



**Harfang Exploration Inc.**  
(formerly RedQuest Capital Corp.)

Management's Discussion and Analysis

Year ended January 31, 2018

# Harfang Exploration Inc.

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# Harfang Exploration Inc.

## Management Discussion & Analysis

For the year ended January 31, 2018

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The following management discussion and analysis (the “MD&A”) of the financial condition and results of the operations of Harfang Exploration Inc. (formerly RedQuest Capital Corp.) (the “Corporation”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for the year ended January 31, 2018. This MD&A should be read in conjunction with Corporation’s audited consolidated financial statements for the year ended January 31, 2018 (the “Financial Statements”), which are prepared in accordance with the International Financial Reporting Standards (“IFRS”). All figures are in Canadian dollars unless otherwise noted. This MD&A is current as of May 23, 2018.

The MD&A contains forward-looking statements not based on historical facts. Forward-looking statements express, as of the date of this report, our estimates, forecasts, projections, expectations and opinions as to future events or results. Forward-looking statements herein expressed are reasonable, but involve a number of risks and uncertainties, and there can be no guarantee that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to; economic conjuncture, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to the calculation of mineral reserves and requirements of additional financing and the capacity of the Corporation to obtain financing.

Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be found on [www.sedar.com](http://www.sedar.com). The following abbreviations are used to describe the periods under review throughout this MD&A:

<b>Abbreviation</b>	<b>Period</b>
Q1-17	March 17, 2016 to April 30, 2016
Q2-17	May 1, 2016 to July 31, 2016
Q3-17	August 1, 2016 to October 31, 2016
Q4-17	November 1, 2016 to January 31, 2017
Fiscal 17	March 17, 2016 to January 31, 2017
Q1-18	February 1, 2017 to April 30, 2017
Q2-18	May 1, 2017 to July 31, 2017
Q3-18	August 1, 2017 to October 31, 2017
Q4-18	November 1, 2017 to January 31, 2018
Fiscal 18	February 1, 2017 to January 31, 2018
Fiscal 19	February 1, 2018 to January 31, 2019

## 1. NATURE OF ACTIVITIES

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.

## **2. CORPORATE UPDATE**

### **2.1 Reverse takeover and related transactions**

On June 22, 2017, in connection with a merger agreement dated June 13, 2017, between the Corporation, Harfang Exploration Inc., a private 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 and paid in cash \$35,160 of accrued interest for a total of \$116,459 of due to related parties prior to the closing of the transaction;
- 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; and
- The Corporation continued under the QBCA and changed its name to “Harfang Exploration Inc.”.

For accounting purposes, this transaction is considered to be a reverse take-over of the Corporation by Harfang whereby Harfang 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, the 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. More detail on the merger and related transactions can be found on note 6 of the Financial Statements of the Corporation.

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

In order to simplify the corporate structure, there was a simplified merger on November 1, 2017 of the subsidiary Ménarik Exploration Inc. and the Corporation.

### **2.2 Financial Highlights**

Concurrently with the closing of the merger, Harfang completed a private placement for aggregate gross proceeds of \$2,677,000. 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.

### **2.3 Claims acquisitions / Disposal**

- On September 29, 2017, the Corporation sold a 100% interest in the Vauquelin West property to Chalice Gold Mines (Quebec) Inc. (“Chalice Gold”) for a cash consideration of \$66,000.
- The Corporation staked by map designation 255 mining claims (the “Serpent Property”), 100% owned by the Corporation and is located in the James Bay area.
- The Corporation staked by map designation 21 mining claims (the “Muskeg Property”), 100% owned by the Corporation and is located in the James Bay area.

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**2. CORPORATE UPDATE (CONT'D)**

- An aggregate of 74 mining claims were staked by map designation by the Corporation and Kenorland Minerals Ltd. ("Kenorland") (the "Lac Fagnant Property") and on January 16, 2018, a joint venture agreement was executed by the Corporation and Kenorland regarding the Lake Fagnant Property, with the initial participating interests set forth as follows: Corporation (50%) and Kenorland (50%).
- The Corporation continued some geological compilation programs in Quebec for the acquisition of new strategic gold and base metal properties ("Projects Generation").

**2.4 Use of funds following the qualifying transaction**

In connection with its proposed qualifying transaction described in the June 14, 2017 filing statement, Harfang had to complete private placement to raise a minimum of \$500,000 and a maximum of \$3,100,000. Harfang completed financing of \$2,677,000 in June 22, 2017 (\$1,910,500 of units and \$766,500 of flow-through).

Following is a table summarizing the use of funds:

	<b>Assuming completion of the minimum concurrent financing</b>	<b>Assuming completion of the maximum concurrent financing</b>	<b>Up to January 31, 2018</b>
	\$	\$	\$
Expenses payable in connection with the private placement	5,000	5,000	17,400
Costs related to complete the qualifying transaction	176,000	176,000	188,357
Exploration work	250,410	900,000	523,190
General and administrative expenses	262,645	262,645	308,835
Unallocated working capital	617,173	2,567,583	64,899
	<b>1,311,228</b>	<b>3,911,228</b>	<b>1,102,681</b>

**2.5 Next 12 months outlook**

The following is a summary of main goals for the next 12 months:

- Complete financing from \$750,000 to \$1,000,000.
- Stripping and trenching at the Lake Ménarik project for a budget of \$385,000.
- Prospection and mapping on Corporation properties for a budget of \$460,000.
- Consider potential partnership on our properties with other exploration companies.
- Pursue its compilation programs in Quebec for the acquisition of gold and base metal projects.

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**3. EXPLORATION ACTIVITIES**

	<b>Q4-18</b>	<b>Q4-17</b>	<b>Fiscal 18</b>	<b>Fiscal 17</b>
	\$	\$	\$	\$
<b>Lake Ménarik</b>				
Geology	19,648	(1,266)	154,619	110,863
Analysis	-	(3,134)	7,775	8,706
Transportation	4,800	10,058	7,355	23,551
Geophysics	-	-	63,731	-
Lodging and food	-	345	544	16,527
Supplies and equipment	-	-	1,919	-
	24,448	6,003	235,943	159,647
<b>Ménarik East</b>				
Geology	1,080	-	177,083	-
Analysis	-	-	4,517	-
Transportation	-	-	2,352	-
Geophysics	-	-	60,689	-
Lodging and food	-	-	1,238	-
Supplies and equipment	-	-	1,919	-
	1,080	-	247,798	-
<b>Serpent</b>				
Geology	4,827	-	42,774	-
Analysis	-	-	2,771	-
Geophysics	-	-	15,156	-
Supplies and equipment	-	-	1,667	-
	4,827	-	62,368	-
<b>Muskeg</b>				
Geology	766	-	766	-
Transportation	-	-	-	-
	766	-	766	-
<b>Lake Fagnant</b>				
Geology	615	-	615	-
Transportation	-	-	-	-
	615	-	615	-
<b>Generation</b>				
Geology	14,856	-	14,856	-
Transportation	1,110	-	1,864	-
Lodging and food	930	-	930	-
	16,896	-	17,650	-
<b>Total</b>				
Geology	41,792	(1,266)	390,713	110,863
Analysis	-	(3,134)	15,063	8,706
Transportation	5,910	10,058	11,571	23,551
Geophysics	-	-	139,576	-
Lodging and food	930	345	2,712	16,527
Supplies and equipment	-	-	5,505	-
	<b>48,632</b>	<b>6,003</b>	<b>565,140</b>	<b>159,647</b>

Mr. François Goulet, M.Sc. P.Geo expert, President of the Corporation, a qualified person as defined by National Instrument 43-101 has verified the technical content in this section.

Below is a summary of the significant properties in which the Corporation has an interest.

### **3. EXPLORATION ACTIVITIES (CONT'D)**

#### **3.1 Lake Ménarik Property**

##### ***Property Description***

As at January 31, 2018, the Corporation owns a 100% interest on 93 claims totalling 4,779 hectares in NTS Sheet 33F06. The property is located 45 km south of Radisson and 7 km northeast of the junction between the Transtaiga Road and the James Bay Road. Most claims of the Lake Ménarik Property are subject to a 2% net smelter return royalty which Osisko Gold Royalties Ltd ("Osisko") is retaining.

##### ***Exploration work on the property***

A ground geophysical survey (IP-resistivity) was completed by TMC Geophysics during Q2-18. The survey, totaling about 24.65 line-km, covered a series of ENE-WSW structures as well as several key gold showings and prospects where most of the mineralization is associated to quartz-carbonates-pyrite veins injected in fractures and shear zones within a porphyritic monzonite plug. The final interpretation of the IP-resistivity survey results showed that gold-bearing structures are principally associated to marginal to moderate chargeability anomalies, commonly associated to resistivity increases.

During this program, handmade trenches and prospecting were completed mainly in the northern and eastern parts of the Lake Ménarik Property as well as detail structural mapping near the Pierre gold showing. Regional geological mapping was also undertaken. Assay results from channel sampling carried out on the newly-discovered Greco showing revealed a value of 1.04 g/t Au over 24.9 m in a banded iron formation-hosted quartz vein. From a total of 347 samples collected on the property during Q2-18 and Q3-18, 41 grab samples yielded an average gold value of 3.72 g/t Au, excluding one extremely high value (199.53 g/t). Newly-discovered gold showings grade between 1.06 and 18.60 g/t Au.

#### **3.2 Ménarik East Property**

##### ***Property Description***

As at January 31, 2018, the Corporation owns a 100% interest on 68 claims covering 3,494 hectares in NTS Sheet 33F06. This property, contiguous to the Lake Ménarik Property, is located 48 km southeast of Radisson. The Ménarik East Property exposes an ultramafic-mafic complex containing historical mineral resources in chrome, platinum, palladium, nickel and copper. The estimated resources, non-compliant to the CIM standards, include 6,34 Mt @ 7.73% Cr<sub>2</sub>O<sub>3</sub>, 398 ppb Pd and 105 ppb Pt. Several gold and polymetallic showings are located at the periphery of the complex, more specifically in close association with foliated felsic intrusions (Langelier complex) and gabbroic dykes.

##### ***Exploration work on the property***

A ground geophysical survey (IP-resistivity) was completed by TMC Geophysics during Q2-18. The survey, totaling 17,2 line-km, covered a series of N-S structures hosting several auriferous and polymetallic surface showings as well as several unexplained magnetic anomalies in the northern part of the property. The summer period was also dedicated to detailed and regional geological mapping accompanied by grab and channel sampling on specific showings where significant base metals and gold values were found (Yvan II, Bonspot and Beaver). A total of 287 grab samples were collected on the property during Q2-18 and Q3-18, most of them from sheared tonalite outcrops. Handmade trenches and channel samples collected from two sites yielded: 0.3 g/t Au, 13.26 g/t Ag, 0.91 % Cu and 0.95 % Zn over 3.9 m (Yvan II showing) and 2.17 g/t Au over 2.9 m (Bonspot showing). Mineralization is associated to ENE-WSW brittle/ductile structures aligned with gold-bearing veins on the Lake Ménarik Property and with a network of faults and/or shears oriented NNW- SSE defining extensive deformation corridors on the Ménarik East Property. The polymetallic mineralization is contained within chalcopyrite (Cu), sphalerite (Zn), galena (Pb), pyrite/pyrrhotite and most probably arsenopyrite (As). A significant proportion of the samples has base metal values >1 % and/or Au values >1 g/t (table 1).

### 3. EXPLORATION ACTIVITIES (CONT'D)

Element	Number of samples	Average	Range	Proportion (%)
Au (> 1 g/t)	42	5.40 g/t	1.10-35.59 g/t	15
Cu (> 1 %)	19	3.08 %	1.18-7.65 %	7
Zn (> 1 %)	23	2.13 %	1.10-4.70 %	8
Pb (> 1 %)	15	3.71 %	1.45-16.40 %	5

Table 1. Significant base metals (>1 %) and Au (> 1 g/t) assay values returned from the Ménarik East Property.

#### 3.3 Vauquelin West Property

##### *Property Description*

The Corporation owned a 100% interest on 16 claims covering 616.22 hectares distributed in the Louvicourt, Abitibi region, approximately 40 km southwest of the city of Val-d'Or. The property encompassed two gold showings located approximately 2 km north of the Larder Lake-Cadillac Fault.

On September 29, 2017, the Corporation sold a 100% interest in the property to Chalice Gold for a cash consideration of \$66,000. The Corporation will retain a royalty of 2% of the net smelter returns in respect of minerals recovered from production (the "NSR Royalty"). Chalice Gold shall have the option to buy back half of the NSR Royalty (i.e. 1%) for \$1,000,000.

#### 3.4 Acquisition of the Serpent Property

As at January 31, 2018, the Corporation owns 255 mining claims staked by map designation totaling 13,197 ha in NTS sheets 33F02 and 33F03. These claims, 100%-owned by the Corporation and grouped into two individual blocks, have been named the Serpent Property. The property is in the James Bay area, 90 km SSE of Radisson and 11 km east of the James Bay Road. The eastern limit of the Serpent Property is contiguous to the Sakami gold project (Canada Strategic Metals Inc./Matamec Exploration Inc.).

##### *Exploration work on the property*

The Corporation conducted reconnaissance exploration during Q3-18 near a favorable E-W gold-bearing structure extending over more than 15 km. A total of 133 grab samples were collected principally from outcrops of foliated or gneissic tonalite. Gold and copper mineralization was sampled from strongly deformed and sheared gneissic tonalite injected by pyrite-rich quartz veins and veinlets. Disseminated pyrite and chalcopyrite are also found in the tonalitic host rock. Assay results revealed six samples having Au concentrations above 500 ppb, with three samples having values higher than 1 g/t Au (1.77, 2.60, 4.11 g/t). Significant copper values are commonly associated to gold mineralization, with grades ranging from 0.03 to 2.11% Cu. The Cu-Au mineralized sites represent new discoveries distributed in four areas of the property within plutonic rocks of the La Grande Subprovince near the contact with the Opinaca metasedimentary Subprovince. Compilation work is in progress and will help in planning the next exploration phase on that project.

#### 3.5 Acquisition of the Muskeg Property

As at January 31, 2018, the Corporation owns 21 mining claims staked by map designation in NTS sheet 33C01. These claims, totaling 1,109 ha, refer to the newly-named Muskeg Property which is 100%-owned by the Corporation. The property is in James Bay on the south shore of the Eastmain Reservoir and approximately 60 km north of the Nemaska Cree Community. The Muskeg gravel road runs through the property.



### **3. EXPLORATION ACTIVITIES (CONT'D)**

#### ***Exploration work on the property***

The Corporation has not yet conducted any exploration work on the Muskeg Property. A compilation of historical geological work is in progress and will help delineate areas of interest for the first exploration campaign of the Corporation on the property.

Historical work includes prospecting, geological mapping, an airborne magnetic survey and 13 drillholes. The property is known to host three zinc showings in the Anatacau-Pivert Formation, namely Lac Delta (1.25% Zn, 0.35% Cu, 0.16 g/t Au, 8 g/t Ag), Réservoir Opinaca-1 (1.1% Zn, 0.70% Cu, 0.31 g/t Au, 4,8 g/t Ag) and Peno (1.44% Zn). In addition to the polymetallic nature of the mineralization, the Muskeg Property has the potential to host gold occurrences as suggested by gold showings just outside the limit of the property and by the presence of an angular metric-size chert boulder located southwest of the Delta showing.

#### **3.6 Acquisition of the Lake Fagnant Property and joint venture**

As at January 31, 2018, the Lake Fagnant Property is an aggregate of 74 mining claims totaling 3,648 hectares located in NTS sheets 33N02 and 33N03. The property is located 55 km east of Whapmagoostui/Kuujuarapik (Nunavik) and 155 north of Radisson. These claims were staked by map designation by the Corporation and Kenorland. They cover the northwestern portion of the Archean Great Whale greenstone belt in the Bienville Subprovince of the Superior Province.

On January 16, 2018, a joint venture agreement was executed by the Corporation and Kenorland regarding the property, with the initial participating interests set forth as follows: the Corporation (50%) and Kenorland (50%). The operator of the joint venture is the Corporation for as long as its participating interest is equal to or greater than Kenorland's. If a participating interest is diluted to less than 10%, it will be converted into a 1% NSR royalty (the "Royalty"). The remaining participant will have the right to buy-back half of the Royalty (0.5% NSR) for \$500,000 or, under certain circumstances, the aggregate Royalty (1% NSR) for \$1,000,000.

#### ***Exploration work on the property***

The Corporation has not yet conducted any exploration work on the Lake Fagnant Property. Compilation work is in progress and will help in planning the next exploration phase on that project.

The most recent exploration activity was carried out by Virginia Gold Mines Inc. in 1999 and 2000. Work included an airborne MAG-EM survey, ground-based MAG and IP-Resistivity surveys, regional mapping, detailed mapping of gold mineralized areas, systematic rock sampling (grab and channel) on a gridline, trenching and till sampling. This enabled the recognition of more than six significant gold showings mostly found within sheared metabasalts of the Fagnant Group. Gold showings are mainly concentrated along the EW-trending Esker and Cuesta alteration corridors. Each one of these corridors extends laterally for 1 km and has an estimated thickness of 10 m. These corridors consist of alternating unaltered, foliated pillowed basalts intercalated with hyaloclastite breccias and highly schistosed bands. Mineralization consists in disseminated pyrite and/or arsenopyrite with minor amount of pyrrhotite and chalcopyrite providing significant gold values (1.01 to 47,03 g/t Au). The most interesting interval at surface grade 3.66 g/t Au over 8.8 m. No drilling has ever been done on the property.

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**3. EXPLORATION ACTIVITIES (CONT'D)**

**3.7 Generation**

**3.7.1 Acquisition of the Lake Aulneau Property**

On May 23, 2018, the Corporation announced the acquisition of Lake Aulneau Property which was composed of 132 mining claims totaling 6,202 hectares located in NTS sheets 24C15, 24C16 and 24F02 (Nunavik). These claims, separated into five individual blocks, cover rocks belonging to the Labrador Through. The property is located 125 km south of Kuujuaq and 265 km north of Schefferville. These claims were staked by map designation by the Corporation.

**Exploration work on the property**

The Corporation has not yet conducted any exploration work on the Lake Aulneau Property. A compilation work will be initiated in a near future to help in the planning of the next exploration phase on the project.

The region is known to host Cu-Ni-PGE mineralization in the mafic and ultramafic Montagnais sills. A total of seven prospects and showings have been discovered in the region, sampled and drilled in the 1970's and 1980's. The Corporation owns six of these occurrences (Marymac I, Lepage, Island, Redcliff, Float, Nine South). Resource estimates, non-compliant to CIM standards, have been published for some of these occurrences. They include 1,088,000 Mt @ 2.02% Cu, 0.45% Ni, 1.0 g/t Pt and 3.1 g/t Pd for the Lepage and Island zones combined, 1,068,000 Mt @ 2.09% Cu and 0.51% Ni for the Redcliff prospect, and 133,000 Mt @ 2.10% Cu and 0.43% Ni for the Float prospect. These estimates are treated as historic information and have not been verified by the Corporation. These are considered historical Mineral Resources and do not refer to any category of sections 1.2 and 1.3 of the NI-43-101 Instrument such as Mineral Resources or Mineral Reserves as stated in the 2014 CIM Definition Standards on Mineral Resources and Mineral Reserves. The explanation lies in the inability by the Corporation to verify the data acquired by the various historical drilling campaigns and other sampling works. The qualified person has not done sufficient work yet to classify the historical estimates as current Mineral Resources or Mineral Reserves. The Corporation is not treating these historical estimates as current mineral resources.

**3.7.2 Project Generation**

The Corporation continued its geological compilation program for the acquisition of new strategic gold and base metal properties in Québec. The new geological targets generated during Q4-18 will be tested by prospecting during the summer 2018 exploration program.

**4. SELECTED ANNUAL INFORMATION**

	<b>Fiscal 18</b>	<b>Fiscal 17</b>
	\$	\$
<b>Financial Results</b>		
Exploration and evaluation expenditures, net of tax credits	529,968	91,887
Net loss	1,535,887	260,523
<b>Financial Position</b>		
Cash	2,489,632	863,652
Total assets	3,243,595	1,579,364
Total current liabilities	161,409	33,201
Shareholders' equity	3,082,186	1,546,163
Working capital	2,400,073	925,366

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**5. RESULT OF OPERATIONS**

**5.1 Discussion on Fiscal 18**

The Corporation reported a net loss of \$1,535,887 in Fiscal 18 (\$260,523 in Fiscal 17). The main variations are as follow:

- Exploration and evaluation expenditures, net of tax credits \$529,968 (\$91,887 in Fiscal 17) (see section on exploration activities for details).
- Salaries and benefits for \$101,632 (nil in Fiscal 17). François Goulet is coordinating management and exploration activities. He is president and CEO of the merged companies since June 22, 2017 and is on the Corporation's payroll from this date.
- Consulting and professional fees for \$124,005, office and administrative for \$38,494, travel, conference and investor relations for \$35,556 and filing fees for \$38,321 (\$73,386 in aggregate in Fiscal 17). The Corporation is a listed company that is actively operating as opposed to Harfang that was a private company focusing on grass root exploration with limited corporate activities.
- Listing expense for \$811,927 (nil in Fiscal 17). See note 6 of the Corporation's Financial Statement.
- Gain on disposal of exploration and evaluation assets for \$63,000 (nil in Fiscal 17). On September 2017, the Corporation sold the Vauquelin West Property for a cash consideration of \$66,000.
- Deferred income taxes recovery for \$181,085 (nil in Fiscal 17). This recovery consists mainly in the amortization, in proportion of the work completed, of the premium related to flow-through shares renunciation following the June 22, 2017 flow-through private placement.

**5.2 Discussion on Q4-18**

The Corporation reported a net loss of \$128,694 in Q4-18 (\$27,617 in Q4-17). The main variations are as follow:

- Exploration and evaluation expenditures, net of tax credits \$48,632 (\$3,901 in Q4-17) (see section on exploration activities for details).
- Salaries and benefits for \$44,566 (nil in Q4-17). François Goulet is coordinating management and exploration activities. He is president and CEO of the merged companies since June 22, 2017 and is on the Corporation's payroll from this date.
- Consulting and professional fees for \$30,718, office and administrative for \$9,700, travel, conference and investor relations for \$16,775 and filing fees for \$5,970 (\$25,337 in aggregate in Q4-17). The Corporation is a listed company that is actively operating as opposed to Harfang that was a private company focussing on grass root exploration with limited corporate activities.
- Deferred income taxes recovery for \$17,246 (nil in Q4-17). This recovery consists mainly in the amortization, in proportion of the work completed in Q4-18, of the premium related to flow-through shares renunciation following the June 22, 2017 private placement.

**6. SELECTED QUATERLY INFORMATION**

The following table presents selected financial information for each of the most recent eight quarters:

	<b>Q4-18</b>	<b>Q3-18</b>	<b>Q2-18</b>	<b>Q1-18</b>
	\$	\$	\$	\$
Exploration and evaluation expenditures, net of tax credits	48,632	135,111	339,448	6,777
Net loss	128,694	133,532	1,168,738	104,923
Cash	2,489,632	2,491,785	2,876,559	775,536
Total assets	3,243,595	3,398,547	3,734,862	1,490,881
Total current liabilities	161,409	187,667	390,450	49,641
Shareholders' equity	3,082,186	3,210,880	3,344,412	1,441,240
Working capital	2,400,073	2,532,452	2,680,253	818,807

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**6. SELECTED QUATERLY INFORMATION (CONT'D)**

	<b>Q4-17</b>	<b>Q3-17</b>	<b>Q2-17</b>	<b>Q1-17</b>
	\$	\$	\$	\$
Exploration and evaluation expenditures, net of tax credits	3,901	79,928	8,058	-
Net loss	27,617	112,928	116,364	3,614
Cash	863,652	383,738	582,277	100
Total assets	1,579,364	1,083,812	1,104,402	100
Total current liabilities	33,201	100,118	7,780	3,614
Shareholders' equity (deficiency)	1,546,163	983,694	1,096,622	(3,514)
Working capital (deficiency)	925,366	371,711	589,285	(3,514)

Highlights for each quarter are as follows.

**6.1 Q4-18**

- An aggregate of 74 mining claims were staked by map designation by the Corporation and Kenorland for Lac Fagnant Property. On January 16, 2018, a joint venture agreement was executed by the Corporation and Kenorland regarding the Lake Fagnant Property, with the initial participating interests set forth as follows: Corporation (50%) and Kenorland (50%).

**6.2 Q3-18**

- On September 29, 2017, the Corporation sold a 100% interest in the Vauquelin West property to Chalice Gold for a cash consideration of \$66,000.
- Exploration and evaluation expenditures were incurred for a sum of \$135,111 and are composed primarily of geology and geophysics expenses.

**6.3 Q2-18**

- On June 22, 2017, the reverse takeover related transaction was completed and a listing expense was recorded for \$740,861. Harfang completed a private placement for aggregate gross proceeds of \$2,677,000, 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.
- Exploration and evaluation expenditures were mainly incurred on the Lake Ménarik and Ménarik East properties for a sum of \$374,620 and are composed primarily of geology and geophysics expenses.

**6.4 Q1-18**

- Harfang worked on the reverse takeover related transactions and spent \$71,066 on listing fees.

**6.5 Q4-17**

- On December 14, 2016, Harfang completed a second Private Placement for a total of \$601,100 under which 4,007,332 Harfang shares, at a price of \$0.15 per Harfang share, were issued.

**6.6 Q3-17**

- On October 14, 2016, Harfang acquired from NovX21 Inc. the Lake Ménarik East Property in consideration for a cash payment in the amount of \$95,000.

## **6. SELECTED QUARTERLY INFORMATION (CONT'D)**

- Harfang also acquired 100% of the Vauquelin West Property, comprised of 16 mining claims located in the Louvicourt Abitibi region in consideration for a cash payment of \$3,000.
- A total of \$139,344 has been spent on exploration work (Geology: \$101,393, analyses: \$11,840, transportation and lodging: \$26,111).

### **6.7 Q2-17**

- On June 23, 2016, Harfang acquired from Osisko Exploration James Bay Inc. the Lake Ménarik Property in consideration of the issuance of 5,000,000 Harfang shares at a deemed price of \$0.10 per Harfang Share (\$500,000).
- On June 23, 2016, Harfang completed a first Private Placement for a total of \$621,000, under which 6,210,000 Harfang Shares, at a price of \$0.10 per Harfang share, were issued.
- On June 23, 2016, the President of Harfang acquired 1,000,000 common shares for \$1,000 paid in cash. An amount of \$99,000, which represents the difference between the fair value of the concurrent private placement and the amount paid by the President of Harfang, was recorded as share-based compensation.

### **6.8 Q1-17**

- Creation and planning of activities of the Harfang company.

## **7. LIQUIDITY AND CAPITAL RESOURCES**

The Corporation has working capital of \$2,400,073 as at January 31, 2018, (\$925,366 as at January 31, 2017). From this working capital, the Corporation has to dedicate \$285,297 to Canadian mining properties exploration, pursuant to the terms of the June 22, 2017 flow-through financings completed by Harfang. The working capital position was favorably improved on June 22, 2017 when the Corporation complete its reverse takeover and related transactions including a private placement for aggregate gross proceeds of \$2,677,000.

See Section 2.4 for the use of funds following the qualifying transaction.

While the Corporation has secured financing in the past, 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. If new funding is not obtained, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these Financial Statements and this could have a significant impact on the financial position of the Corporation, its financial performance and its cash flows.

## **8. OFF BALANCE SHEET ARRANGEMENTS**

At the date of this MD&A, the Corporation had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Corporation.

## **9. SUBSEQUENT EVENTS**

As at the date of this MD&A, there are no significant subsequent events, other than those already disclosed herein.

## **10. RELATED PARTY TRANSACTIONS**

Related party transactions are described in note 17 of the Fiscal 18 Financial Statements. Nevertheless, following are further details on related party transactions:

*In the normal course of operations:*

- A company controlled by François Goulet (director and CEO) charged exploration and evaluation expenditures of \$10,000 which relate to his staff and charged consultant fees of \$29,583 prior to June 22, 2017 (\$32,890 in Fiscal 17);
- A company controlled by Marc Pothier (corporate secretary, appointed June 22, 2017) charged an amount of \$46,283 of which \$11,452 was recorded as of professional fees and \$34,831 as listing expense;
- Osisko, a shareholder with significant influence over the Corporation charged, for the Fiscal 18, an amount of \$22,153 (\$4,000 in Fiscal 17) of which \$12,000 (\$4,000 in Fiscal 17) was recorded for renting of office space, \$376 (nil in Fiscal 17) as office and administrative expenses, \$6,032 (nil in Fiscal 17) as travel, conference and investor relations and \$3,745 (nil in Fiscal 17) as professional fees;
- As at January 31, 2018, the balance due to those related parties amounted to \$14,573 (\$6,250 as at January 31, 2017).

*Out of the normal course of operations:*

- A director of Osisko acquired 250,000 common shares of Harfang at a price of \$0.10 per common share on June 27, 2016 and 100,000 common shares of Harfang at a price of \$0.15 per common share on December 14, 2016. The transactions were completed under the same terms and conditions offered to the other participants;
- The President of Harfang acquired in Fiscal 17, 1,000,001 common shares for total proceed of \$1,100;
- Directors and officers of the Corporation participated in the June 22, 2017 concurrent flow-through private placement for \$91,500 and in the June 22, 2017 concurrent unit private placement for \$95,000. 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;
- In addition, the President of the Corporation's employment agreement, which came into force on June 22, 2017, provides for payments, on termination of employment without cause or following a change of control, of \$140,000 to \$210,000 representing 12 to 18 months of base salary, depending on circumstances.

## **11. CRITICAL ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

The preparation of the Financial Statements requires Management to make judgments and form assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. On an ongoing basis, Management evaluates its judgments in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments. Actual outcomes may differ from these estimates under different assumptions and conditions. Critical estimates, judgments, and assumptions exercised in applying accounting policies with the most significant effect on the amounts recognized in the financial statements are described at note 5 of the 2017 Financial Statements. The critical accounting policies are described at note 3 of the 2017 Financial Statements.

**Harfang Exploration Inc.**  
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For the year ended January 31, 2018

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**12. FINANCIAL INSTRUMENTS**

Financial instruments are described in notes 3.4, 18 and 19 to the Financial Statements.

**13. CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The Corporation is committed to minimum amounts under a lease agreement with Osisko for office space which expires at the latest in June 2019. As at January 31, 2018, minimum commitments remaining under the lease were approximately \$16,000 over the following years:

	<b>Fiscal years ending</b>
	\$
2019	12,000
2020	4,000
	<b>16,000</b>

**14. OUTSTANDING SHARES DATA**

	<b>May 23, 2018</b>	<b>January 31, 2018</b>
	<b>Number</b>	<b>Number</b>
Capital stock	28,048,135	28,048,135
Warrants	3,821,000	3,821,000
Stocks options	792,500	672,500
<b>Fully diluted</b>	<b>32,661,635</b>	<b>32,541,635</b>

**Escrow Shares**

As of January 31, 2018, there were 5,758,955 shares held in escrow. Under the escrow agreement, 10% of the escrow common shares were released from escrow on the completion of the Corporation's QT (done on June 29, 2017, date of the Exchange Bulletin) and additional 15% tranches will be released every six months thereafter.

**15. STOCK OPTION PLAN**

The purpose of the Option Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified directors, senior officers, employees and consultants of the Corporation, to reward such of these participants from time to time for their contributions toward the long-term goals of the Corporation and to enable and encourage such participants to acquire shares as long-term investments. There is no performance indicator relating to profitability or risk attached to the plan. 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.

**16. RISK FACTORS**

The following discussions review a number of important risks which Management believes could impact the Corporation's business. There are other risks, not identified below, which currently, or may in the future exist in the Corporation's operating environment.

## **16. RISK FACTORS (CONT'D)**

### **16.1 Exploration and Mining Risks**

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

Currently, there are no known bodies of commercial ore on the mineral properties of which the Corporation intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labor are other risks involved in the conduct of exploration programs. The Corporation, from time to time, increases its internal exploration and operating expertise with due advice from consultants and others as required.

The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Corporation's mineral properties.

### **16.2 Titles to Property**

While the Corporation has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

### **16.3 Permits and Licenses**

The Corporation's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

### **16.4 Metal Prices**

Even if the Corporation's exploration programs are successful, factors beyond the control of the Corporation may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Corporation's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

### **16.5 Competition**

The mining industry is intensely competitive in all its phases. The Corporation competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

### **16.6 Environmental Regulations**

The Corporation's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution.



## **16. RISK FACTORS (CONT'D)**

A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Corporation intends to fully comply with all environmental regulations.

### **16.7 Conflicts of Interest**

Certain directors and officers of the Corporation are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors or officers of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest, which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Corporation will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time.

### **16.8 Stage of Exploration**

The Corporation's properties are in the exploration stage and to date none of them have a proven ore body. The Corporation does not have a history of earnings or return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

### **16.9 Industry Conditions**

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax and mining duty increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Corporation, such as government regulations. The Corporation undertakes exploration in areas that are or could be the subject of native land claims. Such claims could delay work or increase exploration costs. The effect of these factors cannot be accurately determined.

### **16.10 Uninsured Hazard**

Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Corporation may become subject to liability for pollution or other hazards, which cannot be insured against or against which the Corporation may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Corporation assets or the insolvency of the Corporation.

### **16.11 Capital Needs**

The exploration, development, mining and processing of the Corporation's properties will require substantial additional financing. The only current source of future funds available to the Corporation is the sale of additional equity capital. There is no assurance that such funding will be available to the Corporation or that it will be obtained on terms favourable to the Corporation or will provide the Corporation with sufficient funds to meet its objectives, which may adversely affect the Corporation's business and financial position. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of property interest.

## **16. RISK FACTORS (CONT'D)**

### **16.12 Key Employees**

Management of the Corporation rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

### **16.13 Canada Revenue Agency and provincial agencies**

No assurance can be made that Canada Revenue Agency and provincial agencies will agree with the Corporation's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada) or any provincial equivalent.

## **17. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Corporation's Financial Statements are the responsibility of the Corporation's management. The Financial Statements were prepared by the Corporation's management in accordance with IFRS. The Financial Statements include certain amounts based on the use of estimates, judgements and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the Financial Statements are presented fairly in all material respects.

The Financial Statements have been approved by the board of directors based on the estimates, judgements and assumptions as presented by management and the certifications by the CEO and CFO.

## **18. FORWARD LOOKING INFORMATION**

This MD&A contains forward-looking information within the meaning of applicable securities legislation, which reflects the Corporation's current expectations regarding future events, including expectations regarding the completion of the Offering, the receipt of necessary authorizations from securities regulatory authorities and the use of the net proceeds from the Offering. Such statements can be recognized by the terms "forecast", "anticipate", "consider", "foresee" and other terms and similar expressions. In this MD&A there is forward-looking information based on a number of assumptions and subject to a number of risks and uncertainties, many of which are beyond the Corporation's control that could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking information. Such risks and uncertainties include, but are not limited to, failure to complete the Offering and the factors discussed under "Risk Factors" in Section 17. Any forward-looking information included in this MD&A is based only on information currently available to the Corporation and speaks only as of the date on which it is made. Except as required by applicable securities laws, the Corporation assumes no obligation to update or revise any forward-looking information to reflect new circumstances or events.

May 23, 2018

*(s) François Goulet*

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François Goulet  
President and CEO

*(s) Yvon Robert*

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Yvon Robert  
CFO