

# **Azimut Exploration Inc.**

Financial Statements  
**August 31, 2018 and 2017**



**December 21, 2018**

## **Independent Auditor's Report**

**To the Shareholders of Azimut Exploration Inc.**

We have audited the accompanying financial statements of Azimut Exploration Inc., which comprise the statements of financial position as at August 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.  
1250 René-Lévesque West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1  
T: +1 514 205 5000, F: +1 514 876 1502*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Azimut Exploration Inc. as at August 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*<sup>1</sup>

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A123642

# Azimut Exploration Inc.

Statements of Financial Position  
(in Canadian dollars)

|                                                                                    | As at<br>August 31,<br>2018<br>\$ | As at<br>August 31,<br>2017<br>\$ |
|------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Assets</b>                                                                      |                                   |                                   |
| <b>Current assets</b>                                                              |                                   |                                   |
| Cash and cash equivalents (Note 5)                                                 | 2,487,979                         | 4,138,853                         |
| Amounts receivable (Note 6)                                                        | 826,973                           | 652,474                           |
| Prepaid expenses                                                                   | 41,871                            | 18,876                            |
|                                                                                    | <u>3,356,823</u>                  | <u>4,810,203</u>                  |
| <b>Non-current assets</b>                                                          |                                   |                                   |
| Tax credit and mining rights receivable                                            | 114,204                           | 63,314                            |
| Investments (Note 7)                                                               | 126,930                           | 174,454                           |
| Property and equipment (Note 8)                                                    | 96,644                            | 108,191                           |
| Intangible assets (less accumulated amortization of \$22,742;<br>\$22,242 in 2017) | 1,166                             | 1,666                             |
| Exploration and evaluation assets (Note 9)                                         | <u>4,274,015</u>                  | <u>2,522,671</u>                  |
|                                                                                    | <u>4,612,959</u>                  | <u>2,870,296</u>                  |
| <b>Total assets</b>                                                                | <u>7,969,782</u>                  | <u>7,680,499</u>                  |
| <b>Liabilities and Equity</b>                                                      |                                   |                                   |
| <b>Current liabilities</b>                                                         |                                   |                                   |
| Accounts payable and accrued liabilities                                           | 1,000,369                         | 1,182,574                         |
| Advances received for exploration work                                             | 787,887                           | 1,605,929                         |
| Flow-through shares premium liability (Note 11)                                    | 72,853                            | -                                 |
|                                                                                    | <u>1,861,109</u>                  | <u>2,788,503</u>                  |
| <b>Non-current liabilities</b>                                                     |                                   |                                   |
| Asset retirement obligations (Note 10)                                             | <u>249,168</u>                    | <u>247,313</u>                    |
|                                                                                    | <u>249,168</u>                    | <u>247,313</u>                    |
| <b>Total liabilities</b>                                                           | <u>2,110,277</u>                  | <u>3,035,816</u>                  |
| <b>Equity</b>                                                                      |                                   |                                   |
| Share capital (Note 11)                                                            | 23,677,449                        | 22,676,042                        |
| Warrants (Note 12)                                                                 | -                                 | 514,032                           |
| Stock options (Note 13)                                                            | 1,503,141                         | 1,281,201                         |
| Contributed surplus                                                                | 3,761,610                         | 3,237,178                         |
| Deficit                                                                            | <u>(23,082,695)</u>               | <u>(23,063,770)</u>               |
| <b>Total equity</b>                                                                | <u>5,859,505</u>                  | <u>4,644,683</u>                  |
| <b>Total liabilities and equity</b>                                                | <u>7,969,782</u>                  | <u>7,680,499</u>                  |

The accompanying notes are an integral part of these financial statements.  
Subsequent event (Note 21)

## Approved by the Board of Directors

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

(s) Jean-Marc Lulin \_\_\_\_\_ Director (4)

# Azimut Exploration Inc.

## Statements of Loss and Comprehensive Loss

For the years ended August 31, 2018 and 2017

(in Canadian dollars, except number of common shares)

|                                                                        | 2018<br>\$ | 2017<br>\$ |
|------------------------------------------------------------------------|------------|------------|
| <b>Revenues</b>                                                        |            |            |
| Management income (Notes 9c, e, f, g and h)                            | 172,468    | 142,309    |
| <b>Expenses</b>                                                        |            |            |
| General and administrative (Note 14)                                   | 607,749    | 704,053    |
| General exploration (Note 14)                                          | 87,560     | 54,692     |
| Write-off of property and equipment                                    | 1,784      | -          |
| Impairment of exploration and evaluation assets (Note 9)               | 28,128     | 1,476,878  |
| <b>Operating expenses</b>                                              | 725,221    | 2,235,623  |
| <b>Financing cost (income), net</b>                                    |            |            |
| Interest income                                                        | (30,478)   | (16,817)   |
| Interest and bank charges                                              | 1,123      | 780        |
| Unwinding of discount on asset retirement obligations                  | 1,855      | 1,842      |
|                                                                        | (27,500)   | (14,195)   |
| <b>Other gains</b>                                                     |            |            |
| Other gains                                                            | (12,261)   | (100,000)  |
| Change in fair value – investments                                     | (39,920)   | (18,420)   |
|                                                                        | (52,181)   | (118,420)  |
| <b>Loss before income taxes</b>                                        | 473,072    | 1,960,699  |
| Deferred income tax recovery (Note 16)                                 | (454,147)  | -          |
| <b>Loss and comprehensive loss for the year</b>                        | 18,925     | 1,960,699  |
| <b>Basic and diluted loss per share</b> (Note 17)                      | 0.00       | 0.04       |
| <b>Basic and diluted weighted average number of shares outstanding</b> | 47,548,811 | 45,459,496 |

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

# Azimut Exploration Inc.

## Statements of Changes in Equity

For the years ended August 31, 2018 and 2017

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

|                                          | Share capital     |                   | Warrants         |                | Stock options    |                  | Contributed surplus | Deficit             | Total            |
|------------------------------------------|-------------------|-------------------|------------------|----------------|------------------|------------------|---------------------|---------------------|------------------|
|                                          | Number            | \$                | Number           | \$             | Number           | \$               | \$                  | \$                  | \$               |
| <b>Balance as at September 1, 2017</b>   | 45,459,496        | 22,676,042        | 4,489,584        | 514,032        | 3,390,000        | 1,281,201        | 3,237,178           | (23,063,770)        | 4,644,683        |
| Loss and comprehensive loss for the year | -                 | -                 | -                | -              | -                | -                | -                   | (18,925)            | (18,925)         |
| Flow-through private placement (Note 11) | 3,100,000         | 1,550,000         | -                | -              | -                | -                | -                   | -                   | 1,550,000        |
| Less: Premium                            | -                 | (527,000)         | -                | -              | -                | -                | -                   | -                   | (527,000)        |
| Warrants expired                         | -                 | -                 | (4,489,584)      | (514,032)      | -                | -                | 514,032             | -                   | -                |
| Stock options granted (Note 13)          | -                 | -                 | -                | -              | 745,000          | 232,340          | -                   | -                   | 232,340          |
| Stock options expired (Note 13)          | -                 | -                 | -                | -              | (40,000)         | (10,400)         | 10,400              | -                   | -                |
| Share issue expenses                     | -                 | (21,593)          | -                | -              | -                | -                | -                   | -                   | (21,593)         |
| <b>Balance as at August 31, 2018</b>     | <u>48,559,496</u> | <u>23,677,449</u> | <u>-</u>         | <u>-</u>       | <u>4,095,000</u> | <u>1,503,141</u> | <u>3,761,610</u>    | <u>(23,082,695)</u> | <u>5,859,505</u> |
| <b>Balance as at September 1, 2016</b>   | 45,459,496        | 22,676,042        | 4,489,584        | 514,032        | 2,655,000        | 954,551          | 3,237,178           | (21,103,071)        | 6,278,732        |
| Loss and comprehensive loss for the year | -                 | -                 | -                | -              | -                | -                | -                   | (1,960,699)         | (1,960,699)      |
| Stock options granted (Note 13)          | -                 | -                 | -                | -              | 735,000          | 326,650          | -                   | -                   | 326,650          |
| <b>Balance as at August 31, 2017</b>     | <u>45,459,496</u> | <u>22,676,042</u> | <u>4,489,584</u> | <u>514,032</u> | <u>3,390,000</u> | <u>1,281,201</u> | <u>3,237,178</u>    | <u>(23,063,770)</u> | <u>4,644,683</u> |

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

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

# Azimut Exploration Inc.

## Statements of Cash Flows

For the years ended August 31, 2018 and 2017

(in Canadian dollars)

|                                                                                          | August 31,<br>2018<br>\$ | August 31,<br>2017<br>\$ |
|------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                                              |                          |                          |
| Loss for the year                                                                        | (18,925)                 | (1,960,699)              |
| Items not affecting cash                                                                 |                          |                          |
| Depreciation of property and equipment                                                   | 3,852                    | 3,201                    |
| Amortization of intangible assets                                                        | 500                      | 716                      |
| Change in fair value – investment                                                        | (39,919)                 | (18,420)                 |
| Write-off of property and equipment                                                      | 1,784                    | -                        |
| Impairment of E&E assets (Note 9)                                                        | 28,128                   | 1,476,878                |
| Gain on sale of equipment                                                                | (2,147)                  | -                        |
| Refundable duties credit for losses and refundable tax credit relating to resources, net | (4,041)                  | (11,090)                 |
| Stock-based compensation cost                                                            | 232,340                  | 326,650                  |
| Unwinding of discount on asset retirement obligations                                    | 1,855                    | 1,842                    |
| Recovery of deferred income taxes                                                        | (454,147)                | -                        |
|                                                                                          | <u>(250,720)</u>         | <u>(180,922)</u>         |
| Changes in non-cash working capital items                                                |                          |                          |
| Amounts receivable                                                                       | (106,444)                | (111,798)                |
| Prepaid expenses                                                                         | (22,995)                 | 56,488                   |
| Accounts payable and accrued liabilities                                                 | 39,191                   | 34,916                   |
|                                                                                          | <u>(90,248)</u>          | <u>(20,394)</u>          |
|                                                                                          | <u>(340,968)</u>         | <u>(201,316)</u>         |
| <b>Cash flows from financing activities</b>                                              |                          |                          |
| Flow-through private placement, net of issue expenses                                    | 1,528,407                | -                        |
| <b>Cash flows from investing activities</b>                                              |                          |                          |
| Advance received for exploration work                                                    | 2,491,276                | 3,821,180                |
| Additions to property and equipment                                                      | (36,050)                 | (89,591)                 |
| Additions to exploration and evaluation assets                                           | (5,500,703)              | (3,193,595)              |
| Proceeds from sale of investments                                                        | 87,443                   | -                        |
| Proceeds from sale of equipment                                                          | 3,400                    | -                        |
| Proceeds from sale of camp materials (Note 9)                                            | 16,000                   | -                        |
| Proceeds from sale of options on exploration and evaluation assets (Note 9)              | 100,321                  | -                        |
|                                                                                          | <u>(2,838,313)</u>       | <u>537,994</u>           |
| <b>Net change in cash and cash equivalents</b>                                           | <u>(1,650,874)</u>       | <u>336,678</u>           |
| <b>Cash and cash equivalents – Beginning of year</b>                                     | <u>4,138,853</u>         | <u>3,802,175</u>         |
| <b>Cash and cash equivalents – End of year</b>                                           | <u>2,487,979</u>         | <u>4,138,853</u>         |
| <b>Additional information</b>                                                            |                          |                          |
| Interest received                                                                        | (30,478)                 | (17,096)                 |
| Interest paid                                                                            | 43                       | -                        |
| <b>Additional cash flow information (Note 20)</b>                                        |                          |                          |

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

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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### **1 Nature of operations, general information and liquidity**

Azimut Exploration Inc. (“Azimut” or the “Company”), governed by the Business Corporations Act (Quebec), is in the business of acquiring and exploring mineral properties. The Company’s registered office is located at 110, De La Barre Street, Suite 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 August 31, 2018, the Company has working capital of \$1,495,714 (\$2,021,700 in 2017) including cash and cash equivalents of \$2,487,979 (\$4,138,853 in 2017) and an accumulated deficit of \$23,082,695 (\$23,063,770 in 2017). The Company incurred a loss of \$18,925 (\$1,960,699 in 2017) for the year ended August 31, 2018.

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 August 31, 2019, 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 Financial Statements

For the years ended August 31, 2018 and 2017

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## 2 Summary of significant accounting policies

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

### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures. The Board of Directors approved the financial statements for issue on December 21, 2018.

### **Basis of measurement**

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

### **Presentation and functional currency**

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

### **Jointly controlled assets and exploration activities**

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

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

### **Cash and cash equivalents**

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

### **Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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## 2 Summary of significant accounting policies (cont'd)

### Financial instruments (cont'd)

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

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

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

**Financial liabilities at amortized cost:** Accounts payable and accrued liabilities and advances received for exploration work which are classified as Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. Accounts payable and accrued liabilities and advances received for exploration work are measured at amortized cost using the effective interest method.

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

### Impairment of financial assets

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

### Property and equipment

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

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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## 2 Summary of significant accounting policies (cont'd)

### Property and equipment (cont'd)

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

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

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

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

### Identifiable intangible assets

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

### E&E assets

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

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

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

Proceeds on the sale of mineral properties are applied by property in reduction of the acquisition costs, then in reduction of the exploration costs, and any residual is recorded in the statement of comprehensive loss unless there is contractual work required in which case the residual gain is deferred and will be reduced once the contractual disbursements are done.

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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## 2 Summary of significant accounting policies (cont'd)

### E&E assets (cont'd)

Funds received from partners for exploration work on certain properties where the Company is the operator, as per agreements, are accounted for in the statement of financial position as advances received for exploration work. These amounts are reduced gradually once the exploration work is performed. Project management fees, received when the Company is the operator, are recorded in the statement of comprehensive loss.

The Company's E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in the search for deposits including topographical, geological, geochemical and geophysical activities. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition.

E&E expenditures include the cost of:

- establishing the volume and grade of deposits through core drilling, trenching and sampling activities in an ore body;
- determining the optimal extraction methods metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

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

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

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

### Leases

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

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

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

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

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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### 2 Summary of significant accounting policies (cont'd)

#### **Borrowing costs**

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

#### **Impairment of non-financial assets**

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

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

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

#### **Government assistance**

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

#### **Provisions and asset retirement obligations**

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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## 2 Summary of significant accounting policies (cont'd)

### Share-based payment transactions

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

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

### Share capital and warrants

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

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

### Flow-through shares

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

### Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in the Statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively. Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A temporary difference is not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

# Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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## 2 Summary of significant accounting policies (cont'd)

### Income taxes (cont'd)

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date.

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

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### Loss per share

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

### Segment disclosures

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

## 3 Accounting standards issued but not yet effective

### *IFRS 16, Leases ("IFRS 16")*

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

## 4 Critical accounting estimates, judgments and assumptions

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

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

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

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

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

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

##### b) **Asset retirement obligations**

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

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each site. The Company also estimates the timing of the cash outflow, which is subject to change and is currently estimated to be 2020 (previously estimated to be 2019), and represents a significant accounting estimate by the Company. Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to activities for reclamation and remediation.



# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

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

#### a) **Going Concern**

The assessment of the Company's ability to execute its strategy by funding future working capital and exploration and evaluation activities involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas of significant judgments in assessing whether the going concern assumption is appropriate relate to the expected level of E&E activities in the future, which is at least, but not limited to, twelve (12) months from the end of the reporting period and has been estimated at \$1,500,000 for the year ending August 31, 2019.

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

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

Based on an impairment analysis performed in 2018, the gold properties in the James Bay region were impaired by \$28,128 given that claims were not expected to be renewed (\$1,480,655 in 2017) (Note 9).

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

Periodically, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if management believes it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be applied. Assessing the recoverability of deferred income tax assets requires management to make significant judgment. If future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date could be impacted.

### 5 Cash and cash equivalents

As at August 31, 2018, cash and cash equivalents of \$2,487,979 (\$4,138,853 in 2017) include \$1,252,735 (\$1,350,570 as at August 31, 2017) of guaranteed investment certificates bearing interest at 1.10% (0.80% in 2017), cashable any time without any penalties, and an amount of \$214,273 reserved for exploration expenses pursuant to a flow-through financing agreement.

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

### 6 Amounts receivable

|                                         | 2018<br>\$     | 2017<br>\$     |
|-----------------------------------------|----------------|----------------|
| Tax credit and mining rights receivable | 559,084        | 491,029        |
| Commodity taxes                         | 227,112        | 161,445        |
| Amounts receivable                      | 40,777         | 5,190          |
|                                         | <u>826,973</u> | <u>657,664</u> |
| Less: Allowance for doubtful accounts   | <u>-</u>       | <u>(5,190)</u> |
|                                         | <u>826,973</u> | <u>652,474</u> |

### 7 Investments

|                                                          | As at August 31, 2018              |                     |                     | As at August 31, 2017              |                     |                     |
|----------------------------------------------------------|------------------------------------|---------------------|---------------------|------------------------------------|---------------------|---------------------|
|                                                          | Market<br>price per<br>share<br>\$ | Number<br>of shares | Fair<br>value<br>\$ | Market<br>price per<br>share<br>\$ | Number<br>of shares | Fair<br>value<br>\$ |
| Eastmain Resources Inc.                                  | 0.205                              | 20,000              | 4,100               | 0.350                              | 20,000              | 7,000               |
| Captor Capital Corp.<br>(formerly NWT Uranium Corp.)     | 0.155                              | 350,000             | 54,250              | 0.004                              | 350,000             | 1,314               |
| Albert Mining Inc.<br>(formerly Majescor Resources Inc.) | 0.030                              | 19,600              | 588                 | 0.060                              | 19,600              | 1,176               |
| Silver Spruce Resources Inc.                             | 0.030                              | 30,000              | 900                 | 0.055                              | 30,000              | 1,650               |
| Vision Lithium Inc.<br>(formerly ABE Resources Inc.)     | 0.250                              | 25,000              | 6,250               | 0.290                              | 25,000              | 7,250               |
| Nemaska Lithium Inc.                                     | 0.800                              | 59,272              | 47,418              | 1.270                              | 109,272             | 138,775             |
| Monarques Resources Inc.                                 | 0.190                              | 10,464              | 1,988               | 0.380                              | 10,464              | 3,976               |
| West African Resources Ltd                               | 0.310                              | 37,500              | 11,436              | 0.355                              | 37,500              | 13,313              |
|                                                          |                                    |                     | <u>126,930</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 Financial Statements

For the years ended August 31, 2018 and 2017

### 8 Property and equipment

|                                                 | Office<br>furniture<br>\$ | Office<br>equipment<br>\$ | Computer<br>equipment<br>\$ | Specialist<br>equipment<br>\$ | Camp<br>\$    | Vehicles<br>\$ | Total<br>\$    |
|-------------------------------------------------|---------------------------|---------------------------|-----------------------------|-------------------------------|---------------|----------------|----------------|
| <b>Year ended August 31, 2017</b>               |                           |                           |                             |                               |               |                |                |
| Opening net book amount                         | 2,230                     | 2,686                     | 2,710                       | 2,433                         | 22,595        | 1,078          | 33,732         |
| Change in asset retirement obligations estimate | -                         | -                         | -                           | -                             | (2,210)       | -              | (2,210)        |
| Additions                                       | -                         | 1,951                     | 3,194                       | -                             | 84,446        | -              | 89,591         |
| Depreciation for the year <sup>(1)</sup>        | (448)                     | (732)                     | (1,292)                     | (728)                         | (9,398)       | (324)          | (12,922)       |
| <b>Closing net book amount</b>                  | <b>1,782</b>              | <b>3,905</b>              | <b>4,612</b>                | <b>1,705</b>                  | <b>95,433</b> | <b>754</b>     | <b>108,191</b> |
| <b>As at August 31, 2017</b>                    |                           |                           |                             |                               |               |                |                |
| Cost                                            | 20,542                    | 22,032                    | 39,791                      | 56,250                        | 577,803       | 3,702          | 720,120        |
| Accumulated depreciation                        | (18,760)                  | (18,127)                  | (35,179)                    | (54,545)                      | (482,370)     | (2,948)        | (611,929)      |
| <b>Net book amount</b>                          | <b>1,782</b>              | <b>3,905</b>              | <b>4,612</b>                | <b>1,705</b>                  | <b>95,433</b> | <b>754</b>     | <b>108,191</b> |
| <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 year <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>  |

<sup>(1)</sup> The depreciation of the camp and vehicles is included in E&E assets in the amount of \$40,708 (\$9,721 in 2017).

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

### 9 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

#### Change in exploration and evaluation assets in 2018

| Mineral property        |     | Undivided<br>interest | Cost as at<br>August 31,<br>2017 | Additions | Option<br>payments | Proceeds<br>received | Tax<br>credit | Cost as at<br>August 31,<br>2018 | Accumulated<br>impairment as<br>at August 31,<br>2017 | Impairment | Accumulated<br>impairment as<br>at August 31,<br>2018 | Net book<br>amount as at<br>August 31,<br>2018 |
|-------------------------|-----|-----------------------|----------------------------------|-----------|--------------------|----------------------|---------------|----------------------------------|-------------------------------------------------------|------------|-------------------------------------------------------|------------------------------------------------|
|                         |     | %                     | \$                               | \$        | \$                 | \$                   | \$            | \$                               | \$                                                    | \$         | \$                                                    | \$                                             |
| <b>James Bay – Gold</b> |     |                       |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Opinaca A               | (a) | 50                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 17,373                           | 18,337    | -                  | -                    | -             | 35,710                           | -                                                     | -          | -                                                     | 35,710                                         |
| Exploration costs       |     |                       | 19,091                           | 8,790     | -                  | -                    | -             | 27,881                           | -                                                     | -          | -                                                     | 27,881                                         |
|                         |     |                       | 36,464                           | 27,127    | -                  | -                    | -             | 63,591                           | -                                                     | -          | -                                                     | 63,591                                         |
| Opinaca B               | (b) | 50                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 195                              | -         | -                  | -                    | -             | 195                              | -                                                     | -          | -                                                     | 195                                            |
| Exploration costs       |     |                       | 3,501                            | 2,165     | -                  | -                    | (631)         | 5,035                            | -                                                     | -          | -                                                     | 5,035                                          |
|                         |     |                       | 3,696                            | 2,165     | -                  | -                    | (631)         | 5,230                            | -                                                     | -          | -                                                     | 5,230                                          |
| Eleonore South          | (c) | 26.57                 |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 41,126                           | -         | -                  | -                    | -             | 41,126                           | -                                                     | -          | -                                                     | 41,126                                         |
| Exploration costs       |     |                       | 427,547                          | 714,421   | -                  | -                    | (112,168)     | 1,029,800                        | -                                                     | -          | -                                                     | 1,029,800                                      |
|                         |     |                       | 468,673                          | 714,421   | -                  | -                    | (112,168)     | 1,070,926                        | -                                                     | -          | -                                                     | 1,070,926                                      |
| Opinaca D               |     | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 105,766                          | 7,982     | -                  | -                    | -             | 113,748                          | (54,975)                                              | -          | (54,975)                                              | 58,773                                         |
| Exploration costs       |     |                       | 55,613                           | 168,601   | -                  | -                    | -             | 224,214                          | (8,006)                                               | -          | (8,006)                                               | 216,208                                        |
|                         |     |                       | 161,379                          | 176,583   | -                  | -                    | -             | 337,962                          | (62,981)                                              | -          | (62,981)                                              | 274,981                                        |
| Wabamisk                | (d) | 49                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 2,878                            | -         | -                  | -                    | -             | 2,878                            | -                                                     | -          | -                                                     | 2,878                                          |
| Exploration costs       |     |                       | 16,259                           | 1,480     | -                  | -                    | (379)         | 17,360                           | -                                                     | -          | -                                                     | 17,360                                         |
|                         |     |                       | 19,137                           | 1,480     | -                  | -                    | (379)         | 20,238                           | -                                                     | -          | -                                                     | 20,238                                         |
| Valore                  |     | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 17,142                           | 16,036    | -                  | -                    | -             | 33,178                           | -                                                     | -          | -                                                     | 33,178                                         |
| Exploration costs       |     |                       | 36,134                           | 631       | -                  | -                    | -             | 36,765                           | -                                                     | -          | -                                                     | 36,765                                         |
|                         |     |                       | 53,276                           | 16,667    | -                  | -                    | -             | 69,943                           | -                                                     | -          | -                                                     | 69,943                                         |
| SOQUEM JV               | (e) | 50                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 4                                | -         | -                  | -                    | -             | 4                                | -                                                     | -          | -                                                     | 4                                              |
| Exploration costs       |     |                       | -                                | -         | -                  | -                    | -             | -                                | -                                                     | -          | -                                                     | -                                              |
|                         |     |                       | 4                                | -         | -                  | -                    | -             | 4                                | -                                                     | -          | -                                                     | 4                                              |
| Dalmas                  | (f) | 50                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 10,950                           | 1,633     | (12,421)           | -                    | -             | 162                              | -                                                     | -          | -                                                     | 162                                            |
| Exploration costs       |     |                       | -                                | -         | -                  | -                    | -             | -                                | -                                                     | -          | -                                                     | -                                              |
|                         |     |                       | 10,950                           | 1,633     | (12,421)           | -                    | -             | 162                              | -                                                     | -          | -                                                     | 162                                            |

# Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

### Change in exploration and evaluation assets in 2018 (cont'd)

| Mineral property                      |     | Undivided<br>interest | Cost as at<br>August 31,<br>2017 | Additions | Option<br>payments | Proceeds<br>received | Tax<br>credit | Cost as at<br>August 31,<br>2018 | Accumulated<br>impairment as<br>at August 31,<br>2017 | Impairment | Accumulated<br>impairment as<br>at August 31,<br>2018 | Net book<br>amount as at<br>August 31,<br>2018 |
|---------------------------------------|-----|-----------------------|----------------------------------|-----------|--------------------|----------------------|---------------|----------------------------------|-------------------------------------------------------|------------|-------------------------------------------------------|------------------------------------------------|
|                                       |     | %                     | \$                               | \$        | \$                 | \$                   | \$            | \$                               | \$                                                    | \$         | \$                                                    | \$                                             |
| <b>James Bay – Gold (cont'd)</b>      |     |                       |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Galinée                               | (g) | 50                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | 52,576                           | 35,487    | (87,900)           | -                    | -             | 163                              | -                                                     | -          | -                                                     | 163                                            |
| Exploration costs                     |     |                       | -                                | -         | -                  | -                    | -             | -                                | -                                                     | -          | -                                                     | -                                              |
|                                       |     |                       | 52,576                           | 35,487    | (87,900)           | -                    | -             | 163                              | -                                                     | -          | -                                                     | 163                                            |
| SOQUEM Alliance                       | (h) | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | 53,827                           | 4,751     | -                  | -                    | -             | 58,578                           | -                                                     | (28,128)   | (28,128)                                              | 30,450                                         |
| Exploration costs                     |     |                       | -                                | -         | -                  | -                    | -             | -                                | -                                                     | -          | -                                                     | -                                              |
|                                       |     |                       | 53,827                           | 4,751     | -                  | -                    | -             | 58,578                           | -                                                     | (28,128)   | (28,128)                                              | 30,450                                         |
| SOQUEM Alliance – Others              | (i) | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | 32,393                           | 26,726    | -                  | -                    | -             | 59,119                           | -                                                     | -          | -                                                     | 59,119                                         |
| Exploration costs                     |     |                       | 64                               | 27,662    | -                  | -                    | -             | 27,726                           | -                                                     | -          | -                                                     | 27,726                                         |
|                                       |     |                       | 32,457                           | 54,388    | -                  | -                    | -             | 86,845                           | -                                                     | -          | -                                                     | 86,845                                         |
| <b>Total James Bay – Gold</b>         |     |                       | 892,439                          | 1,034,702 | (100,321)          | -                    | (113,178)     | 1,713,642                        | (62,981)                                              | (28,128)   | (91,109)                                              | 1,622,533                                      |
| <b>James Bay – Chromium-PGE</b>       |     |                       |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Chromaska                             |     | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | 25,634                           | 5,038     | -                  | -                    | -             | 30,672                           | (10,551)                                              | -          | (10,551)                                              | 20,121                                         |
| Exploration costs                     |     |                       | 262,276                          | 637,840   | -                  | -                    | (622)         | 899,494                          | (105,334)                                             | -          | (105,334)                                             | 794,160                                        |
| <b>Total James Bay – Chromium-PGE</b> |     |                       | 287,910                          | 642,878   | -                  | -                    | (622)         | 930,166                          | (115,885)                                             | -          | (115,885)                                             | 814,281                                        |
| <b>James Bay – Zinc</b>               |     |                       |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Cawachaga                             |     | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | 6,729                            | -         | -                  | -                    | -             | 6,729                            | -                                                     | -          | -                                                     | 6,729                                          |
| Exploration costs                     |     |                       | -                                | -         | -                  | -                    | -             | -                                | -                                                     | -          | -                                                     | -                                              |
| <b>Total James Bay – Zinc</b>         |     |                       | 6,729                            | -         | -                  | -                    | -             | 6,729                            | -                                                     | -          | -                                                     | 6,729                                          |
| <b>James Bay - Polymetallic</b>       |     |                       |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Elmer                                 |     | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | -                                | 20,045    | -                  | -                    | -             | 20,045                           | -                                                     | -          | -                                                     | 20,045                                         |
| Exploration costs                     |     |                       | -                                | 2,219     | -                  | -                    | -             | 2,219                            | -                                                     | -          | -                                                     | 2,219                                          |
| <b>Total James Bay - Polymetallic</b> |     |                       | -                                | 22,264    | -                  | -                    | -             | 22,264                           | -                                                     | -          | -                                                     | 22,264                                         |
| <b>Total James Bay</b>                |     |                       | 1,187,078                        | 1,699,844 | (100,321)          | -                    | (113,800)     | 2,672,801                        | (178,866)                                             | (28,128)   | (206,994)                                             | 2,465,807                                      |

# Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

### Change in exploration and evaluation assets in 2018 (cont'd)

| Mineral property                    | Undivided interest | Cost as at August 31, 2017 | Additions | Option payments | Proceeds received       | Tax credit | Cost as at August 31, 2018 | Accumulated impairment as at August 31, 2017 | Impairment | Accumulated impairment as at August 31, 2018 | Net book amount as at August 31, 2018 |
|-------------------------------------|--------------------|----------------------------|-----------|-----------------|-------------------------|------------|----------------------------|----------------------------------------------|------------|----------------------------------------------|---------------------------------------|
|                                     | %                  | \$                         | \$        | \$              | \$                      | \$         | \$                         | \$                                           | \$         | \$                                           | \$                                    |
| <b>Nunavik – Polymetallic</b>       |                    |                            |           |                 |                         |            |                            |                                              |            |                                              |                                       |
| Rex                                 | 100                |                            |           |                 |                         |            |                            |                                              |            |                                              |                                       |
| Acquisition costs                   |                    | 1,184,282                  | 95,129    | -               | -                       | -          | 1,279,411                  | (1,054,369)                                  | -          | (1,054,369)                                  | 225,042                               |
| Exploration costs                   |                    | 4,018,463                  | 7,169     | -               | -                       | (335)      | 4,025,297                  | (3,134,729)                                  | -          | (3,134,729)                                  | 890,568                               |
|                                     |                    | 5,202,745                  | 102,298   | -               | -                       | (335)      | 5,304,708                  | (4,189,098)                                  | -          | (4,189,098)                                  | 1,115,610                             |
| Duquet                              | (j) 100            |                            |           |                 |                         |            |                            |                                              |            |                                              |                                       |
| Acquisition costs                   |                    | 3,776                      | -         | -               | -                       | -          | 3,776                      | -                                            | -          | -                                            | 3,776                                 |
| Exploration costs                   |                    | 280                        | -         | -               | -                       | -          | 280                        | -                                            | -          | -                                            | 280                                   |
|                                     |                    | 4,056                      | -         | -               | -                       | -          | 4,056                      | -                                            | -          | -                                            | 4,056                                 |
| Rex South                           | 100                |                            |           |                 |                         |            |                            |                                              |            |                                              |                                       |
| Acquisition costs                   |                    | 306,755                    | 129,442   | -               | -                       | -          | 436,197                    | (104,513)                                    | -          | (104,513)                                    | 331,684                               |
| Exploration costs                   |                    | 342,847                    | 9,611     | -               | (16,000) <sup>(1)</sup> | (594)      | 335,864                    | (145,089)                                    | -          | (145,089)                                    | 190,775                               |
|                                     |                    | 649,602                    | 139,053   | -               | (16,000)                | (594)      | 772,061                    | (249,602)                                    | -          | (249,602)                                    | 522,459                               |
| 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)                                  | -                                     |
| Qassituq                            | 100                |                            |           |                 |                         |            |                            |                                              |            |                                              |                                       |
| Acquisition costs                   |                    | 37,163                     | 4,371     | -               | -                       | -          | 41,534                     | (37,163)                                     | -          | (37,163)                                     | 4,371                                 |
| Exploration costs                   |                    | 35,706                     | 65        | -               | -                       | (28)       | 35,743                     | (35,706)                                     | -          | (35,706)                                     | 37                                    |
|                                     |                    | 72,869                     | 4,436     | -               | -                       | (28)       | 77,277                     | (72,869)                                     | -          | (72,869)                                     | 4,408                                 |
| <b>Total Nunavik – Polymetallic</b> |                    | 7,649,675                  | 245,787   | -               | (16,000)                | (957)      | 7,878,505                  | (6,231,972)                                  | -          | (6,231,972)                                  | 1,646,533                             |
| <b>Nunavik – Gold</b>               |                    |                            |           |                 |                         |            |                            |                                              |            |                                              |                                       |
| Nantais                             | 100                |                            |           |                 |                         |            |                            |                                              |            |                                              |                                       |
| Acquisition costs                   |                    | 121,448                    | 21,771    | -               | -                       | -          | 143,219                    | (95,299)                                     | -          | (95,299)                                     | 47,920                                |
| Exploration costs                   |                    | 275,520                    | 41,959    | -               | -                       | (147)      | 317,332                    | (204,913)                                    | -          | (204,913)                                    | 112,419                               |
| <b>Total Nunavik – Gold</b>         |                    | 396,968                    | 63,730    | -               | -                       | (147)      | 460,551                    | (300,212)                                    | -          | (300,212)                                    | 160,339                               |

# Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

### Change in exploration and evaluation assets in 2018 (cont'd)

| Mineral property               | Undivided interest | Cost as at August 31, 2017 | Additions        | Option payments  | Proceeds received | Tax credit       | Cost as at August 31, 2018 | Accumulated impairment as at August 31, 2017 | Impairment      | Accumulated impairment as at August 31, 2018 | Net book amount as at August 31, 2018 |
|--------------------------------|--------------------|----------------------------|------------------|------------------|-------------------|------------------|----------------------------|----------------------------------------------|-----------------|----------------------------------------------|---------------------------------------|
|                                | %                  | \$                         | \$               | \$               | \$                | \$               | \$                         | \$                                           | \$              | \$                                           | \$                                    |
| <b>Nunavik – Uranium</b>       |                    |                            |                  |                  |                   |                  |                            |                                              |                 |                                              |                                       |
| North Rae *                    | 100                |                            |                  |                  |                   |                  |                            |                                              |                 |                                              |                                       |
| Acquisition costs              |                    | 484,706                    | -                | -                | -                 | -                | 484,706                    | (484,706)                                    | -               | (484,706)                                    | -                                     |
| Exploration costs              |                    | 707,167                    | -                | -                | -                 | -                | 707,167                    | (707,167)                                    | -               | (707,167)                                    | -                                     |
| <b>Total Nunavik – Uranium</b> |                    | <b>1,191,873</b>           | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>         | <b>1,191,873</b>           | <b>(1,191,873)</b>                           | <b>-</b>        | <b>(1,191,873)</b>                           | <b>-</b>                              |
| <b>Total Nunavik</b>           |                    | <b>9,238,516</b>           | <b>309,517</b>   | <b>-</b>         | <b>(16,000)</b>   | <b>(1,104)</b>   | <b>9,530,929</b>           | <b>(7,724,057)</b>                           | <b>-</b>        | <b>(7,724,057)</b>                           | <b>1,806,872</b>                      |
| <b>Total E&amp;E assets</b>    |                    | <b>10,425,594</b>          | <b>2,009,361</b> | <b>(100,321)</b> | <b>(16,000)</b>   | <b>(114,904)</b> | <b>12,203,730</b>          | <b>(7,902,923)</b>                           | <b>(28,128)</b> | <b>(7,931,051)</b>                           | <b>4,272,679</b>                      |

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

<sup>(1)</sup> Proceeds received from the sale of camp materials.

|                                   | August 31, 2018  | August 31, 2017  |
|-----------------------------------|------------------|------------------|
|                                   | \$               | \$               |
| Acquisition and exploration costs | 4,272,679        | 2,522,671        |
| Prepaid exploration expenses      | 1,336            | -                |
|                                   | <u>4,274,015</u> | <u>2,522,671</u> |

# Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

### Change in exploration and evaluation assets in 2017

| Mineral property        |     | Undivided<br>interest | Cost as at<br>August 31,<br>2016 | Additions | Option<br>payments | Proceeds<br>received | Tax<br>credit | Cost as at<br>August 31,<br>2017 | Accumulated<br>impairment as<br>at August 31,<br>2016 | Impairment | Accumulated<br>impairment as<br>at August 31,<br>2017 | Net book<br>amount as at<br>August 31,<br>2017 |
|-------------------------|-----|-----------------------|----------------------------------|-----------|--------------------|----------------------|---------------|----------------------------------|-------------------------------------------------------|------------|-------------------------------------------------------|------------------------------------------------|
|                         |     | %                     | \$                               | \$        | \$                 | \$                   | \$            | \$                               | \$                                                    | \$         | \$                                                    | \$                                             |
| <b>James Bay – Gold</b> |     |                       |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Opinaca A               | (a) | 50                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 8,156                            | 9,217     | -                  | -                    | -             | 17,373                           | -                                                     | -          | -                                                     | 17,373                                         |
| Exploration costs       |     |                       | 9,092                            | 17,745    | -                  | -                    | (7,746)       | 19,091                           | -                                                     | -          | -                                                     | 19,091                                         |
|                         |     |                       | 17,248                           | 26,962    | -                  | -                    | (7,746)       | 36,464                           | -                                                     | -          | -                                                     | 36,464                                         |
| Opinaca B               | (b) | 50                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | -                                | 195       | -                  | -                    | -             | 195                              | -                                                     | -          | -                                                     | 195                                            |
| Exploration costs       |     |                       | 1,413                            | 3,706     | -                  | -                    | (1,618)       | 3,501                            | -                                                     | -          | -                                                     | 3,501                                          |
|                         |     |                       | 1,413                            | 3,901     | -                  | -                    | (1,618)       | 3,696                            | -                                                     | -          | -                                                     | 3,696                                          |
| Eleonore South          | (c) | 26.57                 |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 26,599                           | 14,527    | -                  | -                    | -             | 41,126                           | -                                                     | -          | -                                                     | 41,126                                         |
| Exploration costs       |     |                       | 61,398                           | 649,775   | -                  | -                    | (283,626)     | 427,547                          | -                                                     | -          | -                                                     | 427,547                                        |
|                         |     |                       | 87,997                           | 664,302   | -                  | -                    | (283,626)     | 468,673                          | -                                                     | -          | -                                                     | 468,673                                        |
| Opinaca D               |     | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 91,590                           | 14,176    | -                  | -                    | -             | 105,766                          | (54,975)                                              | -          | (54,975)                                              | 50,791                                         |
| Exploration costs       |     |                       | 42,285                           | 23,652    | -                  | -                    | (10,324)      | 55,613                           | (8,006)                                               | -          | (8,006)                                               | 47,607                                         |
|                         |     |                       | 133,875                          | 37,828    | -                  | -                    | (10,324)      | 161,379                          | (62,981)                                              | -          | (62,981)                                              | 98,398                                         |
| Wabamisk                | (d) | 49                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | 2,781                            | 97        | -                  | -                    | -             | 2,878                            | -                                                     | -          | -                                                     | 2,878                                          |
| Exploration costs       |     |                       | 15,935                           | 575       | -                  | -                    | (251)         | 16,259                           | -                                                     | -          | -                                                     | 16,259                                         |
|                         |     |                       | 18,716                           | 672       | -                  | -                    | (251)         | 19,137                           | -                                                     | -          | -                                                     | 19,137                                         |
| Valore                  |     | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | -                                | 17,142    | -                  | -                    | -             | 17,142                           | -                                                     | -          | -                                                     | 17,142                                         |
| Exploration costs       |     |                       | -                                | 64,124    | -                  | -                    | (27,990)      | 36,134                           | -                                                     | -          | -                                                     | 36,134                                         |
|                         |     |                       | -                                | 81,266    | -                  | -                    | (27,990)      | 53,276                           | -                                                     | -          | -                                                     | 53,276                                         |
| SOQUEM JV               | (e) | 50                    |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs       |     |                       | -                                | 4         | -                  | -                    | -             | 4                                | -                                                     | -          | -                                                     | 4                                              |
| Exploration costs       |     |                       | -                                | -         | -                  | -                    | -             | -                                | -                                                     | -          | -                                                     | -                                              |
|                         |     |                       | -                                | 4         | -                  | -                    | -             | 4                                | -                                                     | -          | -                                                     | 4                                              |



# Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

### Change in exploration and evaluation assets in 2017 (cont'd)

| Mineral property                      |     | Undivided<br>interest | Cost as at<br>August 31,<br>2016 | Additions | Option<br>payments | Proceeds<br>received | Tax<br>credit | Cost as at<br>August 31,<br>2017 | Accumulated<br>impairment as<br>at August 31,<br>2016 | Impairment | Accumulated<br>impairment as<br>at August 31,<br>2017 | Net book<br>amount as at<br>August 31,<br>2017 |
|---------------------------------------|-----|-----------------------|----------------------------------|-----------|--------------------|----------------------|---------------|----------------------------------|-------------------------------------------------------|------------|-------------------------------------------------------|------------------------------------------------|
|                                       |     | %                     | \$                               | \$        | \$                 | \$                   | \$            | \$                               | \$                                                    | \$         | \$                                                    | \$                                             |
| <b>James Bay – Gold (cont'd)</b>      |     |                       |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| SOQUEM Alliance                       | (h) | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | -                                | 117,353   | -                  | -                    | -             | 117,353                          | -                                                     | -          | -                                                     | 117,353                                        |
| Exploration costs                     |     |                       | -                                | -         | -                  | -                    | -             | -                                | -                                                     | -          | -                                                     | -                                              |
|                                       |     |                       | -                                | 117,353   | -                  | -                    | -             | 117,353                          | -                                                     | -          | -                                                     | 117,353                                        |
| SOQUEM Alliance – Others              | (i) | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | -                                | 32,393    | -                  | -                    | -             | 32,393                           | -                                                     | -          | -                                                     | 32,393                                         |
| Exploration costs                     |     |                       | -                                | 114       | -                  | -                    | (50)          | 64                               | -                                                     | -          | -                                                     | 64                                             |
|                                       |     |                       | -                                | 32,507    | -                  | -                    | (50)          | 32,457                           | -                                                     | -          | -                                                     | 32,457                                         |
| <b>Total James Bay – Gold</b>         |     |                       | 259,249                          | 964,795   | -                  | -                    | (331,605)     | 892,439                          | (62,981)                                              | -          | (62,981)                                              | 829,458                                        |
| <b>James Bay – Chromium-PGE</b>       |     |                       |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Eastmain West                         |     | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | 18,483                           | 7,151     | -                  | -                    | -             | 25,634                           | (10,551)                                              | -          | (10,551)                                              | 15,083                                         |
| Exploration costs                     |     |                       | 174,554                          | 137,172   | -                  | -                    | (49,450)      | 262,276                          | (105,334)                                             | -          | (105,334)                                             | 156,942                                        |
| <b>Total James Bay – Chromium-PGE</b> |     |                       | 193,037                          | 144,323   | -                  | -                    | (49,450)      | 287,910                          | (115,885)                                             | -          | (115,885)                                             | 172,025                                        |
| <b>James Bay – Zinc</b>               |     |                       |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Cawachaga                             |     | 100                   |                                  |           |                    |                      |               |                                  |                                                       |            |                                                       |                                                |
| Acquisition costs                     |     |                       | -                                | 6,729     | -                  | -                    | -             | 6,729                            | -                                                     | -          | -                                                     | 6,729                                          |
| Exploration costs                     |     |                       | -                                | -         | -                  | -                    | -             | -                                | -                                                     | -          | -                                                     | -                                              |
| <b>Total James Bay – Zinc</b>         |     |                       | -                                | 6,729     | -                  | -                    | -             | 6,729                            | -                                                     | -          | -                                                     | 6,729                                          |
| <b>Total James Bay</b>                |     |                       | 452,286                          | 1,115,847 | -                  | -                    | (381,055)     | 1,187,078                        | (178,866)                                             | -          | (178,866)                                             | 1,008,212                                      |

# Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

### Change in exploration and evaluation assets in 2017 (cont'd)

| Mineral property                    | Undivided interest | Cost as at August 31, 2016 | Additions | Option payments | Proceeds received | Tax credit | Cost as at August 31, 2017 | Accumulated impairment as at August 31, 2016 | Impairment  | Accumulated impairment as at August 31, 2017 | Net book amount as at August 31, 2017 |
|-------------------------------------|--------------------|----------------------------|-----------|-----------------|-------------------|------------|----------------------------|----------------------------------------------|-------------|----------------------------------------------|---------------------------------------|
|                                     | %                  | \$                         | \$        | \$              | \$                | \$         | \$                         | \$                                           | \$          | \$                                           | \$                                    |
| <b>Nunavik – Polymetallic</b>       |                    |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| Rex                                 | 100                |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| Acquisition costs                   |                    | 1,184,062                  | 220       | -               | -                 | -          | 1,184,282                  | (917,119)                                    | (137,250)   | (1,054,369)                                  | 129,913                               |
| Exploration costs                   |                    | 4,010,329                  | 9,367     | -               | -                 | (1,233)    | 4,018,463                  | (2,114,918)                                  | (1,019,811) | (3,134,729)                                  | 883,734                               |
|                                     |                    | 5,194,391                  | 9,587     | -               | -                 | (1,233)    | 5,202,745                  | (3,032,037)                                  | (1,157,061) | (4,189,098)                                  | 1,013,647                             |
| Duquet                              | (j) 100            |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| Acquisition costs                   |                    | 471                        | 3,305     | -               | -                 | -          | 3,776                      | -                                            | -           | -                                            | 3,776                                 |
| Exploration costs                   |                    | 280                        | -         | -               | -                 | -          | 280                        | -                                            | -           | -                                            | 280                                   |
|                                     |                    | 751                        | 3,305     | -               | -                 | -          | 4,056                      | -                                            | -           | -                                            | 4,056                                 |
| Rex South                           | 100                |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| Acquisition costs                   |                    | 287,669                    | 19,086    | -               | -                 | -          | 306,755                    | (58,724)                                     | (45,789)    | (104,513)                                    | 202,242                               |
| Exploration costs                   |                    | 336,245                    | 9,252     | -               | -                 | (2,650)    | 342,847                    | -                                            | (145,089)   | (145,089)                                    | 197,758                               |
|                                     |                    | 623,914                    | 28,338    | -               | -                 | (2,650)    | 649,602                    | (58,724)                                     | (190,878)   | (249,602)                                    | 400,000                               |
| NCG*                                | 100                |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| Acquisition costs                   |                    | 738,044                    | 118       | -               | -                 | -          | 738,162                    | (738,044)                                    | (118)       | (738,162)                                    | -                                     |
| Exploration costs                   |                    | 982,241                    | -         | -               | -                 | -          | 982,241                    | (982,241)                                    | -           | (982,241)                                    | -                                     |
|                                     |                    | 1,720,285                  | 118       | -               | -                 | -          | 1,720,403                  | (1,720,285)                                  | (118)       | (1,720,403)                                  | -                                     |
| Qassituq *                          | 100                |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| Acquisition costs                   |                    | 35,413                     | 1,750     | -               | -                 | -          | 37,163                     | (23,243)                                     | (13,920)    | (37,163)                                     | -                                     |
| Exploration costs                   |                    | 35,706                     | -         | -               | -                 | -          | 35,706                     | (10,948)                                     | (24,758)    | (35,706)                                     | -                                     |
|                                     |                    | 71,119                     | 1,750     | -               | -                 | -          | 72,869                     | (34,191)                                     | (38,678)    | (72,869)                                     | -                                     |
| <b>Total Nunavik – Polymetallic</b> |                    | 7,610,460                  | 43,098    | -               | -                 | (3,883)    | 7,649,675                  | (4,845,237)                                  | (1,386,735) | (6,231,972)                                  | 1,417,703                             |
| <b>Nunavik – Gold</b>               |                    |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| Nantais                             | 100                |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| Acquisition costs                   |                    | 119,951                    | 1,497     | -               | -                 | -          | 121,448                    | (70,647)                                     | (24,652)    | (95,299)                                     | 26,149                                |
| Exploration costs                   |                    | 273,830                    | 2,999     | -               | -                 | (1,309)    | 275,520                    | (135,891)                                    | (69,022)    | (204,913)                                    | 70,607                                |
| <b>Total Nunavik – Gold</b>         |                    | 393,781                    | 4,496     | -               | -                 | (1,309)    | 396,968                    | (206,538)                                    | (93,674)    | (300,212)                                    | 96,756                                |

# Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

### Change in exploration and evaluation assets in 2017 (cont'd)

| Mineral property               | Undivided interest | Cost as at August 31, 2016 | Additions | Option payments | Proceeds received | Tax credit | Cost as at August 31, 2017 | Accumulated impairment as at August 31, 2016 | Impairment  | Accumulated impairment as at August 31, 2017 | Net book amount as at August 31, 2017 |
|--------------------------------|--------------------|----------------------------|-----------|-----------------|-------------------|------------|----------------------------|----------------------------------------------|-------------|----------------------------------------------|---------------------------------------|
|                                | %                  | \$                         | \$        | \$              | \$                | \$         | \$                         | \$                                           | \$          | \$                                           | \$                                    |
| <b>Nunavik – Uranium</b>       |                    |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| North Rae *                    | 100                |                            |           |                 |                   |            |                            |                                              |             |                                              |                                       |
| Acquisition costs              |                    | 484,460                    | 246       | -               | -                 | -          | 484,706                    | (484,460)                                    | (246)       | (484,706)                                    | -                                     |
| Exploration costs              |                    | 707,167                    | -         | -               | -                 | -          | 707,167                    | (707,167)                                    | -           | (707,167)                                    | -                                     |
| <b>Total Nunavik – Uranium</b> |                    | 1,191,627                  | 246       | -               | -                 | -          | 1,191,873                  | (1,191,627)                                  | (246)       | (1,191,873)                                  | -                                     |
| <b>Total Nunavik</b>           |                    | 9,195,868                  | 47,840    | -               | -                 | (5,192)    | 9,238,516                  | (6,243,402)                                  | (1,480,655) | (7,724,057)                                  | 1,514,459                             |
| <b>Total E&amp;E assets</b>    |                    | 9,648,154                  | 1,163,687 | -               | -                 | (386,247)  | 10,425,594                 | (6,422,268)                                  | (1,480,655) | (7,902,923)                                  | 2,522,671                             |

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

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

- a) In March 2010, Everton Resources Inc. (“Everton”) earned a 50% interest in the Opinaca A Property by making cumulative cash payments of \$180,000 and incurring a total of \$2.8 million in work expenditures.
- 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 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. 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 August 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 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”) 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 August 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 \$5,817,916 to cover exploration work. The allocation of expenditures was as follows: Azimut \$1,545,820, Goldcorp \$2,135,757 and Eastmain \$2,136,339.

- 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, at SOQUEM Inc.’s (“SOQUEM”) cost, four properties were acquired under the terms of a strategic alliance (the “Alliance”) (see i): Munischiwan, Pikwa, Pontois and Desceliers (the “SOQUEM JV Properties”). 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 work expenditures 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 August 31, 2018, SOQUEM’s cumulative investment in work expenditures is \$2,075,746 (\$904,500 – August 31, 2017).

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

- f) On June 20, 2018, based on data acquired through a reconnaissance program (see *h*), SOQUEM converted Dalmas into a SOQUEM JV 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 properties. SOQUEM has the option to acquire Azimut's interest by investing a total of \$750,000 in work expenditures over four years, including diamond drilling. Azimut will retain a 2% NSR royalty of which 0.8% can be bought back for \$800,000 in cash.

Azimut is the operator of the property. As at August 31, 2018, SOQUEM's cumulative investment in work expenditures is \$80,827.

- g) On June 20, 2018, based on data acquired through a reconnaissance program (see *h*), SOQUEM converted Galinée into a SOQUEM JV 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 properties. SOQUEM has the option to acquire Azimut's interest by investing a total of \$1,500,000 in work expenditures over four years, including diamond drilling. Azimut will retain a 2% NSR royalty of which 0.8% can be bought back for \$800,000 in cash.

Azimut is the operator of the property. As at August 31, 2018, SOQUEM's cumulative investment in work expenditures is \$297,261.

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

As at August 31, 2018, Azimut owns a 100% interest in these properties and is manager of the \$104,400 (\$247,000 in 2017) work program. The acquired data will be used to decide which properties will be retained for additional investment under the terms of the strategic alliance.

- i) On September 22, 2016, the Company formed 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. Under the terms of the Alliance, Azimut delivered a target report to SOQUEM in exchange for a cash payment of \$100,000.
- 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.

### 10 Asset retirement obligations

|                                                       | 2018<br>\$ | 2017<br>\$ |
|-------------------------------------------------------|------------|------------|
| Balance – Beginning of year                           | 247,313    | 247,681    |
| Change in estimate                                    | -          | (2,210)    |
| Unwinding of discount on asset retirement obligations | 1,855      | 1,842      |
| Balance – End of year                                 | 249,168    | 247,313    |

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to \$251,480. A discount rate of 0.80% (0.80% in 2017) was used to estimate the obligations in 2018. 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

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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### 10 Asset retirement obligations (cont'd)

properties by itself or through a partner, the obligation will be settled further into the future. Each quarter, the Company reviews the expected timing of the cash flow payments required to settle the obligations, and adjusts the asset retirement obligations accordingly.

### 11 Share capital

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

On 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.

### 12 Warrants

The following table presents the warrant activities for the years ended August 31, 2018 and 2017, and summarizes the information about warrants outstanding as at August 31, 2018:

|                                                        | Number             | Carrying<br>value<br>\$ | Weighted<br>average<br>exercise<br>price<br>\$ |
|--------------------------------------------------------|--------------------|-------------------------|------------------------------------------------|
| Outstanding and exercisable – August 31, 2016 and 2017 | 4,489,584          | 514,032                 | 0.45                                           |
| Expired                                                | <u>(4,489,584)</u> | <u>(514,032)</u>        | <u>0.45</u>                                    |
| Outstanding and exercisable – August 31, 2018          | <u>-</u>           | <u>-</u>                | <u>-</u>                                       |

### 13 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.

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

### 13 Stock option plan (cont'd)

The following tables present the stock option activities for the year ended August 31, 2018, and summarize the information about stock options outstanding and vested as at August 31:

|                                 | 2018             |                                    | 2017             |                                    |
|---------------------------------|------------------|------------------------------------|------------------|------------------------------------|
|                                 | Number           | Weighted average exercise price \$ | Number           | Weighted average exercise price \$ |
| Outstanding – Beginning of year | 3,390,000        | 0.43                               | 2,655,000        | 0.40                               |
| Granted                         | 745,000          | 0.37                               | 735,000          | 0.52                               |
| Expired                         | (40,000)         | 0.36                               | -                | -                                  |
| Outstanding – End of year       | <u>4,095,000</u> | <u>0.42</u>                        | <u>3,390,000</u> | <u>0.43</u>                        |
| Vested – End of year            | <u>4,029,000</u> |                                    |                  |                                    |

  

| Exercise price \$ | Options outstanding | Options vested   | Weighted average remaining contractual life (years) |
|-------------------|---------------------|------------------|-----------------------------------------------------|
| 0.190             | 580,000             | 580,000          | 4.91                                                |
| 0.200             | 580,000             | 580,000          | 6.57                                                |
| 0.305             | 50,000              | 50,000           | 9.51                                                |
| 0.340             | 400,000             | 400,000          | 0.62                                                |
| 0.355             | 100,000             | 34,000           | 9.58                                                |
| 0.370             | 520,000             | 520,000          | 9.56                                                |
| 0.400             | 75,000              | 75,000           | 9.63                                                |
| 0.450             | 325,000             | 325,000          | 3.69                                                |
| 0.520             | 735,000             | 735,000          | 8.11                                                |
| 0.600             | 50,000              | 50,000           | 1.90                                                |
| 0.660             | 300,000             | 300,000          | 1.52                                                |
| 0.800             | 340,000             | 340,000          | 2.38                                                |
| 1.250             | 40,000              | 40,000           | 2.59                                                |
|                   | <u>4,095,000</u>    | <u>4,029,000</u> | <u>5.53</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 \$170,800, of which an amount of \$19,708 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%.

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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### 13 Stock option plan (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 will vest 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 \$22,540 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%.

### 14 Expenses by nature

|                                                                                     | 2018<br>\$     | 2017<br>\$     |
|-------------------------------------------------------------------------------------|----------------|----------------|
| Salaries and fringe benefits                                                        | 134,231        | 134,681        |
| Professional and maintenance fees                                                   | 68,955         | 65,488         |
| Administration and office                                                           | 52,079         | 46,350         |
| Business development and administration fees                                        | 12,813         | 11,416         |
| Advertising                                                                         | 507            | 2,610          |
| Rent                                                                                | 43,186         | 41,451         |
| Insurance                                                                           | 21,476         | 21,095         |
| Travel and entertainment                                                            | 73,608         | 90,395         |
| Depreciation of property and equipment                                              | 3,852          | 3,201          |
| Amortization of intangible assets                                                   | 500            | 716            |
| Part XII.6 Tax                                                                      | 6,450          | -              |
| Stock-based compensation                                                            | 190,092        | 286,650        |
| <b>General and administrative expenses</b>                                          | <b>607,749</b> | <b>704,053</b> |
| Salaries for search of properties                                                   | 37,885         | 19,497         |
| Other exploration expenses                                                          | 11,468         | 6,284          |
| Stock-based compensation                                                            | 42,248         | 40,000         |
| Refundable duties credit for losses and refundable tax credit<br>for resources, net | (4,041)        | (11,089)       |
| <b>General exploration</b>                                                          | <b>87,560</b>  | <b>54,692</b>  |



# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

### 15 Related party transactions

#### Compensation of key management

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

|                     | 2018<br>\$     | 2017<br>\$     |
|---------------------|----------------|----------------|
| Salaries            | 333,888        | 286,733        |
| Director fees       | 15,170         | -              |
| Share-based payment | 172,400        | 284,430        |
|                     | <u>521,458</u> | <u>571,163</u> |

An amount of \$165,215 (\$142,351 in 2017) for salary is capitalized to E&E assets.

As at August 31, 2018, accounts payable and accrued liabilities include an amount of \$239,411 (\$51,979 at August 31, 2017) 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.

### 16 Income taxes

#### Component of income tax

|                                                                       | 2018<br>\$ | 2017<br>\$  |
|-----------------------------------------------------------------------|------------|-------------|
| Loss before income taxes                                              | (473,072)  | (1,960,699) |
| Combined federal and provincial income tax of 26.70% (26.80% in 2017) | (126,000)  | (525,000)   |
| Non-deductible expenses (non-taxable revenue)                         | 63,000     | 57,000      |
| Change in unrecognized deductible temporary differences               | (274,000)  | 421,000     |
| Tax effect of renounced flow-through share expenditures               | 354,000    | -           |
| Non taxable gain on sale of long-term investments                     | (13,000)   | -           |
| Change in statutory tax rate                                          | -          | 48,000      |
| Amortization of flow-through share premiums                           | (454,147)  | -           |
| Other                                                                 | (1,000)    | (1,000)     |
| Recovery of deferred income taxes                                     | (451,147)  | -           |

The ability to realize the tax benefits is dependent upon a number of factors, including the sale of properties. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recognized. Unrecognized deferred tax assets amount to \$3,292,000.

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

### 16 Income taxes (cont'd)

#### *Component of income tax (cont'd)*

As at August 31, 2018 and 2017, the significant components of the Company's deferred income tax assets and liabilities are as follows:

|                                              | 2018<br>\$       | 2017<br>\$       |
|----------------------------------------------|------------------|------------------|
| Deferred income tax assets                   |                  |                  |
| Non-capital losses                           | 1,379,000        | 1,323,000        |
| Investments                                  | 138,000          | 135,000          |
| Share and warrant issue expenses             | 22,000           | 27,000           |
| Property and equipment and intangible assets | 183,000          | 172,000          |
| Exploration and evaluation assets            | 1,504,000        | 1,850,000        |
| Asset retirement obligations                 | 66,000           | 66,000           |
|                                              | <u>3,292,000</u> | <u>3,573,000</u> |
| Unrecognized deferred income tax assets      |                  |                  |

As at August 31, 2018, the expiry dates of losses available to reduce future years' income tax are as follows:

|      | Federal<br>\$    | Provincial<br>\$ |
|------|------------------|------------------|
| 2038 | 210,000          | 210,000          |
| 2037 | 185,000          | 184,000          |
| 2036 | 306,000          | 305,000          |
| 2035 | 410,000          | 409,000          |
| 2034 | 513,000          | 512,000          |
| 2033 | 436,000          | 434,000          |
| 2032 | 790,000          | 787,000          |
| 2031 | 687,000          | 705,000          |
| 2030 | 719,000          | 719,000          |
| 2029 | 816,000          | 818,000          |
| 2026 | 139,000          | 99,000           |
|      | <u>5,211,000</u> | <u>5,182,000</u> |

As at August 31, 2018, the Corporation has accumulated capital losses in Canada for income tax purposes amounting to approximately \$Nil (2017: \$Nil), and these can be carried forward indefinitely against future capital gains.

### 17 Loss per share

For the years ended August 31, 2018 and 2017, the diluted loss per share was the same as the basic loss per share since the potential dilutive instruments had an anti-dilutive effect. Accordingly, the basic and diluted loss per share for those years were calculated using the basic weighted average number of shares outstanding of 47,548,811 in 2018 and 45,459,496 in 2017.

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

### 18 Leases

The Company's minimum aggregate commitments under a five-year lease agreement amount to \$308,656. Minimum lease payments under this agreement are as follows:

|      | \$     |
|------|--------|
| 2019 | 61,377 |
| 2020 | 62,095 |
| 2021 | 62,813 |
| 2022 | 63,531 |
| 2023 | 58,840 |

### 19 Financial instruments, financial risks and capital management

#### Classification

The Company's financial instruments as at August 31, 2018 consist of cash and cash equivalents, amounts receivable, investments and accounts payable, accrued liabilities, and advances received for exploration work. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or to current market rates. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

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

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

|                                                            |                                         | Fair value       |                  |
|------------------------------------------------------------|-----------------------------------------|------------------|------------------|
|                                                            |                                         | 2018             | 2017             |
|                                                            |                                         | \$               | \$               |
| <b>Financial assets</b>                                    | <b>Classification</b>                   |                  |                  |
| Cash and cash equivalents                                  | Amortized cost                          | 2,487,979        | 4,138,853        |
| Amounts receivable, net of allowance for doubtful accounts | Amortized cost                          | 40,777           | -                |
| Investments                                                | Fair value through profit and loss      | 126,930          | 174,454          |
|                                                            |                                         | <u>2,655,686</u> | <u>4,313,307</u> |
| <b>Financial liabilities</b>                               |                                         |                  |                  |
| Accounts payable and accrued liabilities                   | Financial liabilities at amortized cost | 1,000,369        | 1,182,574        |
| Advances received for exploration work                     | Financial liabilities at amortized cost | 787,887          | 1,605,929        |
|                                                            |                                         | <u>1,788,256</u> | <u>2,788,503</u> |

The Company defines the fair value hierarchy under which its financial instruments are valued as follows: level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities; level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liabilities, either directly or indirectly; and level 3 includes inputs for assets or liabilities that are not based on observable market data. Investments are considered level 1. There was no transfer of hierarchy level during the years ended August 31, 2018 and 2017.

# Azimut Exploration Inc.

## Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

#### Financial risks

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

#### Credit risk

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

The credit risk associated with trade accounts receivable from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from expenditures incurred on behalf of partners. In 2018, no allowance for doubtful accounts was recorded. The Company closely follows its cash position to reduce its credit risk on amounts receivable.

#### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a general downturn in stock market conditions or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2018, the Company had a cash and cash equivalents balance of \$2,487,979 (\$4,138,853 as at August 31, 2017) to settle current liabilities of \$1,861,109 (\$2,788,503 as at August 31, 2017). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (refer to Note 1).

The following are the contractual maturities of financial liabilities, including interest where applicable as at August 31, 2018:

|                                                                                  | Carrying<br>amount<br>\$ | Contractual<br>cash flows<br>\$ | 0 to 12<br>months<br>\$ | 12 to 24<br>months<br>\$ | More than<br>24 months<br>\$ |
|----------------------------------------------------------------------------------|--------------------------|---------------------------------|-------------------------|--------------------------|------------------------------|
| Accounts payable and accrued liabilities, advances received for exploration work | 1,788,256                | 1,788,256                       | 1,788,256               | -                        | -                            |

#### Interest rate risk

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

#### Equity risk

Equity risk is the risk that the fair value of a financial instrument varies due to the changes in the Canadian mining sector and equity market. Changes in the fair value of investments at fair value through profit and loss are recorded

# Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2018 and 2017

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

### Equity risk (cont'd)

under other gains and losses in the statements of loss and comprehensive loss. For the Company's investments at fair value through profit and loss, a variation of  $\pm 10\%$  of the quoted market price as at August 31, 2018 would result in an estimated effect on the net income (loss) of \$12,700 (\$17,000 for the year ended August 31, 2017).

### Capital management

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

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

There were no significant changes in the Company's approach to capital management during the year ended August 31, 2018, and the Company is not subject to any externally imposed capital requirements, unless the Company closes a flow-through placement in which case the funds are reserved in use for exploration expenses (see Note 11). The variation of capital components is explained in the statements of changes in equity.

## 20 Additional cash flow information

|                                                                                                                         | 2018<br>\$ | 2017<br>\$ |
|-------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Acquisition of E&E assets included in accounts payable and accrued liabilities                                          | 699,863    | 921,258    |
| Depreciation of property and equipment included in E&E assets                                                           | 40,708     | 9,721      |
| Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net | 114,905    | 386,247    |

## 21 Subsequent event

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 ( $\frac{1}{2}$ ) common share purchase warrant, each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.35 for a period of 18 months from the closing date. The placement is subject to acceptance by the TSX Venture Exchange.