# Harte Gold – The good and the bad news with this great potential high-grade gold producer

## Investors patience has definitely been tested with the slow ramp and high AISCs of gold production from January 2019 until now, and again recently with the COVID-19 mine closure since the end of March 2020.

Harte Gold Corp. (TSX: HRT) is a relatively new gold producer with its primary focus on its 100% owned Sugar Zone property 24 km north of White River, Ontario, Canada. Exploration on the Sugar Zone property includes 83,850 hectares encompassing a significant greenstone belt with a 35 kilometre strike length.

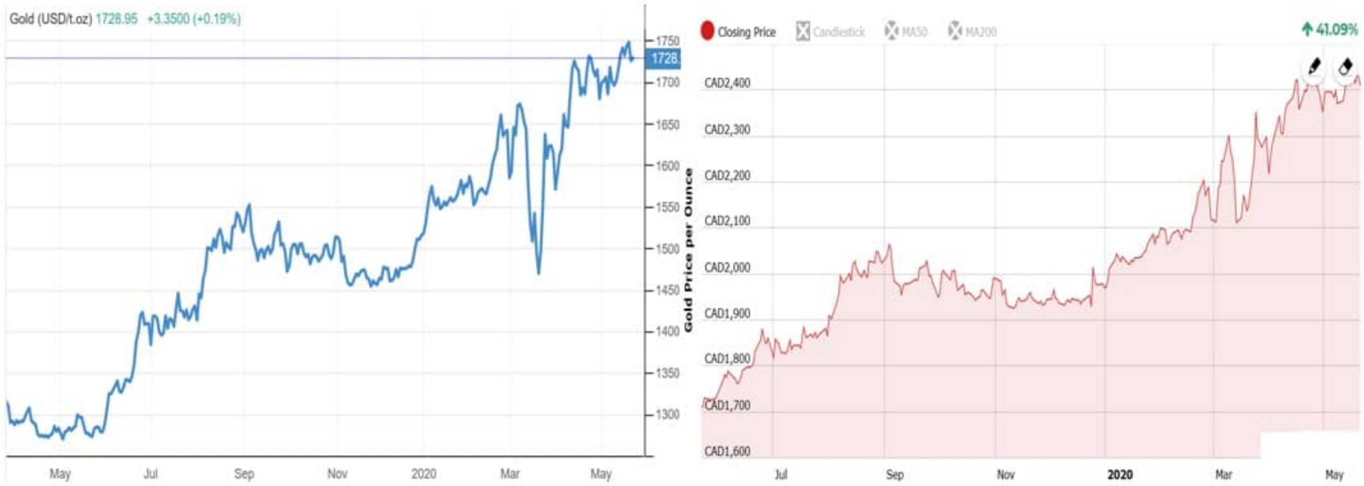
The property has huge exploration upside with ~90% yet to be explored. The 10% explored has already found 1.67 million gold ounces in the Indicated and Inferred categories. Harte Gold's Sugar Zone property has a M&I Resource estimate of 1.1 Moz contained Au @ 8.1 g/t, and Inferred Resource of 558 koz contained Au @ 5.8 g/t.

Gold production began in January 2019 but there has been some ramp up problems resulting in lower production and higher costs, which helps explain the current low stock price.

**The Good news**

The good news for Harte Gold right now is the high gold prices, especially when converted to CAD. In fact gold is currently trading at USD 1,728, which equates to CAD 2,410. The CAD gold price is up 41.09% over the past one year.

**USD gold price (now US$1,728) and CAD gold price (now $2,410) 1 year price chart**




The other good news is that Harte's gold production (prior to the COVID-19 stoppage) was trending higher. Gold production for the three months ended March 31, 2020 ("Q1") totaled 8,597 ounces, the highest quarterly production result to-date. Q1 production was 7% higher than Q4, 2019, and 42% higher than Q3 2019. Once back into full production the mine should be on track for a minimum run rate of 35,000 ounces pa, which should ramp steadily towards a 60,000 ounces pa run rate in 2021.

Combine rising gold production, reducing AISC's and we should start to see some profits later in 2020 or early 2021, assuming gold prices hold, and the mine reopens soon. As economies of scale kick in 2021 should be a significantly better year for Harte Gold.

Other good news was the December 2019 discovery of high grade gold that showed initial sampling returned grades of up to 247 g/t. This potential new high grade gold zone (the TT8 Discovery) is approximately 17 km southeast of the Sugar Zone

Mine in an area previously mapped by OGS geologists as granite and not known to host gold mineralization. The TT8 Discovery is believed to be an extension of an existing known greenstone belt to the east. The Company reported that “17 chip samples across a 40 metre strike extent have returned gold values from 11.1 g/t to 247.0 g/t Au.”

**Q1 2020 performance – Increased gold production, reduced costs, improved grades**

| *Figures in C$ 000* | Q1 2020 Performance | *Improvement Over Q1 2019* | *Improvement Over Q4 2019* |
|---|---|---|---|
| Ore processed (tonnes) | 51,705 | *35%* ✓ | |
| Head grade (g/t) | 5.50 | *13%* ✓ | *9%* ✓ |
| Gold ounces produced | 8,597 | *57%* ✓ | *7%* ✓ |
| | | ✓ | ✓ |
| Key Financial Data (000 $) | | | |
| Net revenues | 15,667 | *93%* ✓ | *1%* ✓ |
| Mine EBITDA[1] | 3,891 | | *104%* ✓ |
| | | | |
| Cost Statistics (in dollars) | | | |
| Cash Cost (US$/oz)[1] | 1,133 | *27% lower* ↓ | *7% lower* ↓ |
| AISC (US$/oz)[1] | 1,951 | *20% lower* ↓ | *4% lower* ↓ |


**The bad news**

The bad news for investors is that the stock price has fallen over the past year as the company has struggled to yet meet previous Feasibility Study targets for production and costs. AISCs in Q1 were still too high at USD 1,951/oz, despite falling 20% YoY (and 4% QoQ). Production whilst improving is well below the previous 60,000 ounces pa target.

The other bad news is the mine had to close due to COVID-19 at the end of March 2020. This will mean Q2 production will be negatively impacted. Harte Gold has stated:

“The Company is in constant review of the situation and will make a decision on restart in due course. Detailed planning is underway that will allow the Company to mobilize and resume operations in an efficient manner once the decision to restart is made. Higher grade stope material expected later this year should have a positive impact on gold production. Further guidance will be provided once detailed planning is complete."

**Wrap up**

Investors patience has definitely been tested with the slow ramp and high AISCs of gold production from January 2019 until now, and again recently with the COVID-19 mine closure since the end of March 2020. The May 2020 announcement that BNP Paribas has agreed to defer debt payments removes any short-term liquidity concerns.

Despite a very testing start the fact remains the Sugar Mine and property has enormous potential. Grades are improving and get higher as they go deeper, with the average grade of the M&I Resource at 8.1 g/t, compared to the Q1 2020 mined grades of 5.5 g/t. Put another way, grades should steadily improve another 47% only to reach the average 8.1 g/t level. Combine this increased grade over the next few years with growing production to meet the mill's capacity of 60,000 ounces pa, then AISCs should have dropped very significantly towards the forecast AISC of US$845 in the April 2019 Feasibility Study. The December 2019 new high-grade gold discovery reminds investors again of the huge exploration potential across the vast 83,850 hectares Sugar Zone Property.

It appears that investors will still need some more patience in 2020; however with an experienced new management and operations team Q1 2020 has shown they are slowly turning things around. Q2 results will be poor due to the COVID-19 shutdown, but H2 2020, and 2021 should see great improvements.