

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements
May 31, 2022
(expressed in Canadian dollars, except share amounts)

Azimut Exploration Inc.

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

(in Canadian dollars, except number of common shares)

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues				
Operator income (Notes 7c, d, k and m)	<u>37,851</u>	<u>103,302</u>	<u>80,571</u>	<u>163,165</u>
Expenses				
General and administrative (Note 13)	501,601	744,198	577,170	1,143,571
General exploration (Note 13)	21,521	92,100	147,558	284,760
Impairment of exploration and evaluation assets	<u>-</u>	<u>353,309</u>	<u>-</u>	<u>353,309</u>
Operating expenses	<u>523,122</u>	<u>1,189,607</u>	<u>724,728</u>	<u>1,781,640</u>
Financing cost (income), net				
Interest income	(43,321)	(10,134)	(108,380)	(32,370)
Interest and bank charges	8,872	394	10,383	1,751
Unwinding of discount on asset retirement obligations	48,966	-	62,660	-
Interest on lease liabilities	<u>4,578</u>	<u>4,766</u>	<u>13,734</u>	<u>19,115</u>
	<u>19,095</u>	<u>(4,974)</u>	<u>(21,603)</u>	<u>(11,504)</u>
Other loss (gain)				
Change in fair value – investments	<u>431</u>	<u>(26,150)</u>	<u>13,966</u>	<u>(34,307)</u>
Net income (loss) before income taxes	<u>(504,797)</u>	<u>(1,055,182)</u>	<u>(636,519)</u>	<u>(1,572,664)</u>
Deferred income tax recovery (Notes 10b)	<u>1,560,032</u>	<u>-</u>	<u>3,383,776</u>	<u>881,470</u>
Income and comprehensive income (loss) for the period	<u>1,055,235</u>	<u>(1,055,182)</u>	<u>2,747,257</u>	<u>(691,194)</u>
Basic and diluted income (loss) per share	<u>0.013</u>	<u>(0.015)</u>	<u>0.034</u>	<u>(0.010)</u>
Basic and diluted weighted average number of shares outstanding	81,971,236	69,169,298	81,860,987	68,993,023

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity
(in Canadian dollars, except number of common shares)
(Unaudited)

	Share capital ⁽¹⁾		Underwriters' options	Stock options	Contributed surplus	Deficit	Total
	Number ⁽¹⁾	\$	\$	\$	\$	\$	\$
Balance as at September 1, 2021	81,753,844	61,550,590	635,182	3,010,920	4,028,710	(24,892,962)	44,332,440
Income and comprehensive income for the period	-	-	-	-	-	2,747,257	2,747,257
Stock options exercised	340,000	278,960	-	(131,160)	-	-	147,800
Stock options expired / forfeited (Note 12)	-	-	-	(30,720)	30,720	-	-
Stock-based compensation (Note 12)	-	-	-	170,036	-	-	170,036
Share issue expenses	-	(2,882)	-	-	-	-	(2,882)
Balance as at May 31, 2022	82,093,844	61,826,668	635,182	3,019,076	4,059,430	(22,145,705)	47,394,651
Balance as at September 1, 2020	65,788,137	32,685,285	-	2,400,388	3,787,210	(24,342,203)	14,530,680
Income and comprehensive income for the period	-	-	-	-	-	(691,194)	(691,194)
Private placement (Note 10a)	3,333,335	6,000,003	-	-	-	-	6,000,003
Stock options granted (Note 12)	-	-	-	-	-	-	-
Stock options exercised	80,000	120,800	-	(56,800)	-	-	64,000
Stock options expired	-	-	-	(235,760)	235,760	-	-
Stock-based compensation	-	-	-	885,763	-	-	885,763
Share issue expenses	-	(149,694)	-	-	-	-	(149,694)
Balance as at May 31, 2021	69,201,472	38,656,394	-	2,993,591	4,002,970	(25,033,397)	20,639,558

⁽¹⁾ There were no common shares that were unpaid as at May 31, 2022 (Nil in 2021).

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

Azimut Exploration Inc.

Statements of Cash Flows

(in Canadian dollars)

(Unaudited)

	Nine months ended	
	May 31,	
	2022	2021
	\$	\$
Cash flows used in operating activities		
Income (loss) for the period	2,747,257	(691,194)
Items not affecting cash		
Depreciation of property and equipment	9,279	8,811
Amortization of intangible assets	1,269	516
Depreciation of right-of-use assets	35,943	35,941
Change in fair value – investments	13,966	(34,307)
Impairment of exploration and evaluation assets	-	353,309
Stock-based compensation cost	170,036	885,763
Unwinding of discount on asset retirement obligations	62,660	-
Recovery of deferred income taxes	(3,383,776)	(881,470)
	<u>(343,366)</u>	<u>(322,631)</u>
Changes in non-cash working capital items		
Amounts receivable	516,474	(208,957)
Prepaid expenses	(69,018)	(4,184)
Accounts payable and accrued liabilities	220,485	149,526
	<u>667,941</u>	<u>(63,615)</u>
	<u>324,575</u>	<u>(386,246)</u>
Cash flows from financing activities		
Private placement	-	6,000,003
Share issue expenses	(2,882)	(203,324)
Stock options exercised	147,800	64,000
Repayment of lease liabilities	(33,915)	(281,950)
	<u>111,003</u>	<u>5,578,729</u>
Cash flows used in investing activities		
Advance received for exploration work, net	3,506,289	300,000
Additions to property and equipment	(18,565)	(7,397)
Additions to intangible assets	(5,625)	(2,449)
Additions to exploration and evaluation assets	(11,560,360)	(7,109,474)
Proceeds from sale of options on E&E assets	20,000	5,931
Addition – Investments	-	(3,916)
Tax credit and mining rights received	87,981	814,088
	<u>(7,970,280)</u>	<u>(6,003,217)</u>
Net change in cash and cash equivalents	<u>(7,534,702)</u>	<u>(810,734)</u>
Cash and cash equivalents – Beginning of the period	<u>27,641,849</u>	<u>5,827,207</u>
Cash and cash equivalents – End of the period	<u>20,107,147</u>	<u>5,016,473</u>
Additional information		
Interest received	(108,380)	(30,619)
Interest paid	13,734	19,115

Additional cash flow information (Note 15)

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements
For the three and nine months ended May 31, 2022
(in Canadian dollars)
(Unaudited)

1 Nature of operations, general information

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 (“TSXV”) under the symbol AZM and on the OTCQX Market (“OTCQX”) under the symbol AZMTF.

Until it is determined that a property contains mineral reserves or resources that can be economically mined, it is classified as an exploration and evaluation (“E&E”) asset. 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 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 the titles 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.

2 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are described below.

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, 2021, 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, 2021. Azimut’s Board of Directors approved the interim financial statements on July 12, 2022.

3 Cash and cash equivalents

As at May 31, 2022, cash and cash equivalents of \$20,107,147 (\$27,641,849 – August 31, 2021) included \$10,130,106 (\$12,089,115 – August 31, 2021) of guaranteed investment certificates bearing interest at 0.50% (0.45% – August 31, 2021), cashable any time without any penalties.

4 Amounts receivable

	As at May 31, 2022 \$	As at August 31, 2021 \$
Tax credit and mining rights receivable	2,437,310	79,963
Commodity taxes	680,359	1,118,665
Amounts receivable	29,290	2,465,477
	<u>3,146,959</u>	<u>3,664,105</u>

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5 Investments

	As at May 31, 2022			As at August 31, 2021		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Captor Capital Corp.	0.380	17,500	6,650	1.550	17,500	27,125
Fury Gold Mines Ltd. *	0.730	2,333	1,703	0.950	2,333	2,216
Monarch Mining Corp. **	0.480	2,092	1,004	0.770	2,092	1,611
Silver Spruce Resources Inc.	0.025	30,000	750	0.045	30,000	1,350
Vision Lithium Inc.	0.110	25,000	2,750	0.105	25,000	2,625
West African Resources Ltd	1.185	37,500	44,443	0.982	37,500	36,825
Yamana Gold Inc. **	6.800	393	2,672	5.570	393	2,189
			<u>59,973</u>			<u>73,941</u>

* On October 9, 2020, Eastmain Resources Inc. ("Eastmain") and Fury Gold Mines Limited ("Fury Gold") completed an arrangement under which each Eastmain share was exchanged for 0.116685115 of a common share of Fury Gold.

** On January 21, 2021, Monarch Gold Corp. ("Monarch") and Yamana Gold Inc. ("Yamana") completed an arrangement under which the former holders of Monarch shares received the following for each share: (i) 0.0376 of a share of Yamana; (ii) \$0.192 in cash from Yamana; and (iii) 0.2 of a share of Monarch Mining Corp.

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.

6 a) Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Vehicles \$	Total \$
Period ended May 31, 2022							
Opening net book amount	1,765	8,602	24,941	108	600,396	178	635,990
Additions	-	-	18,565	-	59,989	-	78,554
Depreciation for the period ⁽¹⁾	(264)	(1,290)	(7,701)	(24)	(134,025)	(39)	(143,343)
Closing net book amount	<u>1,501</u>	<u>7,312</u>	<u>35,805</u>	<u>84</u>	<u>526,360</u>	<u>139</u>	<u>571,201</u>
As at May 31, 2022							
Cost	22,125	29,914	102,726	14,832	1,390,621	3,702	1,563,920
Accumulated depreciation	(20,624)	(22,602)	(66,921)	(14,748)	(864,261)	(3,563)	(992,719)
Net book amount	<u>1,501</u>	<u>7,312</u>	<u>35,805</u>	<u>84</u>	<u>526,360</u>	<u>139</u>	<u>571,201</u>
Year ended August 31, 2021							
Opening net book amount	2,205	10,754	26,652	156	-	254	40,021
Additions	-	-	7,397	-	733,818	-	741,215
Depreciation for the period ⁽¹⁾	(440)	(2,152)	(9,108)	(48)	(133,422)	(76)	(145,246)
Closing net book amount	<u>1,765</u>	<u>8,602</u>	<u>24,941</u>	<u>108</u>	<u>600,396</u>	<u>178</u>	<u>635,990</u>
As at August 31, 2021							
Cost	22,125	29,914	84,161	14,832	1,330,632	3,702	1,485,366
Accumulated depreciation	(20,360)	(21,312)	(59,220)	(14,724)	(730,236)	(3,524)	(849,376)
Net book amount	<u>1,765</u>	<u>8,602</u>	<u>24,941</u>	<u>108</u>	<u>600,396</u>	<u>178</u>	<u>635,990</u>

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6 b) Right-of-use assets

	Office \$	Elmer Camp \$	Total \$
May 31, 2022			
Opening net book amount	128,326	-	128,326
Depreciation for the period ⁽¹⁾	(35,943)	-	(35,943)
Closing net book amount	92,383	-	92,383
As at May 31, 2022			
Cost	224,174	-	224,174
Accumulated depreciation	(131,791)	-	(131,791)
Net book amount	92,383	-	92,383
Year ended August 31, 2021			
Opening net book amount	176,250	350,701	526,951
Additions	-	48,403	48,403
Depreciation for the year ⁽¹⁾	(47,924)	(399,104)	(447,028)
Closing net book amount	128,326	-	128,326
As at August 31, 2021			
Cost	224,174	549,404	773,578
Accumulated depreciation	(95,848)	(549,404)	(645,251)
Net book amount as at August 31, 2021	128,326	-	128,326

⁽¹⁾ The depreciation of property & equipment and right-of-use assets is included in the E&E assets in the amount of \$134,064 (\$532,602 – August 31, 2021).

On April 16, 2021, the Company exercised its right to purchase the Elmer Camp from the contractor for a consideration of \$1 after the final rent payment of \$50,000 was paid. All the benefits and risks incidental to the ownership of the camp were transferred to the Company.

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7 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

Change in E&E assets in 2022

Mineral property	Undivided interest	Cost as at August 31, 2021	Additions	Option payments	Tax credit	Cost as at May 31, 2022	Accumulated impairment as at August 31, 2021	Impairment	Accumulated impairment as at May 31, 2022	Net book amount as at May 31, 2022
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold										
Elmer	(a)	100								
Acquisition costs		148,220	11,676	-	-	159,896	-	-	-	159,896
Exploration costs		10,312,568	10,785,587	-	-	21,098,155	-	-	-	21,098,155
		10,460,788	10,797,263	-	-	21,258,051	-	-	-	21,258,051
SOQUEM	(b)	50								
Acquisition costs		169,837	13,848	-	-	183,685	-	-	-	183,685
Exploration costs		2,081,342	19,244	-	-	2,100,586	-	-	-	2,100,586
		2,251,179	33,092	-	-	2,284,271	-	-	-	2,284,271
Dalmas	(c)	50								
Acquisition costs		5,923	1,120	-	-	7,043	-	-	-	7,043
Exploration costs		48,511	6	-	-	48,517	-	-	-	48,517
		54,434	1,126	-	-	55,560	-	-	-	55,560
Galinée	(d)	50								
Acquisition costs		18,573	25,965	-	-	44,538	-	-	-	44,538
Exploration costs		92,753	1,848	-	-	94,601	-	-	-	94,601
		111,326	27,813	-	-	139,139	-	-	-	139,139
Eleonore South	(e)	23.77								
Acquisition costs		60,546	3,700	-	-	64,246	-	-	-	64,246
Exploration costs		1,571,699	43,995	-	-	1,615,694	-	-	-	1,615,694
		1,632,245	47,695	-	-	1,679,940	-	-	-	1,679,940
Opinaca A	(f)	50								
Acquisition costs		35,798	-	-	-	35,798	(30,581)	-	(30,581)	5,217
Exploration costs		40,399	-	-	-	40,399	(28,780)	-	(28,780)	11,619
		76,197	-	-	-	76,197	(59,361)	-	(59,361)	16,836
Opinaca B	(g)	25								
Acquisition costs		2,045	-	-	-	2,045	-	-	-	2,045
Exploration costs		6,397	-	-	-	6,397	-	-	-	6,397
		8,442	-	-	-	8,442	-	-	-	8,442
Opinaca D		100								
Acquisition costs		121,608	-	-	-	121,608	(117,835)	-	(117,835)	3,773
Exploration costs		246,358	94	-	-	246,452	(235,451)	-	(235,451)	11,001
		367,966	94	-	-	368,060	(353,286)	-	(353,286)	14,774
Wabamisk	(h)	49								
Acquisition costs		2,878	-	-	-	2,878	-	-	-	2,878
Exploration costs		28,613	5,731	-	-	34,344	-	-	-	34,344
		31,491	5,731	-	-	37,222	-	-	-	37,222

Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements
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7 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2022 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2021	Additions	Option payments	Tax credit	Cost as at May 31, 2022	Accumulated impairment as at August 31, 2021	Impairment	Accumulated impairment as at May 31, 2022	Net book amount as at May 31, 2022
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold (cont'd)										
Corvet	(i)	100								
Acquisition costs		63,857	12,768	-	-	76,625	-	-	-	76,625
Exploration costs		9,934	19,058	-	-	28,992	-	-	-	28,992
		73,791	31,826	-	-	105,617	-	-	-	105,617
Kukamas	(j)	100								
Acquisition costs		66,987	16,048	-	-	83,035	-	-	-	83,035
Exploration costs		27,204	28,097	-	-	55,301	-	-	-	55,301
		94,191	44,145	-	-	138,336	-	-	-	138,336
Wapatik	(k)	100								
Acquisition costs		13,880	-	(13,880)	-	-	-	-	-	-
Exploration costs		42,077	-	(6,120)	-	35,957	-	-	-	35,957
		55,957	-	(20,000)	-	35,957	-	-	-	35,957
Pilipas		100								
Acquisition costs		20,790	-	-	-	20,790	-	-	-	20,790
Exploration costs		15,084	15,700	-	-	30,784	-	-	-	30,784
		35,874	15,700	-	-	51,574	-	-	-	51,574
Kaanaayaa		100								
Acquisition costs		107,697	-	-	-	107,697	-	-	-	107,697
Exploration costs		47,579	46,493	-	-	94,072	-	-	-	94,072
		155,276	46,493	-	-	201,769	-	-	-	201,769
Synclinal *	(i)	100								
Acquisition costs		19,597	-	-	-	19,597	(19,597)	-	(19,597)	-
Exploration costs		45	-	-	-	45	(45)	-	(45)	-
		19,642	-	-	-	19,642	(19,642)	-	(19,642)	-
Other		100								
Acquisition costs		44,116	3,120	-	-	47,236	(28,354)	-	(28,354)	18,882
Exploration costs		37,396	(3,120)	-	-	34,276	(29,662)	-	(29,662)	4,614
		81,512	-	-	-	81,512	(58,016)	-	(58,016)	23,496
Total James Bay – Gold		15,510,311	11,050,978	(20,000)	-	26,541,289	(490,305)	-	(490,305)	26,050,984
James Bay – Chromium-PGE										
Chromaska		100								
Acquisition costs		32,929	2,738	-	-	35,667	(32,929)	-	(32,929)	2,738
Exploration costs		916,580	17	-	-	916,597	(916,580)	-	(916,580)	17
Total James Bay – Chromium-PGE		949,509	2,755	-	-	952,264	(949,509)	-	(949,509)	2,755

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7 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2022 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2021	Additions	Option payments	Tax credit	Cost as at May 31, 2022	Accumulated impairment as at August 31, 2021	Impairment	Accumulated impairment as at May 31, 2022	Net book amount as at May 31, 2022
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Base Metals										
Mercator	100									
Acquisition costs		53,001	-	-	-	53,001	-	-	-	53,001
Exploration costs		10,347	23,444	-	-	33,791	-	-	-	33,791
		63,348	23,444	-	-	86,792	-	-	-	86,792
Corne	100									
Acquisition costs		26,727	-	-	-	26,727	-	-	-	26,727
Exploration costs		10,936	22,220	-	-	33,156	-	-	-	33,156
		37,663	22,220	-	-	59,883	-	-	-	59,883
JBN	100									
Acquisition costs		-	152,422	-	-	152,422	-	-	-	152,422
Exploration costs		-	24,892	-	-	24,892	-	-	-	24,892
		-	177,314	-	-	177,314	-	-	-	177,314
Others *	100									
Acquisition costs		11,175	-	-	-	11,175	(7,551)	-	(7,551)	3,624
Exploration costs		2,844	-	-	-	2,844	(2,844)	-	(2,844)	-
		14,019	-	-	-	14,019	(10,395)	-	(10,395)	3,624
Total James Bay – Base Metals		115,030	222,978	-	-	338,008	(10,395)	-	(10,395)	327,613
Total James Bay		16,574,850	11,276,711	(20,000)	-	27,831,561	(1,450,209)	-	(1,450,209)	26,381,352
Nunavik – Gold										
Rex-Duquet	(1 & m)	100								
Acquisition costs		1,286,736	-	-	-	1,286,736	(1,054,369)	-	(1,054,369)	232,367
Exploration costs		4,085,084	40,960	-	-	4,126,044	(3,134,729)	-	(3,134,729)	991,315
		5,371,820	40,960	-	-	5,412,780	(4,189,098)	-	(4,189,098)	1,223,682
Rex South	(m)	100								
Acquisition costs		453,353	-	-	-	453,353	(104,513)	-	(104,513)	348,840
Exploration costs		445,968	95,680	-	-	541,648	(145,089)	-	(145,089)	396,559
		899,321	95,680	-	-	995,001	(249,602)	-	(249,602)	745,399
Nantais	(m)	100								
Acquisition costs		172,357	-	-	-	172,357	(95,299)	-	(95,299)	77,058
Exploration costs		325,144	-	-	-	325,144	(204,913)	-	(204,913)	120,231
		497,501	-	-	-	497,501	(300,212)	-	(300,212)	197,289
NCG *	100									
Acquisition costs		738,282	-	-	-	738,282	(738,282)	-	(738,282)	-
Exploration costs		982,241	-	-	-	982,241	(982,241)	-	(982,241)	-
		1,720,523	-	-	-	1,720,523	(1,720,523)	-	(1,720,523)	-
Total Nunavik – Gold		8,489,165	136,640	-	-	8,625,805	(6,459,435)	-	(6,459,435)	2,166,370

Azimut Exploration Inc.

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7 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2022 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2021	Additions	Option payments	Tax credit	Cost as at May 31, 2022	Accumulated impairment as at August 31, 2021	Impairment	Accumulated impairment as at May 31, 2022	Net book amount as at May 31, 2022
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Base Metal										
Doran	100									
Acquisition costs		59,732	-	-	-	59,732	-	-	-	59,732
Exploration costs		8,906	17,363	-	-	26,269	-	-	-	26,269
Total Nunavik – Base Metal		68,638	17,363	-	-	86,001	-	-	-	86,001
Nunavik – Diamond										
Diamrex	100									
Acquisition costs		-	52,948	-	-	52,948	-	-	-	52,948
Exploration costs		-	13,993	-	-	13,993	-	-	-	13,993
Total Nunavik – Diamond		-	66,941	-	-	66,941	-	-	-	66,941
Nunavik – Uranium										
North Rae *	100									
Acquisition costs		484,838	139	-	-	484,977	(484,838)	-	(484,838)	139
Exploration costs		709,305	-	-	-	709,305	(709,305)	-	(709,305)	-
Total Nunavik – Uranium		1,194,143	139	-	-	1,194,282	(1,194,143)	-	(1,194,143)	139
Total Nunavik		9,751,946	221,083	-	-	9,973,029	(7,653,578)	-	(7,653,578)	2,319,451
Total E&E assets		26,326,796	11,497,794	(20,000)	-	37,804,590	(9,103,787)	-	(9,103,787)	28,700,803

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

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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 retained 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.

On May 31, 2021, Azimut has fulfilled its obligations to exercise its back-in option to regain a 50% interest in the SOQUEM Properties.

- 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.

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.

- 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.

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.

- 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”), and Eastmain Resources Inc. (“Eastmain Resources”). The Eleonore South Property included 166 claims of the former 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, 2022, the ownership of the Eleonore South Property is as follows: Azimut 23.77%, Newmont 38.11% and Eastmain Resources 38.12%.

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7 Exploration and evaluation assets (cont'd)

- f) The Opinaca A Property is a 50/50 JV project with Everton Resources Inc. (“Everton”). Everton earned its interest in March 2010 by making cumulative cash payments of \$180,000 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.

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. The Company owns 25% interest in the Opinaca B Property.

- h) The Wabamisk Property is held 49% by Azimut and 51% by Newmont as of August 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, Dalmas (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 Sauvolles and Orsigny properties were impaired in 2019.

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 Wapatik Property was the subject of a letter of offering in which an exclusive offer was made to Mont Royal Resources Limited (“Mont Royal”) in exchange for a cash payment of \$20,000 to Azimut. On September 21, 2020, the Company granted Mont Royal the option to earn a 50% interest in the Wapatik Property by making cash payments to Azimut aggregating \$80,000, funding a minimum \$4 million in work expenditures over four (4) years and performing a minimum 4,000 metres of diamond drilling. Under the terms of the agreement, Mont Royal may earn an additional 20% interest, for a total interest of 70%, by making an additional cash payment of \$120,000 and incurring an additional \$3 million in work expenditures over three (3) years from the election date, and by delivering a preliminary economic assessment under National Instrument 43-101 on or before the third (3rd) anniversary of the election notice.
- l) 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. The Duquet Property was grouped with the Rex property to form a single property known as Rex-Duquet Property and subjected to the Nunavik Strategic Alliance (the “Nunavik Alliance”).
- m) 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.

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8 Leases liabilities

The Company leases office space, warehouse facilities and exploration equipment. The office lease is for five (5) years until June 30, 2023, with an option to renew for an additional two years under the same conditions. The Company is not considering exercising the renewal option since it may need a different location to accommodate the growth in the Company's business and to take advantage of current economic conditions that would allow the Company to negotiate favourable lease terms. The warehouses and exploration equipment are under monthly leases and considered low-value items. The Company has elected not to recognize right-of-use assets or lease liabilities for these leases.

	May 31, 2022	August 31, 2021
	\$	\$
Opening balance	118,658	364,722
Addition	-	48,403
Principal repayment for the period	(33,915)	(294,467)
Ending balance	84,743	118,658
Less: Current lease liability	11,305	45,220
Non-current lease liability	73,438	73,438

9 Asset retirement obligations

	May 31, 2022	August 31, 2021
	\$	\$
Balance – Beginning of the period	987,764	251,480
Change in estimate	59,989	733,818
Unwinding of discount on asset retirement obligations	62,660	2,466
Balance – End of period	1,110,413	987,764

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to \$1,484,612. A discount rate of 1.96% (0.25% – August 31, 2021) was used to estimate the obligations in 2022. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2026. If the Company decides to discontinue its exploration of the Rex or Rex South properties, it is assumed that the asset retirement obligations will be settled in 2026. Should the Company decide to continue its activity on the Rex or Rex South properties by itself or through a partner, the obligations 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.

10 Share capital

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

a) Issuance of common shares

On September 14, 2020, the Company completed a non-brokered private placement of 3,333,335 common shares at a price of \$1.80 per share for aggregate gross proceeds of \$6,000,003. An amount of \$202,381 was paid in respect of the offering for the share issuance expense.

On July 16, 2021, the Company completed a bought deal private placement financing with a syndicate of underwriters (the "Underwriters") for total gross proceeds of \$28,749,245, consisting of 3,463,900 flow-through shares at a price of \$3.32 per share and 9,078,472 common shares at a price of \$1.90 per share, which includes the exercise of the Underwriters' option to purchase 1,973,172 additional shares. The Underwriters received: (a) a cash commission of \$1,380,299 and (b) 501,695 non-transferable compensation options, representing 4% of the total number of offered shares sold under the offering, each exercisable for one common share of the Company at a price of \$1.90 per share until January 16, 2023. The estimated fair value of \$635,182 was determined by the Black-Scholes pricing model using the following assumptions: risk-free interest of 0.43%, expected life of 24 months, annualized volatility rate of 100% (based on the Company's historical volatility for 24 months up to the issuance date) and dividend rate of 0%. A total of \$1,062,014 was paid in respect of the offering for the share issuance expense, including the portion allocated to the flow-through share premium liability.

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10 Share capital (cont'd)

b) Issuance of flow-through shares

	May 31, 2022	August 31, 2021
	\$	\$
Flow-through share premium – Beginning of period	3,399,557	935,100
Addition	-	3,487,984
Amortization	<u>(3,383,776)</u>	<u>(1,023,527)</u>
Flow-through share premium – End of period	<u>15,781</u>	<u>3,399,557</u>

On July 16, 2021, the Company completed a private placement by issuing 3,463,900 flow-through shares at a price of \$3.32 per share for aggregate gross proceeds of \$11,500,148. The flow-through shares were issued at a \$1.07 premium on the closing price of the Company shares on the TSXV at the day of issue (\$2.25). The premium, recognized as a flow-through share premium liability of \$3,706,373, was reduced by \$218,389 allocated to share issuance expenses. A subsequent pro-rata reduction of the liability is recognized as a tax recovery expense as the eligible expenditures are incurred.

As at May 31, 2022, an amount of \$49,668 remains to be incurred, pursuant to the flow-through financing agreement.

11 Underwriters' options

The following table presents the Underwriters' compensation option information as at May 31, 2022:

	Number	Weighted average exercise price \$
Outstanding (unchanged from August 31, 2021)	<u>501,695</u>	<u>1.90</u>

12 Stock option plan

The Company maintains a stock option plan in which a maximum of 8,190,000 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 81,903,844 common shares issued and outstanding as at April 4, 2022, 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 TSXV on the day before the grant date. The options have a maximum term of ten (10) years following the grant date. 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 vest immediately unless otherwise approved and disclosed by the Board of Directors.

The following tables summarize the information about stock options outstanding and their vesting status as at May 31, 2022:

	May 31, 2022		August 31, 2021	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	5,085,000	0.72	4,480,000	0.67
Granted	512,000	1.26	1,007,000	1.00
Exercised	(340,000)	0.43	(90,000)	0.82
Expired / Forfeited	<u>(112,000)</u>	<u>1.49</u>	<u>(312,000)</u>	<u>0.87</u>
Outstanding – End of period	<u>5,145,000</u>	<u>0.77</u>	<u>5,085,000</u>	<u>0.72</u>
Vested – End of period	<u>4,803,000</u>		<u>4,950,000</u>	

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12 Stock option plan (cont'd)

Exercise price \$	Options outstanding	Options vested	Weighted average remaining contractual life (years)
Between 0.19 – 0.50	1,930,000	1,930,000	3.71
Between 0.51 – 1.00	1,545,000	1,545,000	6.69
Between 1.01 – 1.50	1,635,000	1,293,000	7.91
Between 1.51 – 2.00	35,000	35,000	5.90
	<u>5,145,000</u>	<u>4,803,000</u>	<u>5.95</u>

On December 19, 2019, the Company granted 150,000 stock options to an employee with an exercise price of \$0.50 per option. Of this total, 50,000 vested immediately, 50,000 on December 19, 2020, and the remaining 50,000 on December 19, 2021. The fair value of the granted options amounted to \$58,500, of which an amount of \$2,994 was charged to general exploration during the period. 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% based on the Company's historical volatility, and dividend rate of 0%.

On October 1, 2020, the Company granted 120,000 stock options to employees with an exercise price of \$1.07 per option. Of this total, 25,000 vested immediately, 45,000 on April 1, 2021, and 25,000 on October 1, 2021. The remaining 25,000 were forfeited upon an employee's departure. Considering the forfeited factor, the fair value of the granted options amounted to \$106,043. An amount of \$9,300 was charged to general exploration during the period. The fair value of \$0.89 per option was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.60%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On January 6, 2021, the Company granted 50,000 stock options to employees with an exercise price of \$1.12 per option. Of this total, 10,000 vested immediately, 15,000 on July 6, 2021, and the remaining 25,000 on January 6, 2022. The fair value of the granted options amounted to \$47,000, of which \$8,222 was charged to general exploration during the period. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.75%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On June 1, 2021, the Company granted 10,000 stock options to an employee with an exercise price of \$1.55 per option. Of this total, 5,000 vested on December 1, 2021. The remaining 5,000 were forfeited upon the employee's departure. Considering the forfeited factor, the fair value of the granted options amounted to \$11,355. An amount of \$6,497 was charged to general exploration during the period. The fair value of \$1.30 per option was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.50%, expected life of 10 years, annualized volatility rate of 86% based on the Company's historical volatility, and dividend rate of 0%.

On November 2, 2021, the Company granted 12,000 stock options to an employee with an exercise price of \$1.76 per option. Of this total, 6,000 vested on May 2, 2022. The remaining 6,000 were forfeited upon the employee's departure. Considering the forfeited factor, the fair value of the granted options amounted to \$8,826. An amount of \$8,826 was charged to general exploration during the period. The fair value of \$1.50 per option was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.72%, expected life of 10 years, annualized volatility rate of 86% based on the Company's historical volatility, and dividend rate of 0%.

On December 13, 2021, the Company granted 100,000 stock options to an employee with an exercise price of \$1.40 per option. Of this total, 25,000 vested immediately, 25,000 will vest on December 13, 2022, 25,000 on December 13, 2023, and the remaining 25,000 on December 13, 2024. Considering a forfeited factor in anticipation of the employee's departure, the fair value of the granted options amounted to \$43,451. An amount of \$43,451 was charged to general exploration during the period. The fair value of \$1.25 per option was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.41%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%

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12 Stock option plan (cont'd)

On May 10, 2022, the Company granted 100,000 stock options to an employee with an exercise price of \$1.25 per option. Of this total, 33,000 vested immediately, 33,000 will vest on May 10, 2023, and the remaining 34,000 on May 10, 2024. The fair value of the granted options amounted to \$95,000, of which an amount of \$33,329 was charged to general exploration during the period. The fair value of \$0.95 per option was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 2.95%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On May 16, 2022, the Company granted 300,000 stock options to an employee with an exercise price of \$1.20 per option. Of this total, 50,000 vested immediately, 50,000 will vest on May 16, 2023, 75,000 on May 16, 2024, 75,000 on May 16, 2025, and the remaining 50,000 on May 16, 2026. The fair value of the granted options amounted to \$312,000, of which an amount of \$57,416 was charged to general and administrative expenses during the period. The fair value of \$1.04 per option was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 2.95%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

13 Expenses by nature

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and fringe benefits	315,335	27,277	130,989	130,432
Professional and maintenance fees	31,284	11,967	93,417	184,583
Administration and office	19,682	29,960	72,365	69,499
Business development and administration fees	19,080	9,760	92,626	21,141
Advertising	2,146	-	6,434	7,663
Rent	435	480	1,495	1,450
Insurance	11,275	6,401	31,682	18,863
Conferences and meeting	28,829	36,275	44,255	54,083
Depreciation of property and equipment	3,481	3,125	9,279	8,811
Amortization of intangible assets	657	172	1,269	516
Depreciation of right-of-use asset	11,981	11,981	35,943	35,941
Part XII.6 Tax	-	-	-	262
Trademark	-	-	-	3,527
Stock-based compensation	57,416	606,800	57,416	606,800
General and administrative expenses	501,601	744,198	577,170	1,143,571
Salaries for search of properties	(12,724)	(22,367)	21,076	-
Other exploration expenses	916	1,708	13,862	5,797
Stock-based compensation	33,329	112,759	112,620	278,963
General exploration	21,521	92,100	147,558	284,760

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14 Related party transactions

Compensation of key management

Key management includes the directors, the chief executive officer (“CEO”), the chief financial officer (“CFO”), and the Vice-President Corporate Development (starting May 16, 2022) (“VP”). The Vice-President Technology and Business Development vacated the position on December 1, 2021. The compensation paid or payable for services provided by key management is as follows:

	Nine months ended May 31,	
	2022	2021
	\$	\$
Salaries	398,119	413,266
Director fees	65,875	34,158
Stock-based payment	57,416	561,700
	<u>521,410</u>	<u>1,009,124</u>

An amount of \$188,113 for salaries (\$252,684 in 2021) is capitalized to E&E assets.

As at May 31, 2022, accounts payable and accrued liabilities include an amount of \$193,733 (\$314,502 at May 31, 2021) owed to key management. These amounts are unsecured, non-interest bearing and due on demand.

If termination of employment is for reasons other than gross negligence, the CEO and CFO will be entitled to receive an indemnity equal to twelve (12) months of salary, and the VP shall be entitled to receive an indemnity equal to twelve (12) weeks of salary after completing the first year of employment, increasing by four (4) weeks for every additional year of employment to a maximum of one (1) year of salary. The indemnity paid must not represent more than 10% of the Company’s cash and cash equivalents at such time. As at May 31, 2022, the entitled indemnity amounted to \$530,000.

In the event of a change of control or a termination of employment following a change of control, the CEO will be entitled to receive an indemnity of \$680,000, equal to twenty-four (24) months of salary. The VP will be entitled to receive an indemnity of \$267,000 within the twelve (12) months following the change of control, equal to sixteen (16) months of salary. The CFO will be entitled to receive an indemnity of \$285,000, equal to eighteen (18) months of salary.

15 Additional cash flow information

	Nine months ended May 31,	
	2022	2021
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	2,753,180	2,294,053
Depreciation of property & equipment and right-of-use assets included in E&E assets	134,064	399,162
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	-	1,652,640