spend such funds on eligible exploration and development expenditures (refer to note 9).

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

The Company has entered into an Impact Benefits Agreement ("IBA") with Pic 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 ("NPI"), based on the World Gold Council definition of "all in sustaining cost" metrics, subject to a minimum amount of \$0.5 million per annum, as well as an implementation payment of \$0.1 million per annum which began in the year immediately after the Company received 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).