

Azimut Exploration Inc.

Financial Statements
August 31, 2014 and 2013



December 12, 2014

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, 2014 and 2013 and the statements of 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.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca*

"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, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A123642

Azimut Exploration Inc.

Statements of Financial Position
(in Canadian dollars)

	As at August 31, 2014 \$	As at August 31, 2013 \$
Assets		
Current assets		
Cash and cash equivalents (note 5)	1,860,852	2,222,226
Amounts receivable (note 6)	248,255	634,263
Prepaid expenses	30,075	28,505
	<u>2,139,182</u>	<u>2,884,994</u>
Non-currents assets		
Mining rights receivable	48,888	138,381
Investments (note 7)	70,086	52,320
Property and equipment (note 8)	185,701	270,201
Intangible assets (less accumulated amortization of \$19,049; \$16,969 in 2013)	4,858	6,938
Exploration and evaluation assets (note 9)	<u>5,491,464</u>	<u>6,814,761</u>
	<u>5,800,997</u>	<u>7,282,601</u>
Total assets	<u>7,940,179</u>	<u>10,167,595</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	220,846	225,301
Debenture payable (note 10)	-	95,400
	<u>220,846</u>	<u>320,701</u>
Non-current liabilities		
Asset retirement obligations (note 11)	<u>242,212</u>	<u>244,676</u>
	<u>242,212</u>	<u>244,676</u>
Total liabilities	<u>463,058</u>	<u>565,377</u>
Equity		
Share capital (note 12)	20,755,072	20,456,111
Warrants (note 13)	33,362	-
Stock options (note 14)	1,071,581	1,071,581
Contributed surplus	3,012,728	3,062,728
Deficit	(17,427,877)	(14,987,817)
Accumulated other comprehensive income (loss)	<u>32,255</u>	<u>(385)</u>
Total equity	<u>7,477,121</u>	<u>9,602,218</u>
Total liabilities and equity	<u>7,940,179</u>	<u>10,167,595</u>

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

Approved by the Board of Directors

(s) Dennis Wood _____ Director

(s) Jean-Marc Lulin _____ Director (4)

Azimut Exploration Inc.

Statements of comprehensive loss

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

	2014 \$	2013 \$
Expenses		
General and administrative (note 15)	408,204	645,483
General exploration (note 15)	15,730	56,554
Impairment of exploration and evaluation assets (note 9)	2,097,056	2,215,008
Operating loss	2,520,990	2,917,045
Financing cost (income), net		
Interest income	(31,686)	(32,080)
Interest expense on debentures	38,526	75,755
Interest and bank charges	1,171	2,577
Unwinding of discount on asset retirement obligations	3,444	3,398
	11,455	49,650
Other gains and losses		
Gain on option payments received on exploration and evaluation assets (note 9a and b)	(56,558)	(57,956)
Management fees (note 15)	(701)	(6,647)
Loss (gain) on sale of available-for-sale investments	468	(7,817)
Other gains (note 16)	-	(49,014)
Impairment on available-for-sale investments	14,406	151,843
	(42,385)	30,409
Loss before income taxes	2,490,060	2,997,104
Recovery of deferred income tax (note 18)	(50,000)	-
Loss for the year	2,440,060	2,997,104
Other comprehensive income (loss)		
Items that can be reclassified to net loss		
Unrealized gain (loss) on available-for-sale investments	32,639	(64,259)
Reclassification of impairment on available-for-sale investments to loss for the year	-	77,698
	32,639	13,439
Comprehensive loss for the year	2,407,421	2,983,665
Basic and diluted loss per share (note 19)	0.07	0.08
Basic and diluted weighted average number of shares outstanding	36,703,205	36,470,328

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, 2014 and 2013

(in Canadian dollars)

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total
	Number ⁽¹⁾	\$	Number	\$	Number	\$	\$	\$	\$	\$
Balance as at September 1, 2013	36,470,328	20,456,111	-	-	2,560,000	1,071,581	3,062,728	(14,987,817)	(385)	9,602,218
Loss for the year	-	-	-	-	-	-	-	(2,440,060)	-	(2,440,060)
Other comprehensive income (loss)										
Unrealized loss on available-for-sale investments	-	-	-	-	-	-	-	-	32,640	32,640
Comprehensive income (loss)	-	-	-	-	-	-	-	(2,440,060)	32,640	(2,407,420)
Private placement (notes 12 and 13)	1,166,668	316,638	583,334	33,362	-	-	-	-	-	350,000
Deferred income tax	-	-	-	-	-	-	(50,000)	-	-	(50,000)
Share issue expenses	-	(17,677)	-	-	-	-	-	-	-	(17,677)
Balance as at August 31, 2014	<u>37,636,996</u>	<u>20,755,072</u>	<u>583,334</u>	<u>33,362</u>	<u>2,560,000</u>	<u>1,071,581</u>	<u>3,012,728</u>	<u>(17,427,877)</u>	<u>32,255</u>	<u>7,477,121</u>
Balance as at September 1, 2012	36,470,328	20,456,111	2,666,664	426,308	2,220,000	1,436,434	2,159,387	(11,990,713)	(13,824)	12,473,703
Loss for the year	-	-	-	-	-	-	-	(2,997,104)	-	(2,997,104)
Other comprehensive income (loss)										
Unrealized loss on available-for-sale investments	-	-	-	-	-	-	-	-	(64,259)	(64,259)
Reclassification of impairment on available-for-sale investments to loss for the year	-	-	-	-	-	-	-	-	77,698	77,698
Comprehensive income (loss)	-	-	-	-	-	-	-	(2,997,104)	13,439	(2,983,665)
Warrants expired (note 13)	-	-	(2,666,664)	(426,308)	-	-	426,308	-	-	-
Stock options granted (note 14)	-	-	-	-	710,000	-	-	-	-	-
Stock options forfeited (note 14)	-	-	-	-	(370,000)	(477,033)	477,033	-	-	-
Stock-based compensation costs (note 14)	-	-	-	-	-	112,180	-	-	-	112,180
Balance as at August 31, 2013	<u>36,470,328</u>	<u>20,456,111</u>	<u>-</u>	<u>-</u>	<u>2,560,000</u>	<u>1,071,581</u>	<u>3,062,728</u>	<u>(14,987,817)</u>	<u>(385)</u>	<u>9,602,218</u>

(1) There were no common shares that were unpaid as of August 31, 2014 (Nil in 2013).

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

Azimut Exploration Inc.

Statements of Cash Flows

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

	2014 \$	2013 \$
Cash flows used in operating activities		
Loss for the year	(2,440,060)	(2,997,104)
Items not affecting cash		
Depreciation of property and equipment	6,424	8,832
Amortization of intangible assets	2,080	2,972
Gain on sale of investments	468	(7,817)
Impairment on available-for-sale investment	14,406	151,843
Impairment of exploration and evaluation assets (note 9)	2,097,056	2,215,008
Gain on option payments received on exploration and evaluation assets	(56,558)	(57,956)
Credits on duties refundable for loss and refundable tax credits relating to resources – net (note 6)	42,845	66,499
Accretion expense on debentures payable and convertible debentures	4,600	18,400
Stock-based compensation cost	-	112,180
Unwinding of discount on asset retirement obligations	3,444	3,398
Recovery of deferred income taxes	(50,000)	-
	<u>(375,295)</u>	<u>(483,745)</u>
Net change in non-cash working capital items		
Amounts receivable	23,173	344,040
Prepaid expenses	(1,570)	(2,459)
Accounts payable and accrued liabilities	(68,008)	(149,245)
	<u>(46,405)</u>	<u>192,336</u>
	<u>(421,700)</u>	<u>(291,409)</u>
Cash flows from financing activities		
Payment on debenture payable	(100,000)	(100,000)
Issuance of share capital, net of share issue expenses	339,500	-
	<u>239,500</u>	<u>(100,000)</u>
Cash flows used in investing activities		
Proceeds from sale of investments	-	24,317
Proceeds from sale of camp materials (note 9)	22,800	74,450
Additions to exploration and evaluation assets	(905,945)	(703,451)
Proceeds from sale of options on exploration and evaluation assets	60,000	60,000
Tax credit and mining rights received	643,971	1,755,709
	<u>(179,174)</u>	<u>1,211,025</u>
Net change in cash and cash equivalents	<u>(361,374)</u>	<u>819,616</u>
Cash and cash equivalents – Beginning of year	<u>2,222,226</u>	<u>1,402,610</u>
Cash and cash equivalents – End of year	<u>1,860,852</u>	<u>2,222,226</u>
Interest received	(31,820)	(32,080)
Interest paid	76,234	57,351
Additional cash flow information (note 22)		

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

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

1 Nature of operations, general information and liquidity

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

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

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

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

As at August 31, 2014, the Company has working capital of \$1,918,336 (2013: \$2,564,293) including cash and cash equivalents of \$1,860,852 (2013: \$2,222,226), and accumulated deficit of \$17,427,877 (2013: \$14,987,817). The Company has incurred a loss of \$2,440,060 (2013: \$2,997,104) for the year then ended.

Management of the Company believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve (12) months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but not limited to twelve (12) months from the end of the reporting period. To continue its exploration and evaluation program on its properties and its operation beyond August 31, 2015, the Company will periodically need to raise additional funds through the issuance of new equity instruments, the exercise of stock options and the search of partners to sign option agreements on certain of its exploration properties. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future, or that these sources of funding or initiatives will be available for the Company or that they will be available on terms that are acceptable to the Company.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

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 accounting policies applied in these financial statements are based on IFRS effective for the year ended August 31, 2014, as issued and outstanding as of December 12, 2014, the date the Board of Directors approved the statements.

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 a legally enforceable right to offset the recognized amounts, and 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, 2014 and 2013

(in Canadian dollars)

2 Summary of significant accounting policies (continued)

Financial instruments (cont'd)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

- a) **Available-for-sale investments:** Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve (12) months, or management expects to dispose of them within twelve (12) months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of comprehensive loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statement of comprehensive loss, and are included in other gains and losses. The company's investments are classified within this category.
- (b) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The company's cash and cash equivalents, and amounts receivable are classified within this category.
- (c) **Financial liabilities at amortized cost:** Financial liabilities at amortized cost include accounts payable and accrued liabilities, and debenture payable. Accounts payables and accrued liabilities 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 are measured at amortized cost using the effective interest method. Debenture payable was recognized initially at fair value, net of any transaction costs incurred, and subsequently 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

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- a) **Financial assets carried at amortized cost:** The loss is the difference between the amortized cost of the financial asset and the present value of the estimated 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. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

2 Summary of significant accounting policies (continued)

Impairment of financial assets (cont'd)

- b) **Available-for-sale investments:** The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to loss.

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 comprehensive loss during the period in which they are incurred.

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 forty-eight-month (48-month) and eighteen-month (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 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.

Exploration and evaluation assets

Exploration and evaluation ("E&E") assets comprise deferred exploration and evaluation expenses and exploration 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.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

2 Summary of significant accounting policies (continued)

Exploration and evaluation assets (cont'd)

E&E assets include rights in exploration 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. Exploration rights are recorded at acquisition cost. Exploration rights and options to acquire undivided interests in exploration 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. Because 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 in reduction to E&E assets when payments are received.

Proceeds on the sale of exploration properties are applied by property in reduction of the mining properties, 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. Funds received from partners on certain properties where the Company is the operator, in order to perform exploration work 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. The project management fees received when the Company is the operator are recorded in the statement of comprehensive loss.

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 searching for ore-like topographical, geological, geochemical and geophysical studies. 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 the following:

- establishing the volume and grade of deposits through core drilling, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and 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.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

2 Summary of significant accounting policies (continued)

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 interest on obligation under finance lease.

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.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

2 Summary of significant accounting policies (continued)

Government assistance

The Company is entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Quebec and mining duty credits, 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.

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.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

2 Summary of significant accounting policies (continued)

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 into 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 profit or 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. 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.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

2 Summary of significant accounting policies (continued)

Segment disclosures

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

Adopted new accounting standards

The Company has adopted the following new and revised standards, along with any consequential amendments, effective September 1, 2013. These changes were made in accordance with the applicable transitional provisions.

The International Accounting Standards Board (IASB) issued or amended the following new or amended standards, which are relevant: IFRS 13, Fair Value Measurement; IFRS 7, Financial Instruments: Disclosures; International Accounting Standard (IAS) 16, Property, Plant and Equipment; and IAS 1, Presentation of Financial Statements.

The following is a brief summary of the new standards or amendments:

IFRS 13, Fair Value Measurement (IFRS 13)

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on September 1, 2013, on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value, and did not result in any measurement adjustments as at September 1, 2013; however, additional disclosures on financial instruments have been provided.

Amendments to other standards

IFRS 7 discloses information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 were adopted retrospectively. The Company assessed that the impact of these amendments on its financial statements is not significant.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16, and as inventory otherwise. The Company assessed that the impact of these amendments on its financial statements is not significant.

Moreover, amendments to IAS 1 have been made to require entities to segregate items within other comprehensive income between those that may be reclassified to net loss and those that may not be so reclassified. The Company has grouped such items in its statement of comprehensive loss beginning September 1, 2013.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

3 Amendment to others standards

IFRS 9, Financial Instruments (IFRS 9)

In July 2014, the IASB issued IFRS 9 – *Financial Instruments*. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability and own credit. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized, and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially reformed model for hedge accounting with enhanced disclosures about risk management activity, and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not yet determined the extent of the impact of adoption of IFRS 9.

IFRIC 21, Levies (IFRIC 21)

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation, and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Company is currently assessing the impact of this interpretation on 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.

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

a) Valuation of credit on duties refundable for loss and the refundable tax credit for resources

Refundable credit on mining duties and refundable tax credit related to 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 credit on mining duties and tax credit related to 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

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

4 Critical accounting estimates, judgments and assumptions (continued)

a) Valuation of credit on duties refundable for loss and the refundable tax credit for resources (cont'd)

credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Differences arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, E&E assets and expenses, and income tax expense 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 thus 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 2017, which was previously estimated to 2015, 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.

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 timing of collecting the tax credits receivable from the Quebec government, as well as to the expected level of E&E activities in the future, which is at least,

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

4 Critical accounting estimates, judgments and assumptions (continued)

a) Going Concern (cont'd)

but not limited to twelve (12) months from the end of the reporting period and has been estimated at \$350,000 for the year ending August 31, 2015.

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 that 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 2014, the copper-gold-silver-cobalt-rare earth properties were impaired by \$1,269,149 (\$1,130,376 in 2013), the uranium properties by \$712,924 (\$1,083,730 in 2013) and the chromium-platinum palladium property by \$114,983 (\$902 in 2013), representing a total impairment of \$2,097,056 (\$2,215,008) given that no exploration and evaluation expenses are budgeted and that some claims were abandoned or are not expected to be renewed (note 9). As a result of the uncertainty surrounding the uranium industry in Quebec, the inability to find a partner to option the uranium property, and the limited planned exploration and evaluation expenditure for the year ending August 31, 2015, the North Rae property is consequently fully impaired in 2014. The estimation of the impairment charge requires judgment from the management.

c) Recognition of deferred income tax assets and measurement of income tax expense

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.

d) Impairment of available-for-sale investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, whether there is a significant or prolonged decline in the fair value of the investment, which are considered as evidence of impairment. Significant or prolonged decline is defined respectively as a decrease of at least 50% of its fair value, and a decline under its cost for over two (2) consecutive fiscal periods. Financial health of short-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow, are also considered by the Company in its evaluation.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

5 Cash and cash equivalents

As at August 31, 2014, cash and cash equivalents of \$1,860,852 (\$2,222,226 in 2013) include \$171,490 (\$169,361 as of August 31, 2013) of guaranteed investment certificates bearing interest at 0.1 % (0.1% - 2013), cashable any time without any penalties.

6 Amounts receivable

	2014 \$	2013 \$
Tax credit receivable ⁽¹⁾	224,876	587,712
Commodity taxes	20,179	18,156
Amounts receivable	8,390	28,395
	<u>253,445</u>	<u>634,263</u>
Less: Allowance for doubtful accounts	<u>(5,190)</u>	<u>-</u>
	<u>248,255</u>	<u>634,263</u>

⁽¹⁾ The tax authority disallowed tax credits claimed for certain expenditures in the calculation for its 2011 refundable tax credits relating to resources. A bad debt amount of \$6,746 (\$131,763 in 2013) has been recorded by reducing current tax credits, of which an amount of \$6,746 (\$120,968 in 2013) has been included in E&E assets, and \$Nil (\$10,795 in 2013) has been recorded in general exploration. There are no amounts receivable past due for which an allowance for doubtful account was not recorded.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

7 Investments

	As at August 31, 2014			As at August 31, 2013		
	Market price / share \$	Adjusted Cost \$	Carrying value \$	Market price / share \$	Adjusted Cost \$	Carrying value \$
Eastmain Resources Inc. 20,000 shares (20,000 shares – August 31, 2013)	0.375	5,400	7,500	0.395	7,900	7,900
NWT Uranium Corp. 350,000 shares (350,000 shares – August 31, 2013)	0.007	1,938	2,280	0.011	3,850	4,063
Majescor Resources Inc. * 19,600 shares (196,000 shares – August 31, 2013)	0.045	882	882	0.010	1,960	1,960
Silver Spruce Resources Inc. 300,000 shares (300,000 shares – August 31, 2013)	0.005	1,500	1,500	0.010	3,000	3,000
Channel Resources Inc. ** Nil (150,000 shares – August 31, 2013)	-	-	-	0.035	5,250	5,250
ABE Resources Inc. 50,000 shares (50,000 shares – August 31, 2013)	0.045	1,250	2,250	0.040	2,000	2,000
Nemaska Exploration Inc. 209,272 shares (209,272 shares – August 31, 2013)	0.235	20,927	49,179	0.130	27,205	27,205
Monarques Resources Inc. 10,469 shares (10,469 shares – August 31, 2013)	0.110	942	1,151	0.090	942	942
West African Resources Limited ** 37,500 shares (Nil in 2013)	0.130	4,500	4,875	-	-	-
18,750 warrants: exercise price of \$0.40, expiry on January 17, 2017 (Nil in 2013)	0.025	281	469	-	-	-
		<u>37,620</u>	<u>70,086</u>		<u>52,107</u>	<u>52,320</u>

* Securities were consolidated on the basis of one (1) new security for ten (10) existing securities.

** West African Resources Limited (“West African”) acquired all of the issued and outstanding common shares of Channel Resources Inc. (“Channel”) in exchange for each Channel shareholder receiving 0.25 of a common share and 0.125 of a warrant of West African; each whole warrant is exercisable to acquire one West African share at a price of \$0.40 until January 17, 2017.

Unrealized gains and losses on available-for-sale securities resulted from fluctuations in market prices, and as at August 31, 2014, the unrealized gain recognized in accumulated other comprehensive income (loss) is \$32,255 (loss of \$385 in 2013).

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, 2014 and 2013

(in Canadian dollars)

8 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Camp under finance lease \$	Vehicles \$	Total \$
Year ended August 31, 2013								
Opening net book amount	5,442	6,558	11,306	10,133	278,478	-	-	311,917
Additions	-	-	-	-	-	-	3,702	3,702
Transfer from E&E assets	-	-	-	-	-	35,194	-	35,194
Depreciation for the year	(1,088)	(1,312)	(3,392)	(3,040)	(59,492)	(11,732)	(556)	(80,612) ⁽¹⁾
Closing net book amount	4,354	5,246	7,914	7,093	218,986	23,462	3,146	270,201
As at August 31, 2013								
Cost	20,542	20,081	36,597	56,250	337,970	316,754	3,702	791,896
Accumulated depreciation	(16,188)	(14,835)	(28,683)	(49,157)	(118,984)	(293,292)	(556)	(521,695)
Net book amount	4,354	5,246	7,914	7,093	218,986	23,462	3,146	270,201
Asset not subject to depreciation included in above * (note 9e)								
	-	-	-	-	100,000	-	-	100,000
Year ended August 31, 2014								
Opening net book amount	4,354	5,246	7,914	7,093	218,986	23,462	3,146	270,201
Additions	-	-	-	-	(5,908)	-	-	(5,908)
Depreciation for the year	(872)	(1,048)	(2,376)	(2,128)	(59,492)	(11,732)	(944)	(78,592) ⁽¹⁾
Closing net book amount	3,482	4,198	5,538	4,965	153,586	11,730	2,202	185,701
As at August 31, 2014								
Cost	20,542	20,081	36,597	56,250	332,062	316,754	3,702	785,988
Accumulated depreciation	(17,060)	(15,883)	(31,059)	(51,285)	(178,476)	(305,024)	(1,500)	(600,287)
Net book amount	3,482	4,198	5,538	4,965	153,586	11,730	2,202	185,701
Asset not subject to depreciation included in above * (note 9e)								
	-	-	-	-	100,000	-	-	100,000

* Assets not subject to depreciation include fuel and materials allowed to build a fully equipped field camp of \$100,000 (\$100,000 – 2013).

⁽¹⁾ Depreciation of property and equipment included in E&E assets an amount of \$72,168 (\$71,778 – 2013).

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

9 Exploration and evaluation assets

All mining properties are located in the Province of Quebec.

Change in exploration and evaluation assets

Exploration properties	Undivided interest	Cost as at August 31, 2013	Additions	Option payments	Proceed received ⁽¹⁾	Tax credit	Cost as at August 31, 2014	Accumulated impairment as at August 31, 2013	Impairment	Accumulated impairment as at August 31, 2014	Net book amount as at August 31, 2014
Nunavik	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rex	100										
Mining properties		959,858	149,618	-	-	-	1,109,476	(663,221)	(38,701)	(701,922)	407,554
Exploration costs**		3,947,097	102,443	-	(20,900)	(23,277)	4,005,363	-	-	-	4,005,363
		4,906,955	252,061	-	(20,900)	(23,277)	5,114,839	(663,221)	(38,701)	(701,922)	4,412,917
Rex South	100										
Mining properties		29,433	124,663	-	-	-	154,096	-	-	-	154,096
Exploration costs		235,139	94,871	-	-	(30,631)	299,379	-	-	-	299,379
		264,572	219,534	-	-	(30,631)	453,475	-	-	-	453,475
NCG	100										
Mining properties		730,511	6,615	-	-	-	737,126	(476,534)	(243,395)	(719,929)	17,197
Exploration costs		956,274	18,489	-	(1,900)	(2,045)	970,818	-	(916,429)	(916,429)	54,389
		1,686,785	25,104	-	(1,900)	(2,045)	1,707,944	(476,534)	(1,159,824)	(1,636,358)	71,586
Diana	100										
Mining properties		60,835	14,690	-	-	-	75,525	(25,425)	(15,770)	(41,195)	34,330
Exploration costs		23,892	27,678	-	-	(12,081)	39,489	-	(10,639)	(10,639)	28,850
		84,727	42,368	-	-	(12,081)	115,014	(25,425)	(26,409)	(51,834)	63,180
Nantais	100										
Mining properties		44,826	43,733	-	-	-	88,559	(40,584)	-	(40,584)	47,975
Exploration costs		51,672	293,146	-	-	(127,958)	216,860	-	-	-	216,860
		96,498	336,879	-	-	(127,958)	305,419	(40,584)	-	(40,584)	264,835
Qassituq	100										
Mining properties		12,962	14,399	-	-	-	27,361	-	-	-	27,361
Exploration costs		366	36,115	-	-	(15,764)	20,717	-	-	-	20,717
		13,328	50,514	-	-	(15,764)	48,078	-	-	-	48,078

Azimet Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Exploration properties Nunavik (cont'd)	Undivided interest	Cost as at August 31, 2013	Additions	Option payments	Proceed received ⁽¹⁾	Tax credit	Cost as at August 31, 2014	Accumulated impairment as at August 31, 2013	Impairment	Accumulated impairment as at August 31, 2014	Net book amount as at August 31, 2014
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Others, copper-gold- silver-cobalt-REE	100										
Mining properties		37,170	-	-	-	-	37,170	-	(37,170)	(37,170)	-
Exploration costs		676	11,303	-	-	(4,934)	7,045	-	(7,045)	(7,045)	-
		<u>37,846</u>	<u>11,303</u>	<u>-</u>	<u>-</u>	<u>(4,934)</u>	<u>44,215</u>	<u>-</u>	<u>(44,215)</u>	<u>(44,215)</u>	<u>-</u>
Total Nunavik copper- gold-silver-cobalt-REE properties		<u>7,090,711</u>	<u>937,763</u>	<u>-</u>	<u>(22,800)</u>	<u>(216,690)</u>	<u>7,788,984</u>	<u>(1,205,764)</u>	<u>(1,269,149)</u>	<u>(2,474,913)</u>	<u>5,314,071</u>
North Rae	100										
Mining properties		477,520	5,757	-	-	-	483,277	(430,649)	(52,628)	(483,277)	-
Exploration costs		705,962	2,139	-	-	(934)	707,167	(46,871)	(660,296)	(707,167)	-
		<u>1,183,482</u>	<u>7,896</u>	<u>-</u>	<u>-</u>	<u>(934)</u>	<u>1,190,444</u>	<u>(477,520)</u>	<u>(712,924)</u>	<u>(1,190,444)</u>	<u>-</u>
Total Nunavik uranium property		<u>1,183,482</u>	<u>7,896</u>	<u>-</u>	<u>-</u>	<u>(934)</u>	<u>1,190,444</u>	<u>(477,520)</u>	<u>(712,924)</u>	<u>(1,190,444)</u>	<u>-</u>
Total Nunavik		<u>8,274,193</u>	<u>945,659</u>	<u>-</u>	<u>(22,800)</u>	<u>(217,624)</u>	<u>8,979,428</u>	<u>(1,683,284)</u>	<u>(1,982,073)</u>	<u>(3,665,357)</u>	<u>5,314,071</u>

Azimet Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Exploration properties		Undivided interest	Cost as at August 31, 2013	Additions	Option payments	Proceed received ⁽¹⁾	Tax credit	Cost as at August 31, 2014	Accumulated impairment as at August 31, 2013	Impairment	Accumulated impairment as at August 31, 2014	Net book amount as at August 31, 2014
James Bay		%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opinaca A-A East Mining properties	(a)	50	-	-	-	-	-	-	-	-	-	-
Exploration costs			1,229	4,431	(2,036)	-	(1,934)	1,690	-	-	-	1,690
			1,229	4,431	(2,036)	-	(1,934)	1,690	-	-	-	1,690
Opinaca B-B-North Mining properties	(b)	50	-	-	-	-	-	-	-	-	-	-
Exploration costs			770	3,107	(1,406)	-	(1,356)	1,115	-	-	-	1,115
			770	3,107	(1,406)	-	(1,356)	1,115	-	-	-	1,115
Eleonore South Mining properties	(c)	26.4	-	-	-	-	-	-	-	-	-	-
Exploration costs			7,462	1,650	-	-	(720)	8,392	-	-	-	8,392
			7,462	1,650	-	-	(720)	8,392	-	-	-	8,392
Opinaca D Mining properties		100	23,124	46,318	-	-	-	69,442	-	-	-	69,442
Exploration costs			6,238	6,877	-	-	(3,002)	10,113	-	-	-	10,113
			29,362	53,195	-	-	(3,002)	79,555	-	-	-	79,555
Wabamisk Mining properties	(d)	49	-	2,781	-	-	-	2,781	-	-	-	2,781
Exploration costs			10,055	9,847	-	-	(4,298)	15,604	-	-	-	15,604
			10,055	12,628	-	-	(4,298)	18,385	-	-	-	18,385
Total James Bay gold properties			48,878	75,011	(3,442)	-	(11,310)	109,137	-	-	-	109,137
Eastmain West Mining properties		100	15,586	-	-	-	-	15,586	(902)	(9,649)	(10,551)	5,035
Exploration costs			160,290	13,820	-	-	(5,555)	168,555	-	(105,334)	(105,334)	63,221
Total James Bay chromium-platinum palladium property			175,876	13,820	-	-	(5,555)	184,141	(902)	(114,983)	(115,885)	68,256
Total James Bay			224,754	88,831	(3,442)	-	(16,865)	293,278	(902)	(114,983)	(115,885)	177,393
Total E&E assets			8,498,947	1,034,490	(3,442)	(22,800)	(234,489)	9,272,706	(1,684,186)	(2,097,056)	(3,781,242)	5,491,464

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Change in exploration and evaluation assets

Exploration properties	Undivided interest	Cost as at August 31, 2012	Additions	Option payments	Proceed received ⁽¹⁾	Tax credit	Cost as at August 31, 2013	Accumulated impairment as at August 31, 2012	Impairment	Accumulated impairment as at August 31, 2013	Net book amount as at August 31, 2013
Nunavik	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rex	100										
Mining properties		945,724	14,134	-	-	-	959,858	(55,272)	(607,949)	(663,221)	296,637
Exploration costs **		3,760,580	181,313	-	-	5,204	3,947,097	-	-	-	3,947,097
		4,706,304	195,447	-	-	5,204	4,906,955	(55,272)	(607,949)	(663,221)	4,243,734
Rex South	(e) 100										
Mining properties		11,319	37,014	-	(18,900)	-	29,433	-	-	-	29,433
Exploration costs		136,183	156,780	-	-	(57,824)	235,139	-	-	-	235,139
		147,502	193,794	-	(18,900)	(57,824)	264,572	-	-	-	264,572
NCG	100										
Mining properties		616,815	113,696	-	-	-	730,511	(12,864)	(463,670)	(476,534)	253,977
Exploration costs **		891,585	46,608	-	-	18,081	956,274	-	-	-	956,274
		1,508,400	160,304	-	-	18,081	1,686,785	(12,864)	(463,670)	(476,534)	1,210,251
Diana	100										
Mining properties		52,211	8,624	-	-	-	60,835	-	(25,425)	(25,425)	35,410
Exploration costs **		17,085	10,970	-	-	(4,163)	23,892	-	-	-	23,892
		69,296	19,594	-	-	(4,163)	84,727	-	(25,425)	(25,425)	59,302
Nantais	100										
Mining properties		31,036	13,790	-	-	-	44,826	(7,252)	(33,332)	(40,584)	4,242
Exploration costs **		40,910	19,067	-	-	(8,305)	51,672	-	-	-	51,672
		71,946	32,857	-	-	(8,305)	96,498	(7,252)	(33,332)	(40,584)	55,914
Qassituq	100										
Mining properties		-	12,962	-	-	-	12,962	-	-	-	12,962
Exploration costs		-	650	-	-	(284)	366	-	-	-	366
		-	13,612	-	-	(284)	13,328	-	-	-	13,328

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Exploration properties Nunavik (cont'd)	Undivided interest %	Cost as at August 31, 2012 \$	Additions \$	Option payments \$	Proceed received ⁽¹⁾ \$	Tax credit \$	Cost as at August 31, 2013 \$	Accumulated impairment as at August 31, 2012 \$	Impairment \$	Accumulated impairment as at August 31, 2013 \$	Net book amount as at August 31, 2013 \$
Others, copper-gold- silver-cobalt-REE	100										
Mining properties		-	37,170	-	-	-	37,170	-	-	-	37,170
Exploration costs		-	1,200	-	-	(524)	676	-	-	-	676
		-	38,370	-	-	(524)	37,846	-	-	-	37,846
Total Nunavik copper- gold-silver-cobalt-REE properties		6,503,448	653,978	-	(18,900)	(47,815)	7,090,711	(75,388)	(1,130,376)	(1,205,764)	5,884,947
North Rae	100										
Mining properties		519,296	17,433	-	(59,209)	-	477,520	-	(430,649)	(430,649)	46,871
Exploration costs **		695,087	17,858	-	(41)	(6,942)	705,962	-	(46,871)	(46,871)	659,091
		1,214,383	35,291	-	(59,250)	(6,942)	1,183,482	-	(477,520)	(477,520)	705,962
Daniel Lake *											
Mining properties		386,590	-	-	-	-	386,590	(90,900)	(295,690)	(386,590)	-
Exploration costs		302,146	4,830	-	-	(2,108)	304,868	-	(304,868)	(304,868)	-
		688,736	4,830	-	-	(2,108)	691,458	(90,900)	(600,558)	(691,458)	-
Kangiq *											
Mining properties		5,450	-	-	-	-	5,450	-	(5,450)	(5,450)	-
Exploration costs		202	-	-	-	-	202	-	(202)	(202)	-
		5,652	-	-	-	-	5,652	-	(5,652)	(5,652)	-
Total Nunavik uranium properties		1,908,771	40,121	-	(59,250)	(9,050)	1,880,592	(90,900)	(1,083,730)	(1,174,630)	705,962
Total Nunavik		8,412,219	694,099	-	(78,150)	(56,865)	8,971,303	(166,288)	(2,214,106)	(2,380,394)	6,590,909

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Exploration properties		Undivided interest	Cost as at August 31, 2012	Additions	Option payments	Proceed received ⁽¹⁾	Tax credit	Cost as at August 31, 2013	Accumulated impairment as at August 31, 2012	Impairment	Accumulated impairment as at August 31, 2013	Net book amount as at August 31, 2013
James Bay		%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opinaca A-A East Mining properties	(a)	50	-	-	-	-	-	-	-	-	-	-
Exploration costs **			-	3,928	(1,022)	-	(1,677)	1,229	-	-	-	1,229
			-	3,928	(1,022)	-	(1,677)	1,229	-	-	-	1,229
Opinaca B-B-North Mining properties	(b)	50	-	-	-	-	-	-	-	-	-	-
Exploration costs			-	3,178	(1,022)	-	(1,386)	770	-	-	-	770
			-	3,178	(1,022)	-	(1,386)	770	-	-	-	770
Eleonore South Mining properties	(c)	26.4	-	-	-	-	-	-	-	-	-	-
Exploration costs **			5,729	3,050	-	-	(1,317)	7,462	-	-	-	7,462
			5,729	3,050	-	-	(1,317)	7,462	-	-	-	7,462
Opinaca D Mining properties		100	8,979	14,145	-	-	-	23,124	-	-	-	23,124
Exploration costs **			5,172	1,526	-	-	(460)	6,238	-	-	-	6,238
			14,151	15,671	-	-	(460)	29,362	-	-	-	29,362
Wabamisk Mining properties	(d)	49	-	-	-	-	-	-	-	-	-	-
Exploration costs **			9,930	-	-	-	125	10,055	-	-	-	10,055
			9,930	-	-	-	125	10,055	-	-	-	10,055
Total James Bay gold properties			29,810	25,827	(2,044)	-	(4,715)	48,878	-	-	-	48,878
Eastmain West Mining properties		100	9,923	5,663	-	-	-	15,586	-	(902)	(902)	14,684
Exploration costs **			153,718	8,187	-	-	(1,615)	160,290	-	-	-	160,290
Total James Bay chromium-platinum palladium property			163,641	13,850	-	-	(1,615)	175,876	-	(902)	(902)	174,974
Total James Bay			193,451	39,677	(2,044)	-	(6,330)	224,754	-	(902)	(902)	223,852
Total E&E assets			8,605,670	733,775	(2,044)	(78,150)	(63,195)	9,196,057	(166,288)	(2,215,008)	(2,381,296)	6,814,761

* Properties abandoned in the year ended August 31, 2013.

** Reduction of tax credits related to the bad debt amount of \$6,746 (\$120, 969 in 2013) recorded for the 2011 tax credits (note 6).

⁽¹⁾Proceed received from sale of camp's material.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

- a) In March 2010, Everton Resources Inc. (“Everton”) earned a 50% interest in the Opinaca A–A-East property by making a cumulative cash payment of \$180,000, and carrying out work expenditures totalling \$2,800,000.

In September 2010, Azimut and Everton granted Hecla Quebec Inc. (“Hecla”), formerly Aurizon Mines Ltd (“Aurizon”), the option to earn a 50% interest in the Opinaca A–A East and B–B North properties by making cash payments totalling \$580,000, and incurring expenditures of \$6,000,000 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. On November 14, 2014, a second amendment was made to exclude all claims comprising in the Opinaca A property from the agreement. All other terms remain unchanged. According to the agreement, Hecla may also earn an additional interest of 10%, for a total interest of 60%, by making cash payments totalling \$300,000 over three (3) years from the election date, incurring expenditures totalling a minimum of \$3,000,000 over three (3) years from the election date, and delivering an independent pre-feasibility study on or before the fourth anniversary. The Company will receive the cash payments of \$290,000 on the first option and \$150,000 on the second option, and its resulting interest will be 20%. In addition, in the event that mineral resources of at least 2,000,000 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 \$1,500,000 in Hecla common shares, subject to regulatory approval. The Company will receive 50% of these issued shares.

As at August 31, 2014, Hecla had made a cumulative cash payment of \$340,000 (\$220,000 in 2013), and had carried out work expenditures totalling \$3,192,543. Azimut has cumulatively received an amount of \$170,000 (\$110,000 in 2013) in cash payments.

- b) In March 2010, Everton earned a 50% interest in the Opinaca B–B North property by making a cumulative cash payment of \$160,000, and carrying out work expenditures totalling a cumulative amount of \$2,000,000. In September 2010, Azimut and Everton signed an agreement with Hecla regarding the Opinaca B–B North property as described in (a) above.
- 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 a cumulative cash payment 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, 2014, Goldcorp and Eastmain had funded \$3.2 million in cumulative work expenditures. Ownership of the property is currently as follows: Azimut 26.4% (26.4% in 2013), Goldcorp 36.8% (36.8% in 2013) and Eastmain 36.8% (36.8% in 2013).

- d) In 2010, Goldcorp earned a 51% interest in the Wabamisk property by making a cumulative payment of \$500,000 in cash and carrying out work expenditures totalling \$4.0 million. In 2011, Goldcorp elected to proceed with the second option to earn an additional 19% interest in the property, which would require the delivery of a feasibility study within a period of ten (10) years.
- e) In May 2010, the Company granted Aurizon the option to acquire a 50% interest in the Rex South property for a cash consideration of \$580,000 and \$5.0 million in work expenditures, including a minimum of 5,000 metres of diamond drilling. Aurizon could also acquire an additional 15% interest with the delivery of a bankable feasibility study. On March 24, 2012, Aurizon decided to terminate the option after making a cumulative cash

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

- e) payment of \$280,000 (\$280,000 in 2011) and carrying out work expenditures totalling \$5,628,589 (\$5,056,950 in 2011). Following the termination of the option, the property and equipment (camp) were bequeathed by Aurizon in favour of Azimut with an estimated net liquidation value of \$100,000 in 2012, which has been recorded as a gain on termination of option on E&E assets in the statement of comprehensive loss for the year ended August 31, 2012. In 2013, the Company received vehicles for a fair value amount of \$3,700 pursuant to the termination of option with Aurizon, and sold some camp materials for an amount of \$15,200, which has been recorded as a reduction of E&E assets.

Change in exploration and evaluation assets

	2014 \$	2013 \$
Balance – Beginning of the year	<u>6,814,761</u>	<u>8,439,383</u>
Exploration and evaluation incurred during the year		
Claims and permits	408,573	274,631
Geological surveys	280,133	348,457
Geophysical surveys	273,616	33,152
Drilling	-	40,951
Depreciation of property and equipment	72,168	71,778
Transfer from exploration and evaluation assets to property and equipment	<u>-</u>	<u>(35,194)</u>
	<u>1,034,490</u>	<u>733,775</u>
Impairment of exploration and evaluation assets	(2,097,056)	(2,215,008)
Vehicles received upon termination (note 9e)	-	(3,700)
Proceeds received from sale of camp's materials	(22,800)	(74,450)
Option payments	(3,442)	(2,044)
Credit on duties refundable for loss and refundable tax credit for resources, net (note 6)	<u>(234,489)</u>	<u>(63,195)</u>
Balance – End of the year	<u>5,491,464</u>	<u>6,814,761</u>

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Change in exploration and evaluation assets (cont'd)

	Mining properties	Exploration costs	Total
Year ended August 31, 2013			
Balance – Beginning of the year	<u>2,421,053</u>	<u>6,018,330</u>	<u>8,439,383</u>
Exploration and evaluation incurred during the year	274,631	459,144	733,775
Option payments	-	(2,044)	(2,044)
Proceeds received from sale of camp's materials and others	(78,109)	(41)	(78,150)
Credit on duties refundable for loss and refundable tax credit for resources, net	-	(63,195)	(63,195)
Impairment	<u>(1,863,067)</u>	<u>(351,941)</u>	<u>(2,215,008)</u>
Balance – Ending of the year	<u>754,508</u>	<u>6,060,253</u>	<u>6,814,761</u>
As at August 31, 2013			
Cost	2,783,866	6,412,191	9,196,057
Accumulated impairment	<u>(2,029,358)</u>	<u>(351,938)</u>	<u>(2,381,296)</u>
Net book amount	<u>754,508</u>	<u>6,060,253</u>	<u>6,814,761</u>
Year ended August 31, 2014			
Balance – Beginning of the year	<u>754,508</u>	<u>6,060,253</u>	<u>6,814,761</u>
Exploration and evaluation incurred during the year	408,573	625,917	1,034,490
Option payments	-	(3,442)	(3,442)
Proceeds received on sale of camp's materials and others	-	(22,800)	(22,800)
Credit on duties refundable for loss and refundable tax credit for resources, net	-	(234,489)	(234,489)
Impairment	<u>(397,312)</u>	<u>(1,699,744)</u>	<u>(2,097,056)</u>
Balance – Ending of the year	<u>765,769</u>	<u>4,725,695</u>	<u>5,491,464</u>
As at August 31, 2014			
Cost	2,800,396	6,472,310	9,272,706
Accumulated impairment	<u>(2,034,627)</u>	<u>(1,746,615)</u>	<u>(3,781,242)</u>
Net book amount	<u>765,769</u>	<u>4,725,695</u>	<u>5,491,464</u>

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

10 Debenture payable

In November 2008, the Company issued a five-year (5-year) unsecured debenture of \$500,000 bearing interest at 12% annually. The principal was to be reimbursed in cash over a five-year period for \$100,000 per year. The debt was later decreased by \$92,000, and was reflected in the statement of comprehensive loss for the fiscal year ended 2009 as a discount on debenture at the effective interest rate of 20%. The last tranche of \$100,000 and \$76,234 of interest were reimbursed in November 2013.

	2014 \$	2013 \$
Principal	-	100,000
Less: Unamortized discount	-	(4,600)
	-	95,400
Less: Current portion	-	(95,400)
	-	-

11 Asset retirement obligations

	2014 \$	2013 \$
Balance, beginning of year	244,676	241,278
Decrease resulting from a change in estimate	(5,908)	-
Unwinding of discount on asset retirement obligations	3,444	3,398
Balance, end of year	242,212	244,676

The estimated undiscounted cash flows required to settle the asset retirement obligations are \$251,480. A discount rate of 1.25 % (2013 – 1.39%) was used to estimate the obligations in 2014. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2017. If the Company decides not to continue to explore on the Rex, Rex South or NCG properties, it is assumed that the asset retirement obligation will be settled in 2017. Should the Company decide to continue its activity on the Rex, Rex South or NCG properties, by itself or through a partner, the obligation will be settled further into the future. The Company is reviewing, at each period, the expected timing of the cash flows payment required to settle the obligations, and adjusts the asset retirement obligations accordingly.

12 Share capital

Unlimited number of common shares authorized, without par value, voting and participating.

In June 2014, the Company completed a non-brokered private placement of \$350,000 representing 1,166,668 units at \$0.30 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 \$0.45 for a period of 24 months.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

13 Warrants

The following table presents the warrant activities for the years ended August 31, 2014, and 2013, and summarizes the information about warrants outstanding and exercisable as at August 31, 2014:

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable – August 31, 2012	2,666,664	426,308	1.40
Expired	(2,666,664)	(426,308)	1.40
Outstanding and exercisable – August 31, 2013	-	-	-
Issued	583,334	33,362	0.45
Outstanding and exercisable – August 31, 2014	583,334	33,362	0.45

The 583,334 warrants issued under the private placements completed in June 2014, having an average exercise price of \$0.45 and valid until June 20, 2016, were recorded at a value of \$33,362, based on pro rata allocation of the estimated fair value determined by the Black-Scholes option pricing model using the following assumptions: risk free interest of 1.00%, expected life of 2 years, annualized volatility rate of 65% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

The 2,666,664 warrants included in the 5,333,332 units issued under the non-brokered private placement completed in March 2011, having an exercise price of \$1.40, were recorded at a value of \$426,308 based on the Black-Scholes pricing model. These warrants expired on March 19, 2013.

14 Stock option plan

The Company maintains a stock option plan in which a maximum of 3,300,000 stock options may be granted. The number of shares reserved for issuance under the stock option plan is 15% of the shares issued and outstanding at the time the Company filed for an increase in the stock option plan. The exercise price of the options is set at the closing price of the Company's shares on the TSX-V, on the day before the grant date. The options have a maximum term of ten (10) years following the grant date, and they vest immediately, unless otherwise approved and disclosed by the Board of Directors.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

14 Stock option plan (continued)

The following tables present the stock option activities for the year ended August 31, 2014, and summarize the information about stock options outstanding and exercisable as at August 31:

	2014		2013	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of the year	2,560,000	0.47	2,220,000	0.87
Granted	-	-	710,000	0.19
Expired	-	-	(303,334)	2.70
Forfeited	-	-	(66,666)	0.83
Outstanding and exercisable – End of the year	<u>2,560,000</u>	<u>0.47</u>	<u>2,560,000</u>	<u>0.47</u>

Exercise price \$	Options outstanding and exercisable	Weighted average remaining contractual life (years)
0.19	710,000	8.91
0.34	495,000	4.62
0.45	395,000	7.69
0.60	80,000	5.90
0.66	410,000	5.52
0.80	430,000	6.38
1.25	40,000	6.59
	<u>2,560,000</u>	<u>6.80</u>

On July 29, 2013, the Company granted 710,000 options to its directors, officers, employees and consultants. The fair value of the options granted amounted to \$112,180, and was measured using the Black Scholes option pricing model with the following assumptions: risk-free interest of 1.50%, expected life of 10 years, annualized volatility rate of 85% and dividend rate of 0%. The exercise price of \$0.19 per option granted was equal to the closing price of the Company's share on the TSX-V, on the day before the grant date.

On January 6, 2012, the Company granted 100,000 stock options to a consultant involved in business development. Following the termination of service agreement on July 6, 2012, 66,666 stock options were forfeited and 33,334 stock options expired on October 9, 2012.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

15 Expenses by nature

	2014 \$	2013 \$
Salaries and fringe benefits	161,491	235,480
Professional and maintenance fees	86,029	110,449
Administration and office	40,242	50,169
Business development and administration fees	10,433	13,980
Advertising	6,404	6,629
Rent	40,316	39,895
Insurance	22,238	22,583
Travelling and entertainment	27,356	42,314
Depreciation of property and equipment	6,424	8,832
Amortization of intangible assets	2,081	2,972
Allowance for doubtful accounts	5,190	-
Stock-based compensation	-	112,180
General and administrative expenses	408,204	645,483
Salaries for search of properties	27,914	79,819
Credit on duties refundable for loss and refundable tax credit for resources, net (note 6)	(12,184)	(23,265)
General exploration	15,730	56,554
Management – income	3,610	37,810
Salaries	(2,909)	(2,005)
Contractor fees	-	(5,000)
Food and lodging	-	(2,340)
Transportation	-	(21,818)
Management fees	701	6,647

16 Other gains

	2014 \$	2013 \$
Rental camp	-	64,990
Salaries	-	(3,064)
Contractor fees	-	(5,570)
Food and lodging	-	(2,917)
Transportation	-	(4,425)
	-	49,014

On June 26, 2013, the Company signed a Statement on Work 2013 Summer Camp Rental and Maintenance ("SOW") with Rio Tinto Canada Diamond Exploration Inc. ("RTCDEI"). The Company agreed to open and close the NCG Camp prior to and following the RTCDEI's field-based 2013 summer program.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

16 Other gains (continued)

Although mobilization to the NCG camp did not take place in 2013, the Company incurred costs as part of readying the camp for occupation by RTCDEI, and has received an amount of \$64,990 for the services. The Company and RTCDEI mutually agreed that the Company keeps the balance received in exchange for the discharge and release of all outstanding obligations.

17 Related party transactions

Compensation of key management

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

	2014 \$	2013 \$
Salaries	270,000	323,769
Share-based payment	-	101,120
	<u>270,000</u>	<u>424,889</u>

An amount of \$110,550 (\$88,300 in 2013) for salary is capitalized to E&E assets.

In 2014, the Company charged \$3,200 to Murchison Minerals Ltd formerly known as Flemish Gold Corp., of which the president and director is also a director of the Company. The amount was for processing geological data, and is recorded in amounts receivable.

In 2014, the Company received 37,500 shares and 18,750 warrants of West African pursuant to the Arrangement agreement between West African and Channel, of which a director is also a director of the Company. These shares and warrants were recorded in investments (note 7).

As at August 31, 2014, accounts payable and accrued liabilities include an amount of \$58,408 (\$30,535 at August 31, 2013) owed to key management.

In the event that change of control or termination of employment is for reasons other than gross negligence, the CEO will be entitled to receive an indemnity equal to six (6) months salary. After more than two (2) years of employment, the indemnity will be increased by one (1) month for every additional year of employment. The CFO will be entitled to receive an indemnity, which will be equal to twelve (12) weeks salary, and will be increased by one (1) month for every additional year of employment. In both cases, the indemnity is subject to a maximum indemnity period of twelve (12) months. In any event, the indemnity paid must not represent more than 10% of the Company’s liquidities at such time.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

18 Income taxes

Component of tax income

	2014 \$	2013 \$
Loss before income taxes	2,490,060	2,997,104
Combined federal and provincial income tax of 26.90% (26.90% in 2013)	(670,000)	(806,000)
Non-deductible expenses	2,000	98,900
Unrecognized temporary differences	662,000	661,000
Adjustments for prior periods	(46,000)	31,000
Non-deductible loss on sale of long-term investments	2,000	14,200
Other	-	900
Recovery of deferred income taxes	(50,000)	900

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 \$2,106,000.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

18 Income taxes (continued)

Component of tax income (cont'd)

As at August 31, 2014 and 2013, the significant components of the Company's deferred income tax assets and liabilities are as follows:

	2014 \$	2013 \$
Deferred income tax assets		
Non-capital losses	1,111,000	982,000
Capital losses	2,000	-
Investments	158,000	163,000
Share and warrant issue expenses	22,000	52,000
Property and equipment and intangible assets	133,000	101,000
Exploration and evaluation assets	613,000	129,000
Asset retirement obligations	67,000	66,000
Total deferred income tax assets	2,106,000	1,493,000
Deferred income tax liabilities		
Exploration and evaluation assets	-	53,000
Total deferred income tax liabilities	-	53,000
Unrecognized deferred income tax assets	2,106,000	1,440,000

As at August 31, 2014, the expiration dates of losses available to reduce future years' income tax are:

	Federal \$	Provincial \$
2034	514,000	514,000
2033	420,000	420,000
2032	776,000	773,000
2031	687,000	680,000
2030	719,000	719,000
2029	816,000	818,000
2026	139,000	99,000
2015	28,000	146,000
	4,099,000	4,169,000

As at August 31, 2014, the Corporation has accumulated capital losses in Canada for income tax purposes amounting to approximately \$19,000 (2013: \$Nil), and these can be carried forward indefinitely against future capital gains.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

19 Loss per share

For the years ended August 31, 2014 and 2013, 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 36,703,205 in 2014 and of 36,470,328 in 2013.

20 Leases

Operating lease

The Company has minimum aggregate commitments under a seven-month (7-month) operating lease amounting to \$23,861. Lease payments recorded as an expense in 2014 amount to \$40,316 (\$39,895 in 2013). This amount consists of minimum lease payments. The Company's operating lease will expire on March 31, 2015, and the new operating lease is currently being negotiated.

21 Financial instruments, financial risks and capital management

Classification

The Company's financial instruments as at August 31, 2014, consist of cash and cash equivalents, amounts receivable, investments, and accounts payable and accrued liabilities. The fair value of these financial instruments, with the exception of investments, 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 available-for-sale investments is established using the closing price on the most beneficial active market for this instrument that is readily available to the Company.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

21 Financial instruments, financial risks and capital management (continued)

Classification (cont'd)

The classification of financial instruments is summarized as follows:

		As at August 31, 2014		As at August 31, 2013	
	Classification	Carrying value \$	Fair value	Carrying value \$	Fair value
Financial assets					
Cash and cash equivalents	Loans and receivables	1,860,852	1,860,852	2,222,226	2,222,226
Amounts receivable	Loans and receivables	3,200	3,200	28,395	28,395
Investments	Available for sale	70,086	70,086	52,320	52,320
		<u>1,934,138</u>	<u>1,934,138</u>	<u>2,302,941</u>	<u>2,302,941</u>
Financial liabilities					
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	220,846	220,846	225,301	225,301
Debenture payable	Financial liabilities at amortized cost	-	-	95,400	100,000
		<u>220,846</u>	<u>220,846</u>	<u>320,701</u>	<u>325,301</u>

The Company defines as follows the fair value hierarchy under which its financial instruments are valued: 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 the asset or liability that are not based on observable market data. Investments are considered a level 1. There was no transfer of hierarchy level during the years ended August 31, 2014 and 2013.

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 geological data processing carried out on partner's properties. In 2014, an allowance for doubtful accounts of \$5,190 was recorded (\$Nil in 2013). The Company closely follows its cash position to reduce its credit risk on amounts receivable.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

21 Financial instruments, financial risks and capital management (continued)

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, 2014, the Company had a cash and cash equivalents balance of \$1,860,852 (\$2,222,226 as at August 31, 2013) to settle current liabilities of \$220,846 (\$320,701 as at August 31, 2013). 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, 2014:

	Carrying amount \$	Contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	More than 24 months \$
Accounts payable and accrued liabilities	220,846	220,846	220,846	-	-

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.

As at August 31, 2014, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing

Since cash and cash equivalents are subject to variable interest rates, a fluctuation of interest rate will have no impact on their fair value.

Equity risk

Equity risk is the risk that the fair value of a financial instrument varies due to equity market changes. Changes in fair value of available-for-sale investments are recorded in other comprehensive income (loss) when an impairment was not previously recorded. For the Company's available-for-sale investments, a variation of $\pm 10\%$ of the quoted market prices as at August 31, 2014, would result in an estimated effect in the statement of comprehensive income (loss) of \$7,000 (\$5,000 for the year ended August 31, 2013) since the investments were previously impaired.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2014 and 2013

(in Canadian dollars)

21 Financial instruments, financial risks and capital management (continued)

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, 2014, 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. The variation of capital components is explained in the statements of changes in equity.

22 Additional cash flow information

	2014 \$	2013 \$
Acquisition of E&E assets included in accounts payable and accrued liabilities	111,554	55,179
Depreciation of property and equipment included in E&E assets	72,168	71,779
Credit on duties refundable for loss and refundable tax credit for resources presented as a reduction in E&E assets, net	234,489	63,195
Change in estimate for asset retirement obligations included in acquisition of property and equipment	(5,908)	-