Harfang Exploration Inc.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the years ended January 31, 2023 and 2022

Independent auditor's report

To the Shareholders of Harfang Exploration Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Harfang Exploration Inc. and its subsidiary (together, the Corporation) as at January 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the statements of financial position as at January 31, 2023 and 2022;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of exploration and evaluation assets *Refer to note 5 – Critical accounting estimates and judgments and note 8 – Exploration and Evaluation assets to the consolidated financial statements* The net book value of exploration and evaluation assets amounted to $9.1 million as at January 31, 2023. Asset groups are reviewed for an indication of impairment at each consolidated statement of financial position date or when a triggering event is identified. Factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area. During the year, the Corporation impaired and partially impaired certain mineral properties for the claims that were dropped and that were expected to be dropped.	Our approach to addressing the matter included the following procedures, among others: ● Evaluated the reasonableness of management's assessment of indicators of impairment related to exploration and evaluation assets, which included the following: – Obtained for all claims, by reference to government registries, evidence to support (i) the right to explore the area and (ii) claims' expiration dates. – Read Board minutes and obtained budget to evidence continued and planned substantive exploration and evaluation expenditures, discontinuance of exploration and evaluation activities in specific areas, and nonrenewal of rights to explore, which included evaluating results of current year work programs. – Assessed whether exploration for and evaluation of mineral resources in specific areas will not lead to commercially viable quantities of mineral resources based on evidence obtained in other areas of the audit.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the exploration and evaluation assets and (ii) the judgments made by management in their assessment of indicators of impairment related to exploration and evaluation assets which resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nochane Rousseau.

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
May 17, 2023

[1] FCPA auditor, public accountancy permit No. A122718

Harfang Exploration Inc.

Statements of Financial Position
As at January 31, 2023 and 2022
(In Canadian Dollars)

	Note	As at January 31, 2023	As at January 31, 2022
		$	$
Assets			
Current assets			
Cash		7,413,806	7,264,839
Sales tax receivable		161,992	120,763
Tax credits and government grant receivables	12	300,652	-
Prepaid expenses and others		21,146	-
Current assets		7,897,596	7,385,602
Non-current assets			
Deferred share issuance costs		-	28,836
Deferred transaction costs		-	392,510
Listed shares	7	187,500	78,750
Exploration and evaluation assets	8	9,101,236	1,038,842
Non-current assets		9,288,736	1,538,938
Total assets		**17,186,332**	**8,924,540**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		198,687	529,260
Liability related to the premium on flow-through shares	9	-	402,093
Total Liabilities		**198,687**	**931,353**
Equity			
Share capital	10	28,155,697	15,985,750
Warrants	11	15,997	607,130
Contributed surplus		2,009,492	1,059,887
Deficit		(13,193,541)	(9,659,580)
Total equity		**16,987,645**	**7,993,187**
Total liabilities and equity		**17,186,332**	**8,924,540**
Subsequent events	19		

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:

(s) Ian Campbell
Ian Campbell
Director

(s) Jean-Pierre Janson
Jean-Pierre Janson
Director

Harfang Exploration Inc.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended January 31, 2023 and 2022
(In Canadian Dollars)

	Note	Fiscal 2023	Fiscal 2022
		$	$
Revenues			
Project management fees		-	8,159
Residual gain on option payments on mining assets	8	3,282	-
		3,282	8,159
Operating Expenses			
Exploration and evaluation expenditures, net of tax credits and government grant	12	2,180,027	3,533,597
Salaries and benefits	13	55,796	190,186
Stock-based compensation	13	235,800	291,810
Director's fees	13	77,625	-
Consulting and professional fees		480,963	208,280
Office and administrative		135,043	83,868
Travel, conference and investor relations		204,162	40,733
Filing fees		41,718	45,317
Impairment of exploration and evaluation assets	8	90,548	11,112
Operating expenses		(3,501,682)	(4,404,903)
Other income (expense)			
Interest income		206,594	35,861
Change in fair value – listed shares	7	(641,250)	(166,250)
Finance costs – accretion expense		(2,998)	-
		(437,654)	(130,389)
Loss before income taxes		(3,936,054)	(4,527,133)
Deferred income taxes recovery	9	402,093	1,120,073
Net loss and comprehensive loss		**(3,533,961)**	**(3,407,060)**
Net loss per common share - basic and diluted	15	(0.07)	(0.11)
Weighted average number of common shares outstanding - basic and diluted	15	52,808,053	30,872,822

The accompanying notes are an integral part of these consolidated financial statements.

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Harfang Exploration Inc.

Consolidated Statements of Changes in Equity
For the years ended January 31, 2023 and 2022
(In Canadian Dollars)

	Note	Number of shares outstanding (note 6 – share consolidation)	Share Capital	Warrants	Contributed surplus	Deficit	Total equity
			$	$	$	$	$
Balance at February 1, 2021		**29,117,434**	**13,322,611**	**1,263,294**	**382,485**	**(6,252,520)**	**8,715,870**
Net loss and comprehensive loss		-	-	-	-	(3,407,060)	(3,407,060)
Issuance of shares under flow-through private placements	10	2,361,051	2,490,053	-	-	-	2,490,053
• Less: premium	10	-	(665,131)	-	-	-	(665,131)
Share issuance costs	10	-	(74,355)	-	-	-	(74,355)
Warrants exercised	11	688,967	822,372	(228,372)	-	-	594,000
Warrants expired	11	-	-	(427,792)	427,792	-	-
Options exercised	13	92,790	90,200	-	(42,200)	-	48,000
Stock-based compensation	13	-	-	-	291,810	-	291,810
Balance at January 31, 2022		**32,260,242**	**15,985,750**	**607,130**	**1,059,887**	**(9,659,580)**	**7,993,187**
Balance at February 1, 2022		**32,260,242**	**15,985,750**	**607,130**	**1,059,887**	**(9,659,580)**	**7,993,187**
Net loss and comprehensive loss		-	-	-	-	(3,533,961)	(3,533,961)
Issuances to investors of LaSalle Exploration Corp. as part of the acquisition							
• Common Shares	10	17,739,540	8,029,519	-	-	-	8,029,519
• Replacement stock options	13	-	-	-	105,707	-	105,707
• Replacement warrants	11	-	-	16,965	-	-	16,965
Issuance of shares under private placement	10	7,727,271	4,249,999	-	-	-	4,249,999
Share issuance costs	10	-	(180,449)	-	-	-	(180,449)
Exploration and evaluation assets paid in shares	8	336,260	70,878	-	-	-	70,878
Warrants expired	11	-	-	(608,098)	608,098	-	-
Stock-based compensation	13	-	-	-	235,800	-	235,800
Balance at January 31, 2023		**58,063,313**	**28,155,697**	**15,997**	**2,009,492**	**(13,193,541)**	**16,987,645**

The accompanying notes are an integral part of these consolidated financial statements.

Harfang Exploration Inc.

Consolidated Statements of Cash Flows
For the years ended January 31, 2023 and 2022
(In Canadian Dollars)

	Note	Fiscal 2023	Fiscal 2022
		$	$
Operating activities			
Net loss		(3,533,961)	(3,407,060)
Adjustments for:			
Residual gain on option payments on mining assets	8	(3,282)	-
Exploration and evaluation expenditures, payment on option	12	(2,609)	-
Stock-based compensation	13	235,800	291,810
Impairment of exploration and evaluation assets	8	90,548	11,112
Change in fair value – listed shares	7	641,250	166,250
Flow through premium	9	(402,093)	(1,120,073)
Finance costs – accretion expense		2,998	-
Changes in non-cash working capital items			
Sales tax receivable		124,260	(36,587)
Tax credits and government grant receivable		(300,652)	-
Prepaid expenses and others		(1,813)	2,650
Accounts payable and accrued liabilities		(993,295)	3,807
Cash flows used in operating activities		**(4,142,849)**	**(4,088,091)**
Investing activities			
Investment in exploration and evaluation assets	8	(352,256)	(45,586)
Option payment receipt on exploration and evaluation assets	8	25,000	-
Cash acquired through the acquisition of LaSalle	6	1,644,143	-
Transaction costs		(314,621)	-
Deferred transaction costs		-	(310,597)
Investments in listed shares	6	(750,000)	-
Cash flows from (used) in investing activities		**252,266**	**(356,183)**
Financing activities			
Private placements	10	4,249,999	-
Flow-through private placements	10	-	2,490,053
Share issuance costs	10	(180,449)	(105,993)
Debt reimbursement		(30,000)	-
Exercise of warrants	11	-	594,000
Exercise of stock options	13	-	48,000
Cash flows from financing activities		**4,039,550**	**3,026,060**
Net change in cash		148,967	(1,418,214)
Cash – beginning		7,264,839	8,683,053
Cash – ending		**7,413,806**	**7,264,839**
Additional information			
Interest received		206,594	35,861
Deferred share issue costs included in accounts payable and accrued liabilities		-	28,836
Deferred transaction costs included in accounts payable and accrued liabilities		-	81,913
Exploration and evaluation assets included in accounts payable and accrued liabilities		22,830	-
Exercise of warrants credited to share capital	11	-	228,372
Exercise of stock options credited to share capital		-	42,200

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Harfang Exploration Inc. (the "Corporation" or "Harfang") was incorporated on March 30, 2010 under the *Business Corporations Act* (British Columbia) and on June 22, 2017, in conjunction with a reverse takeover, continued under the *Business Corporations Act* (Québec). The Corporation's shares are listed on the TSX Venture Exchange (the "Exchange") under symbol HAR. The Corporation's head office is located at 1100, avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec, Canada.

The Corporation, an exploration and evaluation stage company, is in the business of acquiring and exploring mineral properties in Canada. Its focus is currently on the exploration and evaluation of its mineral properties in the James Bay area in the Province of Québec for gold and lithium and in northeastern Ontario for gold.

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 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 Fiscal 2023, the Corporation reported a net loss of $3,533,961 ($3,407,060 for Fiscal 2022) and has an accumulated deficit of $13,193,541 as at January 31, 2023 ($9,659,580 as at January 31, 2022). As at January 31, 2023, the Corporation had working capital of $7,698,909 ($6,454,249 as at January 31, 2022).

Management of the Corporation believes that it has sufficient funds to maintain the status of its current exploration obligations and keep its properties in good standing, to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for the ensuing 12 months as they fall due. The Corporation's ability to continue future operations beyond twelve months and fund its exploration and evaluation expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments. The completion of the non-brokered private placement of subscription receipts on February 4, 2022 (note 10), also non-brokered private placements on March and May 2023 (note 19), contributed to such financing. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the last 12 months, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation.

2. BASIS OF PRESENTATION

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Board of Directors has approved the Financial Statements on May 17, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these Financial Statements are as follows.

3.1 Basis of measurement

The Financial Statements have been prepared on the historical cost basis.

3.2 Consolidation

The Financial Statements include the accounts of Harfang and those of its wholly-owned subsidiary LaSalle Exploration Corp. ("LaSalle") since the effective date of acquisition on April 13, 2022. Harfang has completed a vertical amalgamation with LaSalle, effective November 1, 2022, with the name of the amalgamated company to remain "Harfang Exploration Inc.". All intra-group transactions, balances, income and expenses are eliminated during consolidation. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

3.3 Functional and presentation currency

The Financial Statements are presented in Canadian dollars, which is the Corporation's functional currency.

3.4 Financial instruments

The measurement of financial assets and liabilities is based on three possible classification categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the Corporation's business model for holding the instrument and its contractual cash flow characteristics. Equity instruments are classified as financial instruments carried at fair value, with changes in fair value recorded in the consolidated statement of income unless such financial instruments are not held for trading, in which case, the financial instrument may be irrevocably designated as fair value through other comprehensive income on initial recognition without subsequent reclassification to net income or loss of realized gains and losses on sale.

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

All financial instruments are required to be measured at fair value on initial recognition. The fair value is based on quoted market prices, unless the financial instruments are not traded in an active market. In this case, the fair value is determined by using valuation techniques like the Black-Scholes option pricing model or other valuation techniques.

Measurement in subsequent periods depends on the classification of the financial instrument. At initial recognition, the Corporation has classified its financial instruments in the three categories as follows:

Category	Financial instrument
Financial assets at fair value through profit and loss	Listed shares
Financial assets at amortized cost	Cash
Financial liabilities at amortized cost	Accounts payable and accrued liabilities

Interest income from financial assets is accrued, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Listed shares at fair value through profit and loss are equity investments recognized initially at fair value and subsequently measured at fair value. Gains or losses arising from changes in fair value are recorded in the consolidated statement of loss and comprehensive loss. Dividend income on those investments are recognized in consolidated the statement of loss and comprehensive loss.

3.5 Refundable tax credits for mining exploration and evaluation expenditures

The Corporation is entitled to refundable tax credits on qualified mining exploration and evaluation expenditures incurred in the province of Québec. The credits are accounted for against the exploration and evaluation expenditures as incurred. As management intends to realize the carrying value of its assets through the sale of its exploration and evaluation assets, the related deferred tax has been calculated accordingly.

3.6 Government grant

The Corporation receives financial assistance under a government incentive program for qualified mining exploration and evaluation expenditures incurred in the province of Ontario. Government grant is recognized initially as a government grant receivable at fair value when there is reasonable assurance that it will be received and the Corporation will comply with the conditions associated with the grant. Grant that compensates the Corporation is recognized as a reduction of the related expenditures in the consolidated statement of loss and comprehensive loss.

3.7 Exploration and evaluation assets and expenditures

Expenditures incurred on activities that precede exploration and evaluation activities, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed as incurred on the consolidated statement of loss and comprehensive loss.

Rights in mining properties and costs associated with acquiring an exploration and evaluation asset, paid or acquired through a business combination or an acquisition of assets, are capitalized. They are subsequently measured at cost less accumulated impairment. Exploration and evaluation assets acquired in a business combination are initially recognized at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Exploration expenditures (net from exploration expenditures recharged to partners) include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies.

Evaluation expenditures (net from evaluation expenditures recharged to partners) include the cost of establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body, determining the optimal methods of extraction and metallurgical and treatment processes, studies related to surveying, transportation and infrastructure requirements, permitting activities and economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and feasibility studies.

In addition, exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

Exploration and evaluation expenditures are expensed as incurred on the consolidated statement of loss and comprehensive loss until a prefeasibility or a feasibility study has been completed and development is sanctioned. Capitalized exploration and evaluation expenditures are transferred to property, plant and equipment upon a decision to develop the property and will be subject to depreciation only when the properties are put into commercial production.

Cash flows attributable to capitalized exploration and evaluation assets are classified as investing activities in the consolidated statement of cash flows under the headings investments in exploration and evaluation assets.

From time to time, the Corporation may acquire or dispose of a property pursuant to the terms of an option agreement. Since options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded.

Option payments are recorded when they are made or received. Proceeds on the sale of exploration properties are applied in reduction of the acquisition costs of the related mining rights and any residual is recorded in the consolidated statement of loss and comprehensive loss unless there is contractual work required by the Corporation in which case the residual gain is deferred and will be applied against the contractual disbursements when done.

Funds received from partners on certain properties where the Corporation is the operator in order to perform exploration work as per agreements, are accounted for in the consolidated statement of financial position as advances received for upcoming exploration work. These advances are reduced gradually when the exploration work is performed. The project management fees received when the Corporation is the operator are recorded in the consolidated statement of loss and comprehensive loss when the exploration and evaluation expenditures are charged back to the partner. When the partner is the operator, the management fees are recorded in the consolidated statement of loss and comprehensive loss as exploration and evaluation expenditures.

3.8 Leases

At the commencement date of a lease, a liability is recognized to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset) is also recognized. The interest expense on the lease liability is recognized separately from the depreciation expense on the right-of-use asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The lease liability is remeasured upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). This remeasurement is generally recognized as an adjustment to the right-of-use asset. Leases of "low-value" assets and short-term leases (12 months or less) are charged to the consolidated statement of loss and comprehensive loss.

3.9 Impairment of non-financial assets

The carrying value of non-financial assets is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units" or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Corporation evaluates impairment losses at each reporting date for potential reversals when events or circumstances warrant such consideration.

3.10 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income taxes

The current income tax charge is the expected tax payable on the taxable income for the year, using the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the jurisdictions where the Corporation operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates (and laws) that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.11 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate to, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

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 consolidated statement of loss and comprehensive 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.

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.

3.12 Warrants

Warrants are classified as equity. Incremental costs directly attributable to the issuance of warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

3.13 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.

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 consolidated statement of loss and comprehensive loss with a corresponding credit to stock options, in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

3.14 Earnings (loss) per share

The calculation of earnings (loss) per share ("EPS") is based on the weighted average number of common shares outstanding for each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of the Corporation, considering the impact of the warrants extension, by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. It also includes shares issued and held in escrow. The treasury stock method is used to determine the dilutive effect of the warrants and share options. When the Corporation reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants and share options.

3.15 Segment reporting

The operating segments are reported in a manner consistent with the internal reporting provided to the President who fulfills the role of the chief operating decision-maker. The President is responsible for allocating resources and assessing performance of the Corporation's operating segments. The Corporation manages its business under a single operating segment, consisting of acquiring and exploring mineral properties in Canada.

4. CHANGES IN ACCOUNTING POLICIES

4.1 Accounting standards issued but not yet effective

The Corporation has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than February 1, 2023. Many of these updates are not expected to have any significant impact on the Corporation and are therefore not discussed herein.

4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

4.1 New accounting standard adopted

Amendments to IAS 16 *Property, plant and equipment*

The IASB has made amendments to IAS 16 *Property, plant and equipment*, which is effective for financial years beginning on or after January 1, 2022. Proceeds from selling items before the related item of Property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items. The Corporation therefore needs to distinguish between the costs associated with producing and selling items before the item of Property, plant and equipment (pre-production revenue) is available for use and the costs associated with making the item of Property, plant and equipment available for its intended use. For the sale of items that are not part of a Corporation's ordinary activities, the amendments require the Corporation to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the consolidated statement of loss and comprehensive loss. The Corporation adopted IAS 16 on February 1, 2022, which did not have a significant impact on the consolidated financial statements disclosures. Any future sales of products and related costs of sales occurring before commercial production is achieved will be recorded in the consolidated statement of loss and comprehensive loss.

5. 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.

The more significant areas requiring the use of management estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, relate to the going concern assumption, the impairment of assets and the income taxes.

5.1 Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital requirements involves judgement. 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

5.2 Impairment of non-financial assets

Asset groups are reviewed for an indication of impairment at each statement of financial position date or when a triggering event is identified. Factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecast commodity prices.

Assessment of impairment of non-financial assets requires the use of judgements when assessing whether there are any indicators that could give rise to the requirement to conduct a formal impairment test on the Corporation's non-financial assets.

During the year, the Corporation impaired and partially impaired certain mineral properties for the claims that were dropped and were expected to be dropped.

5.3 Income taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Judgment is also involved in the determination of the expected manner of realisation or settlement of the carrying amount of the Corporation's assets and liabilities which is expected to be through the sale of the Corporation's assets.

The Corporation is also subject to usual tax audits. Where the final tax outcome of tax audits is different from the amounts that were initially recorded, such differences could impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

6. AGREEMENT AND RELATED TRANSACTIONS

On January 5, 2022, Harfang and LaSalle entered into an arrangement agreement pursuant to which Harfang agreed to acquire all the issued and outstanding common shares of LaSalle (the "Transaction") by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia) (the "Arrangement"). In addition, on January 5, 2022 and in connection with the execution of the arrangement agreement, the Board of Directors of the Corporation further agreed to amend the stock option plan of the Corporation (the "Plan") to extend the expiry date of certain stock options granted thereunder to a period of up to 12 months following the date on which an optionee ceases to be an "Eligible Person" within the meaning of the Plan. The approval of the TSX Venture Exchange was obtained as well as that of the shareholders of the Corporation during the annual meeting of shareholders held on June 29, 2022.

The Arrangement was approved by the shareholders of LaSalle at a special meeting of the shareholders held on March 30, 2022. The Arrangement was approved by the Supreme Court of British Columbia on April 1, 2022 and closed on April 13, 2022.

(In Canadian Dollars)

6. AGREEMENT AND RELATED TRANSACTIONS (CONT'D)

The Transaction constitutes the acquisition by Harfang of all the outstanding common shares of LaSalle but does not meet the definition of a business combination under IFRS 3 *Business Combinations*. Accordingly, the Corporation accounted for the Transaction in accordance with IFRS 2 *Share-based Payment*.

On April 13, 2022, immediately prior to the closing of the Transaction, the Corporation performed a consolidation on a 2.1554 for 1 basis of the Corporation's issued equity instruments including common shares, warrants and options (the "Consolidation"). All information with respect to shares and share-based instruments and related per share amounts have been retrospectively adjusted on a 1:2.1554 basis accordingly.

On February 4, 2022, Harfang completed a non-brokered private placement of 7,727,271 subscription receipts (on a post-Consolidation basis) (the "Offering") for an amount of $4,249,999. The Offering consisted of the issuance of subscription receipts (the "Subscription Receipts") at a price of $0.55 per Subscription Receipt. The gross proceeds arising from the Offering were held in escrow by an escrow agent pending completion of the Transaction. Each Subscription Receipt was exchangeable for one post-Consolidation common share of Harfang upon satisfaction of certain escrow release conditions, including the closing of the Transaction. Share issue expenses totalled $180,449.

In connection with the Transaction, Monarch Mining Corporation ("Monarch") has agreed to participate in the Offering for an amount of $1,500,000 (the "Monarch Investment"). In connection with the Monarch Investment, and as a condition precedent thereto, Harfang has also agreed, with regulatory approvals obtained, to subscribe for common shares of Monarch for a total amount of $750,000.

On April 13, 2022, upon completion of the Arrangement, Harfang issued an aggregate of 17,739,540 common shares (on a post-Consolidation basis) to the former shareholders of LaSalle. In addition, the change in control of LaSalle resulted in payments of approximately $255,000 to former members of management of LaSalle. Also, on April 13, 2022, the total gross proceeds arising from the Offering were released from escrow and each Subscription Receipt was automatically converted into one (1) common share of Harfang (on a post-Consolidation basis) resulting in the issuance of 7,727,271 common shares. In addition, in connection with the closing of the Arrangement, Harfang subscribed for 1,250,000 common shares of Monarch, at a price of $0.60 per share, for a total amount of $750,000 (1,250,000 common shares, at a price of $0.08 per share, for a total fair value of $100,000 as at January 31, 2023).

The acquisition of LaSalle has been accounted for as follows:

	$
Consideration paid(1)	
17,739,540 post-consolidation common shares of Harfang issued to LaSalle's existing shareholders(2)	8,029,519
942,760 post-consolidation replacement options for common shares of Harfang issued to LaSalle's existing option holders(3)	105,707
2,832,253 post-consolidation replacement warrants for common shares of Harfang issued to LaSalle's existing warrant holders(4)	16,965
Transaction costs paid in cash	625,218
	8,777,409

(In Canadian Dollars)

6. AGREEMENT AND RELATED TRANSACTIONS (CONT'D)

Net assets acquired:	
Cash	1,644,143
Sales tax receivable	165,489
Prepaid expenses and others	19,333
Exploration and evaluation assets	7,726,087
Accounts payable and accrued liabilities	(750,641)
Short term Liability	(27,002)
	8,777,409

(1) The consideration paid for the acquisition of LaSalle reflects the shares issued by Harfang on the basis of 0.1813 Harfang Shares (on a post-consolidation basis) for each share, option and warrant of LaSalle outstanding at April 13, 2022.

(2) Based on the 97,846,380 LaSalle common shares outstanding as at April 13, 2022. The price of Harfang shares was based on the closing market value of the shares the previous day of the Transaction.

(3) Based on the 5,200,000 LaSalle share options outstanding as at April 13, 2022. The fair value of the replacement share options was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: risk-free interest rate of 2.26%, average expected volatility of 65%, dividend yield of 0%, average expected life of common share options of 1.85 years and fair value of the post-consolidation Corporation's share of $0.453.

(4) Based on the 15,621,913 LaSalle share warrants outstanding as at April 13, 2022. The fair value of the replacement share warrants was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: risk-free interest rate of 1.38%, average expected volatility of 51%, dividend yield of 0%, average expected life of common share warrants of 0.53 year and fair value of the post-consolidation Corporation's share of $0.453.

7. LISTED SHARES

	Fiscal 2023			**Fiscal 2022**		
	Market price per share	**Number of shares**	**Fair value**	**Market price per share**	**Number of shares**	**Fair value**
	$		**$**	**$**		**$**
QcX Gold Corp.	0.050	1,750,000	87,500	0.045	1,750,000	78,750
Monarch Mining Corporation (note 6)	0.080	1,250,000	100,000	-	-	-
			187,500			**78,750**

The listed shares are mainly common shares of Canadian publicly traded companies. The fair values of the listed shares are based on the quoted market prices of those shares on a recognized stock exchange at the end of each reporting period.

(In Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

Mineral properties acquisition costs	As at Feb. 1, 2022	Property acquisitions	Net claims acquisitions / renewals	Option payments	Impairment	As at January 31, 2023
	$	$	$	$	$	$
Lake Menarik(1)	551,455	142,150	32,320	-	-	725,925
Menarik East(2)	114,487	-	-	-	-	114,487
Serpent(3)	181,831	-	40,800	-	-	222,631
Lake Fagnant(4)	8,537	-	-	-	-	8,537
Lake Aulneau(5)	25,158	-	-	-	(13,731)(17)	11,427
Lake Tapiatic	22,046	-	-	-	(22,046)(18)	-
Bonfait	29,876	-	-	-	(29,876)(18)	-
La Passe(6)	12,320	-	26,540	-	(3,696)(17)	35,164
Taïga(7)	48,356	-	-	-	-	48,356
Pontax(8)	19,109	-	-	(19,109)	-	-
Radisson(9) (note 6)	-	4,734,402	3,520	-	-	4,737,922
Blakelock(10) (note 6)	-	1,540,930	-	-	-	1,540,930
Egan(11) (note 6)	-	1,454,554	-	80,000	-	1,534,554
Selbaie(12) (note 6)	-	7,079	20,732	-	-	27,811
Ewart(13)	-	-	19,040	-	-	19,040
Lemare(14)	-	-	15,972	-	-	15,972
Conviac(15)	-	-	23,800	-	-	23,800
Sakami(16)	-	-	34,680	-	-	34,680
Generation	25,667	-	(4,468)	-	(21,199)(18)	-
	1,038,842	**7,879,115**	**212,936**	**60,891**	**(90,548)**	**9,101,236**

Mineral properties acquisition costs	As at Feb. 1, 2021	Net claims acquisitions / renewals	Disposal	Impairment	As at January 31, 2022
	$	$	$	$	$
Lake Menarik	542,875	8,580	-	-	551,455
Menarik East	104,503	9,984	-	-	114,487
Serpent	161,707	20,124	-	-	181,831
Lake Fagnant	7,588	2,113	-	(1,164)(17)	8,537
Lake Aulneau	20,373	4,785	-	-	25,158
Lake Tapiatic	22,046	-	-	-	22,046
Bonfait	29,876	-	-	-	29,876
La Passe	12,320	-	-	-	12,320
Taïga	48,356	-	-	-	48,356
Pontax	19,109	-	-	-	19,109
Generation	35,615	-	-	(9,948)(17)	25,667
	1,004,368	**45,586**	**-**	**(11,112)**	**1,038,842**

(1) On June 23, 2016, the Corporation acquired the Lake Menarik 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. The property is located 45 km south of Radisson and 7 km northeast of the junction between the Transtaiga Road and the Billy-Diamond Road. Osisko retained a 2% net smelter return royalty on the property.

8. EXPLORATION AND EVALUATION ASSETS (CONT'D)

On October 11, 2022, the Corporation signed a purchase agreement with a private company, 9219-8845 Québec Inc., doing business under the name Canadian Mining House ("CMH"), regarding the acquisition by Harfang of 53 mining claims contiguous to the Lake Menarik and Menarik East properties. Pursuant to the purchase agreement, the Corporation paid a cash consideration of $82,150, issued 300,000 common shares valued at $60,000 as per the Exchange price on October 14, 2022 and grant to CMH a 2% Gross Overriding Royalty ("GOR") on diamonds and a 2% NSR royalty on other products (collectively, the "Royalty"), with half of the Royalty being redeemable by Harfang for $1,000,000. In addition, Harfang will have a right of first refusal with respect to any future disposition by CMH of the Royalty, subject to certain exceptions.

(2) On October 14, 2016, the Corporation acquired a property located east of the Lake Menarik Property (named Menarik East), approximately 48 km southeast of Radisson, for $95,000 paid in cash.

(3) The Corporation staked mining claims by map designation (100% owned by the Corporation) within the Serpent property. The property is located in the James Bay area. The property is located in NTS sheets 33F02 and 33F03, 90 km SSE of Radisson and is adjacent to the Billy-Diamond Road. Its eastern limit is contiguous to the Sakami gold project (Quebec Precious Metals Corporation).

(4) On January 16, 2018, a joint venture agreement (50%-50%) was executed by the Corporation and Kenorland Minerals Ltd. ("Kenorland") regarding the Lake Fagnant Property consisting of mining claims located in the Nunavik territory, 55 km east of Kuujjuarapik on the east coast of Hudson Bay, Québec.

On August 5, 2018, the Corporation and Kenorland entered into an amended and restated joint venture agreement with Troilus Gold Corp. ("Troilus") on the Lake Fagnant Property. There are five mining claims subject to a 1% net smelter return royalty (NSR) shared between Geotest Corporation (0.5%) and Wayne Holmstead (0.5%). Under the joint venture agreement, the initial respective participating interests of the participants are as follows: 40% for the Corporation, 40% for Kenorland and 20% for Troilus. The operator of the joint venture will be the Corporation for as long as its participating interest is equal to or greater than the others participants'. If the Corporation's or Kenorland's interest is diluted to less than 10%, it will be converted into a 1% NSR royalty on the Lake Fagnant Property. The operator will have the right to buy-back half of this royalty (0.5% NSR) for $500,000 or, under certain circumstances, the aggregate royalty (1% NSR) for $1,000,000. If Troilus's participating interest is diluted to less than 10%, then Troilus interest will be converted to a 0.5% NSR royalty on the initial claims. The operator will have the right to buy-back half of the NSR royalty (0.25% NSR) for $250,000 or, under certain circumstances, the aggregate royalty (0.5% NSR) for $500,000. As at January 31, 2023, the participating interests of the participants have not changed.

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

(6) The Corporation staked mining claims by map designation (100% owned by the Corporation) within the La Passe property. The property is located in the James Bay area, approximately 78 km southeast of the Radisson locality.

(7) The Corporation staked mining claims by map designation (100% owned by the Corporation) within the Taïga property. The property is located in the James Bay area approximately 72 km southeast of the Radisson locality.

(8) The Corporation staked mining claims by map designation (100% owned by the Corporation) within the Pontax property. The property is located in the James Bay area approximately 220 km north of Matagami and 100 km northeast of Waskaganish.

8. EXPLORATION AND EVALUATION ASSETS (CONT'D)

On July 20, 2022, the Corporation signed an option agreement with Li-FT Power Ltd. ("LiFT") pursuant to which LiFT has been granted the sole and exclusive option to acquire up to a 70% interest in the Pontax property. Upon signing, LiFT has made a $25,000 cash payment to Harfang and may exercise the first option to earn an initial 51% interest in the Pontax property by making aggregate additional payments totalling $75,000, payable in cash or in common shares at the discretion of LiFT and incurring $1,650,000 in exploration expenditures on or before the third anniversary date of the option agreement. Upon earning an initial 51% interest, LiFT may exercise a second option to acquire a further 19% interest (for an aggregate 70% interest) by paying to Harfang an additional $50,000, in cash or in common shares at the discretion of LiFT, on election, and, incurring an additional $3,350,000 in expenditures on the Pontax property prior to the expiry of the second option period ending three years after the exercise of the first option. Upon exercise of the second option, Harfang will have the option of converting its remaining participating interest of 30% into a 2.5% NSR or to form a joint venture to further explore the property.

(9) The Corporation holds one claim block in the James Bay area, Québec called the Radisson property, which were acquired pursuant to an option agreement. The Radisson property is 100% owned by the Corporation subject to net smelter return royalty ("NSR") agreements which include i) a 2% NSR royalty payable to Mr. Gilbert Lamothe and which at any time, the Corporation has retained the right to purchase one-half of the NSR (1%) for $1,000,000, and, ii) an additional NSR equal to 2% on all minerals mined, produced or otherwise recovered from the property to the beneficiaries of Sunridge Capital Corp. ("Sunridge") in satisfaction of an assignment agreement whereby the original option agreement on the property was acquired by the Corporation from Sunridge. In 2019, the Corporation obtained the right to purchase one-half of the Sunridge NSR (1%) for $1,000,000.

(10) The Blakelock property is located in the Larder Lake mining district, in northeastern Ontario. The Blacklock property is 100% owned by the Corporation subject to a 2% NSR on all minerals mined, produced or recovered from the Blakelock property. The Corporation has a buyout option to purchase one half (1%) of the NSR for $1,000,000 at any time.

(11) On August 6, 2020, the Corporation entered into a definitive option agreement with four individuals (the "Vendors") to acquire a 100% interest in the Egan Gold property in Ontario. The Corporation can earn a 100% interest in the Egan Gold property by making cash payments of $80,000 on second anniversary (already completed in Fiscal 2023) and $170,000 on third anniversary of signing. The Vendors have received 36,260 shares of Harfang valued at $10,878 as per the Exchange price on September 2, 2022 and will receive 54,390 shares on the third anniversary of signing. The Vendors retain a 2% NSR of which the Corporation retains the option to buy back one-half (1%) of the NSR at any time for $1,500,000 and a right of first refusal over the remaining NSR.

(12) The Selbaie property is located 80 km west of Matagami, Québec near the old Selbaie Mine (BHP-Billiton). The Corporation holds a 100% interest in the Selbaie property.

On February 6, 2023, the Corporation signed an agreement for the sale of 100% of its right, title and interest in the Selbaie Project to Goldseek Resources Inc. ("Goldseek"). In accordance with the terms of the agreement, Goldseek paid to Harfang $5,000 in cash, issued on February 13, 2023 to the Corporation an aggregate of 600,000 common shares and granted in favour of the Corporation a 2% NSR royalty, half of which may be bought-back at any time for $1,000,000, in respect of the Selbaie Project.

(13) The Corporation staked mining claims by map designation (100% owned by the Corporation) within the Ewart property. The property is located in the James Bay area, in central part of the Opinaca Subprovince.

(14) The Corporation staked mining claims by map designation (100% owned by the Corporation) within the Lemare property. The property is located in the James Bay area, approximately 20 km southeast of the Whabouchi lithium deposit.

(15) The Corporation staked mining claims by map designation (100% owned by the Corporation) within the Conviac property. The property is located in the James Bay area, 70 km southeast of the Eleonor gold mine.

(16) The Corporation staked mining claims by map designation (100% owned by the Corporation) within the Sakami property. Grouped into two distinct blocks 8 km apart, the property is located in the James Bay area, near the northern border of the Opinaca Subprovince.

(In Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (CONT'D)

(17) The Corporation impaired partially the property for the claims that were dropped.

(18) The Corporation wrote off this property since all the claims were dropped.

9. LIABILITY RELATED TO THE PREMIUM ON FLOW THROUGH SHARES

	Fiscal 2023	Fiscal 2022
	$	$
Balance, beginning of period	402,093	884,873
Addition, net of issue costs	-	637,293
Reduction related to qualifying exploration expenditures	(402,093)	(1,120,073)
Liability related to the premium on flow through shares	**-**	**402,093**

10. SHARE CAPITAL

10.1 Share Capital

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

Fiscal 2023

a) Arrangement agreement and related transactions (April 13, 2022) (note 6)

Issuance to investor of LaSalle as part of the arrangement agreement

On January 5, 2022, Harfang and LaSalle entered into an arrangement agreement pursuant to which Harfang agreed to acquire all the issued and outstanding common shares of LaSalle. On April 13, 2022, upon completion of the arrangement, Harfang issued an aggregate of 17,739,540 common shares (on a post-Consolidation basis) to the former shareholders of LaSalle. The price of Harfang shares was based on the closing market value of the shares the previous day of the Transaction at $0.453 (on a post post-Consolidation basis) per common share for a total of $8,029,519.

Issuance of shares under a concurrent private placement

On February 4, 2022, Harfang completed a non-brokered private placement of 7,727,271 subscription receipts (on a post-Consolidation basis) for an amount of $4,249,999. The Offering consisted of the issuance of subscription receipts at a price of $0.55 per subscription receipt. The gross proceeds arising from the Offering were held in escrow by an escrow agent pending completion of the Transaction. Each subscription receipt was exchangeable for one post-Consolidation common share of Harfang upon satisfaction of certain escrow release conditions, including the closing of the Transaction. On April 13, 2022, the total gross proceeds arising from the Offering were released from escrow and each subscription receipt was automatically converted into one (1) common share of Harfang (on a post-Consolidation basis) resulting in the issuance of 7,727,271 common shares. Share issue expenses totalled $180,449.

10. SHARE CAPITAL (CONT'D)

Consolidation of shares

On April 13, 2022, immediately prior to the closing of the Transaction, the Corporation performed a consolidation on a 2.1554 for 1 basis of the Corporation's issued equity instruments including common shares, warrants and options. All information with respect to shares and share-based instruments and related per share amounts have been retrospectively adjusted on a 1:2.1554 basis accordingly.

Fiscal 2022

b) Private placement (June 2021)

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

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

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

c) Private placement (November 2021)

On November 3, 2021, the Corporation closed a non-brokered private placement consisting of 1,089,007 flow-through common shares at a price of $0.45 per flow-through common share for gross proceeds of $490,053.

Regarding this flow-through private placement of $490,053, the Corporation's share market value at closing was $0.28, therefore the residual value attributed to the benefit related to flow-through shares renunciation was $0.17 for a total value of $185,131 credited to the liability related to the premium on flow-through shares.

Share issue expenses, including the finder's fees of $16,702, totaled $24,039 of which $14,958 was allocated to capital stock and $9,081 to flow-through premium.

10.2 Capital Management

The Corporation's primary objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and to fund its exploration and evaluation activities. As needed, the Corporation raises funds in the capital markets. The Corporation does not use long term debt since it does not generate operating revenues. There is no dividend policy. The Corporation defines capital as its total equity. Changes in capital are depicted on the consolidated statement of changes in equity. Refer to consolidated statements of changes in equity for explanations regarding changes to capital between January 31, 2023 and 2022. The Corporation is not subject to material externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Corporation closes a flow-through private placement in which case the funds are reserved in use for exploration expenses (and the Corporation was in compliance during the year).

(In Canadian Dollars)

11. WARRANTS

Changes in the Corporation's warrants are as follows:

	Fiscal 2023			Fiscal 2022		
	Number of warrants	**Carrying Value**	**Weighted average exercise price**	**Number of warrants (note 6)**	**Carrying Value**	**Weighted average exercise price (note 6 – share consolidation)**
		$	**$**		**$**	**$**
Balance, beginning	3,977,404	607,130	1.04	6,167,850	1,263,294	0.97
Issued – replacement (note 6)	2,832,253	16,965	1.00	-	-	-
Exercised	-	-	-	(688,967)	(228,372)	0.86
Expired	(5,862,931)	(608,098)	0.97	(1,501,479)	(427,792)	0.86
Balance, end	**946,726**	**15,997**	**1.32**	**3,977,404**	**607,130**	**1.04**

Warrants outstanding and exercisable as at January 31, 2023 are as follows:

Number of warrants outstanding and exercisable	**Exercise price**	**Expiry date**
	$	
734,265	1.32	July 28, 2023
212,461	1.32	August 18, 2023
946,726		

12. EXPLORATION AND EVALUATION EXPENDITURES

	Fiscal 2023	**Fiscal 2022**
	$	**$**
Salaries and benefits	545,458	535,539
Geology	851,831	675,816
Analysis	271,739	285,778
Transportation	19,962	30,508
Geophysics	302,592	48,201
Drilling	462,390	1,928,478
Lodging and food	18,990	10,034
Supplies and equipment	10,326	16,659
Taxes, permits and insurance	-	2,715
Recharge to partners	-	(131)
Payment on option	(2,609)	-
Exploration and evaluation expenditures before tax credits and government grant	2,480,679	3,533,597
Tax credits	(228,448)	-
Government grant	(72,204)	-
Total tax credits and government grant	(300,652)	-
Exploration and evaluation expenditures	**2,180,027**	**3,533,597**

(In Canadian Dollars)

13. REMUNERATION

13.1 Salaries and benefits, and director's fees

	Fiscal 2023	Fiscal 2022
	$	$
Salaries	513,368	639,772
Director's fees	77,625	-
Benefits	87,886	85,953
	678,879	725,725
Less: salaries and benefits presented in exploration and evaluation expenditures	(545,458)	(535,539)
Salaries and benefits, and director's fees disclosed on the consolidated statement of loss and comprehensive loss	**133,421**	**190,186**

13.2 Stock-based compensation

The Corporation has a stock option plan (the "Plan"). The number of options granted is determined by the Board of Directors. The exercise price of any option granted under the plan shall be fixed by the Board of Directors at the time of grant and shall not be lower than the closing price on the day preceding the grant. The term of the option will not exceed ten years from the date of grant. The options vesting period is determined by the Board of Directors. On January 5, 2022 and in connection with the execution of the arrangement agreement (note 6), the Board of Directors of the Corporation further agreed to amend the stock option plan of the Corporation to extend the expiry date of certain stock options granted thereunder to a period of up to 12 months following the date on which an optionee ceases to be an "Eligible Person" within the meaning of the Plan. On June 29, 2022, the shareholders of the Corporation approved the amendment to the stock option plan and reapproved the stock option plan which provides that the maximum number of common shares in the capital of the Corporation that may be reserved for issuance under the plan is limited to a maximum of 10% of the common shares outstanding.

Fiscal 2023

On April 20, 2022, the Corporation granted the CEO with 600,000 options exercisable at an exercise price of $0.55, valid for 10 years. The options vested 100% at the grant date. Those options were granted at an exercise price over the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $235,800 for an estimated fair value of $0.393 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 95% expected volatility, 2.83% 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.

Fiscal 2022

On February 19, 2021, the Corporation granted to its directors, officers, employees and consultants 735,000 options exercisable at an exercise price of $0.425, valid for 10 years. The options vested 100% at the grant date. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $274,890 for an estimated fair value of $0.374 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 96% expected volatility, 1.26% risk-free interest rate and 10 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

(In Canadian Dollars)

13. REMUNERATION (CONT'D)

On September 28, 2021, the Corporation granted to a director 60,000 options exercisable at an exercise price of $0.32, valid for 10 years. The options vested 100% at the grant date. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to $16,920 for an estimated fair value of $0.282 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 96% expected volatility, 1.55% risk-free interest rate and 10 years options expected life. The expected life and expected volatility were estimated by benchmarking comparable situations for companies that are similar to the Corporation.

A summary of changes in stock options is as follows:

	Fiscal 2023		Fiscal 2022	
	Number of options	**Weighted Average Exercise Price**	**Number of options (note 6)**	**Weighted Average Exercise Price (note 6)**
		$		$
Balance, beginning	1,070,575	0.67	794,516	0.54
Granted – replacement (note 6)	942,760	0.66	-	-
Granted	600,000	0.55	368,841	0.91
Expired	(63,455)	0.55	-	-
Exercised	-	-	(92,782)	0.52
Balance, end	**2,549,880**	**0.64**	**1,070,575**	**0.67**

Stock options outstanding and exercisable as at January 31, 2023 are as follows:

Number of options outstanding and exercisable	Exercise price	Expiry date
	$	
120,628	0.54	April 13, 2023
199,430	0.55	April 13, 2023
23,198	0.58	April 13, 2023
172,235	0.83	April 13, 2023
55,674	0.92	April 13, 2023
90,650	0.94	April 13, 2023
362,600	0.55	December 20, 2024
54,390	0.83	September 10, 2026
185,581	0.54	June 22, 2027
55,674	0.54	March 15, 2028
113,670	0.54	July 18, 2028
81,192	0.58	May 27, 2029
121,789	0.54	May 22, 2030
285,332	0.92	February 19, 2031
27,837	0.69	September 28, 2031
600,000	0.55	April 20, 2032
2,549,880		

(In Canadian Dollars)

14. INCOME TAXES

A reconciliation of income taxes at the combined Canadian statutory rate 26.5% (26.5% fiscal 2022) with the reported taxes is as follows:

	Fiscal 2023	Fiscal 2022
	$	$
Net loss before income taxes	(3,936,054)	(4,527,133)
Expected income tax recovery	(1,043,054)	(1,199,690)
Increase (decrease) attributable to:		
Tax effect of renounced flow-through share expenditures	477,366	934,388
Amortization of flow-through share premiums	(402,093)	(1,120,073)
Stock-based compensation	62,487	77,330
Non deductible expenses	(4,647)	716
Change in unrecognized deductible temporary differences	423,750	175,677
Permanent difference	84,966	22,028
Other	(868)	(10,449)
Total	(402,093)	(1,120,073)

The significant components of deductible temporary differences and unused tax losses for which the benefits have not been recorded on the consolidated statement of financial position as at January 31, 2023 are as follows:

	As at January 31, 2023	Expiry date range
	$	
Exploration and evaluation	685,723	N/A
Share issue costs	854,941	N/A
Non-capital losses	73,721	2035
Non-capital losses	104,686	2036
Non-capital losses	302,580	2037
Non-capital losses	99,178	2038
Non-capital losses	650,525	2039
Non-capital losses	454,318	2040
Non-capital losses	569,397	2041
Non-capital losses	1,453,826	2042
Non-capital losses	849,132	2043

15. NET LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period, considering the impact of the warrants extension. In calculating the diluted loss per share, potential common shares such as stock options and warrants have not been included, as they would have the effect of decreasing the loss per share from continuing operations. Decreasing the loss per share from continuing operations would be antidilutive.

The numbers for the average basic and diluted shares outstanding for all the periods presented in the consolidated statements of loss and comprehensive loss have been adjusted to reflect the effect of the 1:2.1554 share consolidation that took place on April 13, 2022.

(In Canadian Dollars)

16. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS

16.1 Key management compensation

Key management includes directors (executive and non-executive) and officers of the Corporation. The compensation paid or payable to key management for employee services is presented below:

	Fiscal 2023	Fiscal 2022
	$	$
Short-term benefits		
Salaries and benefits	44,345	187,393
Salaries and benefits presented in exploration and evaluation expenditures	168,304	163,348
Consulting and professional fees presented in the share issuance costs	8,510	19,115
Consulting and professional fees presented in the deferred share issuance costs	-	28,086
Consulting and professional fees presented in the deferred transaction costs	-	39,287
Consulting and professional fees presented in the transaction costs	41,197	-
Consulting and professional fees	348,485	142,068
Director's fees	77,625	-
Long-term benefits		-
Stock-based compensation	235,800	250,670
Total compensation	**924,266**	**829,967**

The compensation for the President and Chief Executive Officer is charged through a consulting agreement with Ian Campbell, P.Geo for $142,250 for Fiscal 2023 ($nil in Fiscal 2022). This consulting agreement, which came into force on April 13, 2022, provides for payments, on termination of agreement without cause or following a change of control, of $180,000 to $270,000 representing 12 to 18 times the monthly fee, depending on circumstances.

A director charged an amount of $2,550 ($nil in Fiscal 2022) which was recorded as professional fees and are included in the table above.

A company controlled by an officer charged an amount of $113,799 ($124,957 in Fiscal 2022) of which $76,028 ($51,182 in Fiscal 2022) was recorded as professional fees, $8,510 ($19,115 in Fiscal 2022) as share issuance costs, $nil ($28,086 in Fiscal 2022) as deferred share issuance costs, $nil ($26,574 in Fiscal 2022) as deferred transaction costs and $29,261 ($nil in Fiscal 2022) as transaction costs, included in the table above.

The previous President of the Corporation's employment agreement, which came into force on June 22, 2017, provided for payments, on termination of employment without cause or following a change of control, of $175,000 to $262,500 representing 12 to 18 months of base salary, depending on circumstances. François Goulet remained President and Chief Executive Officer of the Corporation until April 13, 2022 and had no termination payment.

16. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS (CONT'D)

16.2 Related party transactions

In addition to the amounts listed above in the key management compensation, following are the related party transactions:

In the normal course of operations:

- A firm in which a director is a partner charged an amount of $95,045 ($117,369 in Fiscal 2022) of which $3,354 ($2,971 in Fiscal 2022) was recorded as of professional fees, $nil ($114,398 in Fiscal 2022) as deferred transaction costs and $91,691 ($nil in Fiscal 2022) as transaction costs.
- As at January 31, 2023, the balance due to those related parties listed above and in the key management compensation amounted to $60,295 ($105,605 as at January 31, 2022).

Out of the normal course of operations:

- In Fiscal 2023, directors and officers of the Corporation did not participate in any flow-through private placements ($77,000 in the June 25, 2021 and $20,250 in November 3, 2021 flow-through private placements). In Fiscal 2023, the directors of the Corporation participate in the February 4, 2022 private placement for $150,001 ($nil in Fiscal 2022). Where applicable, the directors and officers subscribed to the private placements and the flow-through private placements under the same terms and conditions set forth for all subscribers.

17. FAIR VALUE OF FINANCIAL INSTRUMENT

The fair values of cash and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

The fair value of the listed shares at fair value through profit and loss is established using the closing price on the most beneficial active market for this instrument that is readily available to the Corporation and as such are classified as Level 1 in the fair value hierarchy.

18. FINANCIAL RISKS

The Corporation's activities expose it to certain financial risks including the market risk, the credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's performance.

Risk management is carried out under policies approved by the Board of Directors. The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment in excess liquidities.

18.1 Market risk

Listed shares risk
Listed shares risk is the risk that the fair value of a financial instrument varies due to the changes in the Canadian mining sector and equity market. For the Corporation's listed shares at fair value through profit and loss, a variation of plus or minus 20% of the quoted market prices as at January 31, 2023 would result in an estimated effect on the net income (loss) of $37,500.

18. FINANCIAL RISKS (CONT'D)

18.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The financial instrument that potentially subjects the Corporation to credit risk consists of cash (bank balances are classified as amortized cost). The balance of cash is $7,413,806 as of January 31, 2023 ($7,264,839 as of January 31, 2022). The Corporation reduces its credit risk by holding its cash with Canadian chartered banks.

18.3 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. The Corporation manages the liquidity risk by continuously monitoring actual and projected cash flows, taking into account the requirements related to its investment commitments and exploration and evaluation properties and matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves any material transaction out of the ordinary course of business. Financial liabilities as at January 31, 2023 are comprised of accounts payable and accrued liabilities that are payable within 90 days. As described in Note 1, the Corporation estimates that with its liquidity position as at January 31, 2023, it has enough funds available to meet its financial liabilities for the next year.

19. SUBSEQUENT EVENTS

19.1 Private placement (March 2023)

On March 16, 2023, the Corporation closed a non-brokered private placement consisting of 1,842,106 flow-through common shares at a price of $0.38 per flow-through common share for gross proceeds of $700,000.

19.2 Private placement (May 2023)

On May 2, 2023, the Corporation closed a non-brokered private placement consisting of 953,437 flow-through common shares at a price of $0.32 per flow-through common share for gross proceeds of $305,100.