



Harfang Exploration Inc.

Unaudited Condensed Interim Financial Statements
(Expressed in Canadian Dollars)

Six months ended July 31, 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 July 31, 2020 \$	As at January 31, 2020 \$
Assets			
Current assets			
Cash	4	4,508,571	2,962,041
Accounts receivable		-	7,355
Sales tax receivable		50,254	17,210
Tax credits receivable		4,900	43,650
Prepaid expenses and others		18,608	2,996
Current assets		4,582,333	3,033,252
Non-current assets			
Exploration and evaluation assets	5	929,469	875,959
Equipment		291	583
Non-current assets		929,760	876,542
Total assets		5,512,093	3,909,794
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		269,217	161,579
Liability related to the premium on flow-through shares		326,242	156,825
Total Liabilities		595,459	318,404
Equity			
Share capital	6	9,028,861	7,073,942
Warrants	7	933,929	725,525
Contributed surplus		382,485	316,768
Deficit		(5,428,641)	(4,524,845)
Total equity		4,916,634	3,591,390
Total liabilities and equity		5,512,093	3,909,794

Subsequent events 10

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 July 31,		Six months ended July 31,	
		2020 \$	2019 \$	2020 \$	2019 \$
Revenues					
Project management fees		-	15	76	71
Operating Expenses					
Exploration and evaluation expenditures, net of tax credits	9	393,627	326,006	567,179	469,922
Salaries and benefits		38,756	35,655	83,866	72,242
Stock-based compensation	8	64,800	54,017	65,717	57,892
Consulting and professional fees		41,193	71,151	94,328	103,812
Office and administrative		19,816	13,837	43,353	25,580
Travel, conference and investor relations		46,527	4,246	100,424	11,839
Filing fees		16,203	8,017	24,776	17,919
Depreciation of equipment		146	146	292	292
Impairment of exploration and evaluation assets		1,350	-	1,404	-
Operating expenses		(622,418)	(513,075)	(981,339)	(759,498)
Other income					
Interest income		804	18,631	6,850	34,574
Loss before income taxes		(621,614)	(494,429)	(974,413)	(724,853)
Deferred income taxes recovery		86,242	92,700	134,742	137,993
Net loss and comprehensive loss		(535,372)	(401,729)	(839,671)	(586,860)
Net loss per common share - basic and diluted		(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of common shares outstanding - basic and diluted		43,755,995	37,065,181	41,923,013	35,674,031

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, 2019		31,819,385	5,300,917	370,593	212,592	(2,964,175)	2,919,927
Net loss and comprehensive loss		-	-	-	-	(586,860)	(586,860)
Issuance of shares and units 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		-	-	-	57,892	-	57,892
Extended warrants		-	-	324,785	-	(324,785)	-
Warrants extension costs		-	-	(3,833)	-	-	(3,833)
Balance at July 31, 2019		37,065,181	6,409,276	691,545	270,484	(3,875,820)	3,495,485
Balance at February 1, 2020		40,049,299	7,073,942	725,525	316,768	(4,524,845)	3,591,390
Net loss and comprehensive loss		-	-	-	-	(839,671)	(839,671)
Issuance of shares and units under a private placement	6	5,604,000	1,248,815	152,185	-	-	1,401,000
Issuance of shares under flow-through a private placement	6	3,140,000	1,099,000	-	-	-	1,099,000
• Less: premium	6	-	(314,000)	-	-	-	(314,000)
Share issuance costs	6	-	(78,896)	(6,616)	-	-	(85,512)
Stock-based compensation	8	-	-	-	65,717	-	65,717
Extended warrants	7	-	-	64,125	-	(64,125)	-
Warrants extension costs	7	-	-	(1,290)	-	-	(1,290)
Balance at July 31, 2020		48,793,299	9,028,861	933,929	382,485	(5,428,641)	4,916,634

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)

		Six months ended July 31,	
	Note	2020	2019
		\$	\$
Operating activities			
Net loss for the period		(839,671)	(586,860)
Adjustments for:			
Stock-based compensation		65,717	57,892
Depreciation of property and equipment		292	292
Flow through premium		(134,742)	(137,993)
Impairment of exploration and evaluation assets	5	1,404	-
Changes in non-cash working capital items			
Accounts receivable		7,355	(320)
Sales tax receivable		(33,044)	(8,638)
Tax credits receivable		38,750	38,897
Prepaid expenses and others		(15,612)	(16,029)
Accounts payable and accrued liabilities		172,622	(100,901)
Advance received for exploration work		-	(1,220)
Cash flows used in operating activities		(736,929)	(754,880)
Investing activities			
Investment in exploration and evaluation assets		(118,698)	(69,464)
Cash flows used in investing activities		(118,698)	(69,464)
Financing activities			
Private placement	6	1,401,000	423,670
Flow-through private placement	6	1,099,000	1,029,210
Share issuance costs	6	(96,553)	(50,179)
Warrants extension costs	7	(1,290)	(3,833)
Cash flows from financing activities		2,402,157	1,398,868
Net change in cash		1,546,530	574,524
Cash – beginning		2,962,041	2,287,057
Cash – ending		4,508,571	2,861,581
Additional information			
Interest received		6,850	34,574

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

Harfang Exploration Inc.

Notes to the Condensed Interim Financial Statements

Six months ended July 31, 2020

(Unaudited, in Canadian Dollars)

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 six months ended July 31, 2020, the Corporation reported a net loss of \$839,671 and has accumulated a deficit of \$5,428,641 up to that date. As at July 31, 2020, the Corporation had working capital of \$3,986,874 (\$2,714,848 as at January 31, 2020). From this working capital, the Corporation has to dedicate \$113,305 and \$1,099,000 respectively to Canadian mining properties exploration activities, pursuant to the terms of the flow-through financings completed on December 16, 2019 and June 22, 2020 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 the non-brokered private placements on June 22, 2020 (note 6), 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

Six months ended July 31, 2020

(Unaudited, in Canadian Dollars)

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 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 of the COVID-19 pandemic. However, it is impossible to ultimately determine the financial implications of these events.

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 September 23, 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

Six months ended July 31, 2020

(Unaudited, in Canadian Dollars)

4. CASH

The balance on flow-through financing not spent according to the terms of the financings completed on December 16, 2019 and June 22, 2020 by the Corporation represents \$113,305 and \$1,099,000 respectively, as at July 31, 2020, and is included in cash. The Corporation has to dedicate these funds to Canadian mining properties exploration activities.

5. EXPLORATION AND EVALUATION ASSETS

Mineral properties acquisition costs	As at Feb. 1, 2020	Net claims acquisitions / renewals	Impairment	As at July 31, 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	(1,350)	28,043
Lake Tapiatic	22,046	-	-	22,046
Kali	29,722	296	-	30,018
Bonfait ⁽¹⁾	-	29,876	-	29,876
La Passe ⁽²⁾	-	12,320	-	12,320
Generation	30,779	4,836	-	35,615
	875,959	54,914	(1,404)	929,469

Mineral properties acquisition costs	As at Feb. 1, 2019	Net claims acquisitions / renewals	Disposal	As at July 31, 2019
	\$	\$	\$	\$
Lake Ménarik	534,570	4,379	-	538,949
Ménarik East	104,503	-	-	104,503
Serpent	44,395	39,411	-	83,806
Muskeg	8,730	-	-	8,730
Lake Fagnant	5,620	-	-	5,620
Lake Aulneau	17,401	-	-	17,401
Lake Tapiatic	-	22,046	-	22,046
Generation	29,125	3,287	-	32,412
	744,344	69,123	-	813,467

- (1) The Corporation staked by map designation 194 mining claims (100% owned by the Corporation) and comprising the Bonfait property. The property is located in the James Bay area, approximately 85 km southeast of the Radisson locality and 2 km south of the La Grande-3 airport.
- (2) The Corporation staked by map designation 80 mining claims (100% owned by the Corporation) and comprising the La Passe property. The property is located in the James Bay area, approximately 78 km southeast of the Radisson locality.

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Notes to the Condensed Interim Financial Statements

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(Unaudited, in Canadian Dollars)

6. SHARE CAPITAL

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

a) Private placements (June 2020)

On June 22, 2020, the Corporation closed a non-brokered private placement consisting of 5,604,000 units at a price of \$0.25 per unit and of 3,140,000 flow-through common shares at a price of \$0.35 per flow-through common share for an aggregate gross proceeds of \$2,500,000. 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 \$1,401,000, \$152,185 has been allocated to warrants and \$1,248,815 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 75.3%, a risk free interest rate of 0.27% 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.

Regarding the flow-through private placement of \$1,099,000, the Corporation's share market value at closing was \$0.25, therefore the residual value attributed to the benefit related to flow-through shares renunciation was \$0.10 for a total value of \$314,000 credited to the liability related to the premium on flow-through shares.

Share issue expenses, including the finder's fees of \$55,807, totalled \$95,353 of which \$78,896 was allocated to capital stock, \$6,616 to warrants and \$9,841 to flow-through premium.

Certain officers and directors of the Corporation purchased an aggregate of 80,000 units for \$20,000 and an aggregate of 107,357 flow-through shares for \$37,575. The officers and directors of the Corporation subscribed to the private placements under the same terms and conditions as set forth for all subscribers.

7. WARRANTS

Changes in the Corporation's warrants are as follows:

	Six months ended July 31, 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	2,802,000	145,569	0.40	784,612	33,980	0.40
Extended	-	64,125	-	-	324,785	-
Extension costs	-	(1,290)	-	-	(3,833)	-
Balance, end	8,690,112	933,929	0.40	5,888,112	725,525	0.40

Harfang Exploration Inc.

Notes to the Condensed Interim Financial Statements

Six months ended July 31, 2020

(Unaudited, in Canadian Dollars)

7. WARRANTS (CONT'D)

Warrants outstanding and exercisable as at July 31, 2020 are as follows:

Number of warrants outstanding and exercisable	Exercise price	Expiry date
	\$	
3,821,000	0.40	June 22, 2021 (extended)
384,612	0.40	September 17, 2021
400,000	0.40	December 16, 2021
2,802,000	0.40	June 22, 2022
1,282,500	0.40	July 12, 2022 (extended)
8,690,112		

On May 20, 2020, the Board of Directors of the Corporation 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. The total cost of the warrant extension is \$64,125 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 follows for the two periods respectively: no expected dividend yield, 72.42% and 100.48% expected volatility, 0.28% and 0.24% risk-free interest rate and 2.13 and 0.13 years warrant expected life. The expected volatility was determined by the historical volatility of the Corporation. Warrant extension expenses totaled \$1,290 and were allocated to warrants.

8. STOCK OPTIONS

A summary of changes in stock options are as follows:

	Six months ended July 31, 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	337,500	0.25	425,000	0.26
Balance, end	1,712,500	0.25	1,375,000	0.25

Harfang Exploration Inc.

Notes to the Condensed Interim Financial Statements

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(Unaudited, in Canadian Dollars)

8. STOCK OPTIONS (CONT'D)

Stock options outstanding and exercisable as at July 31, 2020 are as follows:

Number of options outstanding and exercisable	Exercise price \$	Expiry date
535,000	0.25	June 22, 2027
120,000	0.25	March 15, 2028
295,000	0.25	July 18, 2028
225,000	0.27	May 27, 2029
200,000	0.24	January 17, 2030
337,500	0.25	May 22, 2030
1,712,500		

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 July 16, 2020, 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 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. Total stock-based compensation costs amount to \$64,800 for an estimated fair value of \$0.192 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 97.38% expected volatility, 0.53% 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.

9. EXPLORATION AND EVALUATION EXPENSES

	Three months ended July 31,		Six months ended July 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries and benefits	140,438	120,496	196,594	166,322
Geology	121,932	84,442	176,696	96,699
Analysis	18,079	5,238	27,126	5,301
Transportation	4,342	59,038	5,196	59,898
Geophysics	72,535	-	124,085	85,000
Lodging and food	20,800	26,165	20,892	26,327
Supplies and equipment	14,631	30,923	16,334	31,802
Taxes, permits and insurance	870	-	870	-
Recharge to partners	-	(296)	(614)	(1,427)
Exploration and evaluation expenditures before tax credits	393,627	326,006	567,179	469,922
Tax credits	-	-	-	-
Exploration and evaluation expenditures	393,627	326,006	567,179	469,922

Harfang Exploration Inc.

Notes to the Condensed Interim Financial Statements

Six months ended July 31, 2020

(Unaudited, in Canadian Dollars)

10. SUBSEQUENT EVENTS

On September 6, 2020, the Corporation signed an agreement for the sale (the “Transaction”) of 100% of its right, title and interest in and to the Kali Project to QcX Gold Corp. (“QcX Gold”). In order to complete the Transaction and in accordance with the terms of the agreement, QcX Gold will issue to the Corporation an aggregate of 1,750,000 common shares, and grant in favour of the Corporation a 2.5% net smelter returns royalty (the “NSR Royalty”), with no buyback option, in respect of the Kali Project.