



Harfang Exploration Inc.

(formerly RedQuest Capital Corp.)

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

Six months ended July 31, 2018

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

Harfang Exploration Inc.

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

	Note	As at July 31, 2018 \$	As at January 31, 2018 \$
Assets			
Current assets			
Cash	4	3,066,744	2,489,632
Accounts receivable		9,846	4,232
Sales tax receivable		47,508	12,434
Tax credits receivable		23,510	42,778
Prepaid expenses and others		17,941	12,406
Current assets		3,165,549	2,561,482
Non-current assets			
Exploration and evaluation assets	5	707,163	680,362
Equipment		1,459	1,751
Non-current assets		708,622	682,113
Total assets		3,874,171	3,243,595
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		284,145	55,056
Liability related to the premium on flow-through shares		139,266	106,353
Total Liabilities		423,411	161,409
Equity			
Share capital	6	5,281,781	4,451,487
Warrants	7	393,100	295,499
Stock options	8	200,342	131,610
Deficit		(2,424,463)	(1,796,410)
Total equity		3,450,760	3,082,186
Total liabilities and equity		3,874,171	3,243,595

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

Harfang Exploration Inc.

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

	Note	Three months ended July 31,		Six months ended July 31,	
		2018 \$	2017 \$	2018 \$	2017 \$
Revenues					
Project management fees		500	-	516	-
Operating Expenses					
Exploration and evaluation expenditures, net of tax credits	9	361,385	339,448	415,134	346,225
Salaries and benefits		34,075	18,411	79,820	18,411
Stock-based compensation	8	56,357	123,200	68,732	123,200
Consulting and professional fees		93,386	31,576	132,471	50,326
Office and administrative		12,897	9,165	27,931	15,356
Travel, conference and investor relations		5,594	3,777	22,061	8,011
Filing fees		16,261	16,469	29,673	16,469
Listing expense		-	740,861	-	811,927
Depreciation of equipment		146	145	292	291
Operating expenses		(580,101)	(1,283,052)	(776,114)	(1,390,216)
Other income					
Interest income		11,282	2,214	22,192	4,455
Loss before income taxes		(568,319)	(1,280,838)	(753,406)	(1,385,761)
Deferred income taxes recovery		105,253	112,100	125,353	112,100
Net loss and comprehensive loss		(463,066)	(1,168,738)	(628,053)	(1,273,661)
Net loss per common share - basic and diluted		(0.02)	(0.09)	(0.02)	(0.17)
Weighted average number of common shares outstanding - basic and diluted		28,826,980	13,011,816	28,444,012	7,571,279

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

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

Harfang Exploration Inc.

Consolidated Statements of Changes in Equity (Unaudited, in Canadian Dollars)

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

	Note	Number of shares outstanding	Share Capital	Warrants	Stock Options	Deficit	Total equity
			\$	\$	\$	\$	\$
Balance at February 1, 2018		28,048,135	4,451,487	295,499	131,610	(1,796,410)	3,082,186
Net loss and comprehensive loss		-	-	-	-	(628,053)	(628,053)
Issuance of shares under a private placement	6	2,565,000	539,850	101,400	-	-	641,250
Issuance of shares under a flow-through private placement	6	1,206,250	482,500	-	-	-	482,500
• Less: premium	6	-	(162,844)	-	-	-	(162,844)
Share issuance costs	6	-	(29,212)	(3,799)	-	-	(33,011)
Stock-based compensation	8	-	-	-	68,732	-	68,732
Balance at July 31, 2018		31,819,385	5,281,781	393,100	200,342	(2,424,463)	3,450,760

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

Harfang Exploration Inc.
Consolidated Statements of Cash Flows
(Unaudited, in Canadian Dollars)

		Six months ended July 31,	
	Note	2018	2017
		\$	\$
Operating activities			
Net loss for the period		(628,053)	(1,273,661)
Adjustments for:			
Non-cash components of listing expense		-	576,334
Stock-based compensation	8	68,732	123,200
Depreciation of property and equipment		292	291
Flow through premium		(125,353)	(112,100)
Changes in non-cash working capital items			
Accounts receivable		(6,275)	-
Sales tax receivable		(35,074)	(59,182)
Tax credits receivable		19,268	(35,172)
Prepaid expenses and others		(5,535)	(4,875)
Accounts payable and accrued liabilities		214,953	196,123
Cash flows used in operating activities		(497,045)	(589,042)
Investing activities			
Cash acquired through the acquisition of RedQuest		-	214
Investment in exploration and evaluation assets		(32,443)	(57,865)
Cash flows used in investing activities		(32,443)	(57,651)
Financing activities			
Private placements	6	641,250	1,910,500
Flow-through private placements	6	482,500	766,500
Share issuance costs		(17,150)	(17,400)
Cash flows from in financing activities		1,106,600	2,659,600
Net change in cash		577,112	2,012,907
Cash – beginning		2,489,632	863,652
Cash – ending		3,066,744	2,876,559
Additional information			
Interest received		22,192	4,455
Share issued for settlement of due to related parties		-	81,299
Share issuance costs included in accounts payable and accrued liabilities		20,439	-

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

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2018

(Unaudited, in Canadian Dollars)

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

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

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

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation properties. The recoverability of deferred exploration and evaluation expenses is dependent on the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to continue the exploration, evaluation and development of its properties; and obtaining certain government approvals or proceeds from the disposal of properties. Changes in future conditions could require material impairment of the carrying value of the exploration and evaluation assets. Although the Corporation has taken steps to verify title to its mining properties on which it is currently conducting exploration and evaluation work, in accordance with industry standards for the current stage of exploration and evaluation of such property, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These unaudited condensed interim consolidated financial statements (the "Financial Statements") have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. For the six months ended July 31, 2018, the Corporation reported a net loss of \$628,053 and has accumulated a deficit of \$2,424,463 up to that date. As at July 31, 2018, the Corporation had working capital of \$2,742,138 (\$2,400,073 as at January 31, 2018). From this working capital, the Corporation has to dedicate \$423,594 to Canadian mining properties exploration, pursuant to the restrictions imposed by the July 12, 2018 flow-through financings and has to dedicate \$30,705 of exploration work, pursuant to the July 12, 2018 financing with SIDEX, société en commandite ("SIDEX").

Management of the Company believes that it has sufficient funds to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for the ensuing 12 months as they fall due. The Corporation's ability to continue future operations beyond twelve months and fund its exploration and evaluation expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the last 12 months, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation.

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2018

(Unaudited, in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These Financial Statements have been prepared in accordance with the *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB") applicable to the preparation of interim financial statements, including *International Accounting Standard* ("IAS") 34, *Interim Financial Reporting*. Accordingly, the Financial Statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

The Financial Statements were approved by the Corporation's Board of Directors on September 26, 2018.

2.2 Basis of Presentation

The Financial Statements should be read in conjunction with the annual financial statements for the year ended January 31, 2018 of the Corporation, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in the Financial Statements are consistent with those of the Corporation' previous financial year ended January 31, 2018.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the Corporation to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The Corporation also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the Financial Statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Corporation's audited annual financial statements for the year ended January 31, 2018.

4. CASH

The balance on flow-through financing not spent according to the restrictions imposed by the July 12, 2018 financing completed by the Corporation represents \$423,594 as at July 31, 2018 and is included in cash. The Corporation has to dedicate these funds to Canadian mining properties exploration. Also, the Corporation has to dedicate a balance of \$30,705 for exploration work, pursuant to the July 12, 2018 financing with SIDEX.

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2018

(Unaudited, in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Mineral properties acquisition costs	As at Feb. 1, 2018	Property acquisition	Net claims acquisitions / renewals	Disposal	As at July 31, 2018
	\$	\$	\$	\$	\$
Lake Ménarik	526,552	-	4,157	-	530,709
Ménarik East	95,000	-	-	-	95,000
Serpent	38,456	-	-	-	38,456
Muskeg	5,642	-	3,088	-	8,730
Lake Fagnant ⁽²⁾	4,893	-	728	-	5,621
Lake Aulneau ⁽¹⁾	-	-	17,401	-	17,401
Generation	9,819	-	1,427	-	11,246
	680,362	-	26,801	-	707,163

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

- (1) The Corporation staked by map designation 134 mining claims (100% owned by the Corporation) and comprising the Lake Aulneau property. The property is located 125 km south of Kuujuaq and 265 km north of Schefferville.
- (2) On August 5, 2018, the Corporation and Kenorland Minerals Ltd. ("Kenorland") entered into an amended and restated joint venture agreement with UrbanGold Minerals Inc. ("UrbanGold") on the Lake Fagnant Property. Under this agreement, the number of mining claims comprising the Lake Fagnant Property has increased from 85 mining claims (the "Initial Claims") to 90 mining claims. The additional 5 mining claims are subjected to a 1% net smelter return (NSR) royalty divided between Geotest Corporation (0.5%) and Wayne Holmstead (0.5%). The initial respective participating interests of the participants are as follows: 40% for the Corporation, 40% for Kenorland and 20% for UrbanGold. 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 UrbanGold's participating interest is diluted to less than 10%, then UrbanGold 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.

6. SHARE CAPITAL

6.1 Share Capital

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

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2018

(Unaudited, in Canadian Dollars)

6. SHARE CAPITAL (CONT'D)

6.2 Private placements

On July 12, 2018, the Corporation closed a private placement consisting of 2,565,000 units at a price of \$0.25 per unit and of 1,206,250 flow-through common shares at a price of \$0.40 per flow-through common share for aggregate gross proceeds of \$1,123,750. 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.

From the total proceeds received from the units of \$641,250, \$101,400 has been allocated to warrants and \$539,850 to capital stock, according to a pro-rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 100%, a risk free interest rate of 1.95% and an expected life of the warrants of 2 years. The expected volatility was estimated using benchmarking comparable situations for companies that are similar to the Corporation.

Regarding the flow-through private placement of \$482,500, the Corporation's share market value at closing is \$0.265, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.135 for a total value of \$162,844 credited to the liability related to the premium on flow-through shares.

Share issue expenses, including the finder's fees of \$3,300, totalled \$37,589 of which \$29,212 was allocated to capital stock, \$3,799 to warrants and \$4,578 to flow-through premium.

Certain officers and directors of the Corporation participated in the unit private placement for \$25,000 and in the flow-through private placement for \$34,000. The officers and directors of the Corporation subscribed to the unit private placement and the flow-through private placement under the same terms and conditions set forth all subscribers.

7. WARRANTS

Changes in the Corporation's warrants are as follow:

	Six months ended July 31, 2018			Fiscal 2018		
	Number of warrants	Carrying Value	Weighted average exercise price	Number of warrants	Carrying Value	Weighted average exercise price
		\$	\$		\$	\$
Balance, beginning	3,821,000	295,499	0.40	-	-	-
Issued (note 6.2)	1,282,500	101,400	0.40	3,821,000	298,215	0.40
Issuance Costs	-	(3,799)	-	-	(2,716)	-
Balance, end	5,103,500	393,100	0.40	3,821,000	295,499	0.40

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2018

(Unaudited, in Canadian Dollars)

7. WARRANTS (CONT'D)

Warrants outstanding as at July 31, 2018 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
3,821,000	0.40	June 22, 2019
1,282,500	0.40	July 12, 2020

8. STOCK OPTIONS

A summary of changes in stock options are as follow:

	Six months ended July 31, 2018		Fiscal 2018	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		\$		\$
Balance, beginning	672,500	0.28	-	-
Options deemed issued upon the Reverse Takeover (June 2017)	-	-	135,625	0.40
Granted	415,000	0.25	550,000	0.25
Expired	(122,500)	0.40	(13,125)	0.40
Balance, end	965,000	0.25	672,500	0.28
Balance, end exercisable	818,333	0.25	672,500	0.28

Stock options outstanding as at July 31, 2018 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
550,000	550,000	0.25	June 22, 2027
120,000	40,000	0.25	March 15, 2028
295,000	228,333	0.25	July 18, 2028
965,000	818,333		

On June 20, 2018, the shareholders of the Corporation renewed the stock option plan which provides that the maximum number of common shares in the capital of the Corporation that may be reserved for issuance under the plan is limited to a maximum of 10% of the common shares outstanding.

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

Harfang Exploration Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended July 31, 2018

(Unaudited, in Canadian Dollars)

8. STOCK OPTIONS (CONT'D)

On July 18, 2018, the Corporation granted to its directors, officers, employees and consultants 295,000 options exercisable at an exercise price of \$0.25, valid for 10 years. The options vested 100% at the grant date except for the options granted to an officer which will vest 1/3 on July 18, 2018 and 1/3 per year thereafter. Those options were granted at an exercise price over to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$64,900 for an estimated fair value of \$0.22 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 100% expected volatility, 2.16% 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.

9. EXPLORATION AND EVALUATION EXPENSES

	Three months ended July 31,		Six months ended July 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Salaries and benefits	115,493	-	151,275	-
Geology	190,111	250,761	204,953	257,538
Analysis	5,195	6,200	5,195	6,200
Transportation	24,689	2,069	24,965	2,069
Geophysics	-	113,304	-	113,304
Lodging and food	20,143	1,781	21,565	1,781
Supplies and equipment	15,425	505	17,179	505
Taxes, permits and insurance	336	-	336	-
Recharge to partner	(10,007)	-	(10,334)	-
Exploration and evaluation expenditures before tax credits	361,385	374,620	415,134	381,397
Tax credits	-	(35,172)	-	(35,172)
Exploration and evaluation expenditures	361,385	339,448	415,134	346,225