

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements

May 31, 2020

(expressed in Canadian dollars, except share amounts)

Azimut Exploration Inc.

Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at May 31, 2020 \$	As at August 31, 2019 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	8,513,326	2,979,133
Amounts receivable (Note 4)	433,015	398,939
Prepaid expenses	45,272	29,309
	<u>8,991,613</u>	<u>3,407,381</u>
Non-current assets		
Tax credit and mining rights receivable	891,176	839,171
Investments (Note 5)	36,256	41,246
Property and equipment (Note 6a)	52,596	77,401
Intangible assets (less accumulated amortization of \$23,355; \$23,094 as at August 31, 2019)	1,152	814
Right-of-use asset (Notes 2 and 6b)	151,769	-
Exploration and evaluation assets (Note 7)	7,680,730	5,000,443
	<u>8,813,679</u>	<u>5,959,075</u>
Total assets	<u>17,805,292</u>	<u>9,366,456</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	738,429	2,125,448
Advances received for exploration work	825,144	872,469
Lease liability (Notes 2 and 9)	13,859	-
Flow-through shares premium liability (Note 10b)	2,016,936	-
	<u>3,594,368</u>	<u>2,997,917</u>
Non-current liabilities		
Lease liability (Notes 2 and 9)	132,270	-
Asset retirement obligations (Note 8)	250,980	249,484
	<u>383,250</u>	<u>249,484</u>
Total liabilities	<u>3,977,618</u>	<u>3,247,401</u>
Equity		
Share capital (Note 10)	32,589,979	24,895,476
Warrants	-	78,800
Stock options (Note 11)	1,828,475	1,396,602
Contributed surplus	3,787,210	3,787,210
Deficit	(24,377,990)	(24,039,033)
Total equity	<u>13,827,674</u>	<u>6,119,055</u>
Total liabilities and equity	<u>17,805,292</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 Loss and Comprehensive Loss

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2020

	Three months ended		Nine months ended	
	May 31,	May 31,	May 31,	May 31,
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenues				
Operator income (Notes 7 c, d and l)	52,915	46,903	181,256	104,127
Expenses				
General and administrative (Note 12)	775,275	118,082	1,192,221	355,187
General exploration (Note 12)	98,323	18,826	158,319	60,709
Impairment of exploration and evaluation assets (Note 7)	-	-	1,152	132
Operating expenses	873,598	136,908	1,351,692	416,028
Financing cost (income), net				
Interest income	(15,135)	(15,433)	(34,305)	(32,248)
Interest and bank charges	532	257	1,323	897
Unwinding of discount on asset retirement obligations	499	496	1,495	1,328
Interest on lease liability	1,648	-	4,944	-
	(12,456)	(14,680)	(26,543)	(30,023)
Other (gains) losses				
Gain on option payments for exploration and evaluation assets	(206,127)	-	(206,127)	-
Other gains	-	(1,600)	-	(2,098)
Change in fair value – investments	(5,462)	8,914	4,990	35,340
	(211,589)	7,314	(201,137)	33,242
Loss before income taxes	(596,638)	(82,639)	(942,756)	(315,120)
Deferred income tax recovery (Note 10b)	297,704	-	603,799	72,853
Loss and comprehensive loss for the period	(298,934)	(82,639)	(338,957)	(242,267)
Basic and diluted loss per share	(0.005)	(0.002)	(0.006)	(0.005)
Basic and diluted weighted average number of shares outstanding	65,424,535	53,209,127	60,193,910	51,243,839

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 nine months ended May 31, 2020

	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	-	-	-	-	-	-	-	(338,957)	(338,957)
	53,300,649	24,895,476	2,210,576	78,800	3,745,000	1,396,602	3,787,210	(24,377,990)	5,780,098
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	4,253,431	1,928,215	(4,253,431)	(214,800)	-	-	-	-	1,713,415
Stock option granted (Note 11)	-	-	-	-	1,195,000	665,893	-	-	665,893
Stock option exercised	470,000	493,220	-	-	(470,000)	(234,020)	-	-	259,200
Share issue expenses	-	(185,178)	-	-	-	-	-	-	(185,178)
Balance as at May 31, 2020	65,748,137	32,589,979	-	-	4,470,000	1,828,475	3,787,210	(24,377,990)	13,827,674
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	-	-	-	-	-	-	-	(242,267)	(242,267)
	48,559,496	23,677,449	-	-	4,095,000	1,503,141	3,761,610	(23,324,962)	5,617,238
Private placement	4,421,153	1,070,700	2,210,576	78,800	-	-	-	-	1,149,500
Stock options granted	-	-	-	-	50,000	9,750	-	-	9,750
Stock options exercised	320,000	211,200	-	-	(320,000)	(102,400)	-	-	108,800
Stock options expired	-	-	-	-	(80,000)	(25,600)	25,600	-	-
Stock-based compensation	-	-	-	-	-	8,460	-	-	8,460
Share issue expenses	-	(63,873)	-	-	-	-	-	-	(63,873)
Balance as at May 31, 2019	53,300,649	24,895,476	2,210,576	78,800	3,745,000	1,393,351	3,787,210	(23,324,962)	6,829,875

⁽¹⁾ An unlimited number of common shares are authorized, without par value, voting and participating. There were no unpaid common shares as at May 31, 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 nine months ended May 31, 2020

	Nine months ended	
	May 31,	May 31,
	2020	2019
	\$	\$
Cash flows from operating activities		
Loss for the period	(338,957)	(242,267)
Items not affecting cash		
Depreciation of property and equipment	9,030	6,300
Amortization of intangible assets	261	264
Depreciation of right-of-use asset	35,943	-
Change in fair value – investment	4,990	35,340
Impairment of exploration and evaluation assets	1,152	132
Gain on option payments on exploration and evaluation assets	(206,127)	-
Refundable duties credit for losses and refundable tax credit relating to resources, net	(18,770)	74,805
Stock-based compensation cost	665,893	18,211
Interest on lease liability	4,944	-
Unwinding of discount on asset retirement obligations	1,495	1,329
Recovery of deferred income taxes	(603,799)	(72,853)
	<u>(443,945)</u>	<u>(178,740)</u>
Changes in non-cash working capital items		
Amounts receivable	57,148	129,371
Prepaid expenses	(15,963)	17,362
Accounts payable and accrued liabilities	(39,851)	(112,215)
	<u>1,334</u>	<u>34,518</u>
	<u>(442,611)</u>	<u>144,222</u>
Cash flows from financing activities		
Units private placement	1,429,999	-
Flow-through private placement	6,784,982	1,085,627
Share issue expenses	(185,178)	-
Warrant exercised	1,713,415	-
Stock option exercised	259,200	108,800
Payment of lease liabilities	(46,527)	-
	<u>9,955,891</u>	<u>1,194,427</u>
Cash flows from investing activities		
Advance received for exploration work	1,283,444	2,300,000
Additions to property and equipment	(12,920)	(26,641)
Additions to intangible assets	(599)	-
Additions to exploration and evaluation assets	(6,060,931)	(3,604,739)
Proceeds from sale of investments	-	49,649
Tax credit and mining rights received	811,919	468,896
	<u>(3,979,087)</u>	<u>(812,835)</u>
Net change in cash and cash equivalents	<u>5,534,193</u>	<u>237,370</u>
Cash and cash equivalents – Beginning of period	<u>2,979,133</u>	<u>2,487,979</u>
Cash and cash equivalents – End of period	<u>8,513,326</u>	<u>2,725,349</u>
Additional information		
Interest received	(34,305)	(31,378)
Interest paid	48	29
Additional cash flow information (Note 14)		

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 and nine months ended May 31, 2020

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 May 31, 2020, the Company has working capital of \$5,397,245 (\$409,464 - August 31, 2019) including cash and cash equivalents of \$8,513,326 (\$2,979,133 – August 31, 2019) and an accumulated deficit of \$24,377,990 (\$24,039,033 – August 31, 2019). The Company incurred a loss of \$338,957 (\$242,267 – May 31, 2019) for the nine 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 May 31, 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 July 22, 2020.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2020

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 nine months ended May 31, 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:

	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	132,270
Total liabilities	<u>187,712</u>

3 Cash and cash equivalents

As at May 31, 2020, cash and cash equivalents of \$8,513,326 (\$2,979,133 – August 31, 2019) included \$1,021,293 (\$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 \$5,221,769 reserved for exploration expenses pursuant to the flow-through financing agreements.

4 Amounts receivable

	As at May 31, 2020 \$	As at August 31, 2019 \$
Tax credit and mining rights receivable	-	105,924
Commodity taxes	105,966	248,300
Amounts receivable	<u>282,049</u>	<u>44,715</u>
	<u>433,015</u>	<u>398,939</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2020

5 Investments

	As at May 31, 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.	0.115	20,000	2,300	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.	0.040	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.	0.225	10,464	2,354	0.250	10,464	2,616
West African Resources Ltd	0.691	37,500	<u>25,901</u>	0.412	37,500	<u>15,455</u>
			<u>36,256</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 nine months ended May 31, 2020

6 a) Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Vehicles \$	Total \$
Period ended May 31, 2020							
Opening net book amount	1,790	13,446	23,431	220	38,148	366	77,401
Additions	859	-	12,061	-	-	-	12,920
Depreciation for the period ⁽¹⁾	(333)	(2,019)	(6,630)	(48)	(28,611)	(84)	(37,725)
Closing net book amount	2,316	11,427	28,862	172	9,537	282	52,596
As at May 31, 2020							
Cost	22,125	29,914	76,764	14,832	596,813	3,702	744,150
Accumulated depreciation	(19,809)	(18,487)	(47,902)	(14,660)	(587,276)	(3,420)	(691,554)
Net book amount	2,316	11,427	28,862	172	9,537	282	52,596
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 \$28,695 (\$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	(35,943)
Net book amount as at May 31, 2020	151,769

Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)
(Unaudited) For the three and nine months ended May 31, 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 May 31, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at May 31, 2020	Net book amount as at May 31, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold											
Elmer	100										
Acquisition costs		37,422	57,288	-	-	-	94,710	-	-	-	94,710
Exploration costs		183,096	2,198,578	-	-	(428,700)	1,952,974	-	-	-	1,952,974
		220,518	2,255,866	-	-	(428,700)	2,047,684	-	-	-	2,047,684
Duxbury	(a) 100										
Acquisition costs		49,662	-	-	-	-	49,662	-	-	-	49,662
Exploration costs		62,601	91,041	-	-	(1,200)	152,442	-	-	-	152,442
		112,263	91,041	-	-	(1,200)	202,104	-	-	-	202,104
SOQUEM	(b) -										
Acquisition costs		4	8,778	-	-	-	8,782	-	-	-	8,782
Exploration costs		436,815	805,769	-	-	(273,500)	969,084	-	-	-	969,084
		436,819	814,547	-	-	(273,500)	977,866	-	-	-	977,866
Dalmas	(c) 50										
Acquisition costs		162	847	-	-	-	1,009	-	-	-	1,009
Exploration costs		25,204	38,633	-	-	(11,900)	51,937	-	-	-	51,937
		25,366	39,480	-	-	(11,900)	52,946	-	-	-	52,946
Galinée	(d) 50										
Acquisition costs		3,862	10,530	-	-	-	14,392	-	-	-	14,392
Exploration costs		43,496	24,989	-	-	(4,800)	63,685	-	-	-	63,685
		47,358	35,519	-	-	(4,800)	78,077	-	-	-	78,077
Eleonore South	(e) 26.57										
Acquisition costs		41,126	19,420	-	-	-	60,546	-	-	-	60,546
Exploration costs		1,512,102	37,599	-	-	(3,500)	1,546,201	-	-	-	1,546,201
		1,553,228	57,019	-	-	(3,500)	1,606,747	-	-	-	1,606,747
Opinaca A	(f) 50										
Acquisition costs		35,798	-	-	-	-	35,798	-	-	-	35,798
Exploration costs		33,201	757	-	-	(250)	33,708	-	-	-	33,708
		68,999	757	-	-	(250)	69,506	-	-	-	69,506
Opinaca B	(g) 25										
Acquisition costs		195	-	-	-	-	195	-	-	-	195
Exploration costs		5,660	1,228	-	-	(500)	6,388	-	-	-	6,388
		5,855	1,228	-	-	(500)	6,583	-	-	-	6,583
Opinaca D	100										
Acquisition costs		120,828	-	-	-	-	120,828	(54,975)	-	(54,975)	65,853
Exploration costs		245,769	760	-	-	(250)	246,279	(8,006)	-	(8,006)	238,273
		366,597	760	-	-	(250)	367,107	(62,981)	-	(62,981)	304,126

Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)
(Unaudited) For the three and nine months ended May 31, 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 May 31, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at May 31, 2020	Net book amount as at May 31, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold (cont'd)											
Wabamisk	(h)	49									
Acquisition costs		2,878	-	-	-	-	2,878	-	-	-	2,878
Exploration costs		24,032	4,235	-	-	(1,800)	26,467	-	-	-	26,467
		26,910	4,235	-	-	(1,800)	29,345	-	-	-	29,345
Corvet	(i)	100									
Acquisition costs		62,777	1,080	-	-	-	63,857	-	-	-	63,857
Exploration costs		994	7,097	-	-	(500)	7,591	-	-	-	7,591
		63,771	8,177	-	-	(500)	71,448	-	-	-	71,448
Kukamas	(j)	100									
Acquisition costs		66,987	-	-	-	-	66,987	-	-	-	66,987
Exploration costs		16,209	8,449	-	-	(500)	24,158	-	-	-	24,158
		83,196	8,449	-	-	(500)	91,145	-	-	-	91,145
Wapatik		100									
Acquisition costs		-	33,880	-	-	-	33,880	-	-	-	33,880
Exploration costs		-	14,360	-	-	-	14,360	-	-	-	14,360
		-	48,240	-	-	-	48,240	-	-	-	48,240
Pilipas		100									
Acquisition costs		-	20,790	-	-	-	20,790	-	-	-	20,790
Exploration costs		-	68	-	-	-	68	-	-	-	68
		-	20,858	-	-	-	20,858	-	-	-	20,858
Kaanaayaa		100									
Acquisition costs		58,089	-	-	-	-	58,089	-	-	-	58,089
Exploration costs		7,418	5,624	-	-	(390)	12,652	-	-	-	12,652
		65,507	5,624	-	-	(390)	70,741	-	-	-	70,741
Synclinal *	(i)	100									
Acquisition costs		19,596	-	-	-	-	19,596	(19,596)	-	(19,596)	-
Exploration costs		-	85	-	-	(40)	45	-	(45)	(45)	-
		19,596	85	-	-	(40)	19,641	(19,596)	(45)	(19,641)	-
Other		100									
Acquisition costs		34,990	-	-	-	-	34,990	(26,542)	-	(26,542)	8,448
Exploration costs		37,024	500	-	-	(90)	37,434	(29,619)	-	(29,619)	7,815
		72,014	500	-	-	(90)	72,424	(56,161)	-	(56,161)	16,263
Total James Bay – Gold		3,167,997	3,392,385	-	-	(727,920)	5,832,462	(138,738)	(45)	(138,783)	5,593,679

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements (in Canadian dollars)
(Unaudited) For the three and nine months ended May 31, 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 May 31, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at May 31, 2020	Net book amount as at May 31, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Chromium-PGE											
Chromaska	100										
Acquisition costs		32,929	-	-	-	-	32,929	(32,929)	-	(32,929)	-
Exploration costs		911,978	5,768	-	-	(1,700)	916,046	(911,978)	(1,037)	(913,015)	3,031
Total James Bay – Chromium-PGE		944,907	5,768	-	-	(1,700)	948,975	(944,907)	(1,037)	(945,944)	3,031
James Bay – Base Metals											
Mercator	100										
Acquisition costs		53,001	-	-	-	-	53,001	-	-	-	53,001
Exploration costs		907	4,726	-	-	(280)	5,353	-	-	-	5,353
		53,908	4,726	-	-	(280)	58,354	-	-	-	58,354
Corne	100										
Acquisition costs		26,726	-	-	-	-	26,726	-	-	-	26,726
Exploration costs		907	6,238	-	-	(300)	6,845	-	-	-	6,845
		27,633	6,238	-	-	(300)	33,571	-	-	-	33,571
Others *	100										
Acquisition costs		10,353	-	-	-	-	10,353	(6,729)	-	(6,729)	3,624
Exploration costs		2,844	-	-	-	-	2,844	(2,844)	-	(2,844)	-
		13,197	-	-	-	-	13,197	(9,573)	-	(9,573)	3,624
Total James Bay – Base Metals		94,739	10,964	-	-	(580)	105,122	(9,573)	-	(9,573)	95,549
Total James Bay		4,207,642	3,409,117	-	-	(730,200)	6,886,559	(1,093,218)	(1,082)	(1,094,300)	5,792,259
Nunavik – Gold											
Rex	(l)	100									
Acquisition costs		1,279,411	-	-	-	-	1,279,411	(1,054,369)	-	(1,054,369)	225,042
Exploration costs		4,032,643	1,137	-	-	-	4,033,780	(3,134,729)	-	(3,134,729)	899,051
		5,312,054	1,137	-	-	-	5,313,191	(4,189,098)	-	(4,189,098)	1,124,093
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	1,317	-	-	-	348,288	(145,089)	-	(145,089)	203,199
		800,324	1,317	-	-	-	801,641	(249,602)	-	(249,602)	552,039

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Notes to Condensed Interim Financial Statements (in Canadian dollars)
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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 May 31, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at May 31, 2020	Net book amount as at May 31, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Gold											
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
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
Total Nunavik – Gold		8,345,332	2,454	-	-	-	8,347,786	(6,459,315)	-	(6,459,315)	1,888,471
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		9,539,407	2,574	-	-	(50)	9,541,931	(7,653,390)	(70)	(7,653,460)	1,888,471
Total E&E assets		13,747,049	3,411,691	-	-	(730,250)	16,428,490	(8,746,608)	(1,152)	(8,747,760)	7,680,730

* 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 nine months ended May 31, 2020

7 Exploration and evaluation assets (cont'd)

- a) The Duxbury Property was one of the targets identified in the report delivered to SOQUEM Inc. (“SOQUEM”) under the James Bay Alliance of September 22, 2016 (see *b*). 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.
- b) The James Bay Strategic Alliance (the “James Bay Alliance”) was formed between Azimut and SOQUEM on September 22, 2016, to identify, acquire and explore highly prospective gold targets in the Eeyou Istchee James Bay Territory (the “James Bay region”) of Quebec. 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.

Under the original James Bay Alliance agreement, four (4) properties were acquired at SOQUEM’s cost: Munischiwan, Pikwa, Pontois and Desceliers (the “SOQUEM Properties”). Under the terms of the agreement, each partner owns a 50% interest in the SOQUEM Properties. SOQUEM was granted 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 had earned its 100% interest by investing \$2,715,992 in work expenditures and granting Azimut a 50% back-in option on the SOQUEM Properties in exchange for \$3,317,427 in work expenditures over three (3) years, which represents 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 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 May 31, 2020, Azimut had cumulatively invested \$2,005,077 in work expenditures (\$940,996 – August 31, 2019).

- c) The Dalmas Property was subject to a joint venture (“JV”) agreement between Azimut and SOQUEM on June 20, 2018, based on the results of a reconnaissance program (see *i*). Under the terms of the agreement, SOQUEM acquired a 50% interest in the property by making a cash payment of \$12,421 for the staking cost of the mineral claims acquired in 2017 and 2018. SOQUEM was granted 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 amended the terms of the existing James Bay Alliance. Under the terms of the amended agreement, the Dalmas Property remains a 50/50 JV project. SOQUEM’s cumulative work expenditures at the time of the amendment amounted to \$107,045. Azimut remains 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 May 31, 2020, the JV partners had cumulatively invested \$214,380 (\$105,372 – August 31, 2019) in work expenditures, of which \$107,190 represents the Company’s share.

- d) The Galinée Property was subject to a JV agreement between Azimut and SOQUEM on June 20, 2018, based on the results of a reconnaissance program (see *i*). Under the terms of the agreement, SOQUEM acquired a 50% interest in the property by making a cash payment of \$87,900 for the staking cost of mineral claims acquired in 2017 and 2018. SOQUEM was granted 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 amended the terms of the existing James Bay Alliance. Under the terms of the amended agreement, the Galinée Property remains a 50/50 JV project. SOQUEM’s cumulative work expenditures at the time of the amendment amounted to \$494,390. Azimut remains 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 May 31, 2020, the JV partners had cumulatively invested \$277,348 (\$182,868 – August 31, 2019) in work expenditures, of which \$138,674 represents the Company’s share.

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7 Exploration and evaluation assets (cont'd)

- e) The Eleonore South Property was subject to a letter of intent in 2006 in which Azimut agreed to form a three-way JV project 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 May 31, 2020, the ownership of the Eleonore South Property is as follows: Azimut 26.57%, Newmont 36.71% and Eastmain Resources 36.72%.

- f) The Opinaca A Property is a 50/50 JV project with Everton Resources Inc. (“Everton”). Everton had earned its interest by making cumulative cash payments of \$180,000 in March 2010 and incurring \$2.8 million in work expenditures.
- g) The Opinaca B Property was a 50/50 JV project with Everton after they made cumulative cash payments of \$160,000 in March 2010 and incurred \$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. Under the terms of the agreement, Hecla may 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 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 received \$290,000.

- h) The Wabamisk Property is held 49% by Azimut and 51% by Newmont as of Aug 30, 2010, at which time Newmont made cumulative cash payments of \$500,000 and incurred \$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 a ten (10) year period, which has since expired.
- i) The Corvet, Synclinal, Dalmás (see *c*), Galinée (see *d*), Sauvolles and Orsigny properties (previously, the “SOQUEM Alliance Properties”) were subject to a reconnaissance exploration program funded by SOQUEM (the funding program was agreed to on May 5, 2017) 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 claims on the Sauvolles and Orsigny properties were allowed to expire following the exploration program.

On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to acquire an interest in the Corvet and Synclinal properties. In May 2020, Azimut amalgamated the Corvet and Masta-2 properties to form a single property known as Corvet.

- j) The Kukamas Property was one of the targets identified in the report delivered to SOQUEM under the James Bay Alliance (see *b*). On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to the Kukamas Property.
- k) The Duquet Property was transferred to Azimut in consideration of an aggregate 2.25% NSR royalty on the property under an agreement reached with SOQUEM, Osisko Exploration James Bay Inc. and Newmont Northern Mining ULC on September 30, 2015.
- l) The Nunavik Strategic Alliance (the “Nunavik Alliance”) was formed between Azimut and SOQUEM on April 25, 2019, 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 May 31, 2020, SOQUEM’S cumulative investment in work expenditures was \$4.3 million.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2020

8 Asset retirement obligations

	May 31, 2020 \$	August 31, 2019 \$
Balance – Beginning of period	249,484	249,168
Change in estimate	-	(1,509)
Unwinding of discount on asset retirement obligations	1,496	1,825
Balance – End of period	250,980	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	(41,583)	-	(41,583)
Balance – May 31, 2020	13,859	132,270	146,129

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 with the expiry date of 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 with the expiry date of April 10, 2021), was completed on October 10, 2019. During the period, the warrants were exercised.

Of 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.

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(Unaudited) For the three and nine months ended May 31, 2020

10 Share capital (cont'd)

b) Issuance of flow-through shares

	May 31, 2020 \$	August 31, 2019 \$
Flow-through share premium – Beginning of period	-	72,853
Addition	2,620,735	-
Amortization	(603,799)	(72,853)
Flow-through share premiums – End of period	<u>2,016,936</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 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, if a blackout period should be in effect at the end of the term, the expiry date will be extended by ten (10) business days following the end of such blackout period. The options are vested immediately unless otherwise approved and disclosed by the Board of Directors.

Azimut Exploration Inc.

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(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2020

11 Stock option plan (cont'd)

The following tables summarize the information about stock options outstanding and vested as at May 31, 2020:

Exercise price \$	Options outstanding	Options vested	Weighted average remaining contractual life (years)
0.190	575,000	575,000	3.16
0.200	580,000	580,000	4.82
0.305	50,000	50,000	7.76
0.370	520,000	520,000	7.81
0.400	75,000	75,000	7.88
0.450	320,000	320,000	1.94
0.500	150,000	50,000	9.56
0.520	735,000	735,000	6.36
0.600	40,000	40,000	0.15
0.800	340,000	340,000	0.63
1.100	80,000	20,000	9.79
1.250	40,000	40,000	0.84
1.440	965,000	-	9.75
	<u>4,470,000</u>	<u>3,345,000</u>	<u>6.00</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 \$32,906 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 \$554,804 was charged to general and administrative expenses, and \$36,783 was charged to general exploration.

On March 15, 2020, the Company granted 80,000 options to an employee with an exercise price of \$1.10 per option. Of these, 20,000 stock options were vested immediately, an additional 20,000 stock options will vest on June 15, 2020, and the remaining 40,000 stock options will vest on March 15, 2021. The fair value of the granted options amounted to \$73,600, of which an amount of \$41,400 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 85%, and dividend rate of 0%.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2020

12 Expenses by nature

	Three months ended		Nine months ended	
	May 31,	May 31,	May 31,	May 31,
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries and fringe benefits	163,982	(13,096)	388,478	63,121
Professional and maintenance fees	12,448	39,278	41,255	74,025
Administration and office	18,568	15,952	50,327	47,378
Business development and administration fees	3,761	17,956	21,334	27,036
Advertising	-	4,677	6,504	5,810
Rent	480	15,574	1,119	46,713
Insurance	6,142	4,400	18,384	15,200
Travel and entertainment	9,528	19,635	61,824	56,032
Depreciation of property and equipment	3,390	3,868	9,030	6,300
Amortization of intangible assets	87	88	261	264
Depreciation of right-of-use assets	11,981	-	35,943	-
Part XII.6 Tax	-	-	-	38
Trademark - AztechMine	1,908	-	2,958	3,520
Stock-based compensation	543,000	9,750	554,804	9,750
General and administrative expenses	775,275	118,082	1,192,221	355,187
Salaries for search of properties	24,200	23,115	61,455	61,455
Other exploration expenses	3,980	2,871	4,545	5,794
Stock-based compensation	84,713	1,640	111,089	8,460
Refundable duties credit for losses and refundable tax credit for resources, net	(14,570)	(8,800)	(18,770)	(15,000)
General exploration	98,323	18,826	158,319	60,709

13 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:

	Nine months ended	
	May 31,	May 31,
	2020	2019
	\$	\$
Salaries	473,222	244,369
Director fees	31,038	27,973
Stock-based payment	581,580	-
	1,085,840	272,342

As at May 31, 2020, an amount of \$120,785 for salaries (\$92,300 – May 31, 2019) is capitalized to E&E assets.

As at May 31, 2020, accounts payable and accrued liabilities include an amount of \$107,996 (\$184,494 – May 31, 2019) owed to key management.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

(in Canadian dollars)

(Unaudited) For the three and nine months ended May 31, 2020

13 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.

14 Additional cash flow information

	Nine months ended	
	May 31,	May 31,
	2020	2019
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	349,240	459,613
Depreciation of property and equipment included in E&E assets	28,695	26,398
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	730,250	257,900