

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements
May 31, 2017
(expressed in Canadian dollars, except share amounts)

Azimut Exploration Inc.
Interim Statements of Financial Position
(in Canadian dollars)
(Unaudited)

	As at May 31, 2017 \$	As at August 31, 2016 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	2,071,332	3,802,175
Amounts receivable (note 4)	543,873	190,052
Prepaid expenses	33,917	75,364
	<u>2,649,122</u>	<u>4,067,591</u>
Non-currents assets		
Mining rights receivable	54,615	16,600
Investments (note 5)	173,510	156,034
Property and equipment (note 6)	24,448	33,732
Intangible assets (less accumulated amortization of \$22,063; \$21,526 as at August 31, 2016)	1,845	2,382
Exploration and evaluation assets (note 7)	3,895,389	3,244,156
	<u>4,149,807</u>	<u>3,452,904</u>
Total assets	<u>6,798,929</u>	<u>7,520,495</u>
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	297,309	411,367
Advances received for exploration work	34,385	582,715
	<u>331,694</u>	<u>994,082</u>
Non-current liabilities		
Asset retirement obligations (note 8)	249,074	247,681
	<u>249,074</u>	<u>247,681</u>
Total liabilities	<u>580,768</u>	<u>1,241,763</u>
Equity		
Share capital	22,676,042	22,676,042
Warrants (note 9)	514,032	514,032
Stock options (note 10)	1,241,201	954,551
Contributed surplus	3,237,178	3,237,178
Deficit	(21,450,292)	(21,103,071)
	<u>6,218,161</u>	<u>6,278,732</u>
Total equity	<u>6,218,161</u>	<u>6,278,732</u>
Total liabilities and equity	<u>6,798,929</u>	<u>7,520,495</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 months ended		Nine months ended	
	May 31, 2017 \$	May 31, 2016 \$	May 31, 2017 \$	May 31, 2016 \$
Expenses				
General and administrative (note 11)	69,617	103,241	529,335	244,211
General exploration (note 11)	5,125	27,998	52,132	79,643
Impairment of exploration and evaluation assets (note 7)	-	-	246	-
Operating loss	<u>74,742</u>	<u>131,239</u>	<u>581,713</u>	<u>323,854</u>
Financing cost (income), net				
Interest income	(4,814)	(1,994)	(11,788)	(13,937)
Interest and bank charges	236	447	642	1,167
Unwinding of discount on asset retirement obligations	465	768	1,393	2,296
	<u>(4,113)</u>	<u>(779)</u>	<u>(9,753)</u>	<u>(10,474)</u>
Other gains and losses				
Gain on option payments received on exploration and evaluation assets	-	-	-	(57,742)
Management income (note 7c, e)	(45,395)	-	(107,263)	-
Other gains (note 7e)	-	-	(100,000)	-
Change in fair value – investments	(3,008)	(241,262)	(17,476)	(268,301)
	<u>(48,403)</u>	<u>(241,262)</u>	<u>(224,739)</u>	<u>(326,043)</u>
Loss (income) and comprehensive loss (income) for the period	<u>22,226</u>	<u>(110,802)</u>	<u>347,221</u>	<u>(12,663)</u>
Basic and diluted loss per share	<u>0.000</u>	<u>(0.003)</u>	<u>0.008</u>	<u>(0.000)</u>
Basic and diluted weighted average number of shares outstanding	45,459,496	37,636,996	45,459,240	37,636,996

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity

(in Canadian dollars)

(Unaudited) For the nine months ended May 31, 2017

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total
	Number ⁽¹⁾	\$	Number	\$	Number	\$	\$	\$	\$	\$
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)
	45,459,496	22,676,042	4,489,584	514,032	2,655,000	954,551	3,237,178	(21,450,292)	-	5,931,511
Stock options granted	-	-	-	-	735,000	286,650	-	-	-	286,650
Balance as at May 31, 2017	45,459,496	22,676,042	4,489,584	514,032	3,390,000	1,241,201	3,237,178	(21,450,292)	-	6,218,161
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	-	-	-	-	-	-	-	36,756	(36,756)	-
Adjusted 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	(20,745,961)	-	4,225,382
Loss income for the period	-	-	-	-	-	-	-	12,663	-	12,663
Stock options expired	-	-	-	-	(470,000)	(198,830)	198,830	-	-	-
Balance as at May 31, 2016	37,636,996	20,755,072	583,334	33,362	2,670,000	971,351	3,211,558	(20,733,298)	-	4,238,045

⁽¹⁾ An unlimited number of voting and participating common shares are authorized, without par value. There were no common shares that were unpaid as at May 31, 2017 (Nil in 2016).

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

Azimut Exploration Inc.
Interim Statements of Cash Flows
(in Canadian dollars)
(Unaudited)

	Nine months ended	
	May 31,	May 31
	2017	2016
	\$	\$
Cash flows (used in) from operating activities		
Loss for the period	(347,221)	12,663
Items not affecting cash		
Depreciation of property and equipment	2,169	2,577
Amortization of intangible assets	537	765
Change in fair value – investments	(17,476)	(268,301)
Gain on option payments received on exploration and evaluation assets	-	(57,742)
Refundable duties credit for losses and refundable tax credit for resources, net	(11,660)	(20,621)
Stock-based compensation cost	286,650	-
Unwinding of discount on asset retirement obligations	1,393	2,296
	<u>(85,608)</u>	<u>(328,363)</u>
Changes in non-cash working capital items		
Amounts receivable	(75,751)	(876)
Prepaid expenses	41,446)	5,804
Accounts payable and accrued liabilities	(144,129)	4,080
	<u>(178,434)</u>	<u>9,008</u>
	<u>(264,042)</u>	<u>(319,355)</u>
Cash flows from (used in) investing activities		
Proceeds from sale of investments	-	114,592
Proceeds from sale of camp material	-	20,625
Advances received for exploration work	1,115,300	-
Additions to property and equipment	(3,070)	-
Additions to exploration and evaluation assets	(2,579,031)	(243,405)
Proceeds from sale of options on exploration and evaluation assets	-	60,000
Tax credit and mining rights received	-	202,556
	<u>(1,466,801)</u>	<u>154,368</u>
Decrease in cash and cash equivalents	<u>(1,730,843)</u>	<u>(164,987)</u>
Cash and cash equivalents – Beginning of the period	<u>3,802,175</u>	<u>1,236,964</u>
Cash and cash equivalents – End of the period	<u>2,071,332</u>	<u>1,071,977</u>
Interest received	(11,788)	(13,937)
Additional cash flow information (note 13)		

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 and nine months ended May 31, 2017

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 at the exploration and evaluation stage.

As at May 31, 2017, the Company has working capital of \$2,317,428 (\$3,073,508 – August 31, 2016) including cash and cash equivalents of \$2,071,332 (\$3,802,175 – August 31, 2016) and an accumulated deficit of \$21,450,292 (\$21,103,071 – August 31, 2016). The Company incurred a loss of \$347,221 (income of \$12,663 – May 31, 2016) for the nine 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 its exploration and evaluation program on its properties and its operation beyond May 31, 2018, the Company will periodically need to raise additional funds through the issuance of new equity instruments, the exercise of stock options and the search of partners to sign option agreements on certain of its 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.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2017

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, 2016, 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 12, 2017.

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

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent annual financial statements for the year ended August 31, 2016.

3 Cash and cash equivalents

As at May 31, 2017, cash and cash equivalents of \$2,071,332 (\$3,802,175 – August 31, 2016) include \$1,547,222 (\$288,770 – August 31, 2016) of guaranteed investment certificates bearing interest at 0.85% (0.75% – August 31, 2016), cashable any time without any penalties.

4 Amounts receivable

	As at May 31 2017 \$	As at August 31, 2016 \$
Tax credit receivable	418,475	140,405
Commodity taxes	119,463	34,897
Amounts receivable	11,125	19,850
	549,063	195,242
Less: Allowance for doubtful accounts	(5,190)	(5,190)
	543,873	190,052

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2017

5 Investments

	As at May 31, 2017			As at August 31, 2016		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Eastmain Resources Inc.	0.405	20,000	8,100	0.800	20,000	16,000
NWT Uranium Corp.	0.003	350,000	945	0.001	350,000	459
Majescor Resources Inc.	0.080	19,600	1,568	0.075	19,600	1,470
Silver Spruce Resources Inc.	0.070	30,000	2,100	0.110	30,000	3,300
ABE Resources Inc. ⁽¹⁾	0.550	25,000	13,750	0.030	50,000	1,500
Nemaska Lithium Inc.	1.220	109,272	133,312	1.070	109,272	116,921
Monarques Resources Inc.	0.345	10,464	3,610	0.410	10,464	4,290
West African Resources Ltd	0.270	37,500	10,125	0.300	37,500	11,250
18,750 warrants: exercise price of \$0.40, expired on January 17, 2017	-	-	-	0.045	18,750	844
			<u>173,510</u>			<u>156,034</u>

⁽¹⁾ Securities were consolidated on the basis of one (1) new security for two (2) 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 nine months ended May 31, 2017

6 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Camp under finance lease \$	Vehicles \$	Total \$
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 ⁽²⁾	-	-	-	-	(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
Period ended May 31, 2017								
Opening net book amount	2,230	2,686	2,710	2,433	18,689	3,906	1,078	33,732
Additions	-	1,951	1,119	-	-	-	-	3,070
Depreciation for the period ⁽¹⁾	(336)	(549)	(738)	(546)	(7,008)	(2,934)	(243)	(12,354)
Closing net book amount	1,894	4,088	3,091	1,887	11,681	972	835	24,448
As at May 31, 2017								
Cost	20,542	22,032	37,716	56,250	178,814	316,754	3,702	635,810
Accumulated depreciation	(18,648)	(17,944)	(34,625)	(54,363)	(167,133)	(315,782)	(2,867)	(611,362)
Net book amount	1,894	4,088	3,091	1,887	11,681	972	835	24,448

⁽¹⁾ Depreciation of camp, camp under finance lease and vehicles is included in E&E assets in the amount of \$10,185 (\$13,720 – August 31, 2016).

⁽²⁾ 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.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2017

7 Exploration and evaluation assets

All mining properties are located in the Province of Quebec.

Change in exploration and evaluation assets

Exploration properties	Undivided interest	Cost as at August 31, 2016	Additions	Tax credit	Cost as at May 31, 2017	Accumulated impairment as at August 31, 2016	Impairment	Accumulated impairment as at May 31, 2017	Net book amount as at May 31, 2017
	%	\$	\$	\$	\$	\$	\$	\$	\$
James Bay									
Opinaca A	(a)	50							
Mining property costs		8,156	9,217	-	17,373	-	-	-	17,373
Exploration costs		9,092	14,780	(6,400)	17,472	-	-	-	17,472
		17,248	23,997	(6,400)	34,845	-	-	-	34,845
Opinaca B	(b)	50							
Mining property costs		-	195	-	195	-	-	-	195
Exploration costs		1,413	2,565	(1,115)	2,863	-	-	-	2,863
		1,413	2,760	(1,115)	3,058	-	-	-	3,058
Eleonore South	(c)	26.57							
Mining property costs		26,599	18,347	-	44,946	-	-	-	44,946
Exploration costs		61,398	483,451	(210,980)	333,869	-	-	-	333,869
		87,997	501,798	(210,980)	378,815	-	-	-	378,815
Opinaca D		100							
Mining property costs		91,590	14,027	-	105,617	(54,975)	-	(54,975)	50,642
Exploration costs		42,285	23,470	(10,240)	55,515	(8,006)	-	(8,006)	47,509
		133,875	37,497	(10,240)	161,132	(62,981)	-	(62,981)	98,151
Wabamisk	(d)	49							
Mining property costs		2,781	97	-	2,878	-	-	-	2,878
Exploration costs		15,935	575	(240)	16,270	-	-	-	16,270
		18,716	672	(240)	19,148	-	-	-	19,148
Duxbury		100							
Mining property costs		-	21,842	-	21,842	-	-	-	21,842
Exploration costs		-	-	-	-	-	-	-	-
		-	21,842	-	21,842	-	-	-	21,842
Valore		100							
Mining property costs		-	17,142	-	17,142	-	-	-	17,142
Exploration costs		-	64,061	(27,900)	36,161	-	-	-	36,161
		-	81,203	(27,900)	53,303	-	-	-	53,303

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2017

7 Exploration and evaluation assets (cont'd)

Exploration properties	Undivided interest	Cost as at August 31, 2016	Additions	Tax credit	Cost as at May 31, 2017	Accumulated impairment as at August 31, 2016	Impairment	Accumulated impairment as at May 31, 2017	Net book amount as at May 31, 2017
	%	\$	\$	\$	\$	\$	\$	\$	\$
James Bay (cont'd)									
Munischewan	(e) 50								
Mining property costs		-	1	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-
		-	1	-	1	-	-	-	1
Pikwa	(e) 50								
Mining property costs		-	1	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-
		-	1	-	1	-	-	-	1
Pontois	(e) 50								
Mining property costs		-	1	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-
		-	1	-	1	-	-	-	1
Desceliers	(e) 50								
Mining property costs		-	1	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-
		-	1	-	1	-	-	-	1
Others, gold	100								
Mining property costs		-	127,908	-	127,908	-	-	-	127,908
Exploration costs		-	-	-	-	-	-	-	-
		-	127,908	-	127,908	-	-	-	127,908
Total James Bay gold properties		259,249	797,681	(256,875)	800,055	(62,981)	-	(62,981)	737,074
Eastmain West	100								
Mining property costs		18,483	7,023	-	25,506	(10,551)	-	(10,551)	14,955
Exploration costs		174,554	128,527	(43,380)	259,701	(105,334)	-	(105,334)	154,367
Total James Bay chromium-PGE properties		193,037	135,550	(43,380)	285,207	(115,885)	-	(115,885)	169,322
Total James Bay		452,286	933,231	(300,255)	1,085,262	(178,866)	-	(178,866)	906,396

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2017

7 Exploration and evaluation assets (cont'd)

Exploration properties	Undivided interest	Cost as at August 31, 2016	Additions	Tax credit	Cost as at May 31, 2017	Accumulated impairment as at August 31, 2016	Impairment	Accumulated impairment as at May 31, 2017	Net book amount as at May 31, 2017
	%	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik									
Rex	100								
Mining property costs		1,184,062	220	-	1,184,282	(917,119)	-	(917,119)	267,163
Exploration costs		4,010,329	8,469	(940)	4,017,858	(2,114,918)	-	(2,114,918)	1,902,940
		5,194,391	8,689	(940)	5,202,140	(3,032,037)	-	(3,032,037)	2,170,103
Duquet	(f) 100								
Mining property costs		471	3,305	-	3,776	-	-	-	3,776
Exploration costs		280	-	-	280	-	-	-	280
		751	3,305	-	4,056	-	-	-	4,056
Rex South	100								
Mining property costs		287,669	14,108	-	301,777	(58,724)	-	(58,724)	243,053
Exploration costs		336,245	8,855	(2,160)	342,940	-	-	-	342,940
		623,914	22,963	(2,160)	644,717	(58,724)	-	(58,724)	585,993
NCG*	100								
Mining property costs		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 property costs		119,951	1,497	-	121,448	(70,647)	-	(70,647)	50,801
Exploration costs		273,830	2,493	(1,070)	275,253	(135,891)	-	(135,891)	139,362
		393,781	3,990	(1,070)	396,701	(206,538)	-	(206,538)	190,163
Qassituq	100								
Mining property costs		35,413	1,750	-	37,163	(23,243)	-	(23,243)	13,920
Exploration costs		35,706	-	-	35,706	(10,948)	-	(10,948)	24,758
		71,119	1,750	-	72,869	(34,191)	-	(34,191)	38,678
Total Nunavik gold & polymetallic properties		8,004,241	40,697	(4,170)	8,040,768	(5,051,775)	-	(5,051,775)	2,988,993

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2017

7 Exploration and evaluation assets (cont'd)

Exploration properties	Undivided interest	Cost as at August 31, 2016	Additions	Tax credit	Cost as at May 31, 2017	Accumulated impairment as at August 31, 2016	Impairment	Accumulated impairment as at May 31, 2017	Net book amount as at May 31, 2017
	%	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik (cont'd)									
North Rae*	100								
Mining property costs		484,460	246	-	484,706	(484,460)	(246)	(484,460)	-
Exploration costs		707,167	-	-	707,167	(707,167)	-	(707,167)	-
		<u>1,191,627</u>	<u>246</u>	<u>-</u>	<u>1,191,873</u>	<u>(1,191,627)</u>	<u>(246)</u>	<u>(1,191,627)</u>	<u>-</u>
Total Nunavik uranium properties		<u>1,191,627</u>	<u>246</u>	<u>-</u>	<u>1,191,873</u>	<u>(1,191,627)</u>	<u>(246)</u>	<u>(1,191,627)</u>	<u>-</u>
Total Nunavik		<u>9,195,868</u>	<u>40,943</u>	<u>(4,170)</u>	<u>9,232,641</u>	<u>(6,243,402)</u>	<u>(246)</u>	<u>(6,243,402)</u>	<u>2,988,993</u>
Total E&E assets		<u>9,648,154</u>	<u>974,174</u>	<u>(304,425)</u>	<u>10,317,903</u>	<u>(6,422,268)</u>	<u>(246)</u>	<u>(6,422,514)</u>	<u>3,895,389</u>

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

	May 31, 2017	August 31, 2016
	\$	\$
Mining properties and exploration costs	3,895,389	3,225,886
Prepaid exploration expenses	<u>-</u>	<u>18,270</u>
	<u>3,895,389</u>	<u>3,244,156</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

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(Unaudited) For the three and nine months ended May 31, 2017

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.

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 May 31, 2017, Hecla had made cumulative cash payments of \$580,000 (\$580,000 in 2016) and carried out a total of \$5.1 million in work expenditures. Azimut received \$290,000 of the total cash payment (\$290,000 in 2016).

- 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 contributed \$26,599 to the mandatory expenditures made by Eastmain Resources between March 31, 2012 and December 31, 2015 to keep the mining claims in good standing. The resulting ownership of the Eleonore South Property became Azimut 26.57%, Goldcorp 36.71% and Eastmain Resources 36.72%.

Azimut is the operator of the \$2-million work program for the 12-month period ending May 2017. Each of the joint venture participants has elected to contribute their proportionate share of ownership in the work program. As at May 31, 2017, the cumulative cost of \$1,972,264 incurred under the ongoing work program has been allocated as follows: Azimut \$524,030 (\$54,850 – August 31, 2016), Goldcorp \$724,018 (\$75,782 – August 31, 2016) and Eastmain Resources \$724,216 (\$75,803 – August 31, 2016).

- 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.

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Notes to Condensed Interim Financial Statements

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(Unaudited) For the three and nine months ended May 31, 2017

7 Exploration and evaluation assets (cont'd)

- e) On September 22, 2016, the Company formed a Strategic Alliance (the "Alliance") with SOQUEM to identify, acquire and explore highly prospective gold targets in James Bay region (Eeyou Istchee Territory) of Quebec. Within the framework of the Alliance, Azimut delivered a target report to SOQUEM in exchange for a cash payment of \$100,000. Based on the recommendations therein and under the terms of the Alliance, four properties were acquired at SOQUEM's cost (Munischewan, Pikwa, Pontois and Desceliers). Each partner owns a 50% interest in the properties. SOQUEM has the option to acquire Azimut's interest by investing a total of \$3 million in exploration work over four years, including diamond drilling. Azimut will retain a 2% NSR royalty interest of which 0.8% can be bought back for \$800,000 in cash. Azimut is the operator of the properties. As at May 31, 2017, SOQUEM has invested \$381,000 in exploration work.
- f) 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.

8 Asset retirement obligations

	May 31 2017 \$	August 31 2016 \$
Balance – Beginning of the period	247,681	245,240
Change in estimate	-	597
Unwinding of discount on asset retirement obligations	1,393	1,844
Balance – End of the period	249,074	247,681

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 2016) 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 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.

9 Warrants

There was no activity for the six months ended May 31, 2017. The outstanding warrants are as follows:

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

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Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2017

10 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, of which 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.

The following tables present the stock option activities for the period ended May 31, 2017, and summarize the information about stock options outstanding and exercisable as at that date:

	May 31, 2017	
	Number	Weighted average exercise price (\$)
Outstanding – Beginning of the period	2,655,000	0.40
Granted	735,000	0.52
Outstanding and exercisable – End of the period	3,390,000	0.43

Exercise price (\$)	Options outstanding and exercisable	Weighted average remaining contractual life (years)
0.19	580,000	6.16
0.20	580,000	7.82
0.34	400,000	1.87
0.36	40,000	9.06
0.45	325,000	4.94
0.52	735,000	9.36
0.60	50,000	3.15
0.66	300,000	2.77
0.80	340,000	3.63
1.25	40,000	3.84
	3,390,000	5.92

On October 7, 2016, the Company granted 735,000 options to its directors, officers, employees and consultants. The fair value of the options granted, which amounted to \$286,650, was determined using the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.20%, expected life of 10 years, annualized volatility rate of 92%, and dividend rate of 0%. The exercise price of \$0.52 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. An amount of \$251,550 was charged to general and administrative expenses and \$35,100 charged to general exploration.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

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(Unaudited) For the three and nine months ended May 31, 2017

11 Expenses by nature

	Three months ended		Nine months ended	
	May 31, 2017 \$	May 31, 2016 \$	May 31, 2017 \$	May 31, 2016 \$
Salaries and fringe benefits	24,004	36,820	105,025	102,799
Professional and maintenance fees	8,733	19,350	18,094	31,961
Administration and office	8,654	7,104	31,754	21,598
Business development and administration fees	1,482	5,115	10,057	10,114
Advertising	214	3,051	1,623	3,351
Rent	10,363	10,363	31,088	31,088
Insurance	5,116	5,081	15,836	16,543
Travelling and entertainment	10,053	15,243	61,602	23,415
Depreciation of property and equipment	819	859	2,169	2,577
Amortization of intangible assets	179	255	537	765
Stock-based compensation	-	-	251,550	-
General and administrative expenses	69,617	103,241	529,335	244,211
Salaries for search of properties	10,144	37,815	23,474	170,806
Other exploration expenses	3,941	5,529	5,218	6,935
Stock-based compensation	-	-	35,100	-
Refundable duties credit for losses and refundable tax credit for resources, net	(8,960)	(15,346)	(11,660)	(98,098)
General exploration	5,125	27,998	52,132	79,643

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 key management services is as follows:

	Nine months ended	
	May 31 2017 \$	May 31 2016 \$
Salaries	213,182	192,280
Share-based payment	249,600	-
	462,782	192,280

An amount of \$100,372 (\$34,775 – May 31, 2016) for salary is capitalized to exploration and evaluation assets.

As at May 31, 2017, accounts payable and accrued liabilities include an amount of \$103,490 (\$26,865 – May 31, 2016) owed to key management.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2017

13 Additional cash flow information

	Nine months ended	
	May 31 2017 \$	May 31 2016 \$
Acquisition of E&E assets included in accounts payable and accrued liabilities	215,040	3,843
Depreciation of property and equipment included in E&E assets	10,185	13,569
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	304,425	31,785