

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements
May 31, 2018
(expressed in Canadian dollars)

Azimut Exploration Inc.

Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at May 31, 2018 \$	As at August 31, 2017 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	2,173,226	4,138,853
Amounts receivable (note 4)	803,312	652,474
Prepaid expenses	22,825	18,876
	<u>2,999,363</u>	<u>4,810,203</u>
Non-current assets		
Mining rights receivable	76,954	63,314
Investments (note 5)	170,686	174,454
Property and equipment (note 6)	104,132	108,191
Intangible assets		
(less accumulated amortization of \$22,617; \$22,242 as at August 31, 2017)	1,291	1,666
Exploration and evaluation assets (note 7)	3,825,749	2,522,671
	<u>4,178,812</u>	<u>2,870,296</u>
Total assets	<u>7,178,175</u>	<u>7,680,499</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	618,440	1,182,574
Advances received for exploration work	258,244	1,605,929
Flow-through shares premium liability (note 9)	226,262	-
	<u>1,102,946</u>	<u>2,788,503</u>
Non-current liabilities		
Asset retirement obligations (note 8)	248,703	247,313
	<u>248,703</u>	<u>247,313</u>
Total liabilities	<u>1,351,649</u>	<u>3,035,816</u>
Equity		
Share capital (note 9)	23,677,449	22,676,042
Warrants (note 10)	514,032	514,032
Stock options (note 11)	1,481,541	1,281,201
Contributed surplus	3,237,178	3,237,178
Deficit	(23,083,674)	(23,063,770)
Total equity	<u>5,826,526</u>	<u>4,644,683</u>
Total liabilities and equity	<u>7,178,175</u>	<u>7,680,499</u>

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

Approved by the Board of Directors

(s) Jean-Charles Potvin _____ Director

(s) Jean-Marc Lulin _____ Director

(2)

Azimut Exploration Inc.

Interim Statements of Loss and Comprehensive Loss

(in Canadian dollars)

(Unaudited)

	Three-month period ended		Nine-month period ended	
	May 31, 2018 \$	May 31, 2017 \$	May 31, 2018 \$	May 31, 2017 \$
Revenue				
Management income (note 7c, e and f)	48,926	45,395	116,097	107,263
Expenses				
General and administration (note 12)	297,273	69,617	486,059	529,335
General exploration (note 12)	55,670	5,125	63,956	52,132
Impairment of property and equipment	-	-	1,784	-
Impairment of exploration and evaluation assets	-	-	-	246
Operating loss	352,943	74,742	551,799	581,713
Financing cost (income), net				
Interest income	(8,976)	(4,814)	(21,557)	(11,788)
Interest and bank charges	304	236	857	642
Unwinding of discount on asset retirement obligations	464	465	1,390	1,393
	(8,208)	(4,113)	(19,310)	(9,753)
Other gains and losses				
Other gains	(9,928)	-	(12,075)	(100,000)
Change in fair value – investments	117,562	(3,008)	(83,675)	(17,476)
	107,634	(3,008)	(95,750)	(117,476)
Loss before income taxes	403,443	22,226	320,642	347,221
Recovery of deferred income taxes	265,555	-	300,738	-
Net loss and comprehensive loss for the period	137,888	22,226	19,904	347,221
Basic and diluted loss per share (note 13)	0.003	0.000	0.000	0.008
Basic and diluted weighted average number of shares outstanding	48,082,573	45,459,496	47,208,214	45,459,240

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 nine-month periods ended May 31, 2018

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Total
	Number ⁽¹⁾	\$	Number	\$	Number	\$	\$	\$	\$
Balance as at September 1, 2017	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	-	-	-	-	-	-	-	(19,904)	(19,904)
	<u>45,459,496</u>	<u>22,676,042</u>	<u>4,489,584</u>	<u>514,032</u>	<u>3,390,000</u>	<u>1,281,201</u>	<u>3,237,178</u>	<u>(23,083,674)</u>	<u>4,624,779</u>
Flow-through private placement (note 9)	3,100,000	1,550,000	-	-	-	-	-	-	1,550,000
Less: Premium	-	(527,000)	-	-	-	-	-	-	(527,000)
Stock options granted	-	-	-	-	745,000	200,340	-	-	286,650
Share issue expenses	-	(21,593)	-	-	-	-	-	-	(21,593)
Balance as at May 31, 2018	<u>48,559,496</u>	<u>23,677,449</u>	<u>4,489,584</u>	<u>514,032</u>	<u>4,135,000</u>	<u>1,481,541</u>	<u>3,237,178</u>	<u>(23,083,674)</u>	<u>5,826,526</u>
Balance as at September 1, 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
Loss for the period	-	-	-	-	-	-	-	(347,221)	(347,221)
	<u>45,459,496</u>	<u>22,676,042</u>	<u>4,489,584</u>	<u>514,032</u>	<u>2,655,000</u>	<u>954,551</u>	<u>3,237,178</u>	<u>(21,450,292)</u>	<u>5,931,511</u>
Stock options granted	-	-	-	-	735,000	286,650	-	-	286,650
Balance as at May 31, 2017	<u>45,459,496</u>	<u>22,676,042</u>	<u>4,489,584</u>	<u>514,032</u>	<u>3,390,000</u>	<u>1,241,201</u>	<u>3,237,178</u>	<u>(21,450,292)</u>	<u>6,218,161</u>

¹ There were no unpaid common shares as at May 31, 2018 (Nil in 2017).

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 nine-month periods ended May 31, 2018

	Nine-month period ended May 31,	
	2018	2017
	\$	\$
Cash flows from (used in) operating activities		
Loss for the period	(19,904)	(347,221)
Items not affecting cash		
Depreciation of property and equipment	2,595	2,169
Amortization of intangible assets	375	537
Change in fair value – investment	(83,675)	(17,476)
Impairment of property and equipment	1,784	-
Gain on sale of equipment	(2,147)	-
Refundable duties credit for losses and refundable tax credit for resources, net	(2,330)	(11,660)
Stock-based compensation cost	200,340	286,650
Unwinding of discount on asset retirement obligations	1,390	1,393
Recovery of deferred income taxes	(300,738)	-
	<u>(202,310)</u>	<u>(85,608)</u>
Changes in non-cash working capital items		
Amounts receivable	(40,579)	(75,751)
Prepaid expenses	(3,949)	41,446
Accounts payable and accrued liabilities	(116,122)	(144,129)
	<u>(160,650)</u>	<u>(178,434)</u>
	<u>(362,960)</u>	<u>(264,042)</u>
Cash flows used in investing activities		
Flow-through private placement, net of share issue expenses	1,528,407	-
	<u>1,528,407</u>	<u>-</u>
Cash flows used in investing activities		
Proceeds from sale of investments	87,443	-
Proceeds from sale of equipment	3,400	-
Proceeds from sale of camp material	16,000	-
Advance received for exploration work	969,276	1,115,300
Addition to property and equipment	(32,104)	(3,070)
Additions to exploration and evaluation assets	(4,175,089)	(2,579,031)
	<u>(3,131,074)</u>	<u>(1,466,801)</u>
Decrease in cash and cash equivalents	(1,965,627)	(1,730,843)
Cash and cash equivalents – Beginning of the period	4,138,853	3,802,175
Cash and cash equivalents – End of the period	<u>2,173,226</u>	<u>2,071,332</u>
Interest received	(21,557)	(11,788)
Additional cash flow information (note 15)		

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

1 Nature of operations, general information and liquidity

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

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

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

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

As at May 31, 2018, the Company has working capital of \$1,896,417 (\$2,021,700 – August 31, 2017) including cash and cash equivalents of \$2,173,226 (\$4,138,853 – August 31, 2017) and an accumulated deficit of \$23,083,675 (\$23,063,770 – August 31, 2017). The Company incurred a net loss of \$19,904 (\$347,221 – May 31, 2017) for the nine-month period then ended.

Management of the Company believes it has sufficient funds to pay its ongoing general and administration (“G&A”) expenses, to pursue its budgeted E&E 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 exploration and evaluation programs on the Company’s properties and the operation of the Company beyond May 31, 2019, it is periodically necessary to raise additional funds through the issuance of new equity instruments and/or the exercise of stock options and warrants and/or the signing of option agreements on certain of the Company’s mineral properties. While the Company has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms that are acceptable to the Company.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

2 Summary of significant accounting policies

Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2017, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous fiscal year. The Board of Directors approved the interim financial statements on July 25, 2018.

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

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

3 Cash and cash equivalents

As at May 31, 2018, cash and cash equivalents of \$2,173,226 (\$4,138,853 – August 31, 2017) includes \$1,248,576 (\$1,350,570 – August 31, 2017) of guaranteed investment certificates bearing interest at 0.80% (0.80% – August 31, 2017), cashable any time without any penalties, and an amount of \$665,476 reserved for exploration expenses pursuant to a flow-through financing agreement.

4 Amounts receivable

	As at May 31 2018 \$	As at August 31, 2017 \$
Tax credit receivable	601,289	491,029
Commodity taxes	202,023	161,445
Amounts receivable	<u>5,190</u>	<u>5,190</u>
	<u>808,502</u>	<u>657,664</u>
Less: Allowance for doubtful accounts	<u>(5,190)</u>	<u>(5,190)</u>
	<u>803,312</u>	<u>652,474</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

5 Investments

	As at May 31, 2018			As at August 31, 2017		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Eastmain Resources Inc.	0.240	20,000	4,800	0.350	20,000	7,000
Captor Capital Corp. (formerly NWT Uranium Corp.)	0.220	350,000	77,000	0.004	350,000	1,314
Albert Mining Inc. (formerly Majescor Resources Inc.)	0.040	19,600	784	0.060	19,600	1,176
Silver Spruce Resources Inc.	0.035	30,000	1,050	0.055	30,000	1,650
Vision Lithium Inc. (formerly ABE Resources Inc.)	0.400	25,000	10,000	0.290	25,000	7,250
Nemaska Lithium Inc.	1.040	59,272	61,643	1.270	109,272	138,775
Monarques Resources Inc.	0.290	10,464	3,035	0.380	10,464	3,976
West African Resources Ltd	0.330	37,500	12,375	0.355	37,500	13,313
			<u>170,686</u>			<u>174,454</u>

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

6 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Camp under finance lease \$	Vehicles \$	Total \$
Year ended August 31, 2017								
Opening net book amount	2,230	2,686	2,710	2,433	18,689	3,906	1,078	33,732
Change in asset retirement obligations estimate	-	-	-	-	(2,210)	-	-	(2,210)
Additions	-	1,951	3,194	-	84,446	-	-	89,591
Depreciation for the year ⁽¹⁾	(448)	(732)	(1,292)	(728)	(5,493)	(3,905)	(324)	(12,922)
Closing net book amount	1,782	3,905	4,612	1,705	95,432	1	754	108,191
As at August 31, 2017								
Cost	20,542	22,032	39,791	56,250	261,050	316,754	3,702	720,121
Accumulated depreciation	(18,760)	(18,127)	(35,179)	(54,545)	(165,618)	(316,753)	(2,948)	(611,930)
Net book amount	1,782	3,905	4,612	1,705	95,432	1	754	108,191
Period ended May 31, 2018								
Opening net book amount	1,782	3,905	4,612	1,705	95,432	1	754	108,191
Additions	-	11,585	-	-	20,519	-	-	32,104
Disposition	-	-	-	(41,418)	-	-	-	(41,418)
Impairment	-	(8,656)	-	-	-	-	-	(8,656)
Depreciation for the period ⁽¹⁾	(267)	5,684	(1,038)	40,063	(30,360)	-	(171)	13,911
Closing net book amount	1,515	12,518	3,574	350	85,591	1	583	104,132
As at May 31, 2018								
Cost	20,542	24,961	39,791	14,832	281,568	316,754	3,702	702,150
Accumulated depreciation	(19,027)	(12,443)	(36,217)	(14,482)	(195,977)	(316,753)	(3,119)	(598,018)
Net book amount	1,515	12,518	3,574	350	85,591	1	583	104,132

⁽¹⁾ Depreciation of camp and vehicles is included in E&E assets in the amount of \$30,531 (\$3,395 – August 31, 2017).

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

7 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

Change in E&E assets

Mineral property	Undivided interest	Cost as at August 31, 2017	Additions	Proceeds received	Tax credit	Cost as at May 31, 2018	Accumulated impairment as at August 31, 2017	Impairment	Accumulated impairment as at May 31, 2018	Net book amount as at May 31, 2018
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold										
Opinaca A	(a)	50								
Acquisition costs		17,373	-	-	-	17,373	-	-	-	17,373
Exploration costs		19,091	270	-	-	19,361	-	-	-	19,361
		<u>36,464</u>	<u>270</u>	<u>-</u>	<u>-</u>	<u>36,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,734</u>
Opinaca B	(b)	50								
Acquisition costs		195	-	-	-	195	-	-	-	195
Exploration costs		3,501	2,040	-	(710)	4,831	-	-	-	4,831
		<u>3,696</u>	<u>2,040</u>	<u>-</u>	<u>(710)</u>	<u>5,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,026</u>
Eleonore South	(c)	26.57								
Acquisition costs		41,126	-	-	-	41,126	-	-	-	41,126
Exploration costs		427,547	696,941	-	(113,560)	1,010,928	-	-	-	1,010,928
		<u>468,673</u>	<u>696,941</u>	<u>-</u>	<u>(113,560)</u>	<u>1,052,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,052,054</u>
Opinaca D		100								
Acquisition costs		105,766	-	-	-	105,766	(54,975)	-	(54,975)	50,791
Exploration costs		55,613	636	-	-	56,249	(8,006)	-	(8,006)	48,243
		<u>161,379</u>	<u>636</u>	<u>-</u>	<u>-</u>	<u>162,015</u>	<u>(62,981)</u>	<u>-</u>	<u>(62,981)</u>	<u>99,034</u>
Wabamisk	(d)	49								
Acquisition costs		2,878	-	-	-	2,878	-	-	-	2,878
Exploration costs		16,259	1,230	-	(530)	16,959	-	-	-	16,959
		<u>19,137</u>	<u>1,230</u>	<u>-</u>	<u>(530)</u>	<u>19,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,837</u>
Valore		100								
Acquisition costs		17,142	-	-	-	17,142	-	-	-	17,142
Exploration costs		36,134	210	-	-	36,344	-	-	-	36,344
		<u>53,276</u>	<u>210</u>	<u>-</u>	<u>-</u>	<u>53,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,486</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

7 Exploration and evaluation assets (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2017	Additions	Proceeds received	Tax credit	Cost as at May 31, 2018	Accumulated impairment as at August 31, 2017	Impairment	Accumulated impairment as at May 31, 2018	Net book amount as at May 31, 2018
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold (cont'd)										
SOQUEM JV	(e)	50								
Acquisition costs		4	-	-	-	4	-	-	-	4
Exploration costs		-	-	-	-	-	-	-	-	-
		4	-	-	-	4	-	-	-	4
SOQUEM Alliance	(f)	100								
Acquisition costs		117,353	37,120	-	-	154,473	-	-	-	154,473
Exploration costs		-	-	-	-	-	-	-	-	-
		117,353	37,120	-	-	154,473	-	-	-	154,473
SOQUEM Alliance – Others	(g)	100								
Acquisition costs		32,393	3,267	-	-	35,660	-	-	-	35,660
Exploration costs		64	5,142	-	-	5,206	-	-	-	5,206
		32,457	8,409	-	-	40,866	-	-	-	40,866
Total James Bay – Gold		892,439	746,856	-	(114,800)	1,524,495	(62,981)	-	(62,981)	1,461,514
James Bay – Chromium-PGE										
Chromaska		100								
Acquisition costs		25,634	1,340	-	-	26,974	(10,551)	-	(10,551)	16,423
Exploration costs		262,276	467,491	-	(620)	729,147	(105,334)	-	(105,334)	623,813
Total James Bay – Chromium-PGE		287,910	468,831	-	(620)	756,121	(115,885)	-	(115,885)	640,236
James Bay – Zinc										
Cawachaga		100								
Acquisition costs		6,729	-	-	-	6,729	-	-	-	6,729
Exploration costs		-	-	-	-	-	-	-	-	-
Total James Bay – Zinc		6,729	-	-	-	6,729	-	-	-	6,729
Total James Bay		1,187,078	1,215,687	-	(115,420)	2,287,345	(178,866)	-	(178,866)	2,108,479

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

7 Exploration and evaluation assets (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2017	Additions	Proceeds received	Tax credit	Cost as at May 31, 2018	Accumulated impairment as at August 31, 2017	Impairment	Accumulated impairment as at May 31, 2018	Net book amount as at May 31, 2018
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Polymetallic										
Rex	100									
Acquisition costs		1,184,282	91,816	-	-	1,276,098	(1,054,369)	-	(1,054,369)	221,729
Exploration costs		4,018,463	5,423	-	(1,450)	4,022,436	(3,134,729)	-	(3,134,729)	887,707
		<u>5,202,745</u>	<u>97,239</u>	<u>-</u>	<u>(1,450)</u>	<u>5,298,534</u>	<u>(4,189,098)</u>	<u>-</u>	<u>(4,189,098)</u>	<u>1,109,436</u>
Duquet	(h) 100									
Acquisition costs		3,776	-	-	-	3,776	-	-	-	3,776
Exploration costs		280	-	-	-	280	-	-	-	280
		<u>4,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,056</u>
Rex South	100									
Acquisition costs		306,755	79,274	-	-	386,029	(104,513)	-	(104,513)	281,516
Exploration costs		342,847	6,826	(16,000)	-	333,673	(145,089)	-	(145,089)	188,584
		<u>649,602</u>	<u>86,100</u>	<u>(16,000)</u>	<u>-</u>	<u>719,702</u>	<u>(249,602)</u>	<u>-</u>	<u>(249,602)</u>	<u>470,100</u>
NCG*	100									
Acquisition costs		738,162	-	-	-	738,162	(738,162)	-	(738,162)	-
Exploration costs		982,241	-	-	-	982,241	(982,241)	-	(982,241)	-
		<u>1,720,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,720,403</u>	<u>(1,720,403)</u>	<u>-</u>	<u>(1,720,403)</u>	<u>-</u>
Qassitug	100									
Acquisition costs		37,163	4,371	-	-	41,534	(37,163)	-	(37,163)	4,371
Exploration costs		35,706	65	-	-	35,771	(35,706)	-	(35,706)	65
		<u>72,869</u>	<u>4,436</u>	<u>-</u>	<u>-</u>	<u>77,305</u>	<u>(72,869)</u>	<u>-</u>	<u>(72,869)</u>	<u>4,436</u>
Total Nunavik – Polymetallic		<u>7,649,675</u>	<u>187,775</u>	<u>(16,000)</u>	<u>(1,450)</u>	<u>7,820,000</u>	<u>(6,231,972)</u>	<u>-</u>	<u>(6,231,972)</u>	<u>1,588,028</u>
Nunavik – Gold										
Nantais	100									
Acquisition costs		121,448	21,771	-	-	143,219	(95,299)	-	(95,299)	47,920
Exploration costs		275,520	15,415	-	(4,700)	286,235	(204,913)	-	(204,913)	81,322
		<u>396,968</u>	<u>37,186</u>	<u>-</u>	<u>(4,700)</u>	<u>429,454</u>	<u>(300,212)</u>	<u>-</u>	<u>(300,212)</u>	<u>129,242</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

7 Exploration and evaluation assets (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2017	Additions	Proceeds received	Tax credit	Cost as at May 31, 2018	Accumulated impairment as at August 31, 2017	Impairment	Accumulated impairment as at May 31, 2018	Net book amount as at May 31, 2018
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Uranium										
North Rae *	100									
Acquisition costs		484,706	-	-	-	484,706	(484,706)	-	(484,706)	-
Exploration costs		707,167	-	-	-	707,167	(707,167)	-	(707,167)	-
Total Nunavik – Uranium		1,191,873	-	-	-	1,191,873	(1,191,873)	-	(1,191,873)	-
Total Nunavik		9,238,516	224,961	(16,000)	(6,150)	9,441,327	(7,724,057)	-	(7,724,057)	1,717,270
Total E&E assets		10,425,594	1,440,648	(16,000)	(121,570)	11,728,672	(7,902,923)	-	(7,902,923)	3,825,749

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

7 Exploration and evaluation assets (cont'd)

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

As at May 31, 2018, Hecla has made cumulative cash payments of \$580,000 (\$580,000 in 2017) and carried out a total of \$6.0 million in work expenditures. Of the total cash payment, Azimut has received \$290,000 (\$290,000 in 2017). Hecla’s fulfilment of its obligations to earn its 50% interest in the property is subject to the Company’s validation.

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

As at May 31, 2018, 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 \$5,644,744 to cover exploration work. The allocation of expenditures was as follows: Azimut \$1,499,808, Goldcorp \$2,072,185 and Eastmain \$2,072,750.

- 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.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

7 Exploration and evaluation assets (cont'd)

- e) On September 22, 2016, four properties were acquired at SOQUEM's cost (Munischiwan, Pikwa, Pontois and Desceliers; the "SOQUEM JV Properties") under the terms of an alliance (see g). Each partner owns a 50% interest in the properties. SOQUEM has the option to acquire Azimut's interest by investing a total of \$3 million in exploration work over four years, including diamond drilling. Azimut will retain a 2% net smelter return ("NSR") royalty of which 0.8% can be bought back for \$800,000 in cash.

Azimut is the operator of the properties. As at May 31, 2018, SOQUEM's cumulative investment in exploration work is \$904,500.

- f) On May 5, 2017, SOQUEM agreed to fully fund an exploration program on seven properties acquired by the Company within the framework of the Alliance (see g): Galinée, Sauvolles, Dalmas, Orsigny, Synclinal North, Synclinal South and Corvet.

As at May 31, 2018, Azimut owns a 100% interest in these properties and is manager of the \$247,000 work program. The acquired data will be used to decide which properties will be retained for additional investment under the terms of the Alliance.

- g) On September 22, 2016, the Company formed a Strategic Alliance (the "Alliance") with SOQUEM to identify, acquire and explore highly prospective gold targets in the James Bay region (Eeyou Istchee James Bay Territory) of Quebec. Within the framework of the Alliance, Azimut delivered a target report to SOQUEM in exchange for a cash payment of \$100,000.

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

8 Asset retirement obligations

	May 31 2018	August 31, 2017
	\$	\$
Balance – Beginning of the period	247,313	247,681
Change in estimate	-	(2,210)
Unwinding of discount on asset retirement obligations	1,390	1,842
Balance – End of the period	<u>248,703</u>	<u>247,313</u>

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to \$251,480. A discount rate of 0.80% (0.75% in 2017) was used to estimate the obligations in 2017. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2019. If the Company decides to discontinue its exploration of the Rex or Rex South properties, it is assumed that the asset retirement obligation will be settled in 2019. Should the Company decide to continue its activity on the Rex or Rex South properties by itself or through a partner, the obligation will be settled further into the future. Each quarter, the Company reviews the expected timing of the cash flow payments required to settle the obligations and adjusts the asset retirement obligations accordingly.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

9 Share capital

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

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 Warrants

There was no activity for the nine-month period ended May 31, 2018. The outstanding warrants are shown in the table below.

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

11 Stock option plan

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

The following tables present the stock option activities for the period ended May 31, 2018 and summarize information on stock options outstanding and vested.

	<u>May 31, 2018</u>	
	Number	Weighted average exercise price (\$)
Outstanding – Beginning of the period	3,390,000	0.43
Granted	<u>745,000</u>	<u>0.37</u>
Outstanding – End of the period	<u>4,135,000</u>	<u>0.42</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

11 Stock option plan (cont'd)

Exercise price \$	Options outstanding	Options vested	Weighted average remaining contractual life (years)
0.190	580,000	580,000	5.16
0.200	580,000	580,000	6.82
0.305	50,000	50,000	9.76
0.340	400,000	400,000	0.87
0.355	100,000	34,000	9.83
0.360	40,000	40,000	8.06
0.370	520,000	520,000	9.81
0.400	75,000	75,000	9.83
0.450	325,000	325,000	3.94
0.520	735,000	735,000	8.36
0.600	50,000	50,000	2.15
0.660	300,000	300,000	1.77
0.800	340,000	340,000	2.63
1.250	40,000	40,000	2.84
	<u>4,135,000</u>	<u>4,069,000</u>	<u>5.81</u>

On March 1, 2018, the Company granted 50,000 options to a director with an exercise price of \$0.305 per option. The fair value of the options granted amounted to \$13,500 as 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%.

On March 20, 2018, the Company granted 520,000 options to its directors, officers, employees and consultants with an exercise price of \$0.37 per option. The fair value of the options granted amounted to \$150,800, of which an amount of \$17,400 was charged to general exploration. The fair value was determined by using 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%.

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 will vest on September 28, 2018, and an additional 33,000 stock options will vest on March 28, 2019. The fair value of the vested options amounted to \$10,540 and 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%.

On April 13, 2018, the Company granted 75,000 options to a director with an exercise price of \$0.40 per option. The fair value of the options granted amounted to \$25,500 as 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%.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

12 Expenses by nature

	Three-month period ended		Nine-month period ended	
	May 31, 2018 \$	May 31, 2017 \$	May 31, 2018 \$	May 31, 2017 \$
Salaries and fringe benefits	53,192	24,004	125,659	105,025
Professional and maintenance fees	5,252	8,733	20,727	18,094
Administration and office	16,104	8,654	40,675	31,754
Business development and administration fees	1,541	1,482	7,997	10,057
Advertising	71	214	507	1,623
Rent	10,363	10,363	31,088	31,088
Insurance	4,698	5,116	15,034	15,836
Travelling and entertainment	32,662	10,053	69,002	61,602
Depreciation of property and equipment	865	819	2,595	2,169
Amortization of intangible assets	125	179	375	537
Stock-based compensation	172,400	-	172,400	251,550
General and administration expenses	297,273	69,617	486,059	529,335
Salaries for search of properties	23,350	10,114	22,105	23,474
Other exploration expenses	4,380	3,941	16,241	5,218
Stock-based compensation	27,940	-	27,940	35,100
Refundable duties credit for losses and refundable tax credit for resources, net	-	(8,960)	(2,330)	(11,660)
General exploration	55,670	5,125	63,956	52,132

13 Loss per share

For the periods ended May 31, 2018 and 2017, the diluted loss per share was the same as the basic loss per share because the potential dilutive instruments had an anti-dilutive effect. Accordingly, the diluted loss per share for the periods ended May 31, 2018 and 2017 was calculated using the basic weighted average number of shares outstanding.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month and nine-month periods ended May 31, 2018

14 Related party transactions

Compensation of key management

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

	Nine-month period ended May 31,	
	2018	2017
	\$	\$
Salaries	259,167	213,182
Share-based payment	172,400	249,600
	<u>431,567</u>	<u>462,782</u>

An amount of \$130,340 (\$100,372 – May 31, 2017) for salary is capitalized to E&E assets.

As at May 31, 2018, accounts payable and accrued liabilities include an amount of \$86,873 (\$103,490 at May 31, 2017) owed to key management.

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

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

15 Additional cash flow information

	Nine-month period ended May 31,	
	2018	2017
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	473,248	215,040
Depreciation of property and equipment included in E&E assets	30,531	10,185
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	121,571	304,425