

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements

February 28, 2015

(expressed in Canadian dollars, except share amounts)

Azimut Exploration Inc.

Interim Statements of Financial Position (in Canadian dollars) (Unaudited)

	As at February 28, 2015 \$	As at August 31, 2014 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	1,407,135	1,860,852
Amounts receivable (note 4)	289,834	248,255
Prepaid expenses	22,638	30,075
	<u>1,719,607</u>	<u>2,139,182</u>
Non-currents assets		
Mining rights receivable	58,228	48,888
Investments (note 5)	50,066	70,086
Property and equipment (note 6)	172,141	185,701
Intangible assets (less accumulated amortization of \$19,778; \$19,050 as at August 31, 2014)	4,130	4,858
Exploration and evaluation assets (note 7)	5,645,478	5,491,464
	<u>5,930,043</u>	<u>5,800,997</u>
Total assets	<u>7,649,650</u>	<u>7,940,179</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	113,582	220,846
	<u>113,582</u>	<u>220,846</u>
Non-current liabilities		
Asset retirement obligations (note 8)	243,721	242,212
	<u>243,721</u>	<u>242,212</u>
Total liabilities	<u>357,303</u>	<u>463,058</u>
Equity		
Share capital	20,755,072	20,755,072
Warrants (note 9)	33,362	33,362
Stock options (note 10)	1,071,581	1,071,581
Contributed surplus	3,012,728	3,012,728
Deficit	(17,595,005)	(17,427,877)
Accumulated other comprehensive income	14,609	32,255
Total equity	<u>7,292,347</u>	<u>7,477,121</u>
Total liabilities and equity	<u>7,649,650</u>	<u>7,940,179</u>

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

Approved by the Board of Directors

(s) Jean-Charles Potvin _____ Director (s) Jean-Marc Lulin _____ Director (2)

Azimut Exploration Inc.

Interim Statements of Comprehensive Loss (in Canadian dollars)

(Unaudited)

	Three-month period ended February 28,		Six-month period ended February 28,	
	2015 \$	2014 \$	2015 \$	2014 \$
Expenses				
General and administrative (note 11)	115,119	91,455	198,494	179,992
General exploration (note 11)	29,623	8,729	29,682	13,807
Impairment of exploration and evaluation assets (note 7)	-	-	1,183	-
Operating loss	<u>144,742</u>	<u>100,184</u>	<u>229,359</u>	<u>193,799</u>
Financing cost (income), net				
Interest income	(3,828)	(14,293)	(8,486)	(20,390)
Interest expense on debentures	-	-	-	38,526
Interest and bank charges	390	394	716	530
Unwinding of discount on asset retirement obligations	756	860	1,510	1,716
	<u>(2,682)</u>	<u>(13,039)</u>	<u>(6,260)</u>	<u>20,382</u>
Other gains and losses				
Gain on option payments received on exploration and evaluation assets (note 7b)	-	-	(58,346)	(56,558)
Management fees	-	(410)	-	(410)
Loss on sale of available-for-sale investments	-	469	-	469
Impairment on available-for-sale investments	736	(10,204)	2,375	(2,534)
	<u>736</u>	<u>(10,145)</u>	<u>(55,971)</u>	<u>(59,033)</u>
Loss before income taxes	<u>142,796</u>	<u>77,000</u>	<u>167,128</u>	<u>155,148</u>
Loss for the period	<u>142,796</u>	<u>77,000</u>	<u>167,128</u>	<u>155,148</u>
Other comprehensive income (loss)				
Items that can be reclassified to net loss				
Unrealized gain (loss) on available-for-sale investments	81	12,705	(17,646)	5,454
Reclassification of impairment on available-for-sale investments to loss for the period	-	(10,204)	-	(2,534)
	<u>81</u>	<u>2,501</u>	<u>(17,646)</u>	<u>2,920</u>
Comprehensive loss for the period	<u>142,715</u>	<u>74,499</u>	<u>184,774</u>	<u>152,228</u>
Basic and diluted loss per share	<u>0.004</u>	<u>0.002</u>	<u>0.004</u>	<u>0.004</u>
Basic and diluted weighted average number of shares outstanding	37,636,996	36,470,328	37,636,996	36,470,328

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity (in Canadian dollars)

(Unaudited) For the six-month period ended February 28, 2015

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total
	Number ⁽¹⁾	\$	Number	\$	Number	\$	\$	\$	\$	\$
Balance as at September 1, 2014	37,636,996	20,755,072	583,334	33,362	2,560,000	1,071,581	3,012,728	(17,427,877)	32,255	7,477,121
Loss for the period	-	-	-	-	-	-	-	(167,128)	-	(167,128)
Other comprehensive income (loss)										
Unrealized loss on available-for-sale investments	-	-	-	-	-	-	-	-	(17,646)	(17,646)
Comprehensive income (loss)	-	-	-	-	-	-	-	(167,128)	(17,646)	(184,774)
Balance as at February 28, 2015	<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>(17,595,005)</u>	<u>14,609</u>	<u>7,292,347</u>
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 period	-	-	-	-	-	-	-	(155,148)	-	(155,148)
Other comprehensive income (loss)										
Unrealized loss on available-for-sale investments	-	-	-	-	-	-	-	-	5,454	5,454
Reclassification of impairment on available-for-sale investments to loss for the period	-	-	-	-	-	-	-	-	(2,534)	(2,534)
Comprehensive income (loss)	-	-	-	-	-	-	-	(155,148)	2,920	(152,228)
Balance as at February 28, 2014	<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>(15,142,965)</u>	<u>2,535</u>	<u>9,449,990</u>

(1) There were no common shares that were unpaid as at February 28, 2015 (Nil in 2014).

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

Azimut Exploration Inc.

Interim Statements of Cash Flows (in Canadian dollars)

(Unaudited)

	Six-month period ended February 28,	
	2015	2014
	\$	\$
Cash flows used in operating activities		
Loss for the period	(167,128)	(155,148)
Items not affecting cash		
Depreciation of property and equipment	2,344	3,212
Amortization of intangible assets	728	1,040
Loss (gain) on sale of available-for-sale investments	-	469
Impairment on available-for-sale investment	2,374	(2,534)
Impairment of exploration and evaluation assets (note 7)	1,183	-
Gain on option payments received on exploration and evaluation assets	(58,346)	(56,558)
Credits on duties refundable for loss and refundable tax credits relating to resources – net	(2,000)	13,913
Accretion expense on debentures payable and convertible debentures	-	4,600
Unwinding of discount on asset retirement obligations	1,509	1,716
	<u>(219,336)</u>	<u>(189,290)</u>
Net change in non-cash working capital items		
Amounts receivable	11,571	8,038
Prepaid expenses	7,437	9,925
Accounts payable and accrued liabilities	(30,245)	(138,600)
	<u>(11,237)</u>	<u>(120,637)</u>
	<u>(230,573)</u>	<u>(309,927)</u>
Cash flows from financing activities		
Payment on debenture payable	-	(100,000)
	<u>-</u>	<u>(100,000)</u>
Cash flows used in investing activities		
Additions to exploration and evaluation assets	(283,144)	(333,816)
Proceeds from sale of options on exploration and evaluation assets	60,000	60,000
Tax credit and mining rights received	-	481,203
	<u>(223,144)</u>	<u>207,387</u>
Net change in cash and cash equivalents	<u>(453,717)</u>	<u>(202,540)</u>
Cash and cash equivalents – Beginning of the period	<u>1,860,852</u>	<u>2,222,226</u>
Cash and cash equivalents – End of the period	<u>1,407,135</u>	<u>2,019,686</u>
Interest received	(8,486)	(20,390)
Interest paid	-	76,095
Additional cash flow information (note 13)		

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

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 February 28, 2015, the Company has working capital of \$1,606,025 (\$1,918,336 – August 31, 2014) including cash and cash equivalents of \$1,407,135 (\$1,860,852 – August 31, 2014), and accumulated deficit of \$17.6 million (\$17.4 million – August 31, 2014). The Company has incurred a loss of \$167,129 (\$155,148 – 2014) for the six-month period then ended.

Management of the Company believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve (12) months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but not limited to twelve (12) months from the end of the reporting period. To continue its exploration and evaluation program on its properties and its operation beyond February 28, 2016, the Company will periodically need to raise additional funds through the issuance of new equity instruments, the exercise of stock options and the search of partners to sign option agreements on certain of its exploration properties. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future, or that these sources of funding or initiatives will be available for the Company or that they will be available on terms that are acceptable to the Company.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

2 Summary of significant accounting policies

Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2014, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous fiscal year. The Board of Directors approved the interim financial statements on April 23, 2015.

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

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent annual financial statements for the year ended August 31, 2014.

3 Cash and cash equivalents

As at February 28, 2015, cash and cash equivalents of \$1,407,135 (\$1,860,852 as at August 31, 2014) include \$172,385 (\$171,490 as at August 31, 2014) of guaranteed investment certificates bearing interest at 0.1 % (0.1% – August 31, 2014), cashable any time without any penalties.

4 Amounts receivable

	As at February 28, 2015 \$	As at August 31, 2014 \$
Tax credit receivable	278,026	224,876
Commodity taxes	11,808	20,179
Amounts receivable	5,190	8,390
	295,024	253,445
Less: Allowance for doubtful accounts	(5,190)	(5,190)
	289,834	248,255

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

5 Investments

	As at February 28, 2015			As at August 31, 2014		
	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, 2014)	0.300	4,400	6,000	0.375	5,400	7,500
NWT Uranium Corp. 350,000 shares (350,000 shares – August 31, 2014)	0.004	1,313	1,313	0.007	1,938	2,280
Majescor Resources Inc. 19,600 shares (19,600 shares – August 31, 2014)	0.055	882	1,078	0.045	882	882
Silver Spruce Resources Inc. * 30,000 shares (300,000 shares – August 31, 2014)	0.025	750	750	0.005	1,500	1,500
ABE Resources Inc. 50,000 shares (50,000 shares – August 31, 2014)	0.030	1,250	1,500	0.045	1,250	2,250
Nemaska Exploration Inc. 209,272 shares (209,272 shares – August 31, 2014)	0.170	20,927	35,576	0.235	20,927	49,179
Monarques Resources Inc. 10,469 shares (10,469 shares – August 31, 2014)	0.090	942	942	0.110	942	1,151
West African Resources Limited 37,500 shares (37,500 – August 31, 2014)	0.075	2,625	2,813	0.130	4,500	4,875
18,750 warrants; exercise price of \$0.40, expiry on January 17, 2017	0.005	94	94	0.025	281	469
		<u>33,183</u>	<u>50,066</u>		<u>37,620</u>	<u>70,086</u>

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

Unrealized gains and losses on available-for-sale securities resulted from fluctuations in market prices. As at February 28, 2015, the unrealized gain recognized in accumulated other comprehensive income is \$14,609 (\$32,255 – August 31, 2014).

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

6 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Camp under finance lease \$	Vehicles \$	Total \$
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 *								
	-	-	-	-	100,000	-	-	100,000
Period ended February 28, 2015								
Opening net book amount	3,482	4,198	5,538	4,965	153,586	11,730	2,202	185,701
Additions	-	-	-	-	-	-	-	-
Depreciation for the period	(348)	(420)	(832)	(744)	(8,930)	(1,956)	(330)	(13,560) ⁽¹⁾
Closing net book amount	3,134	3,778	4,706	4,221	144,656	9,774	1,872	172,141
As at February 28, 2015								
Cost	20,542	20,081	36,597	56,250	332,062	316,754	3,702	785,988
Accumulated depreciation	(17,408)	(16,303)	(31,891)	(52,029)	(187,406)	(306,980)	(1,830)	(613,847)
Net book amount	3,134	3,778	4,706	4,221	144,656	9,774	1,872	172,141
Asset not subject to depreciation included in above *								
	-	-	-	-	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 – August 31, 2014).

⁽¹⁾ Depreciation of property and equipment included in E&E assets amounts to \$11,216 (\$72,168 – August 31, 2014).

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

7 Exploration and evaluation assets

All mining properties are located in the Province of Quebec.

Change in exploration and evaluation assets

Exploration properties	Undivided interest	Cost as at August 31, 2014	Additions	Option payments	Tax credit	Cost as at February 28, 2015	Accumulated impairment as at August 31, 2014	Impairment	Accumulated impairment as at February 28, 2015	Net book amount as at February 28, 2015
Nunavik	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rex	100									
Mining properties		1,109,476	1,326	-	-	1,110,802	(701,922)	-	(701,922)	408,880
Exploration costs		4,005,363	50,182	-	(16,300)	4,039,245	-	-	-	4,039,245
		<u>5,114,839</u>	<u>51,508</u>	<u>-</u>	<u>(16,300)</u>	<u>5,150,047</u>	<u>(701,922)</u>	<u>-</u>	<u>(701,922)</u>	<u>4,448,125</u>
Rex South	100									
Mining properties		154,096	19,472	-	-	173,568	-	-	-	173,568
Exploration costs		299,379	68,402	-	(23,500)	344,281	-	-	-	344,281
		<u>453,475</u>	<u>87,874</u>	<u>-</u>	<u>(23,500)</u>	<u>517,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517,849</u>
NCG	100									
Mining properties		737,126	816	-	-	737,942	(719,929)	-	(719,929)	18,013
Exploration costs		970,818	2,105	-	-	972,923	(916,429)	-	(916,429)	56,494
		<u>1,707,944</u>	<u>2,921</u>	<u>-</u>	<u>-</u>	<u>1,710,865</u>	<u>(1,636,358)</u>	<u>-</u>	<u>(1,636,358)</u>	<u>74,507</u>
Diana	100									
Mining properties		75,525	-	-	-	75,525	(41,195)	-	(41,195)	34,330
Exploration costs		39,489	-	-	-	39,489	(10,639)	-	(10,639)	28,850
		<u>115,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,014</u>	<u>(51,834)</u>	<u>-</u>	<u>(51,834)</u>	<u>63,180</u>
Nantais	100									
Mining properties		88,559	1,318	-	-	89,877	(40,584)	-	(40,584)	49,293
Exploration costs		216,860	34,719	-	(12,400)	239,179	-	-	-	239,179
		<u>305,419</u>	<u>36,037</u>	<u>-</u>	<u>(12,400)</u>	<u>329,056</u>	<u>(40,584)</u>	<u>-</u>	<u>(40,584)</u>	<u>288,472</u>
Qassituq	100									
Mining properties		27,361	606	-	-	27,967	-	-	-	27,967
Exploration costs		20,717	15,109	-	(5,400)	30,426	-	-	-	30,426
		<u>48,078</u>	<u>15,715</u>	<u>-</u>	<u>(5,400)</u>	<u>58,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,393</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

7 Exploration and evaluation assets (continued)

Exploration properties	Undivided interest	Cost as at August 31, 2014	Additions	Option payments	Tax credit	Cost as at February 28, 2015	Accumulated impairment as at August 31, 2014	Impairment	Accumulated impairment as at February 28, 2015	Net book amount as at February 28, 2015
Nunavik (cont'd)	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Others, copper-gold-silver-cobalt-REE	100									
Mining properties		37,170	-	-	-	37,170	(37,170)	-	(37,170)	-
Exploration costs		7,045	-	-	-	7,045	(7,045)	-	(7,045)	-
		44,215	-	-	-	44,215	(44,215)	-	(44,215)	-
Total Nunavik copper-gold-silver-cobalt-REE properties		7,788,984	194,055	-	(57,600)	7,925,439	(2,474,913)	-	(2,474,913)	5,450,526
North Rae	100									
Mining properties		483,277	1,183	-	-	484,460	(483,277)	(1,183)	(484,460)	-
Exploration costs		707,167	-	-	-	707,167	(707,167)	-	(707,167)	-
		1,190,444	1,183	-	-	1,191,627	(1,190,444)	(1,183)	(1,191,627)	-
Total Nunavik uranium property		1,190,444	1,183	-	-	1,191,627	(1,190,444)	(1,183)	(1,191,627)	-
Total Nunavik		8,979,428	195,238	-	(57,600)	9,117,066	(3,665,357)	(1,183)	(3,666,540)	5,450,526

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

7 Exploration and evaluation assets (continued)

Exploration properties		Undivided interest	Cost as at August 31, 2014	Additions	Option payments	Tax credit	Cost as at February 28, 2015	Accumulated impairment as at August 31, 2014	Impairment	Accumulated impairment as at February 28, 2015	Net book amount as at February 28, 2015
James Bay		%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opinaca A-A East Mining properties	(a)	50	-	-	-	-	-	-	-	-	-
Exploration costs			1,690	2,045	-	(700)	3,035	-	-	-	3,035
			1,690	2,045	-	(700)	3,035	-	-	-	3,035
Opinaca B-B-North Mining properties	(b)	50	-	-	-	-	-	-	-	-	-
Exploration costs			1,115	1,361	(1,654)	(470)	352	-	-	-	352
			1,115	1,361	(1,654)	(470)	352	-	-	-	352
Eleonore South Mining properties	(c)	26.4	-	-	-	-	-	-	-	-	-
Exploration costs			8,392	923	-	(300)	9,015	-	-	-	9,015
			8,392	923	-	(300)	9,015	-	-	-	9,015
Opinaca D Mining properties		100	69,442	11,801	-	-	81,243	-	-	-	81,243
Exploration costs			10,113	1,272	-	(470)	10,915	-	-	-	10,915
			79,555	13,073	-	(470)	92,158	-	-	-	92,158
Wabamisk Mining properties	(d)	49	2,781	-	-	-	2,781	-	-	-	2,781
Exploration costs			15,604	-	-	-	15,604	-	-	-	15,604
			18,385	-	-	-	18,385	-	-	-	18,385
Total James Bay gold properties			109,137	17,402	(1,654)	(1,940)	122,945	-	-	-	122,945
Eastmain West Mining properties		100	15,586	1,763	-	-	17,349	(10,551)	-	(10,551)	6,798
Exploration costs			168,555	2,938	-	(950)	170,543	(105,334)	-	(105,334)	65,209
Total James Bay chromium-platinum palladium property			184,141	4,701	-	(950)	187,892	(115,885)	-	(115,885)	72,007
Total James Bay			293,278	22,103	(1,654)	(2,890)	310,837	(115,885)	-	(115,885)	194,952
Total E&E assets			9,272,706	217,341	(1,654)	(60,490)	9,427,903	(3,781,242)	(1,183)	(3,782,425)	5,645,478

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

7 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. 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.

On November 14, 2014, a second amendment was made to exclude all claims comprising the Opinaca A property from the agreement. All other terms remain unchanged.

- b) In March 2010, Everton earned a 50% interest in the Opinaca B–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.

As at February 28, 2015, Hecla had made a cumulative cash payment of \$460,000 (\$340,000 in 2013), and had carried out work expenditures totalling \$4,042,543. Azimut has cumulatively received an amount of \$230,000 (\$170,000 in 2014) in cash payments.

- 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 February 28, 2015, 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 2014), Goldcorp 36.8% (36.8% in 2014) and Eastmain 36.8% (36.8% in 2014).

- 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.

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7 Exploration and evaluation assets (continued)

Change in exploration and evaluation assets

	February 28, 2015 \$	August 31, 2014 \$
Balance – Beginning of the period	<u>5,491,464</u>	<u>6,814,761</u>
Exploration and evaluation incurred during the period		
Claims and permits	38,285	408,573
Geological surveys	148,236	280,133
Geophysical surveys	19,584	273,616
Administration	20	-
Depreciation of property and equipment	<u>11,216</u>	<u>72,168</u>
	<u>217,341</u>	<u>1,034,490</u>
Impairment of exploration and evaluation assets	(1,183)	(2,097,056)
Proceeds received from sale of camp's materials	-	(22,800)
Option payments	(1,654)	(3,442)
Credit on duties refundable for loss and refundable tax credit for resources, net	<u>(60,490)</u>	<u>(234,489)</u>
Balance – End of the period	<u>5,645,478</u>	<u>5,491,464</u>

Azimut Exploration Inc.

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(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

7 Exploration and evaluation assets (continued)

Change in exploration and evaluation assets (cont'd)

	Mining properties \$	Exploration costs \$	Total \$
Year ended August 31, 2014			
Balance – Beginning of the year	754,508	6,060,253	6,814,761
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	(397,312)	(1,699,744)	(2,097,056)
Balance – Ending of the year	765,769	4,725,695	5,491,464
As at August 31, 2014			
Cost	2,800,396	6,472,310	9,272,706
Accumulated impairment	(2,034,627)	(1,746,615)	(3,781,242)
Net book amount	765,769	4,725,695	5,491,464
Period ended February 28, 2015			
Balance – Beginning of the period	765,769	4,725,695	5,491,464
Exploration and evaluation incurred during the period	38,285	179,056	217,341
Option payments	-	(1,654)	(1,654)
Credit on duties refundable for loss and refundable tax credit for resources, net	-	(60,490)	(60,490)
Impairment	(1,183)	-	(1,183)
Balance – Ending of the period	802,871	4,842,607	5,645,478
As at February 28, 2015			
Cost	2,838,681	6,589,222	9,427,903
Accumulated impairment	(2,035,810)	(1,746,615)	(3,782,425)
Net book amount	802,871	4,842,607	5,645,478

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

8 Asset retirement obligations

	February 28, 2015 \$	August 31, 2014 \$
Balance, beginning of the period	242,212	244,676
Decrease resulting from a change in estimate	-	(5,908)
Unwinding of discount on asset retirement obligations	1,509	3,444
Balance, end of the period	243,721	242,212

The estimated undiscounted cash flows required to settle the asset retirement obligations are \$251,480. A discount rate of 1.25 % (August 31, 2014 – 1.25%) 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.

9 Warrants

The following table presents the warrant activities for the period ended February 28, 2015, and summarizes the information about warrants outstanding and exercisable as at that date:

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable – Beginning of the period	583,334	33,362	0.45
Issued	-	-	-
Expired	-	-	-
Outstanding and exercisable – End of the period	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%.

Azimut Exploration Inc.

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(Unaudited) For the three- and six-month periods ended February 28, 2015

10 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.

The following tables present the stock option activities for the period ended February 28, 2015, and summarize the information about stock options outstanding and exercisable as at that date:

	February 28, 2015	
	Number	Weighted average exercise price \$
Outstanding – Beginning of the period	2,560,000	0.47
Granted	-	-
Expired	-	-
Forfeited	-	-
Outstanding and exercisable – End of the period	<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	8.42
0.34	495,000	4.12
0.45	395,000	7.20
0.60	80,000	5.40
0.66	410,000	5.02
0.80	430,000	5.88
1.25	40,000	6.09
	<u>2,560,000</u>	<u>6.30</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

11 Expenses by nature

	Three-month period ended February 28,		Six-month period ended February 28,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Salaries and fringe benefits	47,149	36,668	93,322	73,269
Professional and maintenance fees	10,362	9,426	16,618	24,266
Administration and office	19,186	16,079	24,559	22,035
Business development and administration fees	4,683	4,937	5,592	5,288
Advertising	350	398	1,144	6,183
Rent	10,226	9,974	20,453	19,948
Insurance	6,119	6,880	11,409	12,275
Travelling and entertainment	15,508	4,967	22,325	12,476
Depreciation of property and equipment	1,172	1,606	2,344	3,212
Amortization of intangible assets	364	520	728	1,040
General and administrative expenses	115,119	91,455	198,494	179,992
Salaries for search of properties	31,583	15,169	31,682	24,177
Credit on duties refundable for loss and refundable tax credit for resources, net	(1,960)	(6,440)	(2,000)	(10,370)
General exploration	29,623	8,729	29,682	13,807

12 Related party transactions

Compensation of key management

Key management includes directors, the chief executive officer (“CEO”) and the chief financial officer (“CFO”). The compensation paid or payable to key management for services consists of salary for the six-month period ended February 28, 2015 in the amount of \$135,000 (\$138,806 – February 28, 2014).

An amount of \$40,590 (\$48,250 – February 28, 2014) for salary is capitalized to exploration and evaluation assets.

As at February 28, 2015, accounts payable and accrued liabilities include an amount of \$58,486 (\$34,239 – February 28, 2014) owed to key management.

13 Additional cash flow information

	Six-month period ended February 28,	
	2015	2014
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	34,535	23,625
Depreciation of property and equipment included in E&E assets	11,216	36,084
Credit on duties refundable for loss and refundable tax credit for resources presented as a reduction in E&E assets, net	60,490	60,441

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Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three- and six-month periods ended February 28, 2015

14 Subsequent event

On March 24, 2015 the Company granted 580,000 options to its directors, officers, employees and consultants. The fair value of the options granted amounted to \$98,600 and was measured using the Black Scholes option pricing model with the following assumptions: risk-free interest of 2.25%, expected life of 10 years, annualized volatility rate of 90%, and dividend rate of 0%.