

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements
November 30, 2022

Azimut Exploration Inc.

Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at November 30, 2022 \$	As at August 31, 2022 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	10,537,812	14,035,435
Amounts receivable (Note 4)	1,686,145	4,049,680
Asset available for sale (Note 5)	-	1,906,238
Prepaid expenses	109,627	129,740
	<u>12,333,584</u>	<u>20,121,093</u>
Non-current assets		
Tax credit and mining rights receivable (Note 4)	4,116,570	2,387,064
Investments (Note 6)	51,559	51,940
Property and equipment (Note 7)	1,509,644	1,550,062
Intangible assets (less accumulated amortization of \$26,329; \$25,822 as at August 31, 2022)	6,252	6,759
Right-of-use assets (Note 8)	69,419	80,402
Exploration and evaluation assets (Note 9)	32,331,977	30,007,786
	<u>38,085,421</u>	<u>34,084,013</u>
Total assets	<u>50,419,005</u>	<u>54,205,106</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	3,110,121	4,985,145
Advances received for exploration work	546,686	458,196
Lease liabilities (Note 10)	27,732	36,976
	<u>3,684,539</u>	<u>5,480,317</u>
Non-current liabilities		
Lease liabilities (Note 10)	36,462	36,462
Asset retirement obligations (Note 11)	1,536,846	1,513,102
	<u>1,573,308</u>	<u>1,549,564</u>
Total liabilities	<u>5,257,848</u>	<u>7,029,881</u>
Equity		
Share capital (Note 12)	59,674,728	61,933,968
Underwriters' options (Note 13)	635,182	635,182
Stock options (Note 14)	3,812,579	3,779,214
Contributed surplus	4,102,973	4,102,973
Deficit	(23,064,304)	(23,276,112)
Total equity	<u>45,161,158</u>	<u>47,175,225</u>
Total liabilities and equity	<u>50,419,005</u>	<u>54,205,106</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

Azimut Exploration Inc.

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

For the three-month period ended November 30, 2022

(in Canadian dollars, except number of common shares)

(Unaudited)

	Three-month period ended November 30,	
	2022	2021
	\$	\$
Revenues		
Operator income (Notes 9a, b and f)	24,810	25,811
Expenses		
General and administrative (Note 15)	244,072	129,796
General exploration (Note 15)	15,503	61,052
Operating expenses	259,575	190,848
Financing cost (income), net		
Interest income	(100,103)	(34,835)
Interest and bank charges	395	365
Unwinding of discount on asset retirement obligations (Note 12)	23,744	6,825
Interest on lease liabilities	6,803	4,578
	(69,161)	(23,067)
Other losses (gains)		
Gain on sale of asset available for sale (Note 5)	(377,793)	-
Change in fair value – investments	381	(4,594)
	(377,412)	(4,594)
Loss (earnings) before income taxes	(211,808)	137,376
Deferred income tax recovery (Note 12b)	-	(650,567)
Net earnings and comprehensive income for the period	211,808	513,191
Basic and diluted net earnings per share (Note 17)	0.003	0.006
Weighted average number of shares outstanding (Note 17)	79,595,823	81,753,844

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity

For the three-month period ended November 30, 2022

(in Canadian dollars, except number of common shares)

(Unaudited)

	Share capital		Underwriters' options	Stock options	Contributed surplus	Deficit	Total
	Number ⁽¹⁾	\$	\$	\$	\$	\$	\$
Balance as at September 1, 2022	82,193,844	61,933,968	635,182	3,779,214	4,102,973	(23,276,112)	47,175,225
Net earnings and comprehensive income for the period	-	-	-	-	-	211,808	211,808
Common shares returned to treasury (Note 5)	(2,900,000)	(2,291,000)	-	-	-	-	(2,291,000)
Stock options exercised (Note 14)	90,000	31,760	-	(14,460)	-	-	17,300
Stock-based compensation (Note 14)	-	-	-	47,825	-	-	47,825
Balance as at November 30, 2022	<u>79,383,844</u>	<u>59,674,728</u>	<u>635,182</u>	<u>3,812,579</u>	<u>4,102,973</u>	<u>(23,064,304)</u>	<u>45,161,158</u>
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	-	-	-	-	-	513,191	513,191
Stock options expired/cancelled	-	-	-	(30,720)	30,720	-	-
Stock-based compensation	-	-	-	20,894	-	-	20,894
Share issue expenses	-	(2,567)	-	-	-	-	(2,567)
Balance as at November 30, 2021	<u>81,753,844</u>	<u>61,548,023</u>	<u>635,182</u>	<u>3,001,094</u>	<u>4,059,430</u>	<u>(24,379,771)</u>	<u>44,863,958</u>

No common shares were unpaid as at November 30, 2022 (Nil in 2021).

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

Azimut Exploration Inc.

Statements of Cash Flows

For the three-month period ended November 30, 2022

(in Canadian dollars)

(Unaudited)

	Three-month period ended	
	November 30,	
	2022	2021
	\$	\$
Cash flows from (used in) operating activities		
Net earnings for the period	211,808	513,191
Items not affecting cash		
Depreciation of property and equipment	3,176	2,745
Amortization of intangible assets	507	259
Depreciation of right-of-use assets	10,983	11,981
Change in fair value – investments	381	(4,594)
Gain on sale of asset available for sale	(377,793)	-
Stock-based compensation cost	47,825	20,894
Unwinding of discount on asset retirement obligations	23,744	6,825
Recovery of deferred income taxes	-	(650,567)
	<u>(79,369)</u>	<u>(99,266)</u>
Changes in non-cash working capital items		
Amounts receivable	(23,683)	104,007
Prepaid expenses	20,113	13,350
Accounts payable and accrued liabilities	(219,523)	291,861
	<u>(223,093)</u>	<u>409,218</u>
	<u>(302,462)</u>	<u>309,952</u>
Cash flows from (used in) financing activities		
Share issue expenses	-	(2,567)
Stock options exercised	17,300	-
Repayment of lease liabilities	(9,244)	(11,290)
	<u>8,056</u>	<u>(13,857)</u>
Cash flows from (used) used in investing activities		
Advance received for exploration work, net	600,000	2,350,000
Additions to property and equipment	(26,266)	(9,295)
Additions to intangible assets	-	(1,250)
Additions to exploration and evaluation assets	(6,257,173)	(3,466,517)
Cost related to sale of asset available for sale	(6,969)	-
Proceeds from sale of investments	20,000	20,000
Tax credit and mining rights received	2,467,192	-
	<u>(3,203,216)</u>	<u>(1,107,062)</u>
Net change in cash and cash equivalents	<u>(3,497,623)</u>	<u>(810,967)</u>
Cash and cash equivalents – Beginning of the period	<u>14,035,435</u>	<u>27,641,849</u>
Cash and cash equivalents – End of the period	<u>10,537,812</u>	<u>26,830,882</u>
Additional information		
Interest received	(100,102)	(34,835)
Interest paid	7,198	4,943
Additional cash flow information (Note 18)		

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

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

1 Nature of operations and 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 at 110 De La Barre Street, Suite 224, Longueuil, Quebec, Canada. The mining and mineral exploration business 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 economically recoverable ore reserves. 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 the 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 preparing 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, 2022, 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 fiscal year ended August 31, 2022. The Board of Directors approved the interim financial statements on January 26, 2023.

3 Cash and cash equivalents

As at November 30, 2022, cash and cash equivalents of \$10,537,812 (\$14,035,435 – August 31, 2022) included \$8,216,077 (\$9,163,858 – August 31, 2022) of guaranteed investment certificates bearing interest at 2.50% (1.95% – August 31, 2022), cashable any time without any penalties.

4 Amounts receivable

	As at November 30, 2022 \$	As at August 31, 2022 \$
Tax credit and mining rights receivable	4,116,570	4,824,375
Less: Tax credit and mining rights receivable – non-current	<u>4,116,570</u>	<u>2,387,064</u>
Tax credit and mining rights receivable – current	-	2,437,310
Commodity taxes	1,363,400	834,814
Amounts receivable	<u>322,745</u>	<u>777,556</u>
Current amounts receivable	<u>1,686,145</u>	<u>4,049,680</u>

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

5 Available for sale asset

On August 8, 2022, Azimut and two affiliates of Newmont Corporation (“Newmont”) and an affiliate of Fury Gold Mines Limited (“Fury”) entered into an agreement for the sale of Azimut’s 23.77% participating interest in the Eleonore South Joint Venture (the “ELSJV”) to Newmont and Fury (the “ELSJV Transaction”). In consideration for the sale of its interest in the ELSJV, Azimut will receive 2.9 million of the Company’s shares that Newmont directly or indirectly controlled.

The ELSJV Transaction closed on September 9, 2022. The 2.9 million common shares were returned to Azimut’s treasury for cancellation at a fair value of \$0.79 per Azimut’s common share for a total of \$2,291,000, resulting in the reduction of Azimut’s common shares issued and outstanding to 79,293,844.

Participating interest in the ELSJV ⁽¹⁾

Opening balance – August 31, 2022*	1,906,238
Consideration received and returned to Azimut's treasury at fair value*	(2,291,000)
Costs related to the transaction	6,969
Gain on disposition of participating interest in the ELSJV	377,793
Ending balance – November 30, 2022	-

* 2,900,000 common shares of Azimut at a price of \$0.79 as at September 9, 2022 (\$0.89 as at August 31, 2022)

⁽¹⁾ Azimut has classified its 23.77% participating interest in the ELSJV as an available-for-sale asset under current assets at the lower of the carrying amount and the fair value less costs to sell.

6 Investments

	As at November 30, 2022			As at August 31, 2022		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Captor Capital Corp.	0.250	17,500	4,375	0.150	17,500	2,625
Fury Gold Mines Ltd.	0.500	2,333	1,167	0.530	2,333	1,236
Monarch Mining Corp.	0.065	2,092	136	0.380	2,092	795
Silver Spruce Resources Inc.	0.020	30,000	600	0.020	30,000	600
Vision Lithium Inc.	0.115	25,000	2,875	0.065	25,000	1,625
West African Resources Ltd	1.054	37,500	39,526	1.141	37,500	42,779
Yamana Gold Inc.	7.330	393	2,881	5.800	393	2,279
			<u>51,559</u>			<u>51,940</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 Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

7 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp ⁽¹⁾ \$	Vehicles \$	Total \$
Period ended November 30, 2022							
Opening net book value	1,413	6,882	33,238	76	1,508,327	126	1,550,062
Additions	-	-	7,016	-	19,250	-	26,266
Depreciation for the period ⁽¹⁾	(71)	(344)	(2,756)	(6)	(63,497)	(10)	(66,684)
Closing net book value	1,342	6,538	37,498	70	1,464,080	116	1,509,644
As at November 30, 2022							
Cost	22,125	29,914	109,742	14,832	2,316,301	3,702	2,496,616
Accumulated depreciation	(20,783)	(23,376)	(72,244)	(14,762)	(852,221)	(3,586)	(986,972)
Net book value	1,342	6,538	37,498	70	1,464,080	116	1,509,644
Year ended August 31, 2022							
Opening net book value	1,765	8,602	24,941	108	600,396	178	635,990
Additions	-	-	18,565	-	966,419	-	984,984
Depreciation for the period ⁽¹⁾	(352)	(1,720)	(10,268)	(32)	(58,488)	(52)	(70,912)
Closing net book value	1,413	6,882	33,238	76	1,508,327	126	1,550,062
As at August 31, 2022							
Cost	22,125	29,914	102,726	14,832	2,297,051	3,702	2,470,350
Accumulated depreciation	(20,712)	(23,032)	(69,488)	(14,756)	(788,724)	(3,576)	(920,288)
Net book value	1,413	6,882	33,238	76	1,508,327	126	1,550,062

⁽¹⁾ Depreciation of property and equipment included in E&E assets in the amount of \$63,507 (\$58,540 – August 31, 2022)

8 Right-of-use assets

	As at November 30, 2022 \$	As at August 31, 2022 \$
Opening net book value	80,402	128,326
Depreciation for the period ⁽¹⁾	(10,983)	(47,924)
Closing net book value	69,419	80,402
Cost	224,174	224,174
Accumulated depreciation	(154,755)	(143,772)
Net book value	69,419	80,402

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

9 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

Change in E&E assets for the period

Mineral property	Undivided interest	Cost as at August 31, 2022	Additions	Option payments	Tax credit	Cost as at November 30, 2022	Accumulated impairment as at August 31, 2022	Accumulated impairment as at November 30, 2022	Net book value as at November 30, 2022
	%	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold									
Elmer	100								
Acquisition costs		159,896	-	-	-	159,896	-	-	159,896
Exploration costs		23,670,147	3,678,335	-	(1,591,700)	25,756,782	-	-	25,756,782
		23,830,043	3,678,335	-	(1,591,700)	25,916,678	-	-	25,916,678
SOQUEM	(a) 50								
Acquisition costs		181,525	775	-	-	182,300	-	-	182,300
Exploration costs		2,314,242	63,380	-	(27,080)	2,350,542	-	-	2,350,542
		2,495,767	64,155	-	(27,080)	2,532,842	-	-	2,532,842
Dalmas-Galinée	(b) 50								
Acquisition costs		51,581	-	-	-	51,581	-	-	51,581
Exploration costs		142,380	252	-	-	142,632	-	-	142,632
		193,961	252	-	-	194,213	-	-	194,213
Opinaca	(c) 25-100								
Acquisition costs		166,159	-	-	-	166,159	(148,416)	(148,416)	17,743
Exploration costs		286,517	31	-	-	286,548	(264,231)	(264,231)	22,317
		452,676	31	-	-	452,707	(412,647)	(412,647)	40,060
Wabamisk	(d) 100								
Acquisition costs		23,838	9,280	-	-	33,118	-	-	33,118
Exploration costs		38,254	252,560	-	(110,200)	180,614	-	-	180,614
		62,092	261,840	-	(110,200)	213,732	-	-	213,732
Wapatik	(e) 100								
Acquisition costs		-	-	-	-	-	-	-	-
Exploration costs		35,957	-	(20,000)	-	15,957	-	-	15,957
		35,957	-	(20,000)	-	15,957	-	-	15,957
Kukamas	(f) 100								
Acquisition costs		86,718	-	(50,000)	-	36,718	-	-	36,718
Exploration costs		57,450	11,085	-	-	68,535	-	-	68,535
		144,168	11,085	(50,000)	-	105,253	-	-	105,253
Other	100								
Acquisition costs		271,942	29,760	-	-	301,702	(57,751)	(57,751)	243,951
Exploration costs		164,427	12,336	-	(7,100)	169,663	(37,397)	(37,397)	132,266
		436,369	42,096	-	(7,100)	471,365	(95,148)	(95,148)	376,217
Total James Bay – Gold		27,651,033	4,057,794	(70,000)	(1,736,080)	29,902,747	(507,795)	(507,795)	29,394,952
James Bay – Chromium-PGE									
Chromaska	100								
Acquisition costs		42,506	3,524	-	-	46,030	(32,929)	(32,929)	13,101
Exploration costs		918,645	5,455	-	(2,380)	921,720	(916,580)	(916,580)	5,140
Total James Bay – Chromium-PGE		961,151	8,979	-	(2,380)	967,750	(949,509)	(949,509)	18,241

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

9 Exploration and evaluation assets (cont'd)

Change in E&E assets for the period (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2022	Additions	Option payments	Tax credit	Cost as at November 30, 2022	Accumulated impairment as at August 31, 2022	Accumulated impairment as at November 30, 2022	Net book value as at November 30, 2022
	%	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Base Metals									
Mercator	100								
Acquisition costs		53,001	-	-	-	53,001	-	-	53,001
Exploration costs		34,254	5,800	-	(2,950)	37,104	-	-	37,104
		<u>87,255</u>	<u>5,800</u>	<u>-</u>	<u>(2,950)</u>	<u>90,105</u>	<u>-</u>	<u>-</u>	<u>90,105</u>
Corne	100								
Acquisition costs		26,727	-	-	-	26,727	-	-	26,727
Exploration costs		33,152	5,700	-	(2,480)	36,372	-	-	36,372
		<u>59,879</u>	<u>5,700</u>	<u>-</u>	<u>(2,480)</u>	<u>63,099</u>	<u>-</u>	<u>-</u>	<u>63,099</u>
Others *	100								
Acquisition costs		7,551	-	-	-	7,551	(7,551)	(7,551)	-
Exploration costs		2,844	-	-	-	2,844	(2,844)	(2,844)	-
		<u>10,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,395</u>	<u>(10,395)</u>	<u>(10,395)</u>	<u>-</u>
Total James Bay – Base Metals		157,529	11,500	-	(5,430)	163,599	(10,395)	(10,395)	153,204
James Bay – Nickel									
JBN	100								
Acquisition costs		352,859	-	-	-	352,859	-	-	352,859
Exploration costs		46,498	26,694	-	(10,940)	62,252	-	-	62,252
		<u>399,357</u>	<u>26,694</u>	<u>-</u>	<u>(10,940)</u>	<u>415,111</u>	<u>-</u>	<u>-</u>	<u>415,111</u>
Total James Bay		29,169,070	4,104,967	(70,000)	(1,754,830)	31,499,207	(1,467,699)	(1,467,699)	29,981,508
Nunavik – Gold									
Rex-Duquet	(g & h)								
Acquisition costs		1,290,271	-	-	-	1,290,271	(1,054,369)	(1,054,369)	235,902
Exploration costs		4,101,701	19,464	-	(2,350)	4,118,815	(3,134,729)	(3,134,729)	984,086
		<u>5,391,972</u>	<u>19,464</u>	<u>-</u>	<u>(2,350)</u>	<u>5,409,086</u>	<u>(4,189,098)</u>	<u>(4,189,098)</u>	<u>1,219,988</u>
Rex South	(h)								
Acquisition costs		453,353	-	-	-	453,353	(104,513)	(104,513)	348,840
Exploration costs		484,771	28,868	-	(2,300)	511,339	(145,089)	(145,089)	366,250
		<u>938,124</u>	<u>28,868</u>	<u>-</u>	<u>(2,300)</u>	<u>964,692</u>	<u>(249,602)</u>	<u>(249,602)</u>	<u>715,090</u>
Nantais	(h)								
Acquisition costs		172,357	-	-	-	172,357	(95,299)	(95,299)	77,058
Exploration costs		325,365	172	-	-	325,537	(204,913)	(204,913)	120,624
		<u>497,722</u>	<u>172</u>	<u>-</u>	<u>-</u>	<u>497,894</u>	<u>(300,212)</u>	<u>(300,212)</u>	<u>197,682</u>
Other	100								
Acquisition costs		738,409	-	-	-	738,409	(738,282)	(738,282)	127
Exploration costs		982,241	-	-	-	982,241	(982,241)	(982,241)	-
		<u>1,720,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,720,650</u>	<u>(1,720,523)</u>	<u>(1,720,523)</u>	<u>127</u>
Total Nunavik – Gold		8,548,468	48,504	-	(4,650)	8,592,322	(6,459,435)	(6,459,435)	2,132,887

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

9 Exploration and evaluation assets (cont'd)

Change in E&E assets for the period (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2022	Additions	Option payments	Tax credit	Cost as at November 30, 2022	Accumulated impairment as at August 31, 2022	Accumulated impairment as at November 30, 2022	Net book value as at November 30, 2022
	%	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Base Metals									
Doran	100								
Acquisition costs		59,732	-	-	-	59,732	-	-	59,732
Exploration costs		19,817	200	-	-	20,017	-	-	20,017
Total Nunavik – Base Metals		79,549	200	-	-	79,749	-	-	79,749
Nunavik – Diamonds									
Diamrex	100								
Acquisition costs		52,948	-	-	-	52,948	-	-	52,948
Exploration costs		7,885	-	-	-	7,885	-	-	7,885
Total Nunavik – Diamonds		60,833	-	-	-	60,833	-	-	60,833
Nunavik – Uranium									
North Rae *	100								
Acquisition costs		484,977	-	-	-	484,977	(484,977)	(484,977)	-
Exploration costs		709,305	-	-	-	709,305	(709,305)	(709,305)	-
Total Nunavik – Uranium		1,194,282	-	-	-	1,194,282	(1,194,282)	(1,194,282)	-
Total Nunavik		9,883,132	48,704	-	(4,650)	9,927,186	(7,653,717)	(7,653,717)	2,273,469
Total E&E assets		39,052,202	4,153,671	(70,000)	(1,759,480)	41,376,393	(9,121,416)	(9,121,416)	32,254,977

* Fully impaired properties for which the Company still holds mining claims.

	November 30, 2022	August 31, 2022
	\$	\$
Acquisition and exploration – Net book value	32,254,977	29,930,786
Prepaid exploration expenses	77,000	77,000
	<u>32,331,977</u>	<u>30,007,786</u>

Azimet Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

9 Exploration and evaluation assets (cont'd)

- a) The James Bay Strategic Alliance (the “James Bay Alliance”) was formed between Azimet 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.

On April 25, 2019, Azimet and SOQUEM signed an agreement to amend the terms of the James Bay Alliance. Under the amended agreement, SOQUEM had earned its 100% interest in four (4) properties (Munischiwan, Pikwa, Pontois and Desceliers; the “SOQUEM Properties”) by investing \$2,715,992 in work expenditures and granting Azimet 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 and the Dalmas and Galinée properties. Azimet was the operator during the 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, Azimet fulfilled its obligations to exercise its back-in option to regain a 50% interest in the SOQUEM Properties. Since then, the SOQUEM Properties have been held as 50/50 JV projects, each subject to a JV agreement between Azimet and SOQUEM. Azimet remains the operator of Munischiwan, Pontois and Descelier. SOQUEM is the operator of Pikwa.

- b) The Dalmas and Galinée properties are subject to a JV agreement between Azimet and SOQUEM. On April 25, 2019, SOQUEM acquired a 50% interest in the Dalmas Property by making a cash payment of \$12,421 for the claim staking cost and \$107,045 for work expenditures, and a 50% interest in the Galinée Property by making a cash payment of \$87,900 for the claim staking cost and \$494,390 for work expenditures. Azimet 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.

- c) The Opinaca A and B properties are subject to a JV agreement with the following parties:

1. Opinaca A is held in a 50/50 JV with Everton Resources Inc. (“Everton”). Everton earned its 50% interest in March 2010 by making cumulative cash payments of \$180,000 and incurring \$2.8 million in work expenditures.
2. Opinaca B is held in a 25/50/25 JV with Hecla Quebec Inc. (“Hecla”) and Everton. Everton earned its interest after it had made cumulative cash payments of \$160,000 in March 2010 and incurred \$2 million in work expenditures. Hecla earned its 50% interest after it had made cumulative cash payments of \$580,000 in November 2018 and incurred \$6 million in work expenditures. Of the total cash payment made by Hecla, Azimet received \$290,000.

- d) The Wabamisk Property was held 49% by Azimet and 51% by Newmont as at August 31, 2022. Newmont had earned its interest by making cumulative cash payments of \$500,000 and incurring \$4 million in work expenditures. On August 8, 2022, Newmont exercised its right to voluntarily withdraw from the Wabamisk JV in consideration for a nominal sum of \$1 from Azimet. In connection with the withdrawal, Newmont would cease to be a participant in the Wabamisk JV (the “Wabamisk Transaction”). The Wabamisk Transaction closed on September 9, 2022, giving Azimet a 100% interest in the 333 mining claims comprising the Wabamisk Property.

- e) 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 Azimet. 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 Azimet aggregating \$80,000, funding a minimum of \$4 million in work expenditures over four (4) years and performing a minimum of 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.

- f) On November 30, 2022, the Company granted KGHM International Ltd (“KGHM”) the option to earn an initial 50% interest (the “First Option”) in the Kukamas Property in the James Bay region by making cash payments to Azimet aggregating \$250,000, funding a minimum of \$5 million in work expenditures over four (4) years and performing a minimum of 5,000 metres of diamond drilling. Azimet shall act as the operator during the First Option phase.

KGHM may earn an additional 20% interest for a total interest of 70% (the “Second Option”) by making an additional cash payment of \$225,000 and incurring an additional \$4.2 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

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

9 Exploration and evaluation assets (cont'd)

third (3rd) anniversary of the election notice. The Second Option period may be extended by up to three (3) years by incurring work expenditures of \$1,700,000 per extension year and making cash payments to Azimut of \$100,000 per extension year. KGHM will act as the operator during the Second Option phase.

If KGHM has exercised the First Option and elects not to exercise the Second Option, it must pay Azimut \$75,000 in cash as a final payment.

- g) The Duquet Property was transferred to Azimut on September 30, 2015, 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. The Duquet Property was grouped with the Rex Property to form a single entity (the Rex-Duquet Property) and became subject to the Nunavik Alliance (see *h*).
- h) The Nunavik Strategic Alliance (the “Nunavik Alliance”) was formed between Azimut and SOQUEM on April 25, 2019, under which SOQUEM has the option to earn an initial 50% interest in the Rex (now 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

10 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 year under the same conditions. The warehouses and exploration equipment are covered by monthly leases and represent low-value items. The Company has elected not to recognize right-of-use assets or lease liabilities for these leases.

	November 30, 2022 \$	August 31, 2022 \$
Opening balance	73,438	118,658
Principal repayment for the period	(9,244)	(45,220)
Ending balance	64,194	73,438
Less: Current lease liability	27,732	36,976
Non-current lease liability	36,462	36,462

11 Asset retirement obligations

The following tables summarize the Company’s asset retirement obligation as at November 30, 2022, and August 31, 2022:

	November 30, 2022			August 31, 2022		
	Rex- Duquet, Rex South \$	Elmer \$	Total \$	Rex- Duquet, Rex South \$	Elmer \$	Total \$
Opening balance	969,713	543,389	1,513,102	987,764	-	987,764
Additions	-	-	-	-	543,389	543,389
Change in estimate	-	-	-	(102,420)	-	(102,420)
Unwinding of discount on asset retirement obligations	15,629	8,115	23,744	84,369	-	84,369
Balance – End of period	985,342	551,504	1,536,846	969,713	543,389	1,513,102

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

11 Asset retirement obligations (cont'd)

The following are the assumptions used to estimate the provision for the asset retirement obligation:

	Rex-Duquet, Rex South	Elmer	Total
	\$	\$	\$
Estimated undiscounted cash flows required to settle obligations	\$1,094,929	\$758,316	\$1,853,245
Weighted average discount rate	6.44%	5.97%	
Estimated number of years before the disbursements necessary to settle obligations	3.5 years	10.5 years	

12 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 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 the 24 months leading 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.

b) Issuance of flow-through shares

	November 30,	
	2022	2021
	\$	\$
Flow-through share premium – Beginning of period	-	3,399,557
Amortization	-	(650,567)
Flow-through share premiums – End of period	-	2,748,990

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 premium of \$1.07 on the closing price of the Company shares on the TSXV on 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 and 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. The commissions or finder's fees were paid in respect of the offering (see 12a). The remaining amount was incurred during the fiscal year ended August 31, 2022, pursuant to the flow-through financing agreement.

13 Underwriters' options

On July 16, 2021, a total of 501,695 options were issued pursuant to the private placement (see Note 12a). Each option is exercisable for one common share of the Company at a price of \$1.90 per share until January 16, 2023. These options have expired.

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

14 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 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 the 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 November 30, 2022:

	November 30, 2022		August 31, 2022	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	6,079,000	0.77	5,085,000	0.72
Granted	-	-	1,682,000	0.95
Exercised	(90,000)	0.19	(440,000)	0.47
Expired	-	-	(110,000)	1.146
Forfeited	-	-	(138,000)	1.389
Outstanding – End of period	<u>5,989,000</u>	<u>0.78</u>	<u>6,079,000</u>	<u>0.77</u>
Vested – End of period	<u>5,662,000</u>		<u>5,752,000</u>	
Exercise price \$		Options outstanding	Options vested	Weighted average remaining contractual life (years)
Between 0.19 – 0.50		1,790,000	1,790,000	3.39
Between 0.51 – 1.00		2,655,000	2,645,000	7.69
Between 1.01 – 1.50		1,515,000	1,198,000	7.41
Between 1.51 – 2.00		29,000	29,000	4.13
		<u>5,989,000</u>	<u>5,662,000</u>	<u>6.32</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. No amount was charged to general exploration during the period ended November 30, 2022 (\$2,477 – November 30, 2021). The fair value was determined by the Black-Scholes option pricing model using 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. The fair value of the granted options amounted to \$85,500. No amount (\$5,620 – November 30, 2021) was charged to general exploration during the period ended November 30, 2022. The fair value of \$0.89 per option was determined by the Black-Scholes option pricing model using 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. No amount (\$5,845 – November 30, 2021) was charged to general exploration during the period ended November 30, 2022. The fair value was determined by the Black-Scholes option pricing

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

14 Stock option plan (cont'd)

model using 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. The fair value of the granted options amounted to \$11,355. No amount (\$4,858 – November 30, 2021) was charged to general exploration during the period ended November 30, 2022. The fair value of \$1.30 per option was determined by the Black-Scholes option pricing model using 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. The fair value of the granted options amounted to \$14,257. No amount (\$4,880 – November 30, 2021) was charged to general exploration during the period ended November 30, 2022. The fair value of \$1.51 per option was determined by the Black-Scholes option pricing model using 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 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 \$11,875 (\$Nil – November 30, 2021) was charged to general exploration during the period ended November 30, 2022. The fair value of \$0.95 per option was determined by the Black-Scholes option pricing model using 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 \$32,500 (\$Nil – November 30, 2021) was charged to general and administrative expenses during the period ended November 30, 2022. The fair value of \$1.04 per option was determined by the Black-Scholes option pricing model using 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 June 13, 2022, the Company granted 5,000 stock options to employees with an exercise price of \$1.21 per option. Of these, 5,000 vested immediately. The fair value of the granted options amounted to \$5,150 and was charged to the Elmer Property exploration expenses during the period ended August 31, 2022. No amounts were charged during the periods ended November 30, 2022 and 2021. The fair value was determined by the Black-Scholes option pricing model using the following assumptions: risk-free interest of 3.40%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On August 11, 2022, the Company granted 1,165,000 stock options to directors, officers, employees and consultants with an exercise price of \$0.81 per option. Of these, 1,155,000 vested immediately, and the remaining 10,000 will vest on February 11, 2023. The fair value of the granted options amounted to \$803,850, as determined by the Black-Scholes option pricing model using the following assumptions: risk-free interest of 2.70%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%. During the period ended November 30, 2022, no amount (\$Nil – November 30, 2021) was charged to general and administrative expenses and \$3,450 (\$Nil – November 30, 2021) was charged to general exploration.

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

15 Expenses by nature

Three-month period ended November 30,

	2022	2021
	\$	\$
Salaries and fringe benefits	85,649	13,525
Stock-based compensation	32,500	-
Professional and maintenance fees	18,571	8,722
Administration and office	16,944	20,313
Business development and administration fees	1,633	52,864
Advertising	5,435	3,845
Rent	2,476	580
Insurance	23,068	6,962
Conferences and meeting	43,130	8,000
Depreciation of property and equipment	3,176	2,745
Amortization of intangible assets	507	259
Depreciation on right-of-use asset	10,983	11,981
General and administrative expenses	244,072	129,796
Salaries for search of properties	-	27,600
Other exploration expenses	178	12,558
Stock-based compensation	15,325	20,894
General exploration	15,503	61,052

16 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:

Three-month period ended November 30,

	2022	2021
	\$	\$
Salaries	182,500	160,781
Director fees	35,000	11,500
	217,500	172,281

An amount of \$65,730 for salaries (\$65,300 in 2021) is capitalized to E&E assets.

As at November 30, 2022, accounts payable and accrued liabilities include an amount of \$279,341 (\$314,589 as at November 30, 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 November 30, 2022, the entitled indemnity amounted to \$545,385.

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 \$266,667 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.

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2022

(Unaudited)

17 Net earnings per share

For the period ended November 30, 2022, the diluted net earnings per share was calculated using the basic weighted average number of shares outstanding of 79,595,823 (81,753,844 – November 30, 2021) adjusted by the potential dilutive instruments of each stock option where the exercise price was lower than the average market price of the Company's shares. During the period ended November 30, 2022, a total of 1,056,838 (2,966,493 – November 30, 2021) stock options vested with an exercise price lower than the average market price of shares. As a result, the diluted weighted average number of shares of 80,652,661 (84,720,337 – November 30, 2021) was used to calculate the diluted net earnings per share in 2022 and 2021, respectively.

18 Additional cash flow information

	Three-month period ended	
	November 30,	
	2022	2021
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	2,264,046	1,241,461
Depreciation of property & equipment	63,507	44,688
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	1,759,480	-