

# **Azimut Exploration Inc.**

Unaudited Condensed Interim Financial Statements  
**November 30, 2016**  
(expressed in Canadian dollars, except share amounts)

**Azimut Exploration Inc.**  
**Interim Statements of Financial Position**  
(in Canadian dollars)  
**(Unaudited)**

	As at November 30, 2016 \$	As at August 31, 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	2,858,589	3,802,175
Amounts receivable (note 4)	472,242	190,052
Prepaid expenses	25,605	75,364
	<u>3,356,436</u>	<u>4,067,591</u>
<b>Non-currents assets</b>		
Mining rights receivable	32,825	16,600
Investments (note 5)	165,872	156,034
Property and equipment (note 6)	29,704	33,732
Intangible assets (less accumulated amortization of \$21,705; \$21,526 as at August 31, 2016)	2,203	2,382
Exploration and evaluation assets (note 7)	3,536,606	3,244,156
	<u>3,767,210</u>	<u>3,452,904</u>
<b>Total assets</b>	<u>7,123,646</u>	<u>7,520,495</u>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	520,898	411,367
Advances received for exploration work	34,823	582,715
	<u>555,721</u>	<u>994,082</u>
<b>Non-current liabilities</b>		
Asset retirement obligations (note 8)	248,144	247,681
	<u>248,144</u>	<u>247,681</u>
<b>Total liabilities</b>	<u>803,865</u>	<u>1,241,763</u>
<b>Equity</b>		
Share capital	22,676,042	22,676,042
Warrants (note 9)	514,032	514,032
Stock options (note 10)	1,241,201	954,551
Contributed surplus	3,237,178	3,237,178
Deficit	(21,348,672)	(21,103,071)
<b>Total equity</b>	<u>6,319,781</u>	<u>6,278,732</u>
<b>Total liabilities and equity</b>	<u>7,123,646</u>	<u>7,520,495</u>

*The accompanying notes are an integral part of these 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 Financial Position**  
(in Canadian dollars)  
**(Unaudited)**

	<b>Three-month period ended</b>	
	<b>November 30,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
General and administrative (note 11 )	370,026	66,244
General exploration (note 11)	38,662	46,079
Impairment of exploration and evaluation assets (note 7)	246	-
	<u>408,934</u>	<u>112,323</u>
<b>Operating loss</b>		
<b>Financing cost (income), net</b>		
Interest income	(2,324)	(2,333)
Interest and bank charges	55	339
Unwinding of discount on asset retirement obligations	463	763
	<u>(1,806)</u>	<u>(1,231)</u>
<b>Other gains and losses</b>		
Gain on option payments received on exploration and evaluation assets	-	(57,742)
Management income (note 7c, e)	(51,689)	(77)
Other gains (note 7e)	(100,000)	-
Change in fair value - investments	(9,838)	(19,515)
	<u>(161,527)</u>	<u>(77,334)</u>
<b>Loss and comprehensive loss for the period</b>	<u>245,601</u>	<u>33,758</u>
<b>Basic and diluted loss per share</b>	<u>0.005</u>	<u>0.001</u>
<b>Basic and diluted weighted average number of shares outstanding</b>	45,458,727	37,636,996

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

# Azimut Exploration Inc.

## Interim Statements of Changes in Equity (in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2016

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total
	Number <sup>(1)</sup>	\$	Number	\$	Number	\$	\$	\$	\$	\$
<b>Balance as at September 1, 2016</b>	45,459,496	22,676,042	4,489,584	514,032	2,655,000	954,551	3,237,178	(21,103,071)	-	6,278,732
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(245,601)	-	(245,601)
	45,459,496	22,676,042	4,489,584	514,032	2,655,000	954,551	3,237,178	(21,348,672)	-	6,033,131
Stock options granted	-	-	-	-	735,000	286,650	-	-	-	286,650
<b>Balance as at November 30, 2016</b>	<u>45,459,496</u>	<u>22,676,042</u>	<u>4,489,584</u>	<u>514,032</u>	<u>3,390,000</u>	<u>1,241,201</u>	<u>3,237,178</u>	<u>(21,348,672)</u>	<u>-</u>	<u>6,319,781</u>
<b>Balance as at September 1, 2015</b>	37,636,996	20,755,072	583,334	33,362	3,140,000	1,170,181	3,012,728	(20,782,717)	36,756	4,225,382
IFRS 9 – Adoption adjustment	-	-	-	-	-	-	-	36,756	(36,756)	-
Adjusted balance as at September 1, 2015	37,636,996	20,755,072	583,334	33,362	3,140,000	1,170,181	3,012,728	(20,745,961)	-	4,225,382
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(33,758)	-	(33,758)
<b>Balance as at November 30, 2015</b>	<u>37,636,996</u>	<u>20,755,072</u>	<u>583,334</u>	<u>33,362</u>	<u>3,140,000</u>	<u>1,170,181</u>	<u>3,012,728</u>	<u>(20,779,719)</u>	<u>-</u>	<u>4,191,624</u>

<sup>(1)</sup> An unlimited number of voting and participating common shares are authorized, without par value. There were no common shares that were unpaid as at November 30, 2016 (Nil in 2015).

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

# Azimut Exploration Inc.

## Interim Statements of Cash Flows (in Canadian dollars)

(Unaudited)

	Three-month period ended	
	November 30,	
	2016	2015
	\$	\$
<b>Cash flows (used in) from operating activities</b>		
Loss for the period	(245,601)	(33,758)
Items not affecting cash		
Depreciation of property and equipment	633	859
Amortization of intangible assets	179	255
Change in fair value – investment	(9,838)	(19,515)
Gain on option payments received on exploration and evaluation assets	-	(57,742)
Refundable duties credit for losses and refundable tax credit for resources, net	(2,700)	(20,870)
Stock-based compensation cost	286,650	-
Unwinding of discount on asset retirement obligations	463	763
	<u>29,786</u>	<u>(130,008)</u>
Changes in non-cash working capital items		
Amounts receivable	(158,560)	(826)
Prepaid expenses	49,757	8,430
Accounts payable and accrued liabilities	16,363	9,669
	<u>(92,440)</u>	<u>17,273</u>
	<u>(62,654)</u>	<u>(112,735)</u>
<b>Cash flows from (used in) investing activities</b>		
Advances received for exploration work	232,000	-
Additions to exploration and evaluation assets	(1,112,932)	(22,624)
Proceeds from sale of options on exploration and evaluation assets	-	60,000
	<u>(880,932)</u>	<u>37,376</u>
<b>Decrease in cash and cash equivalents</b>	(943,586)	(75,359)
<b>Cash and cash equivalents – Beginning of the period</b>	<u>3,802,175</u>	<u>1,236,964</u>
<b>Cash and cash equivalents – End of the period</b>	<u><u>2,858,589</u></u>	<u><u>1,161,605</u></u>
Interest received	(2,592)	(2,333)
Interest paid	-	-
<b>Additional cash flow information</b> (note 13)		

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

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

**(Unaudited) For the three-month period ended November 30, 2016**

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

Azimut Exploration Inc. (the “Company”), governed by the Business Corporations Act (Quebec), 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 at the exploration and evaluation stage.

As at November 30, 2016, the Company has working capital of \$2,800,719 (\$3,073,508 – August 31, 2016) including cash and cash equivalents of \$2,858,589 (\$3,802,175 – August 31, 2016) and an accumulated deficit of \$21,348,672 (\$21,103,071 – August 31, 2016). The Company incurred a loss of \$245,601 (\$33,758 – November 30, 2015) for the three-month period then ended.

Management of the Company believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve (12) months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but not limited to twelve (12) months from the end of the reporting period. To continue its exploration and evaluation program on its properties and its operation beyond November 30, 2017, 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-month period ended November 30, 2016

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## 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, 2016, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous fiscal year. The Board of Directors approved the interim financial statements on January 20, 2017.

### 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, 2016.

## 3 Cash and cash equivalents

As at November 30, 2016, cash and cash equivalents of \$2,858,589 (\$3,802,175 – August 31, 2016) include \$1,789,420 (\$288,770 – August 31, 2016) of guaranteed investment certificates bearing interest at 0.75% (0.75% – August 31, 2016), cashable any time without any penalties.

## 4 Amounts receivable

	As at November 30, 2016 \$	As at August 31, 2016 \$
Tax credit receivable	264,035	140,405
Commodity taxes	156,891	34,897
Amounts receivable	56,506	19,850
	<u>477,432</u>	<u>195,242</u>
Less: Allowance for doubtful accounts	(5,190)	(5,190)
	<u>472,242</u>	<u>190,052</u>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2016

## 5 Investments

	As at November 30, 2016			As at August 31, 2016		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Eastmain Resources Inc.	0.490	20,000	9,800	0.800	20,000	16,000
NWT Uranium Corp.	0.004	350,000	1,410	0.001	350,000	459
Majescor Resources Inc.	0.080	19,600	1,568	0.075	19,600	1,470
Silver Spruce Resources Inc.	0.090	30,000	2,700	0.110	30,000	3,300
ABE Resources Inc.	0.025	50,000	1,250	0.030	50,000	1,500
Nemaska Lithium Inc.	1.260	109,272	137,683	1.070	109,272	116,921
Monarques Resources Inc.	0.280	10,464	2,930	0.410	10,464	4,290
West African Resources Ltd	0.225	37,500	8,438	0.300	37,500	11,250
18,750 warrants: exercise price of \$0.40, expiry on January 17, 2017	0.005	18,750	94	0.045	18,750	844
			<u>165,872</u>			<u>156,034</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, 2016**

## 6 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Camp under finance lease \$	Vehicles \$	Total \$
<b>Year ended August 31, 2016</b>								
Opening net book amount	2,786	3,358	3,874	3,477	127,436	7,818	1,542	150,291
Change in asset retirement obligations estimate	-	-	-	-	597	-	-	597
Impairment <sup>(2)</sup>	-	-	-	-	(100,000)	-	-	(100,000)
Depreciation for the year <sup>(1)</sup>	(556)	(672)	(1,164)	(1,044)	(9,344)	(3,912)	(464)	(17,156)
<b>Closing net book amount</b>	<b>2,230</b>	<b>2,686</b>	<b>2,710</b>	<b>2,433</b>	<b>18,689</b>	<b>3,906</b>	<b>1,078</b>	<b>33,732</b>
<b>As at August 31, 2016</b>								
Cost	20,542	20,081	36,597	56,250	178,814	316,754	3,702	632,740
Accumulated depreciation	(18,312)	(17,395)	(33,887)	(53,817)	(160,125)	(312,848)	(2,624)	(599,008)
<b>Net book amount</b>	<b>2,230</b>	<b>2,686</b>	<b>2,710</b>	<b>2,433</b>	<b>18,689</b>	<b>3,906</b>	<b>1,078</b>	<b>33,732</b>
<b>Period ended November 30, 2016</b>								
Opening net book amount	2,230	2,686	2,710	2,433	18,689	3,906	1,078	33,732
Depreciation for the period <sup>(1)</sup>	(112)	(135)	(204)	(182)	(2,336)	(978)	(81)	(4,028)
<b>Closing net book amount</b>	<b>2,118</b>	<b>2,551</b>	<b>2,506</b>	<b>2,251</b>	<b>16,353</b>	<b>2,928</b>	<b>997</b>	<b>29,704</b>
<b>As at November 30, 2016</b>								
Cost	20,542	20,081	36,597	56,250	178,814	316,754	3,702	632,740
Accumulated depreciation	(18,424)	(17,530)	(34,091)	(53,999)	(162,461)	(313,826)	(2,705)	(603,036)
<b>Net book amount</b>	<b>2,118</b>	<b>2,551</b>	<b>2,506</b>	<b>2,251</b>	<b>16,353</b>	<b>2,928</b>	<b>997</b>	<b>29,704</b>

<sup>(1)</sup> Depreciation of camp, camp under finance lease and vehicles is included in E&E assets in the amount of \$3,395 (\$13,720 – August 31, 2016).

<sup>(2)</sup> Assets not subject to depreciation include the fuel and materials needed to build a fully equipped field camp. These assets were fully impaired in 2016.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2016

## 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, 2016	Additions	Option payments	Tax credit	Cost as at November 30, 2016	Accumulated impairment as at August 31, 2016	Impairment	Accumulated impairment as at November 30, 2016	Net book amount as at November 30, 2016
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>James Bay</b>										
Opinaca A	(a)	50								
Mining property costs			8,156	8,847	-	-	17,003	-	-	17,003
Exploration costs			9,092	2,086	-	(675)	10,503	-	-	10,503
			<u>17,248</u>	<u>10,933</u>	<u>-</u>	<u>(675)</u>	<u>27,506</u>	<u>-</u>	<u>-</u>	<u>27,506</u>
Opinaca B	(b)	50								
Mining property costs			-	-	-	-	-	-	-	-
Exploration costs			1,413	-	-	-	1,413	-	-	1,413
			<u>1,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,413</u>	<u>-</u>	<u>-</u>	<u>1,413</u>
Eleonore South	(c)	26.57								
Mining property costs			26,599	-	-	-	26,599	-	-	26,599
Exploration costs			61,398	227,413	-	(94,400)	194,411	-	-	194,411
			<u>87,997</u>	<u>227,413</u>	<u>-</u>	<u>(94,400)</u>	<u>221,010</u>	<u>-</u>	<u>-</u>	<u>221,010</u>
Opinaca D		100								
Mining property costs			91,590	4,535	-	-	96,125	(54,975)	(54,975)	41,150
Exploration costs			42,285	14,858	-	(6,450)	50,693	(8,006)	(8,006)	42,687
			<u>133,875</u>	<u>19,393</u>	<u>-</u>	<u>(6,450)</u>	<u>146,818</u>	<u>(62,981)</u>	<u>(62,981)</u>	<u>83,837</u>
Wabamisk	(d)	49								
Mining property costs			2,781	-	-	-	2,781	-	-	2,781
Exploration costs			15,935	-	-	-	15,935	-	-	15,935
			<u>18,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,716</u>	<u>-</u>	<u>-</u>	<u>18,716</u>
Duxbury		100								
Mining property costs			-	21,842	-	-	21,842	-	-	21,842
Exploration costs			-	-	-	-	-	-	-	-
			<u>-</u>	<u>21,842</u>	<u>-</u>	<u>-</u>	<u>21,842</u>	<u>-</u>	<u>-</u>	<u>21,842</u>
Valore		100								
Mining property costs			-	17,142	-	-	17,142	-	-	17,142
Exploration costs			-	49,210	-	(21,400)	27,810	-	-	27,810
			<u>-</u>	<u>66,352</u>	<u>-</u>	<u>(21,400)</u>	<u>44,952</u>	<u>-</u>	<u>-</u>	<u>44,952</u>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

**(Unaudited) For the three-month period ended November 30, 2016**

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

Exploration properties	Undivided interest	Cost as at August 31, 2016	Additions	Option payments	Tax credit	Cost as at November 30, 2016	Accumulated impairment as at August 31 2016	Impairment	Accumulated impairment as at November 30, 2016	Net book amount as at November 30, 2016
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>James Bay (cont'd)</b>										
Munischiwan	(e) 50									
Mining property costs		-	1	-	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-	-
		-	1	-	-	1	-	-	-	1
Pikwa	(e) 50									
Mining property costs		-	1	-	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-	-
		-	1	-	-	1	-	-	-	1
Pontois	(e) 50									
Mining property costs		-	1	-	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-	-
		-	1	-	-	1	-	-	-	1
Desceliers	(e) 50									
Mining property costs		-	1	-	-	1	-	-	-	1
Exploration costs		-	-	-	-	-	-	-	-	-
		-	1	-	-	1	-	-	-	1
Others, gold	100									
Mining property costs		-	28,477	-	-	28,477	-	-	-	28,477
Exploration costs		-	-	-	-	-	-	-	-	-
		-	28,477	-	-	28,477	-	-	-	28,477
<b>Total James Bay gold properties</b>		259,249	374,414	-	(122,925)	510,738	(62,981)	-	(62,981)	447,757
Eastmain West	100									
Mining property costs		18,483	3,443	-	-	21,926	(10,551)	-	(10,551)	11,375
Exploration costs		174,554	38,317	-	(13,000)	199,871	(105,334)	-	(105,334)	94,537
<b>Total James Bay chromium-PGE properties</b>		193,037	41,760	-	(13,000)	221,797	(115,885)	-	(115,885)	105,912
<b>Total James Bay</b>		452,286	416,174	-	(135,925)	732,535	(178,866)	-	(178,866)	553,669

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)

(Unaudited) For the three-month period ended November 30, 2016

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

Exploration properties	Undivided interest	Cost as at August 31, 2016	Additions	Option payments	Tax credit	Cost as at November 30, 2016	Accumulated impairment as at August 31, 2016	Impairment	Accumulated impairment as at November 30, 2016	Net book amount as at November 30, 2016
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Nunavik</b>										
Rex	100									
Mining property costs		1,184,062	-	-	-	1,184,062	(917,119)	-	(917,119)	266,943
Exploration costs		4,010,329	2,803	-	(300)	4,012,832	(2,114,918)	-	(2,114,918)	1,897,914
		<u>5,194,391</u>	<u>2,803</u>	<u>-</u>	<u>(300)</u>	<u>5,196,894</u>	<u>(3,032,037)</u>	<u>-</u>	<u>(3,032,037)</u>	<u>2,164,857</u>
<b>Duquet (f)</b>	100									
Mining property costs		471	3,305	-	-	3,776	-	-	-	3,776
Exploration costs		280	-	-	-	280	-	-	-	280
		<u>751</u>	<u>3,305</u>	<u>-</u>	<u>-</u>	<u>4,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,056</u>
<b>Rex South</b>	100									
Mining property costs		287,669	5,178	-	-	292,847	(58,724)	-	(58,724)	234,123
Exploration costs		336,245	2,762	-	(600)	338,407	-	-	-	338,407
		<u>623,914</u>	<u>7,940</u>	<u>-</u>	<u>(600)</u>	<u>631,254</u>	<u>(58,724)</u>	<u>-</u>	<u>(58,724)</u>	<u>572,530</u>
<b>NCG*</b>	100									
Mining property costs		738,044	-	-	-	738,044	(738,044)	-	(738,044)	-
Exploration costs		982,241	-	-	-	982,241	(982,241)	-	(982,241)	-
		<u>1,720,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,720,285</u>	<u>(1,720,285)</u>	<u>-</u>	<u>(1,720,285)</u>	<u>-</u>
<b>Nantais</b>	100									
Mining property costs		119,951	881	-	-	120,832	(70,647)	-	(70,647)	50,185
Exploration costs		273,830	767	-	(330)	274,267	(135,891)	-	(135,891)	138,376
		<u>393,781</u>	<u>1,648</u>	<u>-</u>	<u>(330)</u>	<u>395,099</u>	<u>(206,538)</u>	<u>-</u>	<u>(206,538)</u>	<u>188,561</u>
<b>Qassituq</b>	100									
Mining property costs		35,413	-	-	-	35,413	(23,243)	-	(23,243)	12,170
Exploration costs		35,706	-	-	-	35,706	(10,948)	-	(10,948)	24,758
		<u>71,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,119</u>	<u>(34,191)</u>	<u>-</u>	<u>(34,191)</u>	<u>36,928</u>
<b>Total Nunavik gold &amp; polymetallic properties</b>		<u>8,004,241</u>	<u>15,696</u>	<u>-</u>	<u>(1,230)</u>	<u>8,018,707</u>	<u>(5,051,775)</u>	<u>-</u>	<u>(5,051,775)</u>	<u>2,966,932</u>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
(Unaudited) For the three-month period ended November 30, 2016

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

Exploration properties	Undivided interest	Cost as at August 31, 2016	Additions	Option payments	Tax credit	Cost as at November 30, 2016	Accumulated impairment as at August 31 2016	Impairment	Accumulated impairment as at November 30, 2016	Net book amount as at November 30, 2016
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik (cont'd)										
North Rae*	100									
Mining property costs		484,460	246	-	-	484,706	(484,460)	(246)	(484,706)	-
Exploration costs		707,167	-	-	-	707,167	(707,167)	-	(707,167)	-
		<u>1,191,627</u>	<u>246</u>	<u>-</u>	<u>-</u>	<u>1,191,873</u>	<u>(1,191,627)</u>	<u>(246)</u>	<u>(1,191,873)</u>	<u>-</u>
<b>Total Nunavik uranium properties</b>		<u>1,191,627</u>	<u>246</u>	<u>-</u>	<u>-</u>	<u>1,191,873</u>	<u>(1,191,627)</u>	<u>(246)</u>	<u>(1,191,873)</u>	<u>-</u>
<b>Total Nunavik</b>		<u>9,195,868</u>	<u>15,942</u>	<u>-</u>	<u>(1,230)</u>	<u>9,210,580</u>	<u>(6,243,402)</u>	<u>(246)</u>	<u>(6,243,648)</u>	<u>2,966,932</u>
<b>Total E&amp;E assets</b>		<u>9,648,154</u>	<u>432,116</u>	<u>-</u>	<u>(137,155)</u>	<u>9,943,115</u>	<u>(6,422,268)</u>	<u>(246)</u>	<u>(6,422,514)</u>	<u>3,520,601</u>

\* Properties fully impaired for which mining claims are still being held by the Company.

	November 30, 2016	August 31, 2016
	\$	\$
Mining properties and exploration costs	3,520,601	3,225,886
Prepaid exploration expenses	<u>16,005</u>	<u>18,270</u>
	<u>3,536,606</u>	<u>3,244,156</u>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
**(Unaudited) For the three-month period ended November 30, 2016**

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

- a) In March 2010, Everton Resources Inc. ("Everton") earned a 50% interest in the Opinaca A Property by making cumulative cash payments of \$180,000, and incurring a total of \$2.8 million in work expenditures.

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 and Opinaca B properties by making cumulative cash payments of \$580,000, and incurring a total of \$6 million in work expenditures over four (4) years, including 5,000 metres of diamond drilling by the second anniversary. On November 15, 2013, an amendment was made to extend the work schedule by two additional years. According to the agreement, Hecla may also earn an additional interest of 10%, for a total interest of 60%, by making cumulative cash payments of \$300,000 and incurring a total of \$3 million in work expenditures over three (3) years from the election date, and by delivering an independent pre-feasibility study on or before the fourth anniversary. The Company will receive cumulative cash payments totalling \$290,000 on the first option and \$150,000 on the second option; its resulting interest will be 20%. In addition, in the event that mineral resources of at least 2 million ounces of gold at an average grade of at least 6 grams of gold per tonne are discovered before the end of the eighth year of the initial option agreement, Hecla shall make a payment of \$1.5 million in Hecla common shares, subject to regulatory approval. The Company will receive 50% of these issued shares.

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 Property by making cumulative cash payments of \$160,000 and carrying out a total of \$2 million in work expenditures. In September 2010, Azimut and Everton signed an agreement with Hecla regarding the Opinaca B Property as described in (a) above.

As at November 30, 2016, Hecla had made cumulative cash payments of \$580,000 (\$580,000 in 2015) and carried out a total of \$5.1 million in work expenditures. Azimut received \$290,000 of the total cash payment (\$290,000 in 2015).

- c) In April 2006, the Company signed a letter of intent to form a three-way joint venture with Les Mines Opinaca Ltée (a wholly owned subsidiary of Goldcorp Inc.: "Goldcorp") and Eastmain Resources Inc. ("Eastmain") on the Eleonore South Property, which includes 166 claims of the Opinaca C Property and 116 claims owned by Goldcorp. In February 2008, Eastmain had earned a 33.33% interest in the Eleonore South Property by making cumulative cash payments of \$185,000, granting 30,000 common shares to the Company and funding a total of \$4.0 million in work expenditures.

Azimut contributed \$26,599 to the mandatory expenditures made by Eastmain Resources between March 31, 2012 and December 31, 2015 to keep the mining claims in good standing. The resulting ownership of the Eleonore South Property became Azimut 26.57%, Goldcorp 36.71% and Eastmain Resources 36.72%.

Azimut is the operator of the \$2-million work program for the 12-month period ending May 2017. Each of the joint venture participants has elected to contribute their proportionate share of ownership in the work program. As at November 30, the cumulative cost of \$1,067,880 incurred under the ongoing work program has been allocated as follows: Azimut \$283,736 (\$54,850 – August 31, 2016), Goldcorp \$392,019 (\$75,782 – August 31, 2016) and Eastmain Resources \$392,125 (\$75,803 – August 31, 2016).

- d) In 2010, Goldcorp earned a 51% interest in the Wabamisk Property by making cumulative cash payments of \$500,000 and carrying out a total of \$4.0 million in work expenditures. In 2011, Goldcorp elected to proceed with the second option to earn an additional 19% interest in the property, which requires the delivery of a feasibility study within a period of ten (10) years.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
**(Unaudited) For the three-month period ended November 30, 2016**

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

- e) On September 22, 2016, the Company formed a Strategic Alliance (the "Alliance") with SOQUEM to identify, acquire and explore highly prospective gold targets in James Bay region (Eeyou Istchee Territory) of Quebec. Within the framework of the Alliance, Azimut delivered a target report to SOQUEM in exchange for a cash payment of \$100,000. Based on the recommendations therein and under the terms of the Alliance, four properties were acquired at SOQUEM's cost (Munischiwan, Pikwa, Pontois and Desceliers). Each partner owns a 50% interest in the properties. SOQUEM has the option to acquire Azimut's interest by investing a total of \$3 million in exploration work over four years, including diamond drilling. Azimut will retain a 2% NSR royalty interest of which 0.8% can be bought back for \$800,000 in cash. Azimut is the operator of the properties. As at November 30, 2016, SOQUEM has invested \$232,000 in exploration work.
- f) On September 30, 2015, an agreement was concluded with Osisko Exploration James Bay Inc., Newmont Northern Mining ULC and SOQUEM Inc. to transfer their Duquet Property to Azimut in consideration of an aggregate 2.25% net smelter return royalty ("NSR") on the property.

## 8 Asset retirement obligations

	November 30, 2016 \$	August 31, 2016 \$
Balance – Beginning of the period	247,681	245,240
Change in estimate	-	597
Unwinding of discount on asset retirement obligations	463	1,844
Balance – End of the period	<u>248,144</u>	<u>247,681</u>

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to \$251,480. A discount rate of 0.75% (1.25% in 2015) was used to estimate the obligations in 2016. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2018. 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 2018. 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 Warrants

There was no activity for the three-month period ended November 30, 2016. The outstanding warrants are as follows:

	Exercise price (\$)	Expiry date
250,000	0.45	June 18, 2018
333,334	0.45	June 20, 2018
<u>3,906,250</u>	0.45	July 22, 2018
<u>4,489,584</u>		

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
(Unaudited) For the three-month period ended November 30, 2016

## 10 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, of which 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 November 30, 2016, and summarize the information about stock options outstanding and exercisable as at that date:

	<b>November 30, 2016</b>	
	<b>Number</b>	<b>Weighted average exercise price (\$)</b>
Outstanding – Beginning of the period	2,655,000	0.40
Granted	735,000	0.52
Outstanding and exercisable – End of the period	<u>3,390,000</u>	<u>0.43</u>

<b>Exercise price (\$)</b>	<b>Options outstanding and exercisable</b>	<b>Weighted average remaining contractual life (years)</b>
0.19	580,000	6.66
0.20	580,000	8.32
0.34	400,000	2.37
0.36	40,000	9.56
0.45	325,000	5.44
0.52	735,000	9.86
0.60	50,000	3.65
0.66	300,000	3.27
0.80	340,000	4.13
1.25	40,000	4.34
	<u>3,390,000</u>	<u>6.42</u>

On October 7, 2016, the Company granted 735,000 options to its directors, officers, employees and consultants. The fair value of the options granted, which amounted to \$286,650, was determined using the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.20%, expected life of 10 years, annualized volatility rate of 92%, and dividend rate of 0%. The exercise price of \$0.52 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. An amount of \$251,550 was charged to general and administrative expenses and \$35,100 charged to general exploration.



# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
(Unaudited) For the three-month period ended November 30, 2016

## 11 Expenses by nature

	Three-month period ended November 30,	
	2016 \$	2015 \$
Salaries and fringe benefits	37,566	32,527
Professional and maintenance fees	8,518	5,599
Administration and office	8,301	5,090
Business development and administration fees	487	545
Advertising	164	301
Rent	10,363	10,363
Insurance	5,149	5,626
Travelling and entertainment	47,116	5,079
Depreciation of property and equipment	633	859
Amortization of intangible assets	179	255
Stock-based compensation	251,550	-
<b>General and administrative expenses</b>	<b>370,026</b>	<b>66,244</b>
Salaries for search of properties	5,085	66,904
Other exploration expenses	1,177	855
Stock-based compensation	35,100	-
Refundable duties credit for losses and refundable tax credit for resources, net	(2,700)	(20,870)
<b>General exploration</b>	<b>38,662</b>	<b>46,079</b>

## 12 Related party transactions

### Compensation of key management

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

	Three-month period November 30,	
	2016 \$	2015 \$
Salaries	67,841	65,230
Share-based payment	249,600	-
	<b>317,441</b>	<b>65,230</b>

An amount of \$27,346 (\$4,290 – November 30, 2015) for salary is capitalized to exploration and evaluation assets.

As at November 30, 2016, accounts payable and accrued liabilities include an amount of \$30,829 (\$34,802 – November 30, 2015) 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, 2016

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## 13 Additional cash flow information

	<b>Three-month period ended November 30,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Acquisition of E&E assets included in accounts payable and accrued liabilities	278,136	16,185
Depreciation of property and equipment included in E&E assets	3,395	4,523
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	137,155	7,705