Harfang Exploration Inc.

Unaudited Condensed Interim Financial Statements
(Expressed in Canadian Dollars)

Nine months ended October 31, 2019

The attached financial statements have been prepared by Management of Harfang Exploration Inc. and have not been reviewed by the auditor

Harfang Exploration Inc.

Statements of Financial Position
(Unaudited, in Canadian Dollars)

	Note	As at October 31, 2019	As at January 31, 2019
		$	**$**
Assets			
Current assets			
Cash	5	2,624,432	2,287,057
Accounts receivable		1,933	-
Sales tax receivable		46,749	32,773
Tax credits receivable		34,928	43,837
Prepaid expenses and others		13,619	3,939
Current assets		2,721,661	2,367,606
Non-current assets			
Exploration and evaluation assets	6	820,579	744,344
Equipment		729	1,167
Non-current assets		821,308	745,511
Total assets		**3,542,969**	**3,113,117**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		146,249	155,577
Advance received for exploration work		-	1,220
Liability related to the premium on flow-through shares	7	100,042	36,393
Total Liabilities		**246,291**	**193,190**
Equity			
Share capital	7	6,576,649	5,300,917
Warrants	8	708,650	370,593
Contributed surplus		272,526	212,592
Deficit		(4,261,147)	(2,964,175)
Total equity		**3,296,678**	**2,919,927**
Total liabilities and equity		**3,542,969**	**3,113,117**
Subsequent events	11		

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Harfang Exploration Inc.

Statements of Loss and Comprehensive Loss

(Unaudited, in Canadian Dollars)

	Note	Three months ended October 31,		Nine months ended October 31,	
		2019	2018	2019	2018
		$	$	$	$
Revenues					
Project management fees		80	38	151	554
Operating Expenses					
Exploration and evaluation expenditures, net of tax credits	10	377,504	246,688	847,426	661,822
Salaries and benefits		37,895	37,641	110,137	117,461
Stock-based compensation	9	2,042	6,125	59,934	74,857
Consulting and professional fees		30,601	28,110	134,413	160,581
Office and administrative		12,367	10,164	37,947	38,095
Travel, conference and investor relations		23,603	26,589	35,442	48,650
Filing fees		9,304	7,439	27,223	37,112
Depreciation of equipment		146	146	438	438
Impairment of exploration and evaluation assets	6	594	-	594	-
Operating expenses		(494,056)	(362,902)	(1,253,554)	(1,139,016)
Other income					
Interest income		15,949	14,941	50,523	37,133
Loss before income taxes		(478,027)	(347,923)	(1,202,880)	(1,101,329)
Deferred income taxes recovery		92,700	71,220	230,693	196,573
Net loss and comprehensive loss		**(385,327)**	**(276,703)**	**(972,187)**	**(904,756)**
Net loss per common share - basic and diluted		(0.01)	(0.01)	(0.03)	(0.03)
Weighted average number of common shares outstanding - basic and diluted		37,433,071	31,819,385	36,266,821	29,581,500

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Harfang Exploration Inc.

Statements of Changes in Equity

(Unaudited, in Canadian Dollars)

	Note	Number of shares outstanding	Share Capital	Warrants	Contributed surplus	Deficit	Total equity
			$	$	$	$	$
Balance at February 1, 2018		**28,048,135**	**4,451,487**	**295,499**	**131,610**	**(1,796,410)**	**3,082,186**
Net loss and comprehensive loss		-	-	-	-	(904,756)	(904,756)
Issuance of shares under a private placement		2,565,000	539,850	101,400	-	-	641,250
Issuance of shares under a flow-through private placement		1,206,250	482,500	-	-	-	482,500
• Less: premium		-	(162,844)	-	-	-	(162,844)
Share issuance costs		-	(32,050)	(4,332)	-	-	(36,382)
Stock-based compensation		-	-	-	74,857	-	74,857
Balance at October 31, 2018		**31,819,385**	**5,278,943**	**392,567**	**206,467**	**(2,701,166)**	**3,176,811**
Balance at February 1, 2019		**31,819,385**	**5,300,917**	**370,593**	**212,592**	**(2,964,175)**	**2,919,927**
Net loss and comprehensive loss		-	-	-	-	(972,187)	(972,187)
Issuance of shares and units under private placements	7	2,786,701	605,124	18,545	-	-	623,669
Issuance of shares under flow-through private placements	7	3,228,320	1,029,210	-	-	-	1,029,210
• Less: premium	7	-	(302,838)	-	-	-	(302,838)
Share issuance costs	7	-	(55,764)	(1,440)	-	-	(57,204)
Stock-based compensation	9	-	-	-	59,934	-	59,934
Extended warrants	8	-	-	324,785	-	(324,785)	-
Warrants extension costs	8	-	-	(3,833)	-	-	(3,833)
Balance at October 31, 2019		**37,834,406**	**6,576,649**	**708,650**	**272,526**	**(4,261,147)**	**3,296,678**

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Harfang Exploration Inc.

Statements of Cash Flows

(Unaudited, in Canadian Dollars)

	Note	Nine months ended October 31, 2019	2018
		$	$
Operating activities			
Net loss for the period		(972,187)	(904,756)
Adjustments for:			
Stock-based compensation		59,934	74,857
Depreciation of property and equipment		438	438
Flow through premium		(230,693)	(196,573)
Impairment of exploration and evaluation assets		594	-
Changes in non-cash working capital items			
Accounts receivable		(1,933)	(18,433)
Sales tax receivable		(13,976)	(65,342)
Tax credits receivable		8,909	20,431
Prepaid expenses and others		(9,680)	(1,912)
Accounts payable and accrued liabilities		(12,545)	7,142
Advance received for exploration work		(1,220)	1,460
Cash flows used in operating activities		**(1,172,359)**	**(1,082,688)**
Investing activities			
Investment in exploration and evaluation assets		(73,612)	(35,807)
Cash flows used in investing activities		**(73,612)**	**(35,807)**
Financing activities			
Private placements	7	623,669	641,250
Flow-through private placements	7	1,029,210	482,500
Share issuance costs	7	(65,700)	(40,960)
Warrants extension costs	8	(3,833)	-
Cash flows from financing activities		**1,583,346**	**1,082,790**
Net change in cash		337,375	(35,705)
Cash – beginning		2,287,057	2,489,632
Cash – ending		**2,624,432**	**2,453,927**
Additional information			
Interest received		50,523	37,133
Exploration and evaluation assets included in accounts payable and accrued liabilities		3,558	1,025

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Harfang Exploration Inc. (the “Corporation”) was incorporated on March 30, 2010 under the *Business Corporations Act* (British Columbia) and on June 22, 2017, in conjunction with a reverse takeover, continued under the *Business Corporations Act* (Québec). The Corporation’s shares are listed on the TSX Venture Exchange (the “Exchange”) under symbol HAR. The Corporation’s head office is 1100, avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec, Canada.

The Corporation, an exploration and evaluation stage company, is in the business of acquiring and exploring mineral properties in Canada. Its focus is currently on the exploration and evaluation of its mineral properties in the James Bay area in the Province of Québec for precious metals.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation properties. The recoverability of deferred exploration and evaluation expenses is dependent on the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to continue the exploration, evaluation and development of its properties; and obtaining certain government approvals or proceeds from the disposal of properties. Changes in future conditions could require material impairment of the carrying value of the exploration and evaluation assets. Although the Corporation has taken steps to verify title to its mining properties on which it is currently conducting exploration and evaluation work, in accordance with industry standards for the current stage of exploration and evaluation of such property, these procedures do not guarantee the Corporation’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These unaudited condensed interim financial statements (the “Financial Statements”) have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. For the nine months ended October 31, 2019, the Corporation reported a net loss of $972,187 and has accumulated a deficit of $4,261,147 up to that date. As at October 31, 2019, the Corporation had working capital of $2,475,370 ($2,174,416 as at January 31, 2019). From this working capital, the Corporation has to dedicate $341,264 to Canadian mining properties exploration activities, pursuant to the terms of the flow-through financings completed on March 20, 2019 by the Corporation and has to dedicate $19,981 of exploration work, pursuant to the September 17, 2019 financing with SIDEX, société en commandite (“SIDEX”).

Management of the Company believes that it has sufficient funds to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for the ensuing 12 months as they fall due. The Corporation’s ability to continue future operations beyond twelve months and fund its exploration and evaluation expenditures is dependent on management’s ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments. The completion of the non-brokered private placements on March 20, 2019 and on September 17, 2019 (Note 7), contributed to such financing. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the last 12 months, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These Financial Statements have been prepared in accordance with the *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB") applicable to the preparation of interim financial statements, including *International Accounting Standard* ("IAS") 34, *Interim Financial Reporting*. Accordingly, the Financial Statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

The Financial Statements were approved by the Corporation's Board of Directors on December 17, 2019.

2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements for the year ended January 31, 2019 of the Corporation, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in the Financial Statements are consistent with those of the Corporation' previous financial year ended January 31, 2019 except for the adoption of a new accounting standard (Note 3).

3. NEW ACCOUNTING STANDARD ADOPTED

IFRS 16 *Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17 *Leases* ("IAS 17"), and related interpretations. Save for short term leases and leases of low value assets, all leases result in the lessee obtaining the right to use an asset at the commencement of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize:

i) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
ii) depreciation of lease assets separately from interest on lease liabilities in the statement of income (loss).

The Corporation has adopted IFRS 16 on February 1, 2019. Management has determined that the adoption of IFRS 16 had no significant impact on its Financial Statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the Corporation 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 reporting period. The Corporation also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

(Unaudited, in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the Financial Statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Corporation's audited annual financial statements for the year ended January 31, 2019.

5. CASH

The balance on flow-through financing not spent according to the terms of the financing completed on March 20, 2019 by the Corporation represents $341,264 as at October 31, 2019 and is included in cash. The Corporation has to dedicate these funds to Canadian mining properties exploration activities. Also, the Corporation has to dedicate a balance of $19,981 for exploration work, pursuant to the September 17, 2019 financing with SIDEX.

6. EXPLORATION AND EVALUATION ASSETS

Mineral properties acquisition costs	As at Feb. 1, 2019	Property acquisition	Net claims acquisitions / renewals	Impairment(2)	As at October 31, 2019
	$	$	$	$	$
Lake Ménarik	534,570	-	8,305	-	542,875
Ménarik East	104,503	-	594	(594)	104,503
Serpent	44,395	-	38,817	-	83,212
Muskeg	8,730	-	-	-	8,730
Lake Fagnant	5,620	-	-	-	5,620
Lake Aulneau	17,401	-	3,780	-	21,181
Lake Tapiatic(1)	-	-	22,046	-	22,046
Generation	29,125	-	3,287	-	32,412
	744,344	**-**	**76,829**	**(594)**	**820,579**

Mineral properties acquisition costs	As at Feb. 1, 2018	Property acquisition	Net claims acquisitions / renewals	Disposal	As at January 31, 2019
	$	$	$	$	$
Lake Ménarik	526,552	-	8,018	-	534,570
Ménarik East	95,000	-	9,503	-	104,503
Serpent	38,456	-	5,939	-	44,395
Muskeg	5,642	-	3,088	-	8,730
Lake Fagnant	4,893	-	727	-	5,620
Lake Aulneau	-	-	17,401	-	17,401
Generation	9,819	-	19,306	-	29,125
	680,362	**-**	**63,982**	**-**	**744,344**

(1) The Corporation staked by map designation 146 mining claims (100% owned by the Corporation) and comprising the Lake Tapiatic property. The property is located in the James Bay area, approximately 110 km east of the Radisson village and 2 km north of the La Grande-3 hydroelectric powerplant.
(2) The Corporation impaired partially the property for the claims that were dropped.

7. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common voting shares without par value.

a) Private placements (March 2019)

On March 20, 2019, the Corporation completed non-brokered private placements for aggregate gross proceeds of $1,452,880. Under such private placements, the Corporation issued 2,017,476 common shares at a price of $0.21 per common share for gross proceeds of $423,670, 2,014,034 flow-through common shares at a price of $0.30 per flow-through common share ("$0.30 FT Shares") for gross proceeds of $604,210 and 1,214,286 flow-through common shares at a price of $0.35 per flow-through common share ("$0.35 FT Shares") for gross proceeds of $425,000. The $0.35 FT Shares were part of an arrangement through which Osisko Gold Royalties Ltd. became the ultimate owner of all the $0.35 FT Shares.

Regarding the $0.30 FT Shares and $0.35 FT Shares private placements, the Corporation's share market value at closing was $0.225, therefore the residual value attributed to the benefit related to flow-through shares renunciations was $0.075 and $0.125 respectively, for a total value of $302,838 credited to the liability related to the premium on flow-through shares.

Share issue expenses, including the finder's fees of $14,235, totaled $50,179 of which $41,683 was allocated to capital stock and $8,496 to flow-through premium.

Certain directors of the Corporation purchased an aggregate of 95,000 $0.30 FT Shares for $28,500. The directors of the Corporation subscribed to the flow-through private placement under the same terms and conditions as set forth for all subscribers.

b) Private placement (September 2019)

On September 17, 2019, the Corporation closed a private placement consisting of 769,225 units at a price of $0.26 per unit for gross proceeds of $199,999. Each unit was comprised one common share and one half of one common share purchase warrant, with each warrant being exercisable into one additional common share for 24 months from the closing date of the private placement at an exercise price of $0.40 per common share.

From the total proceeds received from the units of $199,999, $18,545 has been allocated to warrants and $181,454 to capital stock, according to a pro-rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 64.45%, a risk free interest rate of 1.61% and an expected life of the warrants of 2 years. The expected volatility was determined by calculating the historical volatility of the Corporation's share price back from the date of the placement and for a period corresponding to the expected life of the warrants.

Share issue expenses totaled $15,521 of which $14,081 was allocated to capital stock and $1,440 to warrants.

(Unaudited, in Canadian Dollars)

8. WARRANTS

Changes in the Corporation's warrants are as follows:

	Nine months ended October 31, 2019			Fiscal 2019		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		$	$		$	$
Balance, beginning	5,103,500	370,593	0.40	3,821,000	295,499	0.40
Issued (Note 7)	384,612	17,105	0.40	1,282,500	75,094	0.40
Extended	-	324,785	-	-	-	-
Extension costs	-	(3,833)	-	-	-	-
Balance, end	**5,488,112**	**708,650**	**0.40**	**5,103,500**	**370,593**	**0.40**

Warrants outstanding and exercisable as at October 31, 2019 are as follows:

Number of warrants outstanding and exercisable	Exercise price	Expiry date
	$	
3,821,000	0.40	June 22, 2021 (extended)
1,282,500	0.40	July 12, 2020
384,612	0.40	September 17, 2021
5,488,112		

On May 21, 2019, the Board of Directors of the Corporation has decided to extend until June 22, 2021 the expiry date of the 3,821,000 warrants issued in connection with a private placement closed on June 22, 2017. On June 7, 2019, the Exchange has approved such extension and on June 18, 2019, a supplemental warrant indenture was executed by the Corporation with Computershare Trust Company of Canada. The total cost of the warrant extension is $324,785 which has been recorded under warrants and the offsetting entry is recorded in the deficit. The fair value of the warrants extension was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follow for the two periods respectively: no expected dividend yield, 72.51% and 62.88% expected volatility, 1.68% and 1.69% risk-free interest rate and 2.1 and 0.1 years warrant expected life. The expected volatility was estimated by benchmarking comparable situations for companies that are similar to the Corporation. Warrants extension expenses totaled $3,833 and were allocated to warrants.

(Unaudited, in Canadian Dollars)

9. STOCK OPTIONS

A summary of changes in stock options is as follows:

	Nine months ended October 31, 2019		Fiscal 2019	
	Number of options	**Weighted Average Exercise Price**	**Number of options**	**Weighted Average Exercise Price**
		$		**$**
Balance, beginning	950,000	0.25	672,500	0.28
Granted	225,000	0.27	415,000	0.25
Expired	-	-	(137,500)	0.38
Balance, end	**1,175,000**	**0.25**	**950,000**	**0.25**

Stock options outstanding and exercisable as at October 31, 2019 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		$	
535,000	535,000	0.25	June 22, 2027
120,000	80,000	0.25	March 15, 2028
295,000	261,666	0.25	July 18, 2028
225,000	225,000	0.27	May 27, 2029
1,175,000	**1,101,666**		

The Corporation has a stock option plan (the "Plan"). The number of options granted is determined by the Board of Directors. The exercise price of any option granted under the plan shall be fixed by the Board of Directors at the time of grant and shall not be lower than the closing price on the day preceding the grant. The term of the option will not exceed ten years from the date of grant. The options vesting period is determined by the Board of Directors. On June 19, 2019, the shareholders of the Corporation renewed the stock option plan which provides that the maximum number of common shares in the capital of the Corporation that may be reserved for issuance under the plan is limited to a maximum of 10% of the common shares outstanding.

On May 27, 2019, the Corporation granted to its directors, officers, employees and consultants 225,000 options exercisable at an exercise price of $0.27, valid for 10 years. The options vested 100% at the grant date. Those options were granted at an exercise price over to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $51,975 for an estimated fair value of $0.231 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 93.76% expected volatility, 1.62% risk-free interest rate and 10 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

(Unaudited, in Canadian Dollars)

10. EXPLORATION AND EVALUATION EXPENSES

	Three months ended October 31,		Nine months ended October 31,	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Salaries and benefits	115,161	73,344	281,482	224,618
Geology	225,375	144,556	322,075	349,509
Analysis	45,379	10,222	50,681	15,417
Transportation	6,740	4,131	66,639	29,096
Geophysics	11,175	-	96,175	-
Lodging and food	6,969	9,403	33,296	30,968
Supplies and equipment	3,170	5,787	34,970	22,967
Taxes, permits and insurance	24	-	24	336
Recharge to partner	(1,601)	(755)	(3,028)	(11,089)
Exploration and evaluation expenditures before tax credits	412,392	246,688	882,314	661,822
Tax credits	(34,888)	-	(34,888)	-
Exploration and evaluation expenditures	**377,504**	**246,688**	**847,426**	**661,822**

11. SUBSEQUENT EVENTS

On December 16, 2019, the Corporation closed a private placement consisting of 800,000 units at a price of $0.25 per unit and of 1,414,893 flow-through common shares at a price of $0.30 per flow-through common share for an aggregate gross proceeds of $624,468. Each unit was comprised one common share and one half of one common share purchase warrant, with each warrant being exercisable into one additional common share for 24 months from the closing date of the private placement at an exercise price of $0.40 per common share. Finder’s fees of $7,835 were paid. Certain directors of the Corporation purchased an aggregate of 10,000 units for $2,500 and an aggregate of 49,997 flow-through shares for $14,999.