

# **Azimut Exploration Inc.**

Unaudited Condensed Interim Financial Statements

**February 29, 2020**

(expressed in Canadian dollars, except share amounts)

# Azimut Exploration Inc.

## Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at February 29, 2020 \$	As at August 31, 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 3)	8,026,639	2,979,133
Amounts receivable (Note 4)	538,975	398,939
Prepaid expenses	29,195	29,309
	<u>8,594,809</u>	<u>3,407,381</u>
<b>Non-current assets</b>		
Tax credit and mining rights receivable	1,421,930	839,171
Investments (Note 5)	30,794	41,246
Property and equipment (Note 6a)	60,483	77,401
Intangible assets (less accumulated amortization of \$23,268; \$23,094 as at August 31, 2019)	1,239	814
Right-of-use asset (Notes 2 and 6b)	163,750	-
Exploration and evaluation assets (Note 7)	6,642,297	5,000,443
	<u>8,320,493</u>	<u>5,959,075</u>
<b>Total assets</b>	<u>16,915,302</u>	<u>9,366,456</u>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,249,334	2,125,448
Advances received for exploration work	-	872,469
Lease liability (Notes 2 and 9)	27,720	-
Flow-through shares premium liability (Note 10b)	2,314,640	-
	<u>3,591,694</u>	<u>2,997,917</u>
<b>Non-current liabilities</b>		
Lease liability (Notes 2 and 9)	132,270	-
Asset retirement obligations (Note 8)	250,480	249,484
	<u>382,750</u>	<u>249,484</u>
<b>Total liabilities</b>	<u>3,974,444</u>	<u>3,247,401</u>
<b>Equity</b>		
Share capital (Note 10)	31,951,455	24,895,476
Warrants (Note 11)	80,486	78,800
Stock options (Note 12)	1,200,762	1,396,602
Contributed surplus	3,787,210	3,787,210
Deficit	(24,079,055)	(24,039,033)
	<u>12,940,858</u>	<u>6,119,055</u>
<b>Total equity</b>	<u>12,940,858</u>	<u>6,119,055</u>
<b>Total liabilities and equity</b>	<u>16,915,302</u>	<u>9,366,456</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 Income (Loss) and Comprehensive Income (Loss)

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>February 29,</b>	<b>February 28,</b>	<b>February 29,</b>	<b>February 28,</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b>				
Management income (Notes 7 f, g and l)	45,832	21,425	128,341	57,224
<b>Expenses</b>				
General and administrative (Note 13)	331,190	140,715	416,946	237,105
General exploration (Note 13)	57,145	28,540	59,997	41,883
Impairment of exploration and evaluation assets (Note 7)	-	-	1,152	132
<b>Operating expenses</b>	<b>57,145</b>	<b>169,255</b>	<b>478,095</b>	<b>279,120</b>
<b>Financing cost (income), net</b>				
Interest income	(7,567)	(7,609)	(19,171)	(16,815)
Interest and bank charges	371	346	790	641
Unwinding of discount on asset retirement obligations	498	495	996	833
Interest on lease liability	1,648	-	3,296	-
	<b>(5,050)</b>	<b>(6,768)</b>	<b>(14,089)</b>	<b>(15,341)</b>
<b>Other (gains) losses</b>				
Other gains	-	(374)	-	(498)
Change in fair value – investments	(5,336)	(10,822)	10,452	26,427
	<b>(5,336)</b>	<b>(11,196)</b>	<b>10,452</b>	<b>25,929</b>
<b>Loss before income taxes</b>	<b>(332,117)</b>	<b>(129,866)</b>	<b>(346,117)</b>	<b>(232,484)</b>
Deferred income tax recovery (Note 10b)	306,095	31,634	306,095	72,853
<b>Loss and comprehensive loss for the period</b>	<b>(26,022)</b>	<b>(98,232)</b>	<b>(40,022)</b>	<b>(159,631)</b>
<b>Basic and diluted loss per share</b>	<b>(0.000)</b>	<b>(0.002)</b>	<b>(0.001)</b>	<b>(0.003)</b>
<b>Basic and diluted weighted average number of shares outstanding</b>	<b>62,926,365</b>	<b>51,949,047</b>	<b>57,280,050</b>	<b>50,244,908</b>

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 and six months ended February 29, 2020

	Share capital		Warrants		Stock options		Contributed surplus	Deficit	Total
	Number <sup>(1)</sup>	\$	Number	\$	Number	\$	\$	\$	\$
<b>Balance as at September 1, 2019</b>	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	-	-	-	-	-	-	-	(40,022)	(40,022)
	53,300,649	24,895,476	2,210,576	78,800	3,745,000	1,396,602	3,787,210	(24,079,055)	6,079,033
Units private placement (Note 10a)	4,085,712	1,293,999	2,042,855	136,000	-	-	-	-	1,429,999
Flow-through private placement (Note 10b)	3,638,345	6,784,982	-	-	-	-	-	-	6,784,982
Less: Premium	-	(2,620,735)	-	-	-	-	-	-	(2,620,735)
Warrants exercised	3,039,147	1,289,158	(3,039,147)	(134,314)	-	-	-	-	1,154,844
Stock option granted	-	-	-	-	1,115,000	38,180	-	-	38,180
Stock option exercised	470,000	493,220	-	-	(470,000)	(234,020)	-	-	259,200
Share issue expenses	-	(184,645)	-	-	-	-	-	-	(184,645)
<b>Balance as at February 29, 2020</b>	<b>64,533,853</b>	<b>31,951,455</b>	<b>1,214,284</b>	<b>80,486</b>	<b>4,390,000</b>	<b>1,200,762</b>	<b>3,787,210</b>	<b>(24,079,055)</b>	<b>12,940,858</b>
<b>Balance as at September 1, 2018</b>	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	-	-	-	-	-	-	-	(159,631)	(159,631)
	48,559,496	23,677,449	-	-	4,095,000	1,503,141	3,761,610	(23,242,326)	5,699,874
Issuance of units (Note 9)	4,421,153	1,070,700	2,210,576	78,800	-	-	-	-	1,149,500
Stock-based compensation	-	-	-	-	-	6,821	-	-	6,821
Share issue expenses	-	(63,873)	-	-	-	-	-	-	(63,873)
<b>Balance as at February 28, 2019</b>	<b>52,980,649</b>	<b>24,684,276</b>	<b>2,210,576</b>	<b>78,800</b>	<b>4,095,000</b>	<b>1,509,962</b>	<b>3,761,610</b>	<b>(23,242,326)</b>	<b>6,792,322</b>

<sup>(1)</sup> An unlimited number of common shares are authorized, without par value, voting and participating. There were no unpaid common shares as at February 29, 2020 (Nil in 2019).

*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 and six months ended February 29, 2020

	Six months ended	
	February 29, 2020 \$	February 28, 2019 \$
<b>Cash flows from operating activities</b>		
Loss for the period	(40,022)	(159,631)
Items not affecting cash		
Depreciation of property and equipment	5,640	2,432
Amortization of intangible assets	174	176
Depreciation of right-of-use asset	23,962	-
Change in fair value – investment	10,452	26,427
Impairment of exploration and evaluation assets	1,152	-
Refundable duties credit for losses and refundable tax credit relating to resources, net	(4,200)	72,516
Stock-based compensation cost	38,180	6,821
Interest on lease liability	3,296	-
Unwinding of discount on asset retirement obligations	996	833
Recovery of deferred income taxes	(306,095)	(72,853)
	<u>(266,465)</u>	<u>(123,279)</u>
Changes in non-cash working capital items		
Amounts receivable	75,613	233,103
Prepaid expenses	113	15,194
Accounts payable and accrued liabilities	18,972	383,735
	<u>94,698</u>	<u>632,032</u>
	<u>(171,767)</u>	<u>508,753</u>
<b>Cash flows from financing activities</b>		
Units private placement	1,429,999	1,085,627
Flow-through private placement	6,784,982	-
Share issue expenses	(184,645)	-
Warrant exercised	1,154,844	-
Stock option exercised	259,200	-
Payment of lease liabilities	(31,018)	-
	<u>9,413,362</u>	<u>1,085,627</u>
<b>Cash flows from investing activities</b>		
Advance received for exploration work	-	700,000
Additions to property and equipment	(7,852)	(2,868)
Additions to intangible assets	(599)	-
Additions to exploration and evaluation assets	(4,300,542)	(2,745,787)
Proceeds from sale of investments	-	49,649
Tax credit and mining rights received	114,904	83,031
	<u>(4,194,089)</u>	<u>(1,915,975)</u>
<b>Net change in cash and cash equivalents</b>	<u>5,047,506</u>	<u>(321,595)</u>
<b>Cash and cash equivalents – Beginning of period</b>	<u>2,979,133</u>	<u>2,487,979</u>
<b>Cash and cash equivalents – End of period</b>	<u>8,026,639</u>	<u>2,166,384</u>
<b>Additional information</b>		
Interest received	(19,171)	(16,815)
Interest paid	26	9
<b>Additional cash flow information (Note 15)</b>		

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

# Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

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## 1 Nature of operations, general information and liquidity

Azimet Exploration Inc. (“Azimet” 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 February 29, 2020, the Company has working capital of \$5,003,116 (\$409,464 - August 31, 2019) including cash and cash equivalents of \$8,026,639 (\$2,979,133 – August 31, 2019) and an accumulated deficit of \$24,079,055 (\$24,039,033 – August 31, 2019). The Company incurred a loss of \$40,022 (\$159,632 – February 28, 2019) for the six months 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 February 28, 2021, 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 April 27, 2020.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

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## 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 and six months ended February 29, 2020

## 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:

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

## 3 Cash and cash equivalents

As at February 29, 2020, cash and cash equivalents of \$8,026,639 (\$2,979,133 – August 31, 2019) included \$265,128 (\$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, and also included an amount of \$5,992,513 reserved for exploration expenses pursuant to the flow-through financing agreements.

## 4 Amounts receivable

	<b>As at February 29, 2020</b>	<b>As at August 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Tax credit and mining rights receivable	-	105,924
Commodity taxes	18,448	248,300
Amounts receivable	520,527	44,715
	<u>538,975</u>	<u>398,939</u>



# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

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## 5 Investments

	As at February 29, 2020			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.	0.085	20,000	1,700	0.175	20,000	3,500
Captor Capital Corp.	0.200	17,500	3,500	0.990	17,500	17,325
Silver Spruce Resources Inc.	0.030	30,000	900	0.045	30,000	1,350
Vision Lithium Inc.	0.045	25,000	1,125	0.040	25,000	1,000
Monarques Resources Inc.	0.185	10,464	1,936	0.250	10,464	2,616
West African Resources Ltd	0.577	37,500	<u>21,633</u>	0.412	37,500	<u>15,455</u>
			<u>30,794</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 and six months ended February 29, 2020

## 6 a) Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Vehicles \$	Total \$
<b>Period ended February 29, 2020</b>							
Opening net book amount	1,790	13,446	23,431	220	38,148	366	77,401
Additions	859	-	6,993	-	-	-	7,852
Depreciation for the period <sup>(1)</sup>	(222)	(1,346)	(4,040)	(32)	(19,074)	(56)	(24,770)
<b>Closing net book amount</b>	<b>2,427</b>	<b>12,100</b>	<b>26,384</b>	<b>188</b>	<b>19,074</b>	<b>310</b>	<b>60,483</b>
<b>As at February 29, 2020</b>							
Cost	22,125	29,914	71,696	14,832	596,813	3,702	739,082
Accumulated depreciation	(19,698)	(17,814)	(45,312)	(14,644)	(577,739)	(3,392)	(678,599)
<b>Net book amount</b>	<b>2,427</b>	<b>12,100</b>	<b>26,384</b>	<b>188</b>	<b>19,074</b>	<b>310</b>	<b>60,483</b>
<b>Year ended August 31, 2019</b>							
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 <sup>(1)</sup>	(360)	(3,236)	(4,709)	(96)	(35,815)	(160)	(44,376)
<b>Closing net book amount</b>	<b>1,790</b>	<b>13,446</b>	<b>23,431</b>	<b>220</b>	<b>38,148</b>	<b>366</b>	<b>77,401</b>
<b>As at August 31, 2019</b>							
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)
<b>Net book amount</b>	<b>1,790</b>	<b>13,446</b>	<b>23,431</b>	<b>220</b>	<b>38,148</b>	<b>366</b>	<b>77,401</b>

<sup>(1)</sup> The depreciation of the camp and vehicles is included in the E&E assets in the amount of \$19,130 (\$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	(23,962)
<b>Net book amount as at February 29, 2020</b>	<b>163,750</b>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
(Unaudited) For the three and six months ended February 29, 2020

## 7 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

### Change in E&E assets in 2020

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at February 29, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at February 29, 2020	Net book amount as at February 29, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>James Bay – Gold</b>											
Opinaca A	(a)	50									
Acquisition costs		35,798	-	-	-	-	35,798	-	-	-	35,798
Exploration costs		33,201	717	-	-	(250)	33,668	-	-	-	33,668
		68,999	717	-	-	(250)	69,466	-	-	-	69,466
Opinaca B	(b)	50									
Acquisition costs		195	-	-	-	-	195	-	-	-	195
Exploration costs		5,660	1,227	-	-	(500)	6,387	-	-	-	6,387
		5,855	1,227	-	-	(500)	6,582	-	-	-	6,582
Eleonore South	(c)	26.57									
Acquisition costs		41,126	-	-	-	-	41,126	-	-	-	41,126
Exploration costs		1,512,102	25,182	-	-	(2,000)	1,535,284	-	-	-	1,535,284
		1,553,228	25,182	-	-	(2,000)	1,576,410	-	-	-	1,576,410
Opinaca D		100									
Acquisition costs		120,828	-	-	-	-	120,828	(54,975)	-	(54,975)	65,853
Exploration costs		245,769	740	-	-	(250)	246,259	(8,006)	-	(8,006)	238,253
		366,597	740	-	-	(250)	367,087	(62,981)	-	(62,981)	304,106
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	422	-	-	(90)	37,356	(29,619)	-	(29,619)	7,737
		70,202	422	-	-	(90)	70,534	(56,161)	-	(56,161)	14,373
SOQUEM	(e)	-									
Acquisition costs		4	-	-	-	-	4	-	-	-	4
Exploration costs		436,815	645,194	-	-	(230,200)	851,809	-	-	-	851,809
		436,819	645,194	-	-	(230,200)	851,813	-	-	-	851,813
Dalmas	(f)	50									
Acquisition costs		162	-	-	-	-	162	-	-	-	162
Exploration costs		25,204	34,888	-	-	(13,000)	47,092	-	-	-	47,092
		25,366	34,888	-	-	(13,000)	47,254	-	-	-	47,254
Galinée	(g)	50									
Acquisition costs		3,862	4,832	-	-	-	8,694	-	-	-	8,694
Exploration costs		43,496	17,801	-	-	(3,000)	58,297	-	-	-	58,297
		47,358	22,633	-	-	(3,000)	66,991	-	-	-	66,991

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
(Unaudited) For the three and six months ended February 29, 2020

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

### Change in E&E assets in 2020 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at February 29, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at February 29, 2020	Net book amount as at February 29, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>James Bay – Gold (cont'd)</b>											
SOQUEM Alliance *	(h)	100									
Acquisition costs		72,601	1,080	-	-	-	73,681	(47,725)	-	(47,725)	25,956
Exploration costs		-	1,703	-	-	(190)	1,513	-	(45)	(45)	1,468
		72,601	2,783	-	-	(190)	75,194	(47,725)	(45)	(47,770)	27,424
Elmer		100									
Acquisition costs		37,422	33,110	-	-	-	70,532	-	-	-	70,532
Exploration costs		183,096	1,201,347	-	-	(337,500)	1,046,943	-	-	-	1,046,943
		220,518	1,234,457	-	-	(337,500)	1,117,475	-	-	-	1,117,475
Duxbury	(i)	100									
Acquisition costs		49,662	33,880	-	-	-	83,542	-	-	-	83,542
Exploration costs		62,601	90,854	-	-	(1,200)	152,255	-	-	-	152,255
		112,263	124,734	-	-	(1,200)	235,797	-	-	-	235,797
Kukamas	(j)	100									
Acquisition costs		66,987	-	-	-	-	66,987	-	-	-	66,987
Exploration costs		16,209	108,228	-	-	(140)	124,297	-	-	-	124,297
		83,196	108,228	-	-	(140)	191,284	-	-	-	191,284
Kaanaayaa		100									
Acquisition costs		58,089	-	-	-	-	58,089	-	-	-	58,089
Exploration costs		7,418	751	-	-	(160)	8,009	-	-	-	8,009
		65,507	751	-	-	(160)	66,098	-	-	-	66,098
Other		100									
Acquisition costs		39,713	20,790	-	-	-	60,503	-	-	-	60,503
Exploration costs		995	432	-	-	(70)	1,357	-	-	-	1,357
		40,708	21,222	-	-	(70)	61,860	-	-	-	61,860
<b>Total James Bay – Gold</b>		<b>3,196,127</b>	<b>2,226,713</b>	<b>-</b>	<b>-</b>	<b>(590,050)</b>	<b>4,832,790</b>	<b>(166,867)</b>	<b>(45)</b>	<b>(166,912)</b>	<b>4,665,878</b>
<b>James Bay – Chromium-PGE</b>											
Chromaska		100									
Acquisition costs		32,929	-	-	-	-	32,929	(32,929)	-	(32,929)	-
Exploration costs		911,978	5,769	-	-	(1,700)	916,047	(911,978)	(1,037)	(913,015)	3,032
<b>Total James Bay – Chromium-PGE</b>		<b>944,907</b>	<b>5,769</b>	<b>-</b>	<b>-</b>	<b>(1,700)</b>	<b>948,976</b>	<b>(944,907)</b>	<b>(1,037)</b>	<b>(945,944)</b>	<b>3,032</b>

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)  
(Unaudited) For the three and six months ended February 29, 2020

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

### Change in E&E assets in 2020 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at February 29, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at February 29, 2020	Net book amount as at February 29, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>James Bay – Base Metals</b>											
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	324	-	-	(50)	1,181	-	-	-	1,181
		53,908	324	-	-	(50)	54,182	-	-	-	54,182
Others	100										
Acquisition costs		30,351	-	-	-	-	30,351	-	-	-	30,351
Exploration costs		907	364	-	-	(70)	1,201	-	-	-	1,201
		31,258	364	-	-	(70)	31,552	-	-	-	31,552
<b>Total James Bay – Base Metals</b>		94,739	688	-	-	(120)	95,307	(9,573)	-	(9,573)	85,734
<b>Total James Bay</b>		4,235,773	2,233,170	-	-	(591,870)	5,877,073	(1,121,347)	(1,082)	(1,122,429)	4,754,644
<b>Nunavik – Gold</b>											
Rex	(l)	100									
Acquisition costs		1,279,411	-	-	-	-	1,279,411	(1,054,369)	-	(1,054,369)	225,042
Exploration costs		4,032,643	758	-	-	-	4,033,401	(3,134,729)	-	(3,134,729)	898,672
		5,312,054	758	-	-	-	5,312,812	(4,189,098)	-	(4,189,098)	1,123,714
Duquet	(k) & (l)	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	(l)	100									
Acquisition costs		453,353	-	-	-	-	453,353	(104,513)	-	(104,513)	348,840
Exploration costs		346,971	878	-	-	-	347,849	(145,089)	-	(145,089)	202,760
		800,324	878	-	-	-	801,202	(249,602)	-	(249,602)	551,600
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 and six months ended February 29, 2020

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

### Change in E&E assets in 2020 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at February 29, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at February 29, 2020	Net book amount as at February 29, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Nunavik – Gold</b>											
Nantais	(1)	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
<b>Total Nunavik – Gold</b>		<b>8,345,332</b>	<b>1,636</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,346,968</b>	<b>(6,459,315)</b>	<b>-</b>	<b>(6,459,315)</b>	<b>1,887,653</b>
<b>Nunavik – Polymetallic</b>											
Qassituq *		100									
Acquisition costs		41,534	-	-	-	-	41,534	(41,534)	-	(41,534)	-
Exploration costs		35,743	-	-	-	-	35,743	(35,743)	-	(35,743)	-
<b>Total Nunavik – Polymetallic</b>		<b>77,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,277</b>	<b>(77,277)</b>	<b>-</b>	<b>(77,277)</b>	<b>-</b>
<b>Nunavik – Uranium</b>											
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)	-
<b>Total Nunavik – Uranium</b>		<b>1,194,075</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>1,194,145</b>	<b>(1,194,075)</b>	<b>(70)</b>	<b>(1,194,145)</b>	<b>-</b>
<b>Total Nunavik</b>		<b>9,616,684</b>	<b>1,756</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>9,618,390</b>	<b>(7,730,667)</b>	<b>(70)</b>	<b>(7,730,737)</b>	<b>1,887,653</b>
<b>Total E&amp;E assets</b>		<b>13,852,457</b>	<b>2,234,926</b>	<b>-</b>	<b>-</b>	<b>(591,920)</b>	<b>15,495,463</b>	<b>(8,852,014)</b>	<b>(1,152)</b>	<b>(8,853,166)</b>	<b>6,642,297</b>

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

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

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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 \$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 (4<sup>th</sup>) 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 (8<sup>th</sup>) 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 Inc. (“Newmont”, 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. 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 February 29, 2020, the ownership of the Eleonore South Property is as follows: Azimut 26.57%, Newmont 36.71% and Eastmain Resources 36.72%.

- d) In 2010, Newmont 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 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 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 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 February 29, 2020, Azimut had invested \$1,715,476 in work expenditures (\$940,996 – August 31, 2019).

- 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

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

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

has the option to acquire the Company's interest by investing \$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 February 29, 2020, the JV partners have cumulatively invested \$182,880 (\$105,372 – August 31, 2019) in work expenditures, of which \$91,440 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 \$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 February 29, 2020, the JV partners have cumulatively invested \$237,830 (\$182,868 – August 31, 2019) in work expenditures, of which \$118,915 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*). Duxbury was one of the targets identified in the report delivered to SOQUEM. On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to the Duxbury Property. In January 2020, the Company amalgamated the Duxbury and Elmer properties to form a single property known as Elmer.
- j) On September 22, 2016, Azimut and SOQUEM formed the James Bay Alliance (see *e*). Kukamas was one of the targets identified in the report delivered to SOQUEM. On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to the Kukamas Property.
- k) 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.
- l) 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 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 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 February 29, 2020, SOQUEM'S cumulative investment in work expenditures was \$4.2 million.



# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

## 8 Asset retirement obligations

	February 29, 2020 \$	August 31, 2019 \$
Balance – Beginning of period	249,484	249,168
Change in estimate	-	(1,509)
Unwinding of discount on asset retirement obligations	996	1,825
<b>Balance – End of period</b>	<b>250,480</b>	<b>249,484</b>

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	(27,722)	-	(27,722)
<b>Balance – February 29, 2020</b>	<b>27,720</b>	<b>132,270</b>	<b>159,990</b>

## 10 Share capital

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

### a) 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 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 and six months ended February 29, 2020

## 10 Share capital (cont'd)

### b) Issuance of flow-through shares

	February 29, 2020	August 31, 2019
	\$	\$
Flow-through share premium – Beginning of period	-	72,853
Addition	2,620,735	-
Amortization	(306,095)	(72,853)
Flow-through share premiums – End of period	<u>2,314,640</u>	<u>-</u>

On December 18, 2019, the Company completed a private placement by issuing 1,189,365 flow-through shares at \$0.66 per share for aggregate gross proceeds of \$785,000. The flow-through shares were issued at a \$0.17 premium on the closing price of the Company shares on the TSX-V at the day of issue. The premium is recognized as a flow-through share premium liability of \$196,245, with a subsequent pro-rata reduction of the liability recognized as a tax recovery expense as the eligible expenditures are incurred. The finder fees totalling \$21,698 were 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 the other investors.

On February 26, 2020, the Company completed a private placement by issuing 2,448,980 flow-through shares at \$2.45 per share for aggregate gross proceeds of \$6,000,001. The flow-through shares were issued at a \$0.99 premium on the closing price of the Company shares on the TSX-V at the day of issue. The premium is recognized as a flow-through share premium liability of \$2,424,490, with a subsequent pro-rata reduction of the liability recognized as a tax recovery expense as the eligible expenditures are incurred. No commissions or finder's fees were paid in respect of the offering.

## 11 Warrants

The following table summarizes the information about warrants outstanding as at February 29, 2020:

Exercise price \$	Warrants outstanding	Expiry date
0.46	714,285	March 27, 2021
0.46	499,999	April 10, 2021
	<u>1,214,284</u> <sup>(1)</sup>	

<sup>(1)</sup> Were subsequently exercised

## 12 Stock option plan

The Company maintains a stock option plan in which a maximum of 5,857,000 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 58,575,726 common shares issued and outstanding as at December 18, 2019, 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 or within 10 days following the end of a blackout period, and they vest immediately unless otherwise approved and disclosed by the Board of Directors.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

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## 12 Stock option plan (cont'd)

The following tables summarize the information about stock options outstanding and vested as at February 29, 2020:

<b>Exercise price \$</b>	<b>Options outstanding</b>	<b>Options vested</b>	<b>Weighted average remaining contractual life (years)</b>
0.190	575,000	575,000	3.41
0.200	580,000	580,000	5.07
0.305	50,000	50,000	8.01
0.370	520,000	520,000	8.06
0.400	75,000	75,000	8.13
0.450	300,000	320,000	2.19
0.500	150,000	50,000	9.81
0.520	735,000	735,000	6.61
0.600	40,000	40,000	0.40
0.800	340,000	340,000	0.88
1.250	40,000	40,000	1.09
1.440	965,000	-	10.00
	<u>4,390,000</u>	<u>3,325,000</u>	<u>6.18</u>

On December 19, 2019, the Company granted 150,000 options to an employee with an exercise price of \$0.50 per option. Of these, 50,000 stock options were vested immediately, an additional 50,000 stock options will vest on December 19, 2020, and the remaining 50,000 stock options will vest on December 19, 2021. The fair value of the granted options amounted to \$58,500, of which an amount of \$25,594 was charged to general exploration. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.25%, expected life of 10 years, annualized volatility rate of 78%, and dividend rate of 0%.

On February 27, 2020, the Company granted 965,000 options to directors, officers, employees and consultants with an exercise price of \$1.44 per option, and they will vest on August 27, 2020. The fair value of the options granted amounted to \$1,158,000 as determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.25%, expected life of 10 years, annualized volatility rate of 85%, and dividend rate of 0%. An amount of \$11,804 was charged to general and administrative expenses, and \$783 was charged to general exploration.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

## 13 Expenses by nature

	Three months ended		Six months ended	
	February 29,	February 28,	February 29,	February 28,
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries and fringe benefits	207,246	54,604	224,497	76,217
Professional and maintenance fees	23,789	29,829	28,806	34,748
Administration and office	21,624	19,439	31,759	31,425
Business development and administration fees	15,930	8,064	17,573	9,080
Advertising	2,784	733	6,504	1,133
Rent	640	15,569	640	31,139
Insurance	6,121	5,312	12,242	10,800
Travel and entertainment	26,258	6,270	52,296	36,397
Depreciation of property and equipment	2,900	1,311	5,640	2,432
Amortization of intangible assets	113	88	174	176
Depreciation of right-of-use assets	11,981	-	23,962	-
Part XII.6 Tax	-	(662)	-	38
Trademark	-	158	1,049	3,520
Stock-based compensation	11,804	-	11,804	-
<b>General and administrative expenses</b>	<b>331,190</b>	<b>140,715</b>	<b>416,946</b>	<b>237,105</b>
Salaries for search of properties	32,145	31,300	36,255	38,300
Other exploration expenses	624	882	1,166	2,962
Stock-based compensation	26,376	2,558	26,376	6,821
Refundable duties credit for losses and refundable tax credit for resources, net	(2,000)	(6,200)	(4,200)	(6,200)
<b>General exploration</b>	<b>57,145</b>	<b>28,540</b>	<b>59,997</b>	<b>41,883</b>

## 14 Related party transactions

### Compensation of key management

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

	Six months ended	
	February 29,	February 28,
	2020	2019
	\$	\$
Salaries	336,052	78,547
Director fees	19,500	9,250
Stock-based payment	37,268	-
	<b>392,820</b>	<b>87,797</b>

As at February 29, 2020, an amount of \$77,100 for salaries (\$57,375 – February 28, 2019) is capitalized to E&E assets.

As at February 29, 2020, accounts payable and accrued liabilities include an amount of \$245,338 (\$271,636 – February 28, 2019) owed to key management.

# Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and six months ended February 29, 2020

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## 14 Related party transactions (cont'd)

If termination of employment is for reasons other than gross negligence, the CEO and CFO shall be entitled to receive an indemnity equal to twelve (12) months salary. The VP shall be entitled to receive an indemnity equal to twelve (12) weeks salary, increased by one (1) month for every additional year of employment. 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 shall be entitled to receive an indemnity equal to twenty-four (24) months salary and the CFO shall be entitled to receive an indemnity equal to eighteen (18) months salary.

## 15 Additional cash flow information

	Six months ended	
	February 29,	February 28,
	2020	2019
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	801,323	323,143
Depreciation of property and equipment included in E&E assets	19,130	16,822
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	592,485	209,200