

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements

November 30, 2019

(expressed in Canadian dollars, except share amounts)

Azimut Exploration Inc.

Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at November 30, 2019 \$	As at August 31, 2019 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	1,365,986	2,979,133
Amounts receivable (Note 4)	59,447	398,939
Prepaid expenses	22,295	29,309
	<u>1,447,728</u>	<u>3,407,381</u>
Non-current assets		
Tax credit and mining rights receivable	1,333,255	839,171
Investments (Note 5)	25,457	41,246
Property and equipment (Note 6a)	70,827	77,401
Intangible assets (less accumulated amortization of \$23,154; \$23,094 as at August 31, 2019)	753	814
Right-of-use asset (Notes 2 and 6b)	175,731	-
Exploration and evaluation assets (Note 7)	5,666,975	5,000,443
	<u>7,272,998</u>	<u>5,959,075</u>
Total assets	<u>8,720,726</u>	<u>9,366,456</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	845,431	2,125,448
Advances received for exploration work	-	872,469
Lease liability (Notes 2 and 9)	41,581	-
	<u>887,012</u>	<u>2,997,917</u>
Non-current liabilities		
Asset retirement obligations (Note 8)	249,981	249,484
Lease liability (Notes 2 and 9)	132,270	-
	<u>382,251</u>	<u>249,484</u>
Total liabilities	<u>1,269,263</u>	<u>3,247,401</u>
Equity		
Share capital (Note 10)	26,105,885	24,895,476
Warrants (Note 11)	214,800	78,800
Stock options (Note 12)	1,396,602	1,396,602
Contributed surplus	3,787,210	3,787,210
Deficit	(24,053,034)	(24,039,033)
Total equity	<u>7,451,463</u>	<u>6,119,055</u>
Total liabilities and equity	<u>8,720,726</u>	<u>9,366,456</u>

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

Subsequent event (Note 16)

Approved by the Board of Directors

(s) Jean-Charles Potvin Director

(s) Jean-Marc Lulin Director

(2)

Azimut Exploration Inc.

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

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

	Three-month period ended November 30,	
	2019	2018
	\$	\$
Revenues		
Management income (Notes 7e, f, g and k)	82,510	35,799
Expenses		
General and administrative (Note 13)	85,756	96,390
General exploration (Note 13)	2,852	13,342
Impairment of exploration and evaluation assets (Note 7)	1,152	132
Operating expenses	89,760	109,864
Financing cost (income), net		
Interest income	(11,603)	(9,206)
Interest and bank charges	420	297
Unwinding of discount on asset retirement obligations	497	338
Interest on lease liability	1,648	-
	(9,038)	(8,571)
Other loss (gains)		
Other gains	-	(124)
Change in fair value – investments	15,788	37,248
	15,788	37,124
Loss before income taxes	14,001	102,619
Deferred income tax recovery	-	(41,219)
Loss and comprehensive loss for the period	14,001	61,400
Basic and diluted loss per share	0.000	0.001
Basic and diluted weighted average number of shares outstanding	56,031,260	48,559,496

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity

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

(Unaudited) For the three-month period ended November 30, 2019

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Total
	Number ⁽¹⁾	\$	Number	\$	Number	\$	\$	\$	\$
Balance as at September 1, 2019	53,300,649	24,895,476	2,210,576	78,800	3,745,000	1,396,602	3,787,210	(24,039,033)	6,119,055
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(14,001)	(14,001)
	53,300,649	24,895,476	2,210,576	78,800	3,745,000	1,396,602	3,787,210	(24,053,034)	6,105,054
Private placement (Note 10)	4,085,712	1,293,999	2,042,855	136,000	-	-	-	-	1,429,999
Share issue expenses	-	(83,590)	-	-	-	-	-	-	(83,590)
Balance as at November 30, 2019	<u>57,386,361</u>	<u>26,105,885</u>	<u>4,253,431</u>	<u>214,800</u>	<u>3,745,000</u>	<u>1,396,602</u>	<u>3,787,210</u>	<u>(24,053,034)</u>	<u>7,451,463</u>
Balance as at September 1, 2018	48,559,496	23,677,449	-	-	4,095,000	1,503,141	3,761,610	(23,082,695)	5,859,505
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(61,400)	(61,400)
	48,559,496	23,677,449	-	-	4,095,000	1,503,141	3,761,610	(23,144,095)	5,798,105
Stock-based compensation	-	-	-	-	-	4,263	-	-	4,263
Balance as at November 30, 2018	<u>48,559,496</u>	<u>23,677,449</u>	<u>-</u>	<u>-</u>	<u>4,095,000</u>	<u>1,507,404</u>	<u>3,761,610</u>	<u>(23,144,095)</u>	<u>5,802,368</u>

⁽¹⁾ An unlimited number of common shares are authorized, without par value, voting and participating.
There were no unpaid common shares as at November 30, 2019 (Nil in 2018).

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

Azimut Exploration Inc.

Interim Statements of Cash Flows

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

	Three-month period ended November 30,	
	2019	2018
	\$	\$
Cash flows from operating activities		
Income (Loss) for the period	(14,001)	(61,400)
Items not affecting cash		
Depreciation of property and equipment	2,740	1,121
Amortization of intangible assets	61	88
Depreciation of right-of-use asset	11,981	-
Change in fair value – investment	15,788	37,248
Impairment of exploration and evaluation assets	1,152	-
Refundable duties credit for losses and refundable tax credit relating to resources, net	(2,200)	78,717
Stock-based compensation cost	-	4,263
Interest on lease liability	1,648	-
Unwinding of discount on asset retirement obligations	497	338
Recovery of deferred income taxes	-	(41,219)
	<u>17,666</u>	<u>19,156</u>
Changes in non-cash working capital items		
Amounts receivable	237,950	274,293
Prepaid expenses	7,014	17,765
Accounts payable and accrued liabilities	(126,429)	(58,982)
	<u>118,535</u>	<u>233,076</u>
	<u>136,201</u>	<u>252,232</u>
Cash flows from financing activities		
Issuance of units from private placements, net of issue expenses	1,346,409	-
Payment of lease liabilities	(15,509)	-
	<u>1,330,900</u>	<u>-</u>
Cash flows from investing activities		
Additions to property and equipment	(5,731)	-
Additions to exploration and evaluation assets	(3,189,421)	(2,051,072)
Proceeds from sale of investments	-	46,469
Tax credit and mining rights received	114,904	83,031
	<u>(3,080,248)</u>	<u>(1,921,572)</u>
Net change in cash and cash equivalents	<u>(1,613,147)</u>	<u>(1,669,340)</u>
Cash and cash equivalents – Beginning of the period	<u>2,979,133</u>	<u>2,487,979</u>
Cash and cash equivalents – End of the period	<u>1,365,986</u>	<u>818,639</u>
Additional information		
Interest received	(11,603)	(9,206)
Interest paid	26	-
Additional cash flow information (Note 15)		

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

1 Nature of operations, general information and liquidity

Azimut Exploration Inc. (“Azimut” or the “Company”), governed by the Business Corporations Act (Quebec), is in the business of acquiring and exploring mineral properties. The Company’s registered office is located at 110, De La Barre Street, Suite 224, Longueuil, Quebec, Canada. The business of mining and exploring for minerals involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The Company’s shares are listed on the TSX Venture Exchange under the symbol AZM.

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

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

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

As at November 30, 2019, the Company has working capital of \$560,717 (\$409,464 - August 31, 2019) including cash and cash equivalents of \$1,365,986 (\$2,979,133 – August 31, 2019) and an accumulated deficit of \$24,053,034 (\$24,039,033 – August 31, 2019). The Company incurred a loss of \$14,001 (\$61,400 – November 30, 2018) for the three-month period then ended.

Management of the Company believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted E&E expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve (12) months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but not limited to twelve (12) months from the end of the reporting period. To continue the Company’s exploration and evaluation programs on its properties and the Company’s operation beyond November 30, 2020, the Company will periodically need to raise additional funds through the issuance of new equity instruments, the exercise of stock options and the search for partners to sign option agreements on certain of its mineral properties. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms that are acceptable to the Company.

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, 2019, 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 ended August 31, 2019, except for the new policy described below. The Board of Directors approved the interim financial statements on January 24, 2020.

Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

2 Summary of significant accounting policies (cont'd)

Adoption of IFRS 16 – Leases

On September 1, 2019, the Company implemented *IFRS 16, Leases* (“IFRS 16”), replacing *IAS 17, Leases* and related interpretations. The standard introduced a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. The Company implemented the standard using the modified retrospective approach. As a result, the Company’s 2019 results reflect lease accounting under IFRS 16. Under IFRS 16, the depreciation expense on right-of-use assets and interest expense on lease liabilities replaces rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of a lease. Prior year results have not been restated.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases that had previously been classified as ‘operating leases’ under the principles of IAS 17. As at September 1, 2019, the Company recognized \$187,712 in lease liabilities related to previous operating leases, which are now considered debt obligations upon adoption of IFRS 16. The leases were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the leases of 12%. The associated right-of-use assets were measured at the amount equal to the lease liabilities as at September 1, 2019.

As a result of the adoption of IFRS 16, the accounting policy for leases was applied beginning on September 1, 2019, as described below.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- i) the contract involves the use of an identified asset;
- ii) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- iii) the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be determined, or the Company’s incremental borrowing rate. The carrying amount of the rental obligations must be revalued if there is a change in the term of the lease, rent payments that are essentially fixed payments or a change in the assessment of an option to purchase the underlying property.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The term of the lease is to be determined as the non-cancellable term of the lease plus any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

2 Summary of significant accounting policies (cont'd)

Adoption of IFRS 16 – Leases (cont'd)

The following table reconciles the Company's operating lease commitments as at August 31, 2019, which were reported in the Company's audited annual financial statements, as lease liabilities recognized at the time of the initial application of IFRS 16:

	As at September 1, 2019
Assets	
Right-of-use assets	187,712
Total assets	<u>187,712</u>
Liabilities	
Current portion of long-term debt	55,442
Long-term debt	<u>132,270</u>
Total liabilities	<u>187,712</u>

3 Cash and cash equivalents

As at November 30, 2019, cash and cash equivalents of \$1,365,986 (\$2,979,133 – August 31, 2019) included \$256,161 (\$255,253 – August 31, 2019) of guaranteed investment certificates bearing interest at 1.35% (1.35% – August 31, 2019), cashable any time without any penalties.

4 Amounts receivable

	As at November 30, 2019 \$	As at August 31, 2019 \$
Tax credit and mining rights receivable	-	105,924
Commodity taxes	11,773	248,300
Amounts receivable	<u>47,674</u>	<u>44,715</u>
	<u>59,447</u>	<u>398,939</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

5 Investments

	As at November 30, 2019			As at August 31, 2019		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Eastmain Resources Inc.	0.105	20,000	2,100	0.175	20,000	3,500
Captor Capital Corp.	0.300	17,500	5,250	0.990	17,500	17,325
Silver Spruce Resources Inc.	0.040	30,000	1,200	0.045	30,000	1,350
Vision Lithium Inc.	0.040	25,000	1,000	0.040	25,000	1,000
Monarques Resources Inc.	0.210	10,464	2,197	0.250	10,464	2,616
West African Resources Ltd	0.366	37,500	<u>13,710</u>	0.412	37,500	<u>15,455</u>
			<u>25,457</u>			<u>41,246</u>

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

6 a) Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Vehicles \$	Total \$
Period ended November 30, 2019							
Opening net book amount	1,790	13,446	23,431	220	38,148	366	77,401
Additions	859	-	4,872	-	-	-	5,731
Depreciation for the period ⁽¹⁾	(111)	(673)	(1,940)	(16)	(9,537)	(28)	(12,305)
Closing net book amount	2,538	12,773	26,363	204	28,611	338	70,827
As at November 30, 2019							
Cost	22,125	29,914	69,575	14,832	596,813	3,702	736,961
Accumulated depreciation	(19,587)	(17,141)	(43,212)	(14,628)	(568,202)	(3,364)	(666,134)
Net book amount	2,538	12,773	26,363	204	28,611	338	70,827
Year ended August 31, 2019							
Opening net book amount	1,426	15,676	3,228	316	75,472	526	96,644
Additions	724	1,006	24,912	-	-	-	26,642
Change in asset retirement obligations estimate	-	-	-	-	(1,509)	-	(1,509)
Depreciation for the period ⁽¹⁾	(360)	(3,236)	(4,709)	(96)	(35,815)	(160)	(44,376)
Closing net book amount	1,790	13,446	23,431	220	38,148	366	77,401
As at August 31, 2019							
Cost	21,266	29,914	64,703	14,832	596,813	3,702	731,230
Accumulated depreciation	(19,476)	(16,468)	(41,272)	(14,612)	(558,665)	(3,336)	(653,829)
Net book amount	1,790	13,446	23,431	220	38,148	366	77,401

⁽¹⁾ The depreciation of the camp and vehicles is included in the E&E assets in the amount of \$9,565 (\$35,975 – August 31, 2019).

b) Right-of-use assets

Cost as at August 31, 2019	-
Adoption – IFRS 16 (Note 2)	187,712
Depreciation for the period	(11,981)
Net book amount as at November 30, 2019	175,731

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)
(Unaudited) For the three-month period ended November 30, 2019

7 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

Change in E&E assets in 2019

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2019	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at November 30, 2019	Net book amount as at November 30, 2019
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold											
Opinaca A	(a)	50									
Acquisition costs		35,798	-	-	-	-	35,798	-	-	-	35,798
Exploration costs		33,201	560	-	-	(220)	33,514	-	-	-	33,514
		68,999	560	-	-	(220)	69,339	-	-	-	69,339
Opinaca B	(b)	25									
Acquisition costs		195	-	-	-	-	195	-	-	-	195
Exploration costs		5,660	925	-	-	(400)	6,185	-	-	-	6,185
		5,855	925	-	-	(400)	6,380	-	-	-	6,380
Eleonore South	(c)	26.57									
Acquisition costs		41,126	-	-	-	-	41,126	-	-	-	41,126
Exploration costs		1,512,102	12,327	-	-	(1,600)	1,522,829	-	-	-	1,522,829
		1,553,228	12,327	-	-	(1,600)	1,563,955	-	-	-	1,563,955
Opinaca D		100									
Acquisition costs		120,828	-	-	-	-	120,828	(54,975)	-	(54,975)	65,853
Exploration costs		245,769	555	-	-	(200)	246,124	(8,006)	-	(8,006)	238,118
		366,597	555	-	-	(200)	366,952	(62,981)	-	(62,981)	303,971
Wabamisk	(d)	49									
Acquisition costs		2,878	-	-	-	-	2,878	-	-	-	2,878
Exploration costs		24,032	3,535	-	-	(1,500)	26,067	-	-	-	26,067
		26,910	3,535	-	-	(1,500)	28,945	-	-	-	28,945
Valore		100									
Acquisition costs		33,178	-	-	-	-	33,178	(26,542)	-	(26,542)	6,636
Exploration costs		37,024	160	-	-	(70)	37,114	(29,619)	-	(29,619)	7,495
		70,202	160	-	-	(70)	70,292	(56,161)	-	(56,161)	14,131
SOQUEM	(e)	-									
Acquisition costs		4	-	-	-	-	4	-	-	-	4
Exploration costs		436,815	512,016	-	-	(222,600)	726,231	-	-	-	726,231
		436,819	512,016	-	-	(222,600)	726,235	-	-	-	726,235
Dalmas	(f)	50									
Acquisition costs		162	-	-	-	-	162	-	-	-	162
Exploration costs		25,204	27,181	-	-	(11,800)	40,585	-	-	-	40,585
		25,366	27,181	-	-	(11,800)	40,747	-	-	-	40,747
Galinée	(g)	50									
Acquisition costs		3,862	-	-	-	-	3,862	-	-	-	3,862
Exploration costs		43,496	9,940	-	-	(4,280)	49,156	-	-	-	49,156
		47,358	9,940	-	-	(4,280)	53,018	-	-	-	53,018

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)
(Unaudited) For the three-month period ended November 30, 2019

7 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2019 (cont'd)

Mineral property		Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2019	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at November 30, 2019	Net book amount as at November 30, 2019
		%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold (cont'd)												
SOQUEM Alliance *	(h)	100										
Acquisition costs			72,601	1,080	-	-	-	73,681	(47,725)	-	(47,725)	25,956
Exploration costs			-	448	-	-	(200)	248	-	(45)	(45)	203
			72,601	1,528	-	-	(200)	73,929	(47,725)	(45)	(47,770)	26,159
Elmer		100										
Acquisition costs			37,422	-	-	-	-	37,422	-	-	-	37,422
Exploration costs			183,096	597,990	-	-	(260,000)	521,086	-	-	-	521,086
			220,518	597,990	-	-	(260,000)	558,508	-	-	-	558,508
Duxbury	(i)	100										
Acquisition costs			49,662	-	-	-	-	49,662	-	-	-	49,662
Exploration costs			62,601	2,397	-	-	(1,100)	63,898	-	-	-	63,898
			112,263	2,397	-	-	(1,100)	113,560	-	-	-	113,560
Kukamas	(i)	100										
Acquisition costs			66,987	-	-	-	-	66,987	-	-	-	66,987
Exploration costs			16,209	280	-	-	(110)	16,379	-	-	-	16,379
			83,196	280	-	-	(110)	83,366	-	-	-	83,366
Kaanaayaa		100										
Acquisition costs			58,089	-	-	-	-	58,089	-	-	-	58,089
Exploration costs			7,418	320	-	-	(125)	7,613	-	-	-	7,613
			65,507	320	-	-	(125)	65,702	-	-	-	65,702
Other		100										
Acquisition costs			39,713	-	-	-	-	39,713	-	-	-	39,713
Exploration costs			995	160	-	-	(70)	1,085	-	-	-	1,085
			40,708	160	-	-	(70)	40,798	-	-	-	40,798
Total James Bay – Gold			3,196,127	1,169,874	-	-	(504,275)	3,861,726	(166,867)	(45)	(166,912)	3,694,814
James Bay – Chromium-PGE												
Chromaska		100										
Acquisition costs			32,929	-	-	-	-	32,929	(32,929)	-	(32,929)	-
Exploration costs			911,978	1,837	-	-	(800)	913,015	(911,978)	(1,037)	(913,015)	-
Total James Bay – Chromium-PGE			944,907	1,837	-	-	(800)	945,944	(944,907)	(1,037)	(945,944)	-

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

7 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2019 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2019	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at November 30, 2019	Net book amount as at November 30, 2019
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Base Metals											
Cawachaga *	100										
Acquisition costs		6,729	-	-	-	-	6,729	(6,729)	-	(6,729)	-
Exploration costs		2,844	-	-	-	-	2,844	(2,844)	-	(2,844)	-
		9,573	-	-	-	-	9,573	(9,573)	-	(9,573)	-
Mercator	100										
Acquisition costs		53,001	-	-	-	-	53,001	-	-	-	53,001
Exploration costs		907	120	-	-	(50)	977	-	-	-	977
		53,908	120	-	-	(50)	53,978	-	-	-	53,978
Others	100										
Acquisition costs		30,351	-	-	-	-	30,351	-	-	-	30,351
Exploration costs		907	160	-	-	(70)	997	-	-	-	997
		31,258	160	-	-	(70)	31,348	-	-	-	31,348
Total James Bay – Base Metals		94,739	280	-	-	(120)	94,899	(9,573)	-	(9,573)	85,326
Total James Bay		4,235,773	1,171,991	-	-	(505,195)	4,902,569	(1,121,347)	(1,082)	(1,122,429)	3,780,140
Nunavik – Gold											
Rex	(k)	100									
Acquisition costs		1,279,411	-	-	-	-	1,279,411	(1,054,369)	-	(1,054,369)	225,042
Exploration costs		4,032,643	379	-	-	-	4,033,022	(3,134,729)	-	(3,134,729)	898,293
		5,312,054	379	-	-	-	5,312,433	(4,189,098)	-	(4,189,098)	1,123,335
Duquet	(j) & (k)	100									
Acquisition costs		7,325	-	-	-	-	7,325	-	-	-	7,325
Exploration costs		8,732	-	-	-	-	8,732	-	-	-	8,732
		16,057	-	-	-	-	16,057	-	-	-	16,057
Rex South	(k)	100									
Acquisition costs		453,353	-	-	-	-	453,353	(104,513)	-	(104,513)	348,840
Exploration costs		346,971	439	-	-	-	347,410	(145,089)	-	(145,089)	202,321
		800,324	439	-	-	-	800,763	(249,602)	-	(249,602)	551,161
NCG *	100										
Acquisition costs		738,282	-	-	-	-	738,282	(738,162)	-	(738,162)	120
Exploration costs		982,241	-	-	-	-	982,241	(982,241)	-	(982,241)	-
		1,720,523	-	-	-	-	1,720,523	(1,720,403)	-	(1,720,403)	120

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)
(Unaudited) For the three-month period ended November 30, 2019

7 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2019 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2019	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at November 30, 2019	Net book amount as at November 30, 2019
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Gold											
Nantais	(k)	100									
Acquisition costs		172,357	-	-	-	-	172,357	(95,299)	-	(95,299)	77,058
Exploration costs		324,017	-	-	-	-	324,017	(204,913)	-	(204,913)	119,104
		496,374	-	-	-	-	496,374	(300,212)	-	(300,212)	196,162
Total Nunavik – Gold		8,345,332	818	-	-	-	8,346,150	(6,459,315)	-	(6,459,315)	1,886,835
Nunavik – Polymetallic											
Qassituq *		100									
Acquisition costs		41,534	-	-	-	-	41,534	(41,534)	-	(41,534)	-
Exploration costs		35,743	-	-	-	-	35,743	(35,743)	-	(35,743)	-
Total Nunavik – Polymetallic		77,277	-	-	-	-	77,277	(77,277)	-	(77,277)	-
Nunavik – Uranium											
North Rae *		100									
Acquisition costs		484,838	-	-	-	-	484,838	(484,838)	-	(484,838)	-
Exploration costs		709,237	120	-	-	(50)	709,307	(709,237)	(70)	(709,237)	-
Total Nunavik – Uranium		1,194,075	120	-	-	(50)	1,194,145	(1,194,075)	(70)	(1,194,145)	-
Total Nunavik		9,616,684	938	-	-	(50)	9,617,572	(7,730,667)	(70)	(7,730,737)	1,886,835
Total E&E assets		13,852,457	1,172,929	-	-	(505,245)	14,520,141	(8,852,014)	(1,152)	(8,853,166)	5,666,975

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

7 Exploration and evaluation assets (cont'd)

- a) In March 2010, Everton Resources Inc. ("Everton") earned a 50% interest in the Opinaca A Property by making cumulative cash payments of \$180,000 and incurring \$2.8 million in work expenditures.
- b) In March 2010, Everton earned a 50% interest in the Opinaca B Property by making cumulative cash payments of \$160,000 and incurring \$2 million in work expenditures. In September 2010, Azimut and Everton granted Hecla Quebec Inc. ("Hecla") the option to earn a 50% interest in the Opinaca B Property. According to the agreement, Hecla may also earn an additional interest of 10%, for a total interest of 60%, by making an additional cash payment of \$300,000 and incurring an additional \$3 million in work expenditures over three (3) years from the election date, and by delivering an independent pre-feasibility study on or before the fourth (4th) anniversary. In addition, in the event that mineral resources of at least 2 million ounces of gold at an average grade of at least 6 grams of gold per tonne are discovered before the end of the eighth (8th) year of the initial option agreement, Hecla shall make a payment of \$1.5 million in Hecla common shares, subject to regulatory approval. The Company will receive 50% of these issued shares.

In November 2018, Hecla had earned a 50% interest in the Opinaca B Property by making cumulative cash payments of \$580,000 and incurring \$6 million in work expenditures. Of the total cash payment, Azimut has received \$290,000.

- c) In April 2006, Azimut signed a letter of intent to form a three-way joint venture ("JV") on the Eleonore South Property with Les Mines Opinaca Ltée, a wholly-owned subsidiary of Newmont Goldcorp Inc. ("Newmont Goldcorp", formerly Goldcorp Inc.), and Eastmain Resources Inc. ("Eastmain Resources"). The Eleonore South Property included 166 claims of the Opinaca C Property and 116 claims owned by Newmont Goldcorp. In February 2008, Eastmain Resources had earned a 33.33% interest in the Eleonore South Property by making cumulative cash payments of \$185,000, granting 30,000 common shares to the Company, and funding \$4 million in work expenditures.

As at November 30, 2019, the ownership of the Eleonore South Property is as follows: Azimut 26.57%, Newmont Goldcorp 36.71% and Eastmain Resources 36.72%.

- d) In 2010, Newmont Goldcorp earned a 51% interest in the Wabamisk Property by making cumulative cash payments of \$500,000 and incurring \$4 million in work expenditures. In 2011, Newmont Goldcorp elected to proceed with the second option to earn an additional 19% interest in the property, which requires the delivery of a feasibility study within a period of ten (10) years.
- e) On September 22, 2016, Azimut formed a strategic alliance with SOQUEM Inc. ("SOQUEM") to identify, acquire and explore highly prospective gold targets in the Eeyou Istchee James Bay Territory (the "James Bay region") of Quebec (the "James Bay Alliance"). Under the terms of the James Bay Alliance, the Company delivered a target report to SOQUEM in exchange for a cash payment of \$100,000.

On September 22, 2016, four properties were acquired under the James Bay Alliance at SOQUEM's cost: Munischiwan, Pikwa, Pontois and Desceliers (the "SOQUEM Properties"). Each partner owns a 50% interest in the SOQUEM Properties. SOQUEM has the option to acquire Azimut's interest by investing \$3 million in work expenditures over four (4) years, including diamond drilling. Azimut will retain a 2% net smelter return ("NSR") royalty, of which 0.8% can be bought back for \$800,000 in cash.

On April 25, 2019, Azimut and SOQUEM signed an agreement to amend the terms of the James Bay Alliance, stipulating that SOQUEM has earned its 100% interest by investing \$2,715,992 in work expenditures and the Company has been granted a 50% back-in option on the SOQUEM Properties in exchange for \$3,317,427 in work expenditures over a period of three (3) years, representing the same amount of SOQUEM's cumulative investment in work expenditures on the SOQUEM Properties, the Dalmas Property and the Galinée Property. Azimut is the operator during this earn-in option period. During the field seasons, SOQUEM has the right to provide up to 30% of the Company's field personnel at a mutually agreed upon imputed rate.

As at November 30, 2019, Azimut had invested \$1,596,342 in work expenditures (\$940,996 – August 31, 2019).

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

7 Exploration and evaluation assets (cont'd)

- f) On June 20, 2018, based on data acquired through a reconnaissance program (see *h*), Azimut and SOQUEM reached an agreement to convert the Dalmas Property into a JV project by making a cash payment of \$12,421 for the staking cost of the mineral claims acquired in 2017 and 2018. Each partner owns a 50% interest in the property. SOQUEM has the option to acquire the Company's interest by investing a total of \$750,000 in work expenditures over four (4) years, including diamond drilling. Azimut will retain a 2% NSR royalty, of which 0.8% can be bought back for \$800,000 in cash.

On April 25, 2019, Azimut and SOQUEM signed an agreement to amend the terms of the existing James Bay Alliance to form a JV under which each party retains a 50% interest in the property. SOQUEM had invested \$107,045 in cumulative work expenditures before the JV was formed. Azimut is the operator. During field seasons, SOQUEM has the right to provide up to 30% of the Company's field personnel at a mutually agreed upon imputed rate.

As at November 30, 2019, the JV partners have cumulatively invested \$170,150 (\$105,372 – August 31, 2019) in work expenditures, of which \$85,075 represents the Company's share.

- g) On June 20, 2018, based on data acquired through a reconnaissance program (see *h*), Azimut and SOQUEM reached an agreement to convert the Galinée Property into a JV project by making a cash payment of \$87,900 for the staking cost of mineral claims acquired in 2017 and 2018. Each partner owns a 50% interest in the property. SOQUEM has the option to acquire the Company's interest by investing a total of \$1.5 million in work expenditures over four (4) years, including diamond drilling. Azimut will retain a 2% NSR royalty, of which 0.8% can be bought back for \$800,000 in cash.

On April 25, 2019, Azimut and SOQUEM signed an agreement to amend the terms of the existing James Bay Alliance to form a JV under which each party retains a 50% interest in the property. SOQUEM had invested \$494,390 in cumulative work expenditures before the JV was formed. Azimut is the operator. During field seasons, SOQUEM has the right to provide up to 30% of the Company's field personnel at a mutually agreed upon imputed rate.

As at November 30, 2019, the JV partners have cumulatively invested \$207,060 (\$182,868 – August 31, 2019) in work expenditures, of which \$103,530 represents the Company's share.

- h) On May 5, 2017, SOQUEM agreed to fund a reconnaissance exploration program to acquire data that would be used to decide which properties to retain for additional investment under the terms of the James Bay Alliance. The program was conducted on the Dalmas (see *f*), Galinée (see *g*), Synclinal, Corvet, Sauvolles and Orsigny properties (the "SOQUEM Alliance Properties").

On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to acquire an interest in the Corvet and Synclinal properties.

- i) On September 22, 2016, Azimut and SOQUEM formed the James Bay Alliance (see *e*). The target report delivered to SOQUEM under the terms of the James Bay Alliance identified the Duxbury and Kukamas properties. On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights on the Duxbury and Kukamas properties.
- j) On September 30, 2015, Azimut reached an agreement with Osisko Exploration James Bay Inc., Newmont Northern Mining ULC and SOQUEM to transfer their Duquet Property to the Company in consideration of an aggregate 2.25% NSR royalty on the property.
- k) On April 25, 2019, Azimut and SOQUEM signed an agreement to form a new strategic alliance in Nunavik (the "Nunavik Alliance") under which SOQUEM will have the option to earn an initial 50% interest in the Rex-Duquet, Rex South and Nantais properties by investing \$16 million in exploration work over a period of four (4) years, of which the first two (2) years is a firm commitment of \$4 million each year. SOQUEM may also acquire an additional 10% interest by investing \$8 million per designated property over a period of two (2) years, including the delivery of a preliminary economic assessment. Azimut is the operator of the Nunavik Alliance. During field seasons, SOQUEM has the right to provide up to 30% of the Company's field personnel at a mutually agreed upon imputed rate. As at November 30, 2019, SOQUEM'S cumulative investment in work expenditures was \$4 million.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

8 Asset retirement obligations

	November 30, 2019 \$	August 31, 2019 \$
Balance – Beginning of the period	249,484	249,168
Change in estimate	-	(1,509)
Unwinding of discount on asset retirement obligations	497	1,825
Balance – End of the period	249,981	249,484

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to \$251,480. A discount rate of 0.8% (0.8% – August 31, 2019) was used to estimate the obligations in 2019. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2025. If the Company decides to discontinue its exploration of the Rex or Rex South properties, it is assumed that the asset retirement obligation will be settled in 2025. Should the Company decide to continue its activity on the Rex or Rex South properties by itself or through a partner, the obligation will be settled further into the future. Each quarter, the Company reviews the expected timing of the cash flow payments required to settle the obligations and adjusts the asset retirement obligations accordingly.

9 Lease liability

	Current \$	Non-Current \$	Total \$
Balance – August 31, 2019	-	-	-
Adoption of IFRS 16 (Note 2)	55,442	132,270	187,712
Principal repayment	(13,861)	-	(13,861)
Balance – November 30, 2019	41,581	132,270	173,851

10 Share capital

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

Issuance of units

The Company completed a non-brokered private placement of \$1,429,999, representing 4,085,712 units at \$0.35 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 \$0.46 for a period of 18 months from the closing date. The first tranche of \$1,080,000, representing 3,085,714 units (3,085,714 common shares and 1,542,856 warrants that will expire on March 27, 2021), was closed on September 27, 2019, and the second tranche of \$349,999, representing 998,998 units (999,998 common shares and 499,999 warrants that will expire on April 10, 2021), was completed on October 10, 2019.

From the total compensation received from the units, \$136,000 has been allocated to warrants and \$1,293,999 to common shares, based on pro-rata allocation of the estimated fair value determined by the Black-Scholes pricing model using the following assumptions: risk-free interest of 1.6%, expected life of 18 months, annualized volatility rate of 66% (based on the Company's historical volatility for 18 months up to the issuance date) and dividend rate of 0%.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

11 Warrants

The following table summarizes the information about warrants outstanding as at November 30, 2019:

Exercise price \$	Warrants outstanding	Expiry date
0.35	2,210,576	June 21, 2020
0.46	1,542,856	March 27, 2021
0.46	499,999	April 10, 2021
	<u>4,253,431</u>	

12 Stock option plan

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

The following tables summarize the information about stock options outstanding and vested as at November 30, 2019:

Exercise price \$	Options outstanding and vested	Weighted average remaining contractual life (years)
0.190	580,000	3.66
0.200	580,000	5.32
0.305	50,000	8.26
0.330	50,000	9.37
0.355	100,000	8.33
0.370	520,000	8.31
0.400	75,000	8.38
0.450	325,000	2.44
0.520	735,000	6.86
0.600	50,000	0.65
0.660	300,000	0.27
0.800	340,000	1.33
1.250	40,000	1.34
	<u>3,745,000</u>	<u>4.88</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

13 Expenses by nature

	Three-month period ended November 30,	
	2019 \$	2018 \$
Salaries and fringe benefits	17,250	21,613
Professional and maintenance fees	5,017	4,919
Administration and office	10,137	11,986
Business development and administration fees	1,642	1,017
Advertising	3,720	400
Rent	-	15,569
Insurance	6,121	5,488
Travel and entertainment	26,038	30,127
Depreciation of property and equipment	2,740	1,121
Amortization of intangible assets	61	88
Depreciation of right-of-use assets	11,981	-
Part XII.6 Tax	-	700
Trademark	1,049	3,362
General and administrative expenses	85,756	96,390
Salaries for search of properties	4,610	8,700
Other exploration expenses	442	379
Stock-based compensation	-	4,263
Refundable duties credit for losses and refundable tax credit for resources, net	(2,200)	-
General exploration	2,852	13,342

14 Related party transactions

Compensation of key management

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

	Three-month period November 30,	
	2019 \$	2018 \$
Salaries	78,547	78,547
Director fees	9,750	9,250
	88,297	87,797

As at November 30, 2019, an amount of \$45,000 for salaries (\$37,750 – November 30, 2018) is capitalized to E&E assets.

As at November 30, 2019, accounts payable and accrued liabilities include an amount of \$157,382 (\$157,968 – November 30, 2018) owed to key management.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2019

14 Related party transactions (cont'd)

In the event that termination of employment is for reasons other than gross negligence, the CEO and CFO will be entitled to receive an indemnity equal to twelve (12) months of salary. The indemnity paid must not represent more than 10% of the Company's liquidities at such time.

In the event of a change of control or a termination of employment following a change of control, the CEO will be entitled to receive an indemnity equal to twenty-four (24) months of salary and the CFO will be entitled to receive an indemnity equal to eighteen (18) months of salary.

15 Additional cash flow information

	Three-month period ended November 30,	
	2019 \$	2018 \$
Acquisition of E&E assets included in accounts payable and accrued liabilities	542,820	229,815
Depreciation of property and equipment included in E&E assets	9,565	7,244
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	505,245	-

16 Subsequent events

On December 18, 2019, the Company completed a non-brokered private placement of 1,189,365 flow-through shares at \$0.66 per share, for aggregate gross proceeds of \$785,000. The finder fees totalling \$21,698 have been paid to third parties dealing at arm's length. Directors and officers of the Company participated in the private placement for a total consideration of \$80,071 under the same terms as other investors.

On January 21, 2020, the Company obtained the approval from the TSX Venture Exchange to increase the number of shares reserved for issuance under its stock option plan for a total of 5,857,000, approximately 9.99% of the 58,575,726 common shares issued and outstanding as at December 18, 2019. All other terms of the stock option plan remain unchanged.