UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Harte Gold Corp. (the "Company" or "Harte") for the three and six months ended June 30, 2018 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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

August 14, 2018

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

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

Harte Gold Corp.

(An Exploration Stage Company)

Consolidated Statement of Financial Position as at

(Unaudited)

Canadian dollars		**June 30, 2018**		December 31, 2017
Assets				
Current Assets				
Cash and cash equivalents	**$**	**25,709,203**	$	24,789,164
Receivables (note 5)		**3,360,403**		1,500,286
Prepaids		**370,971**		291,880
		29,440,577		26,581,330
Long Term Assets				
Restricted Cash (note 4)		**1,721,281**		1,721,281
Property and Equipment (note 6)		**2,578,080**		2,057,321
Exploration and Evaluation Expenditures (note 7)		**156,839,323**		103,558,424
	$	**190,579,261**	$	133,918,356
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (note 8)	**$**	**15,108,077**	$	19,303,392
Short -term debt (note 9)		**25,699,542**		-
Current portion of long-term debt (note 11)		**198,333**		198,333
Flow-through share premium (note 12)		**-**		1,173,838
		41,005,952		20,675,563
Long Term Liabilities				
Long-term debt (note 11)		**23,321,743**		616,667
Environmental Rehabilitation Provision (note 10)		**1,718,836**		1,718,836
Deferred Tax Liability		**3,891,851**		3,891,851
Total Liabilities		**69,938,382**		26,902,917
Shareholders' Equity				
Capital stock and warrants (notes 13 & 15)		**133,408,089**		120,006,504
Other reserves		**12,561,853**		8,083,435
Deficit		**(25,329,063)**		(21,074,500)
		120,640,879		107,015,439
	$	**190,579,261**	$	133,918,356

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Condensed Statements of Operations and Comprehensive Loss and Deficit
For the Three and Six Months Ended
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Revenue				
Interest Income and other income	**$ 48,882**	$ 50,229	**$ 61,439**	$ 112,742
Expenses				
Management and consulting fees (note 17)	**175,386**	194,000	**410,547**	434,500
Promotion and travel	**49,950**	34,360	**87,656**	113,343
Office and general	**211,194**	117,318	**468,959**	196,764
Interest and accretion expense (note 11)	**5,700**	154,380	**16,200**	304,313
Professional fees	**39,760**	118,412	**53,697**	136,835
Stock-based compensation (note 14)	**192,135**	217,544	**4,465,241**	366,989
Shareholders' information	**90,423**	72,621	**225,623**	170,568
Amortization	**1,510**	132	**3,021**	264
Foreign exchange (gain)/loss	**(14,282)**	**-**	**(241,104)**	-
Flow-through share premium (note 12)	**-**	-	**(1,173,838)**	(4,680,385)
	751,776	908,767	**4,316,002**	(2,956,809)
Net Income (Loss) and Comprehensive Loss	**(702,894)**	(858,538)	**(4,254,563)**	3,069,551
Net income per share - basic and fully diluted	**$ (0.001)**	$ (0.002)	**$ (0.007)**	$ 0.007
Weighted average number of shares outstanding				
Basic and fully diluted	**574,829,413**	452,269,283	**570,674,333**	444,515,977

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Condensed Statements of Cash Flow for the Three and Six Months Ended
(unaudited)

	Three Months Ended		Six Months Ended	
Canadian dollars	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
Cash provided by (used in):				
Operations				
Net Income (Loss)	**$ (697,195)**	$ (858,538)	**$ (4,254,563)**	$ 3,069,551
Adjustments to reconcile net loss to cash flow from operating activities:				
Amortization	**1,510**	132	**3,021**	264
Stock-based compensation	**192,135**	217,544	**4,465,241**	366,989
Flow-through share premium	**-**	-	**(1,173,838)**	(4,680,385)
Accretion on loan (note 11)	**-**	52,095	**-**	108,278
	(503,550)	(588,767)	**(960,139)**	(1,135,303)
Net changes in non-cash working capital items:				
Prepaids	**70,871**	(45,068)	**(79,091)**	(47,018)
Receivables	**(899,010)**	1,802,333	**(1,860,117)**	1,276,010
Accounts payable and accrued liabilities	**768,427**	(14,754)	**(469,912)**	(1,046)
	(563,262)	1,153,744	**(3,369,259)**	92,643
Financing				
Debt financing (notes 9 & 11)	**52,190,817**	-	**52,130,817**	190,000
Issuance of units	**-**	-	**7,653,547**	-
Share issuance costs	**(120,599)**	-	**(120,599)**	-
Options exercised	**40,000**	189,000	**40,000**	214,000
Warrants exercise	**1,080,793**	1,539,965	**2,085,568**	3,709,164
	53,191,011	1,728,965	**61,789,333**	4,113,164
Investing				
Additions to property and equipment (note 6)	**(830,847)**	(266,196)	**(830,847)**	(733,813)
Additions to exploration and evaluation expenditures	**(31,557,897)**	(16,531,642)	**(56,669,188)**	(27,883,462)
Bulk Sample cash receipts [1]	**-**	1,888,280	**-**	10,004,718
	(32,388,744)	(14,909,558)	**(57,500,035)**	(18,612,557)
Net increase (decrease) in cash and cash equivalents	**20,239,005**	(12,026,849)	**920,039**	(14,406,750)
Cash and cash equivalents, beginning of period	**5,470,198**	24,852,508	**24,789,164**	27,232,409
Cash and cash equivalents, end of period	**$ 25,709,203**	$ 12,825,659	**$ 25,709,203**	$ 12,825,659
Cash and cash equivalents includes the following:				
Cash	**$ 2,670,855**	$ 2,767,371	**$ 2,670,855**	$ 2,767,371
Guaranteed investment certificates	**23,038,348**	10,058,288	**23,038,348**	10,058,288
	$ 25,709,203	$ 12,825,659	**$ 25,709,203**	$ 12,825,659
Supplemental cash flow information:				
Interest paid on Secured Note	**$ -**	$ 93,750	**$ -**	187,500

The accompanying notes are an integral part of these financial statements

Harte Gold Corp.

(An Exploration Stage Company)

Condensed Statement of Changes in Shareholders' Equity

(unaudited)

	Common Shares (Note 12)		Warrants (Note 14)		Subtotal	Other Reserves	Deficit	Total Shareholders' Equity
Canadian dollars	#	$	#	$	$	$	$	$
December 31, 2016	**430,763,904**	**65,126,537**	**46,256,584**	**2,670,930**	**67,797,467**	**7,810,536**	**(19,026,272)**	**56,581,731**
Issued as a result of:								
Stock options exercised	1,130,000	214,000			214,000			214,000
Warrants exercised (note 15)	22,869,570	4,287,654	(22,869,570)	(578,490)	3,709,164			3,709,164
Warrants expired (note 15)			(122,161)	(2,176)	(2,176)	2,176		-
Stock options granted (note 14)					-	703,230		703,230
Net loss for the period							3,069,551	3,069,551
June 30, 2017	**454,763,474**	**69,628,191**	**23,264,853**	**2,090,264**	**71,718,455**	**8,515,942**	**(15,956,721)**	**64,277,676**
Issued as a result of:								
Private placements (notes 13 and 15)	91,194,180	49,790,168			49,790,168			49,790,168
Flow-through premium (note 12)		(1,173,838)			(1,173,838)			(1,173,838)
Property acquisitions (note 18)	100,000	61,000			61,000			61,000
Share issuance costs		(2,149,228)			(2,149,228)			(2,149,228)
Stock options exercised	2,600,000	1,359,790			1,359,790	(622,290)		737,500
Warrants exercised (note 15)	1,150,000	589,333	(1,150,000)	(186,834)	402,499			402,499
Warrants expired (note 15)			(50,000)	(2,342)	(2,342)	2,342		-
Stock options granted (note 14)						187,441		187,441
Net loss for the year							(5,117,779)	(5,117,779)
December 31, 2017	**549,807,654**	**118,105,416**	**22,064,853**	**1,901,088**	**120,006,504**	**8,083,435**	**(21,074,500)**	**107,015,439**
Issued as a result of:								
Private placements (notes 13 and 15)	16,284,143	7,653,547			7,653,547			7,653,547
Share issuance costs		(120,599)			(120,599)			(120,599)
Warrants issued on loan			14,000,000	3,726,200	3,726,200			3,726,200
Stock options exercised	400,000	57,112			57,112	(17,112)		40,000
Warrants exercised (note 15)	9,933,362	2,708,749	(9,933,362)	(623,181)	2,085,568			2,085,568
Warrants expired (note 15)			(1,645)	(243)	(243)	243		-
Stock options granted (note 14)						4,495,287		4,495,287
Net loss for the year							(4,254,563)	(4,254,563)
June 30, 2018	**576,425,159**	**128,404,225**	**26,129,846**	**5,003,864**	**133,408,089**	**12,561,853**	**(25,329,063)**	**120,640,879**

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

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, Alberta and British Columbia. The common shares of the Company trade on the Toronto Stock Exchange under the symbol "HRT" and on the Frankfurt Stock Exchange under the symbol "H4O". The head office and principal address of the Company is 8 King Street East, Suite 1700, Toronto, Ontario, M5C 1B5.

The Company is engaged in the acquisition and exploration of mineral resource properties with a focus on gold properties located in the Province of Ontario, Canada, and currently owns interests in two exploration projects: (i) the Sugar Zone Property, 60 km east of the Hemlo area gold mines, located on the north shore of Lake Superior and (ii) the Stoughton-Abitibi Property (formerly Stoughton-Porcupine), 110 km east of Timmins and 50 km north east of Kirkland Lake. Harte Gold completed an Advanced Exploration and Bulk Sample program on its Sugar Zone Property to determine the recoverability and economics of its resource. The Company has begun economic studies on the resource and is pursuing permits to enable commercial production.

On the basis of information to date, the Company has not yet identified a mineral resource on its Stoughton-Abitibi Property.

2. BASIS OF PREPARATION

a) *Statement of Compliance*

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS, including IAS 34, Interim Financial Reporting. Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS.

The management of Harte prepared these unaudited condensed interim financial statements, which were then reviewed by the Audit Committee and the Board of Directors. The unaudited condensed interim financial statements were authorized for issue by the Board of Directors on August 14, 2018.

b) *Continuance of Operations*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Company's financial statements for the year ended December 31, 2017.

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Restricted cash of $1,721,281 at June 30, 2018 (December 31, 2017 - $1,721,281) is cash held by the Ontario Ministry of Northern Development and Mines ("MNDM") as assurance that the Company will complete its remediation obligations for all permitted work on the Sugar Zone Property.

All cash balances are held in Canadian dollars.

5. RECEIVABLES

		June 30, 2018		December 31, 2017
GST/HST receivable	$	**3,206,343**	$	1,308,005
Subscription receivable		**-**		15,120
Other		**154,060**		177,161
	$	**3,360,403**	$	1,500,286

6. PROPERTY AND EQUIPMENT

	Equipment and Furniture [(1)]			Site Vehicles [(1)]			TOTAL
	Cost	Amortization	NBV	Cost	Amortization	NBV	NBV
December 31, 2016	**$ 20,389**	**$ 10,781**	**$ 9,608**	**$ 180,823**	**$ 87,491**	**$ 93,332**	**102,940**
Additions	141,418	22,620	118,798	143,370	33,005	110,365	229,163
December 31, 2017	**$ 161,807**	**$ 33,401**	**$ 128,406**	**$ 324,193**	**$ 120,496**	**$ 203,697**	**$ 332,103**
Additions	598,881	227,569	371,312	72,735	37,725	35,010	406,322
March 31, 2018	**$ 760,688**	**$ 260,970**	**$ 499,718**	**$ 396,928**	**$ 158,221**	**$ 238,707**	**$ 738,425**

	Land			Buildings [(1)]			TOTAL
	Cost	Amortization	NBV	Cost	Amortization	NBV	NBV
December 31, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Additions	902,968	-	902,968	865,526	43,276	822,250	1,725,218
December 31, 2017	**$ 902,968**	**$ -**	**$ 902,968**	**$ 865,526**	**$ 43,276**	**$ 822,250**	**$ 1,725,218**
Additions	-	-	-	159,231	44,794	114,437	114,437
March 31, 2018	**$ 902,968**	**$ -**	**$ 902,968**	**$ 1,024,757**	**$ 88,070**	**$ 936,687**	**$ 1,839,655**

Grand Total	**Cost**	**Amortization**	**NBV**
December 31, 2017	$ 2,254,494	$ 197,173	$ 2,057,321
June 30, 2018	**$ 3,085,341**	**$ 507,261**	**$ 2,578,080**

1) Amortization on property and equipment located at the exploration site is capitalized to exploration and evaluation expenditures. Amortization on head office property and equipment is expensed.

7. EXPLORATION AND EVALUATION EXPENDITURES

Sugar Zone Property, Hemlo Gold Area

At June 30, 2018, the Sugar Zone Property comprised approximately 81,287 hectares within the Sault Ste. Marie Mining Division located in Ontario, including 4 mining leases (1,467 hectares). The Company holds a 100% interest in all of these.

7. EXPLORATION AND EVALUATION EXPENDITURES cont'd

Certain of these claims and leases are subject to net smelter royalties ("NSR") of 3.5% in favour of the original vendors of the properties which can be reduced by 1.5% upon payments of $1.5 million. Additionally, the Company entered into agreements for certain other claims in 2010 and 2017 on which royalties are payable, as described in note 18.

The Company's accounting policy is to capitalize exploration and evaluation expenditures on its balance sheet. The Sugar Zone Deposit was the principle exploration and evaluation asset of the Company at June 30, 2018. In view of the contiguous nature of the Middle Zone and the likely development of the Middle Zone in conjunction with the Sugar Zone, the Company now considers both the Sugar and Middle Zones to be part of the Sugar Zone Deposit. Feasibility studies and permitting were in progress during Q2 2018 and once completed, expected to be Q3 2018, the Sugar Zone Deposit will be reclassified from *Exploration and Evaluation Expenditures* to *Mine Property and Development Projects*.

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

	June 30, 2018	December 31, 2017
Opening Balance	**$ 103,558,424**	$ 44,170,665
Expenditures incurred during the year		
Land costs	**56,700**	326,405
Environmental Rehabilitation Provision (note 9)	**-**	348,029
Bulk Sample revenues	**-**	(10,004,718)
Bulk Sample costs	**-**	3,676,501
Phase 1 excavation costs	**-**	17,091,160
Exploration	**5,632,764**	18,790,583
Mine development	**3,930,697**	-
Capitalized interest and exchange (gains)/losses	**1,986,529**	-
Site costs	**12,146,939**	7,821,278
Processing plant construction	**29,190,156**	20,834,796
Stock-based compensation (note 13)	**30,047**	407,249
Amortization of site assets (note 6)	**307,067**	96,476
Total for this year	**53,280,899**	59,387,759
Closing Balance end of period	**$ 156,839,323**	$ 103,558,424

Stoughton-Abitibi Property, Timmins Porcupine Gold Area

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

In 2009, the Company concluded that it should prioritize the Sugar Zone Property and recorded an impairment provision against the Stoughton-Abitibi Property. Minimal exploration activity has taken place since then, and any costs incurred have similarly been provided for as an additional impairment provision. In view of the current poor investment climate for mining exploration properties on which no indications of resources exist, management have concluded that it would be too speculative to estimate a recoverable amount for the Stoughton-Abitibi Property in excess of $nil at June 30, 2018.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2018		December 31, 2017
Accounts Payable	$	**6,896,185**	$	13,186,752
Accrued Liabilities		**8,211,892**		6,116,640
Total accounts payable and accrued liabilities	$	**15,108,077**	$	19,303,392

9. SHORT-TERM DEBT

On May 11, 2018, the Company closed on a short-term debt financing with ANR Investments B.V. (“Appian”) in the amount of US $20,000,000. Interest accrues at an annual rate of 9.5% until November 10, 2018 and at an annual rate of 11.5% until maturity on January 25, 2019. The Appian debt is secured by all the assets of the Company, but subordinate to the long-term debt financing (See Note 11).

Principal and accrued interest are payable on maturity and the debt is repayable at any time without penalty. In connection with the debt financing, the Company issued 4,000,000 common share warrants to Appian, exercisable at any time until May 10, 2023 at an exercise price of $0.51 per common share. The Appian debt was accounted for as a compound financial instrument. An amount of $1,133,200 was allocated to the warrants and the balance to the liability component. Subsequently, the liability amount, net of issuance costs, is accreted with an effective interest rate of 18.5%, so that the balance outstanding will be US $20,000,000 plus accrued interest on maturity. Accretion results in additional non-cash interest expense recorded for the duration of the Appian debt.

Movement in the Appian debt facility is summarized as follows:

Loan drawdown	$25,686,000
Fees, costs, warrants	-1,283,200
Recorded loan amount	24,402,800
Capitalized interest	348,589
Accretion	298,153
Exchange loss (gain)	650,000
Loan balance at June 30, 2018	$25,699,542

At June 30, 2018, the amount owing under the Appian debt facility is US $20,264,724, comprising principal and accrued interest.

10. ENVIRONMENTAL REHABILITATION PROVISION

Pursuant to the Sugar Zone Mine Closure Plan, the Company is obligated to rehabilitate the Sugar Zone site. The cost of such rehabilitation work was estimated at an amount of $1,370,807 in late 2016 and increased by $348,029 in May 2017.

		June 30, 2018		December 31, 2017
Balance beginning of period	$	**1,718,836**	$	1,370,807
Rehabilitation liability arising during the year		**-**		348,029
Balance end of period	$	**1,718,836**	$	1,718,836

11. LONG-TERM DEBT

a) Secured Notes

In March 2016, the Company completed a non-brokered private placement of $2,500,000 Secured Notes (the "Notes"). The Notes bore interest at a rate of 15% per annum, payable quarterly in arrears. Principal was repayable on the second anniversary (March 31, 2018), and could be prepaid after April 1, 2017 with payment of interest in full for the particular quarter. The Notes were secured by a charge on the mining leases and unpatented mining claims of the Sugar Zone Property. In connection with the Notes, the Company issued 4 warrants per $1.00 principal amount of the Notes (10,000,000 warrants in total). Each warrant is exercisable into one common share of the Company on payment of $0.15 on or before the date that is twenty-four (24) months from Closing. In connection with the placement of the Notes, the Company paid finders fees of $72,750 cash and 291,000 warrants. Each finders warrant was exercisable on or before March 22, 2018 at a price of $0.15 per common share and all warrants were exercised.

The Notes were accounted for as a compound financial instrument. The amount allocated to the liability component ($2,042,949) was determined by estimating the fair value of the debt assuming no equity component, and the balance was allocated to the warrants ($384,301). Subsequently, the liability amount was accreted with an effective interest rate of 27% so that the balance outstanding would be $2,500,000 on maturity, March 31, 2018. Accretion results in additional non-cash interest expense recorded for the duration of the Notes. The Company elected to repay the Notes in full as of December 31, 2017.

b) Mortgage Payable

On January 31, 2017, Harte Gold acquired land and buildings in White River at a cost of $340,000 to be used as accommodation for its employees. The vendors took back a mortgage of $190,000, repayable annually over 3 years and secured by the property. Principal and interest payments on each of February 1, 2018 through 2020. Interest accrues at a rate of 3.0% per annum. Remaining principal payments as of June 30, 2018 are as follows:

February 1, 2019	$60,000
February 1, 2020	$70,000

c) Mortgage Payable

On July 19, 2017, Harte Gold acquired a trailer park property in White River at a cost of $775,000 to be used as a camp facility for employees and contractors. The vendors took back a mortgage of $525,000, repayable annually over 5 years and secured by the property. Interest is payable semi-annually at a rate of 4.0% per annum and principal payments are due on each of July 20, 2018 through 2022. Remaining principal payments as of June 30, 2018 are as follows:

July 20, 2018	$105,000
July 20, 2019	$105,000
July 20, 2020	$105,000
July 20, 2021	$105,000
July 20, 2022	$105,000

11. LONG-TERM DEBT cont'd

d) Mortgage Payable

On August 9, 2017, Harte Gold acquired land and buildings in White River that were previously leased as its core shack at a cost of $145,000. The vendors took back a mortgage of $100,000, repayable annually over 3 years and secured by the property. Principal and interest payments on each of September 1, 2018 through 2020. Interest accrues at a rate of 3.0% per annum. Remaining principal payments as of June 30, 2018 are as follows:

September 1, 2018	$33,333
September 1, 2019	$33,333
September 1, 2020	$33,334

e) Long-Term Sprott Debt

On June 1, 2018, the Company closed a long-term debt financing with Sprott Private Resource Lending (Collector) LP ("Sprott"). Total funding available under the Sprott debt is US $50,000,000. An initial amount of US $20,000,000 was drawn and the balance can be drawn down, subject to certain conditions, including receipt of permits, in amounts equal to the lesser of US $10,000,000 and the remaining undrawn principal. Drawdowns are subject to a fee of 2.25% payable to Sprott. Interest is payable monthly at an annual rate of 7.5% plus the 3 month LIBOR rate. 50% of the monthly interest is payable in cash, with the balance accrued until June 30, 2019. Thereafter, all interest is payable monthly on a cash basis. The Sprott debt is secured by all the assets of the Company. Principal plus accrued interest is payable in 42 equal monthly installments, beginning January 31, 2020.

Sprott is also entitled to receive production payments of US $14 per ounce gold produced by the Company for the first 300,000 ounces produced. Production payments are to be made on a monthly basis. Prepayment of the Sprott debt can 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.

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 $0.49046 per common share. The Sprott debt was accounted for as a compound financial instrument. An amount of $2,593,000 was allocated to the warrants and the balance to the liability component. Subsequently, the liability amount, net of fees, issuance costs and production payments, is accreted with an effective interest rate of 15.2%, so that the balance outstanding will equal the principal plus accrued interest on maturity. Accretion results in additional non-cash interest expense recorded for the duration of the Sprott debt.

Movement in the Sprott debt facility is summarized as follows:

Loan drawdown	$25,928,000
Fees, costs, warrants	-3,747,785
Recorded loan amount	22,180,215
Capitalized interest	108,544
Accretion	68,317
Exchange loss (gain)	408,000
Loan balance at June 30, 2018	$22,765,076

At June 30, 2018, the amount owing under the Sprott debt facility is US $20,081,815, comprising principal and accrued interest.

11. LONG-TERM DEBT cont'd

f) Total Long-term Debt

The following summarizes the long-term debt balance at June 30, 2018.

Long-term Debt	June 30, 2018
Balance at December 31, 2017	$ 815,000
Principal repayments	(60,000)
Current portion of long-term debt	(198,333)
Sprott loan	22,765,076
Balance at June 30, 2018	**$ 23,321,743**

12. FLOW-THROUGH LIABILITIES

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 issues.

Balance on December 31, 2016	**$ 4,680,385**
Settlement of liability through renouncement in Q1 2017	(4,680,385)
Liability incurred on flow-through shares issued December 31, 2017	1,173,838
Balance on December 31, 2017	**$ 1,173,838**
Settlement of liability through renouncement in Q1 2018	(1,173,838)
Balance on June 30, 2018	**$ -**

On December 22, 2017, Harte Gold completed a bought deal offering of 9,781,982 flow-through common shares at a price of $0.56 per share, for gross June 30, 2018, all such funds had been spent.

13. 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:

	June 30, 2018	December 31, 2017
Balance beginning of period	**549,807,654**	430,763,904
Private placement of units and shares	16,284,143	81,412,198
Private placement of flow-through units (note 12)		9,781,982
Shares for property acquisition (note 18)		100,000
Options exercised (note 14)	400,000	3,730,000
Warrants exercised (note 15)	9,933,363	24,019,570
Balance end of period	**576,425,160**	549,807,654

On July 5, 2017, Harte Gold completed a brokered private placement financing of 40,323,500 common shares at a price of $0.62 per share for gross proceeds of $25,000,570 and costs of $1,003,376 for net proceeds of $23,997,154.

On December 29, 2017, Harte Gold completed the first closing of the common share tranche of its bought deal private placement, comprising 41,088,698 common shares at a price of $0.47 per share for gross proceeds of $19,311,688 and costs of $1,144,052 for net proceeds of $18,167,636.

On January 9, 2018, Harte Gold completed the final closing of its bought deal private placement, comprising 16,284,143 common shares at a price of $0.47 per share for gross proceeds of $7,653,547.

14. STOCK OPTION PLAN

The Company has established a stock option plan to provide additional incentives to officers, directors, employees and consultants in their efforts on behalf of the Company in the conduct of its affairs. The terms of the stock option plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant. The number of shares reserved for issuance is not to exceed 10% of the issued and outstanding common shares from time-to-time. At June 30, 2018, the Company had 9,202,516 (December 31, 2017 – 22,130,765) common shares available for granting of future options.

Under the terms of the plan, options vest immediately unless otherwise determined by the Board, and expire on the fifth anniversary from the date of issue unless otherwise specified. As at June 30, 2018, a total of 48,440,000 (December 31, 2017, 32,850,000) options were outstanding under the stock option plan.

	June 30, 2018		December 31, 2017	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price	Number of Options
Outstanding beginning of period	**$ 0.21**	**32,850,000**	$ 0.20	34,620,000
Transactions during the period:				
Granted	**$ 0.45**	**16,140,000**	$ 0.42	1,600,000
Granted			$ 0.70	900,000
Granted			$ 0.71	150,000
Exercised	**$ 0.10**	**(400,000)**	$ 0.10	(750,000)
Exercised			$ 0.30	(2,630,000)
Exercised			$ 0.35	(150,000)
Exercised			$ 0.175	(200,000)
Cancelled			$ 0.10	(35,000)
Cancelled			$ 0.30	(55,000)
Cancelled			$ 0.35	(150,000)
Cancelled			$ 0.42	(250,000)
Expired	**$ 0.175**	**(150,000)**	$ 0.30	(50,000)
Expired			$ 0.35	(150,000)
Outstanding at end of period	**$ 0.30**	**48,440,000**	$ 0.22	32,850,000
Exercisable at end of period	**$ 0.29**	**45,600,000**	$ 0.21	31,225,000

The weighted average share price on date of exercise is $0.44.

The following table provides additional information regarding stock options outstanding at June 30, 2018.

Expiry Date	**Exercise price**	**Weighted average remaining contractual life (years)**	**Number of options outstanding**	**Number of options vested (exercisable)**	
April 25, 2019	$0.10	0.82	6,040,000	6,040,000	
May 9, 2019	$0.15	0.86	50,000	50,000	
July 31, 2019	$0.30	1.08	5,000	5,000	
October 14, 2020	$0.10	2.29	10,955,000	10,955,000	
November 9, 2020	$0.10	2.36	600,000	600,000	
March 22, 2021	$0.175	2.73	850,000	850,000	
December 14, 2021	$0.35	3.46	11,400,000	11,325,000	(3)
February 26, 2022	$0.42	3.66	1,350,000	1,225,000	(4)
May 1, 2022	$0.70	3.84	900,000	900,000	
May 29, 2022	$0.71	3.92	150,000	150,000	
March 29, 2023	$0.45	4.75	16,140,000	13,500,000	(5)
	$0.30	**3.28**	**48,440,000**	**45,600,000**	

14. STOCK OPTION PLAN cont'd

Stock-based Compensation

The following table summarizes assumptions used with the Black-Scholes valuation model for the determination of stock-based compensation costs for stock options issued during the year ended December 31, 2017 and the six months ended June 30, 2018:

Grant date	26-Feb-17	1-May-17	29-May-17	29-Mar-18
Number of options	1,600,000	900,000	150,000	16,140,000 (5)
Share price	$ 0.420	$ 0.690	$ 0.710	$ 0.430
Exercise price	$ 0.420	$ 0.700	$ 0.710	$ 0.450
Expected life in years	5	5	5	5
Volatility (1)	93.05%	93.83%	93.83%	92.11%
Risk-free interest rate	1.33%	0.92%	0.86%	1.94%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Fair value per option (2)	$ 0.2989	$ 0.4902	$ 0.5056	$ 0.303
Fair value assigned to options	$ 478,223	$ 441,214	$ 75,845	$ 4,890,371

1 Volatility is determined based on historical share prices
2 Where options have been granted in which vesting is conditional upon future events, the fair value has been estimated taking into account the probability and timing of meeting those future events, and the fair value is recognized based on these probabilities.
3 75,000 of these options vest over time based on the occurrence of certain future events.
4 125,000 of these options vest over time based on the occurrence of certain future events.
5 1,320,000 of these options vest on the first anniversary and 1,320,000 vest on the second anniversary.

15. WARRANTS

As at June 30, 2018, there were 29,129,846 (December 31, 2017 – 22,064,853) warrants to purchase common shares outstanding. Warrants expire as follows:

	Warrants
Balance at December 31, 2016	**46,256,584**
Expired	(172,161)
Exercised	(24,019,570)
Balance at December 31, 2017	**22,064,853**
Issued	14,000,000
Expired	(1,645)
Exercised	(9,933,362)
Balance at June 30, 2018	**26,129,846**

The weighted average share price on the date of exercise during the second quarter 2018 was $0.42 (year ended December 31, 2017 - $0.55).

In connection with the Appian and Sprott debt financings, the Company issued 4,000,000 and 10,000,000 warrants respectively. The loans were accounted for as compound financial instruments as described in Notes 9 and 11, with the value attributable to the warrants allocated to contributed surplus.

15. WARRANTS cont'd

The expiry dates of warrants outstanding as of June 30, 2017 are as follows:

Expiry date	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life (years)
July 20, 2018	9,676,000	$ 0.35	0.05
December 14, 2018	1,000,000	$ 0.38	0.46
December 14, 2018	1,153,846	$ 0.49	0.46
May 10, 2023	4,000,000	$ 0.51	4.86
May 31, 2023	10,000,000	$ 0.49	4.92
	25,829,846	**$ 0.44**	**2.72**

16. INCOME (LOSS) PER SHARE

The calculation of the basic earnings per share for the six months ended June 30, 2018 was based on the loss attributable to common shareholders of $4,254,563 (income for the six months ended June 30, 2017 - $3,069,551) and a weighted average number of common shares outstanding of 570,674,333 (June 30, 2017 – 444,515,977).

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

Income (loss) for the six months ended June 30, 2018 divided by weighted average number of common shares outstanding is equal to $0.007 per share.

Numerator	$4,254,563
Denominator	570,674,333
Loss per share	$0.007

17. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties as at and in the six months ended June 30, 2018 were as follows:

For period ended June 30, 2018	Amount charged	Due (to) from
Global Atomic Corporation	**$ 60,000**	$ 91,684
For period ended December 31, 2017		
Global Atomic Corporation	266,769	$ 111,054

Amounts due to or from related parties are unsecured, non-interest bearing and due on demand. These are settled on a regular basis. Transactions with related parties were in the normal course of operations and were measured at the same value as if the transactions had occurred with non-related parties. The transactions relate to certain head office costs, such as supplies and rent that are incurred by one entity on behalf of the other.

An officer of the Company invested $250,000 in the Secured Notes that were issued during 2016 (Note 11) and was paid an amount of $37,500 interest during 2017. These Secured Notes were repaid prior to December 31, 2017.

For the period ended June 30, 2018, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

		June 30, 2018		December 31, 2017
Management and consulting fees	**$**	**348,000**	$	971,000
Consulting fees included in exploration and evaluation expenditures		**165,150**		475,700
Stock based compensation				
- expensed to the Statement of Operations and Comprehensive Loss		**4,090,459**		149,445
- capitalized to exploration and evaluation expenditures		**-**		30,312
	$	**4,603,609**	$	1,626,457

18. COMMITMENTS

In accordance with a 2010 agreement, the Company has acquired a 100% interest in 3 claims known as the Halverson claims, which are subject to a 3.0% net smelter royalty. The Company must make 5 annual royalty prepayments of $20,000 for the 5 years ended June 28, 2019 ($80,000 paid to date). If an economically viable deposit is found within that period, these payments ($100,000 cumulatively) are deemed to be a prepayment of royalties. Otherwise, the royalty obligation is cancelled on completion of the 5 payments. The royalty can be reduced to 1.5% by payment of $1,500,000.

On August 14, 2017, the Company entered into an option agreement to acquire a 100% interest in an additional Halverson claim. An initial payment of $12,000 plus 100,000 common shares was made, the shares were valued at $61,000. On the first anniversary, a further payment of $20,000 and 100,000 common shares is required. A final payment of 100,000 common shares is required on the second anniversary. Upon making all such payments, the Company will acquire a 100% interest in the claim, subject to a 3.0% net smelter royalty, which can be reduced to 1.5% by payment of $1,500,000.

The Company also has a commitment under a site access agreement to pay $20,000 per annum during exploration. Upon the start of commercial production, the annual payments increase to $70,000 per annum, subject to a cumulative maximum of $500,000.

In connection with the issuance of flow-through shares and related renouncement of exploration expenditures, the Company commits to spend such funds on eligible exploration expenditures (see note 12).

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 First Nation. The IBA applies to all mines that may be developed on the 80,000 hectare Sugar Zone property and provides a 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, and stock options to purchase 500,000 common shares of the Company at a price of $0.40 for a period of five years.

19. SUBSEQUENT EVENT

Of the 9,676,000 warrants remaining at June 30, 2018 that expired on July 20, 2018, 2,917,667 were exercised and the balance expired without exercise.