Financial Statements

For the years ended December 31, 2019 and 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

The financial statements as at and for the year ended December 31, 2019 have been audited by KPMG LLP. Their report outlines the scope of their examination and opinion on the financial statements.

"Sam Coetzer"	"Graham du Preez"
______________________	___________________
Sam Coetzer	Graham du Preez
President & CEO	EVP & CFO

March 25, 2020

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Harte Gold Corp

Opinion

We have audited the financial statements of Harte Gold Corp (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and comprehensive loss for the year then ended
- the statement of changes in shareholders' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes that the Company's ability to continue as a going concern is contingent on key events and conditions: successful operation of its Sugar Zone Mine, ability to access external funding and on obtaining waivers or debt facility amendments for expected covenant breaches.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that material uncertainties exist that cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 1, 2019.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Lee Hodgkinson.

Toronto, Canada

March 25, 2020

Harte Gold Corp.

Statements of Financial Position as at

in thousands of Canadian dollars	**December 31, 2019**	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	**$2,096**	$7,293
Receivables (note 3)	**4,281**	2,351
Inventories (note 4)	**2,775**	-
Prepaids	**735**	3,075
	9,887	12,719
Long term assets		
Restricted cash	**-**	500
Property, plant and equipment (note 5)	**112,882**	113,028
	$122,769	$126,247
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	**$25,630**	$23,615
Debt (note 7)	**$8,911**	$76,165
Current portion of derivative financial instruments (note 8)	**3,947**	-
Flow-through share premium (note 9)	**920**	1,702
	39,408	101,482
Long term liabilities		
Debt (note 7)	**81,072**	$418
Derivative financial instruments (note 8)	**15,366**	-
Environmental rehabilitation provision (note 10)	**5,096**	4,784
Total liabilities	**140,942**	106,684
Shareholders' equity		
Capital stock (note 11)	**155,058**	136,818
Warrants (note 13)	**5,620**	4,195
Contributed surplus	**18,035**	13,855
Deficit	**(196,886)**	(135,305)
	(18,173)	19,563
	$122,769	$126,247

Going concern – note 1
Commitments – note 22
Subsequent events – note 23

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Statements of Operations and Comprehensive Loss
for the years ended

in thousands of Canadian dollars	December 31, 2019	December 31, 2018
Mine operations		
Revenues (note 14)	**$49,755**	$ -
Production costs (note 15)	**(46,760)**	-
Royalties and selling expenses	**(1,498)**	-
Depreciation and depletion	**(15,499)**	-
Mine operating loss	**(14,002)**	-
Other expenses		
General and administrative (note 16)	**10,166**	8,744
Exploration and evaluation	**5,874**	29,358
Operating loss	**(30,042)**	(38,102)
Finance expenses (income) & other		
Flow-through share premium (note 9)	**(1,702)**	(1,174)
Gain on loan modification	**-**	(507)
Loss on loan termination (note 7.5)	**10,427**	-
Loss on production payment liability (note 7.5)	**1,110**	74
Interest & accretion expense	**10,072**	50
Foreign exchange (gain)/loss	**(3,931)**	3,327
Gain on sale of royalty	**(3,711)**	-
Change in the fair value of derivative financial instruments (note 8)	**19,313**	-
Other income	**(39)**	-
	31,539	1,770
Net loss before income taxes	**(61,581)**	(39,872)
Income taxes (note 17)	**-**	-
Net loss and comprehensive loss	**($61,581)**	($39,872)
Net loss per share - basic and fully diluted (note 18)	**$ (0.098)**	$ (0.069)
Weighted average number of shares outstanding		
- Basic and diluted (note 18)	**631,193,264**	578,824,840

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Statements of Changes in Shareholders' Equity
for the years ended December 31,

in thousands of Canadian dollars	Shares (note 11)	Warrants (note 13)	Contributed surplus	Deficit	Total shareholders' equity
December 31, 2017	**118,105**	**1,901**	**8,084**	**(95,433)**	**32,657**
Issued as a result of:					
Private placements (note 11)	15,961	-	-	-	15,961
Flow-through premium (note 9)	(1,702)	-	-	-	(1,702)
Property acquisitions	30	-	-	-	30
Share issuance costs	(192)	8	-	-	(184)
Warrants issued on debt (note 7)	-	4,187	-	-	4,187
Stock options exercised (note 12)	584	-	(194)	-	390
Warrants exercised (note 13)	4,032	(925)	-	-	3,107
Warrants expired (note 13)	-	(976)	976	-	0
Stock options granted (note 12)	-	-	4,989	-	4,989
Net loss for the year	-	-	-	(39,872)	(39,872)
December 31, 2018	**136,818**	**4,195**	**13,855**	**(135,305)**	**19,563**
Issued as a result of:					
Special shares (note 11)	13,278	-	-	-	13,278
Private placement, net (notes 9, 11)	5,980	-	-	-	5,980
Property acquisitions	28	-	-	-	28
Share issuance costs (note 11)	(1,830)	-	-	-	(1,830)
Share based compensation (note 12)	-	-	4,447	-	4,447
Warrants issued (note 13)	-	1,425	-	-	1,425
Stock options exercised (note 12)	784	-	(267)	-	517
Net loss for the year	-	-	-	(61,581)	(61,581)
December 31, 2019	**155,058**	**5,620**	**18,035**	**(196,886)**	**(18,173)**

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

Statements of Cash Flows
for the years ended December 31,

in thousands of Canadian dollars	December 31, 2019	December 31, 2018
Operating activities		
Net loss for the year	**($61,581)**	($39,872)
Adjusted for:		
Depreciation	**15,679**	212
Share-based payments (note 12)	**4,899**	4,989
Flow-through share premium (note 9)	**(1,702)**	(1,174)
Loss (gain) on loan termination/modification (note 7.5)	**10,427**	(507)
Loss on production payment (note 7.5)	**1,110**	74
Loan accretion & accrued interest (note 7)	**8,449**	-
Shares issued for exploration an evaluation expenses	**28**	30
Unrealized foreign exchange (gain)/loss	**(3,981)**	3,654
Gain on sale of royalty	**(3,711)**	-
Change in the fair value of derivative financial instruments (note 8)	**19,313**	-
	(11,070)	(32,593)
Net changes in non-cash working capital items:		
Inventory	**407**	-
Prepaids	**(115)**	(328)
Receivables	**(1,929)**	(418)
Accounts payable and accrued liabilities	**14,870**	(4,434)
Cash flows from (used in) operating activities	**2,163**	(37,773)
Investing		
Restricted cash	**500**	1,221
Proceeds on sale of royalty, net of transaction costs	**9,794**	-
Plant and equipment additions (note 5)	**(17,519)**	(61,263)
Additions to exploration and evaluation assets (note 6)	**-**	(7,366)
Mine development costs (note 5)	**(17,520)**	-
Cash flows used in investing activities	**(24,745)**	(67,408)
Financing		
Appian loan (repayment)/drawdown (note 7.4)	**(26,835)**	25,686
Sprott loan repayment/drawdown, net (note 7.5)	**(49,741)**	43,584
Sprott production payment payout (note 7.5)	**(6,250)**	-
Production payments and other loan expenses	**(166)**	-
BNP loan drawdown/repayment, net (note 7.1)	**89,645**	-
Interest paid (note 7)	**(8,616)**	(1,023)
Payment of lease liabilities and mortgages (notes 7.2, 7.3)	**(358)**	-
Proceeds from issuance of shares, net (note 11)	**19,321**	15,777
Exercise of options	**517**	390
Exercise of warrants	**-**	3,107
Cash flows from financing activities	**17,517**	87,521
Effects of exchange rate changes on cash	**(132)**	165
Net increase decrease in cash and cash equivalents	**(5,197)**	(17,495)
Cash and cash equivalents, beginning of the period	**7,293**	24,789
Cash and cash equivalents, end of the period	**$2,096**	**$7,294**

The accompanying notes are an integral part of these financial statements

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 December 31, 2019, the Company has current liabilities of $39.4 million and current assets of $9.9 million with which to discharge such liabilities. The Company has a history of operating losses, may incur operating losses in future and will likely not generate sufficient cash from operations in the next 12 months to fully fund planned investment activities and debt service obligations. Historically, the Company has financed its activities by accessing debt and/or equity markets from time to time.

The Company's debt facility with BNP Paribas ("BNP") was fully drawn down at December 31, 2019 and the Company currently does not have access to other debt facilities. On March 19, 2020, the Company completed a placement of flow-through common shares for gross proceeds of $27.0 million (note 23), providing the Company with sufficient liquidity to fund its most important investment activities over the next 12 months. Certain discretionary capital expenditure can be deferred if required.

The Company's earnings before interest, taxes, depreciation and amortization, as defined in the BNP term loan and revolving facility (the "BNP Debt Facilities"), has been negatively impacted by delays in mine development, putting at risk the Company's ability to meet financial covenants under the BNP Debt Facilities, which come into effect from June 30, 2020 onwards. Current forecasts for 2020 indicate that the Company expects to breach these covenants during the coming twelve months. The Company also expects to breach covenants related to mine production and mill throughput tonnages at March 31, 2020. The Company has entered into discussions with BNP regarding the potential covenant breaches in order to obtain waivers for covenant breaches, if required and / or amendments to the BNP Debt Facilities.

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, on its ability to access external funding, if required, and on obtaining waivers and/or debt facility amendments for expected covenant breaches, if required. If revenues generated from future mining activities are not sufficient to cover operating costs, capital costs and the payment of debt obligations, the Company will have to access sources of funding, including capital markets. There can be no assurance that the Company will be able to obtain any required financing in the future or at favorable terms. Due to uncertainties surrounding a number of factors such as, but not limited to, the ability to raise additional funds, obtain waivers / loan amendments required to cure covenant breaches, exploration results, mine operating results, the price of underlying commodities and financial market conditions, it is not possible to predict the success of the Company's efforts in this regard. These factors indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

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 have taken into account all available information about the future, which is at least, but is not limited to, twelve months from December 31, 2019. 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Board of Directors (the "Board") approved these financial statements on March 25, 2020.

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 Functional and presentation currency and foreign currency transactions

The financial statements are presented in Canadian dollars. The functional currency of Harte Gold is the Canadian dollar.

Transactions denominated in a foreign currency have been translated into Canadian dollars at exchange rates on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the period end date are translated to Canadian dollars at the rate of exchange at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Canadian dollars at the exchange rate on the date the fair value was determined. Income and expense items are translated at the exchange rate in effect on the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated at the exchange rate in effect at the transaction date. Any conversion differences are recorded as exchange gains or losses in income (loss).

2.4. Revenue recognition

Revenue recognition is based on control and consists of the sale of gold taking into account the following factors:
- The Company has a present right to payment for the gold sold;
- Legal title has passed from the Company to the customer;
- The Company has transferred physical possession of the gold to the customer;
- The significant risks and rewards of ownership of the gold have passed to the customer; and
- The customer has accepted the gold.

The following principles apply in accounting for revenues:

i) Gold doré

The Company sells gold to customers in the form of gold ounces, after the gold doré bars have been refined. The Company recognizes revenues from these sales when control of the gold has transferred to the customer. This is generally at the point in time when the gold is credited to the metal account of the customer. Once the gold has been credited to the customer's metal account, the customer has legal title to, physical possession of, and the risks and rewards of ownership of the gold. Therefore, the customer is able to direct the use of and obtain substantially all of the remaining benefits from the gold. Revenue is measured at the transaction price agreed to under the contract.

ii) Gold concentrates

The Company sells concentrates containing gold to a third-party smelter customer. The Company recognizes revenue from these concentrate sales when control of the concentrate has transferred to the customer, which is the point in time that the concentrate is delivered to the customer. Upon delivery, the customer has legal title to, physical possession of, and the risks and rewards of ownership of the concentrate. The customer is also committed to accept and pay for the concentrates once delivered. Therefore, the customer is able to direct the use of and obtain substantially all of the remaining benefits from the concentrate.

The final prices for metals contained in the concentrate are determined based on prevailing spot market metal prices on a specific future period. Upon transfer of control at delivery, the Company measures revenue under these contracts based on prices at the time of delivery and the most recent determination of the quantity of contained metals, less smelting and refining charges charged by the customer. This reflects the best estimate of the transaction price expected to be received at final settlement. A receivable is recognized for this amount and subsequently measured at fair value to reflect the variability associated with the embedded derivative for changes

in the market metal prices. These changes in the fair value of the receivable are adjusted through revenue at each subsequent financial settlement date.

2.5. Exploration and evaluation

Exploration expenditures relate to the initial search for deposits with economic potential. Evaluation expenditures arise from a detailed assessment of deposits or projects that have been identified as having economic potential. When an exploration and evaluation project has obtained the requisite permits and a decision is made that the project has advanced to the development for production stage, all subsequent expenditures associated with that project are capitalized to development costs.

Exploration and evaluation costs are expensed as incurred and comprise costs that are directly attributable to:

- Acquisition of rights to explore;
- Researching and analyzing existing exploration data;
- Conducting topographical and geological studies, exploration drilling, trenching and sampling;
- Determining the volume and grade of resources;
- Examining and testing extraction and treatment methods; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

2.6. Measurement uncertainty - critical accounting judgments and estimation uncertainties

The preparation of 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. Information about areas of judgment and key sources of uncertainty and estimation is contained in the description of the accounting policies and/or the notes to these financial statements.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The key areas where judgments, estimates and assumptions have been made in the reporting period or may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarized below.

i) Estimated reserves and resources

Reserves and resources are estimates of the amount of metal that can be extracted from the Company's properties, taking into consideration both economic and legal factors. Estimating the quantity and/or grade of reserves and resources requires the analysis of drilling samples and other geological data. Calculating reserve and resource estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity prices and foreign exchange rates.

Estimates of reserves and resources may change from period to period as the economic assumptions used to estimate reserves and resources change from period to period, and as a result of additional geological data generated during the course of operations. Changes in reported reserves and resources may affect Harte Gold's financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Prospective depreciation charges in income (loss) may change when such charges are determined by the unit-of-production basis, or when the useful lives of assets change; and
- Provision for reclamation liabilities balances may be affected as the estimated timing of reclamation activities is adjusted for changes in the estimated mine life as determined by the available reserves and resources.

ii) Transition from the exploration and evaluation stage to the development stage

Judgment is required in determining when an asset transitions from the exploration and evaluation stage to the development stage. In assessing the technical feasibility and commercial viability of an asset or cash generating unit ("CGU") to develop the asset or CGU, the operating results and net cash flow forecasts need to be determined by estimating the expected future revenues and costs, including the future cash costs of production, capital expenditures, site closure and environmental rehabilitation. The net cash flow forecast includes cash flows expected to be realized from the extraction, processing and sale of proven and probable reserves as well as mineral resources that do not currently qualify for inclusion in proven and probable reserves when there is a high degree of confidence in the economic extraction of such non-reserve material.

iii) Commencement of commercial production

Judgment is required to determine whether a mine is in the condition necessary for it to be capable of operating in the manner intended by management. The achievement of certain milestones including the capacity of the processing plant, the grade of ore processed and the metal produced from the mine is considered in making the determination.

iv) Impairment of property, plant and equipment

Judgment is involved in assessing whether there are any indications that an asset or CGU may be impaired. This assessment is made based on an analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or CGU and information from internal reporting.

For the purpose of determining the recoverable amount of an asset or CGU, operating results and net cash flow forecasts are determined by estimating the expected future revenues and costs, including the future cash costs of production, capital expenditures, working capital requirements, and site closure and environmental rehabilitation.

The net cash flow forecast includes cash flows expected to be realized from the extraction, processing and sale of proven and probable reserves, as well as mineral resources that do not currently qualify for inclusion in proven and probable reserves when there is a high degree of confidence in the economic extraction of such non-reserve material. This determination is usually based on preliminary drilling and sampling of areas of mineralization that are contiguous with existing reserves and resources.

Judgment is also required in estimating the discount rate applied and future commodity prices used for impairment testing. These estimates often differ from current price levels and are updated periodically.

Impairment testing is done at the CGU level. Harte Gold expects to have multiple mining areas and management must exercise judgment in determining what constitutes a CGU and the degree of aggregation of various assets. These factors impact the impairment analysis performed as the results of the impairment analysis might differ based on the composition of the various CGUs.

v) Royalty transactions

Judgment was required in assessing the appropriate accounting treatment for the sale of a royalty on mineral property.

Consideration is given to the specific terms of the arrangement to determine whether an interest in the reserves and resources of a mineral property has been disposed of in a royalty transaction. The assessment include consideration of what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation.

vi) Environmental rehabilitation costs

Environmental rehabilitation obligation provisions represent management's best estimate of the present value of the future costs to close and rehabilitate the mine site. Significant estimates and assumptions are made in determining the amount of future environmental rehabilitation costs. These estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible

contamination; determination of the appropriate discount rate; and, the timing, extent and costs of required mine closure and environmental rehabilitation activities. These uncertainties may result in future actual expenditures that differ from the amounts currently provided. Management assesses the provision for environmental rehabilitation on an annual basis or when new information becomes available.

vii) Stock-based compensation and warrants

The fair value of certain stock-based payments and warrants is calculated using an appropriate option pricing model. The main assumptions used in the model include the estimated life of the option, the expected volatility of the Company's common share price, the expected dividends, the expected forfeiture rate and the risk-free rate of interest. The resulting calculated value is not necessarily the value that the holder of the option could receive in an arm's length transaction given that there is no market for the options and they are not transferrable.

viii) Functional currency

Judgment is required to determine the functional currency of an entity. These judgments are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

ix) Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within the control of the Company occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against Harte Gold or unasserted claims that may result in such proceedings, or regulatory or government actions that may negatively impact Harte Gold's business or operations, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought, or expected to be sought, when determining the amount, if any, to recognize as a provision or on assessing the impact on the carrying value of assets. Contingent assets are not recognized in the financial statements.

2.7. Cash and cash equivalents and restricted cash

Cash and cash equivalents consist of cash held with major Canadian financial institutions in the form of cash and deposits in high interest notice accounts with investment terms that are less than 90 days at the time of acquisition. Restricted cash consists of deposits held with major Canadian financial institutions that are restricted through an agreement with a third party.

2.8. Inventory

The value of all production inventory includes direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. All inventory is valued at the lower of cost and net realizable value, with net realizable value determined with reference to market prices, less estimated future production costs (including royalties) to convert inventory into saleable form.

i) Stockpiled ore

Stockpiles represent ore that has been mined and is available for further processing. Stockpiles are measured by using the number of tonnes mined and the estimated recoverable ounces, adjusted for the amount of tonnes and recoverable ounces milled and processed. Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to stockpiles based on the mining cost per tonne incurred up to the point of stockpiling the ore, including direct overhead and depreciation relating to mining operations, to the extent determined recoverable, and are removed at the average cost per tonne.

ii) Gold-in-circuit inventory

The recovery of gold is achieved through the processing of ore through the processing plant. Costs are added to in-circuit inventory based on the mining cost of the ore placed in-circuit. Processing cost, including direct overheads, are added to the mining cost of the ore being processed. Costs are removed from in-circuit inventory as ounces are recovered, based on the average cost per recoverable ounce of gold.

iii) Finished goods inventory

Finished goods inventory is saleable gold in the form of doré bars or gold concentrates. Included in the costs are the direct costs of mining and processing operations as well as direct overheads and depreciation, which are measured on a weighted average basis.

iv) Consumables, materials and supplies

Consumables, materials and supplies inventories consist of materials and supplies used for mining, processing and surface operations and spare parts used for maintaining infrastructure and equipment. Costs consist of the direct purchasing cost of the consumables, materials and supplies as well as transportation costs incurred to deliver the consumables, materials and supplies to the mine site and are valued on a weighted average basis.

2.9. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment charges, if any.

i) General

Property, plant and equipment costs include the fair value of consideration paid, including cash and shares, if any, on acquisition. The amount of property acquisition costs and their related development expenditures represent historic expenditures incurred and are not intended to reflect present or future fair values. Upon sale or abandonment of any mineral interest, the cost and related accumulated depreciation are written off and any gains or losses thereon are included in income (loss).

ii) Property

Property includes its purchase price and, prior to the commencement of commercial production, any government fees and taxes and usage fees for Aboriginal organizations thereon to maintain the property in good-standing.

iii) Plant and equipment

Plant and equipment costs include the purchase price, any costs directly attributable to bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated mine closure and environmental rehabilitation costs associated with dismantling and removing the asset.

iv) Mine development costs

Mine development costs incurred prior to achieving commercial production are capitalized and include costs related to accessing the orebody, borrowing costs relating to construction, other costs that can be directly attributed to bringing the assets to the production stages, and depreciation of related equipment. This includes costs associated with the commissioning period before the asset is in production and can operate at the level intended by management. Capitalization of development costs ceases when a project is capable of operating as intended by management and a decision is made that a project under development has advanced to the production stage.

Costs related to underground mine development to access medium- to long-term production areas are capitalized as development costs.

v) Construction-in-process

Construction-in-process costs include the costs to construct the processing building, the costs of equipment and assembly, the costs of surface infrastructure required to support the operation of the processing facility, the present value of the estimated future costs of dismantling and removing the processing facility and restoring the site on which it is located, borrowing costs incurred for the construction of the processing facility, and indirect costs incurred to manage the construction process. Once operational commissioning is complete and commercial production is achieved, construction-in-process assets are reclassified within property, plant and equipment.

vi) Commercial production

Management assesses the development of each project in order to determine commencement of commercial production. Amongst the criteria evaluated are:

- All major capital expenditures to bring the mine to the condition necessary for it to be capable of operating, in the manner intended by management, have been completed;
- The mine is capable of producing a product in saleable form;
- The completion of a reasonable period of testing of the mine plant and equipment;
- The mine has been transferred to operating personnel from internal development groups or external contractors;
- The mine and/or processing plant has operating a pre-determined percentage of design capacity for a pre-determined period of time;
- Mineral recoveries are at or near the expected production level; and
- The ability to sustain ongoing production of gold concentrate and/or gold doré bars.

Commercial production is declared on the first day of the calendar month following achievement of the criteria. Upon achieving commercial production, costs are transferred from construction-in-process into the appropriate asset classification such as inventory and mineral properties, plant and equipment.

Once in commercial production, gold sales are recognized as revenue and production costs as a component of cost of sales and depreciation of the related property, plant and equipment commences.

vii) Depreciation

The carrying amounts of property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset to which it relates. Accumulated development costs are not depreciated prior to the commencement of commercial production.

Estimates of residual values and useful lives and the method of depreciation are reassessed annually. Any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date when the asset is available for use in the location and condition necessary to be operated in the manner intended by management. Depreciation is calculated as follows:

- Property – based on reserves and resources in the mine plan on a unit-of-production basis;
- Plant and equipment – straight-line over the estimated useful life of the asset or on a unit-of production basis based on the usage of the asset;
- Buildings – straight-line over the estimated useful life of the asset or on a unit-of-production basis based on the usage of the asset;
- Mobile equipment – straight-line over two to five years based on the estimated useful life in years or on a unit-of-production basis based on the usage of the asset; and
- Mine development costs – based on reserves and resources in the mine plan on a unit-of production basis.

viii) Impairment

At the end of each reporting period, the Company reviews its property, plant and equipment at the CGU level to determine whether there is any indication of impairment. The Company will perform an impairment test on its property, plant and equipment if an indicator of impairment exists.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment is recognized immediately in income (loss). If the circumstances leading to the impairment change and an impairment subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, but only to the extent that it does not exceed the carrying value that would have been determined if no impairment had previously been recognized. Any subsequent reversal of an impairment loss is recognized in income (loss).

The recoverable amount for property, plant and equipment is generally determined based on its fair value less costs of disposal ("FVLCD"), which represents the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal using assumptions that an independent market participant may take into account. The Company's weighted average cost of capital is used as a starting point for determining the discount rate to determine the FVLCD.

2.10. Provisions

i) General

Provisions are recognized when Harte Gold has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows. The increase in provisions due to the effect of the time value of money is recognized as a finance expense in income (loss).

ii) Environmental rehabilitation

The development, construction, mining, extraction and processing activities of the Company normally give rise to obligations for environmental rehabilitation. A provision is recognized for environmental rehabilitation costs, which includes the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas, in the financial period when the related environmental disturbance occurs based on the estimated future costs using information available at the period end date.

At the time of establishing the provision, a corresponding asset is capitalized when it gives rise to a future benefit and depreciated over future production from the operation to which it relates. The provision is discounted to its present value using a risk-free interest rate relevant to the jurisdiction in which the rehabilitation has to be performed. The unwinding of the discount is included in finance expense. Costs arising from unforeseen circumstances, such as contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation which is probable and can be reliably estimated.

The provision is reviewed at the end of each reporting period for changes to obligations, legislation, or discount rates that impact the estimated cost or timing of the obligation. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

2.11. Income taxes

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

Harte Gold uses the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and on losses carried forward. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates in effect at the end of the reporting period that are expected to be in effect when the differences are expected to reverse or losses are expected to be used. The effect of a change in the enacted or substantively enacted tax rate on deferred income tax assets and liabilities is included in income in the period in which the change is enacted or substantively enacted. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized. This evaluation requires management to make judgments as to whether it is probable that a tax asset may be realized in the future.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

2.12. Share capital

(i) Common shares

Harte Gold's common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares, net of any tax effects, are recognized as a deduction from equity.

(ii) Flow-through common shares

From time to time Harte Gold finances a portion of its exploration or development activities through the issuance of flow-through common shares. Canadian income tax legislation permits a company to issue flow-through instruments whereby the income tax deductions relating to qualified Canadian exploration expenses ("CEE") or Canadian development expenses ("CDE") as defined in the Income Tax Act (Canada) are claimed by the investors rather than by the Company, subject to a renouncement process. Renouncement may occur prospectively (the flow-through shares are issued, renouncement occurs and eligible expenditures are incurred subsequently) or retrospectively (the flow-through are issued, eligible expenditures are incurred and renouncement occurs subsequently).

Shares issued on a flow-through basis typically include a premium related to the tax benefits provided to the investors. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the subscription price over the fair value of the common shares without the flow-through feature at the time of issuance. The premium is recorded as a deferred liability. The Company follows the retrospective approach, where the obligation to renounce is fulfilled when the paperwork to renounce is filed. Once the obligation is fulfilled, the deferred liability is reduced and the balance is charged to the statement of operations and comprehensive income (loss).

Proceeds received from the issuance of flow-through shares must be spent on Canadian resource property exploration or development expenditures within 24 months after subscription or, where the "Look-back" Rule has been utilized, prior to the calendar year following the year of issuance. The portion of the proceeds received but not yet expended is detailed in note 9.

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

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

2.13. Stock-based compensation

Employees, directors, senior executives and consultants of the Company are eligible, at the discretion of the Board, to receive a portion of their remuneration in the form of stock-based payment arrangements whereby they render services as consideration for equity instruments ("stock-based compensation").

The fair value of a stock-based compensation is recorded as an expense or a component of property, plant and equipment, based on the nature of the services rendered, over the vesting period of the award with a corresponding increase recorded in contributed surplus. The fair value of the stock-based compensation for employees, directors and senior executives is determined using the Black-Scholes option pricing model. The fair value of a stock-based compensation for a consultant is determined based on the fair value of the goods and services received and requires management to make an estimate of the value of the goods and services received. Upon exercise of a stock option, consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Under the Company's Deferred Share Unit ("DSU") plan, DSU's may be granted to directors of the Company. Compensation expense for each grant is recorded in the statement of operations and comprehensive income (loss)

with a corresponding increase in contributed surplus on the statement of financial position. The expense is based on the fair values at the time of the grant and is recognized over the vesting period of the respective DSU's. Shares are issued upon exercise of DSU's. The Company's compensation committee may, upon request and at its discretion, issue cash, shares or a combination thereof in isolated circumstances. The Company's intent is to settle DSU's by issuing shares.

Under the Company's Restricted Share Unit ("RSU") plan, RSU's may be granted to executives, employees and contractors of the Company. Compensation expense for each grant is recorded in the statement of operations and comprehensive income (loss) with a corresponding increase in contributed surplus on the statement of financial position. The expense is based on the fair values at the time of the grant and is recognized over the vesting period of the respective RSU's. Shares are issued upon exercise of RSU's. The Company's compensation committee may, upon request and at its discretion, issue cash, shares or a combination thereof in isolated circumstances. The Company's intent is to settle RSU's by issuing shares.

2.14. Warrants

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

2.15. Earnings (loss) per share

Earnings (loss) per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the period. Diluted earnings (loss) per share is calculated using the treasury stock method and if converted method, if applicable. Under the treasury stock method, the dilutive effect of earnings (loss) per share is recognized on the use of proceeds that could be obtained from the exercise of options, warrants and similar instruments, if dilutive. It assumes that proceeds would be used to purchase common shares at the average market price for the period.

2.16. Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company's financial assets include cash and cash equivalents, restricted cash, trade receivables, and derivative contracts. Cash and cash equivalents include cash and other highly liquid investments, such as term deposit with major financial institutions, which have a term to maturity of three months or less at the time of acquisition and are readily convertible to specified amounts of cash. The Company's financial liabilities include accounts payable and accrued liabilities, derivative contracts and debt (excluding lease liabilities). The Company classifies its financial instruments in the following categories:

Financial assets and liabilities are classified as current if receipt or payment is expected within 12 months. Otherwise, they are presented as non-current.

i) Financial assets at amortized cost

Assets that are held for collection of contractual cash flows includes cash and cash equivalents, restricted cash and trade receivables and are measured at amortized cost. The Company's intent is to hold these financial assets until there is a need to utilize the cash and cash equivalents and restricted cash. Cash and cash equivalents, restricted cash and trade receivables are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost. Financial assets are reviewed at each period end for impairment.

ii) Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at fair value through profit or loss ("FVTPL"), or the Company has opted to measure them at FVTPL.

Debt and accounts payable and accrued liabilities are recognized initially at fair value net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities at FVTPL are assets and liabilities that include derivatives, that cannot be classified at amortized cost. Financial assets and liabilities at FVTPL are initially recognized at fair value with changes to fair value recognized in profit (loss).

iv) Modification of debt

When a debt instrument is restructured or refinanced and the terms have been substantially modified, the transaction is accounted for as an extinguishment with a gain or loss recognized in profit or loss. When a modification is not substantial, the difference in present value arising as a result of such a non-substantial modification is recognized in profit or loss. Fees and transaction costs related to a non-substantial modification are recognized as an adjustment to the carrying amount of the liability.

Management takes into account both quantitative and qualitative factors in assessing whether terms have been substantially modified, and often judgment is required in conducting the assessment. Terms are considered to have been substantially modified when the net present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate differs by at least 10 percent from the present value of the remaining cash flows under the original terms. If the difference in the present values of the cash flows is less than 10 percent, then a qualitative assessment is performed to determine whether the terms of the two instruments are substantially different. The purpose of a qualitative assessment is to identify substantial differences in terms that by their nature are not captured by a quantitative assessment.

In determining whether the terms of a debt arrangement have been substantially modified, management considers several factors, including, but not limited to, timing of cash flows, interest rate and fees, covenants, restrictions on use of proceeds, lender and borrowing capacity for revolving debt, and other changes that are not otherwise considered in the quantitative analysis.

v) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position only if there is an enforceable legal right to offset the recognized amounts and the intention is to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

vi) Derivative instruments and hedge accounting derivative instruments

The Company may enter into derivative instruments to mitigate economic exposures to commodity price, interest rates and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as FVTPL and measured at fair value with realized gains or losses arising from changes in the fair value recorded in profit (loss) in the period they occur. Fair values for derivative instruments classified as FVTPL are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless they are considered to be closely related to the host contract. All derivative instruments, including embedded derivatives that are separated from their host contracts, are recorded on the Statements of Financial Position at fair value and mark-to-market adjustments on these instruments are included in profit (loss).

Derivative instruments are classified as current or non-current assets or liabilities, depending on their maturity dates.

2.17. Borrowing costs

Borrowing costs directly related to financing an acquisition, construction or development of qualifying assets are capitalized to the cost of those assets until such time as they are substantially ready for their intended use.

Where funds have been borrowed specifically to finance an asset, the amount capitalized is the actual borrowing cost incurred. Where the funds used to finance an asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

Transaction costs related to the establishment of a loan facility are capitalized and amortized over the life of the loan facility using the effective interest rate method or set off against the fair value of the loan facility. Other borrowing costs are recognized in income (loss) in the period in which they are incurred.

2.18. Related party transactions

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

2.19. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision makers. The chief decision makers have been identified as the Chief Executive Officer, who is responsible for allocating resources and assessing the performance of operating segments.

2.20. Reclassification of prior year comparative figures

Exploration and evaluation assets as at December 31, 2018 have been reclassified to property, plant and equipment and is now included in the opening balance for construction in progress. Other minor prior year comparatives have been reclassified for consistency with current year presentation. These reclassifications had no effect on these financial statements.

2.21. Adoption of new and revised international financial reporting standards

i) IFRS 16, Leases

The Company adopted IFRS 16, Leases (“IFRS 16”), effective January 1, 2019 IFRS 16 introduces new or amended requirements with respect to lease accounting. IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement date for all leases, except for short-term leases and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Company is the lessee in contractual arrangements that contain a lease.

The new definition of a lease mainly relates to the incorporation of the concept of control. IFRS 16 determines whether a contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period of time, in exchange for consideration. The Company reassessed relevant contractual arrangements that existed at January 1, 2019 to determine if they contain a lease. IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, Leases (“IAS 17”), which were previously off-balance sheet. On transition, the Company elected to measure all right-of-use assets at an amount equal to the lease liability.

At adoption of the new standard, the Company solely held short-term leases and leases of low-value assets, which are exempt from the standard.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach, the Company has not restated prior period comparative information.

As a result of the adoption of IFRS 16, the Company adopted the following policy:

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease, based on, among other variables, whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration (a “right-of-use” asset).

The Company recognizes the right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made before or at the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or to restore it, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, then the Company is to use its incremental borrowing rate at the commencement date. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments, estimates and assessments of extensions or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

ii) IFRIC 23, Uncertainty over income tax treatments

As of January 1, 2019, the Company has also adopted IFRIC 23, Uncertainty over Income Tax Treatments (“IFRIC 23”), which did not have an impact on these financial statements.

The Company has reviewed new or revised accounting pronouncements that have been issued but are not yet effective and determined that none of them would be expected to have a material impact on the Company.

3. RECEIVABLES

	December 31, 2019	December 31, 2018
GST/HST receivable	**$ 977**	$ 1,695
Gold sales revenue receivable	**3,278**	433
Other	**26**	223
	$ 4,281	$ 2,351

4. INVENTORIES

		December 31, 2019		December 31, 2018
In-circuit inventory	$	320	$	-
Gold concentrate inventory		667		-
Gold bullion inventory		774		-
Total mineral inventory		1,761		-
Materials and supplies		1,014		
Total inventory	$	2,775	$	-

During the year ended December 31, 2019, the Company recognized $46.8 million (2018: Nil) as production cost and $15.5 million (2018: Nil) as depreciation in the Statements of Operations and Comprehensive Loss, including a net realizable value adjustment of $0.8 million that was recognized against the gold concentrate and gold bullion inventory during the year ended December 31, 2019 (2018: Nil).

The write-down is included in cost of sales on the Statement of Operations and Comprehensive Loss.

Depreciation is included in production inventories from January 1, 2019, the date the Sugar Zone Mine achieved commercial production for accounting purposes.

5. PROPERTY, PLANT AND EQUIPMENT

COST	Land	Buildings	Furniture, vehicles & other	Construction in process (1)	Plant & infra-structure	Mine develop-ment	Right-of-use assets	Total
As at December 31, 2018	**$903**	**$1,010**	**$767**	**$110,757**	-	**-**	**-**	**$113,437**
Additions	-	50	292	-	3,549	18,455	2,302	24,648
Sale of royalty	-	-	-	-	-	(6,083)	-	(6,083)
Transfers and other movements	-	849	254	($110,757)	97,567	8,906	-	(3,181)
As at December 31, 2019	**$903**	**$1,909**	**$1,313**	**-**	**$101,116**	**$21,278**	**$2,302**	**$128,821**
ACCUMULATED DEPRECIATION								
As at December 31, 2018	**$0**	**$128**	**$281**	**-**	**-**	**-**	**-**	**$409**
Additions	-	189	233	-	5,795	9,215	98	15,530
As at December 31, 2019	-	**$317**	**$514**	**-**	**$5,795**	**$9,215**	**$98**	**$15,939**
NET BOOK VALUE								
As at December 31, 2018	**$903**	**$882**	**$486**	**$110,757**	**-**	**-**	**-**	**$113,028**
As at December 31, 2019	**$903**	**$1,592**	**$799**	**-**	**$95,321**	**$12,063**	**$2,204**	**$112,882**

(1) - Includes Exploration and evaluation assets on December 31, 2018, of which $3.2 million was transferred to inventory upon commencement of commercial production

COST	Land	Buildings	Furniture, vehicles & other	Construction in process	Total
As at December 31, 2017	**$ 903**	**$ 866**	**$ 486**	**$ 25,308**	**$ 27,563**
Additions	-	144	281	85,449	85,874
As at December 31, 2018	**$ 903**	**$1,010**	**$ 767**	**$ 110,757**	**$ 113,437**
ACCUMULATED DEPRECIATION					
As at December 31, 2017	**$ -**	**$ 43**	**$ 154**	**$ -**	**$ 197**
Additions	-	85	127	-	212
As at December 31, 2018	**$ -**	**$ 128**	**$ 281**	**$ -**	**$ 409**
NET BOOK VALUE					
As at December 31, 2017	**$ 903**	**$ 823**	**$ 332**	**$ 25,308**	**$ 27,366**
As at December 31, 2018	**$ 903**	**$ 882**	**$ 486**	**$ 110,757**	**$ 113,028**

During the construction and commissioning phase, no depreciation is charged against construction in process assets. The Company declared commercial production at the Sugar Zone Mine on January 1, 2019 and depreciation was charged thereafter.

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. The NSR was reduced from 3.5% to 2.5% on October 31, 2018 for $1.0 million in consideration. The Company also sent notices to exercise its option to acquire a further 0.5% for $0.5 million and continues its attempts to locate those royalty holders. Additionally, the Company entered into an agreement for a claim in 2017 on which a 3.0% NSR would be payable if metals are produced from this claim in future.

On December 18, 2019, the Company granted a 1.5% NSR on the entire Sugar Zone Property in favour of an affiliate of ANR Investments B.V. ("Appian") in exchange for payment by Appian of US $7.5 million. The Company has treated this transaction as a partial disposition of its investment in the Sugar Zone Property. The proportion of the estimated fair value of the Sugar Zone Property disposed of was calculated and the net book value of the Company's plant and equipment was reduced by such proportion. The difference of $3.7 million was recorded as a gain on the partial disposition of its property.

The Company declared commercial production at the Sugar Zone Mine effective January 1, 2019. Subsequently, mineral properties, plant and equipment are amortized on a unit of production basis, which is measured by a portion of the mine's economically recoverable and probable ore reserves produced during the period.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	December 31, 2018
Accounts payable	**$ 19,270**	$ 9,993
Accrued liabilities	**6,361**	13,622
Total accounts payable and accrued liabilities	**$ 25,630**	$ 23,615

7. DEBT

		December 31, 2019		December 31, 2018
BNP Debt Facilities (note 7.1)	$	87,399	$	-
Leases (note 7.2)		2,166		-
Mortgages (note 7.3)		418		616
Appian Debt (note 7.4)		-		28,217
Sprott Debt (note 7.5)		-		42,500
Production payment liability (note 7.5)		-		5,250
Total debt	$	89,983	$	76,583
Less: current portion		(8,911)		(76,165)
Total debt: non-current portion	$	81,072	$	418

7.1. BNP Debt Facilities

On June 14, 2019 the Company completed the BNP debt financing for US $72.5 million. The BNP Debt Facilities consists of a non-revolving term credit facility of US $52.5 million and a revolving term credit facility of US $20.0 million. Interest on the BNP Debt Facilities is LIBOR plus 2.875% to 3.875% dependent on credit ratios, payable every 3 months in arrears. The Company also has the option to convert from a LIBOR based loan to either: (i) an Alternate Base Rate, being the Federal Funds Rate plus 5/8% or (ii) Canadian prime interest rate, in each case plus a margin of 1.875% to 2.875%, dependent on the leverage ratio. To the extent funds are not fully drawn under the revolving credit facility, there is a standby fee ranging from 1.006% to 1.356% dependent on the leverage ratio. The weighted average borrowing rate during 2019 was 6.16%.

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

Principal repayments under the term loan begin on March 31, 2020 repayable quarterly over 22 quarters through June 30, 2025. Amounts outstanding under the revolving term credit facility are due on June 30, 2022. Various financial covenants 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, 2020. Additionally, the Company covenanted to achieve certain minimum mine and mill production tonnage amounts in each month. The Company did not achieve such minimum production tonnages for the month of September and obtained a waiver from BNP.

The BNP Debt Facilities were amended on August 28, 2019 and November 19, 2019 to clarify the definition of certain defined terms and to amend the minimum mine and mill production tonnage amounts. The Company achieved the amended minimum production tonnages for the remainder of 2019.

In connection with the Company's option to exercise the Appian Standby Commitment (notes 5, 11) BNP required the coincident repayment of principal under the BNP Debt Facilities. Accordingly, the Company repaid US $4 million of the BNP Debt Facilities on December 24, 2019 upon its exercise of the Appian Standby Commitment and granting of a 1.5% NSR to Appian.

Movement in the BNP Debt Facilities is summarized as follows:

	December 31, 2019
Balance at beginning of year	$ -
Loan drawdown	97,041
Fees, costs	(2,133)
Interest expense	3,265
Accretion	287
Exchange (gain) loss	(2,755)
Interest paid	(3,043)
Repayment	(5,263)
Balance at end of the year	$ 87,399
Less: current portion	(8,251)
Balance end of the year: non-current portion	**$ 79,148**

Scheduled debt repayments under the BNP Debt Facilities are 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 $
2020	6,353	-	6,353	$ 8,251	$ -	$ 8,251
2021	12,338	-	12,338	16,025	-	16,025
2022	17,378	20,000	37,378	22,571	25,976	48,547
2023	8,610	-	8,610	11,183	-	11,183
2024	3,623	-	3,623	4,706	-	4,706
2025	198	-	198	257	-	257
Total	**48,500**	**20,000**	**68,500**	**$ 62,993**	**$ 25,976**	**$ 88,969**

7.2. Leases

The Company leases several assets including light and heavy surface vehicles and office space. The average lease term is 4 years.

	December 31, 2019
Balance at beginning of year	$ -
Additions	2,293
Interest expense	23
Lease payments	(150)
Balance at end of the year	2,166
Less: current portion	(451)
Balance end of the year: non-current portion	**$ 1,715**

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

	December 31, 2019
Less than one year	451
One to three years	1,385
Over three years	330
	$ 2,166

7.3. Mortgages

a) On January 31, 2017, Harte Gold acquired land and buildings in White River, on which the vendors took back a mortgage secured by the property, of $190,000, repayable annually over 3 years, at an annual interest rate of 3.0%. Principal and interest payments are due annually, on each of February 1, 2018 through 2020.

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

c) On August 9, 2017, Harte Gold acquired land and buildings in White River, on which the vendors took back a mortgage of $100,000 secured by the property, repayable annually over 3 years at an annual interest rate of 3.0% per annum. Principal and interest payments are due annually, on each of August 10, 2018 through 2020.

The mortgage repayment schedule is as follows:

Year	Mortgage (a)	Mortgage (b)	Mortgage (c)	Total
2020	70	105	33	208
2021	-	105	-	105
2022	-	105	-	105
Total	**70**	**315**	**33**	**418**
Current portion	70	105	33	208
Non-current portion	**$ -**	**$ 210**	**$ -**	**$ 210**

7.4. Appian Debt

On May 3, 2018, the Company closed on a short-term debt financing with Appian in the amount of US $20 million (the "Appian Debt"). The term of the debt was until November 10, 2018 at an interest rate of 9.5%, unless extended. The debt was extendible to January 25, 2019 at the option of the Company, but the interest rate would increase to 11.5%. The Company did exercise its option to extend. On December 31, 2018, the Company and Appian agreed to further extend the maturity of the debt to May 9, 2019 with an increase in the interest rate to 12.0% and subsequently agreed to a further extension until the closing of the BNP Debt Facilities on June 14, 2019. The Appian Debt was secured by all the assets of the Company, but subordinate to the Sprott long-term debt financing (note 7.5).

Principal and accrued interest were payable on maturity and the debt was repayable at any time without penalty. In connection with the Appian Debt financing in May 2018, the Company issued 4,000,000 common share warrants to Appian, exercisable at any time until May 11, 2023 at an exercise price of $0.51 per common share. An amount of $1.1 million was allocated to the warrants.

Subsequently, the debt amount, net of warrants, was accreted at the effective interest rate of 18.1% so that the balance outstanding would equal the principal amount on maturity.

In conjunction with the December 31, 2018 agreement to further extend the maturity of the Appian Debt, an additional 2,000,000 common share warrants were issued to Appian, exercisable at any time until May 11, 2023 at an exercise price of $0.50 per common share. An amount of $0.5 million was allocated to the additional warrants.

On June 14, 2019, the Company closed the BNP Debt Facilities (note 7.1) and repaid Appian the loan principal and accrued interest in full.

Movement in the Appian Debt facility is summarized as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of year	**$ 28,217**	$ -
Loan drawdown	**-**	25,686
Warrants issued	**-**	(1,133)
Interest expense	**1,445**	1,978
Accretion	**1,086**	1,093
Exchange (gain) loss	**(518)**	1,561
Gain on loan modification	**-**	(507)
Additional warrants issued	**-**	(461)
Closing fees	**29**	-
Interest paid	**(3,424)**	
Net loan repayment	**(26,835)**	-
Balance at end of the year	**$ -**	$ 28,217
Less: current portion	**-**	(28,217)
Balance end of the year: non-current portion	**$ -**	$ -

7.5. Sprott Debt

On May 31, 2018, the Company closed a long-term debt financing with Sprott Private Resource Lending (Collector) LP ("Sprott") (the "Sprott Debt"). Total funding available under the Sprott Debt was US $50 million. An initial amount of US $20 million was drawn on closing. On October 11, 2018, the Company drew down US $15 million and a further US $5 million was drawn on February 11, 2019. An initial payment of 2.25% was payable at the time of each draw, calculated on the amount of the draw. Interest was payable monthly at an annual rate of 7.5% plus the 3 month LIBOR rate, with 50% of the monthly interest payable in cash and the balance accrued until June 30, 2019. Thereafter, all interest was payable monthly on a cash basis. Principal plus accrued interest was payable in 42 equal monthly installments, beginning January 31, 2020. Prepayment of the Sprott Debt could be made at any time, subject to a prepayment penalty of 3% if made prior to the second anniversary, 2% prior to the third anniversary and nil thereafter. The Sprott Debt was a first charge and secured by all the assets of the Company.

The Company also entered into a production payment agreement with Sprott concurrently with the debt facility agreement. In connection with the third drawdown on February 11, 2019, the production payment was adjusted from a fixed rate of US $14 per ounce to be a variable rate calculated at 1.3% of the average monthly gold price, with a floor of US $1,250 and a ceiling of US $1,450 per ounce for the gold price calculation. The change in the variable rate applicable to production payments was effective from February 1, 2019. The Company had the option to terminate the production payment agreement upon payment of a termination fee equal to the net present value of the remaining production payments discounted at 3.5%. The initial fair value of the production payment liability was $4,910. The change of the production payment terms from a fixed to a variable rate was determined to be an extinguishment of the initial liability. The net present value of the production payment liability was remeasured using the same discount rate of 3.5% and the difference of $1,102 was recognized as a loss in the statement of operations and comprehensive loss.

The production payment liability was accreted at the effective interest rate of 3.5% so that the balance outstanding equals the principal amount on maturity.

In connection with the debt financing, the Company issued 10,000,000 common share warrants to Sprott, exercisable at any time until May 31, 2023 at an exercise price of $0.49 per common share. An amount of $2.6 million was allocated to the warrants. The Company has the option to settle the warrants in cash at the time they are exercised.

The cash settlement amount was calculated as the excess of the market price of the common shares as of the day prior to the exercise day over the exercise price. The Company recorded these warrants in warrants reserve as the intention is not to settle in cash.

Transaction costs related to the Sprott Debt facility comprise the issue payment amount, warrants, initial production payment liability, legal expenses and other costs. Transaction costs were recognized as deferred charges and transferred to the debt balance in proportion to debt drawdowns.

The debt amount, net of fees, issuance costs and production payments, was accreted at the effective interest rate of 15.1% at the time of the initial draw and 15.8% at the time of the subsequent draw, so that the balance outstanding would equal the principal amount on maturity. Accretion results in additional non-cash interest expense recorded for the duration of the Sprott Debt.

On June 14, 2019, the Company repaid the Sprott Debt in full, including the production payment liability.

Movement in the Sprott Debt facility is summarized as follows:

	December 31, 2019	December 31, 2018
Balance at beginning of year	**$ 42,500**	$ -
Loan drawdown	**6,635**	45,485
Warrants issued	**-**	(2,593)
Production payment liability	**-**	(4,910)
Fees	**(520)**	(1,702)
Deferred financing fees	**(2,455)**	2,455
Accrued interest	**1,343**	1,020
Accretion	**971**	747
Exchange (gain) loss	**(819)**	1,998
Loss on loan termination	**8,265**	-
Prepayment & cancellation fees	**2,085**	-
Interest paid	**(2,149)**	-
Loan repayment	**(55,856)**	-
Balance at end of the year	**$ -**	$ 42,500
Less: current portion	**-**	(42,500)
Balance end of the year: non-current portion	**$ -**	$ -

Movement in the production payment liability is summarized as follows:

		December 31, 2019		December 31, 2018
Balance at beginning of year	$	5,250	$	-
Initial production payment liability		-		4,910
Production payments made		(166)		-
Revaluation (gain) loss		1,110		74
Exchange (gain) loss		(21)		266
Loss on loan termination		77		-
Repayment of production payment liability		(6,250)		
Balance at end of the year	$	-	$	5,250
Less: current portion		-		(5,250)
Balance end of the year: non-current portion	$	-	$	-

8. DERIVATIVE FINANCIAL INSTRUMENTS

Concurrent with and as required under the BNP Debt Facilities, the Company entered into a gold hedge program on approximately 79,000 ounces of future production. Zero cost collar swaps were used for approximately 74,000 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 in its statements of operations and comprehensive loss as changes in unrealized derivative instrument gains (losses) and on its statements of financial position as derivative instrument assets (liabilities) as appropriate. 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$/oz)	Fair value asset (liability) US$		December 31, 2019 Fair value asset (liability) $
Gold call options	20,316	oz	January 2020 - December 2020	1,391	(3,072)	$	(3,991)
Gold Put options	20,316	oz	January 2020 - December 2020	1,300	34		44
Gold call options	19,080	oz	January 2021 - December 2021	1,399	(3,595)		(4,669)
Gold Put options	19,080	oz	January 2021 - December 2021	1,300	236		306
Gold call options	23,520	oz	January 2022 - December 2022	1,393	(5,456)		(7,086)
Gold Put options	23,520	oz	January 2022 - December 2022	1,310	704		914
Gold call options	11,040	oz	January 2023 - December 2023	1,393	(2,981)		(3,872)
Gold Put options	11,040	oz	January 2023 - December 2023	1,310	515		670
					(13,615)	**$**	**(17,684)**

Derivative instruments outstanding	Quantity outstanding		Maturity dates	Strike Price (US$/oz)	Fair value asset (liability) US$		December 31, 2019 Fair value asset (liability) $
Gold swap	5,134	oz	January 2024 - June 2024	$1,355	(1,254)	$	(1,629)
					(1,254)	**$**	**(1,629)**

		December 31, 2019
Total net fair value liability	$	(19,313)
Less: current portion		3,947
Non-current portion	**$**	**(15,366)**

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.

		December 31, 2019		December 31, 2018
Balance at beginning of year	**$**	**1,702**	$	1,174
Settlement of liability through renouncement		**(1,702)**		(1,174)
Liability incurred on flow-through shares issued		**920**		1,702
Balance at end of the year	**$**	**920**	$	1,702

On October 31, 2018, the Company completed a private placement of 13,367,999 flow-through common shares at a price of $0.52 per share for gross proceeds of $6.9 million. A flow-through share premium of $1.7 million was recorded on this financing. As of December 31, 2019, all such funds had been spent and the liability was settled through renouncement in the first three months of 2019.

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. As of December 31, 2019, $0.4 million of such funds had been spent.

10. ENVIRONMENTAL REHABILITATION PROVISION

Pursuant to the Sugar Zone Mine closure plan (the “Closure Plan”), the Company is obligated to rehabilitate the Sugar Zone site. The cost of such rehabilitation work was increased to $5.1 million in 2019, on approval of the increase in the permitted mining rate to 800 tonnes per day, being the present value of the estimated future costs, discounted at a rate of 3.07% per annum. The balance is accreted over the life of mine.

		December 31, 2019		December 31, 2018
Balance at beginning of year	**$**	**4,784**	$	1,719
Rehabilitation liability arising during the period		**162**		3,065
Accretion		**150**		-
Balance at end of the year	**$**	**5,096**	$	4,784

The provision is based upon the following estimates and assumptions:
a) Total estimated undiscounted future rehabilitation cost is $5.2 million
b) Total inflated future rehabilitation cost is $6.7 million using an annual inflation rate of 2.36%
c) Rehabilitation cost expected to be incurred in 10 years

11. 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:

	Capital stock		
	#		$
Balance at December 31, 2017	**549,807,654**	**$**	**118,105**
Private placement of units and shares	19,512,769		9,010
Private placement of flow-through units (note 10)	13,368,000		6,951
Flow-through premium (note 10)	-		(1,702)
Property acquisitions	100,000		30
Share issuance costs	-		(192)
Stock options exercised (note 17)	4,100,000		584
Warrants exercised (note 17)	12,851,030		4,032
Balance at December 31, 2018	**599,739,453**	**$**	**136,818**
Special shares (note 16)	49,177,777		13,278
Private placements	23,000,000		6,900
Flow-through premium (note 10)			(920)
Property acquisitions	100,000		28
Share issuance costs (note 11 and 17)	-		(1,830)
Stock options exercised (note 17)	4,940,000		784
Balance at December 31, 2019	**676,957,230**	**$**	**155,058**

On January 9, 2018, Harte Gold completed the final closing of a bought deal private placement, comprising 16,284,143 common shares at a price of $0.47 per share for proceeds of $7.7 million.

On November 23, 2018, Harte Gold completed a private placement of 3,228,626 common shares at a price of $0.42 per share for proceeds of $1.4 million.

On June 6, 2019, the Company entered into a Subscription Agreement with Appian for the purchase of US $10 million Special Shares, which investment closed on June 11, 2019. The investment of US $10 million was a condition of closing the BNP Debt Facilities (note 7.1). The Special Shares were convertible into common shares at $0.27 per common share two weeks from the later of (i) the date of shareholder approval, (ii) the date the Appian Debt was paid in full and (iii) the date the Sprott Debt was paid in full. As Appian would own in excess of 20% of the common shares of the Company upon conversion, shareholder approval was required prior to such conversion. The shareholders of the Company approved the conversion on July 4, 2019 and the Special Shares were converted to 49,177,777 common shares on July 18, 2019.

Pursuant to the Subscription Agreement between Appian and the Company, and as consideration for a standby commitment from Appian to provide up to an additional US$7.5 million in royalty financing available at the Company's option (the "Appian Standby Commitment"), and the extension of the due date on the outstanding bridge loan facility with Appian to coincide with the closing of the BNP Debt Facilities, the Company also issued to Appian 5,000,000 common share purchase warrants that are exercisable at $0.27 per Common Share for a period of five years from closing. The warrants were valued at $0.9 million and allocated to share issuance cost.

Under the terms of the Subscription Agreement, the parties agreed to a standstill provision, pursuant to which Appian has agreed not to acquire securities of the Company in excess of 30% for a period ending on the earlier of (i) 18 months from

the date of the Subscription Agreement and (ii) the date on which Appian holds less than 7.5% of the Common Shares (on a partially diluted basis). The standstill provision will also cease to apply under certain circumstances set out in the Subscription Agreement, including non-compliance with certain provisions of the Subscription Agreement.

On August 28, 2019, the Company announced the entering into of a settlement agreement among the Company, each of the directors of the Company, and Appian (the "Settlement Agreement") that superseded certain provisions of the Subscription Agreement. Under the terms of the Settlement Agreement and pursuant to Appian's participation rights in respect of certain prior option issuances, the Company issued to Appian 3,950,000 warrants to purchase common shares of the Company at an exercise price of $0.35 per common share, expiring on August 28, 2022. The warrants were valued at $0.5 million and allocated to stock-based compensation expense.

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. In 2019, 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 are subject to shareholder approval. No shares shall be issued until the Company receives shareholder approval of the RSU and DSU Plans. Shareholders will approve the plans at the Company's Annual General Meeting in June 2020. As a result, the Company revalues the DSUs and RSUs at each period reporting date using the market value of common shares. Once the date of grant under IFRS has been established, the Company will revise the earlier estimate so that the amounts recognized for services received in respect of the grant are based on the grant date fair value of the DSUs and RSUs.

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 December 31, 2019, the Company had 5,171,118 (December 31, 2018 – 14,283,945) common shares available for granting of future stock options, DSUs and RSUs. 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.

Stock Options

The following table provides information regarding stock options outstanding.

	Number of options	Weighted average exercise price
	#	$
Balance at December 31, 2017	**32,850,000**	**0.21**
Granted	17,140,000	0.45
Exercised	(4,100,000)	0.10
Cancelled	(200,000)	0.64
Balance at December 31, 2018	**45,690,000**	**0.31**
Granted	19,284,605	0.31
Exercised	(4,940,000)	0.10
Cancelled	(5,755,000)	0.40
Expired	(505,000)	0.28
Balance at December 31, 2019	**53,774,605**	**0.32**
Exercisable at the end of the period		
December 31, 2018	43,100,000	0.31
December 31, 2019	45,282,500	0.35

Generally stock options granted up to December 31, 2019 fully vested on the date of grant, except when otherwise determined by the compensation committee of the Company's board of directors.

The weighted average share price on the date of exercise was $0.27 (2018 - $0.30).

The following table provides additional information regarding stock options outstanding at December 31, 2019.

	Awards outstanding			Awards exercisable		
Exercise price range	Number of options #	Remaining contractual life Years	Weighted average exercise price $	Number of options #	Remaining contractual life Years	Weighted average exercise price $
$0.100 - $0.175	15,434,605	2.37	0.11	9,600,000	0.84	0.11
$0.270 - $0.350	11,250,000	2.18	0.34	10,300,000	1.97	0.35
$0.400 - $0.440	12,550,000	3.98	0.41	12,137,500	3.98	0.41
$0.450 - $0.450	13,640,000	3.24	0.45	12,345,000	3.24	0.45
$0.700 - $0.710	900,000	2.35	0.70	900,000	2.35	0.70
	53,774,605	**2.93**	**0.33**	**45,282,500**	**2.62**	**0.35**

The weighted average fair value of the stock options issued during the year ended December 31, 2019 was $0.31 per option (2018: $0.45) and was estimated using the Black-Scholes valuation model using the following assumptions:

	December 31, 2019	December 31, 2018
Expected life	5 years	4.75 - 5 years
Expected volatility[1]	85.9% - 92.1%	80.8% - 85.2%
Risk-free interest rate	1.94% - 2.16%	1.50 % - 1.96%
Expected dividend yield	0%	0%

Certain options were granted to consultants during the year. In the absence of a reliable measure of the services received, the services have been measured at the fair value of the options issued to consultants.

On June 6, 2019, the Company entered into a service agreement with Maximos Metals Corp. ("Maximos") by which Maximos provided technical data in respect to the Sugar Zone property. Upon receiving the technical data, the Company issued 1,000,000 options to Maximos on July 4, 2019. The options have a term of five years and an exercise price of $0.27 per common shares. Such options will vest and become exercisable upon satisfaction of the following conditions:

1) 50,000 options vested immediately upon the Company receiving the technical data;
2) 250,000 options will vest upon the discovery of economic mineralization on one or more Maximos targets; and
3) 700,000 options will vest upon preparation of an executed resource report, outlining resources totaling at least 500,000 Au equivalent ounces.

The Company also granted Maximos a bonus option grant under certain circumstances (see note 12).

Deferred Share Units

The following table reflects the continuity of DSUs for the year ended December 31, 2019:

	Number of DSUs #	Expense recognized $
Balance at December 31, 2018	**-**	**-**
Granted	5,000,000	750
Balance at December 31, 2019	**5,000,000**	**750**

Non-executive directors of the Company were granted 5 million DSUs on November 18, 2019 at $0.12 per share and vesting immediately. Upon exercise, 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 in cash to date. The DSU related expense was included in the statement of operations and comprehensive loss and was calculated using the December 31, 2019 market value of common shares of $0.15 per DSU (total expense of $750,000).

Restricted Share Units

The following table reflects the continuity of RSUs for the year ended December 31, 2019:

	Number of RSUs #	Expense recognized $
Balance at December 31, 2018	**-**	**-**
Granted	3,750,000	23
Balance at December 31, 2019	**3,750,000**	**23**

Certain officers of the Company were granted 3,750,000 RSUs on November 18, 2019 at an exercise price of $0.12 per share. 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 RSUs in cash to date. The RSUs that were granted in 2019 have a 3 year vesting period. The RSUs expense was included as an expense in the statement of operations and comprehensive loss over the vesting period using the December 31, 2019 market value of common shares of $0.15 per RSU (total expense of $22,603).

13. WARRANTS

As at December 31, 2019 there were 26,581,707 (December 31, 2018 – 16,118,318) warrants to purchase common shares outstanding. Warrants expire as follows:

	Number of warrants #
Balance at December 31, 2017	**22,064,853**
Issued	16,118,319
Expired	(9,213,824)
Exercised	(12,851,029)
Balance at December 31, 2018	**16,118,319**
Issued	10,463,388
Balance at December 31, 2019	**26,581,707**

The weighted average share price on the date of exercise in 2018 was $0.41.

In 2018, 6,000,000 warrants were issued as part of the Appian Debt (see note 7.4) and 10,000,000 warrants were issued as part of the Sprott Debt (see note 7.5). The remaining 118,319 warrants were issued as part of finder's fees on the flow-through common share issue that closed on October 31, 2018.

On June 8, 2019, 5,000,000 warrants, valued at $0.9 million, were issued to Appian as part of the Special Share Subscription Agreement. On August 28, 2019, a further 3,950,000 warrants, valued at $0.5 million, were issued to Appian as part of the Settlement Agreement.

In connection with the flow-through share issue that closed on October 2, 2019, 1,130,334 warrants, valued at $0.1 million were issued to the brokers and 383,054 warrants, valued at $0.02 million, were issued to Appian.

The value of warrants issued were determined using the Black-Scholes option pricing method with the following assumptions:

	December 31, 2019	December 31, 2018
Expected life in years	1.5 - 5.0 years	1.5 - 5.0 years
Volatility (based on historical volatility)	52.8% - 83.1%	55.5% - 90.5%
Risk-free interest rate	1.35% - 1.50%	1.88% - 2.29%
Dividend yield	0%	0%

The expiry dates of warrants outstanding as of December 31, 2019 are as follows:

Expiry date	**Number of warrants outstanding**		**Exercise price**	**Remaining contractual life (years)**
April 22, 2020	41,750	$	0.52	0.31
May 1, 2020	76,569	$	0.52	0.33
April 2, 2021	1,130,334	$	0.30	1.25
April 2, 2021	383,054	$	0.35	1.25
August 28, 2022	3,950,000	$	0.35	2.66
May 11, 2023	4,000,000	$	0.51	3.36
May 11, 2023	2,000,000	$	0.50	3.36
May 31, 2023	10,000,000	$	0.49	3.42
June 8, 2024	5,000,000	$	0.27	4.44
	26,581,707	**$**	**0.42**	**3.35**

14. REVENUES

		December 31, 2019		December 31, 2018
Gold and silver sales	**$**	**50,969**	$	-
Less treatment and refining costs		**(1,214)**		-
	$	**49,755**	$	-

The Company is principally engaged in the business of producing and selling gold in form of gold doré and gold concentrate. Revenue from silver sale was immaterial in the year ended December 31, 2019.

15. PRODUCTION COSTS

	December 31, 2019	December 31, 2018
Mining costs	$ 21,281	$ -
Milling costs	10,664	-
Site indirect costs	13,640	-
Total costs	45,585	-
Inventory change	1,175	-
Production costs	$ 46,760	$ -

16. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2019	December 31, 2018
Share-based payments (notes 12, 13)	$ 4,899	$ 4,989
Management and consulting fees	1,463	905
Salaries, benefits and directors fees	1,009	1,468
Severance pay	900	-
Legal fees	794	211
Office and general	550	329
Shareholders' information	317	386
Travel & Accommodations	210	244
Depreciation	24	212
	$ 10,166	$ 8,744

17. INCOME TAXES

Provision for income taxes

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

	December 31, 2019	December 31, 2018
Income (loss) before income taxes	$ (61,581)	$ (39,872)
Combined Federal and Provincial tax rate	25.00%	25.00%
Expected recovery at statutory rates	(15,395)	(9,968)
Non deductible amounts	686	954
Renunciation of tax attributes - flow through shares	1,196	1,369
Prior year over (under) provision	4,140	-
Change in tax benefit not recognized	7,641	3,608
Other	1,732	4,037
Deferred income tax expense (income)	$ -	$ -

Deferred tax balances

Management believes that it is not probable that sufficient taxable profit will be available in future years to allow the benefit of the following deferred tax assets to be utilized:

	December 31, 2019	December 31, 2018
Resource properties	**19,939**	17,551
Non-capital loss carry forwards	**13,426**	5,860
Property, plant and equipment	**(3,973)**	(4,002)
Share issue costs and other	**1,307**	484
Other deductible temporary differences	**(4,292)**	-
	$ 26,407	$ 19,893

Tax loss carry-forwards

The Company has accumulated non-capital losses of $53.7 million which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

Year of expiry	Amount expiring $
2025 - 2033	6,107
2034 - 2037	12,854
2038	22,818
2039	11,924
	53,703

18. LOSS PER SHARE

	December 31, 2019	December 31, 2018
Loss attributable to common shareholders	**($61,581)**	($39,872)
Weighted average shares outstanding - basic and fully diluted	**631,193,264**	578,824,840
Loss per share - basic and fully diluted	**$ (0.098)**	$ (0.069)

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

19. RELATED PARTY TRANSACTIONS

The corporations related to Harte Gold during 2018 and 2019 was Global Atomic Corporation ("GAC") and ANR Investments B.V ("Appian"). GAC is a related party since one or more directors, officers and consultants were associated with the Company in the same capacity. Appian is a related party as a result of its 24.45% ownership interest in Harte Gold's shares at December 31, 2019 and Appian's right to appoint two directors to the Company's board. The Company has entered into several funding transactions with Appian as further described in notes 7 and 11.

For year ended December 31, 2019	**Amount charged by (to)**	**Due (to) from**
Global Atomic Corporation	**$ 226**	**$ (67)**
For year ended December 31, 2018		
Global Atomic Corporation	$ (94)	$ 159

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 exchange amount. The transactions relate to certain head office costs, such as supplies and rent that are incurred by one entity on behalf of the other.

For the years ended December 31, 2019 and 2018, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

	December 31, 2019	December 31, 2018
Management, consulting and director fees	**$ 1,935**	$ 1,601
Consulting fees included in exploration and evaluation expenditures	**-**	160
Stock based compensation		
- expensed to the Statement of Operations and Comprehensive Loss	**3,211**	4,149
	$ 5,146	$ 5,910

20. FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities as at December 31, 2019 and 2018 were classified as follows:

December 31, 2019	Level	Amortized cost	FVTPL
Financial assets			
Cash and cash equivalents	1	$ 2,096	$ -
Receivables (excluding HST receivable)	1	3,304	-
Financial liabilities			
Acounts payable and accrued liabilities	1	25,630	-
Short-term debt	2	8,911	-
Long-term debt	2	81,072	-
Derivative financial instruments	2	-	19,313

December 31, 2018	Level	Amortized cost	FVTPL
Financial assets			
Cash and cash equivalents	1	$ 7,293	$ -
Restricted cash	1	500	-
Receivables (excluding HST receivable)	1	656	-
Financial liabilities			
Acounts payable and accrued liabilities	1	23,615	-
Short-term debt	2	28,217	-
Long-term debt	2	43,116	-
Production payment liability	2	5,250	-

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.

The estimated fair value of cash and cash equivalents, receivables (excluding HST receivable), restricted cash and accounts payable and accrued liabilities approximate 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 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 is 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.

As at December 31, 2019, the Company had cash and cash equivalents of $2.1 million (December 31, 2018 - $73 million) to settle accounts payable and accrued liabilities of $25.6 million (December 31, 2018 - $23.6 million) that are considered short-term and expected to be settled within 30 to 90 days. Additionally, the Company is obligated, as of December 31, 2019, to pay interest and principal on the BNP Debt Facilities during 2020. 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 (see 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 $0.5 million.

(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 outstanding with BNP which is 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 +/- $0.7 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 is structured as gold swaps, maturing in the first half of 2024. The floor price of the gold collars has been set at 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.

21. CAPITAL MANAGEMENT

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

The Company defines capital as total equity plus debt. 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.

The Company expects that additional capital will be required to support its operations and the Company is currently evaluating funding alternatives.

		December 31, 2019		December 31, 2018
Equity	**$**	**(18,173)**	$	19,563
Debt		**89,983**		76,584
	$	**71,810**	$	96,147

22. COMMITMENTS

The Company has a commitment under a site access agreement to pay $70 thousand 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 (see note 9).

Under the terms of the Maximos agreement (see note 12), Maximos is entitled to a bonus grant of 10 million options, priced at market at the time and with a term of 5 years. Such bonus grant is conditional on an economic report on one of the Maximos targets within a 10 year period that has an in situ undiscounted net smelter return value in excess of US $300 million.

The Company has entered into an Impact Benefits Agreement ("IBA") with Pic Mobert First Nation ("Pic Mobert" 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 Mobert. 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, an implementation payment of $0.1 million per annum on April 1 of the year immediately after the Company receives approval of its closure plan, and stock options to purchase 500,000 common shares of the Company at a price of $0.41 for a period of five years (issued).

On May 1, 2018, the Company entered into a service agreement with Redpath Canada Ltd to perform underground mine development and tramming at the Sugar Zone Mine. The contract is for a period of twenty-five months. As at December 31, 2019, the Company has a commitment to pay $23.8 million to Redpath to complete the project. The agreement expires on May 31, 2020.

On July 4, 2018, the Company entered into a service agreement with Foraco Canada Ltd to perform longhole drilling and blasting services. The Company is contracted to pay $8.4 million over the two-year contract terms. As at December 31, 2019, the Company has a commitment to pay $3.4 million to Foraco to complete the project.

23. SUBSEQUENT EVENTS

Placement of flow-through common shares

On March 11, 2020 and March 19, 2020, the Company completed a phased brokered placement of 120,937,495 and 47,812,505 flow-through common shares, respectively, at a price of $0.16 per share for gross proceeds of $27 million. In connection with this flow-through common share issue, the Company has committed to incur a minimum $27 million Canadian development expenses prior to June 30, 2021.

COVID-19 outbreak:

Due to the global outbreak of the coronavirus disease ("COVID-19"), the Company's risk profile has increased significantly, notably due to the following: a potential curtailment or total shut down of operations by government; potential loss of contractor manpower to site; potential of a Harte Gold employee falling ill and causing a disruption to site; the ability to procure and transport critical supplies and parts to site; cancellation of domestic flights causing mobility issues for site staff rotations; and the ability to continue operating a remote camp while managing self isolation policies. If any of these events were triggered, the result could be a complete shutdown of the Sugar Zone Mine for an undetermined period. To minimize this risk, the following actions have been taken: a policy has been instituted supporting employees to work from home where practical; preliminary screenings at site, any employees or contractors showing potential signs of COVID-19 will be placed into self isolation; special arrangements at the camp have been implemented to maximize social distancing; and tracking of employee travel is under constant review. The Company is treating the threat of a COVID-19 outbreak very seriously. A care-and-maintenance plan has been prepared and would be executed in the event of an outbreak at site. The Company has entered into a cash preservation mode; all non-critical expenditures have been deferred for the foreseeable future. Mine development, critical to the overall growth of the Company, will continue.