Harte Gold Announces Financing Package to Permit Mine Restart

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TORONTO, July 01, 2020 - Harte Gold Corp. (“Harte Gold” or the “Company”) (TSX: HRT / OTC: HRTFF / Frankfurt: H4O) is pleased to announce that it has entered into a binding term sheet with Appian Capital Advisory LLP (“Appian”) for up to US$30 million (~C$40,884,000) in financing (the “Proposed Transaction”), subject to receipt of approval from the Toronto Stock Exchange (the “Exchange”). Proceeds of the financing will be used to facilitate a restart of the Sugar Zone mining operation in July 2020.

The Proposed Transaction is comprised of:

(a) a private placement of 9,500,000 Series B special shares (the “Special Shares”) of the Company at a price of US$1.00 per Special Share (the “Offering Price”) for aggregate gross proceeds of US$9,500,000 (the “Private Placement”);

(b) a US$18.5 million non-revolving credit facility (the “Credit Facility”); and

(c) a grant of a 0.5% net smelter return royalty in consideration of US$2 million (the “0.5% NSR”).

The Proposed Transaction has been negotiated on an arm’s-length basis and represents the culmination of a review of financing and capital structure alternatives by a special committee (the “Special Committee”) of independent members of the board of directors (the “Board”) of the Company and, in the view of the Company, will provide the Company with a funded solution for mine restart, a return to 800 tpd capacity and a pathway to 1,200 tpd capacity as well as enhanced exploration efforts.

“This Proposed Transaction represents the completion of our review process. Given the Company’s current financial condition, the Proposed Transaction provides the best financing alternative available to the Company, limiting up-front dilution, providing sufficient funding to cover cash flow and capital requirements on start-up and allowing for immediate capital to accelerate the restart of operations,” said Joseph Conway, Chair of the Board of Harte Gold and Chair of the Special Committee.

The Company has applied to the Exchange to list the Common Shares to be issued pursuant to the Proposed Transaction for trading on the Exchange and closing of the Proposed Transaction is conditional upon receipt of such approval.

RESTART OF SUGAR ZONE MINE AND OTHER INITIATIVES

The Proposed Transaction will, subject to receipt of approval from the Exchange and other closing and drawdown conditions, provide the Company with the funds required to restart the Sugar Zone Mine operation in mid-July and allow Harte Gold to carry out several initiatives that are already well underway.

- *Restart and Return to 800 tpd*
  A phased restart approach has been established and will start with backfill and select mining operations. Mill operations would resume in late July once a sufficient stockpile is developed.

  The Company believes approximately C$35 million (~US$25.7 million) is required to return the mine to 800 tpd, the details of which are as follows:
  -- C$18 million significantly reduces accounts payable and provides enough liquidity for mine restart;
  -- C$10 million for mine development;
  -- C$5 million for capital projects and surface infrastructure; and
  -- C$2 million for additional exploration.

- *18-Month Guidance*
  With detailed 18-month planning now complete, the Company is targeting the following production levels upon mine restart:
  -- 2020 production: 20,000 to 24,000 ounces Au
  -- 2021 production: 60,000 to 65,000 ounces Au

  The Company’s previous guidance for 2020 of 42,000 to 48,000 ounces Au was placed under review following initiatives in response to COVID-19 (see press release dated March 30, 2020) and at this time the Company is withdrawing previous guidance provided to the market.

  For 2021, the Company would expect to see significant production growth over 2019 and 2020 production levels, resulting from entering into higher grade zones, higher mine production and improving mine development rates.

  The Company would expect to use paste backfill in 2021 to improve mining efficiency and increase overall flexibility. In 2021, 800 tpd throughput would be achieved from the Sugar Zone North and South zones only, indicating potential growth through the addition of the Middle Zone.

  The Company is not providing Cash Cost and AISC guidance for 2020 as start-up costs and accelerated development incurred over this period are not indicative of continued operating performance.

  For 2021, Cash Cost and AISC would be expected to decline as operations stabilize and higher-grade material is brought into the mining plan. The Company would target a Cash Cost of US$800 to US$900 per ounce and AISC of US$1,100 to US$1,300 per ounce.

- *Transition to Owner-Operator Mining*
  A transition from contract mining to owner-operator has been arranged and depends upon the Company proceeding with the Proposed Transaction. The benefits to the Company include:
  -- Lower mining cost per tonne;
  -- Increased efficiencies in management of mining fleet;
  -- Day-to-day flexibility in mine scheduling and execution;
  -- Integration of underground workforce establishing one team focused on results; and
  -- Long-term sustainability of mine operations.

  The transition to owner-operator would be executed over a three-month period that the Company anticipates, assuming the Proposed Transaction proceeds, would be completed by Q4 2020.

- *1,200 tpd Feasibility Study*
  Combined production from the Sugar and Middle Zones is expected to provide sufficient throughput to achieve 1,200 tpd. The Company intends to undertake the preparation of a feasibility study to focus on mine planning and scheduling to achieve 1,200 tpd, processing facility upgrades, paste backfill implementation, surface infrastructure and tailings management review.

- *Exploration*
  Summer prospecting at TT8 Zone would commence on restart of operations. Based on drilling and geophysics work completed to-date, the Company has identified target areas for prospecting which depend upon the Proposed Transaction proceeding. The drilling of near-mine exploration targets would commence in Q4.

DETAILS OF THE PRIVATE PLACEMENT OF SPECIAL SHARES

Closing Date
Harte Gold proposes to issue, through the Private Placement, 9,500,000 Special Shares at the Offering

Price, on or about July 9, 2020 (the “Initial Closing Date”) (and in any event no earlier than July 8, 2020), subject to, among other conditions, satisfactory approval of the Exchange, agreement on governance and reporting matters, satisfactory definitive documentation, and other customary closing conditions.

Appian as Subscriber
ANR Investments 2 B.V. (“ANR 2”) would be the sole subscriber under the Private Placement. ANR Investments B.V. (“ANR”), an insider of the Company, currently beneficially owns, directs or controls 206,716,334 Common Shares or approximately 24.4% of the issued and outstanding Common Shares of the Company. ANR and ANR 2 are owned by investment funds advised by Appian.

Key Terms of Special Share
The key terms of the Special Shares, which will be non-voting and transferrable, are set out below:

Conversion – The Special Shares are convertible into either (a) the Credit Facility or (b) Common Shares of the Company:

(a) Convertible into Credit Facility - The Special Shares would automatically convert into an incremental US$9.5 million under the Credit Facility (“Automatic Conversion”) on satisfactory consent, security and intercreditor agreements with the Company’s secured lender, BNP Paribas (“BNP”), acting reasonably (the “BNP Consent”), and satisfaction of the closing conditions under the Credit Facility.

(b) Convertible into Common Shares - The Special Shares would entitle the holder thereof, at its election at any time and from time to time after the earlier of (i) August 30, 2020 if the Company does not obtain the BNP Consent on or before August 29, 2020, and (ii) an Event of Default (as defined in the Term Sheet), to convert, in whole or in part, the Special Shares into common shares of the Company (each, a “Common Share”) based on a ratio equal to 115% of the conversion amount of US$1.00 per Special Share (the “Conversion Amount”) (plus any unpaid dividends) divided by the five-day volume-weighted average price (“VWAP”) of the Common Shares on the Exchange at the time of the election to convert.

Payment of Dividends - Each Special Share would also be entitled to dividends equal to 14% per annum, calculated and paid monthly, provided that (i) if the Company did not obtain the BNP Consent on or before August 29, 2020, such dividend would be increased by 5% per annum and (ii) if an Event of Default occurs, such dividend would be increased by an additional 5% per annum (“Dividends”). Dividends on Special Shares would be payable in the form of Common Shares issued at the five-day VWAP on the monthly dividend payment date or C$0.1173 (being the five-day VWAP as of the date hereof), whichever is lower, provided that the holders of Special Shares would be entitled, at their election at any time and from time to time, to capitalize, in whole or in part, Dividends on Special Shares.

Priority - Each Special Share would also be entitled to payment of the Conversion Amount (plus any unpaid Dividends) in priority to Common Shares in the event of the liquidation, dissolution or winding up of the Company and will be retractable, in whole or in part, for the Conversion Amount per Special Share if Harte does not obtain the BNP Consent on or before August 29, 2020.

Change of Control – The Special Shares would entitle the holder thereof, at its election at any time from time to time after the announcement of an offer or transaction for a change of control of the Company, to convert, in whole or in part, the Special Shares into Common Shares based on a ratio equal to 110% of the Conversion Amount (plus any unpaid dividends) per Special Share divided by the lower of the five-day or thirty-day VWAP on the trading day prior to such announcement.

Use of Proceeds
The proceeds from the Private Placement would be used to fund working capital needs, the restart of the Sugar Zone Mine, and general corporate purposes as well as to pay US$529,065 owing to Appian in respect of amounts outstanding under existing Appian NSR and historic unpaid Appian deal expenses.

Arrangement Fee and Warrants
In connection with the Proposed Transaction, on the Initial Closing Date, the Company would arrange for:

(a) the payment to ANR 2 of an upfront arrangement fee of US$600,000 (representing 2.0% of the full amount of the funding, US$30 million, to be provided by ANR 2 under the Proposed Transaction) payable in the form of Common Shares, priced at C$0.1173 (being the five-day VWAP as of the date hereof) (the “Arrangement Fee”); and

(b) the issuance to ANR 2 of 7,500,000 purchase warrants to acquire Common Share, exercisable at C$0.1349 (representing a 15% premium to the five-day VWAP of C$0.1173 as of the date hereof), to expire five-years from the date of their issuance (the “Warrants”).

Offtake Agreement
Appian and Harte would also enter into an offtake agreement, on the Initial Closing Date, on the same terms and conditions as the original offtake agreement (as amended and except for the repurchase right) entered into between Appian and Harte, pursuant to which Appian would be granted an 18.5% offtake of total Refined Gold (as defined in the original offtake agreement (as amended)) produced from the Sugar Zone properties until 500,000 ounces of Refined Gold are delivered. Harte may repurchase 100% of the gold offtake (representing 30% of Harte’s total Refined Gold) at any time between January 1, 2021 and December 31, 2021 at a price per ounce of remaining gold to be produced equal to the average net realized price received by Appian (i.e. Appian sale price per ounce less purchase price per ounce paid to Harte) over the period from the Initial Closing Date to the exercise of the option.

Potential Dilution to Shareholders
The Company currently has 846,207,227 issued and outstanding Common Shares.

Assuming completion in full of the Private Placement (and assuming for illustrative purposes that the Automatic Conversion occurs on or before August 29, 2020), Appian would beneficially own, or exercise control or direction, over an additional approximately 17,046,184 Common Shares, representing 2.0% of the issued and outstanding Common Shares of the Company (assuming a VWAP of C$0.1173 and CAD/USD of 0.7338). As a result, Appian would beneficially own, or exercise control or direction, over approximately 223,762,518 Common Shares, representing 25.9% of the issued and outstanding Common Shares *pro forma*.

For illustrative purposes, assuming a VWAP of C$0.1173 and CAD/USD of 0.7338, up to 143,973,635 Common Shares of the Company could be issuable in connection with the Private Placement (including in respect of the Arrangement Fee and the Warrants), representing approximately 17.0% of the currently issued and outstanding Common Shares. The table below indicates the Common Shares issuable to ANR 2: (a) upon the full conversion of its Special Shares, (b) in respect of the payment of Dividends; (c) upon the payment of the Arrangement Fee, and (d) upon the full exercise of the Warrants, and, in each case, the approximate percentage that such number of Common Shares represents as a percentage of the issued and outstanding Common Shares:

A.	*Common Shares issuable to ANR 2 upon full conversion of the Special Shares (or % of the Common Shares)*	126,927,4 (or 15.0%
B.	*Common Shares issuable to ANR 2 in respect of Dividends (or % of the Common Shares)[2]*	2,575,340 (or 0.3%)
C.	*Common Shares issuable to ANR 2 upon the payment of the Arrangement Fee (or % of the Common Shares)[3]*	6,970,844 (or 0.8%)
D.	*Common Shares issuable to ANR 2 upon the full exercise of the Warrants (or % of the Common Shares)*	7,500,000 (or 0.9%)
	Total Common Shares issuable (A+B+C+D) [4]	143,973,6 (or 17.0%

Notes to assumptions:

1. *Conversion into Common Shares at Conversion Amount based on Harte Gold’s five-day VWAP (“Harte Gold Five-Day VWAP”) of C$0.1173 as at June 30, 2020 and CAD/USD 0.7338.*
2. *Calculated at two months dividend payments to August 30, 2020, at which time ANR 2 elects to convert, using Harte Gold Five-Day VWAP of C$0.1173 and CAD/USD 0.7338.*
3. *Arrangement Fee of US$600,000 converted using Harte Gold Five-Day VWAP of C$0.1173 and CAD/USD 0.7338.*
4. *A +/-20% change in Harte Gold Five-Day VWAP of C$0.1173 results in an approximately 15.8%/18.9% change in Common Shares issuable.*

DETAILS OF THE CREDIT FACILITY

Closing Date
Subject to the approval of the Exchange, the Company proposes to enter into the Credit Facility with ANR 2

(or an affiliate thereof as may be designated by ANR 2) in the principal amount of US$18.5 million (plus US$9.5 million upon the Automatic Conversion of the Special Shares on the closing date of the Credit Facility, which is expected to take place on or before August 29, 2020 (the “Final Closing Date”)), subject to, among other conditions, satisfactory approval of the Exchange, satisfactory consent, security and intercreditor arrangements with BNP, acting reasonably, satisfactory definitive documentation, and other customary closing conditions.

Key Terms of Credit Facility

Maturity Date - The Credit Facility would have a maturity date of June 30, 2023 (the “Maturity Date”)

Interest Rate – The Credit Facility would bear interest at the rate of 14% per annum, calculated and paid monthly, provided: (a) until the Maturity Date or an Event of Default (as defined in the Term Sheet), interest would be paid in common shares of the Company to be issued at a five-day VWAP on monthly interest payment date or C$0.1173 (being the five-day VWAP as of the date hereof), whichever is lower; (b) upon an Event of Default, the interest rate would be increased by 5%; and (c) upon a breach of an Operational Requirement (as defined in the Term Sheet), the interest rate would be increased by (i) 4% if such breach was outstanding for 90 days or less or (ii) 8% if such breach was outstanding for greater than 90 days. For avoidance of doubt, the maximum total increase to the interest rate under any of the above points would be 8%. If an Event of Default occurred and an Operational Requirement was breached then the interest increase to be applied would be the higher amount.

Security and Subordination - The Credit Facility would be secured by way of a fully perfected 2nd lien on all of the Company’s assets to be put in place by the Final Closing Date and would be subordinated to the existing US$72.5 million senior debt facility provided by BNP (the “BNP Facility”) (subject to satisfactory intercreditor arrangements.

Event of Default – The Credit Facility would include customary “Events of Default” including failure to make any payment when required, failure to comply with covenants (other than operational covenants and subject to a short cure period), default under the BNP Facility and insolvency. Following an Event of Default, and subject to the terms of the intercreditor agreement with BNP, if ANR 2 demanded repayment, the Credit Facility would be repayable in cash at 110% of principal (increasing to 115% of principal if paid between July 1, 2021 and June 30, 2022 and further increasing to 130% of principal if paid from and after July 1, 2022) plus accrued interest. Upon an Event of Default or if the Credit Facility was not repaid by June 30, 2023, the Credit Facility would be convertible at any time thereafter at ANR 2’s election in whole or in part at 115% of the then outstanding principal plus accrued interest into Common Shares at a five-day VWAP at the time of the election to convert.

Prepayment – Provided an Event of Default has not occurred and no offer or transaction for change of control of the Company has been announced, the Credit Facility could be prepaid in whole or in part by Harte at: (a) 110% of principal (plus accrued interest) until June 30, 2021; (b) 115% of principal (plus accrued interest) if prepaid between July 1, 2021 and June 30, 2022; or (c) 120% of principal (plus accrued interest) if prepaid between July 1, 2022 and June 30, 2023. In accordance with the foregoing, (i) at ANR 2’s election, 35% of the net proceeds from any equity issuance by Harte (excluding flow through) would be used to mandatorily prepay principal (plus accrued interest) owing under the Facility; (ii) upon a refinancing of the BNP Facility, at ANR 2’s election, 50% monthly cash sweep would commence immediately to mandatorily prepay principal (plus accrued interest) owing under the Facility; and (iii) upon an Event of Default, at ANR 2’s election, 25% monthly cash sweep would commence immediately to mandatorily prepay principal (plus accrued interest) owing under the Credit Facility (subordinated to the BNP Facility).

Change of Control – The Credit Facility would entitle ANR 2, at its election, upon the announcement of an offer or transaction for a change of control of the Company, to convert, in whole or in part, the Credit Facility into Common Shares based at 110% of the principal outstanding (plus accrued interest) at the lower of the five-day or thirty-day VWAP on the trading day prior to such announcement.

Use of Proceeds
The principal amount of the Credit Facility and the proceeds from the 0.5% NSR would be used as follows:

(a) up to US$25 million (including the proceeds from the Private Placement) would be used to support required expenditures under a to be agreed 18-month budget between the Company and ANR 2, including payment on the Final Closing Date of expenses incurred by Appian in connection with the Term Sheet and the transactions contemplated thereby up to the Final Closing Date;

(b) US$2.5 million (which would be available once fully perfected 2nd lien security and satisfactory intercreditor arrangements in place) would be used to support accelerated exploration activities or contingency purposes, any drawdown subject to prior approval of HSET Committee of the Board and Appian; and

(c) US$2.5 million (based on current Credit Facility size and only available once fully perfected 2nd lien security and satisfactory intercreditor arrangements were in place) would be used to partially prepay the BNP Facility.

Potential Dilution to Shareholders
Assuming completion in full of the Private Placement (and assuming for illustrative purposes that the Automatic Conversion occurs on or before August 29, 2020) and assuming repayment in full of the Credit Facility on June 30, 2023 (and assuming for illustrative purposes the issuance of Interest Payments), Appian would beneficially own, or exercise control or direction over, an additional approximately 146,084,251 Common Shares, representing 17.3% of the issued and outstanding Common Shares of the Company (assuming a VWAP of C$0.1173 and CAD/USD of 0.7338).

The table below indicates the Common Shares issuable to ANR 2: (a) in payment of interest owing under the Credit Facility (“Interest Payments”); (b) upon the potential full conversion of the Credit Facility upon an Event of Default or if the Credit Facility is not repaid by June 30, 2023 (“EOD / Non-Repayment Conversion”); and (c) upon the potential full conversion of the Credit Facility upon the announcement of an offer or transaction for a change of control of the Company (“Change of Control”); and, in each case, the approximate percentage that such number of Common Shares represents as a percentage of the issued and outstanding Common Shares:

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E.	*Common Shares issuable to ANR 2 in respect of Interest Payments (or % of the Common Shares)[1]*	129,038 (or 15.2
F.	*Common Shares issuable to ANR 2 in respect of EOD / Non-Repayment Conversion (or % of the Common Shares)[2]*	374,101 (or 44.2
	Total Common Shares Issued in Relation to Credit Facility (E+F)	503,140 (or 59.5
	Total Common Shares Issued in Relation to Credit Facility and Private Placement (B+C+D+E+F) [4]	520,186 (or 61.5

Notes to assumptions:

1. *Monthly interest of 14% to Maturity Date (34 months), converted at Harte Gold Five-Day VWAP of C$0.1173 and CAD/USD 0.7338.*
2. *EOD / Non-Repayment Conversion into Common Shares at Maturity Date, Conversion Amount 115% converted at Harte Gold Five-Day VWAP of C$0.1173 and CAD/USD 0.7338. Assumes the share price is unchanged throughout the term of the facility.*
3. *Change of Control Conversion Amount 110% converted at Harte Gold Five-Day VWAP of C$0.1173 and CAD/USD 0.7338.*
4. *A +/-20% change in Harte Gold Five-Day VWAP of C$0.1173 results in an approximately 16.4%/19.7% change in Common Shares issuable.*

0.5% NSR

On the Final Closing Date, ANR 2 (or an affiliate thereof as may be designated by ANR 2) would have the right to acquire a 0.5% NSR on the entire Sugar Zone Property from the Company, on similar terms as the existing 1.5% NSR with Appian, in exchange for payment by ANR 2 of US$2.0 million.

GOVERNANCE MATTERS

In connection with the Proposed Transaction, the Company has agreed to certain changes to the Board and management. In particular, from the Initial Closing Date, Appian would have the right to appoint one nominee to the Board (increasing the number of Appian-related nominees from two to three directors on the Board, which is comprised of seven directors in total, including the Appian-related nominees). Such nomination right would terminate (and an Appian Board appointee would resign from the Board) on the earlier of: (a) the maturity date of the Credit Facility (if the Credit Facility was repaid in full on that date); and (b) the date on which the Credit Facility was repaid in full if prior to June 30, 2023. As such, at the closing of the Private Placement, Mr. Stephen Roman would resign from the Board and Mr. Igor Gonzales would be appointed to the Board as one of Appian’s nominees. The other two Appian nominees on the Board are Michael W. Scherb and Geoffrey Cohen. The Board at the Initial Closing Date would consist of Joseph Conway (independent Chair), Sam Coetzer (President and CEO), Geoffrey Cohen, James Gallagher, Igor Gonzales, Michael W. Scherb, and Richard Sutcliffe.

Mr. Gonzales is the Chief Operating Officer of the Appian Group. Mr. Gonzales has 35 years of mining industry experience and has led operations globally with several preeminent companies, with a particular focus on Latin America and narrow vein precious metals. Prior to joining Appian, Mr. Gonzales was President and CEO of Sierra Metals, a Latin America focused precious and base metals producer, and before that was Chief Operating Officer at Compa??a de Minas Buenaventura. He spent 15 years with Barrick Gold, most recently as Executive Vice President and COO where he oversaw 28 operations globally and served in various roles with Southern Peru Copper Corporation. He is a Peruvian citizen, holds Bachelor of Science in Chemical Engineering from the University of San Antonio Abad and was a Fulbright Scholar at New Mexico Institute of Mining and Technology where he earned a Master of Science in Extractive Metallurgy.

Further, the Nominating, Compensation and Governance Committee of the Company would also recommend to the Board a suitable replacement for Richard Sutcliffe, who would resign from the Board once a suitable replacement was been identified (which replacement would be independent of Appian).

BACKGROUND TO THE PROPOSED TRANSACTION

2019 Production Start-up
The Company has faced several challenges since start-up of commercial production at the Sugar Zone Mine on January 1, 2019. However, since making changes to its operating philosophy, including the changes to the Company’s senior management and site management starting at the end of 2019, there had been a significant improvement in key leading indicators over previous months at the Sugar Zone Mine.

COVID-19
To ensure the health and safety of its workforce and the surrounding communities, the Company temporarily suspended operations of the Sugar Zone Mine on March 30, 2020 in response to the threat of novel coronavirus (“COVID-19”). As the Sugar Zone Mine is the Company’s only source of operating income, the suspension of operations has had, and is still having, a severe negative impact on the Company’s financial position and as a result of the Company does not currently have sufficient financial resources to meet the obligations that are expected to arise during the re-start of mining operations at the Sugar Zone Mine.

Special Committee
In an effort to secure funding to facilitate a re-start of the Sugar Zone Mine, management of the Company engaged in discussions with current and prospective shareholders and potential financing providers. While the Company considered M&A and strategic alternatives, it did not appear that such alternatives could be completed in the timeframe required to satisfy liquidity needs and the limited resources of the Company were focused on seeking out a potential financing, which was expected to yield a result.

The Special Committee was formed to independently consider possible financing, capital structure and/or transaction alternatives, including an initial proposed transaction presented by Appian, and to conduct all negotiations on behalf of the Company. The Special Committee formally engaged Scotia Capital Inc. (“Scotiabank”) as its financial advisor to assist in assessing the Proposed Transaction and other alternatives.

Review and Considerations
Notwithstanding the sustained efforts of the Board, the Special Committee and Scotiabank, other than the Proposed Transaction, no other potential or proposed transactions ultimately proved successful or viable. As such, the Board and the Special Committee have been unable to identify any other acceptable financing transaction that is reasonably capable of being executed, or which might otherwise provide the Company with sufficient capital (on commercially acceptable terms) in order to afford management of the Company an opportunity to effectively turnaround the business or realize meaningful value for shareholders.

The Company remains in serious financial difficulty and based upon a review of the Company’s commitments, prospects/options and funding requirements, the Board (other than Michael W. Scherb and Geoffrey Cohen, who abstained from the matter), including the Special Committee, has concluded that the

Proposed Transaction is reasonable and offers the only transaction that the Company can reasonably expect to execute in order to meet the immediate and significant capital needs of the Company.

- The Proposed Transaction provides an opportunity for the Company to limit up-front dilution for existing shareholders at a time of a historically low share price.
- The total amount of funding offered is sufficient to ensure that the Company can generate sufficient operational cashflows to cover capital required to sustain operations at the current design capacity and service the Company’s current debt (provided that the Company reaches an agreement with BNP on amendments to the amortization schedule of its debt).
- The Proposed Transaction also provides for an expedited funding tranche, through the Private Placement, to facilitate a quick restart of the Sugar Zone Mine. A return to normal levels of operations would enable the Company to execute a public equity offering in the future, should the need arise.
- Scotiabank has provided advice to the Special Committee that, considering the Company’s liquidity needs in the current environment and the options available to the Company, the Proposed Transaction is the best financing alternative currently available to the Company.

The Company believes that it does not have adequate time available to seek securityholder approval. The Company is facing a limited opportunity to complete the Proposed Transaction, with no credit facilities or banking facilities available to it to enable it to bridge a period of time between announcement of the Proposed Transaction and a meeting of securityholders of the Company, and with a reasonable expectation that the Company’s current cash reserves would be depleted before securityholder approval can be obtained, which would leave it unable to service its obligations as they become due.

Management of the Company, the Special Committee and the Board each also believe that it is in the Company’s best interest to restart the Sugar Zone Mine as soon as possible in order to maintain its previous workforce, contractors and suppliers at the Sugar Zone Mine. The loss of trained employees familiar with the Company’s operations and experienced contractors and suppliers could have a material adverse impact on the Company’s ability to resume operations at the Sugar Zone Mine and return to profitability.

Given the Company’s current financial situation, in the absence of completion of the Proposed Transaction, its ability to continue operating as a going concern and to meet its obligations as they come due cannot be assured in the short term.
As such, management of the Company, the Special Committee and the Board (other than Michael W. Scherb and Geoffrey Cohen, who abstained from the matter) each believe that reliance upon the Financial Hardship Exemption is necessary given the serious and immediate financial needs facing the Company.

SECURITYHOLDER APPROVAL AND FINANCIAL HARDSHIP EXEMPTION

Toronto Stock Exchange
The Company would ordinarily be required to obtain securityholder approval for the Proposed Transaction pursuant to 607(g) (i) and (ii) of the TSX Company Manual. The Exchange requires that security holder approval be obtained for private placements: (i) for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or (ii) that during any six month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the first private placement to an insider during the six month period.

The Company has applied to the Exchange for an exemption from the requirement to seek securityholder approval for the Proposed Transaction in reliance upon Section 604(e) of the TSX Company Manual on the basis that the Company finds itself in a state of serious financial difficulty and that the Proposed Transaction is designed to improve the Company’s financial situation in a timely manner.

Canadian Securities Laws
In addition, under Section 5.6 of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”), the Company would also be required to obtain minority securityholder approval and a formal valuation as a result of Appian’s participation in the Proposed Transaction (being a “related party” of the Company within the meaning of MI

61-101) and, as such, resulting in the Proposed Transaction constituting a “related party transaction” pursuant thereto.

The Company is also seeking to avail itself of the financial hardship exemption (the “Financial Hardship Exemption”) in Section 5.5(g) and Section 5.7(1)(e) of MI 61-101. The Company meets the requirements of the Financial Hardship Exemption, as: (i) the Company is in serious financial difficulty; (ii) the Proposed Transaction is designed to improve the financial position of the Company; (iii) paragraph (f) (Bankruptcy, Insolvency, Court Order) of section 5.5(g) of MI 61-101 is not applicable; (iv) the Company has one or more independent directors in respect of the Proposed Transaction – five of the Company’s seven directors are independent directors in respect of the Proposed Transaction; and (v) the Board and all of the independent directors, acting in good faith, have unanimously determined that subparagraphs (i) and (ii) apply and that the terms of the Proposed Transaction are reasonable in the circumstances of the Company.

INFORMATION IN SUPPORT OF FINANCIAL HARDSHIP EXEMPTION

The Company’s decision to rely on the Financial Hardship Exemption was made upon the recommendation of the Special Committee. The Special Committee, which was formed effective June 2, 2020 to consider possible financing, capital structure and/or transaction alternatives, is comprised of Joseph Conway (Chair) and James Gallagher, who are independent members of the Board, free from interest in the Proposed Transaction and unrelated to the parties involved in the Proposed Transaction. Both Messrs. Conway and Gallagher are senior mining executives, who have had experience in dealing with other similar situations.

After considering and reviewing all of the circumstances currently surrounding the Company and the Proposed Transaction, including: (a) the Company’s current financial difficulties and immediate capital requirements; (b) the lack of alternate financing arrangements and the fact that the Proposed Transaction is the most attractive financing option available to the Company at the present time; and (c) all other relevant factors available to the Special Committee, the Special Committee determined that: (i) the Company is in serious financial difficulty; (ii) the Proposed Transaction is designed to improve the financial condition of the Company; and (iii) the terms of the Proposed Transaction are reasonable in the circumstances of the Company (collectively, the “Special Committee Determinations”).

As such, the Special Committee recommended that the Board proceed with the Proposed Transaction and, given the immediate need for capital, with an agreed solution capable of attainment without delay, apply for the financial hardship exemption from the Exchange (the “Special Committee Recommendations”).

The Board, relying in part on the recommendation of the Special Committee, unanimously (other than Michael W. Scherb and Geoffrey Cohen, who abstained from the matter) agreed with the Special Committee Determinations and adopted the Special Committee Recommendations.

The Company expects that, as a consequence of its financial hardship application, the Exchange will place the Company under remedial delisting review, which is normal practice when a listed issuer seeks to rely on this exemption. Although the Company believes that, upon completion of the Proposed Transaction, it will be in compliance with the Exchange’s continued listing requirements, no assurance can be provided as to the outcome of such review and therefore, continued qualification for listing on the Exchange.

TECHNICAL INFORMATION

Scientific and technical information contained in this news release was reviewed and approved by Dr. Martin Raffield, Executive Vice President and Chief Operating Officer of Harte Gold, who is a “qualified person” as defined by National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

About Harte Gold Corp.

Harte Gold holds a 100% interest in the Sugar Zone Mine located in White River, Canada. The Sugar Zone

Mine entered commercial production in 2019. The Company has further potential through exploration at the Sugar Zone Property, which encompasses 79,335 hectares covering a significant greenstone belt. Harte Gold trades on the Toronto Stock Exchange under the symbol “HRT”, on the OTC under the symbol “HRTFF” and on the Frankfurt Exchange under the symbol “H4O”.

For further information, please visit www.hartegold.com or contact:

Shawn Howarth
Vice President, Corporate Development and Investor Relations
Tel: 416-368-0999
E-mail: sh@hartegold.com

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This news release includes “forward-looking statements”, within the meaning of applicable securities legislation and include, but are not limited to, statements and information regarding the Proposed Financing being subject to receipt of approval from the Exchange, the proceeds being be used to facilitate a restart of the Sugar Zone mining operation in July 2020 and providing the Company with a funded solution for mine restart and return to 800 tpd capacity by providing sufficient funding to cover cash flow and capital requirements on start-up; the Company carrying out several initiatives if the Proposed Financing is obtained; 2021 production of approximately 300% over 2019 and 2020 production levels; the Company using paste backfill in 2021 to improve mining efficiency and increase overall flexibility; 800 tpd being achieved in 2021 from the Sugar Zone North and South zones only; potential growth through the addition of the Middle Zone; Cash Cost and AISC being expected to decline in 2021 with a target Cash Cost of US$800 to US$900 per ounce and AISC of US$1,100 to US$1,300 per ounce; a transition from contract mining to owner-operator over a three-month period and completed by Q4 2020 with benefits to the Company including lower mining cost per tonne, increased efficiencies in management of mining fleet, day-to-day flexibility in mine scheduling and execution, integration of underground workforce establishing one team focused on results and long-term sustainability of mine operations; combined production from the Sugar and Middle Zones being expected to provide sufficient throughput to achieve 1,200 tpd; the drilling of near-mine exploration targets in Q4; the issuance of 9,500,000 Special Shares at the Offering Price on the Initial Closing Date, the terms of the Special Shares and the subscriber of the Special Shares; the proceeds from the Private Placement being used to fund working capital needs, the restart of the Sugar Zone Mine, and general corporate purposes as well as to make certain payments to Appian; the issuance of the Warrants; Appian and the Company entering into an offtake agreement on the Initial Closing Date; the Company entering into the Credit Facility on or before the Final Closing Date, the terms of the Credit Facility and the Credit Facility being secured by way of a fully perfected 2nd lien on all of the Company’s assets; ANR 2 acquiring a 0.5% NSR on the entire Sugar Zone Property from the Company on the Final Closing Date, the terms of the 0.5% NSR and the use of proceeds from the 0.5% NSR; the number of Common Shares that would be issuable in connection with the Credit Facility; increasing the number of Appian-related nominees from two to three directors on the Board; Mr. Stephen Roman resigning from the Board and Mr. Igor Gonzales being appointed to the Board at the closing of the Private Placement; the Nominating, Compensation and Governance Committee of the Company recommending to the Board a suitable replacement for Richard Sutcliffe and Mr. Sutcliffe’s resignation from the Board once a suitable replacement was identified; the Proposed Transaction providing a return to normal levels of operations which would enable the Company to execute a public equity offering in the future, should the need arise; there being a reasonable expectation that the Company’s current cash reserves would be depleted before securityholder approval could be obtained which would leave the Company unable to service its obligations as they become due; the loss of trained employees familiar with the Company’s operations and experienced contractors and suppliers having a material adverse impact on the Company’s ability to resume operations at the Sugar Zone Mine and return to profitability; the ability of the Company to continue operating as a going concern and to meet its obligations as they come due not being assured in the short term without the Proposed Financing; the Company’s continued listing on the Exchange; and the Company having further potential through exploration at the Sugar Zone Property. Forward-looking statements are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements are necessarily based upon a number of estimates and assumptions including material estimates and assumptions related to the factors set forth below that, while considered reasonable by the Company as at the date of this press release in light of management’s experience and perception of current conditions and expected developments, are *inherently subject to significant business, economic, and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements, and undue reliance should not be placed on such statements and information.*

Such risks and uncertainties include, but are not limited to, there being no events of default or breaches of key financing agreements, including agreements with BNP Paribas and Appian; the Company being able to attract and retain qualified candidates to join the Company’s management team and board of directors, risks associated with the mining industry, including operational risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, agreements, consents or authorizations required for its operations and activities; and health, safety and environmental risks, the risk of commodity price and foreign exchange rate fluctuations, the ability of Harte Gold to fund the capital and operating expenses necessary to achieve the business objectives of Harte Gold, the uncertainty associated with commercial negotiations and negotiating with contractors and other parties and risks associated with international business activities and the impact of any escalation in the severity of the COVID-19 pandemic on any of the foregoing, as well as other risks and uncertainties which are more fully described in the Company’s Annual Information Form dated March 25, 2020, and in other filings of the Company with securities and regulatory authorities which are available on SEDAR at www.sedar.com.

Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements.

Readers are cautioned that the foregoing list of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this news release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.