

# **Azimut Exploration Inc.**

Unaudited Condensed Interim Financial Statements  
**November 30, 2017**  
(expressed in Canadian dollars, except share amounts)

# Azimut Exploration Inc.

## Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at November 30, 2017 \$	As at August 31, 2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	2,004,145	4,138,853
Amounts receivable (note 4)	939,619	652,474
Prepaid expenses	16,199	18,876
	<u>2,959,963</u>	<u>4,810,203</u>
<b>Non-current assets</b>		
Mining rights receivable	75,614	63,314
Investments (note 5)	203,508	174,454
Property and equipment (note 6)	117,774	108,191
Intangible assets (less accumulated amortization of \$22,367; \$22,242 as at August 31, 2017)	1,541	1,666
Exploration and evaluation assets (note 7)	2,687,661	2,522,671
	<u>3,086,098</u>	<u>2,870,296</u>
<b>Total assets</b>	<u>6,046,061</u>	<u>7,680,499</u>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	488,528	1,182,574
Advances received for exploration work	567,700	1,605,929
	<u>1,056,228</u>	<u>2,788,503</u>
<b>Non-current liabilities</b>		
Asset retirement obligations (note 8)	247,775	247,313
	<u>247,775</u>	<u>247,313</u>
<b>Total liabilities</b>	<u>1,304,003</u>	<u>3,035,816</u>
<b>Equity</b>		
Share capital (note 9)	22,676,042	22,676,042
Warrants (note 10)	514,032	514,032
Stock options (note 11)	1,281,201	1,281,201
Contributed surplus	3,237,178	3,237,178
Deficit	(22,966,395)	(23,063,770)
<b>Total equity</b>	<u>4,742,058</u>	<u>4,644,683</u>
<b>Total liabilities and equity</b>	<u>6,046,061</u>	<u>7,680,499</u>

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

### Approved by the Board of Directors

(s) Jean-Charles Potvin \_\_\_\_\_ Director

(s) Jean-Marc Lulin \_\_\_\_\_ Director

(2)

# Azimut Exploration Inc.

Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(in Canadian dollars)

(Unaudited)

	<b>Three-month period ended November 30,</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Management income (note 7c, e and f)	52,140	51,689
<b>Expenses</b>		
General and administrative (note 12)	73,322	370,026
General exploration (note 12)	2,361	38,662
Impairment of exploration and evaluation assets	-	246
<b>Operating expenses</b>	75,684	408,934
<b>Financing cost (income), net</b>		
Interest income	(5,128)	(2,324)
Interest and bank charges	244	55
Unwinding of discount on asset retirement obligations	462	463
	(4,422)	(1,806)
<b>Other gains and losses</b>		
Other gains (note 7e)	-	(100,000)
Change in fair value – investments	(116,497)	(9,838)
	(116,497)	(109,838)
<b>Net income (loss) and comprehensive income (loss) for the period</b>	97,375	(245,601)
<b>Basic and diluted earning (loss) per share</b> (note 13)	0.002	(0.005)

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

# Azimut Exploration Inc.

## Interim Statements of Changes in Equity

(in Canadian dollars, except for number of shares, warrants and options)

(Unaudited) For the three-month period ended November 30, 2017

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Total
	Number <sup>(1)</sup>	\$	Number	\$	Number	\$	\$	\$	\$
<b>Balance as at September 1, 2017</b>	45,459,496	22,676,042	4,489,584	514,032	3,390,000	1,281,201	3,237,178	(23,063,770)	4,644,683
Income and comprehensive income for the period	-	-	-	-	-	-	-	97,375	97,375
<b>Balance as at November 30, 2017</b>	<u>45,459,496</u>	<u>22,676,042</u>	<u>4,489,584</u>	<u>514,032</u>	<u>3,390,000</u>	<u>1,281,201</u>	<u>3,237,178</u>	<u>(22,966,395)</u>	<u>4,742,058</u>
<b>Balance as at September 1, 2016</b>	45,459,496	22,676,042	4,489,584	514,032	2,655,000	954,551	3,237,178	(21,103,071)	6,278,732
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(245,601)	(245,601)
	<u>45,459,496</u>	<u>22,676,042</u>	<u>4,489,584</u>	<u>514,032</u>	<u>2,655,000</u>	<u>954,551</u>	<u>3,237,178</u>	<u>(21,348,672)</u>	<u>6,033,131</u>
Stock options granted	-	-	-	-	735,000	286,650	-	-	286,650
<b>Balance as at November 30, 2016</b>	<u>45,459,496</u>	<u>22,676,042</u>	<u>4,489,584</u>	<u>514,032</u>	<u>3,390,000</u>	<u>1,241,201</u>	<u>3,237,178</u>	<u>(21,348,672)</u>	<u>6,319,781</u>

There were no unpaid common shares as at November 30, 2017 (Nil in 2016).

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

# Azimut Exploration Inc.

## Interim Statements of Cash Flows

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

	Three-month period ended November 30,	
	2017	2016
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Income (Loss) for the period	97,375	(245,601)
Items not affecting cash		
Depreciation of property and equipment	759	633
Amortization of intangible assets	125	179
Change in fair value – investment	(116,497)	(9,838)
Refundable duties credit for losses and refundable tax credit for resources, net	(450)	(2,700)
Stock-based compensation cost	-	286,650
Unwinding of discount on asset retirement obligations	462	463
	<u>(18,226)</u>	<u>29,786</u>
Changes in non-cash working capital items		
Amounts receivable	(190,125)	(158,560)
Prepaid expenses	2,678	49,757
Accounts payable and accrued liabilities	(10,390)	16,363
	<u>(197,837)</u>	<u>(92,440)</u>
	<u>(216,063)</u>	<u>(62,654)</u>
<b>Cash flows used in investing activities</b>		
Proceeds from sale of investments	87,443	-
Advance received for exploration work	-	232,000
Addition to property and equipment	(20,519)	-
Additions to exploration and evaluation assets	(1,985,569)	(1,112,932)
	<u>(1,918,645)</u>	<u>(880,932)</u>
<b>Decrease in cash and cash equivalents</b>	<u>(2,134,708)</u>	<u>(943,586)</u>
<b>Cash and cash equivalents – Beginning of the period</b>	<u>4,138,853</u>	<u>3,802,175</u>
<b>Cash and cash equivalents – End of the period</b>	<u>2,004,145</u>	<u>2,858,589</u>
Interest received	(5,124)	(2,592)
<b>Additional cash flow information</b> (note 15)		

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

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

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## 1 Nature of operations, general information and liquidity

Azimut Exploration Inc. (“Azimut” or the “Company”), governed by the Business Corporations Act (Quebec), is in the business of acquiring and exploring mineral properties. The Company’s registered office is located at 110, De La Barre Street, Suite 214, Longueuil, Quebec, Canada. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The Company’s shares are listed on the TSX Venture Exchange under the symbol AZM.

Until it is determined that a property contains mineral reserves or resources that can be economically mined, it is classified as a mineral property. It has not yet been determined whether the Company’s properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation (“E&E”) assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and evaluation of its properties, and the profitable sale of the E&E assets.

Although management has taken steps to verify title to mineral properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and may not comply with regulatory requirements.

To date, the Company has not earned significant revenues and is considered to be in the exploration and evaluation stage.

As at November 30, 2017, the Company has working capital of \$1,903,735 (\$2,021,700 – August 31, 2017) including cash and cash equivalents of \$2,004,145 (\$4,138,853 – August 31, 2017) and an accumulated deficit of \$22,966,395 (\$23,063,770 – August 31, 2017). The Company incurred an income of \$97,375 (loss of \$245,601 – November 30, 2016) for the three-month period then ended.

Management of the Company believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve (12) months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but not limited to twelve (12) months from the end of the reporting period. To continue its exploration and evaluation program on its properties and its operation beyond November 30, 2018, the Company will periodically need to raise additional funds through the issuance of new equity instruments, the exercise of stock options and the search of partners to sign option agreements on certain of its mineral properties. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms that are acceptable to the Company.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

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## 2 Summary of significant accounting policies

### Basis of preparation

These unaudited condensed interim 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*. The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2017, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous fiscal year. The Board of Directors approved the interim financial statements on January 25, 2017.

### New standards not yet adopted and interpretations issued but not yet effective

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent annual financial statements for the year ended August 31, 2017.

## 3 Cash and cash equivalents

As at November 30, 2017, cash and cash equivalents of \$2,004,145 (\$4,138,853 – August 31, 2017) include \$1,441,333 (\$1,350,570 – August 31, 2017) of guaranteed investment certificates bearing interest at 0.80% (0.80% – August 31, 2017), cashable any time without any penalties.

## 4 Amounts receivable

	<b>As at November 30, 2017</b>	<b>As at August 31, 2017</b>
	\$	\$
Tax credit receivable	588,049	491,029
Commodity taxes	342,042	161,445
Amounts receivable	<u>14,718</u>	<u>5,190</u>
	<u>944,809</u>	<u>657,664</u>
Less: Allowance for doubtful accounts	<u>(5,190)</u>	<u>(5,190)</u>
	<u>939,619</u>	<u>652,474</u>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

## 5 Investments

	<u>As at November 30, 2017</u>			<u>As at August 31, 2017</u>		
	<b>Market price per share \$</b>	<b>Number of shares</b>	<b>Fair value \$</b>	<b>Market price per share \$</b>	<b>Number of shares</b>	<b>Fair value \$</b>
Eastmain Resources Inc.	0.31	20,000	6,200	0.350	20,000	7,000
Captor Capital Corp. (formerly NWT Uranium Corp.)	0.14	350,000	49,000	0.004	350,000	1,314
Albert Mining Inc. (formerly Majescor Resources Inc.)	0.05	19,600	980	0.060	19,600	1,176
Silver Spruce Resources Inc.	0.05	30,000	1,500	0.055	30,000	1,650
ABE Resources Inc.	0.37	25,000	9,250	0.290	25,000	7,250
Nemaska Lithium Inc.	2.00	59,272	118,544	1.270	109,272	138,775
Monarques Resources Inc.	0.29	10,464	3,034	0.380	10,464	3,976
West African Resources Ltd	0.40	37,500	15,000	0.355	37,500	13,313
			<u>203,508</u>			<u>174,454</u>

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



# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

## 6 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Camp under finance lease \$	Vehicles \$	Total \$
<b>Year ended August 31, 2017</b>								
Opening net book amount	2,230	2,686	2,710	2,433	18,689	3,906	1,078	33,732
Change in asset retirement obligations estimate	-	-	-	-	(2,210)	-	-	(2,210)
Additions	-	1,951	3,194	-	84,446	-	-	89,591
Depreciation for the year <sup>(1)</sup>	(448)	(732)	(1,292)	(728)	(5,493)	(3,905)	(324)	(12,922)
<b>Closing net book amount</b>	<b>1,782</b>	<b>3,905</b>	<b>4,612</b>	<b>1,705</b>	<b>95,432</b>	<b>1</b>	<b>754</b>	<b>108,191</b>
<b>As at August 31, 2017</b>								
Cost	20,542	22,032	39,791	56,250	261,050	316,754	3,702	720,121
Accumulated depreciation	(18,760)	(18,127)	(35,179)	(54,545)	(165,618)	(316,753)	(2,948)	(611,930)
<b>Net book amount</b>	<b>1,782</b>	<b>3,905</b>	<b>4,612</b>	<b>1,705</b>	<b>95,432</b>	<b>1</b>	<b>754</b>	<b>108,191</b>
<b>Period ended November 30, 2017</b>								
Opening net book amount	1,782	3,905	4,612	1,705	95,432	1	754	108,191
Additions	-	-	-	-	20,519	-	-	20,519
Depreciation for the period <sup>(1)</sup>	(89)	(196)	(346)	(128)	(10,120)	-	(57)	(10,936)
<b>Closing net book amount</b>	<b>1,693</b>	<b>3,709</b>	<b>4,266</b>	<b>1,577</b>	<b>105,831</b>	<b>1</b>	<b>697</b>	<b>117,774</b>
<b>As at November 30, 2017</b>								
Cost	20,542	22,032	39,791	56,250	281,568	316,754	3,702	740,639
Accumulated depreciation	(18,849)	(18,323)	(35,525)	(54,673)	(175,737)	(316,753)	(3,005)	(622,865)
<b>Net book amount</b>	<b>1,693</b>	<b>3,709</b>	<b>4,266</b>	<b>1,577</b>	<b>105,831</b>	<b>1</b>	<b>697</b>	<b>117,774</b>

<sup>(1)</sup> Depreciation of camp and vehicles is included in E&E assets in the amount of \$10,177 (\$3,395 – August 31, 2017).

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

## 7 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

### Change in exploration and evaluation assets

Mineral property	Undivided interest	Cost as at August 31, 2017	Additions	Tax credit	Cost as at November 30, 2017	Accumulated impairment as at August 31, 2017	Impairment	Accumulated impairment as at November 30, 2017	Net book amount as at November 30, 2017
	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>James Bay – Gold</b>									
Opinaca A	(a)	50							
Acquisition costs		17,373	-	-	17,373	-	-	-	17,373
Exploration costs		19,091	-	-	19,091	-	-	-	19,091
		<u>36,464</u>	<u>-</u>	<u>-</u>	<u>36,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,464</u>
Opinaca B	(b)	50							
Acquisition costs		195	-	-	195	-	-	-	195
Exploration costs		3,501	1,445	(620)	4,326	-	-	-	4,326
		<u>3,696</u>	<u>1,445</u>	<u>(620)</u>	<u>4,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,521</u>
Eleonore South	(c)	26.57							
Acquisition costs		41,126	-	-	41,126	-	-	-	41,126
Exploration costs		427,547	253,262	(106,500)	574,309	-	-	-	574,309
		<u>468,673</u>	<u>253,262</u>	<u>(106,500)</u>	<u>615,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>615,435</u>
Opinaca D		100							
Acquisition costs		105,766	-	-	105,766	(54,975)	-	(54,975)	50,791
Exploration costs		55,613	127	-	55,740	(8,006)	-	(8,006)	47,734
		<u>161,379</u>	<u>127</u>	<u>-</u>	<u>161,506</u>	<u>(62,981)</u>	<u>-</u>	<u>(62,981)</u>	<u>98,525</u>
Wabamisk	(d)	49							
Acquisition costs		2,878	-	-	2,878	-	-	-	2,878
Exploration costs		16,259	640	(270)	16,629	-	-	-	16,629
		<u>19,137</u>	<u>640</u>	<u>(270)</u>	<u>19,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,507</u>
Duxbury		100							
Acquisition costs		21,842	-	-	21,842	-	-	-	21,842
Exploration costs		-	-	-	-	-	-	-	-
		<u>21,842</u>	<u>-</u>	<u>-</u>	<u>21,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,842</u>
Valore		100							
Acquisition costs		17,142	-	-	17,142	-	-	-	17,142
Exploration costs		36,134	-	-	36,134	-	-	-	36,134
		<u>53,276</u>	<u>-</u>	<u>-</u>	<u>53,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,276</u>
Munischiwan	(e)	50							
Acquisition costs		1	-	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-
		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

## 7 Exploration and evaluation assets (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2017	Additions	Tax credit	Cost as at November 30, 2017	Accumulated impairment as at August 31, 2017	Impairment	Accumulated impairment as at November 30, 2017	Net book amount as at November 30, 2017
	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>James Bay – Gold (cont'd)</b>									
Pikwa	(e)	50							
Acquisition costs		1	-	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-
		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Pontois	(e)	50							
Acquisition costs		1	-	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-
		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Desceliers	(e)	50							
Acquisition costs		1	-	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-
		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Strategic Alliance – SOQUEM	(f)	100							
Acquisition costs		127,904	9,503	-	137,407	-	-	-	137,407
Exploration costs		64	-	-	64	-	-	-	64
		<u>127,968</u>	<u>9,503</u>	<u>-</u>	<u>137,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,471</u>
<b>Total James Bay – Gold</b>		<u>829,439</u>	<u>264,977</u>	<u>(107,390)</u>	<u>1,050,026</u>	<u>(62,981)</u>	<u>-</u>	<u>(62,981)</u>	<u>987,045</u>
<b>James Bay – Chromium-PGE</b>									
Eastmain West		100							
Acquisition costs		25,634	-	-	25,634	(10,551)	-	(10,551)	15,083
Exploration costs		262,276	1,425	(620)	263,081	(105,334)	-	(105,334)	157,747
		<u>287,910</u>	<u>1,425</u>	<u>(620)</u>	<u>288,715</u>	<u>(115,885)</u>	<u>-</u>	<u>(115,885)</u>	<u>172,830</u>
<b>Total James Bay – Chromium-PGE</b>		<u>287,910</u>	<u>1,425</u>	<u>(620)</u>	<u>288,715</u>	<u>(115,885)</u>	<u>-</u>	<u>(115,885)</u>	<u>172,830</u>
<b>James Bay – Zinc</b>									
Cawachaga		100							
Acquisition costs		6,729	-	-	6,729	-	-	-	6,729
Exploration costs		-	-	-	-	-	-	-	-
		<u>6,729</u>	<u>-</u>	<u>-</u>	<u>6,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,729</u>
<b>Total James Bay – Zinc</b>		<u>6,729</u>	<u>-</u>	<u>-</u>	<u>6,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,729</u>
<b>Total James Bay</b>		<u>1,187,078</u>	<u>266,402</u>	<u>(108,010)</u>	<u>1,345,470</u>	<u>(178,866)</u>	<u>-</u>	<u>(62,981)</u>	<u>1,166,604</u>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

## 7 Exploration and evaluation assets (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2017	Additions	Tax credit	Cost as at November 30, 2017	Accumulated impairment as at August 31, 2017	Impairment	Accumulated impairment as at November 30, 2017	Net book amount as at November 30, 2017
	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Nunavik – Polymetallic</b>									
Rex	100								
Acquisition costs		1,184,282	118	-	1,184,400	(1,054,369)	-	(1,054,369)	130,031
Exploration costs		4,018,463	1,258	(260)	4,019,461	(3,134,729)	-	(3,134,729)	884,732
		<u>5,202,745</u>	<u>1,376</u>	<u>(260)</u>	<u>5,203,861</u>	<u>(4,189,098)</u>	<u>-</u>	<u>(4,189,098)</u>	<u>1,014,763</u>
Duquet	(g) 100								
Acquisition costs		3,776	-	-	3,776	-	-	-	3,776
Exploration costs		280	-	-	280	-	-	-	280
		<u>4,056</u>	<u>-</u>	<u>-</u>	<u>4,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,056</u>
Rex South	100								
Acquisition costs		306,755	-	-	306,755	(104,513)	-	(104,513)	202,242
Exploration costs		342,847	1,865	(470)	344,242	(145,089)	-	(145,089)	199,153
		<u>649,602</u>	<u>1,865</u>	<u>(470)</u>	<u>650,997</u>	<u>(249,602)</u>	<u>-</u>	<u>(249,602)</u>	<u>401,395</u>
NCG*	100								
Acquisition costs		738,162	-	-	738,162	(738,162)	-	(738,162)	-
Exploration costs		982,241	-	-	982,241	(982,241)	-	(982,241)	-
		<u>1,720,403</u>	<u>-</u>	<u>-</u>	<u>1,720,403</u>	<u>(1,720,403)</u>	<u>-</u>	<u>(1,720,403)</u>	<u>-</u>
Qassituq	100								
Acquisition costs		37,163	3,816	-	40,979	(37,163)	-	(37,163)	3,816
Exploration costs		35,706	65	-	35,771	(35,706)	-	(35,706)	65
		<u>72,869</u>	<u>3,881</u>	<u>-</u>	<u>76,750</u>	<u>(72,869)</u>	<u>-</u>	<u>(72,869)</u>	<u>3,881</u>
<b>Total Nunavik – Polymetallic</b>		<u>7,649,675</u>	<u>7,122</u>	<u>(730)</u>	<u>7,656,067</u>	<u>(6,231,972)</u>	<u>-</u>	<u>(6,231,972)</u>	<u>1,424,095</u>
<b>Nunavik – Gold</b>									
Nantais	100								
Acquisition costs		121,448	-	-	121,448	(95,299)	-	(95,299)	26,149
Exploration costs		275,520	337	(130)	275,727	(204,913)	-	(204,913)	70,814
<b>Total Nunavik – Gold</b>		<u>396,968</u>	<u>337</u>	<u>(130)</u>	<u>397,175</u>	<u>(300,212)</u>	<u>-</u>	<u>(300,212)</u>	<u>96,963</u>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

## 7 Exploration and evaluation assets (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2017	Additions	Tax credit	Cost as at November 30, 2017	Accumulated impairment as at August 31, 2017	Impairment	Accumulated impairment as at November 30, 2017	Net book amount as at November 30, 2017
	%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Nunavik – Uranium</b>									
North Rae *	100								
Acquisition costs		484,706	-	-	484,706	(484,706)	-	(484,706)	-
Exploration costs		707,167	-	-	707,167	(707,167)	-	(707,167)	-
<b>Total Nunavik – Uranium</b>		<b>1,191,873</b>	<b>-</b>	<b>-</b>	<b>1,191,873</b>	<b>(1,191,873)</b>	<b>-</b>	<b>(1,191,873)</b>	<b>-</b>
<b>Total Nunavik</b>		<b>9,238,516</b>	<b>7,459</b>	<b>(860)</b>	<b>9,245,115</b>	<b>(7,724,057)</b>	<b>-</b>	<b>(7,724,057)</b>	<b>1,521,058</b>
<b>Total E&amp;E assets</b>		<b>10,425,594</b>	<b>273,861</b>	<b>(108,870)</b>	<b>10,590,585</b>	<b>(7,902,923)</b>	<b>-</b>	<b>(7,902,923)</b>	<b>2,687,661</b>

\* Fully impaired properties for which mining claims are still being held by the Company.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

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## 7 Exploration and evaluation assets (cont'd)

- a) In March 2010, Everton Resources Inc. ("Everton") earned a 50% interest in the Opinaca A Property by making cumulative cash payments of \$180,000 and incurring a total of \$2.8 million in work expenditures.
- b) In March 2010, Everton earned a 50% interest in the Opinaca B Property by making cumulative cash payments of \$160,000 and carrying out a total of \$2 million in work expenditures. In September 2010, Azimut and Everton granted Hecla Quebec Inc. ("Hecla"), formerly Aurizon Mines Ltd ("Aurizon"), the option to earn a 50% interest in the Opinaca B Property by making cumulative cash payments of \$580,000, and incurring a total of \$6 million in work expenditures over four (4) years, including 5,000 metres of diamond drilling by the second anniversary. On November 15, 2013, an amendment was made to extend the work schedule by two additional years. According to the agreement, Hecla may also earn an additional interest of 10%, for a total interest of 60%, by making cumulative cash payments of \$300,000 and incurring a total of \$3 million in work expenditures over three (3) years from the election date, and by delivering an independent pre-feasibility study on or before the fourth anniversary. The Company will receive cumulative cash payments totalling \$290,000 on the first option and \$150,000 on the second option, and its resulting interest will be 20%. In addition, in the event that mineral resources of at least 2 million ounces of gold at an average grade of at least 6 grams of gold per tonne are discovered before the end of the eighth year of the initial option agreement, Hecla shall make a payment of \$1.5 million in Hecla common shares, subject to regulatory approval. The Company will receive 50% of these issued shares.

As at November 30, 2017, Hecla has made cumulative cash payments of \$580,000 (\$580,000 in 2016) and carried out a total of \$6.0 million in work expenditures. Of the total cash payment, Azimut has received \$290,000 (\$290,000 in 2017). Hecla's fulfilment of its obligations to earn its 50% interest in the property is subject to the Company's validation.

- c) In April 2006, the Company signed a letter of intent to form a three-way joint venture with Les Mines Opinaca Ltée (a wholly owned subsidiary of Goldcorp Inc.: "Goldcorp") and Eastmain Resources Inc. ("Eastmain") on the Eleonore South Property, which includes 166 claims of the Opinaca C Property and 116 claims owned by Goldcorp. In February 2008, Eastmain had earned a 33.33% interest in the Eleonore South Property by making cumulative cash payments of \$185,000, granting 30,000 common shares to the Company and funding a total of \$4.0 million in work expenditures.

As at November 30, 2017, the ownership of the Eleonore South Property is as follows: Azimut 26.57%, Goldcorp 36.71% and Eastmain Resources 36.72%. Azimut is the operator of the \$5.9 million cumulative work program. Each of the joint venture participants elected to contribute their proportionate share of ownership in the work program. The cumulative cost incurred under the work programs amounted to \$4,098,923 to cover exploration work. The allocation of expenditures was as follows: Azimut \$1,089,084, Goldcorp \$1,504,715 and Eastmain Resources \$1,505,124.

- d) In 2010, Goldcorp earned a 51% interest in the Wabamisk Property by making cumulative cash payments of \$500,000 and carrying out a total of \$4.0 million in work expenditures. In 2011, Goldcorp elected to proceed with the second option to earn an additional 19% interest in the property, which requires the delivery of a feasibility study within a period of ten (10) years.
- e) On September 22, 2016, the Company formed a Strategic Alliance (the "Alliance") with SOQUEM to identify, acquire and explore highly prospective gold targets in the James Bay region (Eeyou Istchee Territory) of Quebec. Within the framework of the Alliance, Azimut delivered a target report to SOQUEM in exchange for a cash payment of \$100,000. Based on the recommendations therein and under the terms of the Alliance, four properties were acquired at SOQUEM's cost (Munischiwan, Pikwa, Pontois and Desceliers). Each partner owns a 50% interest in the properties. SOQUEM has the option to acquire Azimut's interest by investing a total of

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

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## 7 Exploration and evaluation assets (cont'd)

- e) \$3 million in exploration work over four years, including diamond drilling. Azimut will retain a 2% net smelter return (“NSR”) royalty of which 0.8% can be bought back for \$800,000 in cash. Azimut is the operator of the properties. As at November 30, 2017, SOQUEM’s cumulative investment in exploration work is \$904,500.
- f) On May 5, 2017, SOQUEM agreed to fully fund an exploration program on the seven properties acquired by the Company within the framework of the Alliance: Galinée, Sauvolles, Dalmas, Orsigny, Synclinal North, Synclinal South and Corvet.

As at November 30, 2017, Azimut owns a 100% interest in these properties and is manager of the \$247,000 work program. The acquired data will be used to decide which properties will be retained for additional investment under the terms of the Alliance.

- g) On September 30, 2015, an agreement was concluded with Osisko Exploration James Bay Inc., Newmont Northern Mining ULC and SOQUEM to transfer their Duquet Property to Azimut in consideration of an aggregate 2.25% NSR royalty on the property.

## 8 Asset retirement obligations

	<b>November 30, 2017</b>	<b>August 31, 2017</b>
	\$	\$
Balance – Beginning of the period	247,313	247,681
Change in estimate	-	(2,210)
Unwinding of discount on asset retirement obligations	463	1,842
Balance – End of the period	<u>247,775</u>	<u>247,313</u>

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to \$251,480. A discount rate of 0.80% (0.80% in 2017) was used to estimate the obligations in 2017. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2019. If the Company decides to discontinue its exploration of the Rex or Rex South properties, it is assumed that the asset retirement obligation will be settled in 2019. Should the Company decide to continue its activity on the Rex or Rex South properties by itself or through a partner, the obligation will be settled further into the future. Each quarter, the Company reviews the expected timing of the cash flow payments required to settle the obligations, and adjusts the asset retirement obligations accordingly.

## 9 Share capital

An unlimited number of common shares are authorized, without par value, voting and participating.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

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## 10 Warrants

There was no activity for the three-month period ended November 30, 2017. The outstanding warrants are shown in the table below.

Number	Exercise price (\$)	Expiry date
250,000	0.45	June 18, 2018
333,334	0.45	June 20, 2018
<u>3,906,250</u>	0.45	July 22, 2018
<u>4,489,584</u>		

## 11 Stock option plan

The Company maintains a stock option plan in which a maximum of 4,544,000 stock options may be granted. The number of shares reserved for issuance under the stock option plan is approximately 9.99% of the Company's 45,449,496 common shares issued and outstanding as at August 29, 2016, at which time the Company filed for an increase in the stock option plan. The exercise price of the options is set at the closing price of the Company's shares on the TSX-V, on the day before the grant date. The options have a maximum term of ten (10) years following the grant date, and they vest immediately, unless otherwise approved and disclosed by the Board of Directors.

There was no activity for the period ended November 30, 2017. The summarized information about stock options outstanding and vested are shown in the table below.

Exercise price \$	Options outstanding and vested	Weighted average remaining contractual life (years)
0.19	580,000	5.66
0.20	580,000	7.32
0.34	400,000	1.37
0.36	40,000	0.27
0.45	325,000	4.44
0.52	735,000	8.86
0.60	50,000	2.65
0.66	300,000	2.27
0.80	340,000	3.13
1.25	<u>40,000</u>	<u>3.34</u>
	<u>3,390,000</u>	<u>5.32</u>



# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

## 12 Expenses by nature

	Three-month period ended November 30,	
	2017 \$	2016 \$
Salaries and fringe benefits	30,037	37,566
Professional and maintenance fees	4,894	8,518
Administration and office	6,851	8,301
Business development and administration fees	338	487
Advertising	80	164
Rent	10,363	10,363
Insurance	5,034	5,149
Travelling and entertainment	14,841	47,116
Depreciation of property and equipment	759	633
Amortization of intangible assets	125	179
Stock-based compensation	-	251,550
<b>General and administrative expenses</b>	<b>73,322</b>	<b>370,026</b>
Salaries for search of properties	460	5,085
Other exploration expenses	2,351	1,177
Stock-based compensation	-	35,100
Refundable duties credit for losses and refundable tax credit for resources, net	(450)	(2,700)
<b>General exploration</b>	<b>2,361</b>	<b>38,662</b>

## 13 Earning (loss) per share

	Three-month period ended November 30,	
	2017	2016
Basic weighted average number of shares outstanding	45,459,496	45,458,727
Dilutive effect of stock options	291,860	566,052
Dilutive effect of stock warrants	-	-
Diluted weighted average number of shares outstanding	<b>45,751,356</b>	<b>46,024,779</b>
<b>Earning (loss) per share – Basic</b>	<b>\$0.002</b>	<b>\$(0.005)</b>
<b>Earning (loss) per share – Diluted</b>	<b>\$0.002</b>	<b>\$(0.005)</b>

For the period ended November 30, 2016, the diluted loss per share was the same as the basic loss per share because the potential dilutive instruments had an anti-dilutive effect. Accordingly, the diluted loss per share for the period ended November 30, 2016, was calculated using the basic weighted average number of shares outstanding.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2017

## 14 Related party transactions

### Compensation of key management

Key management includes directors, the chief executive officer (“CEO”) and the chief financial officer (“CFO”). The compensation paid or payable for services provided by key management is as follows:

	Three-month period November 30,	
	2017	2016
	\$	\$
Salaries	72,750	67,841
Share-based payment	-	249,600
	<u>72,750</u>	<u>317,441</u>

An amount of \$41,170 (\$27,346 – November 30, 2016) for salary is capitalized to E&E assets.

As at November 30, 2017, accounts payable and accrued liabilities include an amount of \$35,985 (\$30,829 at November 30, 2016) owed to key management.

In the event that termination of employment is for reasons other than gross negligence, the CEO will be entitled to receive an indemnity equal to twelve (12) months of salary. The CFO will be entitled to receive an indemnity equal to twelve (12) weeks salary and after more than two (2) years of employment, the indemnity will be increased by one (1) month for every additional year of employment. In both cases, the indemnity is subject to a maximum indemnity period of twelve (12) months. The indemnity paid must not represent more than 10% of the Company’s liquidities at such time.

In the event of a change of control or a termination of employment following a change of control, the CEO will be entitled to receive an indemnity equal to twenty-four (24) months of salary and the CFO will be entitled to receive an indemnity equal to eighteen (18) months of salary.

## 15 Additional cash flow information

	Three-month period ended November 30,	
	2017	2016
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	237,603	278,136
Depreciation of property and equipment included in E&E assets	10,177	3,395
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	108,870	137,155

## 16 Subsequent Event

On December 28, 2017, the Company completed a non-brokered private placement of 3,100,000 flow-through shares at \$0.50 per share, for aggregate gross proceeds of \$1,550,000. No commissions or finder’s fees were paid in respect of the Offering.