



**Management Discussion and Analysis  
For the Nine Months Ended December 31, 2018**

## **PRELIMINARY INFORMATION**

This Management's Discussion and Analysis ("MD&A") contains information up to and including February 28, 2019.

The following MD&A of Harvest Gold Corp. (the "Company") should be read in conjunction with the unaudited condensed consolidated financial statements for the nine months ended December 31, 2018 the related notes contained therein. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All financial information in this MD&A 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 the "Caution Regarding Forward Looking Statements" section below.

## **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 mineral exploration and resource development 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. As at the date of this MD&A, the Company has not earned any production revenue and is considered to be an exploration stage company.

## **RESOURCE PROPERTIES - PERFORMANCE SUMMARY**

### **CERRO CASCARON PROJECT - MEXICO**

#### **Project Acquisition**

During the year ended March 31, 2018, the Company entered into an Option Agreement (the "Option Agreement") to earn up to an 80% interest in the Cerro Cascaron Project located in Mexico from Evrim Resources Corp (TSX.V: EVM)("Evrin"). The Cerro Cascaron Project is subject to a 2% NSR. Under the terms of the Option Agreement, the Company can earn an initial 70% interest (the "Initial Interest") in the Cerro Cascaron Project by incurring \$6 million in exploration expenditures, making \$900,000 in cash payments and issuing 2,000,000 common shares over a four year period. During the Initial Interest period, the Company can defer exploration expenditures at the end of the first, second or third anniversary for 12 months by making quarterly cash payments of \$25,000 and maintaining all other cash payments and claim maintenance costs.

Once the Company has earned its Initial Interest, it will have a 90 day period during which it can elect to earn an additional 10% in the Cerro Cascaron Project by making a cash payment of \$200,000 (or issuing 200,000 common shares) and fund a 43-101 compliant feasibility study ("Feasibility Study") over a five year period. Minimum annual exploration expenditures of \$2 million are required during this period and a \$200,000 cash payment is to be made if the minimum expenditures are not met by the Company.

## **Property Description**

The Cerro Cascaron project covers 69 square kilometres in a historic Colonial-era mining district in the prolific Sierra Madre Occidental (“SMO”) precious metals belt of western Chihuahua State. Harvest Gold has the right to earn up to an 80% interest in the Project by incurring certain exploration expenditures, making cash and share payments and delivering a 43-101 compliant feasibility study.

## **Drill Results**

On February 14, 2019, the Company announced drill results at the Cerro Cascaron gold and silver project in southwestern Chihuahua, Mexico. Evrim Resources Corp. and the Company have completed nine diamond drill holes to date at Serpiente Dorada, San Pedro and Cascarita for a total of 1,885 metres, with assay results received from seven drill holes.

Assays are pending for three holes, two at San Pedro and one at Serpiente Dorada, where earlier drilling delineated a significant corridor of alteration containing local high-grade gold mineralization.

## **Drill Program Highlights**

### **San Pedro**

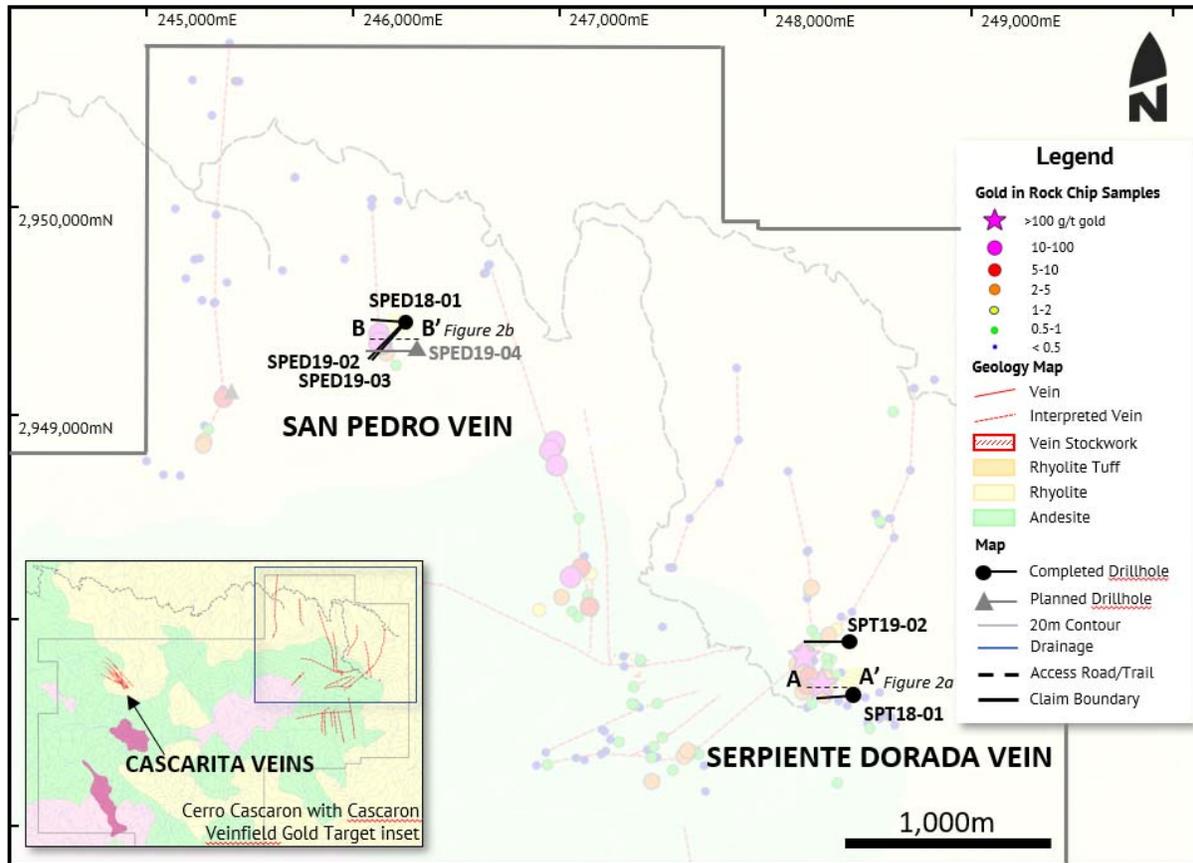
- SPED19-02 intersected 4.8 metres grading 1.02 g/t gold and 13.0 g/t silver from 141 metres downhole and 0.35 metres grading 5.39 g/t gold and 23.7 g/t silver from 154.45 metres downhole.
- SPED19-03 intersected a 2.7-metre-wide quartz vein from 162.6 metres downhole. Assays are pending.

### **Serpiente Dorada**

- Drill hole SPT18-01 intersected 1.0 metre grading 20.1 grams per tonne (g/t) gold and 22.5 g/t silver from 225.5 metres downhole within 6.5 metres grading 3.29 g/t gold and 6.3 g/t silver from 224.5 metres.

The true width of the mineralized zones are not known at this stage.

# CERRO CASCARON



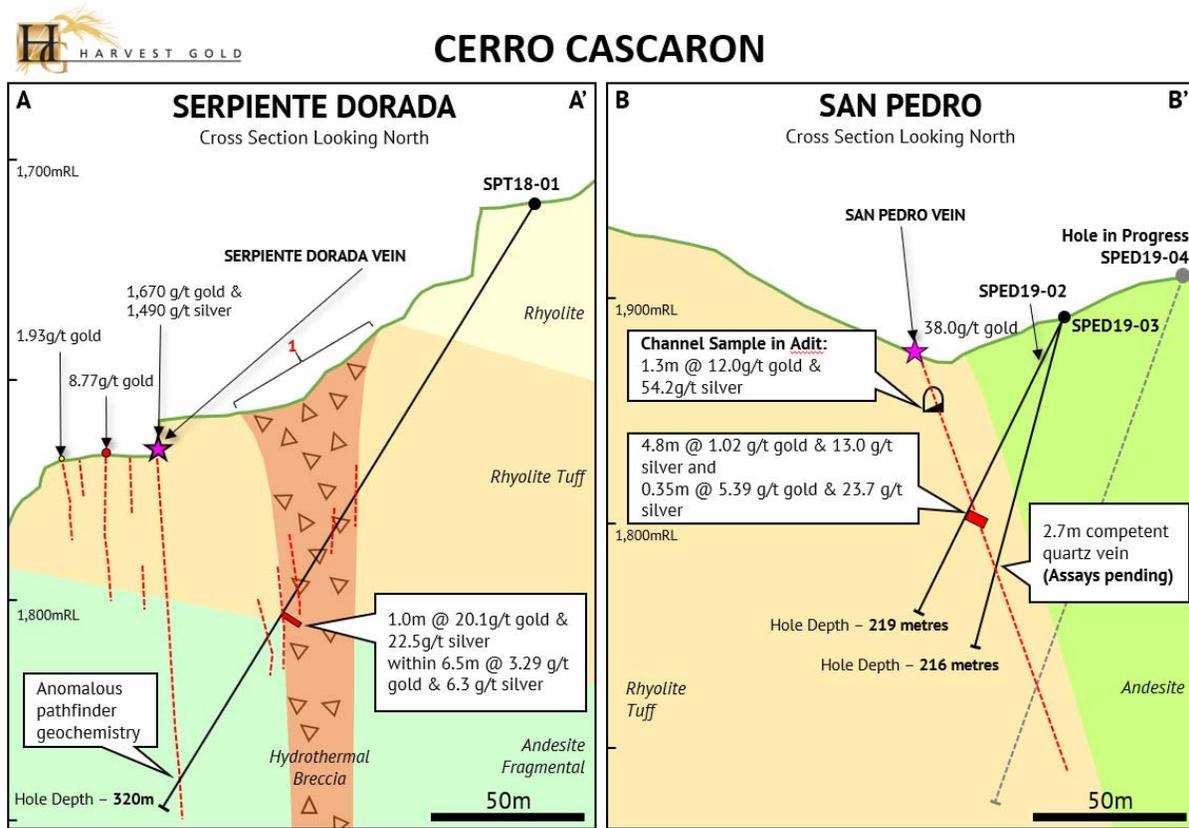
**Figure 1 – Map of the Cascaron veinfield with Serpiente Dorada and San Pedro drilling shown**

## San Pedro Summary

Drilling at San Pedro has intersected a quartz vein beneath the shallow historic workings hosted in rhyolitic tuff and andesite. Drill hole SPED19-02 intersected a 1.8 metre wide quartz vein within an approximate 20 metre stockwork zone. The zone includes 4.8 metres grading 1.05 g/t gold and 15.8 g/t silver from 141 metres downhole with a slightly deeper narrow vein returning 0.35 metres grading 5.39 g/t gold and 23.7 g/t silver from 154.45 metres downhole. The true width of the structures are not known at this stage. Follow-up drill hole SPED19-03, intersected a 2.7 metre wide vein from 162.6 metres within a broader 33.5 metre surrounding stockwork zone. Assays results remain pending for drill hole SPED19-03.

The vein intersected in holes SPED19-02 and SPED19-03 contains banded chalcedonic quartz and calcite with quartz-healed breccia channels indicative of multiple phases of vein formation. The textures suggest a level near to, but above a boiling zone (where the best mineralization is to be expected) and subsequently, a fourth hole at San Pedro is planned to target a potential mineralized shoot with better mineralization approximately 100 metres deeper than hole SPED19-03.

In drill hole SPED18-01 located 72 metres to the north, the zone consists of a zone of minor calcite and quartz veinlets with strong pathfinder element geochemistry but only anomalous gold values, suggesting that best target will be at depth rather than in vein extensions to the north.



**Figure 2a - Cross section of drill hole at Serpiente Dorada (A-A') and Figure 2b - Cross section of drilling at San Pedro (B-B')**

**Serpiente Dorada Summary**

Drill hole SPT18-01 targeted the Serpiente Dorada vein approximately 100 metres below surface. The hole drilled into a sequence of rhyolitic and andesitic volcanic rocks with overprinting hydrothermal breccias. A wide zone of silicification and quartz stockwork veining exploits the margins of the breccias in the lower half of drill hole SPT18-01 and hosts many narrow low-grade mineralized intersections along with the highlighted 1.0 metre grading 20.1 g/t gold and 22.5 g/t silver from 225.5 metres downhole. The true width of the zone of silicification and stockwork quartz veining is not known.

The intersection encountered in SPT18-01 may be a new structure or a splay of the outcropping Serpiente Dorada structure. A zone of elevated pathfinder element geochemistry exists at the base of the hole that corresponds with the projection of the surface expression of the Serpiente Dorada structure. A follow-up drill hole has been designed to target this zone of mineralization approximately 180 metres to the north where the northeast-trending La Julieta vein is interpreted to intersect the Serpiente Dorada structure.

**Cascarita Summary**

Three drill holes at Cascarita intersected a predominately rhyolitic tuff sequence with zones of silicification and veining throughout each hole. Veinlets are predominantly crystalline quartz with rare colloform quartz and no significant

results were intersected. The zones of sulphide breccia with high silver grades at surface were not intersected in drilling.

### **Cerro Cascaron Drill Program Summary**

A total of nine drill holes have been completed to date with two holes at the Serpiente Dorada, three holes at San Pedro gold targets, and four at the silver-rich Cascarita target. Assay results remain pending from three holes, one at Serpiente Dorada and two at San Pedro.

### **Significant Intersection Table**

Hole	From (m)	To (m)	Width (m)	Gold (g/t)	Silver (g/t)	Comment
<b>SPED18-01</b>	No Significant Result					
<b>SPED19-02</b>	141.0	145.8	4.8	1.02	13.0	
And	154.45	154.8	0.35	5.39	23.7	
<b>SPED19-03</b>	Assays Pending					
<b>SPT18-01</b>	224.5	231.0	6.5	3.29	6.3	
Including	225.5	226.5	1.0	20.1	22.5	
<b>SPT19-02</b>	Assays Pending					

### **Drill Hole Information Table**

Hole	Easting (m)	Northing (m)	Elevation (m)	Azimuth (°)	Dip (°)	Hole Depth (m)
<b>SPED18-01</b>	246,222	2,949,475	1,883	270	-45	201.0
<b>SPED19-02</b>	246,222	2,949,475	1,883	220	-55	219.0
<b>SPED19-03</b>	246,222	2,949,475	1,883	220	-68	216.0
<b>SPT18-01</b>	248,404	2,947,705	1,677	270	-64	320.0
<b>SPT19-02</b>	248,370	2,947,880	1,733	270	-55	270.0
<b>CAS18-01</b>	240,533	2,947,389	1,360	060	-45	209.7
<b>CAS18-02B</b>	240,557	2,947,296	1,301	060	-45	201.0
<b>CAS18-03</b>	240,361	2,947,455	1,405	040	-60	200.0

The disclosure of technical or scientific information in this document has been reviewed and approved by Warren Bates, P.Geo. Chief Geologist for Harvest Gold. Mr. Bates serves as a Qualified Person under the definition of National Instrument 43-101.

Core samples were delivered to ALS Global in Hermosillo, Sonora for sample preparation and to the ALS laboratory in North Vancouver for analysis. The Hermosillo and North Vancouver facilities have ISO/IEC 17025:2017 certification. Field duplicate samples, blank samples and certified reference materials were inserted into the sample sequence each at a frequency of one per 20 samples. Samples were assayed for gold by 30-gram fire assay and multi-element analysis by four-acid and ICP analysis.

## **SURINAME CONCESSIONS**

On July 27, 2016, the Company completed its 100% acquisition of Canasur Gold Limited (“CanaSur”) and its wholly owned projects located in Suriname.

In July 2018, the Company sold its Suriname mineral projects by selling the shares of CanaSur to its agent in Suriname (the “Purchaser”) for US\$150,000 payable in 90-day increments beginning July 31, 2018 with the final payment due on or before November 1, 2019. The obligations of the Purchaser under the Note are secured by a pledge of the shares of CanaSur.

## **ROSEBUD GOLD MINE, NEVADA**

During the year ended March 31, 2016, the Company reached an option to sell agreement with Rosebud Exploration LLC (“RE”), a private Nevada corporation, for its Rosebud Gold Mine Property as follows. In Stage One, RE paid the Company US\$25,000 upon signing. RE then paid US\$50,000 to Newmont for the Company’s December 15, 2015 Advanced Royalty Payment on Rosebud. RE also paid all Bureau of Land Management (“BLM”) and county fees on Rosebud for its 2015 obligations. RE then informed the Company of its intention to continue with the project and paid the Company US\$15,000 in September 2016. RE also paid the US\$50,000 2016 Advanced Royalty Payment to Newmont and has committed to pay 2017 BLM and county fees on the property by the end of July 2017.

RE exercised its option to purchase Rosebud any time after January 1, 2016 up to November 23, 2017 and paid the Company CDN\$100,000. As RE exercised its option to purchase, it has also committed to paying CDN\$1,000,000 to the Company within 30 days of RE receiving funding designed to commission and construct a mine at Rosebud. On Closing of the sale of Rosebud, RE assumed all obligations of the Company in respect of the 3% NSR on Rosebud including the obligations to make annual advance Royalty payments

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

Effective January 1, 2012 the Company entered into a mining lease and option to purchase agreement with Kinetic Gold (US) Inc. (“Kinetic”). As per the terms in the agreement the Company is in receipt of the first US\$10,000 upon execution of the agreement and is in receipt of the next installment which was paid on December 21, 2012. On September 5, 2013 there was an amendment to the Mining Lease and Option to Purchase RW Claims to incorporate an additional year on the payment schedule. On August 13, 2015 the agreement was amended whereby Kinetic paid US\$5,000 (CDN\$6,475; received) and will pay US\$15,000 thirty days after Kinetic assigns the property to a third party. Kinetic will then pay a further US\$30,000 on the first anniversary and US\$40,000 on the second anniversary of assigning the property to a third party. With the property optioned to Kinetic, the Company no longer manages the property and has no activities planned.

## **RESULTS FROM OPERATIONS**

### **Three Months Ended December 31, 2018 compared with Three Months Ended December 31, 2017**

The Company incurred a loss of \$317,443 for the three months ended December 31, 2018 compared to a loss of \$48,088 for the three months ended December 31, 2017. The increase in loss was primarily attributable to share-based payments expense of \$188,661, a non-cash expense on the granting of 4,370,000 stock options. There was no stock options granted in the comparative period. In addition, certain management contracts were renegotiated and management fees were increased to \$77,000 compared to \$18,500 in a comparative period.

## SUMMARY OF QUARTERLY RESULTS

	Three Months Ended December 31, 2018	Three Months Ended September 30, 2018	Three Months Ended June 30, 2018	Three Months Ended March 31, 2018
Total assets	\$ 2,206,196	\$ 2,231,069	\$ 1,029,951	\$ 613,008
Evaluation and exploration assets	1,476,940	1,051,783	351,783	321,783
Working capital (deficiency)	484,134	904,573	340,145	(510)
Shareholders' equity (deficiency)	2,131,417	2,126,199	845,164	474,509
Net loss for the period	(317,443)	(542,778)	(89,345)	(1,011,630)
Net loss per share	(0.00)	(0.01)	(0.00)	(0.01)

	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017
Total assets	\$ 1,622,956	\$ 1,636,220	\$ 1,709,145	\$ 1,725,165
Evaluation and exploration assets	1,464,749	1,401,783	1,350,235	982,743
Working capital	48,820	102,245	261,052	649,777
Shareholders' equity	1,464,052	1,512,139	1,561,770	1,583,003
Loss for the period	(48,088)	(49,631)	(71,233)	(33,640)
Loss per share	(0.01)	(0.00)	(0.00)	(0.00)

### LIQUIDITY AND CAPITAL RESOURCES,

As at December 31, 2018, the Company had cash and cash equivalents of \$538,689. The Company has slowed its utilization of its cash resources on administrative requirements. The Company has no significant income, and will rely on replenishing cash balances by capital fundraising.

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, marketable securities, and due to related party. 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. Trade payables and due to related party 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 trade payables and due to related party 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 and silver 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 December 31, 2018, and the date of this report, the Company had 88,724,864 common shares issued and outstanding. The Company also had 21,062,000 warrants with an exercise price range of \$0.10 - \$0.12 expiring to September 7, 2020. The Company also had 7,895,000 stock options exercisable between \$0.06 and \$0.075 to August 9, 2023.

#### **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 commitment with related parties**

On January 1, 2015, 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 of \$4,000 per month. In October 2016, the contract was renewed at a new monthly rate of \$5,000. In October of 2018, the contract was renewed at a new monthly rate of \$7,500 with a bonus payment of \$40,000 for past services rendered to the Company.

**b. Transactions with related parties**

During the period ended December 31, 2018, the Company paid \$12,000 (December 31, 2017 - \$9,000) of consulting fees and \$117,500 (December 31, 2017 - \$55,500) of management fees to officers and directors and companies controlled by officers and directors of the Company.

As at December 31, 2018, included in advances payable is \$Nil (June 30, 2018 - \$10,000) owing to a director of the Company. The advances are non-interest bearing, unsecured and repayable from proceeds of a future financing in excess of \$1,000,000. The advances have a term of two years, at which time the advances are extinguishable at the Company's discretion, if financing efforts have not been successful.

**c. Transactions with key management personnel**

	Nine Months ended	
	December 31, 2018	December 31, 2017
Management and professional fees	\$ 129,500	\$ 64,500

**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 period ended September 30, 2018 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.

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

### New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2013.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

### Critical Accounting Estimates

The preparation of financial statements requires the Company to make estimates 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 reporting period. Significant areas requiring the use of estimates relate to the determination of impairment of long-lived assets, determination of asset retirement obligations, valuation allowances for future income taxes and assumptions used in determining the fair value of non-cash based compensation.

### Impairment of long lived assets

Management periodically reviews the carrying value of its mineral properties with internal and external mining related professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of reserves, anticipated future prices, anticipated future costs of exploring, developing and operating a producing mine, expiration term and ongoing expense of maintaining leased mineral properties and the period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and their carrying values are appropriate.

If an area of interest is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the period of abandonment or determination that the carrying value exceeds its fair value. The amounts recorded as mineral properties represent costs incurred to date and do not necessarily reflect present or future values.

### 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.

#### Deferred Income Tax

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted or enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount. The future income tax provision also incorporates management's estimates regarding the utilization of tax loss carry forwards, which are dependent on future operating performance and transactions.

#### Stock-based Compensation

The Company records all stock-based compensation for options using the fair value method. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model, with expected volatility based on historical volatility of our stock. The Company uses historical data to estimate the term of the option and the risk free rate for the expected term of the option is based on the Government of Canada yield curve in effect at the time of the grant.

#### **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).