



# **Harfang Exploration Inc.**

Unaudited Condensed Interim Financial Statements  
(Expressed in Canadian Dollars)

Three months ended April 30, 2020

*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 April 30, 2020 \$	As at January 31, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	4	2,579,881	2,962,041
Accounts receivable		1,833	7,355
Sales tax receivable		27,296	17,210
Tax credits receivable		43,650	43,650
Prepaid expenses and others		27,425	2,996
<b>Current assets</b>		<b>2,680,085</b>	<b>3,033,252</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	883,915	875,959
Equipment		437	583
<b>Non-current assets</b>		<b>884,352</b>	<b>876,542</b>
<b>Total assets</b>		<b>3,564,437</b>	<b>3,909,794</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		168,104	161,579
Liability related to the premium on flow-through shares		108,325	156,825
<b>Total Liabilities</b>		<b>276,429</b>	<b>318,404</b>
<b>Equity</b>			
Share capital		7,073,942	7,073,942
Warrants	6	725,525	725,525
Contributed surplus		317,685	316,768
Deficit		(4,829,144)	(4,524,845)
<b>Total equity</b>		<b>3,288,008</b>	<b>3,591,390</b>
<b>Total liabilities and equity</b>		<b>3,564,437</b>	<b>3,909,794</b>
Subsequent events	9		

*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)

		Three months ended April 30	
	Note	2020	2019
		\$	\$
<b>Revenues</b>			
Project management fees		76	56
<b>Operating Expenses</b>			
Exploration and evaluation expenditures, net of tax credits	8	173,552	143,916
Salaries and benefits		45,110	36,587
Stock-based compensation		917	3,875
Consulting and professional fees		53,135	32,661
Office and administrative		23,537	11,743
Travel, conference and investor relations		53,897	7,593
Filing fees		8,573	9,902
Depreciation of equipment		146	146
Impairment of exploration and evaluation assets		54	-
<b>Operating expenses</b>		<b>(358,921)</b>	<b>(246,423)</b>
<b>Other income</b>			
Interest income		6,046	15,943
<b>Loss before income taxes</b>		<b>(352,799)</b>	<b>(230,424)</b>
Deferred income taxes recovery		48,500	45,293
<b>Net loss and comprehensive loss</b>		<b>(304,299)</b>	<b>(185,131)</b>
Net loss per common share - basic and diluted		(0.01)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		40,049,299	34,235,988

*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 \$
<b>Balance at February 1, 2019</b>		<b>31,819,385</b>	<b>5,300,917</b>	<b>370,593</b>	<b>212,592</b>	<b>(2,964,175)</b>	<b>2,919,927</b>
Net loss and comprehensive loss		-	-	-	-	(185,131)	(185,131)
Issuance of shares under a private placement		2,017,476	423,670	-	-	-	423,670
Issuance of shares under flow-through private placements		3,228,320	1,029,210	-	-	-	1,029,210
Less: premium		-	(302,838)	-	-	-	(302,838)
Share issuance costs		-	(41,683)	-	-	-	(41,683)
Stock-based compensation		-	-	-	3,875	-	3,875
<b>Balance at April 30, 2019</b>		<b>37,065,181</b>	<b>6,409,276</b>	<b>370,593</b>	<b>216,467</b>	<b>(3,149,306)</b>	<b>3,847,030</b>
<b>Balance at February 1, 2020</b>		<b>40,049,299</b>	<b>7,073,942</b>	<b>725,525</b>	<b>316,768</b>	<b>(4,524,845)</b>	<b>3,591,390</b>
Net loss and comprehensive loss		-	-	-	-	(304,299)	(304,299)
Stock-based compensation		-	-	-	917	-	917
<b>Balance at April 30, 2020</b>		<b>40,049,299</b>	<b>7,073,942</b>	<b>725,525</b>	<b>317,685</b>	<b>(4,829,144)</b>	<b>3,288,008</b>

*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)

		Three months ended April 30,	
	Note	2020	2019
		\$	\$
<b>Operating activities</b>			
Net loss for the period		(304,299)	(185,131)
Adjustments for:			
Stock-based compensation		917	3,875
Depreciation of property and equipment		146	146
Flow through premium		(48,500)	(45,293)
Impairment of exploration and evaluation assets		54	-
Changes in non-cash working capital items			
Accounts receivable		5,522	-
Sales tax receivable		(10,086)	(26,648)
Prepaid expenses and others		(24,429)	(13,381)
Accounts payable and accrued liabilities		70,309	(92,618)
Advance received for exploration work		-	(1,188)
<b>Cash flows used in operating activities</b>		<b>(310,366)</b>	<b>(360,238)</b>
<b>Investing activities</b>			
Investment in exploration and evaluation assets		(71,794)	(6,346)
<b>Cash flows used in investing activities</b>		<b>(71,794)</b>	<b>(6,346)</b>
<b>Financing activities</b>			
Private placement		-	423,670
Flow-through private placements		-	1,029,210
Share issuance costs		-	(50,179)
<b>Cash flows from financing activities</b>		<b>-</b>	<b>1,402,701</b>
<b>Net change in cash</b>		<b>(382,160)</b>	<b>1,036,117</b>
Cash – beginning		2,962,041	2,287,057
<b>Cash – ending</b>		<b>2,579,881</b>	<b>3,323,174</b>
<b>Additional information</b>			
Interest received		6,046	15,943
Share issuance costs included in accounts payable and accrued liabilities		1,200	-

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

# Harfang Exploration Inc.

## Notes to the Condensed Interim Financial Statements

Three months ended April 30, 2020

(Unaudited, in Canadian Dollars)

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### 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 located at 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 three months ended April 30, 2020, the Corporation reported a net loss of \$304,299 and has accumulated a deficit of \$4,829,144 up to that date. As at April 30, 2020, the Corporation had working capital of \$2,403,656 (\$2,714,848 as at January 31, 2020). From this working capital, the Corporation has to dedicate \$81,140 and \$424,468 respectively to Canadian mining properties exploration activities, pursuant to the terms of the flow-through financings completed on March 20, 2019 and December 16, 2019 by the Corporation.

Management of the Corporation believes that it has sufficient funds to maintain the status of its current exploration obligations and keep its properties in good standing, 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 three non-brokered private placements in 2019, 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.

# Harfang Exploration Inc.

## Notes to the Condensed Interim Financial Statements

Three months ended April 30, 2020

(Unaudited, in Canadian Dollars)

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### 1. NATURE OF OPERATIONS AND LIQUIDITY RISK (CONT'D)

During the Q1-21, an outbreak of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the financial statements. These events may cause in the future significant changes on the Corporation's ability to complete planned exploration and evaluation activities, meet its obligations according to the terms of the flow-through financings or our ability to obtain debt and equity financing. Following these events, the Corporation has taken and will continue to take action to minimize the impact. However, it is impossible to determine the financial implications of these events for the moment.

### 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 June 17, 2020.

#### 2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements for the year ended January 31, 2020 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, 2020.

### 3. 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.

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, 2020.

# Harfang Exploration Inc.

## Notes to the Condensed Interim Financial Statements

Three months ended April 30, 2020

(Unaudited, in Canadian Dollars)

### 4. CASH

The balance on flow-through financing not spent according to the terms of the financings completed on March 20, 2019 and December 16, 2019 by the Corporation represents \$81,140 and \$424,468 respectively, as at April 30, 2020, and is included in cash. The Corporation has to dedicate these funds to Canadian mining properties exploration activities by December 31, 2020.

### 5. EXPLORATION AND EVALUATION ASSETS

Mineral properties acquisition costs	As at Feb. 1, 2020	Net claims acquisitions / renewals	Impairment	As at April 30, 2020
	\$	\$	\$	\$
Lake Ménarik	542,875	-	-	542,875
Ménarik East	104,503	-	-	104,503
Serpent	117,274	(689)	-	116,585
Lake Fagnant	7,039	603	(54)	7,588
Lake Aulneau	21,721	7,672	-	29,393
Lake Tapiatic	22,046	-	-	22,046
Kali	29,722	424	-	30,146
Generation	30,779	-	-	30,779
	<b>875,959</b>	<b>8,010</b>	<b>(54)</b>	<b>883,915</b>

Mineral properties acquisition costs	As at Feb. 1, 2019	Net claims acquisitions / renewals	Disposal	As at April 30, 2019
	\$	\$	\$	\$
Lake Ménarik	534,570	1,812	-	536,382
Ménarik East	104,503	-	-	104,503
Serpent	44,395	906	-	45,301
Muskeg	8,730	-	-	8,730
Lake Fagnant	5,620	-	-	5,620
Lake Aulneau	17,401	-	-	17,401
Generation	29,125	3,287	-	32,412
	<b>744,344</b>	<b>6,005</b>	<b>-</b>	<b>750,349</b>

### 6. WARRANTS

Changes in the Corporation's warrants are as follows:

	Three months ended April 30, 2020			Fiscal 2020		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$		\$	\$
Balance, beginning	5,888,112	725,525	0.40	5,103,500	370,593	0.40
Issued	-	-	-	784,612	33,980	0.40
Extended	-	-	-	-	324,785	-
Extension costs	-	-	-	-	(3,833)	-
<b>Balance, end</b>	<b>5,888,112</b>	<b>725,525</b>	<b>0.40</b>	<b>5,888,112</b>	<b>725,525</b>	<b>0.40</b>



# Harfang Exploration Inc.

## Notes to the Condensed Interim Financial Statements

Three months ended April 30, 2020

(Unaudited, in Canadian Dollars)

### 6. WARRANTS (CONT'D)

Warrants outstanding and exercisable as at April 30, 2020 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, 2022 (extended, note 9)
384,612	0.40	September 17, 2021
400,000	0.40	December 16, 2021
<b>5,888,112</b>		

### 7. STOCK OPTIONS

A summary of changes in stock options are as follows:

	Three months ended April 30, 2020		Fiscal 2020	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		\$		\$
Balance, beginning	1,375,000	0.25	950,000	0.25
Granted	-	-	425,000	0.26
<b>Balance, end</b>	<b>1,375,000</b>	<b>0.25</b>	<b>1,375,000</b>	<b>0.25</b>

Stock options outstanding and exercisable as at April 30, 2020 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	120,000	0.25	March 15, 2028
295,000	261,666	0.25	July 18, 2028
225,000	225,000	0.27	May 27, 2029
200,000	200,000	0.24	January 17, 2030
<b>1,375,000</b>	<b>1,341,666</b>		

# Harfang Exploration Inc.

## Notes to the Condensed Interim Financial Statements

Three months ended April 30, 2020

(Unaudited, in Canadian Dollars)

### 8. EXPLORATION AND EVALUATION EXPENSES

	Three months ended	
	April 30,	
	2020	2019
	\$	\$
Salaries and benefits	56,158	45,827
Geology	54,764	12,257
Analysis	9,047	63
Transportation	853	860
Geophysics	51,550	85,000
Lodging and food	91	162
Supplies and equipment	1,703	878
Recharge to partners	(614)	(1,131)
<b>Exploration and evaluation expenditures before tax credits</b>	<b>173,552</b>	<b>143,916</b>
Tax credits	-	-
<b>Exploration and evaluation expenditures</b>	<b>173,552</b>	<b>143,916</b>

### 9. SUBSEQUENT EVENTS

On May 20, 2020, the Board of Directors of the Corporation has decided to extend until July 12, 2022 the expiry date of the 1,282,500 warrants issued in connection with a private placement closed on July 12, 2018.

On May 22, 2020, the Corporation granted to its directors, officers, employees and consultants 337,500 options exercisable at an exercise price of \$0.25, 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.