



# **Harfang Exploration Inc.**

(formerly RedQuest Capital Corp.)

Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three months ended April 30, 2018

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

# Harfang Exploration Inc.

Consolidated Statements of Financial Position  
(Unaudited, in Canadian Dollars)

	Note	As at April 30, 2018 \$	As at January 31, 2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash	4	2,342,435	2,489,632
Accounts receivable		1,070	4,232
Sales tax receivable		12,308	12,434
Tax credits receivable		35,172	42,778
Prepaid expenses and others		4,412	12,406
<b>Current assets</b>		<b>2,395,397</b>	<b>2,561,482</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	691,697	680,362
Equipment		1,605	1,751
<b>Non-current assets</b>		<b>693,302</b>	<b>682,113</b>
<b>Total assets</b>		<b>3,088,699</b>	<b>3,243,595</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		72,872	55,056
Liability related to the premium on flow-through shares		86,253	106,353
<b>Total Liabilities</b>		<b>159,125</b>	<b>161,409</b>
<b>Equity</b>			
Share capital		4,451,487	4,451,487
Warrants	6	295,499	295,499
Stock options	7	143,985	131,610
Deficit		(1,961,397)	(1,796,410)
<b>Total equity</b>		<b>2,929,574</b>	<b>3,082,186</b>
<b>Total liabilities and equity</b>		<b>3,088,699</b>	<b>3,243,595</b>

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

# Harfang Exploration Inc.

Consolidated Statements of Loss and Comprehensive Loss  
(Unaudited, in Canadian Dollars)

		Three months ended April 30	
	Note	2018	2017
		\$	\$
<b>Revenues</b>			
Project management fees		16	-
<b>Operating Expenses</b>			
Exploration and evaluation expenditures, net of tax credits	8	53,749	6,777
Salaries and benefits		45,745	-
Stock-based compensation	7	12,375	-
Consulting and professional fees		39,085	18,750
Office and administrative		15,034	6,191
Travel, conference and investor relations		16,467	4,234
Filing fees		13,412	-
Listing expense		-	71,066
Depreciation of equipment		146	146
<b>Operating expenses</b>		<b>(196,013)</b>	<b>(107,164)</b>
<b>Other income</b>			
Interest income		10,910	2,241
<b>Loss before income taxes</b>		<b>(185,087)</b>	<b>(104,923)</b>
Deferred income taxes recovery		20,100	-
<b>Net loss and comprehensive loss</b>		<b>(164,987)</b>	<b>(104,923)</b>
Net loss per common share - basic and diluted		(0.01)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		28,048,135	16,217,333

Net loss and comprehensive loss is entirely attributable to Harfang Exploration Inc.'s shareholders.

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

# Harfang Exploration Inc.

## Consolidated Statements of Changes in Equity

(Unaudited, in Canadian Dollars)

	Note	Number of shares outstanding	Share Capital \$	Deficit \$	Total equity \$
<b>Balance at February 1, 2017</b>		<b>16,217,333</b>	<b>1,806,686</b>	<b>(260,523)</b>	<b>1,546,163</b>
Net loss and comprehensive loss		-	-	(104,923)	(104,923)
<b>Balance at April 30, 2017</b>		<b>16,217,333</b>	<b>1,806,686</b>	<b>(365,446)</b>	<b>1,441,240</b>

	Note	Number of shares outstanding	Share Capital \$	Warrants \$	Stock Options \$	Deficit \$	Total equity \$
<b>Balance at February 1, 2018</b>		<b>28,048,135</b>	<b>4,451,487</b>	<b>295,499</b>	<b>131,610</b>	<b>(1,796,410)</b>	<b>3,082,186</b>
Net loss and comprehensive loss		-	-	-	-	(164,987)	(164,987)
Stock-based compensation	7	-	-	-	12,375	-	12,375
<b>Balance at April 30, 2018</b>		<b>28,048,135</b>	<b>4,451,487</b>	<b>295,499</b>	<b>143,985</b>	<b>(1,961,397)</b>	<b>2,929,574</b>

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

# Harfang Exploration Inc.

## Consolidated Statements of Cash Flows (Unaudited, in Canadian Dollars)

		Three months ended April 30,	
	Note	2018	2017
		\$	\$
<b>Operating activities</b>			
Net loss for the period		(164,987)	(104,923)
Adjustments for:			
Stock-based compensation	7	12,375	-
Depreciation of property and equipment		146	146
Flow through premium		(20,100)	-
Changes in non-cash working capital items			
Accounts receivable		3,162	13,532
Sales tax receivable		126	-
Tax credits receivable		7,606	-
Prepaid expenses and others		7,994	(11,529)
Accounts payable and accrued liabilities		19,002	16,440
<b>Cash flows used in operating activities</b>		<b>(134,676)</b>	<b>(86,334)</b>
<b>Investing activities</b>			
Investment in exploration and evaluation assets		(12,521)	(1,782)
<b>Cash flows used in investing activities</b>		<b>(12,521)</b>	<b>(1,782)</b>
<b>Net change in cash</b>		<b>(147,197)</b>	<b>(88,116)</b>
Cash – beginning		2,489,632	863,652
<b>Cash – ending</b>		<b>2,342,435</b>	<b>775,536</b>
<b>Additional information</b>			
Interest received		10,910	2,241
Exploration and evaluation assets included in accounts payable and accrued liabilities		5,117	-

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

# Harfang Exploration Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Three months ended April 30, 2018

(Unaudited, in Canadian Dollars)

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### 1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Harfang Exploration Inc. (formerly RedQuest Capital Corp.) (the "Corporation") was incorporated on March 30, 2010 and on June 22, 2017, in conjunction with a reverse takeover, continued under the *Business Corporations Act* (Québec) and changed its name from "RedQuest Capital Corp." to "Harfang Exploration Inc.". 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 consolidated 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, 2018, the Corporation reported a net loss of \$164,987 and has accumulated a deficit of \$1,961,397 up to that date. As at April 30, 2018, the Corporation had working capital of \$2,236,272 (\$2,400,073 as at January 31, 2018). From this working capital, the Corporation has to dedicate \$231,969 to Canadian mining properties exploration, pursuant to the restrictions imposed by the June 22, 2017 flow-through financings completed by Harfang Exploration Inc., a private corporation with which the Corporation amalgamated as of June 22, 2017 as part of its qualifying transaction ("Harfang").

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. 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 Consolidated Financial Statements

Three months ended April 30, 2018

(Unaudited, in Canadian Dollars)

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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 June 20, 2018.

#### 2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements for the year ended January 31, 2018 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, 2018.

### 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, 2018.

### 4. CASH

The balance on flow-through financing not spent according to the restrictions imposed by the June 22, 2017 financing completed by Harfang represents \$231,969 as at April 30, 2018 and is included in cash. The Corporation has to dedicate these funds to Canadian mining properties exploration.

# Harfang Exploration Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Three months ended April 30, 2018

(Unaudited, in Canadian Dollars)

### 5. EXPLORATION AND EVALUATION ASSETS

Mineral properties acquisition costs	As at Feb. 1, 2018	Property acquisition	Net claims acquisitions / renewals	Disposal	As at April 30, 2018
	\$	\$	\$	\$	\$
Lake Ménarik	526,552	-	(149)	-	526,403
Ménarik East	95,000	-	-	-	95,000
Serpent	38,456	-	-	-	38,456
Muskeg	5,642	-	3,088	-	8,730
Lake Fagnant	4,893	-	728	-	5,621
Lake Aulneau <sup>(1)</sup>	-	-	16,040	-	16,040
Generation	9,819	-	(8,372)	-	1,447
	<b>680,362</b>	-	<b>11,335</b>	-	<b>691,697</b>

Mineral properties acquisition costs	As at Feb. 1, 2017	Property acquisition	Net claims acquisitions / renewals	Disposal	As at January 31, 2018
	\$	\$	\$	\$	\$
Lake Ménarik	520,463	-	6,089	-	526,552
Ménarik East	95,000	-	-	-	95,000
Vauquelin West	3,000	-	-	(3,000)	-
Serpent	-	-	38,456	-	38,456
Muskeg	-	-	5,642	-	5,642
Lake Fagnant	-	-	4,893	-	4,893
Generation	-	-	9,819	-	9,819
	<b>618,463</b>	-	<b>64,899</b>	<b>(3,000)</b>	<b>680,362</b>

(1) The Corporation staked by map designation 132 mining claims (100% owned by the Corporation) and comprising the Lake Aulneau property. The property is located 125 km south of Kuujuaq and 265 km north of Schefferville.

### 6. WARRANTS

Changes in the Corporation's warrants are as follow:

	Three months ended April 30, 2018			Fiscal 2018		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$		\$	\$
Balance, beginning	3,821,000	295,499	0.40	-	-	-
Issued	-	-	-	3,821,000	298,215	0.40
Issuance Costs	-	-	-	-	(2,716)	-
<b>Balance, end</b>	<b>3,821,000</b>	<b>295,499</b>	<b>0.40</b>	<b>3,821,000</b>	<b>295,499</b>	<b>0.40</b>

# Harfang Exploration Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

Three months ended April 30, 2018

(Unaudited, in Canadian Dollars)

### 6. WARRANTS (CONT'D)

Warrants outstanding as at April 30, 2018 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
3,821,000	0.40	June 22, 2019

### 7. STOCK OPTIONS

A summary of changes in stock options are as follow:

	Three months ended April 30, 2018		Fiscal 2018	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		\$		\$
Balance, beginning	672,500	0.28	-	-
Options deemed issued upon the Reverse Takeover (June 2017)	-	-	135,625	0.40
Granted	120,000	0.25	550,000	0.25
Expired	-	-	(13,125)	0.40
<b>Balance, end exercisable</b>	<b>792,500</b>	<b>0.27</b>	<b>672,500</b>	<b>0.28</b>

Stock options outstanding as at April 30, 2018 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
122,500	122,500	0.40	June 29, 2018
550,000	550,000	0.25	June 22, 2027
120,000	40,000	0.25	March 15, 2028
<b>792,500</b>	<b>712,500</b>		

On March 15, 2018, the Corporation granted to an employee 120,000 options exercisable at \$0.25, valid for 10 years. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. The options vested 1/3 on March 15, 2018 and 1/3 per year thereafter. Total stock-based compensation costs amount to \$27,000 for an estimated fair value of \$0.225 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 2.17% 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 Consolidated Financial Statements

Three months ended April 30, 2018

(Unaudited, in Canadian Dollars)

### 8. EXPLORATION AND EVALUATION EXPENSES

	Three months ended	
	April 30,	
	2018	2017
	\$	\$
Salaries and benefits	35,781	-
Geology	14,842	6,777
Transportation	276	-
Lodging and food	1,422	-
Supplies and equipment	1,755	-
Recharge to partner	(327)	-
<b>Exploration and evaluation expenditures</b>		
<b>before tax credits</b>	53,749	6,777
Tax credits	-	-
<b>Exploration and evaluation expenditures</b>	<b>53,749</b>	<b>6,777</b>