

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements

November 30, 2018

(expressed in Canadian dollars, except share amounts)

Azimut Exploration Inc.

Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at November 30, 2018 \$	As at August 31, 2018 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	818,639	2,487,979
Amounts receivable (Note 4)	531,338	826,973
Prepaid expenses	24,106	41,871
	<u>1,374,083</u>	<u>3,356,823</u>
Non-current assets		
Tax credit and mining rights receivable	114,204	114,204
Investments (Note 5)	43,213	126,930
Property and equipment (Note 6)	86,769	96,644
Intangible assets (less accumulated amortization of \$22,830; \$22,742 as at August 31, 2018)	1,078	1,166
Exploration and evaluation assets (Note 7)	<u>5,123,802</u>	<u>4,274,015</u>
	<u>5,369,066</u>	<u>4,612,959</u>
Total assets	<u>6,743,149</u>	<u>7,969,782</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	471,338	1,000,369
Advances received for exploration work	189,811	787,887
Flow-through shares premium liability (Note 9)	31,634	72,853
	<u>692,783</u>	<u>1,861,109</u>
Non-current liabilities		
Asset retirement obligations (Note 8)	<u>247,998</u>	<u>249,168</u>
	<u>247,998</u>	<u>249,168</u>
Total liabilities	<u>940,781</u>	<u>2,110,277</u>
Equity		
Share capital (Note 9)	23,677,449	23,677,449
Stock options (Note 10)	1,507,404	1,503,141
Contributed surplus	3,761,610	3,761,610
Deficit	<u>(23,144,095)</u>	<u>(23,082,695)</u>
Total equity	<u>5,802,368</u>	<u>5,859,505</u>
Total liabilities and equity	<u>6,743,149</u>	<u>7,969,782</u>

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

Subsequent event (Note 14)

Approved by the Board of Directors

(s) Jean-Charles Potvin _____ Director

(s) Jean-Marc Lulin _____ Director

(2)

Azimut Exploration Inc.

Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

	Three-month period ended November 30,	
	2018	2017
	\$	\$
Revenues		
Management income (Notes 7c, e, f, g and h)	35,799	52,140
Expenses		
General and administrative (Note 11)	96,390	73,322
General exploration (Note 11)	13,342	2,361
Impairment of exploration and evaluation assets	132	-
Operating expenses	109,864	75,684
Financing cost (income), net		
Interest income	(9,206)	(5,128)
Interest and bank charges	297	244
Unwinding of discount on asset retirement obligations	338	462
	(8,571)	(4,422)
Other gains		
Other gains	(124)	-
Change in fair value – investments	37,248	(116,497)
	37,124	(116,497)
Income (Loss) before income taxes	(102,619)	97,375
Deferred income tax recovery (Note 9)	41,219	-
Income (Loss) and comprehensive income (loss) for the period	(61,400)	97,375
Basic and diluted income (loss) per share	(0.001)	0.002
Basic and diluted weighted average number of shares outstanding	48,559,496	45,459,496

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity

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

(Unaudited) For the three-month period ended November 30, 2018

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Total
	Number ⁽¹⁾	\$	Number	\$	Number	\$	\$	\$	\$
Balance as at September 1, 2018	48,559,496	23,677,449	-	-	4,095,000	1,503,141	3,761,610	(23,082,695)	5,859,505
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(61,400)	(61,400)
	48,559,496	23,677,449	-	-	4,095,000	1,503,141	3,761,610	(23,144,095)	5,798,105
Stock-based compensation	-	-	-	-	-	4,263	-	-	4,263
Balance as at November 30, 2018	<u>48,559,496</u>	<u>23,677,449</u>	<u>-</u>	<u>-</u>	<u>4,095,000</u>	<u>1,507,404</u>	<u>3,761,610</u>	<u>(23,144,095)</u>	<u>5,802,368</u>
Balance as at September 1, 2017	45,459,496	22,676,042	4,489,584	514,032	3,390,000	1,281,201	3,237,178	(23,063,770)	4,644,683
Income and comprehensive income for the period	-	-	-	-	-	-	-	97,375	97,375
Balance as at November 30, 2017	<u>45,459,496</u>	<u>22,676,042</u>	<u>4,489,584</u>	<u>514,032</u>	<u>3,390,000</u>	<u>1,281,201</u>	<u>3,237,178</u>	<u>(22,966,395)</u>	<u>4,742,058</u>

⁽¹⁾ An unlimited number of common shares are authorized, without par value, voting and participating. There were no unpaid common shares as at November 30, 2018 (Nil in 2018).

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

Azimut Exploration Inc.

Interim Statements of Cash Flows

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

	Three-month period ended	
	November 30,	
	2018	2017
	\$	\$
Cash flows from operating activities		
Income (Loss) for the period	(61,400)	97,375
Items not affecting cash		
Depreciation of property and equipment	1,121	759
Amortization of intangible assets	88	125
Change in fair value – investment	37,248	(116,497)
Refundable duties credit for losses and refundable tax credit relating to resources, net	78,717	(450)
Stock-based compensation cost	4,263	-
Unwinding of discount on asset retirement obligations	338	462
Recovery of deferred income taxes	(41,219)	-
	<u>19,156</u>	<u>(18,226)</u>
Changes in non-cash working capital items		
Amounts receivable	274,293	(190,125)
Prepaid expenses	17,765	2,678
Accounts payable and accrued liabilities	(58,982)	(10,390)
	<u>233,076</u>	<u>(197,837)</u>
	<u>252,232</u>	<u>(216,063)</u>
Cash flows from investing activities		
Additions to property and equipment	-	(20,519)
Additions to exploration and evaluation assets	(2,051,072)	(1,985,569)
Proceeds from sale of investments	46,469	87,443
Tax credit and mining rights received	83,031	-
	<u>(1,921,572)</u>	<u>(1,918,645)</u>
Net change in cash and cash equivalents	(1,669,340)	(2,134,708)
Cash and cash equivalents – Beginning of the period	<u>2,487,979</u>	<u>4,138,853</u>
Cash and cash equivalents – End of the period	<u>818,639</u>	<u>2,004,145</u>
Additional information		
Interest received	(9,206)	(5,124)
Interest paid		
Additional cash flow information (Note 13)		

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

1 Nature of operations, general information and liquidity

Azimut Exploration Inc. (“Azimut” or the “Company”), governed by the Business Corporations Act (Quebec), is in the business of acquiring and exploring mineral properties. The Company’s registered office is located at 110, De La Barre Street, Suite 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 November 30, 2018, the Company has working capital of \$681,301 (\$1,495,714 - August 31, 2018) including cash and cash equivalents of \$818,639 (\$2,487,979 – August 31, 2018) and an accumulated deficit of \$23,144,095 (\$23,082,695 – August 31, 2018). The Company incurred a loss of \$61,400 (income of \$97,375 – November 30, 2017) for the three-month period then ended.

Management of the Company believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve (12) months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but not limited to twelve (12) months from the end of the reporting period. To continue the Company’s exploration and evaluation programs on its properties and the Company’s operation beyond November 30, 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 Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

2 Summary of significant accounting policies

Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2018, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous fiscal year. The Board of Directors approved the interim financial statements on January 25, 2019.

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

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent annual financial statements for the year ended August 31, 2018.

3 Cash and cash equivalents

As at November 30, 2018, cash and cash equivalents of \$818,639 (\$2,487,979 – August 31, 2018) include \$402,507 (\$1,252,735 – August 31, 2018) of guaranteed investment certificates bearing interest at 1.10% (1.10% – August 31, 2018), cashable any time without any penalties, and an amount of \$93,042 (\$214,273 – August 31, 2018) reserved for exploration expenses pursuant to a flow-through financing agreement.

4 Amounts receivable

	As at November 30, 2018	As at August 31, 2018
	\$	\$
Tax credit and mining rights receivable	397,338	559,084
Commodity taxes	92,480	227,112
Amounts receivable	41,520	40,777
	<u>531,338</u>	<u>826,973</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

5 Investments

	As at November 30, 2018			As at August 31, 2018		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Eastmain Resources Inc.	0.225	20,000	4,500	0.205	20,000	4,100
Captor Capital Corp. ^(*)	1.300	17,500	22,750	0.155	350,000	54,250
Albert Mining Inc.	0.025	19,600	490	0.030	19,600	588
Silver Spruce Resources Inc.	0.015	30,000	450	0.030	30,000	900
Vision Lithium Inc.	0.085	25,000	2,125	0.250	25,000	6,250
Nemaska Lithium Inc.	-	-	-	0.800	59,272	47,418
Monarques Resources Inc.	0.265	10,464	2,773	0.190	10,464	1,988
West African Resources Ltd	0.270	37,500	10,125	0.310	37,500	11,436
			<u>43,213</u>			<u>126,930</u>

^(*) Securities were consolidated on the basis of one (1) new security for twenty (20) existing securities.

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

6 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Vehicles \$	Total \$
Year ended August 31, 2018							
Opening net book amount	1,782	3,905	4,612	1,705	95,433	754	108,191
Additions	-	15,532	-	-	20,519	-	36,051
Disposition	-	-	-	(1,253)	-	-	(1,253)
Write-off	-	(1,785)	-	-	-	-	(1,785)
Depreciation for the period ⁽¹⁾	(356)	(1,976)	(1,384)	(136)	(40,480)	(228)	(44,560)
Closing net book amount	1,426	15,676	3,228	316	75,472	526	96,644
As at August 31, 2018							
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)
Net book amount	1,426	15,676	3,228	316	75,472	526	96,644
Period ended November 30, 2018							
Opening net book amount	1,426	15,676	3,228	316	75,472	526	96,644
Change in asset retirement obligations estimate	-	-	-	-	(1,510)	-	(1,510)
Depreciation for the period ⁽¹⁾	(71)	(784)	(242)	(24)	(7,204)	(40)	(8,365)
Closing net book amount	1,355	14,892	2,986	292	66,758	486	86,769
As at November 30, 2018							
Cost	20,542	28,908	39,791	14,832	596,812	3,702	704,587
Accumulated depreciation	(19,187)	(14,016)	(36,805)	(14,540)	(530,054)	(3,216)	(617,818)
Net book amount	1,355	14,892	2,986	292	66,758	486	86,769

⁽¹⁾ The depreciation of the camp and vehicles is included in E&E assets in the amount of \$7,244 (\$40,708 – August 31, 2018).

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

7 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 interest	Cost as at August 31, 2018	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2018	Accumulated impairment as at August 31, 2018	Impairment	Accumulated impairment as at November 30, 2018	Net book amount as at November 30, 2018
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold											
Opinaca A	(a)	50									
Acquisition costs		35,710	-	-	-	-	35,710	-	-	-	35,710
Exploration costs		27,881	2,459	-	-	-	30,340	-	-	-	30,340
		<u>63,591</u>	<u>2,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,050</u>
Opinaca B	(b)	50									
Acquisition costs		195	-	-	-	-	195	-	-	-	195
Exploration costs		5,035	625	-	-	-	5,660	-	-	-	5,660
		<u>5,230</u>	<u>625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,855</u>
Eleonore South	(c)	26.57									
Acquisition costs		41,126	-	-	-	-	41,126	-	-	-	41,126
Exploration costs		1,029,800	17,671	-	-	-	1,047,471	-	-	-	1,047,471
		<u>1,070,926</u>	<u>17,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088,597</u>
Opinaca D		100									
Acquisition costs		113,748	6,830	-	-	-	120,578	(54,975)	-	(54,975)	65,603
Exploration costs		224,214	16,195	-	-	-	240,409	(8,006)	-	(8,006)	232,403
		<u>337,962</u>	<u>23,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,987</u>	<u>(62,981)</u>	<u>-</u>	<u>(62,981)</u>	<u>298,006</u>
Wabamisk	(d)	49									
Acquisition costs		2,878	-	-	-	-	2,878	-	-	-	2,878
Exploration costs		17,360	1,875	-	-	-	19,235	-	-	-	19,235
		<u>20,238</u>	<u>1,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,113</u>
Valore		100									
Acquisition costs		33,178	-	-	-	-	33,178	-	-	-	33,178
Exploration costs		36,765	372	-	-	-	37,137	-	-	-	37,137
		<u>69,943</u>	<u>372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,315</u>
SOQUEM JV	(e)	50									
Acquisition costs		4	-	-	-	-	4	-	-	-	4
Exploration costs		-	-	-	-	-	-	-	-	-	-
		<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Dalmas	(f)	50									
Acquisition costs		162	-	-	-	-	162	-	-	-	162
Exploration costs		-	-	-	-	-	-	-	-	-	-
		<u>162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162</u>
Galinée	(g)										
Acquisition costs		163	-	-	-	-	163	-	-	-	163
Exploration costs		-	-	-	-	-	-	-	-	-	-
		<u>163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)
(Unaudited) For the three-month period ended November 30, 2018

7 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, 2018	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2018	Accumulated impairment as at August 31, 2018	Impairment	Accumulated impairment as at November 30, 2018	Net book amount as at November 30, 2018
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold (cont'd)											
SOQUEM Alliance	(h)	100									
Acquisition costs		58,578	1,188	-	-	-	59,766	(28,128)	-	(28,128)	31,638
Exploration costs		-	-	-	-	-	-	-	-	-	-
		58,578	1,188	-	-	-	59,766	(28,128)	-	(28,128)	31,638
SOQUEM Alliance – Others	(i)	100									
Acquisition costs		59,119	594	-	-	-	59,713	-	-	-	59,713
Exploration costs		27,726	32,991	-	-	-	60,717	-	-	-	60,717
		86,845	33,585	-	-	-	120,430	-	-	-	120,430
Kaanaaya		100									
Acquisition costs		-	47,217	-	-	-	47,217	-	-	-	47,217
Exploration costs		-	70	-	-	-	70	-	-	-	70
		-	47,287	-	-	-	47,287	-	-	-	47,287
Total James Bay – Gold		1,713,642	128,087	-	-	-	1,841,729	(91,109)	-	(91,109)	1,750,620
James Bay – Chromium-PGE											
Chromaska		100									
Acquisition costs		30,672	-	-	-	-	30,672	(10,551)	-	(10,551)	20,121
Exploration costs		899,494	9,549	-	-	-	909,043	(105,334)	-	(105,334)	803,709
Total James Bay – Chromium-PGE		930,166	9,549	-	-	-	939,715	(115,885)	-	(115,885)	823,830
James Bay – Zinc											
Cawachaga		100									
Acquisition costs		6,729	-	-	-	-	6,729	-	-	-	6,729
Exploration costs		-	-	-	-	-	-	-	-	-	-
Total James Bay – Zinc		6,729	-	-	-	-	6,729	-	-	-	6,729
James Bay - Polymetallic											
Elmer		100									
Acquisition costs		20,045	8,166	-	-	-	28,211	-	-	-	28,211
Exploration costs		2,219	37,571	-	-	-	39,790	-	-	-	39,790
Total James Bay - Polymetallic		22,264	45,737	-	-	-	68,001	-	-	-	68,001
Total James Bay		2,465,807	183,373	-	-	-	2,856,174	(206,994)	-	(206,994)	2,649,180

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)
(Unaudited) For the three-month period ended November 30, 2018

7 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, 2018	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2018	Accumulated impairment as at August 31, 2018	Impairment	Accumulated impairment as at November 30, 2018	Net book amount as at November 30, 2018
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Polymetallic											
Rex	100										
Acquisition costs		1,279,411	-	-	-	-	1,279,411	(1,054,369)	-	(1,054,369)	225,042
Exploration costs		4,025,297	709	-	-	-	4,026,006	(3,134,729)	-	(3,134,729)	891,277
		<u>5,304,708</u>	<u>709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,305,417</u>	<u>(4,189,098)</u>	<u>-</u>	<u>(4,189,098)</u>	<u>1,116,319</u>
Duquet	(j) 100										
Acquisition costs		3,776	3,549	-	-	-	7,325	-	-	-	7,325
Exploration costs		280	-	-	-	-	280	-	-	-	280
		<u>4,056</u>	<u>3,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,605</u>
Rex South	100										
Acquisition costs		436,197	7,691	-	-	-	443,888	(104,513)	-	(104,513)	339,375
Exploration costs		335,864	1,947	-	-	-	337,811	(145,089)	-	(145,089)	192,722
		<u>772,061</u>	<u>9,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>781,699</u>	<u>(249,602)</u>	<u>-</u>	<u>(249,602)</u>	<u>532,097</u>
NCG*	100										
Acquisition costs		738,162	-	-	-	-	738,162	(738,162)	-	(738,162)	-
Exploration costs		982,241	-	-	-	-	982,241	(982,241)	-	(982,241)	-
		<u>1,720,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,720,403</u>	<u>(1,720,403)</u>	<u>-</u>	<u>(1,720,403)</u>	<u>-</u>
Qassitug	100										
Acquisition costs		41,534	-	-	-	-	41,534	(37,163)	-	(37,163)	4,371
Exploration costs		35,743	-	-	-	-	35,743	(35,706)	-	(35,706)	37
		<u>77,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,277</u>	<u>(72,869)</u>	<u>-</u>	<u>(72,869)</u>	<u>4,408</u>
Total Nunavik – Polymetallic		<u>7,878,505</u>	<u>13,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,892,401</u>	<u>(6,231,972)</u>	<u>-</u>	<u>(6,231,972)</u>	<u>1,660,429</u>
Nunavik – Gold											
Nantais	100										
Acquisition costs		143,219	-	-	-	-	143,219	(95,299)	-	(95,299)	47,920
Exploration costs		317,332	914	-	-	-	318,246	(204,913)	-	(204,913)	113,333
		<u>460,551</u>	<u>914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>461,465</u>	<u>(300,212)</u>	<u>-</u>	<u>(300,212)</u>	<u>161,253</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)
(Unaudited) For the three-month period ended November 30, 2018

7 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, 2018	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2018	Accumulated impairment as at August 31, 2018	Impairment	Accumulated impairment as at November 30, 2018	Net book amount as at November 30, 2018
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Uranium											
North Rae *	100										
Acquisition costs		484,706	132	-	-	-	484,838	(484,706)	(132)	(484,838)	-
Exploration costs		707,167	-	-	-	-	707,167	(707,167)	-	(707,167)	-
Total Nunavik – Uranium		1,191,873	132	-	-	-	1,192,005	(1,191,873)	(132)	(1,192,005)	-
Total Nunavik		9,530,929	14,942	-	-	-	9,545,871	(7,724,057)	(132)	(7,724,189)	1,821,682
Total E&E assets		12,203,730	198,315	-	-	-	12,402,045	(7,931,051)	(132)	(7,931,183)	4,470,862

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

⁽¹⁾ Proceeds received from the sale of camp materials.

	November 30, 2018	August 31, 2018
	\$	\$
Acquisition and exploration costs	4,470,862	4,272,679
Prepaid exploration expenses	652,940	1,336
	5,123,802	4,274,015

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

7 Exploration and evaluation assets (cont'd)

- a) In March 2010, Everton Resources Inc. (“Everton”) earned a 50% interest in the Opinaca A Property by making cumulative cash payments of \$180,000 and incurring a total of \$2.8 million in work expenditures.
- b) In March 2010, Everton earned a 50% interest in the Opinaca B Property by making cumulative cash payments of \$160,000 and carrying out a total of \$2 million in work expenditures. In September 2010, Azimut and Everton granted Hecla Quebec Inc. (“Hecla”), 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 November 30, 2018, Hecla has made cumulative cash payments of \$580,000 (\$580,000 – August 31, 2018) and carried out a total of \$6.0 million in work expenditures. Of the total cash payment, Azimut has received \$290,000 (\$290,000 in 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 November 30, 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 \$5,853,183 (\$5,817,916 – August 31, 2018) to cover exploration work. The allocation of expenditures was as follows: Azimut \$1,555,191 (\$1,545,820 – August 31, 2018) Goldcorp \$2,148,703 (\$2,135,757 – August 31, 2018) and Eastmain \$2,149,289 (\$2,136,339 – August 31, 2018).

- d) In 2010, Goldcorp earned a 51% interest in the Wabamisk Property by making cumulative cash payments of \$500,000 and carrying out a total of \$4.0 million in work expenditures. In 2011, Goldcorp elected to proceed with the second option to earn an additional 19% interest in the property, which requires the delivery of a feasibility study within a period of ten (10) years.
- e) On September 22, 2016, 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 November 30, 2018, SOQUEM’s cumulative investment in work expenditures is \$2,075,746 (\$2,075,746 – August 31, 2018).

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

7 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 November 30, 2018, SOQUEM's cumulative investment in work expenditures is \$95,881 (\$80,827 – August 31, 2018).

- 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 November 30, 2018 SOQUEM's cumulative investment in work expenditures is \$418,346 (\$297,261 – August 31, 2018).

- 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 November 30, 2018, Azimut owns a 100% interest in these properties and is manager of the \$104,400 (\$104,400 – August 31, 2018) 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.

8 Asset retirement obligations

	November 30, 2018 \$	August 31, 2018 \$
Balance – Beginning of the period	249,168	247,313
Change in estimate	(1,663)	-
Unwinding of discount on asset retirement obligations	493	1,855
Balance – End of the period	<u>247,998</u>	<u>249,168</u>

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to \$251,480. A discount rate of 0.80% (0.80% – August 31, 2018) was used to estimate the obligations in 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 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.

Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

9 Share Capital

Flow-through share

	November 30, 2018 \$	August 31, 2018 \$
Flow-Through share premium – Beginning	72,853	-
Addition	-	527,000
Amortization	(41,219)	(454,147)
Flow-through share premiums – Ending	<u>31,634</u>	<u>72,853</u>

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

10 Stock option

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

The following tables summarize the information about stock options outstanding and vested as at November 30, 2018:

Exercise price \$	Options outstanding	Options vested	Weighted average remaining contractual life (years)
0.190	580,000	580,000	4.66
0.200	580,000	580,000	6.32
0.305	50,000	50,000	9.26
0.340	400,000	400,000	0.37
0.355	100,000	67,000	9.33
0.370	520,000	520,000	9.31
0.400	75,000	75,000	9.38
0.450	325,000	325,000	3.44
0.520	735,000	735,000	7.86
0.600	50,000	50,000	1.65
0.660	300,000	300,000	1.27
0.800	340,000	340,000	2.13
1.250	40,000	40,000	2.34
	<u>4,095,000</u>	<u>4,062,000</u>	<u>5.28</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

10 Stock option (cont'd)

On March 28, 2018, the Company granted 100,000 options to an employee with an exercise price of \$0.355 per option. Of these, 34,000 stock options were vested immediately, an additional 33,000 stock options were vested on September 28, 2018, and an additional 33,000 stock options will vest on March 28, 2019. The fair value of the granted options amounted to \$31,000, of which an amount of \$4,263 (\$22,540 – August 31, 2018) was charged to general exploration. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 2%, expected life of 10 years, annualized volatility rate of 96.7%, and dividend rate of 0%.

11 Expenses by nature

	Three-month period ended November 30,	
	2018	2017
	\$	\$
Salaries and fringe benefits	21,613	30,037
Professional and maintenance fees	4,919	4,894
Administration and office	11,986	6,851
Business development and administration fees	1,017	338
Advertising	400	80
Rent	15,569	10,363
Insurance	5,488	5,034
Travel and entertainment	30,127	14,841
Depreciation of property and equipment	1,121	759
Amortization of intangible assets	88	125
Part XII.6 Tax	700	-
Trademark	3,362	-
General and administrative expenses	96,390	73,322
Salaries for search of properties	8,700	460
Other exploration expenses	379	2,351
Stock-based compensation	4,263	-
Refundable duties credit for losses and refundable tax credit for resources, net	-	(450)
General exploration	13,342	2,361

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2018

12 Related party transactions

Compensation of key management

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

	Three-month period November 30,	
	2018	2017
	\$	\$
Salaries	78,547	72,750
Director fees	9,250	-
	<u>87,797</u>	<u>72,750</u>

As at November 30, 2018, an amount of \$37,750 for salaries (\$41,170 – November 30, 2017) is capitalized to E&E assets.

As at November 30, 2018, accounts payable and accrued liabilities include an amount of \$157,968 (\$35,985 – November 30, 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.

13 Additional cash flow information

	Three-month period ended November 30,	
	2018	2017
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	229,815	237,603
Depreciation of property and equipment included in E&E assets	7,244	10,177
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	-	108,870

14 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 (½) 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.