

A gold turnaround worth watching...

Harte Gold started out well in H1 2019 however by H2 2019 they adjusted their 2019 production guidance lower and their AISC's ballooned. The stock fell 50% as a result, and a new CEO (Sam Coetzer) and Chief Operating Officer (Martin Raffield) were hired in November 2019.

Harte Gold Corp. (TSX: HRT) is a junior gold producer from their massive 79,335 hectares Sugar Zone property in White River Ontario, Canada.

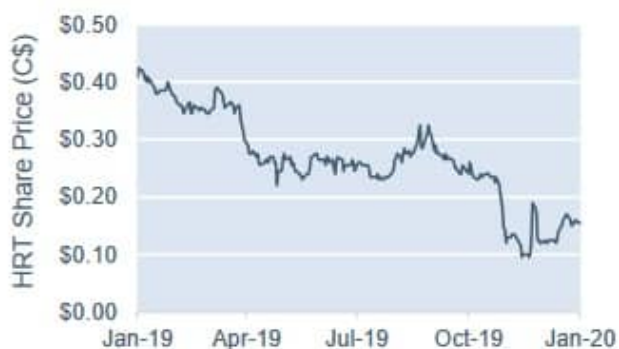
Harte Gold has a NI 43-101 Indicated Mineral Resource of 4,243,000 tonnes grading 8.12 g/t Au with 1,108,000 ounces contained gold, and an Inferred Mineral Resource of 2,954,000 tonnes grading 5.88 g/t Au with 558,000 ounces contained gold.

Harte Gold Company snapshot

» Corporate Overview

As at January 31, 2020

Headquartered	Toronto, Canada
Market Cap	\$120 M (\$0.18/sh)
Shares Outstanding	677 M (basic) 757 M (fully diluted)
Markets	TSX: HRT Frankfurt: H40 OTCBB: HRTFF
Analyst Coverage	Haywood (Buy) Echelon (Following)



» Sugar Zone Mine Property¹

Ownership	100% Harte Gold
P+P Au Reserves	890 koz @ 7.1 g/t
M+I Au Resources	1.1 Moz @ 8.1 g/t
Inferred Au Resources	558 koz @ 5.8 g/t
Processing Plant	800 – 900 tpd
Mining Type	Longhole stoping (underground)
2020E Guidance:	
Production	42,000 – 48,000 oz
Cash Cost²	US\$900 – US\$1,100
AISC²	US\$1,475 – US\$1,650
Long Term Potential	65,000 – 70,000 oz

Source

How is the Harte Gold turnaround progressing?

To date, the swift management changes of 2019 appear to be working. Three key measures highlight this:

- Q4, 2019 gold production was 8,017 ounces, the highest quarterly result to-date and a 32% increase over Q3, 2019.
- Total gold production for 2019 was 27,316 ounces, exceeding the revised guidance range of 24,000 to 26,000 ounces.
- Grade appears to be trending higher in December relative to previous months.

We will need to wait and see a few more quarter's results in 2020 before we can definitely call the turnaround a success, but certainly, the new trend is an improvement. Also, investors should keep in mind that the higher grades at depth take some time to reach.

2020 guidance

Harte Gold's full-year 2020 guidance is:

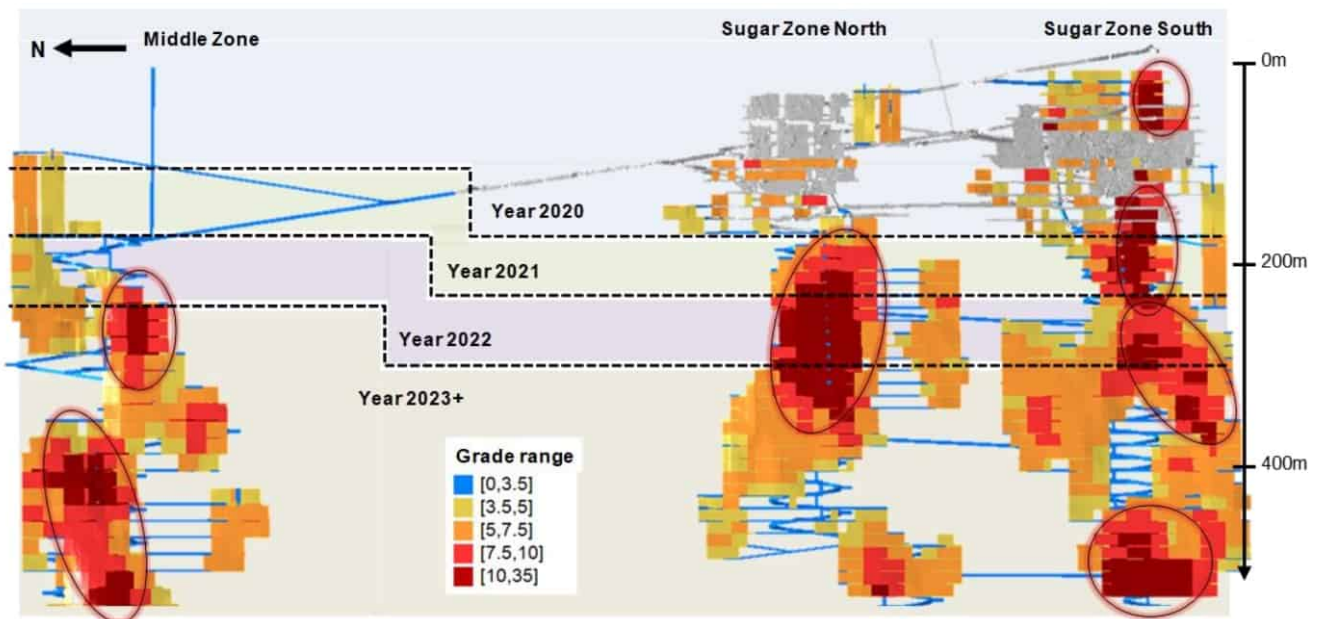
- 42,000–48,000 ounces of gold production (an increase of 54% to 76% over 2019 production).
- US\$900–US\$1,100 per ounce cash operating costs.
- US\$1,475–US\$1,650 per ounce All-In Sustaining Cost (“AISC”).

Given the current gold price of US\$1,587 then AISC's of US\$1,475 –US\$1,650 still look to be too high. The AISC of US\$845 in the April 2019 Feasibility Study is still a way off. Of course, as they mine deeper and grade improves, combined with larger volumes, efficiencies of scale should see Harte Gold in a better position by end 2020, and even better each year thereafter (see chart below). Sugar Zone North looks to be very promising in later 2021, 2022, and 2023.

The Company states: “After 2020, production growth is expected to continue as higher-grade areas of the mine become accessible. While mined tonnages are consistent in 2021 and 2022, the average grade of areas mined in those years is expected to improve.”

Harte Gold model showing mined gold grades will increase in 2021, 2022, and 2023+

Longitudinal Section: Grade Profile Segmented By Year



Source

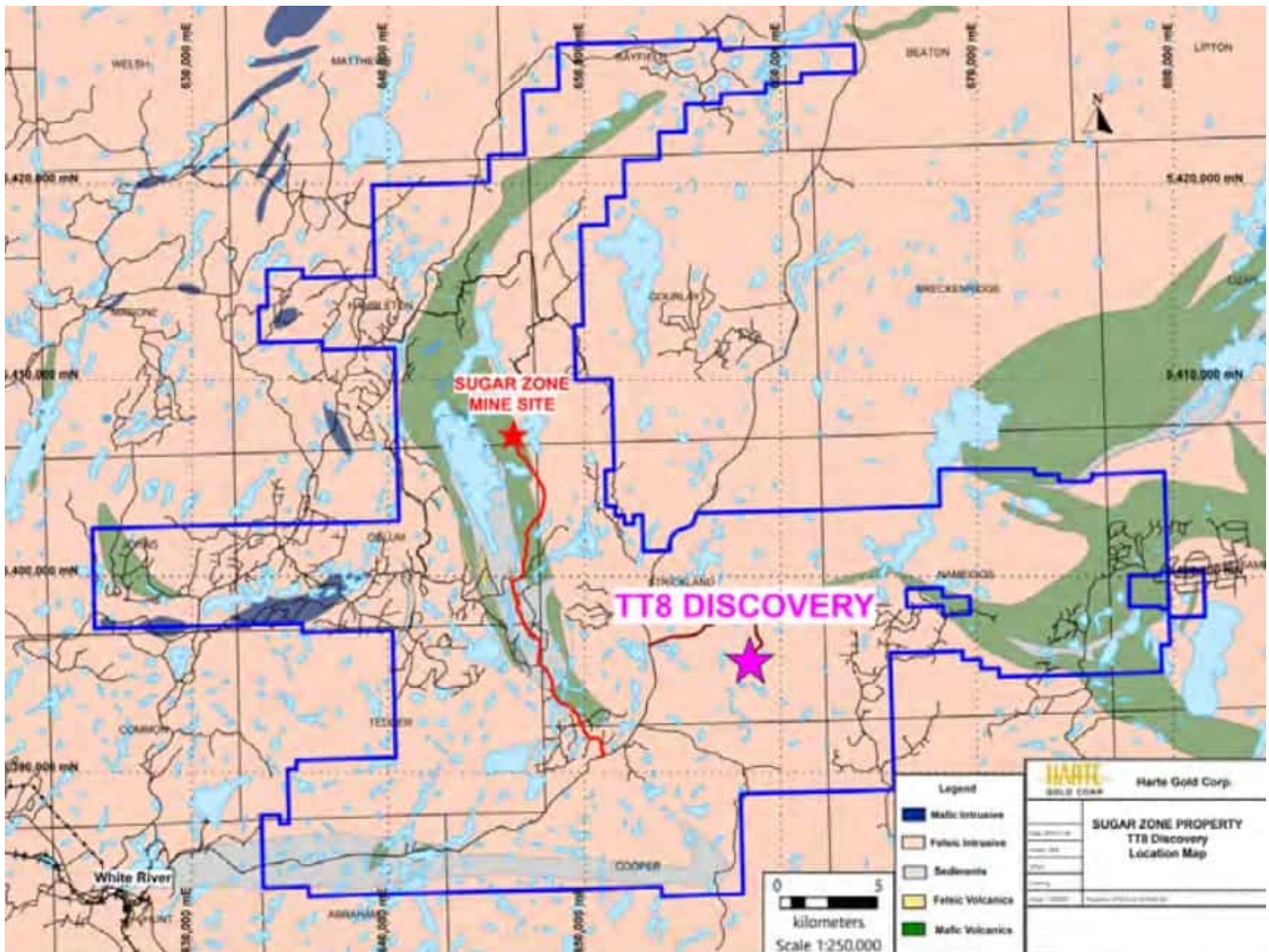
Harte Gold is now drilling at their new TT8 discovery

Drilling is underway at the TT8 discovery, approximately 17 Km southeast of the Sugar Zone Mine. The TT8 Discovery is believed to be an extension of an existing known greenstone belt to the east. Drilling will test the down dip potential of the mineralized outcrop. Drill results will be provided as they become available.

Back in December 2019, Harte announced the new discovery stating: "17 chip samples across a 40-metre strike extent have returned gold values from 11.1 g/t to 247.0 g/t Au."

Sam Coetzer, President and CEO, commented: "We see this as very positive news, confirming the prospective potential of the overall Harte Gold land package. The TT8 Discovery will now form the primary focus of the company's exploration plan. Our strategy is to find additional feed sources for our processing facility and this target potentially fits this goal. I am very excited and believe our exploration team have the ability to unlock significant further value from our overall property."

Location of the TT8 discovery



Harte Gold further strengthens management

On January 28 Harte Gold announced the appointment of Dan Gagnon, Mine General Manager, Sugar Zone Mine. The announcement stated: "Mr. Gagnon brings to Harte Gold over 30 years of experience in geology and general management from a wide range of operations across Canada."

The Company has also hired Christopher McCann as Director of Technical Services, a new position within the Company with the primary focus on engineering design, scheduling and planning capabilities.

On February 12 Harte Gold announced further management changes with the appointment of Graham du Preez as Executive Vice President and Chief Financial Officer. The announcement stated: "Mr. du Preez is a senior executive with more than 20

years of finance experience, including leadership roles in a complex, publicly-traded, international mining company as well as junior mining companies.”

Closing remarks

The Harte Gold turnaround has begun but is by no means complete. At the Sugar Zone Mine new management have reduced costs and increased production, but still have some way to go.

When combining the above with the new TT8 discovery and its potential to feed further gold and the additional experienced management, I would say the turnaround looks likely to continue in 2020. Provided the gold price stays strong and Harte can continue to reduce costs and increase production in 2020, then by 2021 Harte should be in a much stronger position. Some nice high-grade drill results from the new TT8 discovery would also be very useful.

Harte Gold has a current market cap of C\$98 million, and an analyst’s consensus target price of C\$0.25 representing 72% upside.