

# **HARVEST GOLD CORPORATION**

(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

Three Months Ended June 30, 2012

(Expressed in Canadian Dollars)

## **Notice to Reader of the Unaudited Interim Financial Statements**

**For the three months ended June 30, 2012**

In accordance with National Instrument 51-102, of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements.

The unaudited interim financial statements of Harvest Gold Corporation (the “Company”) for the three month period ended June 30, 2012 (“Financial Statements”) have been prepared by management. The Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2012, which are available at the SEDAR website at [www.sedar.com](http://www.sedar.com). The Financial Statements are stated in Canadian dollars, unless otherwise indicated, and are prepared in accordance with International Financial Reporting Standards (“IFRS”).

**HARVEST GOLD CORPORATION**

(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars - unaudited)

	Notes	June 30, 2012	March 31, 2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 146,327	\$ 200,591
Marketable securities	4	2,760	3,566
Receivables	5	20,128	18,282
Prepays		3,904	3,904
<b>Total current assets</b>		<u>173,119</u>	<u>226,343</u>
<b>Non-current assets</b>			
Reclamation bond	8	21,859	21,859
Equipment	6	36	113
Exploration and evaluation assets	7	2,471,558	2,460,135
<b>Total non-current assets</b>		<u>2,493,453</u>	<u>2,482,107</u>
<b>Total assets</b>		<u>\$ 2,666,572</u>	<u>\$ 2,708,450</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	9	\$ 29,258	\$ 21,895
Due to related parties	10	131,120	115,970
<b>Total current liabilities</b>		<u>160,378</u>	<u>137,865</u>
<b>Total liabilities</b>		160,378	137,865
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	10,425,946	10,425,946
Reserves	11	1,329,398	1,329,398
Accumulated other comprehensive loss		(29,920)	(29,114)
Deficit		(9,219,230)	(9,155,645)
<b>Total shareholders' equity</b>		<u>2,506,194</u>	<u>2,570,585</u>
<b>Total equity</b>		2,506,194	2,570,585
<b>Total liabilities and equity</b>		<u>\$ 2,666,572</u>	<u>\$ 2,708,450</u>
Nature of operations (Note 1)			
Commitments (Notes 10 and 15)			
Subsequent events (Note 17)			

Approved on behalf of the Board:

Rick Mark, Director

Rick Mark

Evan Sleeman, Director

Evan Sleeman

The accompanying notes are an integral part of these consolidated financial statements.

**HARVEST GOLD CORPORATION**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Expressed in Canadian Dollars )**

	Notes	Period Ended	
		June 30, 2012	June 30, 2011
<b>General and administrative expenses</b>			
Amortization		\$ 78	\$ 75
Consulting fees		786	195
Investor relations		4,295	22,287
Professional fees		18,240	11,181
Management fees	10	12,000	16,200
Marketing and corporate communications		-	4,500
Geological consulting and administrative services	10	200	2,372
Office and miscellaneous		1,578	3,594
Part XII.6 tax		-	642
Property investigation costs		20,000	-
Salaries and benefits		1,753	6,628
Rent and utilities		80	508
Transfer agent and regulatory fees		2,768	3,468
<b>Loss/(Gain) before other items</b>		<u>61,778</u>	<u>71,650</u>
<b>Other items</b>			
Foreign currency loss		(479)	2,160
Impairment of exploration and evaluation assets	7	2,285	-
		<u>1,806</u>	<u>2,160</u>
<b>(Loss)/Gain before income taxes</b>		63,584	73,810
Future income tax recovery	13	-	10,663
<b>Net loss for the period</b>		<u>\$ 63,584</u>	<u>\$ 63,147</u>
<b>Other comprehensive loss</b>			
Change in fair value of available-for-sale investments		806	1,750
<b>Comprehensive loss for the period</b>		<u>\$ 64,390</u>	<u>\$ 64,897</u>
<b>Basic and diluted loss per share</b>		<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b>Basic and diluted weighted average of number of common shares outstanding</b>		<u>69,813,245</u>	<u>69,813,245</u>

The accompanying notes are an integral part of these consolidated financial statements.

**HARVEST GOLD CORPORATION**  
**(An Exploration Stage Company)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Expressed in Canadian Dollars - unaudited )**

Notes	Number of shares	Share capital	Reserves	Accumulated other comprehensive loss	Deficit	Total
<b>Balance at April 1, 2011</b>	69,813,245	\$ 10,425,946	\$ 1,329,398	\$ (39,500)	\$ (8,959,737)	\$ 2,756,107
Net loss for the year	-	-	-	-	(195,909)	(195,909)
Available-for-sale investment	-	-	-	10,386	-	10,386
<b>Balance at March 31, 2012</b>	69,813,245	\$ 10,425,946	\$ 1,329,398	\$ (29,114)	\$ (9,155,646)	\$ 2,570,584
Net loss for the period	-	-	-	-	(63,584)	(63,584)
Available-for-sale investment	-	-	-	(806)	-	(806)
<b>Balance at June 30, 2012</b>	<u>69,813,245</u>	<u>\$ 10,425,946</u>	<u>\$ 1,329,398</u>	<u>\$ (29,920)</u>	<u>\$ (9,219,230)</u>	<u>\$ 2,506,194</u>

The accompanying notes are an integral part of these consolidated financial statements.

**HARVEST GOLD CORPORATION**  
**(An Exploration Stage Company)**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Expressed in Canadian Dollars - unaudited)**  
**For the three months ended June 30, 2012**

	June 30, 2012	June 30, 2011
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (63,584)	\$ (63,147)
Items not affecting cash		
Amortization	78	75
Future income tax recovery	-	(10,663)
Impairment of mineral properties	2,285	-
Foreign Exchange	(1)	(2)
	<u>(61,223)</u>	<u>(73,737)</u>
Changes in non-cash working capital items:		
Receivables	(1,846)	8,611
Prepays	-	1,350
Accounts payable and accrued liabilities	7,363	(116,037)
Taxes payable	-	642
Due to related parties	15,150	4,075
	<u>(40,556)</u>	<u>(175,096)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds on issuance of common shares, net	-	-
	<u>-</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral properties	(13,708)	(435,447)
Reclamation bond	-	15,938
Proceeds from sale of marketable securities	-	-
	<u>(13,708)</u>	<u>(419,509)</u>
<b>CHANGE IN CASH</b>	(54,265)	(594,606)
<b>CASH - BEGINNING</b>	<u>200,591</u>	<u>1,125,690</u>
<b>CASH - ENDING</b>	<u>\$ 146,327</u>	<u>\$ 531,085</u>

The accompanying notes are an integral part of these consolidated financial statements.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Expressed in Canadian Dollars

For the three months ended June 30, 2012

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Harvest Gold Corporation (the “Company”) was incorporated on June 28, 2005 under the laws of British Columbia and began trading on the TSX Venture Exchange (“TSX-V”) on December 13, 2005. The Company’s head office, principal address and registered and records office is 301 – 260 West Esplanade, North Vancouver, B.C., V7M 3G7.

The Company’s principal business activities include the exploration of natural resource properties. The recovery of the Company’s investment in resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has not earned any revenues to date and is considered to be in the exploration stage.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. The ability of the Company to continue operations as a going concern is ultimately dependent upon achieving profitable operations. To date, the Company has not generated profitable operations from its resource activities and will need to invest additional funds in carrying out its planned exploration, development and operational activities. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The exploration and evaluation properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and cover administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if there is sufficient geologic or economic potential and if adequate financial resources are available to do so.

### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

#### **Statement of compliance and conversion to International Financial Reporting Standards**

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

#### **Basis of preparation**

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, unless otherwise noted, is the Company’s functional currency.

#### **Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary Harvest Gold Corporation (US). All significant inter-company transactions and balances have been eliminated upon consolidation.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Expressed in Canadian Dollars

For the three months ended June 30, 2012

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### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – cont'd**

#### **Estimates, assumptions and measurement uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Areas requiring significant management estimates relate to the determination of impairment of mineral properties, going concern assessments, expected tax rates for deferred income taxes, fair value of share-based payments, useful lives for amortization of long-lived assets, the fair values assigned to marketable securities, asset retirement obligations and financial instruments. Financial results as determined by actual events could differ from those estimates.

#### **Exploration and evaluation expenditures**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of the mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

#### **Property option agreements**

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable directly at the discretion of the optionee, amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.



## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Expressed in Canadian Dollars

For the three months ended June 30, 2012

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### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – cont'd**

#### **Restoration and environmental obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

#### **Impairment of assets**

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss.

#### **Financial instruments**

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Expressed in Canadian Dollars

For the three months ended June 30, 2012

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### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – cont'd**

#### **Financial instruments – cont'd**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company has classified its cash as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's marketable securities are classified as available-for-sale financial assets. The Company's trade payables and due to related parties are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

Cash is classified as a level 1 input. The Company does not have any derivative financial assets or liabilities.

#### **Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Expressed in Canadian Dollars

For the three months ended June 30, 2012

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### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – cont'd**

#### **Loss per share – cont'd**

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the period and does not include outstanding options and warrants. Dilutive loss per common share is not presented differently from basic loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

#### **Income taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss/income.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### **Share-based payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Expressed in Canadian Dollars

For the three months ended June 30, 2012

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### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – cont'd**

#### **Share-based payments – cont'd**

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share based payments are reflected in reserves, until exercised. Upon exercise shares are issued from treasury and the amount reflected in reserves is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

#### **Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity, as a deduction, from the proceeds.

#### **Flow-through shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds.

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 a financial expense until paid.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Expressed in Canadian Dollars

For the three months ended June 30, 2012

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### **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – cont'd**

#### **Equipment**

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rate applicable to computer and field equipment is 20% per annum.

#### **Translation of foreign currencies**

The Company has determined that its subsidiary is an integrated operation; therefore, monetary items are translated at the rate of exchange in effect at the reporting date, non-monetary items are translated at historic exchange rates and revenue and expense items are translated at the average rate prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in the statements of comprehensive loss in the year in which they occur.

### **3. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after April 1, 2012 or later periods. The following new standards, amendments and interpretations that have not been early adopted in these condensed consolidated interim financial statements, are not expected to have a material effect on the Company's future results and financial position:

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
- c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
- d) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
- e) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);
- f) IAS 1 Presentation of Financial Statements,
- g) IAS 19 Employee Benefits (Amended in 2011);
- h) IAS 27 Separate Financial Statements (Amended in 2011);
- i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and
- j) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

**HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

Expressed in Canadian Dollars

For the three months ended June 30, 2012

**4. MARKETABLE SECURITIES**

Marketable securities consist of the following holdings:

Company:	June 30, 2012		
	Shares	Fair Value	Original Cost
Grandview Gold Inc.	50,000	\$ 1,500	\$ 23,500
Gunpoint Exploration Ltd.	1,800	1,260	9,180
	<u>51,800</u>	<u>\$ 2,760</u>	<u>\$ 32,680</u>

Company:	March 31, 2012		
	Shares	Fair Value	Original Cost
Grandview Gold Inc.	50,000	\$ 2,000	\$ 23,500
Gunpoint Exploration Ltd.	1,800	1,566	9,180
	<u>51,800</u>	<u>\$ 3,566</u>	<u>\$ 32,680</u>

During the period ended June 30, 2012 the Company recognized an unrealized loss of \$806 (March 31, 2012 – loss \$2,254) which has been recorded as other comprehensive loss.

**5. RECEIVABLES**

The Company's receivables consist of HST receivable due from the Government of Canada.

**6. EQUIPMENT**

	June 30, 2012			March 31, 2012		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 4,341	\$ (4,341)	\$ -	\$ 4,341	\$ (4,341)	\$ -
Field equipment	1,575	(1,539)	36	1,575	(1,462)	113
	<u>\$ 5,916</u>	<u>\$ (5,880)</u>	<u>\$ 36</u>	<u>\$ 5,916</u>	<u>\$ (5,803)</u>	<u>\$ 113</u>

**HARVEST GOLD CORPORATION**

(An exploration stage company)

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**7. EXPLORATION AND EVALUATION ASSETS**

	United States of America		Canada		June 30, 2012
	Rosebud Gold Mine	RW Claims	Hunt Property	Rice Lake Claims	Total
Mineral Property acquisition					
Balance, March 31, 2012	\$ 482,479	\$ -	\$ 1	\$ 49,000	\$ 531,480
Acquisition costs - cash	-	-	-	-	-
Acquisition costs - shares	-	-	-	-	-
Impairment	-	-	-	-	-
Balance, June 30, 2012	\$ 482,479	\$ -	\$ 1	\$ 49,000	\$ 531,480
Expenditures					
Balance, March 31, 2012	\$ 1,704,392	\$ 38,797	\$ -	\$ 185,465	\$ 1,928,654
Claim fees	8,217	-	-	-	8,217
Consulting services (Note 10)	-	-	-	1,120	1,120
Equipment and supplies	-	-	-	22	22
Storage rental	2,066	-	-	-	2,066
	10,283	-	-	1,142	11,425
Balance, June 30, 2012	1,714,675	38,797	-	186,607	1,940,079
Total, June 30, 2012	\$ 2,197,154	\$ 38,797	\$ 1	\$ 235,607	\$ 2,471,558

Title to mining claims involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining claims. The Company has investigated title to all of its mineral claims and, to the best of its knowledge, title to all of its claims are in good standing.

At June 30, 2012, the Company held an interest in the following mineral properties:

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### 7. EXPLORATION AND EVALUATION ASSETS – cont'd

#### Rosebud Gold Mine Property, Nevada, USA

On November 16, 2006, the Company signed a letter of intent to acquire a 100% interest in certain mining claims comprising the Rosebud Gold Mine Property located in Nevada, USA, for the following consideration:

Date	Payment	Issuance of shares
Upon execution of the letter of intent	US \$42,600	50,000 (paid & issued)
On or before December 15, 2007	US \$57,400	100,000 (paid & issued)
On or before December 15, 2008	US \$60,000	100,000 (paid & issued)
On or before December 15, 2009	US \$80,000	150,000 (paid & issued)
On or before December 15, 2010	US \$80,000	200,000 (paid & issued)

The Rosebud Gold Mine Property is subject to a 3% Net Smelter Royalty (“NSR”), which the Company has the option to purchase 1.5% for \$2,250,000. Upon earning a 100% interest, beginning on December 15, 2011 the Company is obligated on an annual basis to pay an advance royalty payment of US\$50,000 until the property is placed into production and is to be recovered from any actual future mineral production royalty payments.

As of June 30, 2012 the Company has made the following acquisition payments on the Rosebud Gold Mine Property:

	Cash	Shares		Total
		Number of shares	Amount	
Prior to March 31, 2012	\$ 401,479	600,000	\$ 81,000	\$ 482,479
During the period ended June 30, 2012	-	-	-	-
Advance royalty payment during the period ended June 30, 2012	-	-	-	-
<b>Total</b>	<b>\$ 401,479</b>	<b>600,000</b>	<b>\$ 81,000</b>	<b>\$ 482,479</b>

#### RW Claims, Nevada, USA

On November 19, 2010, the Company staked claims comprising the RW Claims located in Eureka County, Nevada.

On January 1, 2012, the Company entered into a mining lease and option to purchase agreement with Kinetic Gold (US) Inc. (“Kinetic”), whereby Kinetic agreed to lease the RW Claims for a period of 5 years, for the following consideration:

Date	Payment
Upon execution of the agreement	US \$10,000 (received)
On or before January 1, 2013	US \$15,000
On or before January 1, 2014	US \$20,000
On or before January 1, 2015	US \$25,000
On or before January 1, 2016	US \$30,000
On or before January 1, 2017	US \$40,000

At the end of the 5 year term, Kinetic will have paid the Company \$140,000 (the “Purchase Price”) to acquire a 100% interest in the RW Claims. Alternatively, Kinetic has the option, at any time during the 5 year term, to purchase a 100% interest in the RW Claims by paying the Company the Purchase Price.

Kinetic will also pay a 2% NSR to the Company from the production or sale of minerals from the RW Claims.



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### 7. EXPLORATION AND EVALUATION ASSETS – cont'd

#### Hunt Property, Manitoba, Canada

By an option agreement, effective June 28, 2005, the Company acquired, subject to a 3% NSR, a 100% interest in certain claims comprising the Hunt Property located in Manitoba, Canada. As at September 30, 2008, the Company has fulfilled its required consideration payments and by sub-option agreement, optioned 60% of its interest to Ngex Resources Inc. (“NGX”) (previously Canadian Gold Hunter Corp), a public company listed on the TSX-V. As a result, the Company and NGX formed a joint venture (the “Hunt Property joint venture”) on a 40/60 basis, respectively.

The Hunt Property is subject to a 3% NSR, which the Hunt Property joint venture has the option to purchase up to 1.5% for \$1,500,000.

At March 31, 2010, the majority owner, NGX, is seeking a joint venture partner to continue exploration of the Hunt Property and, therefore, the Company has written-down the property to a nominal value of \$1.

#### Rice Lake Claims, Manitoba, Canada

By an option agreement dated June 23, 2008, the Company was granted an option to acquire a 100% interest in certain claims comprising the Rice Lake Claims located in, Manitoba, Canada, for the following consideration:

<u>Date</u>	<u>Payment</u>	<u>Issuance of shares</u>	
Upon execution of the option agreement	\$ 5,000	200,000	paid & issued

The Rice Lake Claims are subject to a 2% NSR which the Company has the option to purchase 1% for a total purchase price of \$1,000,000.

As of June 30, 2012 the Company has made the following payments on the Rice Lake Claims:

	<u>Cash</u>	<u>Shares</u>	<u>Total</u>
		<u>Number of shares</u>	<u>Amount</u>
Prior to March 31, 2012	\$ 5,000	200,000	\$ 44,000 \$ 49,000
During the period ended June 30, 2012	-	-	- -
<b>Total</b>	<b>\$ 5,000</b>	<b>200,000</b>	<b>\$ 44,000 \$ 49,000</b>

Subsequently, On July 11, 2012, the Company entered into a property purchase agreement with San Gold Corporation (“San Gold”) to sell its 100% interest in the Rice Lake Claims, for consideration of \$225,000 (received) and a further \$225,000 upon San Gold undertaking commercial production of the property.

#### Esker Property, Ontario, Canada

The Company signed a letter of intent with DLK Minerals Ltd. to acquire the Esker project near Pickle Lake, Ontario. Under the terms of the proposed agreement, the Company paid \$20,000 which has been booked as property investigation costs on the consolidated statements of comprehensive loss and upon completing of future financing will issue shares of the Company towards the option to earn a 100% ownership of the Esker project.

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**8. RECLAMATION BONDS**

As of June 30, 2012, the Company has one reclamation bond issued with the Nevada Division of Minerals in the amount of US\$17,859, respectively, to guarantee reclamation of the environment of the following properties:

Property	June 30, 2012	March 31, 2012
Rosebud Gold Mine	21,859	21,859

**9. TRADES PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2012	March 31, 2012
Trade payable	\$ 11,258	\$ 3,895
Accrued liabilities	18,000	18,000
	<u>\$ 29,258</u>	<u>\$ 21,895</u>

**10. RELATED PARTY TRANSACTIONS**

Related party transactions are measured at their exchange amounts, which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

**a. Contractual commitments with related parties**

- i) On January 1, 2008, and as amended on September 1, 2009, the Company entered into a management agreement with an officer and director to fulfil the role as Chief Executive Officer for a period of 5 years for a monthly rate to \$4,000 per month.

**b. Transactions with related parties**

The Company incurred expenditures for various services provided by a director of the Company during the period ended June 30, 2012 as follows:

- i) The Company paid or accrued \$12,000 (June 2011 - \$16,200) in management fees to a director of the Company.
- ii) As of June 30, 2012, amounts due to related parties were \$131,120 (June 2011 \$83,828) which were owing to companies related through directors of the Company for shared administration costs. These amounts are non-interest bearing and have no fixed terms of repayment.

**c. Transactions with key management personnel**

	June 30, 2012	June 30, 2011
Management fees	\$ 12,000	\$ 16,200
Geological consulting fees - expensed	-	774
Geological consulting fees - capitalized	-	26,707
	<u>\$ 12,000</u>	<u>\$ 43,681</u>

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**11. SHARE CAPITAL****a) Authorized**

Unlimited number of common shares without par value.

**b) Issued and outstanding****2012**

There were no share transactions during the period ended June 30, 2012.

**c) Warrants**

A continuity schedule of outstanding common share purchase warrants for the period ended June 30, 2012 is as follows:

	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning of year	13,750,800	\$ 0.20	20,179,500	\$ 0.18
Granted	-	-	-	-
Granted	-	-	-	-
Cancelled/ Expired	(13,750,800)	0.20	(6,428,700)	0.15
Outstanding, end of period	<u>-</u>	<u>\$ -</u>	<u>13,750,800</u>	<u>\$ 0.20</u>

At June 30, 2012, the Company did not have any outstanding common share purchase warrants exercisable to acquire common shares of the Company.

**d) Options**

A continuity schedule of the Company's outstanding stock options for the period ended June 30, 2012 is as follows:

	June 30, 2012		March 31, 2012	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Outstanding, beginning of year	4,514,325	\$ 0.13	5,974,325	\$ 0.13
Granted	-	-	-	-
Cancelled/ Expired	(25,000)	0.12	(1,460,000)	0.12
Outstanding, end of period	<u>4,489,325</u>	<u>\$ 0.13</u>	<u>4,514,325</u>	<u>\$ 0.13</u>

## HARVEST GOLD CORPORATION

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

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### 11. SHARE CAPITAL – cont'd

#### d) Options – cont'd

The following summarizes information about stock options outstanding and exercisable at June 30, 2012:

Options Outstanding	Options Exercisable	Expiry Date	Exercise Price	Weighted Average remaining contractual life (in years)
730,000	730,000	November 13, 2012	0.12	0.37
425,000	425,000	May 7, 2013	0.12	0.85
225,000	225,000	May 14, 2014	0.12	1.87
400,000	400,000	May 11, 2015	0.12	2.86
1,119,325	1,119,325	June 1, 2015	0.15	2.92
<u>4,489,325</u>	<u>4,489,325</u>			<u>2.48</u>

The fair value of stock-based compensation is measured at the date of grant and recognized over the vesting period. Options granted to directors and employees vested immediately. The fair value of stock options granted to directors and employees during the three month period ended June 30, 2012 was \$Nil (June 30, 2011 – \$Nil).

The Company estimated the fair value of stock options and finders warrants granted using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2012	June 30, 2011
Expected dividend yield	0%	0%
Expected share price volatility	0.00%	0.00%
Risk-free interest rate	0.00%	0.00%
Expected life of options and warrants	-	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

### 12. MANAGEMENT OF CAPITAL AND RISK MANAGEMENT

#### Capital management

The Company considers its capital structure to be shareholders' equity represented by net assets over liabilities. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of exploration and evaluation assets.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Condensed Consolidated Interim Financial Statements

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### **12. MANAGEMENT OF CAPITAL AND RISK MANAGEMENT – cont'd**

There were no changes in the Company's approach to capital management during the three months ended June 30, 2012. The Company is not subject to externally imposed capital restrictions.

#### **Risk management**

**Industry Risk:** The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

**Credit Risk:** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash, receivables and reclamation bonds. The risk relating to cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies. The risk associated with the Company's receivables and reclamation bonds is minimal as these are amounts due from various government authorities.

**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 rate. The Company operates in Canada and the United States. The Company's primary exposure to foreign exchange risk is in its reclamation bonds which are denominated in US dollars. The Company does not engage in any hedging activities to reduce its foreign currency risk.

**Interest Rate Risk:** Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at June 30, 2012, the Company does not hold any significant interest bearing financial instruments.

**Liquidity and Funding Risk:** Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

### **13. SEGMENTED INFORMATION**

The Company operates in one reportable operating segments, being exploration and development of resource properties. Summarized financial information for the geographic segments, the Company operates in are as follows:

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**13. SEGMENTED INFORMATION – cont'd**

	June 30, 2012	March 31, 2012
Total Assets		
Canada	\$ 1,320,042	\$ 449,365
United States	1,346,530	2,259,083
	<u>\$ 2,666,572</u>	<u>\$ 2,708,449</u>
Mineral Properties		
Canada	\$ 235,608	\$ 234,465
United States	2,235,950	2,225,668
	<u>\$ 2,471,558</u>	<u>\$ 2,460,134</u>
Equipment		
Canada	\$ -	\$ -
United States	36	113
	<u>\$ 36</u>	<u>\$ 113</u>
Total Loss		
Canada	\$ (61,095)	\$ (186,123)
United States	(2,489)	(9,787)
	<u>\$ (63,584)</u>	<u>\$ (195,910)</u>

**14. SUBSEQUENT EVENTS**

- a) On July 11, 2012, the Company entered into a property purchase agreement with San Gold Corporation ("San Gold") to sell its 100% interest in the Rice Lake Claims (Note 7), for consideration of \$225,000 (received) and a further \$225,000 upon San Gold undertaking commercial production of the property.
- b) The Company received shareholder approval on June 26, 2012 for a consolidation of its outstanding share capital on a 10:1 basis. The consolidation was approved by the exchange on July 30, 2012.
- c) The Company on August 16, 2012 made a payment of \$46,517.11 towards the due to related party amount which is owing for shared administration costs.

**HARVEST GOLD CORPORATION**

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Notes to the Condensed Consolidated Interim Financial Statements

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**Management Discussion and Analysis  
For the Three Months Ended June 30, 2012**



## **PRELIMINARY INFORMATION**

This Management's Discussion and Analysis ("MD&A") contains information up to and including August 23, 2012.

The following MD&A of Harvest Gold Corp. (the "Company") should be read in conjunction with the audited financial statements for the year ended March 31, 2012 and the related notes contained therein. It should be noted that the audited financial statements for the year ended March 31, 2012 were prepared in accordance with International Financial Reporting Standards ("IFRS").

All financial information in this MD&A related to the period ended June 30, 2012 have been prepared in accordance with International financial reporting standards ("IFRS"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

## **FORWARD-LOOKING INFORMATION**

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information please refer to page 14 of this MD&A.

## **OVERVIEW**

The Company was incorporated on June 28, 2005 under the BC Business Corporations Act and is a reporting issuer in British Columbia and Alberta. The Company's common shares are traded on the TSX Venture Exchange under the symbol "HVG".

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is complete. The Company is exploring and evaluating each of the following properties, the Rosebud Gold Mine Property and the RW Claims in Nevada, USA and the Assean Lake Gold Property (Hunt), the Esker Property and the Rice Lake Claims (Cud) all in Manitoba, Canada. As at the date of this MD&A, the Company has not earned any production revenue, nor has it found any proven reserves on any of its properties and is considered to be an exploration stage company.

## **RESOURCE PROPERTIES - PERFORMANCE SUMMARY**

Robert Cuffney is the Qualified Person responsible for the review and compilation of the technical information relating to the U.S. mineral projects and Neil Richardson, P Geo for the Canadian mineral projects disclosed in the MD&A.

## **ROSEBUD GOLD MINE, NEVADA**

### ***Historical Overview***

On November 16, 2006, the Company signed a letter of intent to acquire the Rosebud gold mine property, Nevada, USA with Nevada Eagle Resources LLC.

The letter of intent granted the Company a due diligence period ending December 15, 2006, during which the Company had the right to enter an Option Agreement with Nevada Eagle Resources LLC. On December 13, 2006, the Company signed an Option Agreement. The property vendor was paid US\$13,000 on signing of the letter of intent. The terms of the option grant provides the Company with the right to earn a 100% interest in the property by completing a schedule of property payments totaling US\$320,000 over a four-year period and issuing 600,000 shares of the Company to the property vendor as follows:

<b>Date</b>	<b>Amount</b>
On Execution of Agreement (Nov 9, 2006)	US\$13,000 Paid
Upon end of due diligence (Dec 13, 2006)	US\$29,600 Paid
On or before December 15, 2007	US\$57,400 Paid
On or before December 15, 2008	US\$60,000 Paid
On or before December 15, 2009	US\$80,000 Paid
On or before December 15, 2010	US\$80,000 Paid
<b>Total</b>	<b><u>US\$320,000</u></b>

<b>Date</b>	<b>Number of shares</b>
Upon end of due diligence (Dec 13, 2006)	50,000 Issued
On or before December 15, 2007	100,000 Issued
On or before December 15, 2008	100,000 Issued
On or before December 15, 2009	150,000 Issued
On or before December 15, 2010	200,000 Issued
<b>Total</b>	<b><u>600,000</u></b>

Upon earning a 100% interest, the Company is obligated on an annual basis to pay an advance royalty payment of US\$50,000 until the property is placed into production and is to be recovered from any actual future mineral production royalty payments.

The property is subject to a net smelter royalty ("NSR") of 3%, one-half of which may be purchased for US\$2.25-million.

As of the period ended June 30, 2012, the Company has incurred \$1,620,547, (March 31, 2012 \$1,610,264) net of stock-based compensation of \$94,128, (March 31, 2012 \$94,128) of expenditures on the property

### **Property Description**

The property comprises 54 contiguous unpatented claims covering an area of approximately 1,067 acres (4.3 square kilometres) overlying the reclaimed underground Rosebud mine and surrounding area. The property was mined by Hecla Mining Company and Newmont Mining Corporation as a joint venture with reported production from 1997 to 2000 of 396,842 ounces gold and 2,309,876 ounces silver (Hecla 2000 report). This publication reports 1992 mineral resources of 570,000 ounces gold (0.362 ounce per ton) and 5.5 million ounces silver (5.5 ounces per ton). The report, however, does not provide information on the resource classifications (inferred, indicated, or measured) and readers are cautioned not to place any undue reliance on these historical estimates as they are not compliant with National Instrument 43-101, *Standards of Disclosure for Mineral Projects*.

## **Background**

In late 2006, the Company signed an agreement to acquire a 100% interest in the property, subject to a schedule of property and advanced minimum royalty payments.

A NI 43-101 Technical report, entitled *Technical Report on the Rosebud Property, Pershing County, Nevada, USA* was completed by Robert G. Cuffney, Certified Professional Geologist, in September 2008. The Rosebud deposit produced 396,842 ounces gold and 2,309,876 ounces silver from high grade ores between 1997 and 2000. The 43-101 report describes exploration and mining activities at Rosebud from pre-discovery in 1988 until now and provides favorable evaluations of exploration targets developed by the Company. In late 2000, following closure of the Rosebud Mine, at a time when gold prices had reached US\$252/oz Au, Hecla reported an historical remaining Measured and Indicated Global Resource of 6,816,021 tons grading 0.036 oz Au/t and 0.31 oz Ag/t at a 0.01 oz Au/t cut-off, containing 242,857 gold ounces and 2,129,750 silver ounces (Hecla Mining Company, 2000). This historical estimate was made prior to the implementation of NI 43-101, may not comply with current CIM standards, and is presented for purposes of historical reference only. The Company is not treating the estimate as a National Instrument 43-101 defined resource and the historical estimate should not be relied upon. The Company believes that there is very good potential to discover additional high grade zones within and adjacent to the bulk tonnage envelope and to expand the size of this envelope.

Some highlights of the report are:

- The data produced by previous operators has been verified as being valid and useful
- The Rosebud mine occurs within a large, strong, hydrothermal system
- There is good potential for the discovery of additional high grade zones and expansion of the bulk tonnage envelope

Mr. Cuffney recommended a two-phase drill program totaling 36,800 ft (11,215 m) in 32 holes. This program has several objectives: (i) to discover additional high grade mineralized zones, (ii) to increase the average grade and extend the limits of the bulk tonnage envelope, and (iii) to accurately define the gold-mineralized envelope. The combination of geologic mapping, review and evaluation of the volume of data produced by prior operators, and additional soil geochemical surveys has resulted in the definition of several new high-quality targets within the bulk tonnage envelope. The data gathering, review, and evaluation process has also strengthened our understanding of previously-defined targets.

An important outcome of the process is the recognition of a key feature of the mined body called the “chimney”. This zone graded greater than 1.0 oz Au/t and contained approximately 40% of the pre-mining resource within an area measuring approximately 130 ft (40 m) long by 220 ft (60 m) high. A lower-grade, 0.10-1.0 oz Au/t (3.4-7.2 g/t) stockwork and disseminated zone of mineralization surrounded the chimney. The Company feels that there are very good opportunities to discover additional high-grade zones and is placing high priority on discovering additional zones similar to the chimney.

Data available from the Nevada Bureau of Mines and Geology have been collected and converted from paper to digital formats. Geological, geochemical, and geophysical data sets have been scanned and/or digitized and loaded into three dimensional mine modeling software. Quality assurance and quality control procedures have been utilized to determine the quality of these data and assure the accuracy of the information being input into modeling software.

This includes data from:

- approximately 700 holes drilled from surface and underground by previous operators,
- approximately 90 working cross sections produced by the former mine operators, covering

nearly the entire property at 50-100 foot spacings,

-approximately 230 maps produced by previous operators. These include geology maps, drill collars, rock chip geochemistry, soil geochemistry, grade-thickness, aero-magnetic and ground magnetic responses, gravity, IP, VLF, radiometric values and topography,

-numerous geological, geophysical, and geochemical data sets-

Numerous drill intercepts of gold and silver mineralization are present within a known mineralized envelope measuring approximately 1,800 feet (550 metres) north-south by 3,000 feet (915 metres) east-west, which suggests that the gold mineralization in the envelope around the historic resource is an asset worth pursuing aggressively.

Detailed soil surveys have been carried out by the Company covering most of the property package. The enzyme leach method was utilized to analyze 472 soil samples collected at 100 m by 100 m spacings throughout the property and 50 m by 50 m spacings above the East and Far East zones and immediately south of the mine. Enzyme leach results from this survey show strong indications of the Rosebud Mine mineralization at depth as well as extensions of this mineralization into the Northwest Corridor and to the south of the mine. Buried mineralization in the Far East zone and at the Valley target is also indicated by strong gold responses above these zones. Additionally, a new target area, the Northeast target, is defined by Au, Ag, and other element anomalies in the northeastern part of the property. Only two drill holes have been completed, by previous operators, near the margins of this new drill target and the target has not been drill tested.

Three-dimensional geologic modeling was carried out using all available data from past drilling, geology, geophysics and geochemistry. Additional geologic and geochemical data collected by the Company are also guiding the process. This has led to substantial revisions of the working geologic models used by previous operators.

#### ***During the three months ended June 30, 2012***

No activities took place during the period.

#### ***Subsequent Events***

There have been no subsequent events.

#### ***Activities Contemplated In The Future***

The Company continues to seek out a suitable joint venture partner.

### **RW PROPERTY, EUREKA COUNTY, NEVADA**

#### ***Property Description***

The RW claims cover approximately 4.04 square miles (1045 hectares) in the southern Battle Mountain-Eureka Trend and are approximately three miles south of the Gold Pick, Gold Ridge, Cabin Creek, and Hunter cluster of deposits controlled by US Gold and known as their Gold Bar project. The Gold Bar mine, formerly operated by Atlas Precious Metals, is approximately 5.7 miles (9.2 km) west-northwest of the RW claims. The Gold Bar, Gold Pick, Gold Ridge, Gold Stone, and Gold Canyon deposits have produced approximately 500,000 oz Au. US Gold reports current measured, indicated, and inferred resources totaling 996,744 oz Au for its Gold Bar project.

## ***Background***

The Company believes the RW claims are prospective for the discovery of multi-million ounce Carlin-type ore bodies, based on proximity to known Carlin-type deposits, projections of mineralized trends, and geophysical and geochemical anomalies on or projecting onto the claims.

The RW property is situated within a gravel-covered portion of the Roberts Mountains Window, in which Devonian carbonate units structurally below the Roberts Mountains Thrust are uplifted and exposed in the Roberts Mountains. Certain of these Devonian units are hosts to the Carlin-type gold deposits to the north and are interpreted to occur at relatively shallow depths at the RW claims. A west-northwest trending gravity high, parallel to the alignment of deposits in the Roberts Mountains, extends to the east-southeast from the Gold Bar mine onto the RW claims. Preliminary gravity data suggest that depth to basement on the majority of the RW claim block is between 500 ft (150 m) and 1000 ft (300 m).

A soil geochemical survey undertaken by Harvest shows discrete north and west-northwest trending gold responses that cross much of the claim block. Arsenic, antimony, and other Carlin-type pathfinders are also enriched in these zones. The west-northwest gold response is approximately 3.7 miles long and at least 0.8 miles wide. This gold anomaly has the same orientation as the Gold Pick/Gold Ridge cluster of deposits. The most prominent north-trending gold response is approximately 2.7 miles long, 0.4 miles wide, and projects into the Hunter gold deposit approximately 1.6 miles north of the RW claims.

Several companies have carried out previous work, including a few shallow drill holes, within or adjacent to Harvest's claim block. The company is in the process of acquiring as much of this information as possible and compiling and integrating this information into its database. Harvest plans to collect additional soil geochemical data and geophysical data in order to develop drill targets within this large land position.

The Company staked 125 100% owned unpatented lode claims, the RW claims, on the south pediment of the Roberts Mountains in Eureka County, Nevada.

Effective January 1, 2012 the Company entered into a mining lease and option to purchase agreement with Kinetic Gold (US) Inc. As per the terms in the agreement the Company is in receipt of the first US\$10,000 upon execution of the agreement with the next installment scheduled for January 1, 2013.

## ***During the three months ended June 30, 2012***

With the Company no longer managing the exploration of the property no activities took place during the period.

## ***Subsequent Events***

There are no subsequent events to report on the property.

## ***Activities Contemplated In The Future***

This project has been optioned to Kinetic Gold (US) Inc.

## **HUNT PROPERTY, ASSEAN LAKE, MANITOBA**

### ***Historical Overview***

By an option agreement, effective June 28, 2005, the Company acquired, subject to a 3% NSR, a 100% interest in certain claims comprising the Hunt Property located in Manitoba, Canada. As at September 30, 2008, the Company has fulfilled its required consideration payments and by sub-option agreement, optioned 60% of its interest to NGEx Resources Inc. ("NGX") (previously Canadian Gold Hunter Corp), a public company listed on the TSX-V. As a result, the Company and NGX formed a joint venture (the "Hunt Property joint venture") on a 40/60 basis, respectively.

The Hunt Property joint venture also had the option to purchase 50% of the NSR for \$1,500,000.

### **Property Description**

The Assean Lake gold property is located 125 kilometers via provincial highway #280, north east of the city of Thompson, Manitoba, a world class nickel, smelting and refining center. The property currently consists of 58 claims covering 9,598 hectares.

The Hunt Property is an advanced exploration project with over \$4 million spent on drilling and surveying activity to date. The primary exploration target at Assean Lake is shear-hosted gold associated with gold-enriched sulphide iron formation which is typical of mineralization styles for gold deposits on the Canadian Shield. Six gold zones have been identified to date (both from historical and current exploration programs) on the Company's property over a 12 kilometre strike length. The gold zones occur along the Assean Lake shear zone, a 200 kilometre long deformation zone similar to major shear zones associated with important gold mining camps elsewhere on the Canadian Shield.

As of March 31, 2010, the Company had incurred \$918,593 (March 31, 2009 - \$918,593) of net expenditures on the property.

During the prior year ending March 31, 2010 the Company wrote down the property by \$1,196,092 to a nominal value of \$1.

### **Background**

The Assean Lake property lies within the northeastern extension of the Thompson Nickel Belt, a zone marking the collisional margin of two ancient continents, the Early Proterozoic Churchill Province to the north west against the older Archean Superior Province to the south east during the Trans-Hudson orogeny. The contact between the two provinces is known as the Superior Boundary Zone, a zone of extreme, multi-stage deformation with a major bounding fault(s) and characterized by high-grade metamorphism all key characteristics associated with major gold camps around the world

The local geology of the Assean Lake property is poorly understood due to extensive cover of lacustrine clay, silt, sand and basal till up to 20 meters in thickness. Based on limited outcrops and core from diamond drilling, the area is underlain by gneiss and schist of varied derivation and Archean (+ 2.7 billion years) to early Proterozoic in age. On the claims, a sequence of metamorphosed and folded rocks of sedimentary origin with swarms of strongly folded gabbroic dikes. The succession is comparable to, and possibly correlative with, the Ospwagan Group (2.1 to 1.9 billion years), which hosts several major nickel deposits near Thompson, 125 kilometers to the southwest.

The gold prospects have similar characteristics to shear-hosted deposits found in the prolific gold belts of the Precambrian shield in eastern and northern Canada. Precambrian shear-hosted gold deposits range in size from a few thousand metric tons to over 50 million metric tons and constitute a significant source of global gold production. The region around Assean Lake has been explored periodically since the 1930's, when prospectors first discovered the Lindal, Dunbrack and Galena Island gold showings along the lake's shore. Sherritt Gordon Mines Ltd. drilled some short

holes on the Dunbrack showing in 1938 and Westfield Minerals drilled two holes in 1959. In 1964, Hudson Bay Exploration & Development carried out a regional airborne electro-magnetic (EM) survey over the area, which led to the subsequent drill discovery of the small Tex zinc prospect in 1965.

From February 2001 to April 2005, NGEX Resources Inc. (Previously Canadian Gold Hunter), later jointly with VMS Ventures Inc, funded and carried out nine major programs during the intervening summer and winter field seasons. Work to date on the property by the JV partners includes significant line cutting for surface grid development, MMI geochemistry, ground magnetic surveys, induced polarization (IP) surveys, ground electro-magnetic (EM) surveys and the drilling of 183 core holes amounting to 28,566 meters. The various programs resulted in the discovery of a number of gold occurrences at Assean Lake, including the Hunt Zone and the BIF (banded iron formation) Zone among others.

The Hunt Zone is a mineralized shear reaching a width of almost 10 meters and extending over a strike length of 700 meters. It has been tested by 57 diamond drill holes (14,058 meters). Considerable fine visible gold within the Hunt Zone occurs in a high-grade shoot where grades reach as high as 27.22 g/t Au over 4.27 meters (about 3.60 meters true width). The shoot has a strike length of about 100 meters and plunges within the broader zone of gold mineralization at about -45° to the WSW.

The Hunt Zone has been traced by drilling to a depth of 250-275 meters. At that depth, the zone is disrupted by a complex, steeply dipping, fault-breccia zone. Seven deep drill holes below the fault breccia zone failed to intersect the high-grade Hunt Zone. The Hunt Zone remains open to the west above the fault breccia but grades are low.

The BIF Zone is a sulphide-bearing iron formation underlying a strike length of some 1,000 meters immediately east of the Hunt Zone. The zone has been tested by 15 core holes up to a depth of 200 meters. Gold in the BIF Zone is not visible to the naked eye and is associated with pyrite and pyrrhotite introduced into magnetite iron formation. Gold grades are generally low and erratic, typically ranging from 0.50 to 4.25 g/t over two to seven meters. Given the close spatial relationship of the BIF and Hunt gold systems, the two zones are probably part of the same mineralizing event.

The project is currently managed under an option agreement with NGEX Resources Inc. (60%) and Harvest Gold Inc. (40%).

***During the three months ended June 30, 2012***

The Company did not perform any exploration during the year on the Hunt property.

***Subsequent Events***

There are no subsequent events to report.

***Activities Contemplated In The Future***

The Company continues to seek joint ventures partners to pursue the exploration of this property or negotiate a majority interest in the project from its' JV Partner.

**RICE LAKE CLAIMS, MANITOBA (Cud)**

***Historical Overview***

Through an agreement dated June 23, 2008, the Company was granted an option to acquire, subject to a 2% NSR, a 100% interest in the property located in the Rice Lake Greenstone Belt, Manitoba, Canada, for the following consideration:

Date	Amount
------	--------

Upon execution of the option agreement	\$5,000	Paid
--	---------	------

Date	Number of shares
On Execution of Agreement	200,000 Issued

The Company also has the option to purchase 50% of the NSR for a purchase price of \$1,000,000.

### **Property Description**

The property is located 8 km from the gold mining community of Bissett, Manitoba where San Gold Resources Corporation (TSX-V: SGR) is operating two mines and a mill. The Company is interested in the claim for its potential to host similar mineralization to San Gold's nearby #2 and #3 gold zones.

### **Background**

Little exploration has taken place on the claim which is located immediately north and east of San Gold's #2-#3 zone. The #2- #3 zone strikes east southeast and appears to have a vertical to very steep north dip. Future work will focus on determining if parallel structures similar to the #2-#3 zone exist on the Cud claim as well the Company will investigate the possibility that the #2-#3 zone dips onto the Cud claim at depth. The property has good road access and drill hole collars on the neighboring San Gold property come within 15 meters of the Cud claim boundary.

In May 2011 line cutters began establishing a grid over the property ahead of prospecting, geophysical and geochemical surveys that are planned for completion during the summer field season. In June 2011, line cutting was completed and a surface magnetometer survey was performed over the claim. Several historical prospecting trenches were discovered during the course of the magnetometer survey. An Induced Polarization (IP) geophysical program was completed and numerous charge-ability targets have been outlined along favourable geological structures. A prospecting program was carried out reviewing prospective charge-ability anomalies. Rock types consist of sheared felsic and intermediate volcanic with quartz vein material found in float.

In January, 2012, three diamond drill holes tested two induced polarization anomalies north of the Wanipigow River. The holes intersected disseminated pyrite in numerous locations and quartz veins with chlorite alteration. No significant gold values were returned.

### **During the three months ended June 30, 2012**

The Company did not perform any exploration during the period on this property.

### **Subsequent Events**

On July 17, 2012, the Company announced that terms had been successfully negotiated with San Gold Corp. for their purchase out right of the CUD Claim property and that the property had been sold to San Gold Corp 100% for \$225,000 in cash. The terms also include the payment of a further sum of \$225,000, if, and when, any gold is produced from the CUD 3 claim.

### **Activities Contemplated In The Future**

Harvest Gold no longer has any ownership in this project and no further activities are contemplated in the future by the Company on the property.



## RESULTS FROM OPERATIONS

### Selected Information

The Company's interim consolidated financial statements for the three months ended June 30, 2012 (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and practices. Currency amounts are in Canadian dollars, except where stated otherwise. The following selected financial information is taken from the Consolidated Interim Financial Statements and should be read in conjunction with those statements.

Financial Results	For the three months ended		
	June 30, 2012	June 30, 2011	June 30, 2010
Net loss	\$ 63,584	\$ 63,147	\$ 21,069
Basic loss per share	0.00	0.00	0.00

  

As at:	June 30, 2012	March 31, 2011	March 31, 2010
<b>Balance Sheet Data</b>			
Cash and short-term investments	\$ 146,327	\$ 200,591	\$ 266,046
Mineral properties	2,471,558	2,460,135	1,671,450
Total assets	2,666,572	2,708,450	1,970,133
Shareholders' deficit	(9,219,230)	(9,155,645)	(7,008,137)

### Three Months Ended June 30, 2012 compared with Three Months Ended June 30, 2011

The Company incurred a net loss of \$63,584 for the three months ended June 30, 2012; an increase of \$437, compared to \$63,147 for the three months ended June 30, 2011. The result primarily was a decrease of \$17,992 in investor relation services which was the result of less advertising costs and ending an IR consulting agreement and a net decrease of general and administrative operating expenses of \$11,881 due to a diligent effort to reduce operating costs, and an increase of \$20,000 for property investigation costs, offset by an impairment of exploration and evaluation assets of \$2,285 and no future income tax recovery reported for the period.

#### Investor relations

Investor relations expenses for the three months ended June 30, 2012 were \$4,295, a decrease of \$17,992, from \$22,287 for the three months ended June 30, 2011. The decrease is the result of less advertising and ending an IR Consulting agreement.

#### Operating expenses

During the three months ended June 30, 2012 the Company had a net increase of \$8,120 in general operations including amortization, consulting fees, salaries, travel and rent. A decrease of \$4,875 in salaries and benefits and a decrease of \$4,500 in marketing and corporate communications are a result of fewer staff and an increase in property investigation costs of \$20,000 due to the letter of intent with DLK Minerals Ltd. on the Esker property.

## SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Net income/(loss)	\$ (63,584)	\$ (108,249)	\$ (29,511)	\$ 4,999
Basic loss per share	0.00	0.00	0.00	0.00

	Three months ended			
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Net loss	\$ (63,147)	\$ (1,044,831)	\$ (110,214)	\$ (110,840)
Basic loss per share	0.00	0.02	0.00	0.00

### Balance Sheet Data

As at:	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Working capital/ (deficit)	\$ 12,741	\$ 88,478	\$ 223,517	\$ 340,118
Mineral properties	2,471,558	2,460,135	2,367,265	2,281,723
Total assets	2,666,572	2,708,450	2,735,780	2,714,231
Shareholders' equity	2,506,194	2,570,585	2,596,386	2,626,439

As at:	June 30, 2011	March 31, 2011	September 30, 2010	June 30, 2010
Working capital/ (deficit)	\$ 440,727	\$ 951,019	\$ 357,797	\$ 646,087
Mineral properties	2,218,262	1,782,815	2,258,520	2,041,017
Total assets	2,790,188	2,977,068	2,797,882	3,082,951
Shareholders' equity	2,659,490	2,756,108	2,652,446	2,723,817

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2012, the Company has cash of \$146,327. The Company has slowed its utilization of its cash resources on administrative requirements and the Company is now looking for a partner on the Rosebud property and has sold the Cud 3 claim and subsequently have been in receipt of \$225,000 for the sale. The Company has no significant income, and will rely on replenishing cash balances by capital fundraising.

The Company's operations to date have been primarily financed by sales of equity securities. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables and trade payables and accrued liabilities. Cash and cash equivalents are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded in income. Receivables are designated as loan receivables and trade payables, accrued liabilities are designated as other financial liabilities and recorded at amortized cost. Marketable securities are available for sale with the unrealized gain or loss recorded in other comprehensive income.

The fair value hierarchy establishes three levels to classify inputs to the valuation techniques used to measure fair value. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable (supported by little or no market activity).

Cash and cash equivalents are stated at fair value and are classified as Level 1 of the fair value hierarchy. The fair values of accounts receivables, trade payables and accrued liabilities are approximate carrying value because of the short term nature of these instruments.

The fair value of available for sale investments are determined based on a market approach reflecting the closing price of each particular security at the closing balance sheet date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore available for sale securities are classified within Level 1 of the fair value hierarchy.

## **RISKS AND UNCERTAINTIES**

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Exploration for mineral resources involves a high degree of risk, and the cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk through joint ventures with other companies.

Beyond exploration risk, management is faced with other possible risks which include the following:

### Metal Price Risk

The price of gold greatly affects the value of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures and the structure of any joint ventures formed.

### Financial Market Risk

The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

### Title Risk

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, has title to properties in which it has a material interest. However, the results of the Company's investigations should not be construed as a guarantee of title.

### Environmental Risk

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the country in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

### Value Risk

There is no certainty that the properties which the Company has deferred as assets on its consolidated balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements. The Company has not completed a feasibility study on any of its properties to determine if it hosts a mineral resource that can be economically developed and profitably mined.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the period.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

## OUTSTANDING COMMON SHARE DATA

As at June 30, 2012, the Company had 69,813,245 common shares issued and outstanding.

As at the date of this MD&A, the Company had 69,813,245 common shares issued and outstanding.

## RELATED PARTY TRANSACTIONS

Related party transactions are measured at their exchange amounts, which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

### a. Contractual commitments with related parties

- i) On January 1, 2008, and as amended on September 1, 2009, the Company entered into a management agreement with an officer and director to fulfil the role as Chief Executive Officer for a period of 5 years for a monthly rate to \$4,000 per month.

### b. Transactions with related parties

The Company incurred expenditures for various services provided by a director of the Company during the period ended June 30, 2012 as follows:

- ii) The Company paid or accrued \$12,000 (June 2011 - \$16,200) in management fees to a director of the Company.
- iii) As of June 30, 2012, amounts due to related parties were \$131,120 (June 2011 \$83,828) which were owing to companies related through directors of the Company for shared administration costs. These amounts are non-interest bearing and have no fixed terms of repayment.

### c. Transactions with key management personnel

	June 30, 2012	June 30, 2011
Management fees	\$ 12,000	\$ 16,200
Geological consulting fees - expensed	-	774
Geological consulting fees - capitalized	-	26,707
	<u>\$ 12,000</u>	<u>\$ 43,681</u>

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of metals; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's most recent three months ended June 30, 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

## **APPROVAL**

The Board of Directors of Harvest Gold Corporation has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

## **SUBSEQUENT TO JUNE 30, 2012:**

- a) On July 11, 2012, the Company entered into a property purchase agreement with San Gold Corporation ("San Gold") to sell its 100% interest in the Rice Lake Claims (Note 7), for consideration of \$225,000 (received) and a further \$225,000 upon San Gold undertaking commercial production of the property.
- b) The Company received shareholder approval on June 26, 2012 for a consolidation of its outstanding share capital on a 10:1 basis. The consolidation was approved by the exchange on July 30, 2012.
- c) The Company on August 16, 2012 made a payment of \$46,517.11 towards the due to related party amount which is owing for shared administration costs.

## **CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

Changes in Accounting Policies  
None

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Areas requiring significant management estimates relate to the determination of impairment of mineral properties, going concern assessments, expected tax rates for deferred income taxes, fair value of share-based payments, useful lives for amortization of long-lived assets, the fair values assigned to marketable securities, asset retirement obligations and financial instruments. Financial results as determined by actual events could differ from those estimates.

### **Exploration and evaluation expenditures**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of the mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

### **Impairment of assets**

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss.

### **Provision for reclamation and rehabilitation**

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements, however changes in regulatory requirements and new information may result in revisions to estimates. The Company recognizes the present value of liabilities for reclamation and closure costs in the period in which they are incurred. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the accretion of discounted underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

### **Income taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss/income.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in

the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### **Share-based payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share based payments are reflected in reserves, until exercised. Upon exercise shares are issued from treasury and the amount reflected in reserves is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity



interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

#### **DISCLOSURE CONTROLS AND PROCEDURES OVER FINANCIAL REPORTING**

Management has the responsibility for the design and implementation of controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with the accounting principles generally accepted in Canada. Based on a review of its internal controls at the end of the year covered by this MD&A, management believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed and reported in an accurate and timely manner. There have been no significant changes in the Company's internal control over financial reporting during the period ended June 30, 2012.

Management is responsible for the design and effectiveness of disclosure controls and other procedures to provide reasonable assurance that material information related to the Company is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls as of June 30, 2012 and have concluded these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

#### **GOING CONCERN ISSUE**

The Company is in the exploration stage and has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

#### **OTHER INFORMATION**

Additional information is available on the Company's website at [www.harvestgoldcorp.com](http://www.harvestgoldcorp.com).