



UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Harte Gold Corp. (the "Company" or "Harte") for the three and six months ended June 30, 2012 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 interim consolidated financial statements have not been reviewed by an auditor.

August 10, 2012

"Stephen G. Roman"
Stephen G. Roman
Chairman, President and CEO

"Rein A. Lehari"
Rein a. Lehari
Chief Financial Officer

Harte Gold Corp.
 (An Exploration Stage Company)
Condensed Statement of Financial Position as at
(unaudited)

Canadian dollars	June 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents (note 4)	\$ 1,552,602	\$ 4,320,645
Receivables (note 5)	239,608	86,171
Subscription receivable	100,000	184,500
Prepays	36,907	44,636
	1,929,117	4,635,952
Property and Equipment (note 6)	80,589	89,875
Exploration and Evaluation Expenditures (note 7)	16,921,006	12,114,761
	\$ 18,930,712	\$ 16,840,588
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 8)	854,484	186,577
Contingency provisions (note 17)	427,425	427,425
Flow-through share premium (note 9)	49,000	101,625
	\$ 1,330,909	\$ 715,627
Shareholder's Equity		
Capital stock (notes 10, 11 & 12)	26,726,985	25,222,430
Other reserves (note 13)	3,313,602	2,635,482
Deficit	(12,440,784)	(11,732,951)
	17,599,803	16,124,961
	\$ 18,930,712	\$ 16,840,588

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.
(An Exploration Stage Company)
Condensed Statements of Operations and Comprehensive Loss and Deficit
(unaudited)

Canadian dollars	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenue				
Interest Income	\$ 5,337	\$ 6,781	\$ 11,610	\$ 9,211
Expenses				
Management and consulting fees (note 15)	60,000	62,850	120,000	122,850
Promotion and travel	2,371	1,250	4,765	3,677
Office and general	37,323	33,383	72,868	71,854
Professional fees	41,292	43,249	51,473	59,396
Stock-based compensation (note 13)	470,940	7,565	471,604	83,645
Shareholders' information	41,823	117,873	93,271	152,563
Amortization	100	142	200	284
Part XII.6 interest and penalties	-	-	6,887	1,823
Flow-through share premium (note 9)	-	-	(101,625)	(547,571)
	653,849	266,312	719,443	(51,479)
Income (Loss) and Comprehensive Loss before income taxes	(648,512)	(259,531)	(707,833)	60,690
Net Income (Loss) and Comprehensive Loss	\$ (648,512)	\$ (259,531)	\$ (707,833)	\$ 60,690
Deficit beginning of period	(11,792,272)	(11,079,888)	(11,732,951)	(11,400,109)
Deficit end of period	\$ (12,440,784)	\$ (11,339,419)	\$ (12,440,784)	\$ (11,339,419)
Net Income (Loss) per share - basic and fully diluted	\$ (0.004)	\$ (0.002)	\$ (0.004)	\$ 0.000
Weighted average number of shares outstanding				
Basic	165,963,572	140,089,231	165,425,843	139,962,790

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.
(An Exploration Stage Company)
Condensed Statements of Cash Flow
(unaudited)

Canadian dollars	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Operations				
Net income	\$ (648,512)	\$ (259,531)	\$ (707,833)	\$ 60,690
Adjustments to reconcile net income (loss) to cash flow from operating activities:				
Amortization	100	142	200	284
Stock-based compensation	470,940	7,565	471,604	83,645
Flow-through share premium	-	-	(101,625)	(547,571)
	(177,472)	(251,824)	(337,654)	(402,952)
Net changes in non-cash working capital items:				
Prepays	5,503	4,535	7,729	(584)
Shares to be issued	-	753,000	-	753,000
Subscription receivables	(100,000)	-	84,500	304,500
Receivables	(28,587)	262,535	(153,436)	145,840
Accounts payable and accrued liabilities	633,541	(502,615)	667,907	(348,095)
	332,985	265,631	269,046	451,709
Financing				
Cost of share issuances	(20,900)	(557)	(26,945)	(557)
Issuance of units	1,557,499	-	1,557,499	-
Issuance of Halverson shares	23,000	19,000	23,000	19,000
Exercise of warrants	-	550,850	-	608,850
Exercise of options	-	7,500	-	7,500
	1,559,599	576,793	1,553,554	634,793
Investing				
Property and equipment	-	(8,933)	-	(22,483)
Additions to exploration and evaluation expenditures	(3,687,774)	(770,704)	(4,590,643)	(1,787,855)
	(3,687,774)	(779,637)	(4,590,643)	(1,810,338)
Net decrease in cash	(1,795,190)	62,787	(2,768,043)	(723,836)
Cash, beginning of period	3,347,792	3,322,233	4,320,645	4,108,856
Cash, end of period	\$ 1,552,602	\$ 3,385,020	\$ 1,552,602	\$ 3,385,020

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.
(An Exploration Stage Company)
Condensed Statement of Changes in Shareholders' Equity
(unaudited)

Canadian dollars	Common Shares		Warrants		Subtotal	Other Reserves	Deficit	Shareholders' Equity
	#	\$	#	\$				
December 31, 2010	139,746,315	19,561,977	20,370,076	961,633	20,523,610	2,077,029	(11,400,109)	11,200,530
Issued as a result of:								
Exercise of warrants	2,666,248	723,657	(2,666,248)	(114,807)	608,850			608,850
Warrants expired			(857)	(52)	(52)	52		-
Exercise of options	50,000	12,100			12,100	(4,600)		7,500
Issued to Halverson	50,000	19,000			19,000			19,000
Share issuance costs		(557)			(557)			(557)
Stock options granted					-	330,112		330,112
Net loss for the period							60,690	60,690
June 30, 2011	142,512,563	20,316,177	17,702,971	846,774	21,162,951	2,402,593	(11,339,419)	12,226,125
Issued as a result of:								
Private placements	4,737,500	1,595,000			1,595,000			1,595,000
Flow-through premium		(101,625)			(101,625)			(101,625)
Exercise of warrants	17,588,051	3,457,675	(17,587,194)	(830,784)	2,626,891			2,626,891
Share issuance costs		(69,170)	93,000	12,325	(56,845)			(56,845)
Warrants expired			(115,777)	(15,990)	(15,990)	15,938		(52)
Exercise of options	50,000	12,048			12,048	(4,548)		7,500
Stock options granted					-	221,499		221,499
Net loss for the period							(393,532)	(393,532)
December 31, 2011	164,888,114	25,210,105	93,000	12,325	25,222,430	2,635,482	(11,732,951)	16,124,961
Issued as a result of:								
Private placements	6,066,667	1,492,277	2,625,000	65,222	1,557,499			1,557,499
Flow-through premium		(49,000)			(49,000)			(49,000)
Issued to Halverson	100,000	23,000			23,000			23,000
Share issuance costs		(28,269)	37,200	1,324	(26,945)			(26,945)
Stock options granted						678,120		678,120
Net loss for the period							(707,833)	(707,833)
June 30, 2012	171,054,781	26,648,113	2,755,200	78,871	26,726,985	3,313,602	(12,440,784)	17,599,803

Harte Gold Corp.
(An Exploration Stage Company)
Notes to the Condensed Financial Statements
For the Six Months Ended June 30, 2012
(unaudited)

1. CORPORATE INFORMATION

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

The Company is engaged in the acquisition, exploration and development of mineral resource properties with a focus on gold properties located in the Province of Ontario, Canada, and currently owns interests in two advanced exploration projects: the Sugar Zone Property, 60 km east of the Hemlo area gold mines, located on the north shore of Lake Superior and the Stoughton-Abitibi Property (formerly Stoughton-Porcupine), 110 km east of Timmins and 50 km north east of Kirkland Lake. On the basis of information to date, the Company has not yet determined whether these mineral properties contain economically recoverable reserves.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). These condensed interim financial statements do not include all disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report for the year ended December 31, 2011.

The management of Harte prepared these unaudited condensed interim financial statements, which were then reviewed by the Audit Committee and the Board of Directors. The unaudited condensed interim financial statements were authorized for issue by the Board of Directors on August 10, 2012.

(b) Continuance of Operations

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Company's financial statements for the year ended December 31, 2011.

Harte Gold Corp.
(An Exploration Stage Company)
Notes to the Condensed Financial Statements
For the Six Months Ended June 30, 2012
(unaudited)

4. CASH AND CASH EQUIVALENTS

Assets	June 30, 2012	December 31, 2011
Cash	\$ 1,171,165	\$ 344,654
Liquid short term investment	381,437	3,975,991
	\$ 1,552,602	\$ 4,320,645

5. RECEIVABLES

	June 30, 2012	December 31, 2011
GST/HST receivable	\$ 238,058	\$ 86,171
Miscellaneous receivables	1,550	-
Total accounts receivable	\$ 239,608	\$ 86,171

6. PROPERTY AND EQUIPMENT

	Office Equipment			Site Vehicles (1)			TOTAL NBV
	Cost	Amortization	NBV	Cost	Amortization	NBV	
December 31, 2010	2,102	202	1,900	87,336	6,096	81,240	83,140
Additions	5,467	1,390	4,077	20,075	18,465	1,610	5,687
Dispositions	-	-	-	254	(794)	1,048	1,048
December 31, 2011	7,569	1,592	5,977	107,665	23,767	83,898	89,875
	-	448	-	-	4,195	-	-
March 31, 2012	7,569	2,040	5,529	107,665	27,962	79,703	85,232
	-	448	-	-	4,195	-	-
June 30 2012	7,569	2,488	5,081	107,665	32,157	75,508	80,589

1) Amortization on these site vehicles is capitalized to exploration and evaluation assets.

7. EXPLORATION AND EVALUATION ASSETS

Sugar Zone Property, Hemlo Gold Area

The Sugar Zone Property consists of 412 contiguous claims within the Sault Ste. Marie Mining Division located in Ontario, approximately 60 km east of the Hemlo area gold mines, 25 km northeast of White River off the Trans-Canada Highway (#17). Of these, 288 claims are subject to a 3.5% net smelter royalty ("NSR") in favour of the original vendors of the property which can be reduced to 2% through the payment of \$1.5 million.

The Company also holds an option on 3 claims that are subject to a 3% NSR that can be reduced to 1.5% upon payment of \$1.5 million (see note 16).

Harte Gold Corp.
 (An Exploration Stage Company)
Notes to the Condensed Financial Statements
For the Six Months Ended June 30, 2012
 (unaudited)

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

	June 30, 2012	December 31, 2011
Opening Balance	12,114,761	8,183,187
Expenditures incurred during the period		
Acquisition costs	2,574,810	244,111
Drilling	1,084,526	1,597,411
Geophysics	371,396	355,479
Sampling	-	3,274
Assays	17,799	80,234
Camp costs	61,688	386,318
Direct management/employees	155,774	376,377
Site access	26,483	146,719
Consultants	283,631	324,826
Stock-based compensation	206,515	362,605
Amortization of vehicles	9,086	19,287
Other costs	14,537	34,933
Total for this period	4,806,245	3,931,574
Closing Balance	16,921,006	12,114,761

Stoughton-Abitibi Property, Timmins Porcupine Gold Area

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

In 2009, the Company concluded that it should prioritize the Sugar Zone Property and has not funded any exploration expenses on the Stoughton-Abitibi Property since then. Accordingly, the Company recorded an impairment provision of \$2,756,133 against the Stoughton-Abitibi Property at November 30, 2009.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2012	December 31, 2011
Accounts Payable	832,068	152,744
Accrued Liabilities		
Audit	15,000	30,000
Payroll liabilities	7,415	3,833
Total accounts payable and accrued liabilities	854,483	186,577

Harte Gold Corp.
 (An Exploration Stage Company)
Notes to the Condensed Financial Statements
For the Six Months Ended June 30, 2012
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9. FLOW-THROUGH LIABILITIES

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

Balance on December 31, 2010	\$ 547,571
Settlement of liability through renouncement in Q1 2011	(547,571)
Liability incurred on flow-through shares issued	
July 5, 2011	67,500
July 15, 2011	34,125
Balance on December 31, 2011	\$ 101,625
Settlement of liability through renouncement in Q1 2012	(101,625)
Liability incurred on flow-through shares issued	
June 15, 2012	49,000
Balance on June 30, 2012	\$ 49,000

On July 5, 2011, the Company completed an initial closing of a non-brokered private placement financing of 2,250,000 flow-through shares at a price of \$0.40 per share for gross proceeds of \$900,000. A flow-through share premium of \$67,500 was recorded on this financing. As of June 30, 2012, all funds have been spent.

On July 15, 2011, the Company completed the final closing of a non-brokered private placement financing of 487,500 flow-through shares at a price of \$0.40 per share for gross proceeds of \$195,000. A flow-through share premium of \$34,125 was recorded on this financing. As of June 30, 2012, all funds have been spent.

On December 23, 2011, the Company completed a non-brokered private placement financing of 2,000,000 flow-through shares at a price of \$0.25 per share for gross proceeds of \$500,000. There was no flow-through share premium for this financing. As of June 30, 2012, all funds have been spent.

On June 15, 2012, the Company completed an initial closing of a non-brokered private placement financing of 816,667 flow-through shares at a price of \$0.30 per share for gross proceeds of \$245,000. A flow-through share premium of \$49,000 was recorded on this financing.

In early 2011, the flow-through expenditures related to the various 2010 flow-through share issues were renounced, thus settling the liability that had been carried forward on the balance sheet. Similarly, the flow-through expenditures related to the various 2011 flow-through share issues were renounced in early 2012.

10. CAPITAL STOCK

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

Number of shares issued and outstanding.

The issued and outstanding common shares are as follows :

Harte Gold Corp.
(An Exploration Stage Company)
Notes to the Condensed Financial Statements
For the Six Months Ended June 30, 2012
(unaudited)

	June 30, 2012	December 31, 2011
Balance at beginning of period	164,888,114	139,746,315
Private placement of units	5,250,000	
Private placement of flow-through shares	816,667	4,737,500
Issuance of shares to Halverson	100,000	50,000
Exercise of warrants		20,254,299
Exercise of stock options		100,000
Balance end of period	171,054,781	164,888,114

11. STOCK OPTION PLAN

The Company has established a stock option plan to provide additional incentive to officers, directors, employees and consultants in their efforts on behalf of the Company in the conduct of its affairs. The terms of the stock option plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant. The number of shares reserved for issuance is not to exceed 10% of the issued and outstanding common shares from time-to-time. At June 30, 2012, the Company had 845,478 (December 31, 2011 – 3,208,811) common shares available for granting of future options.

Under the terms of the plan, options vest immediately unless otherwise determined by the Board, and expire on the fifth anniversary from the date of issue unless otherwise specified. As at June 30, 2012, a total of 16,260,000 options were outstanding under the stock option plan.

	June 30, 2012		December 31, 2011	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding beginning of period	\$ 0.20	13,280,000	\$ 0.19	12,150,000
Transactions during the period:				
Granted	\$ 0.30	2,980,000	\$ 0.47	1,200,000
Granted	\$ 0.35	250,000	\$ 0.40	400,000
Granted			\$ 0.50	400,000
Exercised ⁽¹⁾			\$ 0.15	(100,000)
Forfeited	\$ 0.50	(250,000)	\$ 0.46	(770,000)
Outstanding at end of period	\$ 0.23	16,260,000	\$ 0.20	13,280,000
Exercisable at end of period	\$ 0.22	15,885,000	\$ 0.20	12,892,500

Harte Gold Corp.
(An Exploration Stage Company)
Notes to the Condensed Financial Statements
For the Six Months Ended June 30, 2012
(unaudited)

The following table provides additional information regarding stock options outstanding at June 30, 2012.

Expiry Date	Exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
February 14, 2013	\$0.47	0.63	50,000	50,000
February 17, 2014	\$0.15	1.64	3,050,000	3,050,000
May 25, 2014	\$0.15	1.90	250,000	250,000
January 26, 2015	\$0.15	2.58	150,000	150,000
June 22, 2015	\$0.15	2.98	6,800,000	6,800,000
July 26, 2015	\$0.20	3.07	800,000	800,000
November 9, 2015	\$0.70	3.36	500,000	500,000
February 14, 2016	\$0.47	3.63	880,000	505,000
July 14, 2016	\$0.40	4.04	400,000	400,000
October 21, 2016	\$0.50	4.31	150,000	150,000
May 3, 2017	\$0.30	4.84	130,000	130,000
May 28, 2017	\$0.35	4.91	250,000	250,000
June 20, 2017	\$0.30	4.98	2,850,000	2,850,000
	\$0.23	3.18	16,260,000	15,885,000

Stock-based Compensation

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of stock-based compensation costs for stock options issued during the year ended December 31, 2011 and the six months ended June 30, 2012:

Grant date	14-Feb-11	14-Feb-11	15-Jul-11	21-Oct-11
Number of options	1,150,000 ⁽¹⁾	50,000	400,000	400,000
Exercise price	\$ 0.47	\$ 0.47	\$ 0.40	\$ 0.50
Expected life in years	5	2	5	5
Volatility ⁽³⁾	114.00%	118.86%	112.19%	111.28%
Risk-free interest rate	2.36%	1.69%	1.92%	1.46%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Fair value of options granted	\$ 0.380	\$ 0.213	\$ 0.257	\$ 0.221
Stock-based compensation expense	\$ 437,460	\$ 10,630	\$ 102,960	\$ 88,400

Grant date	4-May-12	29-May-12	20-Jun-12
Number of options	130,000	250,000	2,850,000
Exercise price	\$ 0.30	\$ 0.35	\$ 0.30
Expected life in years	5	5	5
Volatility ⁽³⁾	110.82%	110.03%	109.60%
Risk-free interest rate	1.44%	1.32%	1.26%
Dividend yield	0.00%	0.00%	0.00%
Fair value of options granted	\$ 0.193	\$ 0.214	\$ 0.200
Stock-based compensation expense	\$ 25,103	\$ 53,475	\$ 571,140

¹ An aggregate of 775,000 stock options were vested as of June 30, 2012

Harte Gold Corp.
(An Exploration Stage Company)
Notes to the Condensed Financial Statements
For the Six Months Ended June 30, 2012
(unaudited)

12. WARRANTS

As at June 30, 2012, there were 2,755,200 warrants to purchase common shares outstanding. Warrants expire as follows:

	Exercise Price	Warrants	Expiry date
Balance at December 31, 2010		20,370,076	
Expired		(115,777)	
Issued for finder's fee	\$ 0.40	71,125	July 5, 2012
Issued for finder's fee	\$ 0.40	21,875	July 15, 2012
Exercised	\$ 0.15	(17,698,500)	
Exercised	\$ 0.24	(2,321,248)	
Exercised	\$ 0.10	(220,151)	
Exercised	\$ 0.125	(14,400)	
Balance at December 31, 2011 and March 31, 2012		93,000	
Issued	\$ 0.35	2,625,000	June 15, 2013
Issued for finder's fee	\$ 0.30	37,200	June 15, 2013
Balance at June 30, 2012		2,755,200	

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of the value allocated to the warrants issued as finder's warrants during the six months ended June 30, 2012 and year ended December 31, 2011 in connection with financings:

Issue date	5-Jul-11	15-Jul-11	15-Jun-12	15-Jun-12
Number of warrants	71,125 ¹	21,875 ¹	2,625,000	37,200 ¹
Exercise price	\$ 0.40	\$ 0.40	\$ 0.35	\$ 0.30
Expected life in years	1.0	1.0	1.0	1.0
Volatility	104.26%	99.25%	56.84%	55.75%
Risk-free interest rate	1.47%	1.47%	0.97%	0.97%
Dividend yield	0%	0%	0%	0%
Fair value of warrants issued	0.140	0.108	0.025	0.036
Fair value assigned to warrants	\$ 9,972	\$ 2,354	\$ 65,222	\$ 1,324

¹ Finder's warrants

The expiry dates of warrants outstanding as of June 30, 2012 are as follows:

Expiry date	Number of warrants outstanding	Exercise price
July 5, 2012	71,125	\$ 0.40
July 15, 2012	21,875	\$ 0.40
June 15, 2013	2,625,000	\$ 0.35
June 15, 2013	37,200	\$ 0.30
	2,755,200	\$ 0.35

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13. OTHER RESERVES

	6 months ended	Year ended
	30-Jun-12	31-Dec-11
Balance beginning of period	2,635,482	2,077,029
Stock-based compensation expense (note 11)	678,120	551,611
Fair value assigned to options exercised (note 11)	-	(9,148)
Fair value assigned to expired warrants	-	15,990
Balance end of period	3,313,602	2,635,482

14. INCOME/LOSS PER SHARE

The calculation of the basic earnings per share for the six months ended June 30, 2012 was based on the loss attributable to common shareholders of \$707,833 (earnings for the six months ended June 30, 2011 - \$60,690) and a weighted average number of common shares outstanding of 165,425,843 (June 30, 2011 – 139,962,790).

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

Loss for the six months ended June 30, 2012 divided by weighted average number of common shares outstanding is equal to \$0.004 per share.

BASIC

Numerator	\$707,833	
Denominator	165,425,843	
Loss per share	\$0.004	

15. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties as at and in the six months ended June 30, 2012 were as follows:

	Amount	Outstanding
For six months ended June 30, 2012	charged	balance
Silvermet Inc.	\$ 27,307	\$ -
Global Atomic Fuels Corp.	33,586	16,332

Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. These are settled on a regular basis.

Transactions with related parties were in the normal course of operations and were measured at the same value as if the transactions had occurred with non-related parties.

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For the period ended June 30, 2012, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

	6 months ended June 30, 2012	Year ended December 31, 2011
Management and consulting	\$ 120,000	\$ 240,000
Consulting fees included in exploration and evaluation expenditures	45,000	90,000
Stock based compensation	470,940	102,960

16. COMMITMENTS

On May 28, 2010, the Company entered into an option agreement to acquire Corona Gold Corporation's 51% interest in the Sugar Zone joint venture. The Company completed the last of the conditions with the payment of \$2,500,000 on May 23, 2012, thereby becoming the owner of 100% of the Sugar Zone Property.

On June 28, 2010, the Company entered into an Option Agreement to acquire 3 mining claims contiguous to the 326 claims previously held, referred to as the "Halverson Option". Under this Option Agreement, the Company must make further cash payments of \$120,000 over the 2 years ended June 28, 2014 and incur cumulative exploration expenditures of \$300,000 through June 28, 2015 (a total of \$110,000 exploration expense has been spent through June 28, 2012).

In addition to the above commitments, the Company has relatively small contractual commitments to pay rent for office, living and core storage areas in White River, Ontario and for certain access rights to its properties, totaling approximately \$45,000 per annum.

17. CONTINGENCIES

Mr. John Ternowesky, a former director of the Company, has filed a Statement of Claim in the amount of \$3,000,000 against the Company in the Ontario Superior Court of Justice. The claim alleges that Mr Ternowesky had provided services as a director and consultant to the Company during the period November 1993 through June 2001. The Company has filed a Statement of Defence and Counterclaim. Management is of the position that the claim by Mr. Ternowesky is without merit as there are no corporate records of any such services or agreements. The Company's Counterclaim is in respect of Mr. Ternowesky's breach of his duties as a director in respect of flow-through share issuances (see below) and seeks damages in the amount of \$750,000 relating to CRA liabilities and indemnity of \$750,000 for any amounts that may be needed to be reimbursed to investors, plus a discharge of any royalties owing to Mr. Ternowesky. (Mr. Ternowesky holds a portion of the royalties on Sugar Zone Property – see note 10). Mr. Ternowesky has made an offer to settle his claim at a significantly reduced amount but the Company has rejected this. At present, the Company believes it will prevail in this matter and no liability will result. Since any such liability is remote, no provision is included.

Pursuant to a 2009 audit by the Canada Revenue Agency ("CRA") of 2003 exploration expenses, current management conducted a review of expenditures incurred and filings made in respect of flow-through share issuances during the period 2003 – 2008. This review uncovered issues related to the use of flow-through funds, timing of expenditures and other related compliance matters. The Company has filed the required documents with CRA related to the issuance of flow-through common shares during this period and estimates it may incur interest charges and penalties associated with the foregoing and may incur other costs. These financial statements contain a provision of \$144,125 (2010 - \$144,125) to reflect the interest charges and penalties that are probable under the Part XII.6 provisions in the Income Tax Act. In addition, it is probable that the Company will be obligated to reimburse investors for an estimated amount of \$283,300 (2010 - \$283,300), which has been accrued, in tax liabilities and interest due to CRA re-assessments which re-assessments are a result of flow through funds not spent within prescribed time limits. The Company has approached CRA with a proposal to minimize payments associated with the above. While some relief may be obtained, any such amount is uncertain and may not be material and so has been excluded from the provision.

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In addition to the claim against Mr. Ternowesky as noted above, the Company also filed a claim against the other former directors and officers of the Company that were retained, employed or otherwise engaged by the Company during the relevant period, for damages of \$750,000 relating to CRA liabilities and indemnity of \$750,000 for any amounts that may need to be reimbursed to investors. A number of such directors have in turn filed a claim against Mr. Ternowesky for any such damages or indemnity liability. Any recovery by the Company is very uncertain so no amount has been included in the financial statements for any such potential recovery.

18. OPERATING SEGMENT

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

19. SUBSEQUENT EVENTS

On July 25, 2012, the Company completed the second tranche of its private placement, closing on an additional 750,000 Units for gross proceeds of \$187,500 and 1,65,833 Flow-through common shares for gross proceeds of \$319,750.