

# **Azimut Exploration Inc.**

Unaudited Condensed Interim Financial Statements

**February 28, 2019**

(expressed in Canadian dollars, except share amounts)

# Azimut Exploration Inc.

## Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at February 28, 2019 \$	As at August 31, 2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	2,166,384	2,487,979
Amounts receivable (Note 4)	572,529	826,973
Prepaid expenses	26,676	41,871
	<u>2,765,589</u>	<u>3,356,823</u>
<b>Non-current assets</b>		
Tax credit and mining rights receivable	329,604	114,204
Investments (Note 5)	50,854	126,930
Property and equipment (Note 6)	78,750	96,644
Intangible assets (less accumulated amortization of \$22,918; \$22,742 as at August 31, 2018)	990	1,166
Exploration and evaluation assets (Note 7)	5,361,063	4,274,015
	<u>5,821,261</u>	<u>4,612,959</u>
<b>Total assets</b>	<u>8,586,850</u>	<u>7,969,782</u>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,007,385	1,000,369
Advances received for exploration work	538,651	787,887
Flow-through shares premium liability (Note 9)	-	72,853
	<u>1,546,036</u>	<u>1,861,109</u>
<b>Non-current liabilities</b>		
Asset retirement obligations (Note 8)	248,492	249,168
	<u>248,492</u>	<u>249,168</u>
<b>Total liabilities</b>	<u>1,794,528</u>	<u>2,110,277</u>
<b>Equity</b>		
Share capital (Note 9)	24,684,276	23,677,449
Warrants (Note 9)	78,800	-
Stock options (Note 10)	1,509,962	1,503,141
Contributed surplus	3,761,610	3,761,610
Deficit	(23,242,326)	(23,082,695)
<b>Total equity</b>	<u>6,792,322</u>	<u>5,859,505</u>
<b>Total liabilities and equity</b>	<u>8,586,850</u>	<u>7,969,782</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) For the three and six months ended February 28, 2019

	Three months ended February 28,		Six months ended February 28,	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Revenues</b>				
Management income (Notes 7a, c, e, f, g and h)	21,425	15,031	57,224	67,171
<b>Expenses</b>				
General and administrative (Note 11)	140,715	115,464	237,105	188,786
General exploration (Note 11)	28,540	5,925	41,883	8,286
Impairment of property and equipment	-	1,784	-	1,784
Impairment of exploration and evaluation assets	-	-	132	-
<b>Operating expenses</b>	169,255	123,173	279,120	198,856
<b>Financing cost (income), net</b>				
Interest income	(7,609)	(7,453)	(16,815)	(12,581)
Interest and bank charges	346	309	641	553
Unwinding of discount on asset retirement obligations	495	463	833	926
	(6,768)	(6,681)	(15,341)	(11,102)
<b>Other (gains) losses</b>				
Other gains	(374)	(2,147)	(498)	(2,147)
Change in fair value – investments	(10,822)	(84,740)	26,427	(201,237)
	(11,196)	(86,887)	25,929	(203,384)
<b>Income (Loss) before income taxes</b>	(129,866)	(14,574)	(232,484)	82,801
Deferred income tax recovery (Note 9)	31,634	35,183	72,853	35,183
<b>Income (Loss) and comprehensive income (loss) for the period</b>	(98,232)	20,609	(159,631)	117,984
<b>Basic and diluted income (loss) per share</b>	(0.002)	0.000	(0.003)	0.003
<b>Basic and diluted weighted average number of shares outstanding</b>	51,949,047	47,595,052	50,244,908	46,521,374

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 and six-month periods ended February 28, 2019

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Total
	Number <sup>(1)</sup>	\$	Number	\$	Number	\$	\$	\$	\$
<b>Balance as at September 1, 2018</b>	48,559,496	23,677,449	-	-	4,095,000	1,503,141	3,761,610	(23,082,695)	5,859,505
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(159,631)	(159,631)
	48,559,496	23,677,449	-	-	4,095,000	1,503,141	3,761,610	(23,242,326)	5,699,874
Issuance of units (Note 9)	4,421,153	1,070,700	2,210,576	78,800	-	-	-	-	1,149,500
Stock-based compensation	-	-	-	-	-	6,821	-	-	6,821
Share issue expenses	-	(63,873)	-	-	-	-	-	-	(63,873)
<b>Balance as at February 28, 2019</b>	<b>52,980,649</b>	<b>24,684,276</b>	<b>2,210,576</b>	<b>78,800</b>	<b>4,095,000</b>	<b>1,509,962</b>	<b>3,761,610</b>	<b>(23,242,326)</b>	<b>6,792,322</b>
<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
Loss for the period	-	-	-	-	-	-	-	117,984	117,984
	45,459,496	22,676,042	4,489,584	514,032	3,390,000	1,281,201	3,237,178	(22,945,786)	4,762,667
Flow-through private placement (Note 9)	3,100,000	1,550,000	-	-	-	-	-	-	1,550,000
Less: Premium	-	(527,000)	-	-	-	-	-	-	(527,000)
Share issue expenses	-	(21,593)	-	-	-	-	-	-	(21,593)
<b>Balance as at February 28, 2018</b>	<b>48,559,496</b>	<b>23,677,449</b>	<b>4,489,584</b>	<b>514,032</b>	<b>3,390,000</b>	<b>1,281,201</b>	<b>3,237,178</b>	<b>(22,945,786)</b>	<b>5,764,074</b>

<sup>(1)</sup> An unlimited number of common shares are authorized, without par value, voting and participating. There were no unpaid common shares as at February 28, 2019 (Nil in 2018).

*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 and six-month periods ended February 28, 2019

	<b>Six months ended</b>	
	<b>February 28,</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Income (Loss) for the period	(159,631)	117,984
Items not affecting cash		
Depreciation of property and equipment	2,432	1,730
Amortization of intangible assets	176	250
Change in fair value – investment	26,427	(201,237)
Impairment of property and equipment	-	1,784
Gain on sale of equipment	-	(2,147)
Refundable duties credit for losses and refundable tax credit relating to resources, net	72,516	(2,330)
Stock-based compensation cost	6,821	-
Unwinding of discount on asset retirement obligations	833	926
Recovery of deferred income taxes	(72,853)	(35,183)
	<u>(123,279)</u>	<u>(118,223)</u>
Changes in non-cash working capital items		
Amounts receivable	233,103	103,455
Prepaid expenses	15,194	(6,714)
Accounts payable and accrued liabilities	383,735	(81,636)
	<u>632,032</u>	<u>15,105</u>
	<u>508,753</u>	<u>(103,118)</u>
<b>Cash flows from financing activities</b>		
Unit private placement, net of issue expenses	1,085,627	-
Flow-through private placement, net of issue expenses	-	1,528,407
	<u>1,085,627</u>	<u>1,528,407</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	49,649	87,443
Proceeds from sale of equipment	-	3,400
Advance received for exploration work	700,000	484,572
Additions to property and equipment	(2,868)	(32,104)
Additions to exploration and evaluation assets	(2,745,787)	(2,439,503)
Tax credit and mining rights received	83,031	-
	<u>(1,915,975)</u>	<u>(1,896,192)</u>
<b>Net change in cash and cash equivalents</b>	(321,595)	(470,903)
<b>Cash and cash equivalents – Beginning of the period</b>	<u>2,487,979</u>	<u>4,138,853</u>
<b>Cash and cash equivalents – End of the period</b>	<u>2,166,384</u>	<u>3,667,950</u>
<b>Additional information</b>		
Interest received	(16,815)	(17,095)
Interest paid	9	-
<b>Additional cash flow information (Note 13)</b>		

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

# Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 28, 2019

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## 1 Nature of operations, general information and liquidity

Azimet Exploration Inc. (“Azimet” 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 224, 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 February 28, 2019, the Company has working capital of \$1,219,555 (\$1,495,714 - August 31, 2018) including cash and cash equivalents of \$2,166,384 (\$2,487,979 – August 31, 2018) and an accumulated deficit of \$23,242,326 (\$23,082,695 – August 31, 2018). The Company incurred a loss of \$159,632 (income of \$117,984 – February 28, 2018) for the six months 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 the Company’s exploration and evaluation programs on its properties and the Company’s operation beyond February 28, 2020, the Company will periodically need to raise additional funds through the issuance of new equity instruments, the exercise of stock options and the search for 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 and six months ended February 28, 2019

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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, 2018, 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 April 24, 2019.

### 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, 2018.

## 3 Cash and cash equivalents

As at February 28, 2019, cash and cash equivalents of \$2,166,384 (\$2,487,979 – August 31, 2018) include \$253,473 (\$1,252,735 – August 31, 2018) of guaranteed investment certificates bearing interest at 1.10% (1.10% – August 31, 2018), cashable any time without penalty, and an amount of \$Nil (\$214,273 – August 31, 2018) reserved for exploration expenses pursuant to a flow-through financing agreement.

## 4 Amounts receivable

	As at February 28, 2019 \$	As at August 31, 2018 \$
Tax credit and mining rights receivable	397,338	559,084
Commodity taxes	137,899	227,112
Amounts receivable	37,292	40,777
	<u>572,529</u>	<u>826,973</u>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 28, 2019

## 5 Investments

	As at February 28, 2019			As at August 31, 2018		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Eastmain Resources Inc.	0.135	20,000	2,700	0.205	20,000	4,100
Captor Capital Corp. <sup>(*)</sup>	1.890	17,500	33,075	0.155	350,000	54,250
Albert Mining Inc.	-	-	-	0.030	19,600	588
Silver Spruce Resources Inc.	0.020	30,000	600	0.030	30,000	900
Vision Lithium Inc.	0.110	25,000	2,750	0.250	25,000	6,250
Nemaska Lithium Inc.	-	-	-	0.800	59,272	47,418
Monarques Resources Inc.	0.225	10,464	2,354	0.190	10,464	1,988
West African Resources Ltd	0.250	37,500	9,375	0.310	37,500	11,436
			<u>50,854</u>			<u>126,930</u>

<sup>(\*)</sup> Securities were consolidated on the basis of one (1) new security for twenty (20) existing securities.

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 and six months ended February 28, 2019

## 6 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Vehicles \$	Total \$
<b>Year ended August 31, 2018</b>							
Opening net book amount	1,782	3,905	4,612	1,705	95,433	754	108,191
Additions	-	15,532	-	-	20,519	-	36,051
Disposition	-	-	-	(1,253)	-	-	(1,253)
Write-off	-	(1,785)	-	-	-	-	(1,785)
Depreciation for the period <sup>(1)</sup>	(356)	(1,976)	(1,384)	(136)	(40,480)	(228)	(44,560)
<b>Closing net book amount</b>	<b>1,426</b>	<b>15,676</b>	<b>3,228</b>	<b>316</b>	<b>75,472</b>	<b>526</b>	<b>96,644</b>
<b>As at August 31, 2018</b>							
Cost	20,542	28,908	39,791	14,832	598,322	3,702	706,097
Accumulated depreciation	(19,116)	(13,232)	(36,563)	(14,516)	(522,850)	(3,176)	(609,453)
<b>Net book amount</b>	<b>1,426</b>	<b>15,676</b>	<b>3,228</b>	<b>316</b>	<b>75,472</b>	<b>526</b>	<b>96,644</b>
<b>Period ended February 28, 2019</b>							
Opening net book amount	1,426	15,676	3,228	316	75,472	526	96,644
Additions	-	1,006	1,862	-	-	-	2,868
Change in asset retirement obligations estimate	-	-	-	-	(1,509)	-	(1,509)
Depreciation for the period <sup>(1)</sup>	(142)	(1,618)	(624)	(48)	(16,741)	(80)	(19,253)
<b>Closing net book amount</b>	<b>1,284</b>	<b>15,064</b>	<b>4,466</b>	<b>268</b>	<b>57,222</b>	<b>446</b>	<b>78,750</b>
<b>As at February 28, 2019</b>							
Cost	20,542	29,914	41,653	14,832	596,813	3,702	707,456
Accumulated depreciation	(19,258)	(14,850)	(37,187)	(14,564)	(539,591)	(3,256)	(628,706)
<b>Net book amount</b>	<b>1,284</b>	<b>15,064</b>	<b>4,466</b>	<b>268</b>	<b>57,222</b>	<b>446</b>	<b>78,750</b>

<sup>(1)</sup> The depreciation of the camp and vehicles is included in E&E assets in the amount of \$16,822 (\$40,708 – August 31, 2018).

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three and six months ended February 28, 2019

## 7 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

### Change in exploration and evaluation assets in 2019

Mineral property	Undivided interest	Cost as at August 31, 2018	Additions	Option payments	Proceeds received	Tax credit	Cost as at February 28, 2019	Accumulated impairment as at August 31, 2018	Impairment	Accumulated impairment as at February 28, 2019	Net book amount as at February 28, 2019
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>James Bay – Gold</b>											
Opinaca A	(a)	50									
Acquisition costs		35,710	88	-	-	-	35,798	-	-	-	35,798
Exploration costs		27,881	4,384	-	-	(1,450)	30,815	-	-	-	30,815
		63,591	4,472	-	-	(1,450)	66,613	-	-	-	66,613
Opinaca B	(b)	50									
Acquisition costs		195	-	-	-	-	195	-	-	-	195
Exploration costs		5,035	625	-	-	-	5,660	-	-	-	5,660
		5,230	625	-	-	-	5,855	-	-	-	5,855
Eleonore South	(c)	26.57									
Acquisition costs		41,126	-	-	-	-	41,126	-	-	-	41,126
Exploration costs		1,029,800	544,821	-	-	(146,400)	1,428,221	-	-	-	1,428,221
		1,070,926	544,821	-	-	(146,400)	1,469,347	-	-	-	1,469,347
Opinaca D		100									
Acquisition costs		113,748	7,080	-	-	-	120,828	(54,975)	-	(54,975)	65,853
Exploration costs		224,214	17,435	-	-	(550)	241,099	(8,006)	-	(8,006)	233,093
		337,962	24,515	-	-	(550)	361,927	(62,981)	-	(62,981)	298,946
Wabamisk	(d)	49									
Acquisition costs		2,878	-	-	-	-	2,878	-	-	-	2,878
Exploration costs		17,360	10,785	-	-	(4,500)	23,645	-	-	-	23,645
		20,238	10,785	-	-	(4,500)	26,523	-	-	-	26,523
Valore		100									
Acquisition costs		33,178	-	-	-	-	33,178	-	-	-	33,178
Exploration costs		36,765	442	-	-	(150)	37,057	-	-	-	37,057
		69,943	442	-	-	(150)	70,235	-	-	-	70,235
SOQUEM JV	(e)	50									
Acquisition costs		4	-	-	-	-	4	-	-	-	4
Exploration costs		-	-	-	-	-	-	-	-	-	-
		4	-	-	-	-	4	-	-	-	4
Dalmas	(f)	50									
Acquisition costs		162	-	-	-	-	162	-	-	-	162
Exploration costs		-	-	-	-	-	-	-	-	-	-
		162	-	-	-	-	162	-	-	-	162
Galinée	(g)	50									
Acquisition costs		163	-	-	-	-	163	-	-	-	163
Exploration costs		-	-	-	-	-	-	-	-	-	-
		163	-	-	-	-	163	-	-	-	163

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
(Unaudited) For the three and six months ended February 28, 2019

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

### Change in exploration and evaluation assets in 2019 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2018	Additions	Option payments	Proceeds received	Tax credit	Cost as at February 28, 2019	Accumulated impairment as at August 31, 2018	Impairment	Accumulated impairment as at February 28, 2019	Net book amount as at February 28, 2019
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>James Bay – Gold (cont'd)</b>											
SOQUEM Alliance	(h)	100									
Acquisition costs		58,578	1,188	-	-	-	59,766	(28,128)	-	(28,128)	31,638
Exploration costs		-	-	-	-	-	-	-	-	-	-
		58,578	1,188	-	-	-	59,766	(28,128)	-	(28,128)	31,638
SOQUEM Alliance – Others	(i)	100									
Acquisition costs		59,119	1,540	-	-	-	60,659	-	-	-	60,659
Exploration costs		27,726	45,313	-	-	(13,050)	59,989	-	-	-	59,989
		86,845	46,853	-	-	(13,050)	120,648	-	-	-	120,648
Kaanaayaa		100									
Acquisition costs		-	47,217	-	-	-	47,217	-	-	-	47,217
Exploration costs		-	2,977	-	-	(1,000)	1,977	-	-	-	1,977
		-	50,194	-	-	(1,000)	49,194	-	-	-	49,194
<b>Total James Bay – Gold</b>		1,713,642	683,895	-	-	(167,100)	2,230,437	(91,109)	-	(91,109)	2,139,328
<b>James Bay – Chromium-PGE</b>											
Chromaska		100									
Acquisition costs		30,672	2,257	-	-	-	32,929	(10,551)	-	(10,551)	22,378
Exploration costs		899,494	12,015	-	-	(3,700)	907,809	(105,334)	-	(105,334)	802,475
<b>Total James Bay – Chromium-PGE</b>		930,166	14,272	-	-	(3,700)	940,738	(115,885)	-	(115,885)	824,853
<b>James Bay – Zinc</b>											
Cawachaga		100									
Acquisition costs		6,729	-	-	-	-	6,729	-	-	-	6,729
Exploration costs		-	1,143	-	-	(450)	693	-	-	-	693
<b>Total James Bay – Zinc</b>		6,729	1,143	-	-	(450)	7,422	-	-	-	7,422
<b>James Bay - Polymetallic</b>											
Elmer		100									
Acquisition costs		20,045	12,092	-	-	-	32,137	-	-	-	32,137
Exploration costs		2,219	54,133	-	-	(22,000)	34,352	-	-	-	34,352
<b>Total James Bay - Polymetallic</b>		22,264	66,225	-	-	(22,000)	66,489	-	-	-	66,489
<b>Total James Bay</b>		2,672,801	765,535	-	-	(193,250)	3,245,086	(206,994)	-	(206,994)	3,038,092

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
(Unaudited) For the three and six months ended February 28, 2019

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

### Change in exploration and evaluation assets in 2019 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2018	Additions	Option payments	Proceeds received	Tax credit	Cost as at February 28, 2019	Accumulated impairment as at August 31, 2018	Impairment	Accumulated impairment as at February 28, 2019	Net book amount as at February 28, 2019
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Nunavik – Polymetallic</b>											
Rex	(k)	100									
Acquisition costs		1,279,411	123,960	-	-	-	1,403,371	(1,054,369)	-	(1,054,369)	349,002
Exploration costs		4,025,297	8,280	-	-	(3,250)	4,030,327	(3,134,729)	-	(3,134,729)	895,598
		5,304,708	132,240	-	-	(3,250)	5,433,698	(4,189,098)	-	(4,189,098)	1,244,600
Duquet	(j) & (k)	100									
Acquisition costs		3,776	3,549	-	-	-	7,325	-	-	-	7,325
Exploration costs		280	10,110	-	-	(4,400)	5,990	-	-	-	5,990
		4,056	13,659	-	-	(4,400)	13,315	-	-	-	13,315
Rex South	(k)	100									
Acquisition costs		436,197	175,356	-	-	-	611,553	(104,513)	-	(104,513)	507,040
Exploration costs		335,864	10,073	-	-	(3,600)	342,337	(145,089)	-	(145,089)	197,248
		772,061	185,429	-	-	(3,600)	953,890	(249,602)	-	(249,602)	704,288
NCG*		100									
Acquisition costs		738,162	-	-	-	-	738,162	(738,162)	-	(738,162)	-
Exploration costs		982,241	-	-	-	-	982,241	(982,241)	-	(982,241)	-
		1,720,403	-	-	-	-	1,720,403	(1,720,403)	-	(1,720,403)	-
Qassitug		100									
Acquisition costs		41,534	-	-	-	-	41,534	(37,163)	-	(37,163)	4,371
Exploration costs		35,743	-	-	-	-	35,743	(35,706)	-	(35,706)	37
		77,277	-	-	-	-	77,277	(72,869)	-	(72,869)	4,408
<b>Total Nunavik – Polymetallic</b>		<b>7,878,505</b>	<b>331,328</b>	<b>-</b>	<b>-</b>	<b>(11,250)</b>	<b>8,198,583</b>	<b>(6,231,972)</b>	<b>-</b>	<b>(6,231,972)</b>	<b>1,966,611</b>
<b>Nunavik – Gold</b>											
Nantais	(k)	100									
Acquisition costs		143,219	49,731	-	-	-	192,950	(95,299)	-	(95,299)	97,651
Exploration costs		317,332	10,837	-	-	(4,700)	323,469	(204,913)	-	(204,913)	118,556
<b>Total Nunavik – Gold</b>		<b>460,551</b>	<b>60,568</b>	<b>-</b>	<b>-</b>	<b>(4,700)</b>	<b>516,419</b>	<b>(300,212)</b>	<b>-</b>	<b>(300,212)</b>	<b>216,207</b>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
(Unaudited) For the three and six months ended February 28, 2019

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

### Change in exploration and evaluation assets in 2019 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2018	Additions	Option payments	Proceeds received	Tax credit	Cost as at February 28, 2019	Accumulated impairment as at August 31, 2018	Impairment	Accumulated impairment as at February 28, 2019	Net book amount as at February 28, 2019
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Nunavik – Uranium</b>											
North Rae *	100										
Acquisition costs		484,706	132	-	-	-	484,838	(484,706)	(132)	(484,838)	-
Exploration costs		707,167	-	-	-	-	707,167	(707,167)	-	(707,167)	-
<b>Total Nunavik – Uranium</b>		<b>1,191,873</b>	<b>132</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,192,005</b>	<b>(1,191,873)</b>	<b>(132)</b>	<b>(1,192,005)</b>	<b>-</b>
<b>Total Nunavik</b>		<b>9,530,929</b>	<b>392,028</b>	<b>-</b>	<b>-</b>	<b>(15,950)</b>	<b>9,907,007</b>	<b>(7,724,057)</b>	<b>(132)</b>	<b>(7,724,189)</b>	<b>2,182,818</b>
<b>Total E&amp;E assets</b>		<b>12,203,730</b>	<b>1,157,563</b>	<b>-</b>	<b>-</b>	<b>(209,200)</b>	<b>13,152,093</b>	<b>(7,931,051)</b>	<b>(132)</b>	<b>(7,931,183)</b>	<b>5,220,910</b>

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

	February 28, 2019	August 31, 2018
	\$	\$
Acquisition and exploration costs	5,220,910	4,272,679
Prepaid exploration expenses	140,153	1,336
	<b>5,361,063</b>	<b>4,274,015</b>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 28, 2019

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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”), 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 (2) 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 (4<sup>th</sup>) anniversary. 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 (8<sup>th</sup>) 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 February 28, 2019, Hecla has made cumulative cash payments of \$580,000 (\$580,000 – August 31, 2018) 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 2018). Hecla’s fulfillment 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 Resources”) on the Eleonore South Property, which includes 166 claims of the Opinaca C Property and 116 claims owned by Goldcorp. In February 2008, Eastmain Resources 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 February 28, 2019, 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 \$5,875,687 (\$5,817,916 – August 31, 2018) to cover exploration work. The allocation of expenditures was as follows: Azimut \$1,561,170 (\$1,545,820 – August 31, 2018) Goldcorp \$2,156,965 (\$2,135,757 – August 31, 2018) and Eastmain Resources \$2,157,552 (\$2,136,339 – August 31, 2018).

- 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 with SOQUEM Inc. (“SOQUEM”) to identify, acquire and explore highly prospective gold targets in the James Bay region (Eeyou Istchee James Bay Territory) of Quebec (the “James Bay Alliance”). Under the terms of the Alliance, Azimut delivered a target report to SOQUEM in exchange for a cash payment of \$100,000.

On September 22, 2016, at SOQUEM’s cost, four properties were acquired under the terms of the “James Bay Alliance”: Munischiwan, Pikwa, Pontois and Desceliers (the “SOQUEM JV Properties”). Each partner owns a 50% interest in the SOQUEM JV Properties. SOQUEM has the option to acquire Azimut’s interest by investing a total of \$3 million in work expenditures over four (4) 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. As at February 28, 2019, SOQUEM’s cumulative investment in work expenditures is \$2,775,746 (\$2,075,746 – August 31, 2018).

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 28, 2019

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

On February 22, 2019, the Company and SOQUEM agreed to amend the terms of the James Bay Alliance. A 50% back-in option for Azimut that will come into effect once SOQUEM has earned a 100% interest in the SOQUEM JV Properties, pursuant to the terms of the existing James Bay Alliance. Azimut will then have the option to regain a 50% interest in the subject properties by investing \$3.31 million in exploration work during a period of three (3) years, representing the same amount initially invested by SOQUEM under the existing James Bay Alliance. Azimut will remain operator during this earn-in option period. The transaction is subject to regulatory approvals and the execution of definitive agreements between SOQUEM and Azimut.

- f) On June 20, 2018, based on data acquired through a reconnaissance program (see *h*), SOQUEM reached an agreement with Azimut to convert Dalmas into a joint venture property by making a cash payment of \$12,421 for the staking cost of the mining claims acquired in 2017 and 2018. Each partner owns a 50% interest in the Dalmas Property. SOQUEM has the option to acquire Azimut's interest by investing a total of \$750,000 in work expenditures over four (4) years, including diamond drilling. Azimut will retain a 2% NSR royalty of which 0.8% can be bought back for \$800,000 in cash. As at February 28, 2019, SOQUEM's cumulative investment in work expenditures is \$100,157 (\$80,827 – August 31, 2018).

On February 22, 2019, the Company and SOQUEM agreed to amend the terms of the existing James Bay Alliance so that each will retain a 50% interest in the Dalmas Property. Azimut will remain the operator. The transaction is subject to regulatory approvals and the execution of definitive agreements between SOQUEM and Azimut.

- g) On June 20, 2018, based on data acquired through a reconnaissance program (see *h*), SOQUEM reached an agreement with Azimut to convert Galinée into a joint venture property by making a cash payment of \$87,900 for the staking cost of mining claims acquired in 2017 and 2018. Each partner owns a 50% interest in the Galinée Property. SOQUEM has the option to acquire Azimut's interest by investing a total of \$1,500,000 in work expenditures over four (4) years, including diamond drilling. Azimut will retain a 2% NSR royalty of which 0.8% can be bought back for \$800,000 in cash. As at February 28, 2019, SOQUEM's cumulative investment in work expenditures is \$441,525 (\$297,261 – August 31, 2018).

On February 22, 2019, the Company and SOQUEM agreed to amend the terms of the existing James Bay Alliance so that each will retain a 50% interest in the Galinée Property. Azimut will remain the operator. The transaction is subject to regulatory approvals and the execution of definitive agreements between SOQUEM and Azimut.

- h) On May 5, 2017, SOQUEM agreed to fully fund a reconnaissance exploration program to acquire data which will be used to decide which properties will be retained for additional investment under the terms of the James Bay Alliance (the "SOQUEM Alliance Properties"): Dalmas (see *f*), Galinée (see *g*), Synclinal, Corvet, Sauvolles and Orsigny.

On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to acquire an interest in Corvet and Synclinal. The transaction is subject to regulatory approvals and the execution of definitive agreements between SOQUEM and Azimut.

- i) On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to acquire an interest in Duxbury and Kukamas East. The transaction is subject to regulatory approvals and the execution of definitive agreements between SOQUEM and Azimut.
- j) 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.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 28, 2019

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

- k) On February 22, 2019 the Company and SOQUEM signed a letter agreement to form a new alliance in Nunavik (the "Nunavik Alliance") under which SOQUEM will have the option to earn an initial 50% interest in the Rex-Duquet, Rex South and Nantais properties by investing \$16 million in exploration work during a period of four (4) years, of which the first two (2) years is a firm commitment of \$4 million each year. SOQUEM may also acquire an additional 10% interest by investing \$8 million per designated property during a period of two (2) years including the delivery of a preliminary economic assessment.

Azimut will be the operator of the Nunavik Alliance. The transaction is subject to regulatory approvals and the execution of definitive agreements between SOQUEM and Azimut.

## 8 Asset retirement obligations

	February 28, 2019	August 31, 2018
	\$	\$
Balance – Beginning of the period	249,168	247,313
Change in estimate	(1,509)	-
Unwinding of discount on asset retirement obligations	833	1,855
Balance – End of the period	<u>248,492</u>	<u>249,168</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% – August 31, 2018) was used to estimate the obligations in 2019. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2020. 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 2020. 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

### Issuance of units

On December 21, 2018, the Company completed a non-brokered private placement of \$1,149,500 representing 4,421,153 units at \$0.26 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 \$0.35 until June 21, 2020.

From the total compensation received from the units, \$78,800 has been allocated to warrants and \$1,070,700 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 1.90%, expected life of 18 months, annualized volatility rate of 54% (based on the Company's historical volatility for 18 months up to the issuance date) and dividend rate of 0%.

# Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 28, 2019

## 9 Share capital (cont'd)

### Flow-through shares

	February 28, 2019 \$	August 31, 2018 \$
Flow-Through share premium – Beginning of the period	72,853	-
Addition	-	527,000
Amortization	(72,853)	(454,147)
Flow-through share premiums – End of the period	<u>-</u>	<u>72,853</u>

On December 28, 2017, the Company completed a private placement by issuing 3,100,000 flow-through shares at \$0.50 per share for aggregate gross proceeds of \$1,550,000. The flow-through shares were issued at a \$0.17 premium to the closing price of the Company shares on the TSX-V at the day of issue. The premium is recognized as a flow-through share premium liability of \$527,000, with a subsequent pro-rata reduction of the liability recognized as a tax recovery expense as the eligible expenditures are incurred. No commissions or finder's fees were paid in respect of the offering.

## 10 Stock options

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.

The following tables summarize the information about stock options outstanding and vested as at February 28, 2019:

Exercise price \$	Options outstanding	Options vested	Weighted average remaining contractual life (years)
0.190	580,000	580,000	4.42
0.200	580,000	580,000	6.07
0.305	50,000	50,000	9.01
0.340	* 400,000	400,000	0.12
0.355	100,000	67,000	9.08
0.370	520,000	520,000	9.06
0.400	75,000	75,000	9.14
0.450	325,000	325,000	3.19
0.520	735,000	735,000	7.61
0.600	50,000	50,000	1.40
0.660	300,000	300,000	1.02
0.800	340,000	340,000	1.88
1.250	40,000	40,000	2.09
	<u>4,095,000</u>	<u>4,062,000</u>	<u>5.04</u>

\* 320,000 stock options subsequently exercised by directors and officers for total proceeds of \$108,800

# Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 28, 2019

## 10 Stock options (cont'd)

On March 28, 2018, the Company granted 100,000 options to an employee with an exercise price of \$0.355 per option. Of these, 34,000 stock options were vested immediately, an additional 33,000 stock options were vested on September 28, 2018, and an additional 33,000 stock options will vest on March 28, 2019. The fair value of the granted options amounted to \$31,000, of which an amount of \$6,821 (\$22,540 – August 31, 2018) was charged to general exploration. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 2%, expected life of 10 years, annualized volatility rate of 96.7%, and dividend rate of 0%.

## 11 Expenses by nature

	Three months ended February 28,		Six months ended February 28,	
	2019 \$	2018 \$	2019 \$	2018 \$
Salaries and fringe benefits	54,604	42,430	76,217	72,467
Professional and maintenance fees	29,829	10,581	34,748	15,475
Administration and office	19,439	17,720	31,425	24,572
Business development and administration fees	8,064	6,118	9,080	6,456
Advertising	733	355	1,133	435
Rent	15,569	10,363	31,139	20,725
Insurance	5,312	5,302	10,800	10,336
Travel and entertainment	6,270	21,499	36,397	36,340
Depreciation of property and equipment	1,311	971	2,432	1,730
Amortization of intangible assets	88	125	176	250
Part XII.6 Tax	(662)	-	38	-
Trademark	158	-	3,520	-
<b>General and administrative expenses</b>	<b>140,715</b>	<b>115,464</b>	<b>237,105</b>	<b>188,786</b>
Salaries for search of properties	31,300	4,945	38,300	5,405
Other exploration expenses	882	2,860	2,962	5,211
Stock-based compensation	2,558	-	6,821	-
Refundable duties credit for losses and refundable tax credit for resources, net	(6,200)	(1,880)	(6,200)	(2,330)
<b>General exploration</b>	<b>28,540</b>	<b>5,925</b>	<b>41,883</b>	<b>8,286</b>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 28, 2019

## 12 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:

	Six months ended February 28,	
	2019 \$	2018 \$
Salaries	158,840	144,702
Director fees	18,500	-
	<u>177,340</u>	<u>144,702</u>

As at February 28, 2019, an amount of \$57,375 for salaries (\$75,440 – February 28, 2018) is capitalized to E&E assets.

As at February 28, 2019, accounts payable and accrued liabilities include an amount of \$271,636 (\$157,289 – February 28, 2018) owed to key management.

In the event that termination of employment is for reasons other than gross negligence, the CEO and CFO will be entitled to receive an indemnity equal to twelve (12) months of salary. 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.

## 13 Additional cash flow information

	Six months ended February 28,	
	2019 \$	2018 \$
Acquisition of E&E assets included in accounts payable and accrued liabilities	323,143	376,855
Depreciation of property and equipment included in E&E assets	16,822	20,354
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	209,200	114,280