

**HARTE GOLD CORP.**  
**Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**for the 6 months ended June 30, 2012**

The following discussion of the results of operations and financial condition of Harte Gold Corp. ("Harte Gold" or "the Company") prepared as of August 10, 2012 summarizes management's review of the factors that affected the Company's financial and operating performance for the six months ended June 30, 2012, and the factors reasonably expected to impact on future operations and results ("Management's Discussion and Analysis of Financial Condition and Results of Operations" or "MD&A"). This MD&A is intended to supplement and complement the Company's unaudited condensed interim financial statements as at and for the six months ended June 30, 2012 ("Unaudited Interim Financial Statements") and the notes thereto, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information and discussion included in this MD&A constitutes forward-looking information, which should be considered in view of the cautionary notes contained in the section Forward-Looking Statements at the end of this MD&A.

The unaudited condensed interim financial statements, the 2011 Audited Financial Statements and the Company's Annual Information Form are available at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.hartegold.com](http://www.hartegold.com). All amounts disclosed are in Canadian dollars.

## **OVERVIEW**

Harte Gold is involved in the acquisition, exploration and development of mineral properties, with a current focus on gold located in the Province of Ontario, Canada.

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 are listed for trading on the Toronto Stock Exchange under the symbol "HRT" and on the Frankfurt Stock Exchange under the symbol "H4O".

The Company currently has interests in two exploration projects: the first is the Sugar Zone Property, located 60 km east of the Hemlo area gold mines and northeast of the Town of White River, Ontario. It consists of 412 contiguous claims, covering an area of approximately 80,000 acres, that includes a greenstone belt within a surrounding buffer zone of claims.

Prior to the recent quarter, Harte Gold held an option to acquire the 51% interest in the Sugar Zone Property that was held by Corona Gold Corporation ("Corona"). On May 23, 2012, Harte Gold exercised its option by paying \$2.5 million to Corona, and now holds 100% of the Sugar Zone Property.

The second property, the Stoughton-Abitibi Property (formerly Stoughton-Porcupine), is located 110 km east of Timmins and 50 km north east of Kirkland Lake, Ontario. Exploration work on the Stoughton-Abitibi Property was put on hold in 2009. The Company's exploration activities have been focused entirely on the Sugar Zone Property since that time, with the intent to return to the Stoughton-Abitibi Property in the near future.

## **SUGAR ZONE PROPERTY UPDATE**

The Sugar Zone Property contains a Block Model mineral resource estimate which outlines a National Instrument 43-101("NI 43-101") compliant resource containing an Indicated Resource of 319,280 ounces of gold grading 10.13 grams / tonne and an Inferred Resource of 155,960 ounces of gold grading 8.36 grams / tonne, uncapped. The NI 43-101 was prepared by Watts, Griffis and McQuat Limited on February 27, 2012 and is available on the Company's web site at [www.hartegold.com](http://www.hartegold.com) or on Sedar at [www.sedar.com](http://www.sedar.com).

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The current resource estimate reflects drilling completed through 2011. Since then, the Company undertook a 7,000 meter drill program which was completed this July. The drilling was successful in significantly upgrading the Deposit and expanding the known mineralized envelope along strike and down dip. Significant assay results include:

<b>Sugar Zone Extension Drilling</b>						
Hole Number	Zone	From (meters)	To (meters)	Width (meters)	Grade (g/t)	Visible Gold
SZ-12-37	Lower Zone Incl.	1111.50	1114.70	3.20	10.50	VG
		1114.00	1114.70	0.70	43.30	VG
<b>Sugar Zone In-Fill Drilling</b>						
SZ-11-29	Lower Zone Incl.	464.00	466.40	2.40	11.50	VG
		465.04	465.45	0.41	35.50	VG
SZ-12-36	Lower Zone Incl.	432.00	433.64	1.64	57.60	VG
		433.08	433.64	0.56	162.00	VG

**Assay results from drill hole SZ-12-37 shown in the table above are particularly significant as Harte can now confirm continuity of the Sugar Zone Deposit to a vertical depth of 1,000 meters.**

Harte retained NordPro Mine and Project Management Services Ltd. to prepare a Preliminary Economic Assessment ("PEA") on the Sugar Zone Deposit. The PEA was announced May 31, 2012 and covers that area of the Sugar Zone Deposit between surface and 400 meters depth. The PEA marks a significant step forward in the development of the Sugar Zone Deposit. Key conclusions are as follows:

- Gold price used – US \$1,490 per ounce
- 750 tonne per day operation
- 8.1 gram/tonne mill head grade
- 94% recovery
- 66,000 ounces annual production
- \$600/ounce production cost, including royalties
- \$108 million capital expenditures, assuming new equipment, contract mining and a 25% contingency allowance
- 6 year mine life to 400 meters using Alimak and shrinkage mining methods
- Annual revenue...\$98 million
- EBITDA...\$60 million/year
- pre tax IRR...35%
- after tax IRR...28%

Harte Gold is reviewing various options to minimize capital costs associated with mine development, including custom milling options, alternative power supply and the sourcing of used, rather than new equipment.

The complete PEA is available on the Company's web site at [www.hartegold.com](http://www.hartegold.com) and Sedar at [www.sedar.com](http://www.sedar.com).

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**OUTLOOK**

Harte Gold is undertaking the following work on the Sugar Zone property over the second half of 2012:

- A 7,000 meter drill program to test mineralized extensions of the Sugar Zone Deposit at depth was completed in July. The program tested potential down dip and parallel targets identified in the summer 2011 down-hole geophysics program.
- The PEA was based on resources to a depth of 400 meters. With the recent deep drill hole intersections, future drilling will target extending the Sugar Zone Deposit to 1,000 meters
- A 700 meter Nickel-Copper ("Ni-Cu") target was recently discovered through the interpretation of a V-Tem survey and ground proofing. Located within an area of elevated Ni-Cu historical surface samples, this target represents significant exploration potential and is scheduled to be drill tested in the coming months.
- Permitting and technical studies associated with a 72,000 tonne bulk sample program at the Sugar Zone Deposit are on-going with plans to collar a portal at the end of Q2 2013. Results from the bulk sample will provide the information necessary to make a final commercial production decision on the Sugar Zone Deposit.
- Harte has completed a data compilation program of 2012 VTEM survey with data from earlier VTEM and other geophysical surveys completed on the Sugar Zone Property to establish a comprehensive database that has identified numerous exploration targets.
- The Company plans further IP and Mag surveys over a northwest – southeast trending mafic volcanic - sedimentary contact zone, west of the Sugar Zone Deposit. The Contact Zone has returned numerous high grade gold assays from surface samples.
- Continuing roadwork to provide improved access to the Sugar Zone Deposit is on-going.

**RESULTS OF OPERATIONS**

The Unaudited 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").

<b>Results of Operations</b>	<b>3 Months Ended June 30, 2012</b>	3 Months Ended June 30, 2011	<b>6 Months Ended June 30, 2012</b>	6 Months Ended June 30, 2011
Net Income (Loss)	\$ (648,512)	\$ (259,531)	\$ (707,833)	\$ 60,690
Income / (Loss) per weighted average share	(0.004)	(0.002)	(0.004)	-

  

<b>Balance Sheet</b>	<b>June 30, 2012</b>	December 31, 2011
Total Assets	\$ 18,930,712	\$ 16,840,588
Cash and cash equivalents	1,552,602	4,320,645
Exploration and evaluation expenditures	16,921,006	12,114,761

During the 6 months ended June 30, 2012, the Company incurred a loss of \$707,833 compared to income of \$60,690 for the 6 months ended June 30, 2011. For the 3 months ended June 30, 2012, the Company incurred a loss of \$648,512 compared to a loss of \$259,531 for the 3 months ended June 30,

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2011. The major differences relate to recognition of flow-through share premiums and the timing of stock option grants.

Excluding income recognized from the flow-through share premiums and expenses related to stock-based compensation, corporate costs were \$349,464 for the 6 months ended June 30, 2012 compared to \$412,447 for the 6 months ended June 30, 2011 (\$182,905 for the 3 months ended June 30, 2012 compared to \$258,747 during the 3 months ended June 30, 2011).

For the 6 month period ended June 30, 2012, the Company's cash and cash equivalent position decreased to \$1,552,602 from \$4,320,645 at December 31, 2011. Cash was used to fund exploration, general corporate expenses and to complete the \$2.5 million buyout of Corona Gold Corporation's 51% interest.

***Financing***

During the 3 months ended March 31, 2012, the Company did not undertake any financing activities. During 3 months ended March 31, 2011, the Company received \$58,000 on the exercise of common share purchase warrants.

During the three months ended June 30, 2012 the Company raised \$1,557,700 under the initial closing of a non-brokered private placement of Units and Flow-through common shares. Units were priced at \$0.25 each and consist of one common share and one-half common share purchase warrant exercisable at \$0.35 for a period of twelve months from closing. Flow-through common shares were priced at \$0.30 each.

Subsequent to the end of the current reporting period and pursuant to the final closing of the non-brokered private placement on July 23, 2012, the Company raised an additional \$507,250.

***Corporate Expenses***

The Company's policy is to capitalize all exploration and evaluation expenditures until a property becomes a producing mine or circumstances lead the Company to conclude that there has been an impairment in value. Accordingly, the results of operations reflect the Company's corporate expenses that are not capitalized to exploration and evaluation projects.

The following summarizes the major components of corporate expenses:

<b>Expenses</b>	<b>3 Months Ended June 30, 2012</b>	<b>3 Months Ended June 30, 2011</b>	<b>6 Months Ended June 30, 2012</b>	<b>6 Months Ended June 30, 2011</b>
Stock-based compensation	\$ 470,940	\$ 7,565	\$ 471,604	\$ 83,645
Office and general	37,323	33,383	72,868	71,854
Management and consulting	60,000	62,850	120,000	122,850
Professional fees	41,292	43,249	51,473	59,396
Shareholder information	41,823	117,873	93,271	152,563
Flow-through share premium			<b>(101,625)</b>	(547,571)

- The stock-based compensation expense reflects the granting of 3,230,000 options in the 3 months ended June 30, 2012, of which 2,350,000 were included as expense and 880,000 were included as part of exploration and evaluation expenditures. Additionally, the exploration and evaluation expenditures include a cost for the vesting of certain stock options that were granted in 2011. In the 3 months ended June 30, 2011, the Company granted 1,200,000 stock options, 250,000 of which were recorded as part of exploration and evaluation expenditures.

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- Shareholder information costs were higher in 2011 than in 2012 as a result of costs incurred to move the Company's listing from the TSX-V to the TSX.
- In Q1 2011, the Company renounced the expenses related to the June and December 2010 flow-through share issues, resulting in an income amount of \$547,571. \$101,625 was recognized in Q1 2012 and as a result of renouncing expenses related to the July and December 2011 flow-through share issuances.

**SUMMARY OF QUARTERLY RESULTS**

	2012		2011				2010	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total Revenue	\$ 5,337	\$ 6,273	\$ 7,433	\$ 5,486	\$ 6,781	\$ 2,429	\$ 303	\$ -
Net Income / (Loss)	(648,512)	(59,321)	(130,962)	(262,570)	(259,531)	320,221	(547,568)	(1,155,572)
Income / (Loss) per Share - basic and fully diluted	(0.004)	(0.000)	(0.001)	(0.002)	(0.002)	0.002	(0.004)	(0.009)

Results of operations can vary significantly by quarter, as a result of a number of factors. The Company's level of activity and expenditures during a specific quarter are influenced by the level of working capital, the availability of external financing, the time required to gather, analyze and report on geological data related to its properties and the number of personnel required to advance each project.

The timing and amount of stock option grants affects the quarters. In Q3 2010, the Company recorded stock option expense of \$979,040 and \$318,890 in Q4 2010. Stock option expense of \$76,080 was recorded in Q1 2011, \$7,565 in Q2 2011 and \$106,894 in Q3 2011. Minor expenses were recorded in Q4 2011 and Q1 2012. Stock option expense of \$470,940 was recorded in Q2 2012.

Income from flow-through share issuance premiums was recognized in Q1 2011 of \$547,571 compared to \$101,625 in Q1 2012.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company had a working capital surplus of \$1,074,633 at June 30, 2012 (working capital surplus of \$4,449,375 at December 31, 2011) excluding the liabilities for contingency provisions and flow-through share premiums.

During the 6 months ended June 30, 2012, \$4,590,643 was spent on exploration and evaluation costs for the Sugar Zone Property, excluding non-cash items (\$3,687,774 during the 3 months ended June 30, 2012).

The Company expects to issue additional common shares to finance expanded exploration and evaluation programs as warranted.

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, which commitments are summarized in the unaudited condensed interim financial statements.

On May 23, 2012, the Company exercised its option to acquire Corona's 51% in the Sugar Zone Property by making a cash payment of \$2,500,000. No further obligations remain under this option agreement.

Under the Halverson option to acquire certain claims, the Company must make further cash payments of \$120,000 over the 2 years ended June 28, 2014 and incur cumulative exploration expenditures of

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\$300,000 through June 28, 2015 (a total \$110,000 exploration expenditures has been spent through June 28, 2012).

A PEA was completed on the Company's Sugar Zone deposit in Q2, 2012, indicating robust economics for this deposit. As a result, the Company is progressing with mine development, and has initiated the permitting and technical studies associated with advanced exploration and production. To maintain an aggressive development schedule and to continue its exploration of the overall greenstone belt, Harte Gold will require additional funding over the next 24 months, which will likely include additional equity issuances.

#### **RELATED PARTY TRANSACTIONS**

Management services by the Company's officers are provided on a contract basis, either directly or through corporate entities related to such officers. Additionally, the Company shares its premises and the costs of certain support personnel with related companies, and reimburses these related companies for its share. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### **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. Ternoweskys' 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 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.

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

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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.

**FINANCIAL INSTRUMENTS**

As at June 30, 2012, the Company's financial instruments are comprised of cash and cash equivalents, receivables, accounts payable and accrued liabilities. The carrying value of receivables, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

The Company's cash and cash equivalents are held through a Canadian chartered bank. The Company's current policy is to invest excess cash in a money market fund administered by the brokerage subsidiary of a Canadian chartered bank.

The Company has no debt instruments.

**RISKS AND UNCERTAINTIES**

The exploration and development of mineral properties involves a high degree of risk, and the successful achievement of a profitable operation cannot be assured. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Costs of finding and evaluating an ore body are substantial, and may take several years to complete. The Company must overcome many risks associated with an early stage exploration property. Outstanding items to be completed include, but are not limited to, identification and quantification of a commercially viable ore body, confirmation of the Company's interest in the underlying claims and leases, completion of a feasibility study, funding of all costs to a commercial operating venture, completion of the permitting process, detailed engineering and procurement of a processing plant, and constructing a facility to support the mining activity. Construction and operational risks including, but not limited to, equipment and plant performance, metallurgical, environmental, cost estimation accuracy, and workforce performance and dependability will all affect the profitability of an operating property.

External financing, primarily through the issuance of common shares, will be required to fund the Company's activities. There can be no assurance that the Company will be able to raise the requisite financing in the future.

**OUTSTANDING SHARE DATA AS OF AUGUST 10, 2012**

Issued and outstanding common shares	172,870,614
Share purchase warrants	3,090,510
Options	<u>16,260,000</u>
Fully diluted shares	192,221,124

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no material changes in the Company's internal control over financial reporting during the six months

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ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry, including operational risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks, the risk of commodity price and foreign exchange rate fluctuations, the ability of Harte Gold to fund the capital and operating expenses necessary to achieve the business objectives of Harte Gold, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves or resources described may be profitably produced in the future.

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

August 10, 2012

"Stephen G. Roman"

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Stephen G. Roman  
Chairman, President and CEO

"Rein A. Lehari"

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Rein A. Lehari C.A.  
Chief Financial Officer