HARTE

GOLD CORP

Financial Statements

For the year ended December 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited statements of financial position of Harte Gold Corp. (the "Company") at December 31, 2020 and 2019 and the related statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2020 and 2019 were prepared by management in accordance with International Financial Reporting Standards. The management of the Company is responsible for the preparation and presentation of the audited annual financial statements, including responsibility for significant judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

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

The Board of Directors oversees management's responsibility for financial reporting and internal control systems with the assistance of its Audit Committee. The Audit Committee is appointed by the Board of Directors and all of its members are directors who are not officers or employees of the Company. The Audit Committee meets periodically to review financial reports and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the Company's annual financial statements and recommends their approval to the Board of Directors.

The financial statements have been audited by KPMG LLP, Chartered Professional Accountants, on behalf of the shareholders. Their report follows.

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

March 24, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Harte Gold Corp

Opinion

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

- the statements of financial position as at December 31, 2020 and December 31, 2019
- the statements of operations and comprehensive loss for the years then ended
- the statements of changes in shareholders' equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020 and December 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that 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, the closing of the proposed refinancing with BNP, and access to additional external funding, if required.

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

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty related to Going Concern" section of the auditors' report, we have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Accounting and valuation of the Appian Debt Facility

Description of the matter

We draw attention to Notes 3.viii, 10.2 and 11.2 in the financial statements. On July 14, 2020, the Entity 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"). The Appian Debt Facility was structured in two tranches. The first tranche was completed on July 14, 2020 through the issuance of 9.5 million Series B special share for gross proceeds of US $9.5 million. The second tranche of US $18.5 million was drawn on August 28, 2020, upon closing of the facility. The Entity determined that the Appian Debt Facility is a hybrid financial instrument containing debt, derivative and equity instruments. Judgement is involved in assessing the fair value of the individual components of a hybrid financial instrument. The main assumptions of the derivative include the estimated future common share price and estimated future USD/CAD exchange rate.

Why the matter is a key audit matter

We identified the accounting and valuation of the Appian Debt Facility as a key audit matter. The accounting for the Appian Debt Facility was complex as it required the Entity to assess whether it was a hybrid financial liability instrument. The valuation of the derivative required estimation of the Entity's future share price and the future USD/CAD exchange rate. This indicated a significant risk of a material misstatement and significant auditor judgment was required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Entity's application of the requirements in the relevant accounting standards for accounting of the Appian Debt Facility.

We involved valuations professionals with specialized skills and knowledge, who assisted in:

- Assessing the appropriateness of the methodology used by the Entity to determine the fair value of the derivative by reading the Appian Debt Facility agreement
- Evaluating the appropriateness of the future share price and the future USD/CAD exchange rate by comparing to third-party data.

Other Information

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

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

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

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

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

KPMG

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

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Lee Hodgkinson.
Toronto, Canada
March 24, 2021

HARTE GOLD CORP

STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)

	Notes	December 31 2020	December 31 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 8,248**	$ 2,096
Receivables	5	**4,229**	4,281
Inventories	6	**7,889**	2,775
Prepaids		**1,064**	735
		21,430	9,887
Long term assets			
Restricted cash	7	**1,324**	-
Property, plant and equipment	8	**130,606**	112,882
		$ 153,360	$ 122,769
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	**$ 14,727**	$ 25,630
Current portion of debt	10	**26,427**	8,911
Current portion of derivative financial instruments	11	**15,511**	3,947
Flow-through share premium	12	**6,344**	920
		63,009	39,408
Long term liabilities			
Debt	10	**92,144**	81,072
Derivative financial instruments	11	**30,011**	15,366
Environmental rehabilitation provision	13	**5,296**	5,096
Total liabilities		**190,460**	140,942
Shareholders' equity			
Capital stock	14	**174,746**	155,058
Warrants	15	**6,340**	5,620
Contributed surplus	16	**18,879**	18,035
Deficit		**(237,065)**	(196,886)
		(37,100)	(18,173)
		$ 153,360	$ 122,769

Going concern – note 1
Commitments – note 25
Subsequent events – note 26

The accompanying notes are an integral part of these financial statements

HARTE GOLD CORP

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

	Notes		Year ended December 31 2020		December 31 2019
Mine operations					
Revenues	17	**$**	**53,501**	$	49,755
Production costs			**(33,032)**		(46,760)
Royalties and selling expenses			**(2,430)**		(1,498)
Depreciation and depletion			**(10,993)**		(15,499)
Earnings/(loss) from mine operations			**7,046**		(14,002)
Other expenses					
Care and maintenance	18		**6,119**		-
General and administrative	19		**10,119**		10,166
Exploration and evaluation			**1,170**		5,874
Operating loss			**(10,362)**		(30,042)
Finance expenses/(income) & other					
Flow-through share premium	12		**(4,448)**		(1,702)
Loss on loan modification/termination	10		**385**		10,427
Loss on production payment liability	10		**-**		1,110
Gain on sale of royalty	8		**(622)**		(3,711)
Interest & accretion expense			**8,991**		10,072
Foreign exchange (gain)/loss			**(4,484)**		(3,931)
Change in the fair value of derivative financial instruments	11		**21,069**		19,313
Settlement of gold derivatives	11		**8,934**		-
Other expense/(income)			**(8)**		(39)
			29,817		31,539
Net loss before income taxes			**(40,179)**		(61,581)
Income taxes	20		**-**		-
Net loss and comprehensive loss		**$**	**(40,179)**	$	(61,581)
Net loss per share - basic and fully diluted	21	**$**	**(0.049)**	$	(0.098)
Weighted average number of shares outstanding - Basic and diluted	21		**821,234,351**		631,193,264

The accompanying notes are an integral part of these financial statements

HARTE GOLD CORP

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of Canadian dollars)

	Notes	Capital Stock	Warrants	Contributed surplus	Deficit	Total shareholders' equity
December 31, 2018		**$ 136,818**	**$ 4,195**	**$ 13,855**	**$ (135,305)**	**$ 19,563**
Issued as a result of:						
Special shares	14	13,278	-	-	-	13,278
Private placement, net	14	5,980	-	-	-	5,980
Property acquisitions		28	-	-	-	28
Share issuance costs	14	(1,830)	-	-	-	(1,830)
Share based compensation	16	-	-	4,447	-	4,447
Warrants issued	15	-	1,425	-	-	1,425
Stock options exercised	16	784	-	(267)	-	517
Net loss for the year		-	-	-	(61,581)	(61,581)
December 31, 2019		**155,058**	**5,620**	**18,035**	**(196,886)**	**(18,173)**
Issued as a result of:						
Private placement	14	27,000	-	-	-	27,000
Allocated to flow-through premium	12	(9,872)	-	-	-	(9,872)
Share issuance costs	14	(1,474)	-	-	-	(1,474)
Shares issued Appian financing	10	1,058	-	-	-	1,058
Shares issued for interest	10	1,683	-	-	-	1,683
Shares issued for DSUs redemption	16	141	-	(160)	-	(19)
Share based compensation	16	-	-	1,356	-	1,356
Warrants issued	15	-	720	-	-	720
Stock options exercised	16	1,152	-	(352)	-	800
Net loss for the year		-	-	-	(40,179)	(40,179)
December 31, 2020		**$ 174,746**	**$ 6,340**	**$ 18,879**	**$ (237,065)**	**$ (37,100)**

The accompanying notes are an integral part of these financial statements

HARTE GOLD CORP

STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Note	December 31 2020	Year ended December 31 2019
Operating activities			
Net loss for the period		**$ (40,179)**	$ (61,581)
Adjusted for:			
Depreciation		**12,360**	15,679
Share-based payments	16	**1,356**	4,899
Flow-through share premium	12	**(4,448)**	(1,702)
Loss on production payment	10	**-**	1,110
Loss on loan modification/termination	10	**385**	10,427
Loan accretion & accrued interest		**8,991**	8,449
Shares issued for exploration and evaluation expenses		**-**	28
Unrealized foreign exchange (gain)/loss		**(4,421)**	(3,981)
Gain on sale of royalty	8	**(622)**	(3,711)
Change in the fair value of derivative financial instruments	11	**22,222**	19,313
		(4,356)	(11,070)
Net changes in non-cash working capital items:			
Inventory		**(3,600)**	407
Prepaids		**(329)**	(115)
Receivables		**(367)**	(1,929)
Accounts payable and accrued liabilities		**(4,983)**	14,870
Cash flows (used in)/from operating activities		**(13,635)**	2,163
Investing			
Restricted cash	7	**(1,324)**	500
Proceeds on sale of royalty	8	**2,723**	9,794
Plant and equipment additions		**(4,663)**	(17,519)
Mine development costs		**(23,902)**	(17,520)
Cash flows used in investing activities		**(27,166)**	(24,745)
Financing			
Appian & Sprott loan repayments, net	10	**-**	(76,576)
Production payments and other loan expenses	10	**-**	(6,416)
BNP loan drawdown/(repayment), net	10	**(6,394)**	89,645
Appian loan drawdown/(repayment), net	10	**35,541**	-
Interest paid		**(5,621)**	(8,616)
Payment of leases and mortgages	10	**(2,571)**	(358)
Proceeds from issuance of shares, net	14	**25,526**	19,321
Exercise of options	16	**800**	517
Cash flows from/(used in) financing activities		**47,281**	17,517
Effects of exchange rate changes on cash		**(328)**	(132)
Net increase/(decrease) in cash and cash equivalents		**6,152**	(5,197)
Cash and cash equivalents, beginning of the period		**2,096**	7,293
Cash and cash equivalents, end of the period		**$ 8,248**	**$ 2,096**

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS
At and for the year ended December 31, 2020
(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.

At December 31, 2020, the Company had current liabilities of $63.0 million and current assets of $21.4 million with which to discharge such liabilities. 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 Company's debt facilities with BNP Paribas ("BNP") and an affiliate of its major shareholder, ANR investments B.V. ("Appian") were fully drawn at December 31, 2020.

As further described in note 26 Subsequent Events, on March 24, 2021, the Company received $24.8 million in gross proceeds from a private placement of common shares to New Gold Inc. ("New Gold") (the "Strategic Investment"). The Company concurrently announced the indicative terms of a proposed refinancing of the BNP term loan and revolving facility (the "BNP Debt Facilities") that would reduce principal repayments required on the term loan by US$10.0 million in 2021 and US$8.4 million in 2022 and defer repayment of the revolving loan from June 2022 to June 2023, amongst other items (the "Debt Refinancing Proposal"). The Debt Refinancing Proposal also includes amendments to the financial covenants related to the BNP Debt Facilities. The Company expects that the proceeds from the Strategic Investment, combined with the Debt Refinancing Proposal, will provide the Company with sufficient liquidity to fully fund operations, investment activities and debt service obligations for the next 12 months. The Company is reliant on the closing of the proposed refinancing with BNP to be in compliance with all covenants related to the BNP Debt Facilities for the remainder of 2021.

The Debt Refinancing Proposal remains subject to the conclusion of due diligence and final approval from BNP, final documentation and other customary conditions and the amendment of the US$28.0 million credit agreement with Appian (the "Appian Debt Facility") to extend the maturity date from June 30, 2023 to June 30, 2025. The Company will require approval from its shareholders at the Company's annual general meeting in June 2021 to extend the maturity date of the Appian Debt Facility. The proposed amendment of the BNP Debt Facilities is expected to occur in April 2021, but the terms of the amendment will only become effective on receipt of Shareholder approval to extend the maturity date of the Appian Debt Facility.

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, the closing of the proposed refinancing with BNP, and access to additional external funding, if required. There can be no assurance that the Company will close the proposed refinancing with BNP, or that the Company will be able to obtain other required financing or on terms acceptable to the Company. Due to uncertainties surrounding a number of factors such as, but not limited to, the ability to continue operating during the COVID-19 pandemic, completion of the proposed refinancing, the ability to raise additional funds, exploration results, mine operating results, the price of underlying commodities, foreign exchange rates, and financial market conditions, it is not possible to predict the success of the Company's efforts in this regard. These factors indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

In the light of the actions already taken and the alternatives available to the Company, these financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management has taken into account all available information about the future, which is at least, but is not limited to, twelve months from December 31, 2020. These financial statements do not include the adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Board of Directors (the "Board") approved these financial statements on March 24, 2021.

2.2 Basis of measurement

Except for financial instruments that are measured at fair value, the financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the asset acquired.

2.3 Functional and presentation currency and foreign currency transactions

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

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

2.4 Revenue recognition

Revenue is recognized upon the transfer of control over goods to the customer and consists of the sale of gold taking into account the following factors:

- The Company has a present right to payment for the gold sold;
- Legal title has passed from the Company to the customer;
- The Company has transferred physical possession of the gold to the customer;
- The significant risks and rewards of ownership of the gold have passed to the customer; and
- The customer has accepted the gold.

The following principles apply in accounting for revenues:

i) Gold bullion

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

ii) Gold concentrates

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

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

2.5 Exploration and evaluation

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

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

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

2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash held with major Canadian and European financial institutions in the form of cash and deposits in high interest notice accounts with investment terms that are less than 90 days at the time of acquisition.

2.7 Inventory

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

i) Stockpiled ore

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

ii) Gold-in-circuit inventory

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

iii) Finished goods inventory

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

iv) Consumables, materials and supplies

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

2.8 Property, plant and equipment

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

i) General

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

ii) Property

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

iii) Plant and equipment

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

iv) Mine development costs

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

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

v) Construction-in-process

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

vi) Commercial production

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

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

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

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

vii) Depreciation

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

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

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

viii) Impairment

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

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

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

2.9 Provisions

i) General

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

ii) Environmental rehabilitation

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

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

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

2.10 Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxable income is based on accounting income reported on the income statement and adjusted for items that are taxable or deductible in other periods and excludes items that are never taxable or deductible.

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

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

2.11 Share capital

(i) Common shares

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

(ii) Flow-through common shares

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

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

Proceeds received from the issuance of flow-through shares must be spent on Canadian resource property exploration or development expenditures within 24 months after subscription or, where the "Look-back" Rule has been utilized, prior to the end of the calendar year following the year of issuance. The Government of Canada has introduced legislation that extends the period to spend the proceeds by twelve months due to the impact of COVID-19. The Company commits to spending CEE renounced under the lookback rule within the allowable time period. The portion of the proceeds received but not yet expended is detailed in note 12.

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

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

2.12 Stock-based compensation

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

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

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

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

2.13 Warrants

Proceeds from warrant placements are credited to warrants in the statement of changes in shareholders' equity. Upon exercise of warrants, consideration paid by the warrant holder, together with the amount previously recognized in warrants, is recorded as an increase to common shares. Upon expiration of warrants, the amount is recorded as an increase to other reserves.

2.14 Earnings (loss) per share

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

2.15 Financial instruments

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

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

i) Financial assets at amortized cost

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

ii) Financial liabilities at amortized cost

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

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

iii) Financial assets and liabilities at FVTPL

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

iv) Modification of debt

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

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

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

v) Offsetting of financial instruments

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

vi) Derivative instruments and hedge accounting derivative instruments

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

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

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

2.16 Borrowing costs

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

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

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

2.17 Related party transactions

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

2.18 Segment reporting

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

2.19 Reclassification of prior year comparative figures

Certain prior year comparatives have been reclassified for consistency with current year presentation. These reclassifications had no effect on these financial statements.

3. Measurement uncertainty - critical accounting judgments and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. These judgments, estimates and assumptions are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from those estimates. Information about areas of judgment and key sources of uncertainty and estimation is contained in the description of the accounting policies and/or the notes to these financial statements.

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

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

i) Estimated reserves and resources

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

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

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Prospective depreciation charges in income (loss) may change when such charges are determined by the unit-of-production basis, or when the useful lives of assets change; and

- Provision for reclamation liabilities balances may be affected as the estimated timing of reclamation activities is adjusted for changes in the estimated mine life as determined by the available reserves and resources.

ii) Impairment of property, plant and equipment

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

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

The net cash flow forecast includes cash flows expected to be realized from the extraction, processing and sale of proven and probable reserves, as well as mineral resources that do not currently qualify for inclusion in proven and probable reserves when there is a high degree of confidence in the economic extraction of such non-reserve material.

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

iii) Royalty transactions

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

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

iv) Environmental rehabilitation costs

Environmental rehabilitation obligation provisions represent management's best estimate of the present value of the future costs to close and rehabilitate the mine site. Significant estimates and assumptions are made in determining the amount of future environmental rehabilitation costs. These estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; determination of the appropriate inflation-adjusted discount rate (if applicable); and, the timing, extent and costs of required mine closure and environmental rehabilitation activities. These uncertainties may result in future actual expenditures that differ from the amounts currently provided. Management assesses the provision for environmental rehabilitation on an annual basis or when new information becomes available.

v) Stock-based compensation and warrants

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

vi) Functional currency

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

vii) Contingencies

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

(Expressed in thousands of Canadian dollars except where noted)

viii) Financial Instruments – hybrid instruments

The Company may issue hybrid financial liability instruments which may contain debt, derivative and equity instruments. The Company shall determine and recognize the fair values of each component of the hybrid financial liability instrument. The main assumptions of the hybrid financial instrument include estimated life of the option, the expected volatility of the Company's common share price, the estimated future common share price, the expected volatility of the US/CAD dollar exchange rate, estimated future USD/CAD exchange rate, the expected dividends and the risk-free rate of interest in Canada and the United States. 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.

4. Standards and amendments issued but not yet effective or adopted

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment is not currently applicable to the Company.

IAS 1, Presentation of Financial Statements

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. An assessment will be performed prior to the effective date of January 1, 2023 to determine the impact to the Company's financial statements.

5. RECEIVABLES

	December 31 2020	December 31 2019
Gold sales revenue receivable	**$ 3,437**	$ 3,278
GST/HST receivable	**792**	977
Other	**-**	26
	$ 4,229	$ 4,281

(Expressed in thousands of Canadian dollars except where noted)

6. INVENTORIES

		December 31 2020		December 31 2019
In-circuit inventory	$	612	$	320
Finished goods inventory		4,482		1,441
Total mineral inventory		5,094		1,761
Materials and supplies		2,795		1,014
Total inventory	$	7,889	$	2,775

During the year ended December 31, 2020, $nil (2019 - $0.8 million) net realizable value adjustment was recognized against finished goods 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 included 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 year ended December 31, 2020, the Company recognized $33.0 million (2019 - $46.8 million) as production costs; and, $11.0 million (2019 - $15.5 million) as depreciation expense in the Statements of Operations and Comprehensive Loss.

7. RESTRICTED CASH

At December 31, 2020 the Company had an outstanding surety bond in the amount of $5.3 million in favour of the Ministry of Energy, Northern Development and Mines for the Province of Ontario 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.

8. PROPERTY, PLANT AND EQUIPMENT

COST		Land	Buildings	Furniture, vehicles & other	Plant & infra-structure	Mine develop-ment	Right-of-use assets	Total
As at January 1, 2020	$	903	1,909	1,313	101,116	21,278	2,302	128,821
Additions		-	36	630	4,186	17,975	10,916	33,743
Disposals		-	-	(44)	-	(2,101)	-	(2,145)
As at December 31, 2020	$	903	1,945	1,899	105,302	37,152	13,218	160,419
		-	-	-	-	-	-	-
ACCUMULATED DEPRECIATION								
As at January 1, 2020	$	-	317	514	5,795	9,215	98	15,939
Additions		-	190	303	5,379	7,106	1,185	14,163
Disposals		-	-	(28)	-	(261)	-	(289)
As at December 31, 2020	$	-	507	789	11,174	16,060	1,283	29,813
		-	-	-	-	-	-	-
NET BOOK VALUE								
As at January 1, 2020	$	903	1,592	799	95,321	12,063	2,204	112,882
As at December 31, 2020	$	903	1,438	1,110	94,128	21,092	11,935	130,606

(Expressed in thousands of Canadian dollars except where noted)

COST		Land	Buildings	Furniture, vehicles & other	Plant & infra-structure	Mine develop-ment	Right-of-use assets	Total
As at January 1, 2019	$	903	1,859	1,021	97,567	8,906	-	110,256
Additions		-	50	292	3,549	18,455	2,302	24,648
Disposals		-	-	-	-	(6,083)	-	(6,083)
As at December 31, 2019	$	903	1,909	1,313	101,116	21,278	2,302	128,821
ACCUMULATED DEPRECIATION								
As at January 1, 2019	$	-	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 January 1, 2019	$	903	1,731	740	97,567	8,906	-	109,847
As at December 31, 2019	$	903	1,592	799	95,321	12,063	2,204	112,882

The Company declared commercial production at the Sugar Zone Mine on January 1, 2019 and depreciation was charged thereafter. Subsequently, mineral properties are amortized on a unit of production basis; and plant and equipment is amortized on a unit of production basis with certain equipment being amortized on a straight line basis. The unit of production is measured by the portion of the mine's economically recoverable and probable ore reserves produced during the period.

Certain of the claims and leases associated with the Sugar Zone property are subject to net smelter royalties ("NSR") of 2.0% in favour of the original vendors of the properties. The NSR was reduced from 3.5% to 2.5% on October 31, 2018 for $1.0 million in consideration. The Company also sent notices to exercise its option to acquire a further 0.5% for $0.5 million and continues its attempts to locate those royalty holders.

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

On July 17, 2020, the Company granted a further 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 $0.6 million was recorded as a gain on the partial disposition of its property during the year ended December 31, 2020. The July 2020 royalty grant has increased the royalty payable to an affiliate of Appian from 1.5% to 2.0%.

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)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31 2020		December 31 2019
Accounts payable	$	**11,079**	$	19,270
Accrued liabilities		**3,648**		6,360
Total accounts payable and accrued liabilities	$	**14,727**	$	25,630

10. DEBT

	Note		December 31 2020		December 31 2019
BNP Debt Facilities	10.1	$	**80,405**	$	87,399
Appian Debt Facility	10.2		**27,237**		-
Leases	10.3		**10,719**		2,166
Mortgages	10.4		**210**		418
Total debt		$	**118,571**	$	89,983
Less: current portion			**(26,427)**		(8,911)
Total debt: non-current portion		$	**92,144**	$	81,072

10.1 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 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 year ended December 31, 2020 was 5.44% (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.

In connection with the granting of a 1.5% NSR on the Sugar Zone Property in December 2019, (refer to note 8) BNP required the coincident repayment of principal under the BNP Debt Facilities. Accordingly, the Company repaid US$4.0 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.

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 were 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.

(Expressed in thousands of Canadian dollars except where noted)

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 the 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);
- 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;
- Deferral of certain payments due under the Company's gold hedge program with BNP;
- An increase in the interest rates payable of 50 basis points 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.

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:

		December 31 2020		December 31 2019
Balance at beginning of the period	**$**	**87,399**	$	-
Loan drawdown		**-**		97,041
Repayment		**(5,609)**		(5,263)
Fees, costs		**(785)**		(2,133)
Interest expense		**4,772**		3,265
Accretion		**675**		287
Interest paid		**(4,980)**		(3,043)
Loss on modification		**385**		-
Exchange loss/(gain)		**(1,452)**		(2,755)
Balance at end of the period	**$**	**80,405**	$	87,399
Less: current portion		**(16,904)**		(8,251)
Balance end of the period: non-current portion	**$**	**63,501**	$	79,148

(Expressed in thousands of Canadian dollars except where noted)

At December 31, 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 $
2021	13,268	-	13,268	16,893	-	16,893
2022	18,688	20,000	38,688	23,793	25,464	49,257
2023	9,259	-	9,259	11,788	-	11,788
2024	3,109	-	3,109	3,958	-	3,958
2025	-	-	-	-	-	-
Total	**$ 44,324**	**$ 20,000**	**$ 64,324**	**$ 56,432**	**$ 25,464**	**$ 81,896**

10.2 Appian Debt Facility

On July 14, 2020, the Company entered into a financing agreement with an affiliate of Appian to provide up to US$28.0 million in funding (the “Appian Debt Facility”) of which US$9.5 million was drawn immediately to facilitate a restart of the Sugar Zone Mine. Concurrently with entering into the Appian Debt Facility, the Company also agreed to the sale of a 0.5% royalty for US$2.0 million in proceeds from an affiliate of Appian (together with the Appian Debt facility, the “Appian Financing”).

On August 28, 2020, the Company closed the Appian Debt Facility and the second tranche of US$18.5 million was drawn 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$2.0 million from the 0.5% royalty sale on August 28, 2020 (refer to note 8).

The facility has 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.

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 to note 11.2).

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.

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.

An arrangement fee was payable on the US$30.0 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 to note 14) and $0.7 million for the share purchase warrants issued (refer to note 15) and has been included in equity.

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 instrument (refer to notes 11.2, 14 and 15). 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.

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. Two breaches of operational requirements occurred in 2020, leading to an increase in the interest rate to 18% between January 1 and January 28, 2021, after which the interest rate reverted to 14%.

Both the Prepayment Option and the Conversion Option are derivative instruments. At July 14, 2020, August 28, 2020 and December 31, 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$20.0 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 to note 11.2). 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 to note 11.2). 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 to note 11.2), 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 $1.6 million (US$1.2 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:

		December 31 2020		December 31 2019
Balance at beginning of the year	**$**	**-**	$	-
Fair value of debt instrument		**28,592**		-
Fees, costs		**(1,624)**		-
Interest expense		**2,102**		-
Accretion		**754**		-
Interest paid		**(1,679)**		-
Exchange loss (gain)		**(908)**		-
Balance at end of the period	**$**	**27,237**	$	-
Less: current portion		**(423)**		-
Balance end of the period: non-current portion	**$**	**26,814**	$	-

At December 31, 2020, the scheduled debt repayment under the Appian Financing was as follows:

Year		US$		$
2021	$	-	$	-
2022		-		-
2023		28,000		35,650
2024		-		-
2025		-		-
Total	**$**	**28,000**	**$**	**35,650**

10.3 Leases

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

		December 31 2020		December 31 2019
Balance at beginning of the period	**$**	**2,166**	$	-
Additions		**10,908**		2,293
Lease payments		**(2,355)**		(127)
Balance at end of the period		**10,719**		2,166
Less: current portion		**(8,995)**		(451)
Balance end of the period: non-current portion	**$**	**1,724**	$	1,715

(Expressed in thousands of Canadian dollars except where noted)

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

		December 31 2020
Less than one year	$	8,995
One to three years		1,384
Over three years		340
	$	**10,719**

10.4 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 were due annually, on each of February 1, 2018 through 2020. At December 31, 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 were due annually, on each of August 10, 2018 through 2020. At December 31, 2020, no outstanding amounts remained on the secured mortgage.

The mortgage repayment schedule is as follows:

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

10.5 Appian Debt

On May 3, 2018, the Company closed on a short-term debt financing with Appian in the amount of US$20.0 million (the "Appian Debt"). The debt originally matured on November 10, 2018 and it was extended from time to time, until it was extinguished in June 14, 2019, coincident with the receipt of the proceeds from the BNP Debt Facilities. The original interest rate was 9.5%, which increased to 12.0% as the term of the facility was extended. The Appian Debt was secured by all the assets of the Company, but subordinate to the Sprott long-term debt financing (refer to note 10.6).

Principal and accrued interest were payable on maturity and the debt was repayable at any time without penalty. On June 14, 2019, the Company closed the BNP Debt Facilities (refer to note 10.1) and repaid Appian the loan principal and accrued interest in full.

10.6 Sprott Debt

On May 31, 2018, the Company closed a long-term debt financing with Sprott Private Resource Lending (Collector) LP ("Sprott") (the "Sprott Debt"). Total funding available under the Sprott Debt was US$50.0 million. Interest was payable monthly at an annual rate of 7.5% plus the 3-month LIBOR rate. Principal plus accrued interest was payable in 42 equal monthly installments, beginning January 31, 2020. Prepayment of the Sprott Debt could be made at any time, subject to a prepayment penalty of 3% if made prior to the second anniversary, 2% prior to the third anniversary and nil thereafter. The Sprott Debt was a first charge and secured by all the assets of the Company.
The Company also entered into a production payment agreement with Sprott concurrently with the debt facility agreement. In connection with the third drawdown on February 11, 2019, the production payment was adjusted from a fixed rate per ounce to be a variable rate based on the average monthly gold price, with a floor and a ceiling per ounce for the gold price calculation. The Company had the option to terminate the production payment agreement upon payment of a termination fee equal to the net present value of the remaining production payments discounted at 3.5%. The change of the production payment terms from a fixed to a variable rate was determined to be an extinguishment of the initial liability. The net present value of the production payment liability was remeasured using the same discount rate of 3.5% and the difference of $1.1 million was recognized as a loss in the statement of operations and comprehensive loss.

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

On June 14, 2019, the Company repaid the Sprott Debt and production payment liability in full. A loss of $8.3 million was recognized on the termination of the loan in addition to the $2.1 million in prepayment and cancellation fees, for a total loss of $10.4 million.

NOTES TO FINANCIAL STATEMENTS
At and for the year ended December 31, 2020
(Expressed in thousands of Canadian dollars except where noted)

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative liabilities	Note		December 31 2020		December 31 2019
Gold Hedge	11.1	$	41,575	$	19,313
Appian Debt Facility Derivatives	11.2		3,947		-
		$	45,522	$	19,313
Less: current portion			(15,511)		(3,947)
Non-current		$	30,011	$	15,366

11.1 Gold Hedge

Concurrent with and as required under the BNP Debt Facilities, the Company entered into a gold hedge program on 79,090 ounces of future production. Zero cost collar swaps were used for 73,956 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 change in the fair value of derivative financial instruments and Settlement of gold derivatives, and on its statements of financial position as a derivative financial instrument. The Company presents the fair value of put and call options on a net basis on the Statements of Financial Position.

Derivative instruments outstanding	Quantity outstanding		Maturity dates	Strike Price (US$/oz)		December 31, 2020 Fair value asset (liability) US$		December 31, 2020 Fair value asset (liability) $
Settlement			December 31, 2020		$	(878)	$	(1,118)
Gold call options	3,661	oz	January 2021 - March 2021	1,393		(1,825)		(2,325)
Gold call options	19,080	oz	January 2021 - December 2021	1,399		(9,515)		(12,115)
Gold Put options	22,741	oz	January 2021 - December 2021	1,300		37		47
Gold call options	23,520	oz	January 2022 - December 2022	1,393		(12,482)		(15,893)
Gold Put options	23,520	oz	January 2022 - December 2022	1,310		386		491
Gold call options	11,040	oz	January 2023 - December 2023	1,393		(6,109)		(7,779)
Gold Put options	11,040	oz	January 2023 - December 2023	1,310		430		547
					$	**(29,956)**	**$**	**(38,145)**

Derivative instruments outstanding	Quantity outstanding		Maturity dates	Strike Price (US$/oz)		December 31, 2020 Fair value asset (liability) US$		December 31, 2020 Fair value asset (liability) $
Gold swap	5,134	oz	January 2024 - June 2024	$1,355	$	(2,693)	$	(3,430)
					$	**(2,693)**	**$**	**(3,430)**

(Expressed in thousands of Canadian dollars except where noted)

The movement in the gold derivative liability were as follows:

	December 31 2020	December 31 2019
Balance at beginning of the period	**$ 19,313**	$ -
Derivitive financial instrument recognized	**-**	10,571
Change in fair value	**32,425**	8,742
Exchange (gain)/loss	**(2,382)**	-
Cash settlements	**(7,781)**	-
Balance at end of the period	**$ 41,575**	$ 19,313
Less: current portion	**(15,511)**	(3,947)
Balance end of the period: non-current portion	**$ 26,063**	$ 15,366

At December 31, 2020, a total of 62,435.5 ounces of the originally issued hedges remain outstanding (2019 – 79,090). During the year ended December 31, 2020, 16,654.70 gold call options were exercised by BNP (2019 - nil) and the Company paid BNP $7.8 million (2019 - $nil), with a further $1.1 million payable in early January 2021 (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.

11.2 Appian Debt Facility Derivatives

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 instrument (refer to notes 10.2, 14 and 15).

	December 31 2020	December 31 2019
Balance at beginning of the period	**$ -**	$ -
Derivitive financial instrument recognized	**6,795**	-
Change in fair value	**(2,422)**	-
Exchange (gain)/loss	**(426)**	-
Balance at end of the period	**$ 3,947**	$ -
Less: current portion	**-**	-
Balance end of the period: non-current portion	**$ 3,947**	$ -

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.

(Expressed in thousands of Canadian dollars except where noted)

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 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 December 31, 2020 was $3.9 million (US$3.1 million) (2019 - $nil).

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	**December 31 2020**
Expected life	2.96 years	2.50 years
Expected volatility of share price	80%	85%
Expected volatility of exchange rate	7%	7%
Risk-free Canadian interest rate	0.61%	0.56%
Risk-free US interest rate	0.23%	0.22%
Expected dividend yield	0%	0%

12. FLOW-THROUGH SHARE PREMIUM

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

	December 31 2020	December 31 2019
Balance at beginning of the period	**$ 920**	$ 1,702
Settlement of liability through renouncement	**(4,448)**	(1,702)
Liability incurred on flow-through shares issued	**9,872**	920
Balance at end of the period	**$ 6,344**	$ 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 168,750,000 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. The liability was partially settled through the renouncement of $9.6 million of expenditures.

13. ENVIRONMENTAL REHABILITATION PROVISION

Pursuant to the Sugar Zone Mine closure plan (the "Closure Plan"), the Company provides for the estimated future cost of rehabilitating the Sugar Zone Mine and related production facilities on a discounted basis, if the impact of discounting is material, as such activity that creates the rehabilitation obligation occurs. The rehabilitation provision represents the present value of estimated future rehabilitation costs. These provisions are based on the Company's estimates, with consideration of the Closure Plan and rehabilitation requirements established by relevant regulatory bodies.

(Expressed in thousands of Canadian dollars except where noted)

The Company has determined that the impact of discounting the future cost to rehabilitate the Sugar Zone Mine at December 31, 2020 is immaterial and as such, no discount rate has been applied in determining the rehabilitation provision of $5.3 million at December 31, 2020. The majority of the reclamation expenditures are expected to occur between 2027 and 2030. As the life of the Sugar Zone Mine may be extended, the timing of certain expenditures maybe deferred.

All estimates and assumptions are reviewed on an annual basis to take into account any material changes to underlying assumptions and inputs. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the Sugar Zone mine ceases to produce at economically viable rates. This, in turn, will depend upon future gold prices and costs of production, which are inherently uncertain.

		December 31 2020		December 31, 2019
Balance at beginning of the year	**$**	**5,096**	$	4,784
Rehabilitation liability arising during the period		**160**		162
Accretion		**40**		150
Balance at end of the period	**$**	**5,296**	$	5,096

14. 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:

	Note	**December 31 2020**	December 31 2019
Balance beginning of period		**676,957,229**	599,739,452
Private placement of units and shares			
Private placement of flow-through shares		**168,750,000**	23,000,000
Appian Financing Up-Front Securities		**6,970,844**	-
Appian Financing Interest		**12,862,816**	-
Special share issuance for Appian		**-**	49,177,777
Shares for property acquisition		**-**	100,000
Deferred stock units redemption	16	**1,100,556**	-
Options exercised	15	**8,000,000**	4,940,000
Balance end of period		**874,641,445**	676,957,229

On June 6, 2019, the Company entered into a Subscription Agreement with Appian for the purchase of US$10.0 million Special Shares, which closed on June 11, 2019. The investment of US$10.0 million was a condition of closing the BNP Debt Facilities (refer to note 10.1). The Special Shares were convertible into common shares at $0.27 per common share two weeks from the later of (i) the date of shareholder approval, (ii) the date the Appian Debt was paid in full and (iii) the date the Sprott Debt was paid in full. As Appian would own in excess of 20% of the common shares of the Company upon conversion, shareholder approval was required prior to such conversion. The shareholders of the Company approved the conversion on July 4, 2019 and the Special Shares were converted to 49,177,777 common shares on July 18, 2019.

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

(Expressed in thousands of Canadian dollars except where noted)

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

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 $27.0 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 (refer to note 10.2).

The Company issued 12,862,816 common shares to an affiliate of Appian for the payment of interest during the year ended December 31, 2020 (2019 - nil). The Company recorded $1.7 million (2019 - $nil) of interest expense related to the issuance of these common shares.

During the year ended December 31, 2020, the Company issued 8,000,000 common shares (2019 – 4,940,000) on the exercise of common stock purchase options and 1,100,556 common shares on the exercise of DSUs (2019 – nil) (refer to note 16).

15. WARRANTS

At December 31, 2020 there were 33,963,388 (2019: 26,581,707) warrants to purchase common shares outstanding.

	Number of warrants
Balance at December 31, 2018	16,118,319
Issued	10,463,388
Balance at December 31, 2019	**26,581,707**
Issued	7,500,000
Expired	(118,319)
Balance at December 31, 2020	**33,963,388**

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

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

(Expressed in thousands of Canadian dollars except where noted)

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 and resulted in a fair value of $0.7 million.

	December 31 2020	December 31 2019
Expected life	**5.0 years**	1.5 - 5.0 years
Expected volatility of share price	**88%**	52.8% - 83.1%
Risk-free interest rate	**0.30%**	1.35% - 1.5%
Expected dividend yield	**0%**	0%

The expiry dates of warrants outstanding as of December 31, 2020 are as follows:

Expiry date	**Number of warrants outstanding**		**Exercise price**	**Remaining contractual life (years)**
April 2, 2021	1,130,334	$	0.30	0.25
April 2, 2021	383,054	$	0.35	0.25
August 28, 2022	3,950,000	$	0.35	1.66
May 11, 2023	4,000,000	$	0.51	2.36
May 11, 2023	2,000,000	$	0.50	2.36
May 31, 2023	10,000,000	$	0.49	2.41
June 8, 2024	5,000,000	$	0.27	3.69
July 14, 2025	7,500,000	$	0.13	4.54
	33,963,388	**$**	**0.36**	**2.88**

16. 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 December 31, 2020, the Company had 26,342,915 (2019: 5,171,118) common shares available for 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)

16.1 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	(8,000,000)	0.10
Cancelled	(9,198,513)	0.25
Expired	(250,000)	0.10
Balance at December 31, 2020	**42,793,907**	**0.36**
Exercisable at the end of the period		
December 31, 2019	45,782,500	0.35
December 31, 2020	**36,284,869**	**0.39**

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 have 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 year ended December 31, 2020 was $0.17 (2019 - $0.27).

NOTES TO FINANCIAL STATEMENTS
At and for the year ended December 31, 2020
(Expressed in thousands of Canadian dollars except where noted)

The following table provides additional information regarding stock options outstanding at December 31, 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	8,453,907	3.93	0.15	2,944,869	2.64	0.14
$0.270 - $0.350	10,400,000	1.20	0.34	9,400,000	0.95	0.35
$0.400 - $0.440	10,950,000	3.00	0.40	10,950,000	3.00	0.40
$0.450 - $0.450	12,090,000	2.24	0.45	12,090,000	2.24	0.45
$0.700 - $0.710	900,000	1.34	0.70	900,000	1.34	0.70
	42,793,907	**2.50**	**0.36**	**36,284,869**	**2.15**	**0.39**

The Company granted 6,467,815 stock options to certain executive officers during the year ended December 31, 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:

	December 31 2020	December 31 2019
Expected life	**5 years**	5 years
Expected volatility	**85.8% - 88.4%**	85.9% - 92.1%
Risk-free interest rate	**0.30% - 0.32%**	1.94% - 2.16%
Expected dividend yield	**0%**	0%

Certain options were granted to consultants during the year ended December 31, 2019. In the absence of a reliable measure of the services received, the services have been measured at the fair value of the options issued to consultants.

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

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

16.2 Deferred Share Units

The Company established a DSU plan in November 2019, which was approved by shareholders on June 24, 2020. 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.

(Expressed in thousands of Canadian dollars except where noted)

The following table reflects the movement in DSUs outstanding:

	December 31 2020	December 31 2019
Balance at beginning of the period	**5,000,000**	-
Granted	**6,314,743**	5,000,000
Redeemed	**(1,233,333)**	-
Balance at end of the period	**10,081,410**	**5,000,000**

On November 18, 2019, non-executive directors of the Company were granted 5 million DSUs at $0.15 per share, vesting immediately subject to shareholder approval of the plan. Prior to approval of the plan on June 24, 2020, 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.

During the year ended December 31, 2020, the Company granted 6,314,743 DSUs to non-executive directors at prices between $0.118 and $0.148 per share, vesting immediately. The Company recorded total net expense of $0.7 million as DSU related stock-based compensation for the year ended December 31, 2020, including a recovery of $0.1 million relating to the 2019 grant (2019 - $0.8 million).

During the year ended December 31, 2020, 1,233,333 DSUs were redeemed. The weighted average share price on the date of redemption for DSUs during the year ended December 31, 2020 was $0.14 per share (2019 - $nil).

16.3 Restricted Share Units

The Company established an RSU plan in November 2019, which was approved by shareholders on June 24, 2020. 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.

The following table reflects the movement in RSUs outstanding:

	December 31 2020	December 31 2019
Balance at beginning of the period	**3,750,000**	-
Granted	**7,604,020**	3,750,000
Cancelled	**(3,108,108)**	**-**
Balance at end of the period	**8,245,912**	**3,750,000**

On November 18, 2019, certain officers of the Company were granted 3,750,000 RSUs 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. Prior to the approval of the plan of June 24, 2020, 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, certain officers of the Company were granted 6,060,810 and 1,543,210 RSUs, respectively, at $0.148 per share and $0.162 per share, respectively, vesting over three years from grant date, where 1/3 of the total RSU's granted vest upon each anniversary date of the grant. The Company recorded total net expense of $0.4 million as RSU related stock-based compensation for the year ended December 31, 2020 (2019 - $23). There was no material impact of the revaluation of the RSUs granted in 2019.

During the year ended December 31, 2020, 3,108,108 RSUs were cancelled due to forfeiture.

(Expressed in thousands of Canadian dollars except where noted)

17. REVENUES

	December 31 2020	December 31 2019
Gold and silver sales	**$ 54,183**	$ 50,969
Less treatment and refining costs	**(682)**	(1,214)
	$ 53,501	$ 49,755

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.

18. CARE AND MAINTENANCE EXPENSES

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 to address the Company's anticipated working capital requirements during the restart of operations.

Care and maintenance expenses reflect expenditures incurred during the temporary suspension of operations due to COVID-19 restrictions, to keep the Sugar Zone Mine in compliance with health, safety and environmental regulations, and to ensure that operations could be restarted seamlessly.

	December 31 2020	December 31 2019
Depreciation	**$ 1,120**	$ -
Underground mine maintenance	**1,167**	-
Site general administration	**869**	-
Site surface maintenance	**872**	-
Mill general maintenance	**822**	-
Effluent treatment plant	**541**	-
Hydo power, electricity	**297**	-
Environmental Services	**231**	-
Equipment rentals	**200**	-
	$ 6,119	$ -

The global COVID-19 crisis continues to evolve, including continued restrictions on the movement of people and goods, social distancing measures, restrictions on group gatherings, quarantine requirements and contact tracing. The Company continues to closely monitor the situation to manage the impact of COVID-19 on its operations, including taking steps to protect the health and safety of its employees, contractors and local communities.

(Expressed in thousands of Canadian dollars except where noted)

19. GENERAL AND ADMINISTRATIVE EXPENSES

		December 31 2020		December 31 2019
Salaries, benefits and directors fees	**$**	**3,105**	$	1,009
Office and general		**2,022**		900
Share-based payments		**1,356**		794
Management and consulting fees		**994**		550
Severance pay		**887**		1,463
Legal fees		**882**		317
Shareholders' information		**430**		4,899
Travel & accommodation		**196**		210
Depreciation		**247**		24
	$	**10,119**	$	10,166

20. INCOME TAXES

Provision for income taxes

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

		December 31 2020		December 31 2019
Net loss before income taxes	**$**	**(40,179)**	$	(61,581)
Combined Federal and Provincial tax rate		**25.00%**		25.00%
Expected recovery at statutory rates	**$**	**(10,045)**	$	(15,395)
Non-deductible/(Non-taxable) amounts		**(1,288)**		686
Renunciation of tax attributes - flow through shares		**2,794**		1,196
Change in tax benefit not recognized		**8,537**		17,087
Other		**2**		(3,573)
Deferred income tax expense (income)	**$**	**-**	$	-

Income and Mining tax effect of temporary difference – recognized

The tax effects of temporary difference that give rise to deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019 are as follows:

		December 31 2020		December 31 2019
Non-capital loss carry forwards	**$**	**2,619**	$	3,229
Property, plant and equipment		**(2,833)**		(4,504)
Exploration & Development - mining tax		**1,366**		1,866
Other		**(1,151)**		(591)
Deferred income & mining tax assets (liabilities)	**$**	**-**	$	-

(Expressed in thousands of Canadian dollars except where noted)

Income and mining tax temporary differences – not recognized

Management believes that it is not probable that sufficient taxable profit will be available in future years to allow the benefit of the following deductible temporary differences:

	December 31 2020	December 31 2019
Resource properties	$ 67,851	$ 74,662
Non-capital loss carry forwards	65,799	41,743
Share issue costs	3,536	3,553
Derivatives and other	42,804	24,409
Deferred income tax assets not recognized	$ 179,990	$ 144,367

Tax loss carry-forwards

The Company has accumulated non-capital losses of $76.3 million which may be deducted in the calculation of taxable income for income tax in future years. The losses expire as follows:

Year of expiry	Amount Expiring
2025 - 2033	$ 6,107
2034 - 2037	12,854
2038	22,818
2039	12,879
2040	21,616
	$ 76,274

21. LOSS PER SHARE

	December 31 2020	December 31 2019
Loss attributable to common shareholders	(40,179)	(61,581)
Weighted average shares outstanding - basic and fully diluted	821,234,351	631,193,264
Loss per share - basic and fully diluted	$ (0.049)	$ (0.098)

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.

22. RELATED PARTY TRANSACTIONS

Appian is a related party to the Company. Appian is a related party as a result of its 23.0% ownership interest in Harte Gold's shares as at December 31, 2020 and Appian's right to appoint two directors to the Company's board. Affiliates of Appian own an additional 2.3% of the Company's shares at December 31, 2020. The Company has entered into several funding transactions with Appian (refer to note 10).

Transactions, other than the funding transactions, with the related party were in the normal course of operations and were measured at the exchange amount. The transactions include gold sales, royalty payments, and services provided by Appian or its affiliates to support the Company's corporate development function and project management function. Amounts due to related parties pursuant to these transactions are unsecured, non-interest bearing and due on demand. These are settled on a regular basis. For the year ended December 31, 2020, the Company included $0.3 million (2019

(Expressed in thousands of Canadian dollars except where noted)

- $nil) of costs for these transactions in General and Administrative Expenses. At December 31, 2020, the Company owed the related party $0.3 million (2019 - $nil) and has included this amount in accounts payable and accrued liabilities.

For the year ended December 31, 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:

		December 31 2020		December 31 2019
Management, consulting and director fees	**$**	**3,395**	$	1,935
Stock based compensation				
- expensed to the Statement of Operations and Comprehensive Loss		**1,252**		3,211
	$	**4,647**	$	5,146

23. FINANCIAL INSTRUMENTS

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

December 31, 2020	**Level**		**Amortized cost**		**FVTPL**
Financial assets					
Cash and cash equivalents	1	$	8,248	$	-
Restricted cash	1		1,324		
Receivables (excluding HST receivable)	1		3,437		-
Financial liabilities					
Acounts payable and accrued liabilities	1		14,727		-
Short-term debt	2		26,427		-
Long-term debt	2		92,144		-
Derivative financial instruments	2		-		45,522

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 and European 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 are 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 December 31, 2020, the Company had cash and cash equivalents of $8.2 million (2019: $2.1 million) to settle accounts payable and accrued liabilities of $15.1 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 December 31, 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 (refer to 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 $0.9 million for the year ended December 31, 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 instruments outstanding which are denominated in US dollars. In respect of its exposure on debts outstanding, a $0.01 increase or decrease in the Canadian dollar exchange rate would have a +/- $0.8 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 was

(Expressed in thousands of Canadian dollars except where noted)

structured as gold swaps, maturing in the first half of 2024. The floor price of the gold collars has been set at US$1,300 per ounce with varying ceiling prices of the collars ranging from US$1,391 per ounce to US$1,399 per ounce.

A US$10 per ounce change in the average price of gold in 2020 would have affected revenues by approximately $0.3 million.

24. CAPITAL MANAGEMENT

The Company's objectives when managing capital, defined as total 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.

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.

	December 31 2020	December 31 2019
Equity	**$ (37,100)**	$ (18,173)
Debt	**118,571**	89,983
	$ 81,471	$ 71,810

25. COMMITMENTS

The Company has a commitment under a site access agreement to pay $0.1 million per annum, subject to a cumulative maximum of $0.5 million. Payments of $0.1 million has been made up to December 31, 2020.

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 (refer to note 12).

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).

26. SUBSEQUENT EVENTS

New Gold Strategic Investment

On March 24, 2021, Harte Gold completed a private placement offering of 154,940,153 common shares to New Gold at a price of $0.16 per common share for gross proceeds of $24.8 million.

Following completion of the Strategic Investment, New Gold beneficially owned approximately 14.9% of the issued and outstanding common shares of Harte Gold.

Pursuant to the terms of an investor rights agreement entered into in conjunction with the Strategic Investment, as long as New Gold holds not less than 10% of the Company's issued and outstanding common shares:

- Commencing at Harte Gold's 2022 annual meeting of shareholders, New Gold will have the right to nominate one director to the Company's board of directors (the "Board"). In the event the Board increases in size to nine or more directors, New Gold will have the right to nominate an additional director;
- New Gold's nominee will be provided an observer right to the Board's Health, Safety, Environmental and Technical Committee; and
- New Gold will have the right to participate in future equity financings to maintain its 14.9% interest.

In exchange for waiving the (i) right to receive up to 35% of the net proceeds of the Strategic Investment for debt repayment under the Appian Debt Facility; and (ii) participation right under the November 23, 2016 Subscription Agreement, the Company granted to Appian a deferred participation warrant that will allow it to acquire up to 55,802,812 common shares at $0.18 per share for a period of 15 months following the closing of the Strategic Investment (the "Appian Deferred Participation Warrant"). The Appian Deferred Participation Warrant is not exercisable by Appian, subject to certain exceptions, for a period of 12 months following the closing of the Strategic Investment. New Gold was also granted a warrant (the "New Gold Warrant") which provides New Gold with the right, subject to Appian exercising the Appian Deferred Participation Warrant, to acquire up to 8,314,619 additional Common Shares at $0.18 per Common Share in order to maintain its pro rata interest in the Company.

The Strategic Investment was announced on March 18, 2021 and closed on March 24, 2021 after receipt of all required regulatory and other approvals, including the approval of the Toronto Stock Exchange and the securities regulatory authorities.