Azimut Exploration Inc.

Financial Statements
August 31, 2016 and 2015

December 9, 2016

Independent Auditor's Report

To the Shareholders of Azimut Exploration inc

We have audited the accompanying financial statements of Azimut Exploration inc, which comprise the statements of financial position as at August 31, 2016 and 2015 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Azimut Exploration inc as at August 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A123642

Azimut Exploration Inc.

Statements of Financial Position
(in Canadian dollars)

	As at August 31, 2016 $	As at August 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents (note 5)	3,802,175	1,236,964
Amounts receivable (note 6)	190,052	104,363
Prepaid expenses	75,364	21,963
	4,067,591	1,363,290
Non-currents assets		
Mining rights receivable	16,600	66,805
Investments (note 7)	156,034	71,918
Property and equipment (note 8)	33,732	150,291
Intangible assets (less accumulated amortization of $21,526; $20,505 in 2015)	2,382	3,402
Exploration and evaluation assets (note 9)	3,244,156	2,918,280
	3,452,904	3,210,696
Total assets	7,520,495	4,573,986
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	411,367	103,364
Advances received for exploration work	582,715	-
	994,082	103,364
Non-current liabilities		
Asset retirement obligations (note 10)	247,681	245,240
	247,681	245,240
Total liabilities	1,241,763	348,604
Equity		
Share capital (note 11)	22,676,042	20,755,072
Warrants (note 12)	514,032	33,362
Stock options (note 13)	954,551	1,170,181
Contributed surplus	3,237,178	3,012,728
Deficit	(21,103,071)	(20,782,717)
Accumulated other comprehensive income (note 2)	-	36,756
Total equity	6,278,732	4,225,382
Total liabilities and equity	7,520,495	4,573,986

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

Azimut Exploration Inc.

Statements of loss and comprehensive loss
For the years ended August 31, 2016 and 2015
(in Canadian dollars)

	2016 $	2015 $
Expenses		
General and administrative (note 14)	353,223	485,090
General exploration (note 14)	125,116	124,235
Impairment of property and equipment (note 8)	100,000	8,290
Impairment of exploration and evaluation assets (note 9)	-	2,800,255
Operating loss	578,339	3,417,870
Financing cost (income), net		
Interest income	(17,758)	(14,647)
Interest and bank charges	1,573	4,266
Unwinding of discount on asset retirement obligations	1,844	3,028
	(14,341)	(7,353)
Other gains and losses		
Gain on option payments received on exploration and evaluation assets (note 9a, b)	(57,742)	(58,346)
Management income (note 9c)	(11,376)	-
Change in fair value - investments	(198,708)	2,669
	(267,826)	(55,677)
Net loss for the year	296,172	3,354,840
Other comprehensive income		
Items that can be reclassified to net loss		
Unrealized gain on investments	-	4,501
	-	4,501
Comprehensive loss for the year	296,172	3,350,339
Basic and diluted loss per share (note 17)	0.01	0.09
Basic and diluted weighted average number of shares outstanding	38,490,821	37,636,996

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

Azimut Exploration Inc.

Statements of Changes in Equity
For the years ended August 31, 2016 and 2015
(in Canadian dollars, except for number of shares, warrants and options)

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total
	Number [1]	$	Number	$	Number	$	$	$	$	$
Balance as at September 1, 2015	37,636,996	20,755,072	583,334	33,362	3,140,000	1,170,181	3,012,728	(20,782,717)	36,756	4,225,382
IFRS 9 adoption adjustment (note 2)	-	-	-	-	-	-	-	36,756	(36,756)	-
	37,636,996	20,755,072	583,334	33,362	3,140,000	1,170,181	3,012,728	(20,745,961)	-	4,225,382
Loss for the year	-	-	-	-	-	-	-	(296,172)	-	(296,172)
Private placement (note 11)	7,812,500	2,080,268	3,906,250	419,732	-	-	-	-	-	2,500,000
Warrants extended (note 12)	-	-	-	60,938	-	-	-	(60,938)	-	-
Stock options granted (note 13)	-	-	-	-	40,000	10,400	-	-	-	10,400
Stock options exercised	10,000	3,480	-	-	(10,000)	(1,580)	-	-	-	1,900
Stock options expired	-	-	-	-	(515,000)	(224,450)	224,450	-	-	-
Share issue expenses	-	(162,778)	-	-	-	-	-	-	-	(162,778)
Balance as at August 31, 2016	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
Balance as at September 1, 2014	37,636,996	20,755,072	583,334	33,362	2,560,000	1,071,581	3,012,728	(17,427,877)	32,255	7,477,121
Loss for the year	-	-	-	-	-	-	-	(3,354,840)	-	(3,354,840)
Other comprehensive income (loss)										
Unrealized gain on available-for-sale investments	-	-	-	-	-	-	-	-	4,501	4,501
Comprehensive income (loss)	-	-	-	-	-	-	-	(3,354,840)	4,501	(3,350,339)
Stock options granted	-	-	-	-	580,000	98,600	-	-	-	98,600
Balance as at August 31, 2015	37,636,996	20,755,072	583,334	33,362	3,140,000	1,170,181	3,012,728	(20,782,717)	36,756	4,225,382

[1] 10,000 shares were allotted for stock options exercised. There were no unpaid common shares as at August 31, 2016 (nil in 2015).

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

Azimut Exploration Inc.

Statements of Cash Flows
For the years ended August 31, 2016 and 2015
(in Canadian dollars)

	2016 $	2015 $
Cash flows (used in) from operating activities		
Loss for the year	(296,172)	(3,354,840)
Items not affecting cash		
Depreciation of property and equipment	3,436	4,688
Amortization of intangible assets	1,020	1,456
Change in fair value - investment	(198,708)	2,669
Impairment of property and equipment (note 8)	100,000	8,290
Impairment of exploration and evaluation assets (note 9)	-	2,800,255
Gain on option payments received on exploration and evaluation assets	(57,742)	(58,346)
Refundable duties credit for losses and refundable tax credit for resources, net	(44,796)	(17,998)
Stock-based compensation cost	10,400	98,600
Unwinding of discount on asset retirement obligations	1,844	3,028
	(480,718)	(512,198)
Changes in non-cash working capital items		
Amounts receivable	(41,128)	14,860
Prepaid expenses	(53,401)	8,112
Accounts payable and accrued liabilities	133,712	(16,605)
	39,183	6,367
	(441,535)	(505,831)
Cash flows from financing activities		
Issuance of units from private placement, net of issue expenses	2,339,122	-
	2,339,122	-
Cash flows used in investing activities		
Proceeds from sale of investments	114,592	-
Proceeds from sale of camp materials (note 9)	20,625	38,400
Advance received for exploration work	734,300	-
Additions to exploration and evaluation assets	(464,449)	(405,721)
Proceeds from sale of options on exploration and evaluation assets (note 9)	60,000	60,000
Tax credit and mining duties received	202,556	189,264
	667,624	(118,057)
Increase (Decrease) in cash and cash equivalents	2,565,211	(623,888)
Cash and cash equivalents – Beginning of year	1,236,964	1,860,852
Cash and cash equivalents – End of year	3,802,175	1,236,964
Interest received	(17,758)	(14,647)
Interest paid	30	2,969
Additional cash flow information (note 20)		

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

1 Nature of operations, general information and liquidity

Azimut Exploration Inc. (the “Company”), governed by the Business Corporations Act (Quebec), is in the business of acquiring and exploring mining 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 an exploration 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 mining 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 August 31, 2016, the Company has working capital of $3,073,508 ($1,259,926 in 2015) including cash and cash equivalents of $3,802,175 ($1,236,964 in 2015) and an accumulated deficit of $21,103,071 ($20,782,717 in 2015). The Company incurred a loss of $296,172 ($3,354,840 in 2015) for the year ended August 31, 2016.

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 August 31, 2017, 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 exploration 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.

2 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are described below.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Except for the early adoption of IFRS 9 – *Financial Instruments (2014)* as further described later in note 2, the Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures. The Board of Directors approved the financial statements for issue on December 9, 2016.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value.

Presentation and functional currency

The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Jointly controlled assets and exploration activities

A jointly controlled asset involves joint control and offers joint ownership by the Company and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

Where the Company’s activities are conducted through jointly controlled assets and exploration activities, the financial statements include the Company’s share in the assets and liabilities, and the income and expenses from the joint operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and highly liquid short-term investments with original maturities of three (3) months or less from the date of purchase and which are readily convertible to known amounts of cash.

Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 Company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset, and the net amount is reported in the 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.

2 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

Effective September 1, 2015

a) **Fair value through profit and loss investments:** Investments 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 Statement of loss and comprehensive loss.

b) **Amortized cost:** Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments constituted solely of payments of principal and interest that are held within a "held to collect" business model. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets at amortized cost are measured using the effective interest method less a provision for expected losses. The company's cash and cash equivalents and amounts receivable are classified within this category.

Investments are currently measured at fair value with changes in fair value, including any interest or dividend income, recognized in the Statement of loss and comprehensive loss.

Until August 31, 2015

a) **Available-for-sale investments:** Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve (12) months, or management expects to dispose of them within twelve (12) months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of comprehensive loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statement of comprehensive loss and are included in other gains and losses. The company's investments are classified within this category.

b) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The company's cash and cash equivalents and amounts receivable are classified within this category.

2 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

For all periods presented

Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, and debentures payable. Accounts payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Debentures payable were initially recognized at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve (12) months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

Effective September 1, 2015

Amortized cost: The expected loss is the difference between the amortized cost of the financial asset and the present value of the expected future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Provisions for expected losses are adjusted upwards or downwards in subsequent periods if the amount of the expected loss increases or decreases.

Until August 31, 2015

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

a) **Financial assets carried at amortized cost:** The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

b) **Available-for-sale investments:** The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to loss.

2 Summary of significant accounting policies (cont'd)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of comprehensive loss during the period in which they are incurred.

Property and equipment are depreciated once available for use using the declining balance method at the rates indicated below, except for the camp and the camp under a finance lease, which are amortized using the straight-line method over 36-month and 18-month periods, respectively. Depreciation of the camp and the camp under a finance lease is capitalized to E&E assets.

	Rate
Office furniture	20%
Office equipment	20%
Computer equipment	30%
Specialist equipment	30%
Vehicle	30%

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

Identifiable intangible assets

The Company's intangible assets include computer software with finite useful lives. These assets are capitalized and amortized at a 30% declining balance basis.

Exploration and evaluation assets

Exploration and evaluation ("E&E") assets comprise deferred exploration and evaluation expenses and exploration properties. Expenditures incurred on activities prior to the exploration and evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed as incurred and presented under general exploration in the statement of comprehensive loss.

E&E assets include rights in exploration properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits. Exploration rights are recorded at acquisition cost. Exploration rights and options to acquire undivided interests in exploration rights are depreciated only as these properties are put into commercial production. These costs are impaired when properties are abandoned or when cost recovery or access to resources is uncertain.

2 Summary of significant accounting policies (cont'd)

Exploration and evaluation assets (cont'd)

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as additions to E&E assets when the payments are made or as in reduction to E&E assets when payments are received.

Proceeds on the sale of exploration properties are applied by property in reduction of the mining properties, then in reduction of the exploration costs and any residual is recorded in the statement of comprehensive loss unless there is contractual work required in which case the residual gain is deferred and will be reduced once the contractual disbursements are done. Funds received from partners on certain properties where the Company is the operator, in order to perform exploration work as per agreements, are accounted for in the statement of financial position as advances received for exploration work. These amounts are reduced gradually once the exploration work is performed. The project management fees received when the Company is the operator are recorded in the statement of comprehensive loss.

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore-like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures include the cost of:

- establishing the volume and grade of deposits through core drilling, 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 final feasibility studies.

When a project moves into the development phase, E&E expenditures are capitalized to development costs in property and equipment and are tested for impairment.

E&E expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statements of cash flows.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged to the statement of comprehensive loss as incurred.

Leases of equipment or base camps for which the Company has substantially all the risks and rewards of ownership are classified as finance leases and are capitalized at the lease's commencement.

2 Summary of significant accounting policies (cont'd)

Leases (cont'd)

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease as the fair value of the leased asset or, if lower, the present value of the lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance charges are expensed as part of the interest on obligations under finance leases.

Borrowing costs

Borrowing costs attributable to the acquisition of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of comprehensive loss in the period in which they are incurred.

Impairment of non-financial assets

Property and equipment and E&E assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. E&E assets are reviewed by area of interest. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

Government assistance

The Company is entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Quebec and to a mining duties credit, which are recorded against the deferred exploration expenditures or recognized in the statement of comprehensive loss when the related general mining exploration expenses have been recognized in the statement of comprehensive loss.

Provisions and asset retirement obligations

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by

2 Summary of significant accounting policies (cont'd)

Provisions and asset retirement obligations (cont'd)

discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for asset retirement obligations are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The increase in the provision due to passage of time is recognized in the statement of comprehensive loss. Changes in assumptions or estimates are reflected in the period in which they occur. The Company also records a corresponding asset amount which is amortized in a logical and systematic manner.

Share-based payment transactions

The fair value of share options granted to employees are recognized as an expense, or capitalized to E&E assets over the vesting period with a corresponding increase in stock options. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model to determine the fair value of warrants issued.

Warrants issued to brokers, in respect of an equity financing, are recognized as share issue expenses, reducing the share capital with a corresponding credit to warrants.

Flow-through shares

The Company finances some exploration and evaluation expenditures 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 Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors paid for the shares (the "premium"), measured in accordance with the residual value method, is recognized as other liability which is reversed into the statement of comprehensive loss as a deferred tax recovery when eligible expenditures have been made.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in the Statement of loss and comprehensive loss except to the extent that it relates to items recognized

2 Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively. Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. 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.

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A temporary difference is not provided for if it arises from the initial recognition of goodwill or the 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 or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset 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.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss and the weighted average number of common shares outstanding for the effects of all warrants, brokers' units and stock options that may add to the total number of common shares in the case where they would not have an anti-dilutive impact.

Segment disclosures

The Company currently operates in a single segment: the acquisition, exploration and evaluation of exploration properties. All of the Company's activities are conducted in the province of Quebec, Canada.

Adopted new accounting standard

The Company has adopted the following new and revised standards, along with any consequential amendments, effective September 1, 2015. These changes were made in accordance with the applicable transitional provisions.

IFRS 9 – Financial Instruments

The Company has elected to early adopt the requirements of IFRS 9 - *Financial Instruments (2014)* ("IFRS 9") with a date of initial application of September 1, 2015. This standard replaces the guidance in IAS 39, "*Financial*

2 Summary of significant accounting policies (cont'd)

Adopted new accounting standard (cont'd)

Instruments: Recognition and Measurement" ("IAS 39") relating to the classification and measurement of financial assets and liabilities. IFRS 9 eliminates the classification of financial instruments as "available-for-sale" and "held to maturity" and the requirement to bifurcate embedded derivatives with respect to hybrid financial assets. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting, and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities, and the impact of hedge accounting on the financial statements.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

The following summarizes the classification and measurement changes for the Company's financial assets and financial liabilities as a result of the adoption of IFRS 9.

	IAS 39	IFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Investments in securities	Available for sale	Fair value through profit or loss
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities at amortized cost	Amortized cost
Advance received for exploration work	Other financial liabilities at amortized cost	Amortized cost

The accounting for these instruments and the line item in which they are included in the statement of financial position were unaffected by the adoption of IFRS 9, with the exception of the Company's investments that were reclassified from "available-for-sale" to "financial assets measured at fair value through profit or loss". Fair value gains and losses on investments are recognized in other gains and losses in the statement of loss and comprehensive loss.

In accordance with the transitional provisions of IFRS 9, the financial assets and liabilities held at September 1, 2015 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at September 1, 2015.

(in Canadian dollars)

2 Summary of significant accounting policies (cont'd)

Adopted new accounting standard (cont'd)

The Company has adjusted the following opening components of equity as at September 1, 2015 to reflect the retrospective impact of adopting IFRS 9, resulting in a change in accounting policy for investments:

	September 1, 2015		
	As presented **$**	**Adjustments** **$**	**As adjusted** **$**
Equity			
Deficit	(20,782,717)	36,756	(20,745,961)
Accumulated other comprehensive income	36,756	(36,756)	-
Impact on equity	(20,745,961)	-	(20,745,961)

3 Amendments to other standards

IAS 7, Statement of Cash Flows

In January 2016, IASB amended International Accounting Standard ("IAS") 7, Statement of Cash Flows. The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for annual periods beginning on or after January 1, 2017. Management is currently reviewing the impact that this standard will have on the Company's financial statements.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been adopted. Management is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.

4 Critical accounting estimates, judgments and assumptions

Many of the amounts included in the financial statements require management to make judgments and/or estimates and assumptions. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Areas of significant estimates and assumptions affecting the amounts recognized in the financial statements include the following:

a) **Valuation of the refundable duties for losses and the refundable tax credit for resources**

The refundable mining duties credit and the refundable tax credit for resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including the mining duties credit and the tax credit for resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's mining duties credit and tax credit for resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessments and payments has been received from the relevant taxation authority. Differences arising between the actual results following the final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to the mining duties credit and tax credit for resources, the E&E assets and expenses, and the income tax expenses in future periods.

The amounts recognized in the financial statements are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position and its financial performance and cash flows.

b) **Asset retirement obligations**

Asset retirement obligations arise from the development, construction and normal operation of mining property and equipment as mining activities are subject to laws and regulations governing the protection of the environment. Such costs arising from the decommissioning of site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Company also records a corresponding asset amount which is amortized over the remaining service life of the asset.

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each site. The Company also estimates the timing of the cash outflow, which is subject to change and is currently estimated to be 2018, which was previously estimated to be 2017, and represents a significant accounting estimate by the Company. Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws

4 Critical accounting estimates, judgments and assumptions (cont'd)

b) **Asset retirement obligations (cont'd)**

and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to activities for reclamation and remediation.

Areas of significant judgment affecting the amounts recognized in the financial statements include the following:

a) **Going Concern**

The assessment of the Company's ability to execute its strategy by funding future working capital and exploration and evaluation activities involves judgment. 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. Areas of significant judgments in assessing whether the going concern assumption is appropriate relate to the expected level of E&E activities in the future, which is at least, but not limited to, twelve (12) months from the end of the reporting period and has been estimated at $900,000 for the year ending August 31, 2017.

b) **Impairment of non-financial assets**

The Company's measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The estimated recoverable amounts may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices.

Based on an impairment analysis performed in 2016, no impairment was deemed necessary for E&E assets. In 2015, the polymetallic properties were impaired by $2,736,091, the uranium property by $1,183 and the gold properties $62,981 for a total impairment of $2,800,255 given that no exploration and evaluation expenses were budgeted and that some claims were abandoned or were not expected to be renewed (note 9).

In 2016, the Company estimated that the recoverable amount of the property and equipment which consist of fuel and materials needed to build a fully equipped field camp is $Nil ($100,000 in 2015) and consequently the property and equipment was fully impaired.

Following the abandonment of the NCG property in 2015, the future economic benefits associated with the NCG camp no longer exist and consequently the NCG camp is fully impaired. The estimation of the impairment charge requires judgment from the management.

c) **Recognition of deferred income tax assets and measurement of income tax expenses**

Periodically, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if management believes it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is

(in Canadian dollars)

4 Critical accounting estimates, judgments and assumptions (cont'd)

c) **Recognition of deferred income tax assets and measurement of income tax expenses (cont'd)**

probable that there will be available future taxable profit against which the temporary differences can be applied. Assessing the recoverability of deferred income tax assets requires management to make significant judgment. If future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date could be impacted.

5 Cash and cash equivalents

As at August 31, 2016, cash and cash equivalents of $3,802,175 ($1,236,964 in 2015) include $288,770 ($173,340 as at August 31, 2015) of guaranteed investment certificates bearing interest at 0.75% (0.1% in 2015), cashable any time without any penalties.

6 Amounts receivable

	2016 $	2015 $
Tax credit receivable	140,405	95,844
Commodity taxes	34,987	4,549
Amounts receivable	19,850	9,160
	195,242	109,553
Less: Allowance for doubtful accounts	(5,190)	(5,190)
	190,052	104,363

7 Investments

	As at August 31, 2016			As at August 31, 2015		
	Market price per share $	Number of shares	Fair value $	Market price per share $	Number of shares	Fair value $
Eastmain Resources Inc.	0.800	20,000	16,000	0.360	20,000	7,200
NWT Uranium Corp.	0.001	350,000	459	0.004	350,000	1,388
Majescor Resources Inc.	0.075	19,600	1,470	0.040	19,600	784
Silver Spruce Resources Inc.	0.110	30,000	3,300	0.035	30,000	1,050
ABE Resources Inc.	0.030	50,000	1,500	0.040	50,000	2,000
Nemaska Lithium Inc.	1.070	109,272	116,921	0.270	209,272	56,503
Monarques Resources Inc.	0.410	10,464	4,290	0.080	10,464	837
West African Resources Ltd	0.300	37,500	11,250	0.055	37,500	2,062
18,750 warrants: exercise price of $0.40, expiry on January 17, 2017	0.045	18,750	844	0.005	18,750	94
			156,034			71,918

(in Canadian dollars)

7 Investments (cont'd)

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.

8 Property and equipment

	Office furniture $	Office equipment $	Computer equipment $	Specialist equipment $	Camp $	Camp under finance lease $	Vehicles $	Total $
Year ended August 31, 2015								
Opening net book amount	3,482	4,198	5,538	4,965	153,586	11,730	2,202	185,701
Impairment [2]	-	-	-	-	(8,290)	-	-	(8,290)
Depreciation for the year [1]	(696)	(840)	(1,664)	(1,488)	(17,860)	(3,912)	(660)	(27,120)
Closing net book amount	2,786	3,358	3,874	3,477	127,436	7,818	1,542	150,291
As at August 31, 2015								
Cost	20,542	20,081	36,597	56,250	278,217	316,754	3,702	732,143
Accumulated depreciation	(17,756)	(16,723)	(32,723)	(52,773)	(150,781)	(308,936)	(2,160)	(581,852)
Net book amount	2,786	3,358	3,874	3,477	127,436	7,818	1,542	150,291
Asset not subject to depreciation included in above[3]	-	-	-	-	100,000	-	-	100,000
Year ended August 31, 2016								
Opening net book amount	2,786	3,358	3,874	3,477	127,436	7,818	1,542	150,291
Change in asset retirement obligations estimate	-	-	-	-	597	-	-	597
Impairment [3]	-	-	-	-	(100,000)	-	-	(100,000)
Depreciation for the year [1]	(556)	(672)	(1,164)	(1,044)	(9,344)	(3,912)	(464)	(17,156)
Closing net book amount	2,230	2,686	2,710	2,433	18,689	3,906	1,078	33,732
As at August 31, 2016								
Cost	20,542	20,081	36,597	56,250	178,814	316,754	3,702	632,740
Accumulated depreciation	(18,312)	(17,395)	(33,887)	(53,817)	(160,125)	(312,848)	(2,624)	(599,008)
Net book amount	2,230	2,686	2,710	2,433	18,689	3,906	1,078	33,732

(1) Depreciation of camp, camp under finance lease and vehicles is included in E&E assets in the amount of $13,720 ($22,432 in 2015).

(2) The related-asset NCG camp was fully impaired following the abandonment of the NCG property during the year ended August 31, 2015.

(3) Assets not subject to depreciation include the fuel and materials needed to build a fully equipped field camp. These assets were fully impaired in 2016.

(in Canadian dollars)

9 Exploration and evaluation assets

All mining properties are located in the Province of Quebec.

Change in exploration and evaluation assets

Exploration properties James Bay		Undivided interest	Cost as at August 31, 2015	Additions	Option payments	Proceeds received[1]	Tax credit[2]	Cost as at August 31, 2016	Accumulated impairment as at August 31, 2015	Impairment	Accumulated impairment as at August 31, 2016	Net book amount as at August 31, 2016
		%	$	$	$	$	$	$	$	$	$	$
Opinaca A	(a)	50										
Mining properties			-	8,156	-	-	-	8,156	-	-	-	8,156
Exploration costs			3,809	8,489	-	-	(3,206)	9,092	-	-	-	9,092
			3,809	16,645	-	-	(3,206)	17,248	-	-	-	17,248
Opinaca B	(b)	50										
Mining properties			-	-	-	-	-	-	-	-	-	-
Exploration costs			1,161	4,197	(2,258)	-	(1,687)	1,413	-	-	-	1,413
			1,161	4,197	(2,258)	-	(1,687)	1,413	-	-	-	1,413
Eleonore South	(c)	26.57										
Mining properties			-	26,599	-	-	-	26,599	-	-	-	26,599
Exploration costs			10,410	85,262	-	-	(34,274)	61,398	-	-	-	61,398
			10,410	111,861	-	-	(34,274)	87,997	-	-	-	87,997
Opinaca D		100										
Mining properties			81,499	10,091	-	-	-	91,590	(54,975)	-	(54,975)	36,615
Exploration costs			11,345	54,566	-	-	(23,626)	42,285	(8,006)	-	(8,006)	34,279
			92,844	64,657	-	-	(23,626)	133,875	(62,981)	-	(62,981)	70,894
Wabamisk	(d)	49										
Mining properties			2,781	-	-	-	-	2,781	-	-	-	2,781
Exploration costs			15,814	190	-	-	(69)	15,935	-	-	-	15,935
			18,595	190	-	-	(69)	18,716	-	-	-	18,716
Total James Bay gold properties			126,819	197,550	(2,258)	-	(62,862)	259,249	(62,981)	-	(62,981)	196,268
Eastmain West		100										
Mining properties			18,483	-	-	-	-	18,483	(10,551)	-	(10,551)	7,932
Exploration costs			172,765	2,700	-	-	(911)	174,554	(105,334)	-	(105,334)	69,220
Total James Bay chromium-PGE property			191,248	2,700	-	-	(911)	193,037	(115,885)	-	(115,885)	77,152
Total James Bay			318,067	200,250	(2,258)	-	(63,773)	452,286	(178,866)	-	(178,866)	273,420

(in Canadian dollars)

9 Exploration and evaluation assets (cont'd)

Exploration properties Nunavik		Undivided interest	Cost as at August 31, 2015	Additions	Option payments	Proceeds received[(1)]	Tax credit[(2)]	Cost as at August 31, 2016	Accumulated impairment as at August 31, 2015	Impairment	Accumulated impairment as at August 31, 2016	Net book amount as at August 31, 2016
		%	$	$	$	$	$	$	$	$	$	$
Rex		100										
Mining properties			1,110,802	73,260	-	-	-	1,184,062	(917,119)	-	(917,119)	266,943
Exploration costs[(2)]			4,063,083	21,057	-	-	(73,811)	4,010,329	(2,114,918)	-	(2,114,918)	1,895,411
			5,173,885	94,317	-	-	(73,811)	5,194,391	(3,032,037)	-	(3,032,037)	2,162,354
Duquet	(e)	100										
Mining properties			-	471	-	-	-	471	-	-	-	471
Exploration costs			-	440	-	-	(160)	280	-	-	-	280
			-	911	-	-	(160)	751	-	-	-	751
Rex South		100										
Mining properties			178,056	109,613	-	-	-	287,669	(58,724)	-	(58,724)	228,945
Exploration costs			338,053	27,723	-	(20,625)	(8,906)	336,245	-	-	-	336,245
			516,109	137,336	-	(20,625)	(8,906)	623,914	(58,724)	-	(58,724)	565,190
NCG*		100										
Mining properties			738,044	-	-	-	-	738,044	(738,044)	-	(738,044)	-
Exploration costs			982,241	-	-	-	-	982,241	(982,241)	-	(982,241)	-
			1,720,285	-	-	-	-	1,720,285	(1,720,285)	-	(1,720,285)	-
Nantais		100										
Mining properties			89,877	30,074	-	-	-	119,951	(70,647)	-	(70,647)	49,304
Exploration costs			267,407	10,789	-	-	(4,366)	273,830	(135,891)	-	(135,891)	137,939
			357,284	40,863	-	-	(4,366)	393,781	(206,538)	-	(206,538)	187,243
Qassituq		100										
Mining properties			29,497	5,916	-	-	-	35,413	(23,243)	-	(23,243)	12,170
Exploration costs			33,794	3,012	-	-	(1,100)	35,706	(10,948)	-	(10,948)	24,758
			63,291	8,928	-	-	(1,100)	71,119	(34,191)	-	(34,191)	36,928
Total Nunavik gold & polymetallic properties			7,830,854	282,355	-	(20,625)	(88,343)	8,004,241	(5,051,775)	-	(5,051,775)	2,952,466

(in Canadian dollars)

9 Exploration and evaluation assets (cont'd)

Exploration properties Nunavik (cont'd)	**Undivided interest**	**Cost as at August 31, 2015**	**Additions**	**Option payments**	**Proceeds received[1]**	**Tax credit[2]**	**Cost as at August 31, 2016**	**Accumulated impairment as at August 31, 2015**	**Impairment**	**Accumulated impairment as at August 31, 2016**	**Net book amount as at August 31, 2016**
	%	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
North Rae*	100										
Mining properties		484,460	-	-	-	-	484,460	(484,460)	-	(484,460)	-
Exploration costs		707,167	-	-	-	-	707,167	(707,167)	-	(707,167)	-
		1,191,627	-	-	-	-	1,191,627	(1,191,627)	-	(1,191,627)	-
Total Nunavik uranium property		1,191,627	-	-	-	-	1,191,627	(1,191,627)	-	(1,191,627)	-
Total Nunavik		9,022,481	282,355	-	(20,625)	(88,343)	9,195,868	(6,243,402)	-	(6,243,402)	2,952,466
Total E&E assets		9,340,548	482,605	(2,258)	(20,625)	(152,116)	9,648,154	(6,422,268)	-	(6,422,268)	3,225,886

* Properties fully impaired for which mining claims are still being held by the Company.
[1] Proceeds received from the sale of camp materials
[2] The Company received an additional amount of $73,797 following Revenu Québec's reassessment of the 2011 tax credit.

(in Canadian dollars)

9 Exploration and evaluation assets (cont'd)

Change in exploration and evaluation assets

Exploration properties James Bay		Undivided interest	Cost as at August 31, 2014	Additions	Option payments	Proceeds received(1)	Tax credit	Cost as at August 31, 2015	Accumulated impairment as at August 31, 2014	Impairment	Accumulated impairment as at August 31, 2015	Net book amount as at August 31, 2015
		%	$	$	$	$	$	$	$	$	$	$
Opinaca A	(a)	50										
Mining properties			-	-	-	-	-	-	-	-	-	-
Exploration costs			1,690	3,338	-	-	(1,219)	3,809	-	-	-	3,809
			1,690	3,338	-	-	(1,219)	3,809	-	-	-	3,809
Opinaca B	(b)	50										
Mining properties			-	-	-	-	-	-	-	-	-	-
Exploration costs			1,115	2,678	(1,654)	-	(978)	1,161	-	-	-	1,161
			1,115	2,678	(1,654)	-	(978)	1,161	-	-	-	1,161
Eleonore South	(c)	26.4										
Mining properties			-	-	-	-	-	-	-	-	-	-
Exploration costs			8,392	3,179	-	-	(1,161)	10,410	-	-	-	10,410
			8,392	3,179	-	-	(1,161)	10,410	-	-	-	10,410
Opinaca D		100										
Mining properties			69,442	12,057	-	-	-	81,499	-	(54,975)	(54,975)	26,524
Exploration costs			10,113	1,940	-	-	(708)	11,345	-	(8,006)	(8,006)	3,339
			79,555	13,997	-	-	(708)	92,844	-	(62,981)	(62,981)	29,863
Wabamisk	(d)	49										
Mining properties			2,781	-	-	-	-	2,781	-	-	-	2,781
Exploration costs			15,604	330	-	-	(120)	15,814	-	-	-	15,814
			18,385	330	-	-	(120)	18,595	-	-	-	18,595
Total James Bay gold properties			109,137	23,522	(1,654)	-	(4,186)	126,819	-	(62,981)	(62,981)	63,838
Eastmain West		100										
Mining properties			15,586	2,897	-	-	-	18,483	(10,551)	-	(10,551)	7,932
Exploration costs			168,555	6,356	-	-	(2,146)	172,765	(105,334)	-	(105,334)	67,431
Total James Bay chromium-PGE property			184,141	9,253	-	-	(2,146)	191,248	(115,885)	-	(115,885)	75,363
Total James Bay			293,278	32,775	(1,654)	-	(6,332)	318,067	(115,885)	(62,981)	(178,866)	139,201

(in Canadian dollars)

9 Exploration and evaluation assets (cont'd)

Exploration properties Nunavik	Undivided interest	Cost as at August 31, 2014	Additions	Option payments	Proceeds received[1]	Tax credit	Cost as at August 31, 2015	Accumulated impairment as at August 31, 2014	Impairment	Accumulated impairment as at August 31, 2015	Net book amount as at August 31, 2015
	%	$	$	$	$	$	$	$	$	$	$
Rex	100										
Mining properties		1,109,476	1,326	-	-	-	1,110,802	(701,922)	(215,197)	(917,119)	193,683
Exploration costs[2]		4,005,363	78,301	-	(9,500)	(11,081)	4,063,083	-	(2,114,918)	(2,114,918)	1,948,165
		5,114,839	79,627	-	(9,500)	(11,081)	5,173,885	(701,922)	(2,330,115)	(3,032,037)	2,141,848
Rex South	100										
Mining properties		154,096	23,960	-	-	-	178,056	-	(58,724)	(58,724)	119,332
Exploration costs		299,379	92,987	-	(23,200)	(31,113)	338,053	-	-	-	338,053
		453,475	116,947	-	(23,200)	(31,113)	516,109	-	(58,724)	(58,724)	457,385
NCG*	100										
Mining properties		737,126	918	-	-	-	738,044	(719,929)	(18,115)	(738,044)	-
Exploration costs[2]		970,818	4,144	-	(5,700)	12,979	982,241	(916,429)	(65,812)	(982,241)	-
		1,707,944	5,062	-	(5,700)	12,979	1,720,285	(1,636,358)	(83,927)	(1,720,285)	-
Diana	100										
Mining properties		75,525	-	-	-	-	75,525	(41,195)	(34,330)	(75,525)	-
Exploration costs		39,489	-	-	-	-	39,489	(10,639)	(28,850)	(39,489)	-
		115,014	-	-	-	-	115,014	(51,834)	(63,180)	(115,014)	-
Nantais	100										
Mining properties		88,559	1,318	-	-	-	89,877	(40,584)	(30,063)	(70,647)	19,230
Exploration costs[2],[3]		216,860	42,197	-	-	8,350	267,407	-	(135,891)	(135,891)	131,516
		305,419	43,515	-	-	8,350	357,284	(40,584)	(165,954)	(206,538)	150,746
Qassituq	100										
Mining properties		27,361	2,136	-	-	-	29,497	-	(23,243)	(23,243)	6,254
Exploration costs		20,717	20,601	-	-	(7,524)	33,794	-	(10,948)	(10,948)	22,846
		48,078	22,737	-	-	(7,524)	63,291	-	(34,191)	(34,191)	29,100
Others, copper-gold-silver-cobalt-REE	100										
Mining properties		37,170	-	-	-	-	37,170	(37,170)	-	(37,170)	-
Exploration costs		7,045	-	-	-	-	7,045	(7,045)	-	(7,045)	-
		44,215	-	-	-	-	44,215	(44,215)	-	(44,215)	-
Total Nunavik gold & polymetallic properties		7,788,984	267,888	-	(38,400)	(28,389)	7,990,083	(2,474,913)	(2,736,091)	(5,211,004)	2,779,079

(in Canadian dollars)

9 Exploration and evaluation assets (cont'd)

Exploration properties Nunavik (cont'd)	**Undivided interest**	**Cost as at August 31, 2014**	**Additions**	**Option payments**	**Proceeds received[1]**	**Tax credit**	**Cost as at August 31, 2015**	**Accumulated impairment as at August 31, 2014**	**Impairment**	**Accumulated impairment as at August 31, 2015**	**Net book amount as at August 31, 2015**
	%	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
North Rae*	100										
Mining properties		483,277	1,183	-	-	-	484,460	(483,277)	(1,183)	(484,460)	-
Exploration costs		707,167	-	-	-	-	707,167	(707,167)	-	(707,167)	-
		1,190,444	1,183	-	-	-	1,191,627	(1,190,444)	(1,183)	(1,191,627)	-
Total Nunavik uranium properties		1,190,444	1,183	-	-	-	1,191,627	(1,190,444)	(1,183)	(1,191,627)	-
Total Nunavik		8,979,428	269,071	-	(38,400)	(28,389)	9,181,710	(3,665,357)	(2,737,274)	(6,402,631)	2,779,079
Total E&E assets		9,272,706	301,846	(1,654)	(38,400)	(34,721)	9,499,777	(3,781,242)	(2,800,255)	(6,581,497)	2,918,280

* Properties fully impaired for which mining claims are still being held by the Company.
(1) Proceeds received from the sale of camp materials.
(2) Reduction of the tax credit in the amount of $25,430 following the decision by the taxation authority to disallow tax credits claimed for certain expenditures in the calculation of the 2011, 2012 and 2013 tax credits.
(3) Reduction of the tax credit in the amount of $25,057 relating to the tax rate used in the calculation of the 2014 refundable tax credit for resources.

	August 31, 2016	**August 31, 2015**
	$	**$**
Mining properties and exploration costs	3,225,886	2,918,280
Prepaid exploration expenses	18,270	-
	3,244,156	2,918,280

9 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.

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 A and Opinaca B properties 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; 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.

On November 14, 2014, a second amendment was made to exclude all claims comprising the Opinaca A Property from the agreement. All other terms remain unchanged.

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 signed an agreement with Hecla regarding the Opinaca B Property as described in (a) above.

As at August 31, 2016, Hecla had made cumulative cash payments of $580,000 ($460,000 in 2015) and carried out a total of $4.4 million in work expenditures. Of the total cash payment, Azimut had received $290,000 ($230,000 in 2015).

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.

Azimut agreed to contribute in the mandatory expenditures made by Eastmain Resources, as Manager for the period between March 31, 2012 and December 31, 2015, for keeping the mining claims in good standing in the amount of $26,599. As a result, as at August 31, 2016, ownership of the Eleonore South Property was as follows: Azimut 26.57%, Goldcorp 36.71% and Eastmain Resources 36.72%. The Company is the operator of the $2-million 2016 work program for a 12-month period ending May 2017. Each of the joint venture participants has elected to contribute its proportionate share of ownership in the work program. The cumulative cost incurred under the 2016 work program was $206,435, and was allocated as follows: Azimut $54,850, Goldcorp $75,782 and Eastmain Resources $75,803.

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.

(in Canadian dollars)

9 Exploration and evaluation assets (cont'd)

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

10 Asset retirement obligations

	2016 $	2015 $
Balance – Beginning of year	245,240	242,212
Change in estimate	597	-
Unwinding of discount on asset retirement obligations	1,844	3,028
Balance – End of year	247,681	245,240

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to $251,480. A discount rate of 0.75% (1.25% in 2015) was used to estimate the obligations in 2016. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2018. 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 2018. 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.

11 Share capital

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

On July 22, 2016, the Company completed a non-brokered private placement of $2,500,000 representing 7,812,500 units at $0.32 per unit. Each unit is comprised of one (1) common share and one half (½) common share purchase warrant, each full warrant entitling the holder to purchase an additional common share at an exercise price of $0.45 until July 22, 2018.

From the total compensation received from the units, $419,732 has been allocated to warrants and $2,080,268 to common shares, based on pro rata allocation of the estimated fair value determined by the Black-Scholes pricing model using the following assumptions: risk free interest of 0.58%, expected life of 2 years, annualized volatility rate of 100.9% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

(in Canadian dollars)

12 Warrants

The following table presents the warrant activities for the years ended August 31, 2016 and 2015, and summarizes the information about warrants outstanding and exercisable as at August 31, 2016:

	Number	Carrying value $	Weighted average exercise price $
Outstanding and exercisable – August 31, 2014	583,334	33,362	0.45
Issued	-	-	-
Outstanding and exercisable – August 31, 2015	583,334	33,362	0.45
Issued	3,906,250	419,732	0.45
Extended	-	60,938	-
Outstanding and exercisable – August 31, 2016	4,489,584	514,032	0.45
Weighted average remaining contractual life (years)	1.88		

On June 7, 2016, the Company obtained all regulatory approvals to extend the expiry date of 583,334 warrants until June 18, 2018 for 250,000 warrants and June 20, 2018 for 333,334 warrants, from the original expiry date of June 18, 2016 and June 20, 2016. Consequently, the fair value of the warrants were re-evaluated using the Black-Scholes pricing model with the following assumption: risk-free interest of 0.52%, expected life of 2 years, annualized volatility rate of 99% (based on the Company's historical volatility for 2 years up to the approval date granted) and dividend rate of 0%. The adjustment to the fair value in the amount of $60,938 was charged to the Deficit. All other terms and conditions of the warrants remain unchanged.

13 Stock option plan

The Company maintains a stock option plan in which a maximum of 3,300,000 stock options may be granted. The number of shares reserved for issuance under the stock option plan is 15% of the shares issued and outstanding at the 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.

On September 15, 2016, the Company obtained all regulatory approvals to increase by 1,244,000 the number of common shares reserved for future issuance under its stock option plan for a total of 4,544,000 shares, or approximately 9.99% of the Company’s 45,449,496 common shares issued and outstanding as at August 29, 2016. All other terms of the stock option plan remain unchanged.

(in Canadian dollars)

13 Stock option plan (cont'd)

The following tables present the stock option activities for the year ended August 31, 2016, and summarize the information about stock options outstanding and exercisable as at August 31:

	2016		2015	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of year	3,140,000	0.42	2,560,000	0.47
Granted	40,000	0.36	580,000	0.20
Exercised	(10,000)	0.19	-	-
Expired	(515,000)	0.48	-	-
Outstanding and exercisable – End of year	2,655,000	0.40	3,140,000	0.42

Exercise price $	**Options outstanding and exercisable**	**Weighted average remaining contractual life (years)**
0.19	580,000	6.91
0.20	580,000	8.57
0.34	400,000	2.62
0.36	40,000	9.81
0.45	325,000	5.69
0.60	50,000	3.90
0.66	300,000	3.52
0.80	340,000	4.38
1.25	40,000	4.59
	2,655,000	5.72

On June 21, 2016, the Company granted 40,000 options to a consultant. The fair value of the options granted, which amounted to $10,400 and was charged to general exploration, was determined using the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.23%, expected life of 10 years, annualized volatility rate of 89%, and dividend rate of 0%. The exercise price of $0.36 per option granted was equal to the closing price of the Company's share on the TSX-V, on the day before the grant date.

(in Canadian dollars)

14 Expenses by nature

	2016 $	2015 $
Salaries and fringe benefits	128,647	165,414
Professional and maintenance fees	85,059	65,560
Administration and office	30,469	37,672
Business development and administration fees	10,751	10,405
Advertising	3,351	4,742
Rent	41,451	41,133
Insurance	22,043	22,502
Travelling and entertainment	26,996	32,918
Depreciation of property and equipment	3,436	4,688
Amortization of intangible assets	1,020	1,456
Stock-based compensation	-	98,600
General and administrative expenses	353,223	485,090
Salaries for search of properties	229,074	145 539
Other exploration expenses	7,915	4,248
Stock-based compensation	10,400	-
Refundable duties credit for losses and refundable tax credit for resources, net	(122,273)	(25,552)
General exploration	125,116	124,235

15 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:

	2016 $	2015 $
Salaries	255,467	270,742
Share-based payment	-	91,800
	255,467	362,542

An amount of $49,785 ($47,960 in 2015) for salary is capitalized to E&E assets.

As at August 31, 2016, accounts payable and accrued liabilities include an amount of $108,823 ($30,902 at August 31, 2015) 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 Canadian dollars)

15 Related party transactions (cont'd)

Compensation of key management (cont'd)

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.

Private placement

A family member of an executive officer subscribed for an amount of $160,000 in 500,000 units through the July 2016 non-brokered private placement. The units issued are subject to the same terms and conditions as those of non-related parties.

16 Income taxes

Component of tax income

	2016 **$**	**2015** **$**
Loss before income taxes	(296,172)	3,354,840
Combined federal and provincial income tax of 26.90% (26.90% in 2015)	(80,000)	(902,000)
Non-deductible expenses (non-taxable revenue)	1,000	(37,000)
Unrecognized temporary differences	105,000	894,000
Adjustments for prior periods and reassessment	(3,000)	26,000
Non taxable gain on sale of long-term investments	(26,000)	-
Tax losses expired	-	22,000
Other	3,000	(3,000)
Recovery of deferred income taxes	-	-

The ability to realize the tax benefits is dependent upon a number of factors, including the sale of properties. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recognized. Unrecognized deferred tax assets amount to $3,000,000.

(in Canadian dollars)

16 Income taxes (cont'd)

Component of tax income (cont'd)

As at August 31, 2016 and 2015, the significant components of the Company's deferred income tax assets and liabilities are as follows:

	2016 $	2015 $
Deferred income tax assets		
Non-capital losses	1,293,000	1,203,000
Capital losses	-	2,000
Investments	139,000	157,000
Share and warrant issue expenses	37,000	4,000
Property and equipment and intangible assets	169,000	137,000
Exploration and evaluation assets	1,444,000	1,431,000
Asset retirement obligations	67,000	66,000
Unrecognized deferred income tax assets	3,149,000	3,000,000

As at August 31, 2016, the expiry dates of losses available to reduce future years' income tax are as follows:

	Federal $	Provincial $
2036	306,000	305,000
2035	410,000	409,000
2034	513,000	512,000
2033	436,000	434,000
2032	790,000	787,000
2031	687,000	705,000
2030	719,000	719,000
2029	816,000	818,000
2026	139,000	99,000
	4,816,000	4,788,000

As at August 31, 2016, the Corporation has accumulated capital losses in Canada for income tax purposes amounting to approximately $Nil (2015: $19,000), and these can be carried forward indefinitely against future capital gains.

17 Loss per share

For the years ended August 31, 2016 and 2015, the diluted loss per share was the same as the basic loss per share since the potential dilutive instruments had an anti-dilutive effect. Accordingly, the basic and diluted loss per share for those years were calculated using the basic weighted average number of shares outstanding of 38,490,821 in 2016 and of 37,636,996 in 2015.

(in Canadian dollars)

18 Leases

Operating lease

The Company has minimum aggregate commitments under a 19-month operating lease amounting to $64,111. Minimum lease payments are as follows:

	$
2017	40,491
2018	23,620

Lease payments recorded as an expense in 2016 amounted to $40,491 ($40,207 in 2015). This amount consists of minimum lease payments. The Company's operating lease will expire on March 31, 2018.

19 Financial instruments, financial risks and capital management

Classification

The Company's financial instruments as at August 31, 2016 consist of cash and cash equivalents, amounts receivable, investments and accounts payable, and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or to current market rates. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The fair value of the investments at fair value through profit and loss (in 2016) and available-for-sale investments (in 2015) is established using the closing price on the most beneficial active market for this instrument that is readily available to the Company.

The classification of the Company's financial instruments is summarized as follows:

		Fair value	
		2016 **$**	**2015** **$**
Financial assets	**Classification**		
Cash and cash equivalents	2016: Amortized cost 2015: Loans and receivables	3,802,175	1,236,964
Amounts receivable, net of allowance for doubtful accounts	2016: Amortized cost 2015: Loans and receivables	14,660	3,970
Investments	2016: Fair value through profit and loss 2015: Available for sale	156,034	71,918
		3,972,869	1,312,852
Financial liabilities			
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	411,367	103,364
Advances received for exploration work	Financial liabilities at amortized cost	582,715	-
		994,082	103,364

(in Canadian dollars)

19 Financial instruments, financial risks and capital management (cont'd)

Classification (cont'd)

The Company defines, as follows, the fair value hierarchy under which its financial instruments are valued: level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities; level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liabilities, either directly or indirectly; and level 3 includes inputs for the asset or liability that are not based on observable market data. Investments are considered level 1. There was no transfer of hierarchy level during the years ended August 31, 2016 and 2015.

Financial risks

The Company has exposure to various financial risks, such as credit risk, liquidity risk and market risk, from its use of financial instruments.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, amounts receivable and investments. Cash and cash equivalents are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating, from which management believes the risk of loss to be minimal.

The credit risk associated with trade accounts receivable from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from expenditures incurred on behalf of partners. In 2016, no allowance for doubtful accounts was recorded ($nil in 2015). The Company closely follows its cash position to reduce its credit risk on amounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a general downturn in stock market conditions or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2016, the Company had a cash and cash equivalents balance of $3,802,175 ($1,236,964 as at August 31, 2015) to settle current liabilities of $994,082 ($103,364 as at August 31, 2015). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (refer to note 1).

The following are the contractual maturities of financial liabilities, including interest where applicable as at August 31, 2016:

	Carrying amount $	**Contractual cash flows $**	**0 to 12 months $**	**12 to 24 months $**	**More than 24 months $**
Accounts payable and accrued liabilities, advances received for exploration work	994,082	994,082	994,082	-	-

(in Canadian dollars)

19 Financial instruments, financial risks and capital management (cont'd)

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments held with a Canadian chartered bank.

As at August 31, 2016, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing

Since cash and cash equivalents are subject to variable interest rates, a fluctuation of interest rate will have no impact on their fair value.

Equity risk

Equity 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. Changes in the fair value of investments at fair value through profit and loss (in 2016) and available-for-sale investments (in 2015) are recorded under other gains and losses in the statements of loss and comprehensive loss. For the Company's investments at fair value through profit and loss (in 2016) and available-for-sale investments (in 2015), a variation of ±10% of the quoted market prices as at August 31, 2016 would result in an estimated effect on the net income (loss) of $15,000 ($7,000 for the year ended August 31, 2015).

Capital management

The Company considers the items included in equity as capital components.

In terms of capital management, the objectives of the Company are to maximize its ability to be able to continue as a going concern. Management reviews its capital management approach on an ongoing basis and, as needed, the Company raises funds through private placements.

There were no significant changes in the Company's approach to capital management during the year ended August 31, 2016, and the Company is not subject to any externally imposed capital requirements, unless the Company closes a flow-through placement in which case the funds are reserved in use for exploration expenses. The variation of capital components is explained in the statements of changes in equity.

20 Additional cash flow information

	2016 **$**	**2015** **$**
Acquisition of E&E assets included in accounts payable and accrued liabilities	184,969	10,677
Depreciation of property and equipment included in E&E assets	13,720	22,432
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	78,319	60,151

21 Subsequent events

a) On September 22, 2016, the Company and Société Québécoise d'Exploration Minière ("SOQUEM") signed a Strategic Alliance agreement (the "Strategic Alliance") for a four-year period to identify major gold targets in the James Bay–Eeyou Istchee Territory of Quebec.

   Under the terms of the Strategic Alliance, the Company will provide SOQUEM with a Target Report identifying major gold targets based on a systematic mineral potential analysis, including advanced processing of geoscientific data and subsequent validation steps. SOQUEM will select four (4) targets to be converted into properties at SOQUEM's cost, with initial ownership in the properties being 50% by the Company and 50% by SOQUEM. Furthermore, SOQUEM has the option to acquire the Company's interest by investing a total of $3 million in exploration work over four years, including diamond drilling, at which point the Company will retain a 2% NSR royalty interest of which 0.8% can be bought back for $800,000 in cash. Azimut will be the operator during the Strategic Alliance, and SOQUEM has an option to provide up to 50% of the field personnel.

b) On October 3, 2016, under the Strategic Alliance, the Company and SOQUEM acquired four (4) gold exploration properties by map designation. The properties - Munischiwan, Pikwa, Pontois and Desceliers - comprise 1,280 claims covering 658.3 km^2.

c) On October 7, 2016, the Company granted a total of 735,000 stock options to its directors, officers, employees and consultants. Of this number, 640,000 were granted to its directors and officers, and 95,000 to its employees and consultants. These options have an exercise price of $0.52 per share and are exercisable during a 10-year period.