



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

Management's Discussion and Analysis  
Quarterly Highlights

Nine months ended October 31, 2017

# Harfang Exploration Inc.

## Management Discussion & Analysis – Quarterly Highlights

Nine months ended October 31, 2017

The following quarterly highlights management discussion and analysis (the “MD&A Highlights”) of the financial condition and results of the operations of Harfang Exploration Inc. (formerly RedQuest Capital Corp.) (the “Corporation”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for Q3-18.

This MD&A Highlights should be read in conjunction with the Corporation’s unaudited condensed interim consolidated financial statements as at October 31, 2017, the audited financial statements for the initial 320-day period ended January 31, 2017 of Harfang Exploration Inc. (“Harfang”) presented in the Corporation’s Filing Statement dated June 14, 2017 as well as with the management discussion and analysis for the initial 320-day period ended January 31, 2017 of Harfang presented in the Corporation’s Filing Statement dated June 14, 2017. These documents were prepared in accordance with the International Financial Reporting Standards (“IFRS”). All figures are in Canadian dollars unless otherwise noted.

Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be found on [www.sedar.com](http://www.sedar.com).

Abbreviation	Period
Q1-17	March 17, 2016 to April 30, 2016
Q2-17	May 1, 2016 to July 31, 2016
Q3-17	August 1, 2016 to October 31, 2016
Q3-17 YTD	March 17, 2016 to October 31, 2016
Q4-17	November 1, 2016 to January 31, 2017
Q1-18	February 1, 2017 to April 30, 2017
Q2-18	May 1, 2017 to July 31, 2017
Q3-18	August 1, 2017 to October 31, 2017
Q3-18 YTD	February 1, 2017 to October 31, 2017
Q4-18	November 1, 2017 to January 31, 2018

## 1. NATURE OF ACTIVITIES

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

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

## 2. CORPORATE UPDATE

### 2.1 Reverse takeover and related transactions

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

- The Corporation completed a consolidation of its common shares on a 1:4 basis with related adjustments to its outstanding share purchase options, following which 1,947,354 post-consolidation shares of the Corporation were outstanding;
- The Corporation settled \$81,299 of debts via the issuance of 325,198 post-consolidation common shares of the Corporation and paid in cash \$35,160 of accrued interest for a total of \$116,459 of due to related parties prior to the closing of the transaction;

# Harfang Exploration Inc.

## Management Discussion & Analysis – Quarterly Highlights

Nine months ended October 31, 2017

---

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

- Harfang and Subco amalgamated and continued as one corporation under the QBCA under the name “Ménarik Exploration Inc.”;
- The shareholders of Harfang received one post-consolidation common share of the Corporation in exchange for each one common share of Harfang held, and the holders of common share purchase warrants of Harfang received one common share purchase warrant of the Corporation in exchange for each common share warrant of Harfang held, with each such warrant entitling to subscribe for one (1) post-consolidation common share of the Corporation at a price of \$0.40 for a period of 24 months; and
- The Corporation continued under the QBCA and changed its name to “Harfang Exploration Inc.”.

For accounting purposes, this transaction is considered to be a reverse take-over of the Corporation by Harfang whereby Harfang have acquired control of the Corporation through the deemed issuance of 1,947,354 common shares (on a post consolidation basis) to the Corporation’s shareholders based on the Corporation’s net liabilities as at June 22, 2017. Consequently, the Q3-18 YTD financial statements reflect only the assets, liabilities, operations and cash flows of Harfang for dates and periods prior to June 22, 2017 and include the Corporation’s assets and liabilities since June 22, 2017. More detail on the merger and related transactions can be found on note 4 of the Q3-18 YTD financial statements of the Corporation.

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

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

#### 2.2 Financial Highlights

Concurrently with the closing of the merger, Harfang completed a private placement for aggregate gross proceeds of \$2,677,000. Under this private placement, Harfang issued 7,642,000 units at a price of \$0.25 per unit and 1,916,250 flow-through common shares at a price of \$0.40 per flow-through common share. Each unit was comprised one common share and one half of one common share purchase warrant, with each warrant being exercisable into one additional common share for 24 months from the closing date of the private placement at an exercise price of \$0.40 per common share. Harfang paid a finder’s fee for an aggregate amount of \$2,900 in connection with this private placement.

The Corporation has working capital of \$2,532,452 as at October 31, 2017, (\$925,366 as at January 31, 2017). From this working capital, the Corporation has to dedicate \$332,318 to Canadian mining properties exploration, pursuant to the terms of the June 22, 2017 flow-through financings completed by Harfang. The Corporation is constantly seeking financing or business opportunities.

The Corporation reported a net loss of \$1,407,193 in Q3-18 YTD (\$232,906 in Q3-17 YTD). The main variations are as follow:

- Exploration and evaluation expenditures, net of tax credits \$481,336 (\$87,986 in Q3-17 YTD) (see section on exploration activities).
- Salaries and benefits for \$57,066 (nil in Q3-17 YTD). François Goulet is coordinating management and exploration activities. He is president and CEO of the merged companies since June 22, 2017 and is on Corporation’s payroll from this date.
- Consulting and professional fees for \$93,287, office and administrative for \$28,794, travel, conference and investor relations for \$18,781 and filing fees for \$32,351 (\$48,049 in aggregate in Q3-17 YTD). The Corporation is a listed company that is actively operating as opposed to Harfang that was a private company focussing on grass root exploration with limited corporate activities.
- Listing expense for \$811,927 (nil in Q3-17 YTD). See note 4 of the Corporation’s October 31, 2017 financial statement.

# Harfang Exploration Inc.

## Management Discussion & Analysis – Quarterly Highlights

Nine months ended October 31, 2017

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

- Gain on disposal of exploration and evaluation assets for \$63,000 (nil in Q3-17 YTD). On September 2017, the Corporation sold the Vauquelin West Property for a cash consideration of \$66,000.
- Deferred income taxes recovery for \$163,839 (nil in Q3-17 YTD). This recovery records mainly the amortization, in proportion of the work completed, of the premium related to flow-through shares renunciation following the June 22, 2017 private placement.

The Corporation reported a net loss of \$133,532 in Q3-18 (\$112,928 in Q3-17). The explanations for the main variations are the same as the Q3-18 YTD above.

### 2.3 Use of funds following the qualifying transaction

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

Following is a table summarizing the use of funds:

	Assuming completion of the minimum concurrent financing	Assuming completion of the maximum concurrent financing	Up to October 31, 2017
	\$	\$	\$
Expenses payable in connection with the private placement	5,000	5,000	17,400
Costs related to complete the qualifying transaction	176,000	176,000	188,357
Exploration work	250,410	900,000	474,559
General and administrative expenses	262,645	262,645	201,104
Unallocated working capital	617,173	2,567,583	61,068
	<b>1,311,228</b>	<b>3,911,228</b>	<b>942,488</b>

### 3. EXPLORATION ACTIVITIES

	Q3-18	Q3-17	Q3-18 YTD	Q3-17 YTD
	\$	\$	\$	\$
<b>Lake Ménarik</b>				
Geology	11,012	101,393	134,971	112,129
Analysis	1,626	11,840	7,775	11,840
Transportation	1,521	12,115	2,555	13,493
Geophysics	3,031	-	63,731	-
Lodging and food	-	13,996	543	16,182
Supplies and equipment	1,667	-	1,920	-
	<b>18,857</b>	<b>139,344</b>	<b>211,495</b>	<b>153,644</b>
<b>Ménarik East</b>				
Geology	51,343	-	176,003	-
Analysis	4,467	-	4,517	-
Transportation	1,317	-	2,352	-
Geophysics	8,084	-	60,688	-
Lodging and food	-	-	1,238	-
Supplies and equipment	1,667	-	1,919	-
	<b>66,878</b>	<b>-</b>	<b>246,717</b>	<b>-</b>

## Harfang Exploration Inc.

### Management Discussion & Analysis – Quarterly Highlights

Nine months ended October 31, 2017

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

	Q3-18	Q3-17	Q3-18 YTD	Q3-17 YTD
	\$	\$	\$	\$
<b>Serpent</b>				
Geology	37,948	-	37,948	-
Analysis	2,771	-	2,771	-
Geophysics	15,156	-	15,156	-
Supplies and equipment	1,666	-	1,666	-
	57,541	-	57,541	-
<b>Generation</b>				
Geology	(8,920)	-	-	-
Transportation	755	-	755	-
	(8,165)	-	755	-
<b>Total</b>				
Geology	91,383	101,393	348,922	112,129
Analysis	8,864	11,840	15,063	11,840
Transportation	3,593	12,115	5,662	13,493
Geophysics	26,271	-	139,575	-
Lodging and food	-	13,996	1,781	16,182
Supplies and equipment	5,000	-	5,505	-
	<b>135,111</b>	<b>139,344</b>	<b>516,508</b>	<b>153,644</b>

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

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

#### 3.1 Lake Ménarik Property

##### *Property Description*

The Corporation owns a 100% interest on 87 claims located 7 km northeast of the junction of the Trans-Taiga Road and the James Bay Road and totalling 4,265 hectares. Most claims of the Lake Ménarik Property are subject to a 2% net smelter return royalty which Osisko Gold Royalties Ltd (“Osisko”) is retaining.

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

During summer of 2017, ground geophysics survey (IP) was completed during totalling about 24.65 km and covered a series of ENE-WSW structures as well as several key gold showings and prospects where most of the mineralization is associated with quartz-pyrite veins injected in fractures and shear zones within the porphyritic syenite plug. The final interpretation of the IP survey results showed the gold bearing structures to be principally associated with marginal to moderate chargeability anomalies, commonly associated with resistivity increases.

During this program, hand made trenches as well as prospecting were completed mainly in the northern and eastern part of the Lake Ménarik property as well as detail structural mapping near the Pierre gold showing and regional mapping. Assay results from channel sampling carried out on the newly discovered Greco showing exposed on the Lake Ménarik property revealed a value of 1.04 g/t Au over 24.9 m. From a total of 347 collected from the property, 41 grab samples yielded an average gold value of 3.72 g/t Au if we exclude one extremely high value (199.53 g/t), providing a range of 1.06 to 18.60 g/t Au distributed on new gold showing.

# Harfang Exploration Inc.

## Management Discussion & Analysis – Quarterly Highlights

Nine months ended October 31, 2017

---

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

#### 3.2 Ménarik East Property

##### *Property Description*

The Corporation owns a 100% interest on 65 claims covering 3,276 hectares contiguous to the Lake Ménarik Property. The Lake Ménarik East Property exposes an ultramafic complex containing historical mineral resources in chrome, platinum, palladium, nickel and copper and several gold and polymetallic showings at the periphery of the complex.

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

During the summer of 2017, a ground geophysics survey (IP) was completed during Q2-18. This survey totalling about 17 km covered a series of N-S structures hosting several auriferous and polymetallic surface showings as well as several unexplained magnetic anomalies in the northern part of the property. A total of 287 grab samples were collected from the property, most of them from sheared tonalite outcrops. The polymetallic mineralization is contained within chalcopyrite (Cu), sphalerite (Zn), galena (Pb), pyrite/pyrrhotite and arsenopyrite (Au). A significant proportion of samples present base metal values > 1 % and/or Au values > 1 g/t (table 1).

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

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

The summer period was dedicated to detailed and regional geological mapping accompanied by grab sampling and channel sampling on specific showings where significant base metals and gold values were found (Yvan-II, Bonspot and Beaver). Handmade trenches and channel samples collected from two sites yielded: 0.3 g/t Au and 13.26 g/t Ag, 0.91 wt. % Cu and 0.95 wt. % Zn over 3.9 m (Yvan II showing) and 2.17 g/t Au over 2.9 m (Bonspot showing). Mineralization is associated with ENE-WSW brittle/ductile structures aligned with gold-bearing veins on the Lake Ménarik property and with a network of faults and/or shears oriented NNW- SSE defining important deformations corridors on the Ménarik East property.

#### 3.3 Vauquelin West Property

##### *Property Description*

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

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

# Harfang Exploration Inc.

## Management Discussion & Analysis – Quarterly Highlights

Nine months ended October 31, 2017

---

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

#### 3.4 Acquisition of the Serpent Property

The Corporation staked by map designation 255 mining claims totaling 13,500 ha and comprising the Serpent property, 100% owned by the Corporation. The property is located in the James Bay area, 90 km SSE of the Radisson village and just 11 km east of the James Bay Road. The eastern limit of the Serpent Property is contiguous to the Sakami gold project (Canada Strategic Metals Inc./Matamec Exploration Inc.).

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

Reconnaissance exploration conducted during late summer 2017 by a team of Harfang geologists was carried out following a favorable east-west gold bearing structure. A total of 133 grab samples were collected principally from foliated tonalite and gneissic tonalite outcrops. Gold and copper mineralization were recognized and sampled from rusty pyrite-chalcopyrite bearing gneissic and foliated tonalites accompanied by quartz veins. Assay results revealed six samples having Au concentrations > 500 ppb, with three samples showing values > 1 g/t Au; 1.77, 2.60 and 4.11 g/t, respectively. The gold samples were collected from strongly deformed and sheared orthogneissic tonalite rocks injected with pyrite-rich quartz veins and veinlets. Copper and gold mineralization are commonly associated with copper assay values ranging from 0.03 to 2.11% Cu. The Cu-Au mineralized sites represent new discoveries, distributed in four areas, within the La Grande subprovince plutonic rocks near the contact with the Opinaca metasedimentary subprovince.

#### 3.5 Projects Generation

The Corporation continued some geological compilation programs in Quebec for the acquisition of new strategic gold and base metal properties.

### 4. RELATED PARTY TRANSACTIONS

Related party transactions are described in note 12 of the Q3-18 YTD financial statements. Nevertheless, following are further details on related party transactions in the normal course of operations since June 22, 2017:

- The amount of François Goulet (President) salaries is \$47,744;
- A company controlled by François Goulet (director and CEO) charged exploration and evaluation expenditures of \$10,000 which relates to his staff and charged consultant fees of \$29,583 prior to June 22, 2017;
- A company controlled by Marc Pothier (corporate secretary) charged an amount of \$39,674 of which \$7,495 was recorded as of professional fees, \$500 as filing fees and \$31,679 as listing expense;
- A company for which Yvon Robert (CFO) works charged professional fees of \$41,961, of which \$3,643 relates to other staff;
- Osisko, a shareholder with significant influence over the Corporation charged, for the nine months ended October 31, 2017, an amount of \$13,121 of which \$9,000 was recorded as of renting of office space, \$376 as office and administrative expenses and \$3,745 as professional fees.

In addition, the President of the Corporation's employment agreement, that came into force on June 22, 2017, provides for market standard payments on termination of employment without cause or following a change of control, calling for payments of \$210,000 representing 18 months of base salary.

# Harfang Exploration Inc.

## Management Discussion & Analysis – Quarterly Highlights

Nine months ended October 31, 2017

---

### 5. RISK FACTORS

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

#### 5.1 Exploration and Mining Risks

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

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

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

#### 5.2 Titles to Property

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

#### 5.3 Permits and Licenses

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

#### 5.4 Metal Prices

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

#### 5.5 Competition

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

#### 5.6 Environmental Regulations

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



# Harfang Exploration Inc.

## Management Discussion & Analysis – Quarterly Highlights

Nine months ended October 31, 2017

---

### 5. RISK FACTORS (CONT'D)

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

#### 5.7 Conflicts of Interest

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

#### 5.8 Stage of Exploration

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

#### 5.9 Industry Conditions

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

#### 5.10 Uninsured Hazard

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

#### 5.11 Capital Needs

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

# Harfang Exploration Inc.

## Management Discussion & Analysis – Quarterly Highlights

Nine months ended October 31, 2017

---

### 5. RISK FACTORS (CONT'D)

#### 5.12 Key Employees

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

#### 5.13 Canada Revenue Agency and provincial agencies

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

December 20, 2017

(s) François Goulet

François Goulet  
President and CEO

(s) Yvon Robert

Yvon Robert  
CFO