



Harfang Exploration Inc.

(formerly RedQuest Capital Corp.)

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

Six months ended July 31, 2017
and
136-day period ended July 31, 2016

*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 July 31, 2017 \$	As at January 31, 2017 \$
Assets			
Current assets			
Cash		2,876,559	863,652
Sales tax receivable		83,394	24,212
Tax credits receivable		102,932	67,760
Prepaid expenses and others		7,818	2,943
Current assets		3,070,703	958,567
Non-current assets			
Exploration and evaluation assets	6	662,116	618,463
Equipment		2,043	2,334
Non-current assets		664,159	620,797
Total assets		3,734,862	1,579,364
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		215,112	33,201
Liability related to the premium on flow-through shares	7	175,338	-
Total Liabilities		390,450	33,201
Equity			
Share capital	4	4,451,487	1,806,686
Warrants	9	295,499	-
Stock options	10	131,610	-
Deficit		(1,534,184)	(260,523)
Total equity		3,344,412	1,546,163
Total liabilities and equity		3,734,862	1,579,364

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 July 31		Six months ended July 31	136-day period ended July 31
	Note	2017	2016	2017	2016
		\$	\$	\$	\$
Operating Expenses					
Exploration and evaluation expenditures, net of tax credits	11	339,448	8,058	346,225	8,058
Salaries and benefits		18,411	-	18,411	-
Share-based compensation	10	123,200	99,000	123,200	99,000
Consulting and professional fees		31,576	6,916	50,326	10,530
Office and administrative		9,165	1,758	15,356	1,758
Travel, conference and investor relations		3,777	632	8,011	632
Filing fees		16,469	-	16,469	-
Listing expense	4	740,861	-	811,927	-
Depreciation of equipment		145	-	291	-
Operating loss		(1,283,052)	(116,364)	(1,390,216)	(119,978)
Other income					
Interest income		2,214	-	4,455	-
Loss before income taxes		(1,280,838)	(116,364)	(1,385,761)	(119,978)
Deferred income taxes recovery	7	112,100	-	112,100	-
Net loss and comprehensive loss		(1,168,738)	(116,364)	(1,273,661)	(119,978)
Net loss per common share - basic and diluted		(0.09)	(0.04)	(0.17)	(0.06)
Weighted average number of common shares outstanding - basic and diluted		13,011,816	2,978,044	7,571,279	2,014,560

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 \$
Balance at March 17, 2016		-	-	-	-
Private placements		7,210,001	721,100	-	721,100
Share issue costs		-	(4,500)	-	(4,500)
Exploration and evaluation asset paid in shares	6	5,000,000	500,000	-	500,000
Net loss and comprehensive loss		-	-	(119,978)	(119,978)
Balance at July 31, 2016		12,210,001	1,216,600	(119,978)	1,096,622

	Note	Number of shares outstanding	Share Capital \$	Warrants \$	Stock Options \$	Deficit \$	Total equity \$
Balance at February 1, 2017		16,217,333	1,806,686	-	-	(260,523)	1,546,163
Loss and comprehensive loss for the period		-	-	-	-	(1,273,661)	(1,273,661)
Deemed issuances to investors of RedQuest Capital Corp. as part of the Reverse Takeover							
• Common Shares	4	1,947,354	486,839	-	-	-	486,839
• Stock options	4	-	-	-	8,410	-	8,410
Issuance of shares as settlement of the due to related parties	4	325,198	81,299	-	-	-	81,299
Issuance of shares under a concurrent private placement	4	7,642,000	1,612,285	298,215	-	-	1,910,500
Issuance of shares under a concurrent flow-through private placement	4	1,916,250	766,500	-	-	-	766,500
• Less: premium	4, 7	-	(287,438)	-	-	-	(287,438)
Stock-based compensation	10	-	-	-	123,200	-	123,200
Share issuance costs	4	-	(14,684)	(2,716)	-	-	(17,400)
Balance at July 31, 2017		28,048,135	4,451,487	295,499	131,610	(1,534,184)	3,344,412

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)

		Six months ended July 31	136-day period ended July 31
	Note	2017	2016
		\$	\$
Operating activities			
Net loss for the period		(1,273,661)	(119,978)
Adjustments for:			
Non-cash components of listing expense	4	576,334	-
Share-based compensation	10	123,200	99,000
Depreciation of property and equipment		291	-
Flow through premium		(112,100)	-
Changes in non-cash working capital items			
Sales tax receivable		(59,182)	(3,924)
Tax credits receivable		(35,172)	(6,242)
Prepaid expenses and others		(4,875)	(4,622)
Accounts payable and accrued liabilities		196,123	7,780
Cash flows used in operating activities		(589,042)	(27,986)
Investing activities			
Cash acquired through the acquisition of RedQuest	4	214	-
Investment in exploration and evaluation assets		(57,865)	(4,419)
Equipment		-	(2,918)
Cash flows from (used) in investing activities		(57,651)	(7,337)
Financing activities			
Private placements	4	1,910,500	622,100
Flow-through private placements	4	766,500	-
Share issuance costs	4	(17,400)	(4,500)
Cash flows from (used) in financing activities		2,659,600	617,600
Net change in cash and cash equivalents		2,012,907	582,277
Cash and cash equivalents – beginning		863,652	-
Cash and cash equivalents – ending		2,876,559	582,277
Additional information			
Interest received		4,455	-
Share issued for settlement of due to related parties		81,299	-

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

Six months ended July 31, 2017

(Unaudited, in Canadian Dollars)

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) (the "QBCA") 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.

The 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 six months ended July 31, 2017, the Corporation reported a net loss of \$1,273,661 and has accumulated a deficit of \$1,534,184 up to that date. As at July 31, 2017, the Corporation had working capital of \$2,680,253 (\$925,366 as at January 31, 2017). From this working capital, the Corporation has to dedicate \$466,476 to Canadian mining properties exploration, pursuant to the restrictions imposed by the June 22, 2017 flow-through financings completed by Harfang Exploration Inc. ("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. 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, 12 months from the end of the reporting period. The Corporation's ability to continue future operations beyond July 31, 2018 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 Company 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

Six months ended July 31, 2017

(Unaudited, in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These unaudited condensed interim consolidated financial statements (the “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 25, 2017.

2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the financial statements for the initial 320-day period ended January 31, 2017 of Harfang, 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 Harfang’ previous financial statements for the initial 320-day period ended January 31, 2017 presented in the Corporation’s Filing Statement dated June 14, 2017, except for the policies described below.

a) Consolidation

The Financial Statements include the accounts of the Corporation since June 22, 2017 and those of its wholly-owned subsidiary Ménarik Exploration Inc. (“Ménarik” and formerly Harfang) since the incorporation of Harfang on March 17, 2016. All intra-group transactions, balances, income and expenses are eliminated during consolidation.

b) Flow-through shares

The Corporation finances some exploration and evaluation expenses through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference (“premium”) between the amounts recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of income (loss) as a recovery of deferred income taxes when the eligible expenditures are incurred. The amount recognized as a flow-through share liability represents the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares, net of allocated issue costs.

c) Issuance of units

Proceeds from unit placements are allocated between shares and warrants issued using the Black-Scholes valuation model used to determine the value of warrants issued.

d) Equity-settled share-based compensation

The Corporation offers an equity settled share-based compensation plan for its eligible directors, officers, employees and consultants. Each award is considered a separate award with its own vesting periods and fair value. Fair value is measured at the date of grant using the Black-Scholes option pricing model.

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2017

(Unaudited, in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Any consideration paid on exercise of share options is credited to share capital. None of the Corporation's plans feature any options for a cash settlement. The accumulated expenses resulting from stock options are transferred to share capital when the options are exercised.

All equity settled share-based compensation are ultimately recognized as an expense in the statement of income (loss) with a corresponding credit to stock options, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options or warrants expected to vest. Non-market vesting conditions are included in assumptions about the instruments that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of instruments expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period.

e) Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognized in the period in which the services are rendered and is not discounted.

The expected cost of compensated absences is recognized in the statement of income (loss) as the employees render services that increase their entitlement. The cost of bonus payments is recognized in the statement of income (loss) when there is a legal or constructive obligation to make such payments as a result of past performance.

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 financial statements of Harfang for the initial 320-day period ended January 31, 2017 presented in the Filing Statement dated June 14, 2017.

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2017

(Unaudited, in Canadian Dollars)

4. REVERSE TAKEOVER AND RELATED TRANSACTIONS

On June 22, 2017, in connection with a merger agreement dated June 13, 2017, between the Corporation, Harfang and 9361-5029 Québec Inc., a wholly-owned subsidiary of the Corporation (“Subco”):

- The Corporation completed a consolidation of its common shares on a 1:4 basis with related adjustments to its outstanding share purchase options, following which 1,947,354 post-consolidation shares of the Corporation were outstanding.
- The Corporation settled \$81,299 of debts via the issuance of 325,198 post-consolidation common shares of the Corporation.
- Harfang completed a private placement for aggregate gross proceeds of \$2,677,000^(a). Under this private placement, Harfang issued 7,642,000 units at a price of \$0.25 per unit and 1,916,250 flow-through common shares at a price of \$0.40 per flow-through common share. 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. Harfang paid a finder’s fee for an aggregate amount of \$2,900 in connection with this private placement.
- Harfang and Subco amalgamated and continued as one corporation under the QBCA under the name “Ménarik Exploration Inc.”.
- The shareholders of Harfang received one post-consolidation common share of the Corporation in exchange for each one common share of Harfang held, and the holders of common share purchase warrants of Harfang received one common share purchase warrant of the Corporation in exchange for each common share warrant of Harfang held, with each such warrant entitling to subscribe for one (1) post-consolidation common share of the Corporation at a price of \$0.40 for a period of 24 months.
- The Corporation continued under the QBCA and changed its name to “Harfang Exploration Inc.”.

(a) From the total proceeds received from the units of \$1,910,500, \$298,215 has been allocated to warrants and \$1,612,285 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 100%, a risk free interest rate of 0.69% and an expected life of the warrants of 2 years.

Concerning the flow-through private placement, Harfang’s share value at closing is deemed to be \$0.25, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.15 for a total value of \$287,438 credited to the liability related to the premium on flow-through shares.

Share issue expenses, including the finder’s fees, totalled \$17,400 of which \$14,684 was allocated to capital stock and \$2,716 to warrants.

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2017

(Unaudited, in Canadian Dollars)

4. REVERSE TAKEOVER RELATED TRANSACTIONS (CONT'D)

For accounting purposes, this transaction is considered to be a reverse takeover of the Corporation by Harfang whereby Harfang have acquired control of the Corporation through the deemed issuance of 1,947,354 common shares (on a post consolidation basis) to the Corporation's shareholders based on the Corporation's net liabilities as at June 22, 2017. Consequently, these financial statements reflect only the assets, liabilities, operations and cash flows of Harfang for dates and periods prior to June 22, 2017 and include the Corporation's assets and liabilities since June 22, 2017.

The merger and the financing described above together constitute the Corporation's Qualifying Transaction within the meaning of the policies of the TSX Venture Exchange.

This transaction constitutes a reverse takeover of the Corporation but does not meet the definition of a business combination under IFRS 3 *Business Combinations*. Accordingly, the reverse takeover transaction is accounted for in accordance with IFRS 2 *Share-based Payment*.

In accordance with IFRS 2, equity instruments issued were recognized at fair value of net assets acquired and services received. Services received by the Corporation consist in the listing of the Corporation as a publicly listed entity on the Exchange and are measured at the amount of the excess of the fair value of equity instruments issued to the Corporation's shares and stock options holders at the time of the merger over the Corporation's net assets acquired. The transaction with the Corporation is thus recognized in substance as if Harfang had proceeded to the issuance of shares and stock options to acquire the Corporation's net assets.

The acquisition of the Corporation has been accounted for as follows:

	\$
Consideration paid	
1,947,354 common shares deemed issued to the Corporation's existing shareholders ⁽¹⁾	486,839
325,198 common shares issued for settlement of the due to related parties ⁽²⁾	81,299
135,625 options for common share deemed issued to the Corporation's existing optionholders ⁽³⁾	8,410
Transaction costs paid in cash	188,357
	764,905
Net liabilities assumed	
Net liabilities of the Corporation as at June 22, 2017	(128,321)
Less: Settlement of due to related parties by issuance of shares	81,299
Corporation's net liabilities as at June 22, 2017	(47,022)
Listing expense	811,927

(1) Based on the 1,947,354 post-consolidation Corporation common shares outstanding as at June 22, 2017. The price of the Harfang shares was based on the pricing of the concurrent private placement and debt conversion.

(2) Record the settlement of the due to related parties of \$116,459 prior to the closing of the transaction. An amount of \$81,299 was settled through the issuance of shares at a price per share of \$0.25 per share. Accrued interest amounting to \$35,160 was paid in cash.

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2017

(Unaudited, in Canadian Dollars)

4. REVERSE TAKEOVER TRANSACTIONS (CONT'D)

(3) Based on the 135,625 post-consolidation Corporation common share options outstanding as at June 22, 2017. The fair value of \$8,410 for the 135,625 common share options expiring on June 29, 2018 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: risk-free interest rate of 0.66%, average projected volatility of 100%, dividend yield of 0%, average expected life of common share options of 1 year and fair value of Harfang's share of \$0.25. The expected volatility was estimated by benchmarking comparable situations for companies that are similar to the Corporation.

5. CASH

The balance on flow-through financing not spent according to the restrictions imposed by the June 22, 2017 financing completed by Harfang represents \$466,476 as at July 31, 2017 and is included in cash. The Corporation has to dedicate these funds to Canadian mining properties exploration.

6. EXPLORATION AND EVALUATION ASSETS

Mineral properties acquisition costs	As at Feb. 1, 2017	Property acquisition	Claims acquisitions / renewals	As at July 31, 2017
	\$	\$	\$	\$
Lake Ménarik	520,463	-	5,197	525,660
Ménarik East	95,000	-	-	95,000
Vauquelin West	3,000	-	-	3,000
Generation	-	-	38,456	38,456
	618,463	-	43,653	662,116

Mineral properties acquisition costs	As at March 17, 2016	Property acquisition	Claims acquisitions / renewals	As at January 31, 2017
	\$	\$	\$	\$
Lake Ménarik ⁽¹⁾	-	500,000	20,463	520,463
Ménarik East ⁽²⁾	-	95,000	-	95,000
Vauquelin West ⁽³⁾	-	3,000	-	3,000
	-	598,000	20,463	618,463

- (1) On June 23, 2016, Harfang acquired the Lake Ménarik Property, a gold exploration property located in the James Bay area, from Osisko Gold Royalties Ltd ("Osisko") in exchange for 5,000,000 common shares valued at \$0.10 per common share for an acquisition cost of \$500,000. Osisko retained a 2% net smelter return royalty on the property.
- (2) On October 14, 2016, Harfang acquired a property located east of the Lake Ménarik Property (named Ménarik Est) for \$95,000 paid in cash.
- (3) On October 18, 2016, Harfang acquired the Vauquelin West Property, located in the James Bay area, for \$3,000 paid in cash.

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2017

(Unaudited, in Canadian Dollars)

7. LIABILITY RELATED TO THE PREMIUM ON FLOW THROUGH SHARES

	Six months ended July 31, 2017
	\$
Balance, beginning of period	-
Addition, net of issue costs	287,438
Reduction related to qualifying exploration expenditures	(112,100)
Liability related to the premium on flow through shares	175,338

8. SHARE CAPITAL

a) Share Capital

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

b) Escrow Shares

As of July 31, 2017, there were 6,910,745 shares held in escrow. Under the escrow agreement, 10% of the escrow common shares was released from escrow on the completion of the Corporation's QT (done on June 29, 2017, date of the Exchange Bulletin) and additional 15% will be released every six months thereafter.

9. WARRANTS

Changes in the Corporation's warrants are as follow:

	Six months ended July 31, 2017		
	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$
Balance, beginning	-	-	-
Issued	3,821,000	298,215	0.40
Issuance Costs	-	(2,716)	-
Balance, end	3,821,000	295,499	0.40

Warrants outstanding as at July 31, 2017 are as follows:

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

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2017

(Unaudited, in Canadian Dollars)

10. STOCK OPTIONS

Changes in stock options are as follow:

	Six months ended July 31, 2017	
	Number of options	Weighted Average Exercise Price
		\$
Balance, beginning	-	-
Options deemed issued upon the Reverse Takeover (Note 4)	135,625	0.40
Granted	550,000	0.25
Cancelled	(13,125)	0.40
Balance, end exercisable	672,500	0.28

Stock options outstanding as at July 31, 2017 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
672,500	672,500		

On June 22, 2017, the Corporation granted to its directors, officers, employees and consultants 550,000 options exercisable at an exercise price of \$0.25, valid for 10 years. The options vest 100% at the grant date. Those options were granted at an exercise price equal to the shares issued as part of Reverse Takeover concurring private placement. Total stock-based compensation costs amount to \$123,200 for an estimated fair value of \$0.224 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 1.47% 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

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(Unaudited, in Canadian Dollars)

11. EXPLORATION AND EVALUATION EXPENSES

	Three months ended July 31		Six months ended July 31	136-day period ended July 31
	2017	2016	2017	2016
	\$	\$	\$	\$
Geology	250,761	10,736	257,538	10,736
Analysis	6,200	-	6,200	-
Transportation	2,069	1,378	2,069	1,378
Geophysics	113,304	-	113,304	-
Lodging and food	1,781	2,186	1,781	2,186
Supplies and equipment	505	-	505	-
Exploration and evaluation expenses before tax credits	374,620	14,300	381,397	14,300
Tax credits	(35,172)	(6,242)	(35,172)	(6,242)
Exploration and evaluation expenses	339,448	8,058	346,225	8,058

12. RELATED PARTY TRANSACTIONS

12.1 In the normal course of operations, since June 22, 2017:

- ◆ The amount of the salaries of the President is \$15,342;
- ◆ A company controlled by an officer charged exploration and evaluation expenditures of \$10,000 which relates to her staff and charged consultant fees of \$29,583 prior to June 22, 2017;
- ◆ A company controlled by an officer charged legal professional fees amounting to \$31,679 and was recorded as listing expense;
- ◆ A company for which an officer works charged professional fees of \$13,496, of which \$854 relates to other staff;
- ◆ A shareholder with significant influence over the Corporation charged, for the six months ended July 31, 2017, an amount of \$9,398 of which \$6,000 was recorded as of renting of office space and \$3,398 as professional fees; and
- ◆ As at July 31, 2017, the balance due to the related parties mentioned in this section amounted to \$32,360.

12.2 Out of the normal course of operations:

- ◆ Directors and officers of the Corporation participated in the concurrent flow-through private placement (note 4) for \$41,500 and in the concurrent unit private placement (note 4) for \$50,000. The directors and officers subscribed to the unit private placement and the flow-through private placement under the same terms and conditions set forth all subscribers; and
- ◆ The President of the Corporation's employment agreement, that came into force on June 22, 2017, provides for market standard payments on termination of employment without cause or following a change of control, calling for payments of \$210,000 representing 18 months of base salary.