HARTE
GOLD CORP

Condensed Interim Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2020

MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Harte Gold Corp. for the three and nine months ended September 30, 2020 and 2019 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, Harte Gold Corp. herewith discloses that the accompanying unaudited condensed interim financial statements have not been reviewed by an auditor.

"Frazer Bourchier"	"Graham du Preez"
Frazer Bourchier	Graham du Preez
President & CEO	EVP & CFO

November 12, 2020

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
(unaudited)
(in thousands of Canadian dollars)

		September 30 2020		December 31 2019
Assets				
Current assets				
Cash and cash equivalents	**$**	**21,433**	$	2,096
Receivables (note 3)		**3,122**		4,281
Inventories (note 4)		**4,983**		2,775
Prepaids		**1,558**		735
		31,096		9,887
Long term assets				
Restricted cash (note 5)		**1,324**		-
Property, plant and equipment (note 6)		**117,321**		112,882
	$	**149,741**	$	122,769
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 7)	**$**	**12,734**	$	25,630
Debt (note 8)		**16,773**		8,911
Current portion of derivative financial instruments (note 9)		**16,929**		3,947
Flow-through share premium (note 10)		**9,872**		920
		56,308		39,408
Long term liabilities				
Debt (note 8)		**100,188**		81,072
Derivative financial instruments (note 9)		**37,790**		15,366
Environmental rehabilitation provision		**5,296**		5,096
Total liabilities		**199,582**		140,942
Shareholders' equity				
Capital stock (note 11)		**173,296**		155,058
Warrants (note 13)		**6,340**		5,620
Contributed surplus		**18,150**		18,035
Deficit		**(247,627)**		(196,886)
		(49,841)		(18,173)
	$	**149,741**	$	122,769

Going concern – note 1
Commitments – note 21

The accompanying notes are an integral part of these interim condensed financial statements

HARTE GOLD CORP

INTERIM CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (unaudited)

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Mine operations				
Revenues (note 14)	**$ 12,215**	$ 14,887	**$ 31,551**	$ 35,270
Production costs (note 4)	**(6,973)**	(15,138)	**(20,735)**	(34,651)
Royalties and selling expenses	**(552)**	(412)	**(1,456)**	(1,114)
Depreciation and depletion	**(2,634)**	(4,120)	**(6,849)**	(10,979)
Mine operating earnings/(loss)	**2,056**	(4,783)	**2,511**	(11,474)
Other expenses				
Care and maintenance (note 15)	**916**	-	**6,119**	-
General and administrative (note 16)	**2,260**	1,557	**6,431**	6,816
Exploration and evaluation	**135**	1,152	**754**	4,984
Operating loss	**(1,255)**	(7,492)	**(10,793)**	(23,274)
Finance expenses/(income) & other				
Flow-through share premium (note 10)	**-**	-	**(920)**	(1,702)
Loss on loan modification/termination (note 8.1)	**-**	-	**385**	10,427
Loss on production payment liability	**-**	-	**-**	1,183
Gain on sale of royalty (note 6)	**(622)**	-	**(622)**	-
Interest & accretion expense	**2,231**	1,663	**5,392**	8,170
Foreign exchange (gain)/loss	**(2,561)**	1,204	**2,487**	(2,295)
Change in the fair value of derivative financial instruments (note 9)	**7,999**	4,829	**27,699**	15,400
Settlement of gold hedges (note 9)	**3,409**	-	**5,369**	-
Other expense/(income)	**39**	(6)	**158**	(21)
	10,495	7,690	**39,948**	31,162
Net loss before income taxes	**(11,750)**	(15,182)	**(50,741)**	(54,436)
Income taxes	**-**	-	**-**	-
Net loss and comprehensive loss	**$ (11,750)**	$ (15,182)	**$ (50,741)**	$ (54,436)
Net loss per share - basic and fully diluted (note 17)	**$ (0.014)**	$ (0.024)	**(0.063)**	$ (0.089)
Weighted average number of shares outstanding				
- Basic and diluted (note 17)	**854,971,856**	641,489,959	**803,983,126**	615,062,590

The accompanying notes are an integral part of these unaudited interim condensed financial statements

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

(in thousands of Canadian dollars)

	Shares (note 11)	Warrants (note 13)	Contributed surplus	Deficit	Total shareholders' equity
December 31, 2018	**$ 136,818**	**$ 4,195**	**$ 13,855**	**$ (135,305)**	**$ 19,563**
Issued as a result of:					
Property acquisitions	28	-	-	-	28
Special shares (note 11)	13,278	-	-	-	13,278
Share issuance costs (note 11)	(1,151)	-	-	-	(1,151)
Stock options granted	-	-	3,545	-	3,545
Warrants issued (note 13)	-	1,342	-	-	1,342
Stock options exercised (note 12)	769	-	(263)	-	506
Net loss for the period	-	-	-	(54,436)	(54,436)
September 30, 2019	**149,742**	**5,537**	**17,137**	**(189,741)**	**(17,325)**
Issued as a result of:					
Private placement, net (note11)	5,980	-	-	-	5,980
Share issuance costs (note 11)	(678)	-	-	-	(678)
Share based compensation (note 12)	-	-	902	-	902
Warrants issued (note 13)	-	83	-	-	83
Stock options exercised (note 12)	14	-	(4)	-	10
Net loss for the period	-	-	-	(7,145)	(7,145)
December 31, 2019	**155,058**	**5,620**	**18,035**	**(196,886)**	**(18,173)**
Issued as a result of:					
Private placement (note 11)	27,000	-	-	-	27,000
Allocated to flow-through premium (note 10)	(9,872)	-	-	-	(9,872)
Share issuance costs (note 11)	(1,474)	-	-	-	(1,474)
Shares issued Appian financing (note 8)	1,058	-	-	-	1,058
Shares issued for interest (note 8)	339	-	-	-	339
Shares issued for DSUs redemption (note 12)	108	-	(108)	-	-
Share based compensation (note 12)	-	-	552	-	552
Warrants issued (note 13)	-	720	-	-	720
Stock options exercised (note 12)	1,079	-	(329)	-	750
Net loss for the period	-	-	-	(50,741)	(50,741)
September 30, 2020	**$ 173,296**	**$ 6,340**	**$ 18,150**	**$ (247,627)**	**$ (49,841)**

The accompanying notes are an integral part of these financial statements

HARTE GOLD CORP

INTERIM CONDENSED STATEMENT OF CASH FLOWS
(unaudited)
(in thousands of Canadian dollars)

	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Operating activities				
Net loss for the period	**$ (11,750)**	$ (15,182)	**$ (50,741)**	$ (54,436)
Adjusted for:				
Depreciation	**2,899**	4,048	**8,144**	10,984
Share-based payments (note 12)	**425**	80	**552**	3,545
Flow-through share premium (note 10)	**-**	-	**(920)**	(1,702)
Loss on production payment (note 8.5)	**-**	-	**-**	1,184
Loss on loan modification/termination (note 8)	**-**	-	**385**	10,427
Loan accretion & accrued interest (note 8)	**2,293**	1,776	**5,271**	6,893
Shares issued for exploration and evaluation expenses	**-**	28	**-**	28
Unrealized foreign exchange (gain)/loss	**(2,354)**	1,198	**2,664**	(2,286)
Gain on sale of royalty	**(622)**	-	**(622)**	-
Change in the fair value of derivative financial instruments (note 9)	**7,999**	4,829	**27,699**	15,400
Settlement of gold hedge	**3,409**	-	**5,369**	-
	2,299	(3,223)	**(2,199)**	(9,963)
Net changes in non-cash working capital items:				
Inventory	**(3,038)**	3,468	**(1,506)**	843
Prepaids	**(801)**	87	**(823)**	536
Receivables	**(2,770)**	(296)	**1,274**	(1,088)
Accounts payable and accrued liabilities	**(4,889)**	4,515	**(10,922)**	1,427
Cash flows (used in)/from operating activities	**(9,199)**	4,551	**(14,176)**	(8,245)
Investing				
Restricted cash (note 5)	**-**	-	**(1,324)**	500
Proceeds on sale of royalty	**2,723**	-	**2,723**	-
Plant and equipment additions (note 6)	**(2,584)**	(1,144)	**(3,617)**	(3,307)
Mine development costs (note 6)	**(4,401)**	(4,504)	**(12,762)**	(13,306)
Cash flows used in investing activities	**(4,262)**	**(5,648)**	**(14,980)**	(16,113)
Financing				
Appian & Sprott loan repayments, net	**-**	-	**-**	(81,982)
Production payments and other loan expenses	**-**	-	**-**	(6,520)
BNP loan drawdown/(repayment), net (note 8.1)	**(1,720)**	(28)	**(4,348)**	94,880
Appian loan drawdown, net (note 8.2)	**35,792**	-	**35,792**	-
Gold hedge payments	**(3,091)**	-	**(4,203)**	-
Interest paid (note 8)	**(1,055)**	(1,584)	**(3,965)**	(1,584)
Payment of leases and mortgages (notes 8.3, 8.4)	**(376)**	(154)	**(874)**	(214)
Proceeds from issuance of shares, net (note 11)	**-**	(130)	**25,526**	13,017
Exercise of options	**700**	-	**750**	507
Cash flows from/(used in) financing activities	**30,250**	(1,896)	**48,678**	18,104
Effects of exchange rate changes on cash	**(278)**	(38)	**(185)**	(148)
Net increase/(decrease) in cash and cash equivalents	**16,511**	(3,031)	**19,337**	(6,402)
Cash and cash equivalents, beginning of the period	**4,922**	3,922	**2,096**	7,293
Cash and cash equivalents, end of the period	**$ 21,433**	$ 891	**$ 21,433**	**$ 891**

The accompanying notes are an integral part of these financial statements

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
At and for the periods ended September 30, 2020
(unaudited)
(Expressed in thousands of Canadian dollars except where noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

On March 30, 2020, the Company temporarily suspended operations at the Sugar Zone Mine to preserve the health and safety of the Company's workforce and the surrounding communities during the COVID-19 pandemic. During suspension of operations, the Company prepared a restart plan, incorporating enhanced health and safety procedures in response to COVID-19. Operations resumed on July 17, 2020 after arranging sufficient funding (see below) to address the Company's anticipated working capital requirements during the restart of operations. The Company has determined the on-going expenditures for COVID-19 health and safety compliance costs are not significant.

The global COVID-19 crisis continues to evolve including the continuing imposition of restrictions on the movement of people and goods, social distancing measures, restrictions on group gatherings, quarantine requirements and contact tracing. The Company has been closely monitoring and taking necessary measures to manage the impact of the COVID-19 crisis on its operations. The Company has and will continue to take extensive steps, at its Sugar Zone Mine and corporate office, to protect the health and safety of employees, contractors and local communities in response to the COVID-19 crisis.

On May 15, 2020, the Company and BNP Paribas ("BNP") amended the BNP term loan and revolving facility (the "BNP Debt Facilities") to delay the effective date of certain financial covenants from June 30, 2020 to April 1, 2021 and June 30, 2021 and to remove a covenant related to mine production and mill throughput tonnages, while waiving any covenant breaches since January 1, 2020. The amendment also provides for the rescheduling of the principal payments for June 30, 2020 and September 30, 2020 over the remaining term of the agreement, starting on March 31, 2021 and for the deferral of certain payments due under the Company's gold hedge program with BNP, enhancing the Company's near-term liquidity. The interest payable under the agreement increased by 50 basis points and the agreement now provides for mandatory pre-payments under certain circumstances. On August 28, 2020, the Company and BNP further amended the BNP Debt Facilities to facilitate the financing agreement described below.

On July 14, 2020, the Company entered into a financing agreement with an affiliate of a major shareholder, ANR Investments B.V. ("Appian"), to provide up to US$28 million in funding (the "Appian Debt Facility") (refer note 8.2). Concurrently with entering into the Appian Debt Facility, the Company also agreed to the sale of a 0.5% royalty for US$2 million in proceeds from an affiliate of Appian (together with the Appian Debt facility, the "Appian Financing") and issued 6,970,844 common shares and 7.5 million share purchase warrants to Appian. The Appian Debt Facility was drawn down in two tranches. On July 14, 2020, the Company received US$9.5 million in proceeds from the first tranche to facilitate a restart of the Sugar Zone Mine. The second tranche of US$18.5 million was drawn down on August 28, 2020 after receipt of consent to the Appian Financing from BNP, the perfection of the 2nd lien security agreement over the Company's assets and the execution of an intercreditor agreement between Appian and BNP as well as other customary conditions. The Company also received US$2 million from the royalty sale on August 28, 2020.

At September 30, 2020, the Company had current liabilities of $56.3 million and current assets of $31.1 million with which to discharge such liabilities. The Company's debt facilities with BNP and Appian were fully drawn down at September 30, 2020. The Appian Debt Facility and the intercreditor agreement between Appian and BNP, provide the Company with an uncommitted up to US$20 million accordion option ("Accordion Facility"), which may be provided by Appian (or an affiliate) or a third party on similar terms to the Appian Debt Facility. Amounts disbursed under the Accordion Facility may be used by the Company solely for the purpose of prepaying outstanding amounts or to otherwise meet debt services requirements under the BNP Debt Facilities. The Company has a history of operating losses, may incur operating losses in future and does not expect to generate sufficient cash from operations in the next 12 months to fully fund planned investment activities and debt service obligations. The US$30 million in funding from Appian is expected to be sufficient to fund the working capital requirements associated with the restart of the Sugar Zone Mine as well as planned investment activities through 2021. The Company is currently in discussion with BNP to re-schedule principal payments due on the BNP Debt Facilities during 2021.

The Company's ability to continue as a going concern is dependent on the successful operation of its one mining property, the Sugar Zone Mine, its ability to manage its working capital deficiency, satisfactory agreement with BNP on the re-scheduling of principal payments, agreement with a lender on an equipment lease for operating equipment at the Sugar Zone Mine, and access to external funding (if required). There can be no assurance that the Company will reach an acceptable agreement with BNP on the re-scheduling of principal payments, or that the Company will be able to obtain other required financing or at favorable terms. Due to uncertainties surrounding a number of factors such as, but not limited to, the ability to raise additional funds, 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 interim 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 September 30, 2020. These interim financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and follow the same accounting policies and methods as described in note 2 to the Company's audited financial statements for the year ended December 31, 2019. These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019.

These condensed interim financial statements were authorized for issuance by the Company's Board of Directors on November 12, 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. Measurement uncertainty - critical accounting judgments and estimation uncertainties

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

The significant judgments, estimates and assumptions made by management in applying the Company's accounting policies were the same as those that applied to the audited financial statements as at and for the year ended December 31, 2019, except as noted in note 2.4.

2.4 Financial Instruments – hybrid instruments

The Company may issue hybrid financial liability instruments which may contain debt and derivatives. The Company shall determine and recognize the fair values of each component of the hybrid financial liability instrument.

(Expressed in thousands of Canadian dollars except where noted)

Subsequent to the initial measurement, the Company shall apply its accounting policies to each component of the hybrid instrument as if it were a separate instrument. Judgement is involved in assessing the fair value of the individual components of a hybrid financial instrument.

3. RECEIVABLES

		September 30 2020		December 31 2019
GST/HST receivable	**$**	**500**	$	977
Gold sales revenue receivable		**2,621**		3,278
Other		**-**		26
	$	**3,122**	$	4,281

4. INVENTORIES

		September 30 2020		December 31 2019
In-circuit inventory	**$**	**1,346**	$	320
Gold concentrate inventory		**130**		667
Gold bullion inventory		**1,145**		774
Total mineral inventory		**2,621**		1,761
Materials and supplies		**2,362**		1,014
Total inventory	**$**	**4,983**	$	2,775

During the three and nine months ended September 30, 2020, $nil net realizable value adjustment was recognized against the gold concentrate and gold bullion inventory.

Effective July 9, 2020, the Company entered into an agreement (the “Close-Out Agreement”) with Redpath Canada Limited (“Redpath”) for the transition to owner-operated mining operations at the Sugar Zone Mine. The transition to owner-operated mining includes transferring certain contractor-based employees, acquiring on-site mining equipment, supplies inventory and resolution of outstanding contractual disputes. The Company acquired materials and supplies inventory of $0.9 million from Redpath in connection with the Close-Out Agreement.

During the three and nine months ended September 30, 2020, the Company recognized $7.0 million and $20.8 million, respectively, (2019: $15.1 million and $34.7 million) as production costs; and, $2.6 million and $6.8 million (2019: $4.1 million and $11.0 million) as depreciation expense in the Statements of Operations and Comprehensive Loss.

5. RESTRICTED CASH

At September 30, 2020 the Company has an outstanding surety bond in the amount of $5.3 million in favour of the Ontario Ministry of Northern Development and Mines and in relation to its reclamation obligation of the Sugar Zone property. On June 29, 2020, the Company made a cash deposit of $1.3 million to the surety bond issuer as collateral towards the obligation.

(Expressed in thousands of Canadian dollars except where noted)

6. PROPERTY, PLANT AND EQUIPMENT

COST	Land	Buildings	Furniture, vehicles & other	Plant & infra-structure	Mine develop-ment	Right-of-use assets	Total
As at December 31, 2019	**$903**	**$1,909**	**$1,313**	**$101,116**	**$21,278**	**$2,302**	**$128,821**
Additions	-	36	449	2,880	10,936	1,011	15,312
Sale of royalty	-	-	-	-	(2,101)	-	(2,101)
As at September 30, 2020	**$903**	**$1,945**	**$1,761**	**$103,996**	**$30,113**	**$3,313**	**$142,032**
ACCUMULATED DEPRECIATION							
As at December 31, 2019	**$-**	**$317**	**$514**	**$5,795**	**$9,215**	**$98**	**$15,939**
Additions	-	151	174	3,584	4,219	644	8,772
As at September 30, 2020	-	**$468**	**$688**	**$9,380**	**$13,433**	**$742**	**$24,711**
NET BOOK VALUE							
As at December 31, 2019	**$903**	**$1,592**	**$799**	**$95,321**	**$12,063**	**$2,204**	**$112,882**
As at September 30, 2020	**$903**	**$1,477**	**$1,073**	**$94,616**	**$16,680**	**$2,571**	**$117,321**

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**

Effective July 17, 2020, the Company granted a 0.5% NSR on the entire Sugar Zone Property in favour of an affiliate of Appian in exchange for a payment by Appian of US $2.0 million as part of the Appian Financing. The Company 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 $0.5 million was recorded as a gain on the partial disposition of its property in the three months ended September 30, 2020. The July 2020 royalty grant has increased the royalty payable to an affiliate of Appian from 1.5% to 2%.

Effective July 17, 2020, the Company acquired certain mining equipment and critical spare parts inventory from Redpath as part of the Close-Out Agreement for $0.8 million and $0.8 million respectively.

(Expressed in thousands of Canadian dollars except where noted)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30 2020	December 31 2019
Accounts payable	$ 5,548	$ 19,270
Accrued liabilities	7,186	6,360
Total accounts payable and accrued liabilities	$ 12,734	$ 25,630

8. DEBT

	September 30 2020	December 31 2019
BNP Debt Facilities (note 8.1)	$ 86,129	$ 87,399
Appian Debt Facility (note 8.2)	28,184	-
Leases (note 8.3)	2,438	2,166
Mortgages (note 8.4)	210	418
Total debt	$ 116,961	$ 89,983
Less: current portion	(16,773)	(8,911)
Total debt: non-current portion	$ 100,188	$ 81,072

8.1 BNP Debt Facilities

On June 14, 2019, the Company completed the BNP debt financing for US $72.5 million ("BNP Debt Facilities"). 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. Up to the effective date of the third amending agreement (see description of the third amendment below), interest on the BNP Debt Facilities was 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 the nine months ended September 30, 2020 was 5.31% (2019: 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 began 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 did 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 2019 and in 2020 up to the date of the third amendment (see below) and obtained waivers from BNP for these breaches.

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. On May 15, 2020, the Company and BNP entered into a third amending agreement, that provided for the following:

- Waiver of any breaches of the minimum mine and mill production covenant during 2020, to the effective date of the third amendment;
- Removal of the minimum mine and mill production covenant from the credit agreement from the effective date of the third amendment;
- Postponement of date on which financial covenants must be complied with, to April 1, 2021 for one of the covenants and June 30, 2021 for the remaining financial covenants (other than a reserve tail ratio covenant);

(Expressed in thousands of Canadian dollars except where noted)

- The rescheduling of the principal repayments under the non-revolving term credit facility due June 30, 2020 and September 30, 2020 over the remaining term of the credit agreement, starting on March 31, 2021;
- An increase in the interest rates payable under the credit agreement to the following (dependent on leverage ratios):
    - LIBOR plus a margin of 3.375% to 4.375%
    - Alternate Base Rate plus a margin of 2.375% to 3.375%
    - Standby fee ranging from 1.506% to 1.856%;
- Mandatory prepayment of the non-revolving term loan from excess cash flow as defined in the third amending agreement until an aggregate total of US$16.7 million has been repaid; and
- Cash management arrangements, including depositing all payments and receivables in an account maintained with BNP.

The Company determined that the third amending agreement represented a non-substantial modification of the existing BNP Debt Facilities and the amendment was treated as a loan modification under IFRS 9 Financial Instruments (“IFRS 9”). As a result, a $0.4 million loan modification loss was recognized in the statement of operations and comprehensive loss on May 15, 2020.

In connection with the granting of a 1.5% NSR on the Sugar Zone Property in December 2019, (note 6) 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.

On August 28, 2020. in connection with the Appian Financing, the BNP Debt Facilities were further amended to permit the Appian Financing. The Company made a US$1 million prepayment on the BNP Debt facilities pursuant to this amendment, in part due to the granting of the additional 0.5% royalty to an affiliate of Appian.

Movement in the BNP Debt Facilities is summarized as follows:

	September 30 2020	December 31 2019
Balance at beginning of the period	**$ 87,399**	$ -
Loan drawdown	**-**	97,041
Fees, costs	**(785)**	(2,133)
Interest expense	**3,719**	3,265
Accretion	**454**	287
Exchange loss/(gain)	**2,485**	(2,755)
Interest paid	**(3,965)**	(3,043)
Repayment	**(3,563)**	(5,263)
Loss on modification	**385**	-
Balance at end of the period	**$ 86,129**	$ 87,399
Less: current portion	**(15,392)**	(8,251)
Balance end of the period: non-current portion	**$ 70,737**	$ 79,148

(Expressed in thousands of Canadian dollars except where noted)

At September 30, 2020, the remaining scheduled debt repayments under the BNP Debt Facilities were as follows:

Year	Non-revolving term credit facility US$	Revolving term credit facility US$	Total US$	Non-revolving term credit facility $	Revolving term credit facility $	Total $
2020	$ 1,588	$ -	$ 1,588	$ 2,119	$ -	$ 2,119
2021	13,268	-	13,268	17,698	-	17,698
2022	18,688	20,000	38,688	24,928	26,678	51,606
2023	9,259	-	9,259	12,350	-	12,350
2024	3,109	-	3,109	4,147	-	4,147
2025	-	-	-	-	-	-
Total	**$ 45,912**	**$ 20,000**	**$ 65,912**	**$ 61,242**	**$ 26,678**	**$ 87,920**

8.2 Appian Debt Facility

On August 28, 2020, the Company closed the Appian Debt Facility. The facility was structured in two tranches, with a 14% nominal interest rate and a maturity date of June 30, 2023. The Appian Debt Facility is secured by second priority ranking security over the Company's assets, subordinated to BNP.

Concurrently with entering into the Appian Debt Facility, the Company also received US$2 million in proceeds from an affiliate of Appian, from the sale of a 0.5% royalty (refer note 6).

Interest on the Appian Debt Facility is payable monthly and is settled through the issuance of common shares. The number of common shares to be issued for each monthly interest payment is determined by the 5-day volume-weighted average price ("VWAP") of the common shares translated into United States dollars by using the 5-day average exchange rate. Upon maturity, the Company will pay a fee to an affiliate of Appian (the "Equity Structuring Fee"), determined primarily by the difference in the VWAP of the common shares over the life of the loan, translated into United States dollars using the average exchange rate over the life of the loan, compared to US $0.086 per share. The Equity Structuring Fee is payable in cash or in common shares at the Company's election.

Although the Appian Debt Facility was structured in two tranches consisting of equity and debt instruments, the Company determined that the Appian Debt Facility was in substance a single instrument which should be accounted for as a financial liability. The dividends paid on the first tranche of the facility were accordingly recognized as interest.

The Company determined that the Appian Debt Facility is a hybrid financial instrument containing debt, derivative and equity instruments and, accordingly, has determined and recognized the initial fair value of each contained component financial instruments (refer notes 9.2, 11 and 13). Subsequently, the debt instrument is measured at amortized cost using the effective interest rate method and the derivatives are measured at fair value through profit or loss.

An arrangement fee was payable on the US$ 30 million Appian Financing, which was settled through the issuance of 6,970,844 common shares and the Company issued 7.5 million share purchase warrants pursuant to the Appian Financing (collectively, the "Upfront Securities"). The Company also agreed to increase the percentage of gold sold to Appian under its existing offtake agreement from 11.5% of bullion produced to 30%. The fair value of the Upfront Securities on July 14, 2020 was $1.1 million for the common shares issued (refer note 11) and $0.7 million for the share purchase warrants issued (refer note 13) and has been included in equity.

The first tranche of the Appian Debt Facility was completed on July 14, 2020 through the issuance of 9.5 million Series B special shares ("Special Shares") at US $1.00 per Special Share for gross proceeds of US $9.5 million. Dividends on the Special Shares were paid monthly and settled in common shares of the Company at a nominal rate of 14% per annum. The number of common shares issued for the settlement of the monthly dividend payment was determined by using the lower of i) the 5-day volume-weighted average price of the Company's common shares translated into United States dollars at the 5-day average exchange rate; and, ii) US $0.086 per share (refer note 9.2).

The second tranche of US$18.5 million was drawn on August 28, 2020, upon closing of the facility. The Special Shares converted into US$9.5 million principal under the Appian Debt Facility with closing of the second tranche, increasing the principal amount of the Appian Debt Facility to US$28 million on August 28, 2020.

The Company has the option to prepay the Appian Debt Facility prior to maturity by incurring a prepayment penalty of between 10% to 20% of the outstanding principal balance, dependent on when the prepayment is made (the "Prepayment Option"). In the event of a change of control of the Company or when a default occurs pursuant to the Appian Debt Facility, the lender has the option to convert the debt into common shares of the Company with a conversion premium between 10% and 15%, respectively, of the outstanding principal balance (the "Conversion Option"). The number of common shares issued would be determined based on the 5-day VWAP at the time of the conversion translated into United States dollars at the 5-day average exchange rate. The Company may incur additional interest expense of between 4% and 8% if it fails to achieve or correct certain operational requirements and an additional 5% while an event of default is continuing. The applicable interest rate cannot exceed 22%, even if an event of default and breach of operational requirement occurs at the same time. Both the Prepayment Option and the Conversion Option are derivative instruments. At July 14, 2020, August 28, 2020 and September 30, 2020, the fair value of the both the Prepayment Option and Conversion Option were determined to be $nil.

The Appian Debt Facility is secured by second priority ranking security over the Company's assets, subordinated to BNP.

The Appian Debt Facility and the intercreditor agreement between Appian and BNP, provide the Company with an uncommitted up to US$20 million accordion option, which may be provided by Appian (or an affiliate) or a third party on similar terms to the Appian Debt Facility. Amounts disbursed under the Accordion Facility may be used by the Company solely for the purpose of prepaying outstanding amounts or to otherwise meet debt services requirements under the BNP Debt Facilities.

The amount of the Equity Structuring Fee will be determined primarily by the percentage increase in the VWAP of the Company's common shares over the life of the loan, translated into United States dollars using the average exchange rate over the life of the loan, as compared to US $0.086 per share. As the ultimate settlement of the Equity Structuring Fee is based on the future price of the Company's common shares and the US/CAD exchange rate, the Company has determined this fee to be a derivative instrument (refer note 9.2). The fair value of the Equity Structuring Fee on July 14, 2020 was estimated to be $4.3 million (US $3.2 million) and has been presented as a derivative financial instrument.

The number of common shares issued for settlement of the monthly dividend payment between July 14, 2020 and August 28, 2020, was determined by using the lower of the 5-day volume-weighted average price of the Company's common shares translated into United States dollars at the 5-day average exchange rate and US $0.086 per share (refer note 9.2). As the fair value of the dividends was based on the future price of the Company's common shares and the US/CAD exchange rate, the Company determined that the dividend contained a derivative instrument (refer note 9.2), to be valued over the full term of the Appian Debt Facility. The fair value of this feature at July 14, 2020 was estimated to be $2.5 million (US$1.8 million) and has been presented as a derivative financial instrument.

The fair value of the debt instrument on initial recognition was $28.6 million (US$21.7 million). The Company incurred $1.4 million (US$1.0 million) of legal and other costs related to the Appian Financing. These costs have been included as transaction costs of the loan.

(Expressed in thousands of Canadian dollars except where noted)

The following table summarizes the movement in the Appian Debt Facility:

	September 30 2020	December 31 2019
Balance at beginning of the year	$ -	$ -
Fair value of debt instrument	28,592	-
Fees, costs	(1,373)	-
Interest expense	806	-
Accretion	135	-
Exchange loss (gain)	363	-
Interest paid	(339)	-
Balance at end of the period	$ 28,184	$ -
Less: current portion	(471)	-
Balance end of the period: non-current portion	$ 27,713	$ -

At September 30, 2020, the scheduled debt repayment under the Appian Financing was as follows:

Year	US$	$
2020	$ -	$ -
2021	-	-
2022	-	-
2023	28,000	37,348
2024	-	-
2025	-	-
Total	**$ 28,000**	**$ 37,348**

8.3 Leases

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

	September 30 2020	December 31 2019
Balance at beginning of the period	$ 2,166	$ -
Additions	820	2,293
Interest expense	110	23
Lease payments	(658)	(150)
Balance at end of the period	2,438	2,166
Less: current portion	(805)	(451)
Balance end of the period: non-current portion	$ 1,633	$ 1,715

(Expressed in thousands of Canadian dollars except where noted)

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

		September 30, 2020
Less than one year		805
One to three years		1,225
Over three years		408
	$	**2,438**

8.4 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. At September 30, 2020, no outstanding amounts remained on the secured mortgage.

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

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. At September 30, 2020, no outstanding amounts remained on the secured mortgage.

The mortgage repayment schedule is as follows:

Year		Mortgage (b)		Total
2020	$	-	$	-
2021		105		105
2022		105		105
Total		**210**		**210**
Current portion		105		105
Non-current portion	**$**	**105**	**$**	**105**

9. DERIVATIVE FINANCIAL INSTRUMENTS

		September 30 2020		December 31 2019
Gold Hedge (note 9.1)	**$**	**47,037**	$	19,313
Appian Debt Facility Derivatives (note 9.2)		**7,682**		-
	$	**54,719**	$	19,313
Less: current portion		**(16,929)**		(3,947)
Non-current	**$**	**37,790**	$	15,366

(Expressed in thousands of Canadian dollars except where noted)

9.1 Gold Hedge

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.

					September 30, 2020	
Derivative instruments outstanding	**Quantity outstanding**		**Maturity dates**	**Strike Price (US$/oz)**	**Fair value asset (liability) US$**	**Fair value asset (liability) $**
Settlement			September 30, 2020		$ (876)	$ (1,169)
Gold call options	5,640	oz	October 2020 - December 2020	1,391	(2,822)	$ (3,765)
Gold Put options	5,640	oz	October 2020 - December 2020	1,300	-	-
Gold call options	3,661	oz	January 2021 - March 2021	1,393	(1,837)	(2,451)
Gold call options	19,080	oz	January 2021 - December 2021	1,399	(9,602)	(12,809)
Gold Put options	22,741	oz	January 2021 - December 2021	1,300	62	83
Gold call options	23,520	oz	January 2022 - December 2022	1,393	(12,405)	(16,548)
Gold Put options	23,520	oz	January 2022 - December 2022	1,310	401	535
Gold call options	11,040	oz	January 2023 - December 2023	1,393	(5,968)	(7,961)
Gold Put options	11,040	oz	January 2023 - December 2023	1,310	411	548
					$ (32,636)	**$ (43,537)**

					September 30, 2020	
Derivative instruments outstanding	**Quantity outstanding**		**Maturity dates**	**Strike Price (US$/oz)**	**Fair value asset (liability) US$**	**Fair value asset (liability) $**
Gold swap	5,134	oz	January 2024 - June 2024	$1,355	$ (2,624)	$ (3,500)
					$ (2,624)	**$ (3,500)**

(Expressed in thousands of Canadian dollars except where noted)

The movement in the gold hedge derivative liability were as follows:

		September 30 2020		December 31 2019
Balance at beginning of the period	$	19,313	$	-
Derivitive financial instrument recognized		-		10,571
Change in fair value		32,083		8,742
Exchange loss		(156)		-
Cash settlements		(4,203)		-
Balance at end of the period	$	47,037	$	19,313
Less: current portion		(16,929)		(3,947)
Balance end of the period: non-current portion	$	30,107	$	15,366

At September 30, 2020, a total of 68,075.8 ounces of the originally issued hedges remain outstanding. During the three and nine months ended September 30, 2020, 4,949.3 and 11,014.4 gold call options were exercised by BNP and the Company paid BNP $3.1 million and $4.2 million during the periods, with a further $1.2 million payable in early October 2020 (2019: nil).

In connection with the third amendment to the BNP Facilities, the Company and BNP agreed to delay delivery of 1,831.3 ounces of gold scheduled to be delivered in April 2020 and 1,830.0 ounces schedule to be delivered in May 2020 to the first three months of 2021. The delay in delivery reduced the settlements due to BNP in May and June 2020.

9.2 Appian Debt Facility Derivatives

		September 30, 2020		December 31, 2019
Balance at beginning of the period	$	-	$	-
Derivitive financial instrument recognized		6,795		-
Change in fair value		985		-
Exchange		(98)		-
Balance at end of the period	$	7,682	$	-
Less: current portion		-		-
Balance end of the period: non-current portion	$	7,682	$	-

Dividend payments

The first tranche of the Appian Debt Facility was completed on July 14, 2020, through the issuance of 9.5 million Special Shares. Dividends on the Special Shares were paid monthly with settlement in common shares of the Company at a nominal rate of 14% per annum. The number of common shares to be issued for the settlement of the monthly dividend payment was determined by using the lower of the 5-day volume-weighted average price of the Company's common stock translated into United States dollars at the 5-day average exchange rate and US $0.086 per share. The future value of the dividend payment was dependent on the future price of the common shares and the future exchange rate as compared to the established base value and was determined to be a derivative instrument requiring separation from the debt instrument.

The fair value of this derivative instrument at July 14, 2020 was $2.5 million (US $1.8 million). On August 28, 2020, the Special Shares converted to debt and the monthly dividend payment and related derivative instrument were terminated.

Equity structuring fee

Upon maturity of the Appian Debt Facility, the Company will pay an Equity Structuring Fee to an affiliate of Appian, determined primarily by the difference in the VWAP of the common shares over the life of the loan, translated into United

(Expressed in thousands of Canadian dollars except where noted)

States dollars using the average exchange rate over the life of the loan, compared to US $0.086 per share. The Equity Structuring Fee is payable in cash or in common shares at the Company's election.

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

The fair value of the Equity Structuring Fee at September 30, 2020 was $7.7 million (US $5.8 million).

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

	July 14 2020	**September 30 2020**
Expected life	2.96 years	2.75 years
Expected volatility of share price	80%	80%
Expected volatility of exchange rate	7%	7%
Risk-free Canadian interest rate	0.23%	0.24%
Risk-free US interest rate	0.61%	0.57%
Expected dividend yield	0%	0%

10. 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.

	September 30 2020	December 31 2019
Balance at beginning of the period	**$ 920**	$ 1,702
Settlement of liability through renouncement	**(920)**	(1,702)
Liability incurred on flow-through shares issued	**9,872**	920
Balance at end of the period	**$ 9,872**	$ 920

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

On March 11, 2020 and March,19 2020, the Company completed a phased brokered private placement of 120,937,495 flow-through common shares collectively at a price of $0.16 per share for gross proceeds of $27.0 million. A flow-through share premium of $9.9 million was recorded on this financing.

(Expressed in thousands of Canadian dollars except where noted)

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:

	September 30 2020	December 31 2019
Balance beginning of period	**676,957,229**	599,739,452
Private placement of flow-through shares	**168,750,000**	23,000,000
Appian Financing Up-Front Securities	**6,970,844**	-
Appian Financing Interest	**1,944,399**	-
Special share issuance for Appian	**-**	49,177,777
Shares for property acquisition	**-**	100,000
Deferred stock units redemption (note 12)	**833,333**	-
Options exercised (note 12)	**7,500,000**	4,940,000
Balance end of period	**862,955,805**	676,957,229

On March 19, 2020, the Company completed a brokered private placement of flow-through common shares of the Company. The flow-through common shares were issued in two tranches, the first tranche consisting of 120,937,495 flow-through common shares and the final tranche consisting of 47,812,505, at an issue price of $0.16 per flow-through common shares, respectively. The total proceeds raised were $27 million. Net expenses associated with the offering were $1.5 million.

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

On August 6, 2020, the Company issued 760,852 common shares at $0.1649 per share to an affiliate of Appian in settlement of the July 2020 dividend on the Special Shares. The Company recorded $0.1 million as interest expense.

On August 31, 2020, the Company issued 1,183,547 common shares at $0.1794 per share to an affiliate of Appian in settlement of the August 1, 2020 to August 28, 2020 dividend on the Special Shares. The Company recorded $0.2 million as interest expense.

During the nine months ended September 30, 2020, the Company issued 7,500,000 common shares on the exercise of a common stock purchase options and 833,333 common shares on the exercise of DSUs (refer note 12).

12. STOCK BASED COMPENSATION

The Company historically has had a stock option plan to provide additional incentives to officers, directors, employees and consultants in their efforts on behalf of the Company in the conduct of its affairs. The Company also established a Deferred Share Unit plan (DSU) for directors and a Restricted Share Unit plan (RSU) for officers and employees. The DSU and RSU plans were approved by shareholders on June 24, 2020. The RSUs and DSUs are valued based on the fair market value of the Company's common shares at the date of grant. The fair value of the awards is expensed over their vesting periods.

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 September 30, 2020, the Company had 22,044,637 (2019: 5,171,118) common shares available for granting of future grants of stock based compensation. Notwithstanding the foregoing, in its 2016 subscription agreement with Appian, the Company agreed to limit the number of new stock based compensation grants in any 1 year period to 3% and in any 3 year period to 6% of the outstanding common shares at the beginning of such periods.

(Expressed in thousands of Canadian dollars except where noted)

12.1 Stock Options

The following table provides information regarding stock options outstanding.

	Number of options #	Weighted average exercise price $
Balance at December 31, 2018	**45,690,000**	**0.31**
Granted	19,284,605	0.31
Exercised	(4,940,000)	0.10
Cancelled	(6,005,000)	0.40
Expired	(255,000)	0.10
Balance at December 31, 2019	**53,774,605**	**0.32**
Granted	6,467,815	0.15
Exercised	(7,500,000)	0.10
Cancelled	(4,350,000)	0.39
Balance at September 30, 2020	**48,392,420**	**0.33**
Exercisable at the end of the period		
December 31, 2019	45,782,500	0.35
September 30, 2020	35,140,000	0.35

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

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

The weighted average share price on the date of exercise for stock options exercised during the nine months ended September 30, 2020 was $0.18 (2019 - $0.27).

The following table provides additional information regarding stock options outstanding at September 30, 2020.

	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	14,052,420	3.99	0.14	1,750,000	0.29	0.14
$0.270 - $0.350	10,400,000	1.45	0.34	9,450,000	1.22	0.35
$0.400 - $0.440	10,950,000	3.25	0.40	10,950,000	3.25	0.40
$0.450 - $0.450	12,090,000	2.49	0.45	12,090,000	2.49	0.45
$0.700 - $0.710	900,000	1.60	0.70	900,000	1.60	0.70
	48,392,420	**2.86**	**0.33**	**35,140,000**	**2.25**	**0.40**

(Expressed in thousands of Canadian dollars except where noted)

The Company granted 6,467,815 stock options to certain executive officers during the three and nine months ended September 30, 2020. These stock options vest annually over the next three years. The weighted average fair value per stock option of $0.097 was estimated using the Black-Scholes valuation model using the following assumptions:

	September 30 2020
Expected life	5 years
Expected volatility	85.8% - 88.4%
Risk-free interest rate	0.30% - 0.32%
Expected dividend yield	0%

12.2 Deferred Share Units

The following table reflects the movement in DSUs outstanding:

	September 30 2020	December 31 2019
Balance at beginning of the period	**5,000,000**	-
Granted	**337,838**	5,000,000
Redeemed	**(833,333)**	-
Balance at end of the period	**4,504,505**	**5,000,000**

Non-executive directors of the Company were granted 5 million DSUs on November 18, 2019 at $0.15 per share, vesting immediately subject to shareholder approval. 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 calculated by using the fair value of the Company's common shares at the date of grant.

Shareholders approved the DSU plan at the Annual General Meeting on June 24, 2020. For accounting purposes, the DSUs were not considered granted until final shareholder approval was obtained on June 24, 2020. Prior to this date, the Company was required to fair value the DSUs based on the common share price at each balance sheet date with changes in the fair value being included in the determination of stock-based compensation. At June 24, 2020, the common stock share price was $0.13 resulting in a final fair value of $0.6 million. For the nine months ended September 30, 2020, the Company included a recovery of $0.2 million as stock-based compensation (2019: nil).

During the three months ended September 30, 2020, the Company granted 337,838 DSUs to non-executive directors at $0.148 per share, vesting immediately. The Company recorded $0.1 million as stock-based compensation for the three months ended September 30, 2020 (2019: $nil).

On September 28, 2020, 833,333 DSU's were redeemed. The weighted average share price on the date of redemption for DSUs during the nine months ended September 30, 2020 was $0.14 (2019 - $nil).

12.3 Restricted Share Units

The following table reflects the movement in RSUs outstanding:

	September 30 2020	December 31 2019
Balance at beginning of the period	**3,750,000**	-
Granted	**7,604,020**	3,750,000
Balance at end of the period	**11,354,020**	**3,750,000**

(Expressed in thousands of Canadian dollars except where noted)

Certain officers of the Company were granted 3,750,000 RSUs on November 18, 2019 at $0.15 per share, vesting over three years from grant date, subject to shareholder approval, where 1/3 of the total RSU's granted vest upon each anniversary date of the grant. 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 RSUs in cash to date. The RSU expense is included as an expense in the statement of operations and comprehensive loss over the vesting period using the fair value of the Company's common shares at the date of grant.

Shareholders approved the RSU plan at the Annual General Meeting on June 24, 2020. For accounting purposes, the RSUs were not considered granted until final shareholder approval on June 24, 2020. Prior to this date, the Company was required to fair value the RSUs based on the common share price at each balance sheet date with changes in the fair value being included in the statement of operations and comprehensive loss.

On July 16, 2020 and September 22, 2020, the Company granted 6,060,810 and 1,543,210 RSUs, respectively, at $0.148 per share and $0.162 per share, respectively, to certain officers vesting over three years from grant date, where 1/3 of the total RSU's granted vest upon each anniversary date of the grant.

For the three and nine months ended September 30, 2020, the Company recorded $0.2 million and $0.2 million respectively (2019: $nil and $nil) as stock-based compensation.

13. WARRANTS

At September 30, 2020 there were 33,963,388 (2019: 26,463,388) warrants to purchase common shares outstanding.

	Number of warrants
Balance at December 31, 2018	16,118,319
Issued	10,463,388
Expired	(118,319)
Balance at December 31, 2019	**26,463,388**
Issued	7,500,000
Balance at September 30, 2020	**33,963,388**

On July 14, 2020, in connection with the Appian Financing, the Company granted 7.5 million warrants to purchase common stock to an affiliate of Appian with an exercise price of $0.1349 per share and expiring on July 14, 2025. The assumptions used to fair value the warrants issued using a Black-Scholes option pricing model are outlined in the table below resulting in a fair value of $0.7 million.

	September 30 2020
Expected life	5.0 years
Expected volatility of share price	88%
Risk-free interest rate	0.30%
Expected dividend yield	0%

(Expressed in thousands of Canadian dollars except where noted)

The expiry dates of warrants outstanding as of September 30, 2020 are as follows:

Expiry date	Number of warrants outstanding		Exercise price	Remaining contractual life (years)
April 2, 2021	1,130,334	$	0.30	0.50
April 2, 2021	383,054	$	0.35	0.50
August 28, 2022	3,950,000	$	0.35	1.91
May 11, 2023	4,000,000	$	0.51	2.61
May 11, 2023	2,000,000	$	0.50	2.61
May 31, 2023	10,000,000	$	0.49	2.67
June 8, 2024	5,000,000	$	0.27	3.69
July 14, 2025	7,500,000	$	0.13	4.79
	33,963,388	**$**	**0.36**	**3.09**

14. REVENUES

		Three months ended September 30				Nine months ended September 30		
		2020		2019		**2020**		2019
Gold and silver sales	**$**	**12,344**	$	15,188	**$**	**32,020**	$	36,175
Less treatment and refining costs		**(129)**		(300)		**(469)**		(903)
	$	**12,215**	$	14,888	**$**	**31,551**	$	35,271

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

15. CARE AND MAINTENANCE EXPENSES

		Three months ended September 30				Nine months ended September 30		
		2020		2019		**2020**		2019
Depreciation	**$**	**169**	$	-	**$**	**1,120**	$	-
Underground mine maintenance		**279**		-		**1,167**		-
Site general administration		**121**		-		**869**		-
Site surface maintenance		**129**		-		**872**		-
Mill general maintenance		**159**		-		**822**		-
Effluent treatment plant		**84**		-		**541**		-
Hydo power, electricity		**(43)**		-		**297**		-
Environmental Services		**16**		-		**231**		-
Equipment rentals		**2**		-		**200**		-
	$	**916**	$	-	**$**	**6,119**	$	-

Care and maintenance expenses reflect expenditure incurred during temporary suspension of operations since March 30, 2020, to keep the Sugar Zone Mine in compliance with health, safety and environmental regulations, and to ensure that operations could be restarted seamlessly. The Company restarted operations at the Sugar Zone Mine on July 17, 2020.

(Expressed in thousands of Canadian dollars except where noted)

16. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Salaries, benefits and directors fees	**$ 800**	$ 236	**$ 2,297**	$ 615
Severance pay	**-**	-	**792**	-
Legal fees	**181**	737	**815**	819
Office and general	**473**	103	**913**	273
Management and consulting fees	**228**	264	**528**	1,166
Shareholders' information	**115**	97	**263**	279
Share-based payments (note 12)	**376**	80	**503**	3,545
Travel & accommodation	**25**	39	**146**	116
Depreciation	**61**	2	**175**	5
	$ 2,260	$ 1,557	**$ 6,431**	$ 6,816

17. LOSS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Loss attributable to common shareholders	**($11,783)**	($15,182)	**($50,776)**	($54,436)
Weighted average shares outstanding - basic and fully diluted	**854,971,856**	641,489,959	**803,983,126**	615,062,590
Loss per share - basic and fully diluted	**$ (0.014)**	$ (0.024)	**$ (0.063)**	$ (0.089)

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.

18. RELATED PARTY TRANSACTIONS

Global Atomic Corporation ("GAC") and ANR Investments B.V ("Appian") are related parties to the Company. 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 23.3% ownership interest in Harte Gold's shares at September 30, 2020 and Appian's right to appoint two directors to the Company's board. Affiliates of Appian own an additional 1.0% of the Company's shares at September 30, 2020. The Company has entered into several funding transactions with Appian.

For period ended September 30, 2020	**Amount charged by (to)**	**Due (to) from**
Global Atomic Corporation	**$ 90**	**$ (157)**
For year ended December 31, 2019		
Global Atomic Corporation	**$ 226**	**$ (67)**

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.

(Expressed in thousands of Canadian dollars except where noted)

For the nine months ended September 30, 2020 and 2019, the Company paid key management personnel, including officers, directors or their related entities for consulting services and/or management services, as follows:

	Nine months ended September 30 **2020**	2019
Management, consulting and director fees	**$ 1,708**	$ 702
Stock based compensation		
- expensed to the Statement of Operations and Comprehensive Loss	**440**	2,550
	$ 2,148	$ 3,252

19. FINANCIAL INSTRUMENTS

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

September 30, 2020	Level	Amortized cost	FVTPL
Financial assets			
Cash and cash equivalents	1	$ 21,433	$ -
Restricted cash	1	1,324	
Receivables (excluding HST receivable)	1	2,621	-
Financial liabilities			
Acounts payable and accrued liabilities	1	12,734	-
Short-term debt	2	16,773	-
Long-term debt	2	100,188	-
Derivative financial instruments	2	-	54,719

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

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.

At September 30, 2020, the Company had cash and cash equivalents of $21.3 million (2019: $2.1 million) to settle accounts payable and accrued liabilities of $12.7 million (2019: $25.6 million) that are considered short-term and expected to be settled within 30 to 90 days. Additionally, the Company is obligated, as of September 30, 2020, to pay interest and principal on the BNP Debt Facilities. Managing liquidity risk will be dependent on the success of its mining activities, as well as the Company's on-going ability to raise additional funds through debt or equity issues (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 $0.7 million for the nine months ended September 30, 2020.

(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 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 +/- $1.0 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

(Expressed in thousands of Canadian dollars except where noted)

US $1,300 per ounce with varying ceiling prices of the collars ranging from US $1,391 per ounce to US $1,399 per ounce.

20. 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.

		September 30 2020		December 31 2019
Equity	**$**	**(49,841)**	$	(18,173)
Debt		**116,961**		89,983
	$	**67,120**	$	71,810

21. COMMITMENTS

The Company has a commitment under a site access agreement to pay $70 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 10).

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

The Company has entered into an Impact Benefits Agreement ("IBA") with Pic 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 was for a period of twenty-five months. Due to the temporary suspension of the Sugar Zone Mine on March 30, 2020 and the brief term remaining on the agreement before expiry, the potential commitment pursuant to the Redpath agreement is limited to the amounts payable to Redpath for work performed up to the temporary suspension of operations. On July 9, 2020, the Company entered into the Contract Close-out Agreement with Redpath.