



Harfang Exploration Inc.

Unaudited Condensed Interim Financial Statements
(Expressed in Canadian Dollars)

For the three and nine months ended October 31, 2021

*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, 2021 \$	As at January 31, 2021 \$
Assets			
Current assets			
Cash	4	7,760,649	8,683,053
Accounts receivable		56,363	-
Sales tax receivable		160,137	84,176
Prepaid expenses and others		9,496	2,650
Current assets		7,986,645	8,769,879
Non-current assets			
Listed shares		192,500	245,000
Exploration and evaluation assets	5	1,034,978	1,004,368
Non-current assets		1,227,478	1,249,368
Total assets		9,214,123	10,019,247
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		503,088	418,504
Liability related to the premium on flow-through shares		350,543	884,873
Total Liabilities		853,631	1,303,377
Equity			
Share capital	6	15,695,786	13,322,611
Warrants	7	624,005	1,263,294
Contributed surplus		1,043,012	382,485
Deficit		(9,002,311)	(6,252,520)
Total equity		8,360,492	8,715,870
Total liabilities and equity		9,214,123	10,019,247

Subsequent events

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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,	
		2021 \$	2020 \$	2021 \$	2020 \$
Revenues					
Project management fees		165	-	8,159	76
Operating Expenses					
Exploration and evaluation expenditures, net of tax credits	9	1,130,545	628,038	2,989,415	1,195,217
Salaries and benefits		40,895	41,587	140,148	125,453
Stock-based compensation	8	16,920	-	291,810	65,717
Consulting and professional fees		38,578	28,809	166,944	123,137
Office and administrative		20,613	19,367	63,634	62,720
Travel, conference and investor relations		29,055	64,486	39,205	164,910
Filing fees		5,249	11,915	36,911	36,691
Depreciation of equipment		-	146	-	438
Gain on disposal of exploration and evaluation assets		-	(599,982)	-	(599,982)
Impairment of exploration and evaluation assets		-	-	-	1,404
Operating expenses		(1,281,855)	(194,366)	(3,728,067)	(1,175,705)
Other income (loss)					
Interest income		9,761	1,043	27,044	7,893
Change in fair value – listed shares		(35,000)	(376,250)	(52,500)	(376,250)
		(25,239)	(375,207)	(25,456)	(368,357)
Loss before income taxes		(1,306,929)	(569,573)	(3,745,364)	(1,543,986)
Deferred income taxes recovery		348,726	165,083	995,573	299,825
Net loss and comprehensive loss		(958,203)	(404,490)	(2,749,791)	(1,244,161)
Net loss per common share - basic and diluted		(0.01)	(0.01)	(0.04)	(0.03)
Weighted average number of common shares outstanding - basic and diluted		68,444,715	48,793,299	65,547,481	44,229,825

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, 2020		40,049,299	7,073,942	725,525	316,768	(4,524,845)	3,591,390
Net loss and comprehensive loss		-	-	-	-	(1,244,161)	(1,244,161)
Issuance of shares and units under private placements		5,604,000	1,248,815	152,185	-	-	1,401,000
Issuance of shares under flow-through private placements		3,140,000	1,099,000	-	-	-	1,099,000
• Less: premium		-	(314,000)	-	-	-	(314,000)
Share issuance costs		-	(78,896)	(6,616)	-	-	(85,512)
Stock-based compensation		-	-	-	65,717	-	65,717
Extended warrants		-	-	64,125	-	(64,125)	-
Warrants extension costs		-	-	(1,290)	-	-	(1,290)
Balance at October 31, 2020		48,793,299	9,028,861	933,929	382,485	(5,833,131)	4,512,144
Balance at February 1, 2021		62,759,715	13,322,611	1,263,294	382,485	(6,252,520)	8,715,870
Net loss and comprehensive loss		-	-	-	-	(2,749,791)	(2,749,791)
Issuance of shares under flow-through private placement	6	4,000,000	2,000,000	-	-	-	2,000,000
• Less: premium	6	-	(480,000)	-	-	-	(480,000)
Share issuance costs	6	-	(59,397)	-	-	-	(59,397)
Warrants exercised	7	1,485,000	822,372	(228,372)	-	-	594,000
Warrants expired	7	-	-	(410,917)	410,917	-	-
Options exercised	8	200,000	90,200	-	(42,200)	-	48,000
Stock-based compensation	8	-	-	-	291,810	-	291,810
Balance at October 31, 2021		68,444,715	15,695,786	624,005	1,043,012	(9,002,311)	8,360,492

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,	
		2021 \$	2020 \$
Operating activities			
Net loss for the period		(2,749,791)	(1,244,161)
Adjustments for:			
Stock-based compensation	8	291,810	65,717
Depreciation of property and equipment		-	438
Gain on disposal of exploration and evaluation assets		-	(599,982)
Impairment of exploration and evaluation assets		-	1,404
Change in fair value – listed shares		52,500	376,250
Flow through premium		(995,573)	(299,825)
Changes in non-cash working capital items			
Accounts receivable		(56,363)	7,355
Sales tax receivable		(75,961)	(55,409)
Tax credits receivable		-	43,650
Prepaid expenses and others		(6,846)	(6,797)
Accounts payable and accrued liabilities		79,985	291,352
Cash flows used in operating activities		(3,460,239)	(1,420,008)
Investing activities			
Investment in exploration and evaluation assets		(22,211)	(118,698)
Cash flows used in investing activities		(22,211)	(118,698)
Financing activities			
Private placement		-	1,401,000
Flow-through private placement	6	2,000,000	1,099,000
Share issuance costs		(81,954)	(96,553)
Warrants extension costs		-	(1,290)
Exercise of warrants		594,000	-
Exercise of stock options		48,000	-
Cash flows from financing activities		2,560,046	2,402,157
Net change in cash		(922,404)	863,451
Cash – beginning		8,683,053	2,962,041
Cash – ending		7,760,649	3,825,492
Additional information			
Interest received		27,044	7,893
Shares received in exchange of exploration and evaluation assets		-	630,000
Exploration and evaluation assets included in accounts payable and accrued liabilities		8,399	-
Exercise of warrants credited to share capital		228,372	-
Exercise of stock options credited to share capital		42,200	-

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 and nine months ended October 31, 2021

(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 nine months ended October 31, 2021, the Corporation reported a net loss of \$2,749,791 and has accumulated a deficit of \$9,002,311 up to that date. As at October 31, 2021, the Corporation had working capital of \$7,133,014 (\$7,466,502 as at January 31, 2021). From this working capital, the Corporation has to dedicate \$1,519,651 to Canadian mining properties exploration activities, pursuant to the term of the flow-through financing completed on June 25, 2021 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 2020 and two non-brokered private placements in 2021 (note 6 and 10), 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

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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 15, 2021.

2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements for the year ended January 31, 2021 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, 2021.

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, 2021.

4. CASH

The balance on flow-through financing not spent according to the term of the financing completed on June 25, 2021 by the Corporation represents \$1,519,651 as at October 31, 2021, and is included in cash. The Corporation has to dedicate these funds to Canadian mining properties exploration activities by December 31, 2022.

Harfang Exploration Inc.

Notes to the Condensed Interim Financial Statements

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(Unaudited, in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Mineral properties acquisition costs	As at Feb. 1, 2021	Net claims acquisitions / renewals	Disposal	Impairment	As at October 31, 2021
	\$	\$	\$	\$	\$
Lake Ménarik	542,875	8,580	-	-	551,455
Ménarik East	104,503	-	-	-	104,503
Serpent	161,707	15,132	-	-	176,839
Lake Fagnant	7,588	2,113	-	-	9,701
Lake Aulneau	20,373	4,785	-	-	25,158
Lake Tapiatic	22,046	-	-	-	22,046
Bonfait	29,876	-	-	-	29,876
La Passe	12,320	-	-	-	12,320
Taïga	48,356	-	-	-	48,356
Pontax	19,109	-	-	-	19,109
Generation	35,615	-	-	-	35,615
	1,004,368	30,610	-	-	1,034,978

Mineral properties acquisition costs	As at Feb. 1, 2020	Net claims acquisitions / renewals	Disposal	Impairment	As at October 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	-	29,876	-	-	29,876
La Passe	-	12,320	-	-	12,320
Generation	30,779	4,836	-	-	35,615
	875,959	54,914	(30,018)	(1,404)	899,451

6. SHARE CAPITAL

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

a) Private placements (June 2021)

On June 25, 2021, the Corporation closed a non-brokered private placement consisting of 4,000,000 flow-through common shares at a price of \$0.50 per flow-through common share for a gross proceed of \$2,000,000.

Regarding this flow-through private placement of \$2,000,000, the Corporation's share market value at closing was \$0.38, therefore the residual value attributed to the benefit related to flow-through shares renunciation was \$0.12 for a total value of \$480,000 credited to the liability related to the premium on flow-through shares.

Share issue expenses, including the finder's fees of \$52,425, totaled \$78,154 of which \$59,397 was allocated to capital stock and \$18,757 to flow-through premium.

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Notes to the Condensed Interim Financial Statements

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(Unaudited, in Canadian Dollars)

6. SHARE CAPITAL (CONT'D)

Certain directors of the Corporation purchased an aggregate of 144,000 flow-through shares for \$72,000. The 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:

	Nine months ended October 31, 2021			Fiscal 2021		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$		\$	\$
Balance, beginning	13,294,183	1,263,294	0.45	5,888,112	725,525	0.40
Issued	-	-	-	7,406,071	474,934	0.49
Exercised	(1,485,000)	(228,372)	0.40	-	-	-
Expired	(2,825,612)	(410,917)	0.40	-	-	-
Extended	-	-	-	-	64,125	-
Extension costs	-	-	-	-	(1,290)	-
Balance, end	8,983,571	624,005	0.48	13,294,183	1,263,294	0.45

Warrants outstanding and exercisable as at October 31, 2021 are as follows:

Number of warrants outstanding and exercisable	Exercise price	Expiry date
	\$	
400,000	0.40	December 16, 2021
2,702,000	0.40	June 22, 2022
1,277,500	0.40	July 12, 2022 (extended)
4,604,071	0.55	December 8, 2022
8,983,571		

8. STOCK OPTIONS

A summary of changes in stock options are as follows:

	Nine months ended October 31, 2021		Fiscal 2021	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		\$		\$
Balance, beginning	1,712,500	0.25	1,375,000	0.25
Granted	795,000	0.42	337,500	0.25
Exercised	(200,000)	0.24	-	-
Balance, end	2,307,500	0.31	1,712,500	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 October 31, 2021 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
337,500	0.25	May 22, 2030
735,000	0.425	February 19, 2031
60,000	0.32	September 28, 2031
2,307,500		

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 14, 2021, 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 February 19, 2021, the Corporation granted to its directors, officers, employees and consultants 735,000 options exercisable at an exercise price of \$0.425, valid for 10 years. The options vested 100% at the grant date. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$274,890 for an estimated fair value of \$0.374 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 96.34% expected volatility, 1.26% 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.

On September 28, 2021, the Corporation granted to a director 60,000 options exercisable at an exercise price of \$0.32, valid for 10 years. The options vested 100% at the grant date. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$16,920 for an estimated fair value of \$0.282 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 96.38% expected volatility, 1.55% 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.

Harfang Exploration Inc.

Notes to the Condensed Interim Financial Statements

Three and nine months ended October 31, 2021

(Unaudited, in Canadian Dollars)

9. EXPLORATION AND EVALUATION EXPENSES

	Three months ended October 31,		Nine months ended October 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and benefits	138,908	179,484	406,317	376,078
Geology	76,513	339,818	665,201	516,517
Analysis	66,736	21,558	194,375	48,683
Transportation	15,179	6,489	27,324	11,684
Geophysics	5,997	59,445	48,201	183,530
Drilling	822,562	-	1,628,949	-
Lodging and food	2,246	15,911	7,355	36,803
Supplies and equipment	2,535	5,333	10,477	21,666
Taxes, permits and insurance	-	-	1,347	870
Recharge to partners	(131)	-	(131)	(614)
Exploration and evaluation expenditures before tax credits	1,130,545	628,038	2,989,415	1,195,217
Tax credits	-	-	-	-
Exploration and evaluation expenditures	1,130,545	628,038	2,989,415	1,195,217

10. SUBSEQUENT EVENTS

On November 3, 2021, the Corporation closed a non-brokered private placement consisting of 1,089,007 flow-through common shares at a price of \$0.45 per flow-through common share for a gross proceed of \$490,053. Finder's fees of \$16,702 were paid. A director of the Corporation purchased an aggregate of 45,000 flow-through shares for \$20,250.