

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements

February 28, 2021

(expressed in Canadian dollars, except share amounts)

Azimut Exploration Inc.

Unaudited Interim Statements of Financial Position
(in Canadian dollars)

	As at February 28, 2021 \$	As at August 31, 2020 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	7,277,254	5,827,207
Amounts receivable (Note 4)	1,462,331	554,937
Prepaid expenses	24,427	36,090
	<u>8,764,012</u>	<u>6,418,234</u>
Non-current assets		
Tax credit and mining rights receivable	509,211	925,952
Investments (Note 5)	56,752	50,609
Property and equipment (Note 6)	39,189	40,021
Intangible assets (less accumulated amortization of \$23,786; \$23,442 as at August 31, 2020)	3,170	1,065
Right-of-use assets (Note 7)	202,389	526,951
Exploration and evaluation assets (Note 8)	13,714,074	10,343,468
	<u>14,524,785</u>	<u>11,888,066</u>
Total assets	<u>23,288,797</u>	<u>18,306,300</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	1,368,140	1,498,557
Advances received for exploration work	552,133	725,761
Lease liabilities (Note 9)	25,037	246,064
Flow-through shares premium liability (Note 11b)	-	935,100
	<u>1,945,310</u>	<u>3,405,482</u>
Non-current liabilities		
Lease liabilities (Note 9)	118,658	118,658
Asset retirement obligations (Note 10)	251,480	251,480
	<u>370,138</u>	<u>370,138</u>
Total liabilities	<u>2,315,448</u>	<u>3,775,620</u>
Equity		
Share capital (Note 11)	38,654,894	32,685,285
Stock options (Note 12)	2,324,859	2,400,388
Contributed surplus	3,971,810	3,787,210
Deficit	(23,978,214)	(24,342,203)
Total equity	<u>20,973,349</u>	<u>14,530,680</u>
Total liabilities and equity	<u>23,288,797</u>	<u>18,306,300</u>

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

Approved by the Board of Directors

(s) Jean-Charles Potvin Director

(s) Jean-Marc Lulin Director

(2)

Azimut Exploration Inc.

Unaudited Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(in Canadian dollars)

	Three months ended		Six months ended	
	February 28,	February 29,	February 28,	February 29,
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenues				
Operator income (Notes 8c, d, k and m)	<u>41,762</u>	<u>45,832</u>	<u>59,863</u>	<u>128,341</u>
Expenses				
General and administrative (Note 13)	232,839	331,190	399,372	416,946
General exploration (Note 13)	87,579	57,145	192,660	59,997
Impairment of exploration and evaluation assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,152</u>
Operating expenses	<u>320,418</u>	<u>388,335</u>	<u>592,032</u>	<u>478,095</u>
Financing cost (income), net				
Interest income	(9,988)	(7,567)	(22,236)	(19,171)
Interest and bank charges	1,020	371	1,356	790
Unwinding of discount on asset retirement obligations	-	498	-	996
Interest on lease liabilities	<u>10,252</u>	<u>1,648</u>	<u>14,349</u>	<u>3,296</u>
	<u>1,284</u>	<u>(5,050)</u>	<u>(6,531)</u>	<u>(14,089)</u>
Other loss				
Change in fair value – investments	<u>(11,787)</u>	<u>(5,336)</u>	<u>(8,158)</u>	<u>10,452</u>
	<u>(11,787)</u>	<u>(5,336)</u>	<u>(8,158)</u>	<u>10,452</u>
Net loss before income taxes	<u>(268,154)</u>	<u>(332,117)</u>	<u>(517,481)</u>	<u>(346,117)</u>
Deferred income tax recovery (Notes 11b)	<u>450,027</u>	<u>306,095</u>	<u>881,470</u>	<u>306,095</u>
Income (Loss) and comprehensive income (loss) for the period	<u>181,873</u>	<u>(26,022)</u>	<u>363,989</u>	<u>(40,022)</u>
Basic and diluted income (loss) per share	<u>0.003</u>	<u>(0.000)</u>	<u>0.005</u>	<u>(0.001)</u>
Basic and diluted weighted average number of shares outstanding	69,168,583	62,926,365	68,887,070	57,280,050

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

Azimut Exploration Inc.

Unaudited Interim Statements of Changes in Equity

(in Canadian dollars, except for numbers of shares, warrants and options)

	Share capital ⁽¹⁾		Warrants		Stock options		Contributed surplus	Deficit	Total
	Number	\$	Number	\$	Number	\$	\$	\$	\$
Balance as at September 1, 2020	65,788,137	32,685,285	-	-	4,480,000	2,400,388	3,787,210	(24,342,203)	14,530,680
Income and comprehensive income for the period	-	-	-	-	-	-	-	363,989	363,989
Private placement (Note 11a)	3,333,335	6,000,003	-	-	-	-	-	-	6,000,003
Stock options granted (Note 12)	-	-	-	-	170,000	165,871	-	-	165,871
Stock options exercised	80,000	120,800	-	-	(80,000)	(56,800)	-	-	64,000
Stock options expired	-	-	-	-	(260,000)	(184,600)	184,600	-	-
Share issue expenses	-	(151,194)	-	-	-	-	-	-	(151,194)
Balance as at February 28, 2021	69,201,472	38,654,894	-	-	4,310,000	2,324,859	3,971,810	(23,978,214)	20,973,349
Balance as at September 1, 2019	53,300,649	24,895,476	2,210,576	78,800	3,745,000	1,396,602	3,787,210	(24,039,033)	6,119,055
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(40,022)	(40,022)
Private placement units	4,085,712	1,293,999	2,042,855	136,000	-	-	-	-	1,429,999
Flow-through private placement	3,638,345	6,784,982	-	-	-	-	-	-	6,784,982
Less: Premium	-	(2,620,735)	-	-	-	-	-	-	(2,620,735)
Warrants exercised	3,039,147	1,289,158	(3,039,147)	(134,314)	-	-	-	-	1,154,844
Stock options granted	-	-	-	-	1,115,000	38,180	-	-	38,180
Stock options exercised	470,000	493,220	-	-	(470,000)	(234,020)	-	-	259,200
Share issue expenses	-	(184,645)	-	-	-	-	-	-	(184,645)
Balance as at February 29, 2020	64,533,853	31,951,455	1,214,284	80,486	4,390,000	1,200,762	3,787,210	(24,079,055)	12,940,858

⁽¹⁾ There were no unpaid common shares as at February 28, 2021 and February 29, 2020.

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

Azimut Exploration Inc.

Unaudited Interim Statements of Cash Flows
(in Canadian dollars)

	Six months ended	
	February 28, 2021 \$	February 29, 2020 \$
Cash flows (used in) from operating activities		
Income (Loss) for the period	363,989	(40,022)
Items not affecting cash		
Depreciation of property and equipment	5,686	5,640
Amortization of intangible assets	344	174
Depreciation of right-of-use assets	23,962	23,962
Change in fair value – investments	(8,158)	10,452
Impairment of exploration and evaluation assets	-	1,152
Refundable duties credit for losses and refundable tax credit relating to resources, net	-	(4,200)
Stock-based compensation cost	165,871	38,180
Interest on lease liability	-	3,296
Unwinding of discount on asset retirement obligations	-	996
Recovery of deferred income taxes	(881,470)	(306,095)
	<u>(329,776)</u>	<u>(266,465)</u>
Changes in non-cash working capital items		
Amounts receivable	(65,591)	75,613
Prepaid expenses	11,662	113
Accounts payable and accrued liabilities	60,179	18,972
	<u>6,250</u>	<u>94,698</u>
	<u>(323,526)</u>	<u>(171,767)</u>
Cash flows from financing activities		
Issuance of units from private placements, net of issue expenses	6,000,003	1,429,999
Flow-through private placement	-	6,784,982
Share issue expenses	(204,825)	(184,645)
Warrants exercised	-	1,154,844
Stock options exercised	64,000	259,200
Principal repayment of lease liabilities	(221,027)	(31,018)
	<u>5,638,151</u>	<u>9,413,362</u>
Cash flows (used in) from investing activities		
Advance received for exploration work	300,000	-
Additions to property and equipment	(4,892)	(7,852)
Additions to intangible assets	(2,449)	(599)
Additions to exploration and evaluation assets	(4,159,252)	(4,300,542)
Proceeds from sale of investments through an arrangement agreement	2,015	-
Tax credit and mining rights received	-	114,904
	<u>(3,864,578)</u>	<u>(4,194,089)</u>
Net change in cash and cash equivalents	1,450,047	5,047,506
Cash and cash equivalents – Beginning of the period	<u>5,827,207</u>	<u>2,979,133</u>
Cash and cash equivalents – End of the period	<u>7,277,254</u>	<u>8,026,639</u>
Additional information		
Interest received	(22,236)	(19,171)
Interest paid	14,383	26
Additional cash flow information (Note 15)		

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

Azimut Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended February 28, 2021

(in Canadian dollars)

1 Nature of operations, general information and liquidity

Azimut Exploration Inc. (“Azimut” or the “Company”), governed by the Business Corporations Act (Quebec), is in the business of acquiring and exploring mineral properties. The Company’s registered office is located at 110, De La Barre Street, Suite 224, Longueuil, Quebec, Canada. The business of mining and mineral exploration involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The Company’s shares are listed on the TSX Venture Exchange under the symbol AZM.

Until it is determined that a property contains mineral reserves or resources that can be economically mined, it is classified as an exploration 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.

To date, the Company has not earned significant revenues and is considered to be in the exploration and evaluation stage.

As at February 28, 2021, the Company has working capital of \$6,818,702 (\$3,012,748 - August 31, 2020) including cash and cash equivalents of \$7,277,254 (\$5,827,207 – August 31, 2020).

The Company’s management believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted E&E expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve (12) months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, including the impact of COVID-19. The extent and duration of the impacts on the Company’s operations, including suppliers, service providers, employees and global financial markets, is still uncertain at this time. The impact may incur significant future changes to the Company’s ability to complete its planned exploration and evaluation activities, meet its obligations according to terms of the flow-through financings, or to obtain debt and equity financing. The Company is monitoring developments to be in a position to take appropriate actions as needed. To pursue the Company’s exploration and evaluation programs on its properties and to continue its operations beyond February 28, 2022, the Company will periodically need to raise additional funds through the issuance of new equity instruments, the exercise of stock options and the search for partners to sign option agreements on certain of its mineral properties. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms that are acceptable to the Company.

2 Summary of significant accounting policies

The significant accounting policies used to prepare these financial statements are described below.

Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with 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, 2020, 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, 2020, except for the new policy described below. The Board of Directors approved the interim financial statements on April 22, 2021.

Azimut Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended February 28, 2021

(in Canadian dollars)

3 Cash and cash equivalents

As at February 28, 2021, cash and cash equivalents of \$7,277,254 (\$5,827,207 – August 31, 2020) included \$3,755,564 (\$3,070,594 – August 31, 2020) of guaranteed investment certificates bearing interest at 0.45% (1.35% – August 31, 2020), cashable any time without penalty.

4 Amounts receivable

	As at February 28, 2021 \$	As at August 31, 2020 \$
Tax credit and mining rights receivable	842,143	-
Commodity taxes	585,474	485,192
Amounts receivable	34,714	69,745
	<u>1,462,331</u>	<u>554,937</u>

5 Investments

	<u>As at February 28, 2021</u>			<u>As at August 31, 2020</u>		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Eastmain Resources Inc.*	-	-	-	0.230	20,000	4,600
Captor Capital Corp.	0.520	17,500	9,100	0.165	17,500	2,888
Fury Gold Mines Ltd*	1.770	2,333	4,129	-	-	-
Monarch Gold Corp.**	-	-	-	0.520	10,464	5,441
Monarch Mining Corp.**	0.890	2,092	1,862	-	-	-
Silver Spruce Resources Inc.	0.070	30,000	2,100	0.075	30,000	2,250
Vision Lithium Inc.	0.315	25,000	7,875	0.040	25,000	1,000
West African Resources Ltd	0.792	37,500	29,700	0.918	37,500	34,430
Yamana Gold Inc.**	5.060	393	1,986	-	-	-
			<u>56,752</u>			<u>50,609</u>

* On October 9, 2020, Eastmain Resources and Fury Gold completed an arrangement. Under the terms of the arrangement, each share of Eastmain Resources was exchanged for 0.116685115 of a common share of Fury Gold.

** On January 21, 2020, Monarques Gold and Yamana Gold completed an arrangement. Under the terms of the arrangement, each former holder of shares of Monarch Gold received, in exchange for each Monarch Gold share: (i) 0.0376 of a common share of Yamana; (ii) \$0.192 in cash from Yamana; and (iii) 0.2 of a common share of Monarch Mining.

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 the Unaudited Condensed Interim Financial Statements
For the three and six months ended February 28, 2021
(in Canadian dollars)

6 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialized equipment \$	Camp \$	Vehicles \$	Total \$
Period ended February 28, 2021							
Opening net book amount	2,205	10,754	26,652	156	-	254	40,021
Additions	-	-	4,892	-	-	-	4,892
Depreciation for the period ⁽¹⁾	(220)	(1,076)	(4,366)	(24)	-	(38)	(5,724)
Closing net book amount	1,985	9,678	27,178	132	-	216	39,189
As at February 28, 2021							
Cost	22,125	29,914	81,656	14,832	596,813	3,702	749,042
Accumulated depreciation	(20,140)	(20,236)	(54,478)	(14,700)	(596,813)	(3,486)	(706,853)
Net book amount	1,985	9,678	27,178	132	-	216	39,189
Year ended August 31, 2020							
Opening net book amount	1,790	13,446	23,431	220	38,148	366	77,401
Additions	859	-	12,061	-	-	-	12,920
Depreciation for the period ⁽¹⁾	(444)	(2,692)	(8,840)	(64)	(38,148)	(112)	(50,300)
Closing net book amount	2,205	10,754	26,652	156	-	254	40,021
As at August 31, 2020							
Cost	22,125	29,914	76,764	14,832	596,813	3,702	744,150
Accumulated depreciation	(19,920)	(19,160)	(50,112)	(14,676)	(596,813)	(3,448)	(704,129)
Net book amount	2,205	10,754	26,652	156	-	254	40,021

⁽¹⁾ The depreciation of the camp and vehicles is included in the E&E assets in the amount of \$38 (\$38,258 – August 31, 2020).

7 Right-of-use assets

	Office \$	Elmer Camp \$	Total \$
February 28, 2021			
Opening net book amount	176,250	350,701	526,951
Depreciation for the period ⁽¹⁾	(23,962)	(300,600)	(324,562)
Closing net book amount	152,288	50,101	202,389
As at February 28, 2021			
Cost	224,174	501,001	725,175
Accumulated depreciation	(71,886)	(450,900)	(522,786)
Net book amount	152,288	50,101	202,389

⁽¹⁾ The depreciation of right-of-use assets is included in the E&E assets in the amount of \$300,600 (\$150,300 – August 31, 2020).

Azimet Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended February 28, 2021

(in Canadian dollars)

8 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

Change in E&E assets in 2021

Mineral property	Undivided interest %	Cost as at August 31, 2020 \$	Additions \$	Option payments \$	Proceeds received \$	Tax credit \$	Cost as at February 28, 2021 \$	Accumulated impairment as at August 31, 2020 \$	Impairment \$	Accumulated impairment as at February 28, 2021 \$	Net book amount as at February 28, 2021 \$
James Bay – Gold											
Elmer	100										
Acquisition costs		76,076	-	-	-	-	76,076	-	-	-	76,076
Exploration costs		4,391,258	2,751,034	-	-	(372,800)	6,769,492	-	-	-	6,769,492
		4,467,334	2,751,034	-	-	(372,800)	6,845,568	-	-	-	6,845,568
Duxbury	(a) 100										
Acquisition costs		49,662	-	-	-	-	49,662	-	-	-	49,662
Exploration costs		152,412	6,660	-	-	(1,000)	158,072	-	-	-	158,072
		202,074	6,660	-	-	(1,000)	207,734	-	-	-	207,734
SOQUEM	(b) -										
Acquisition costs		8,782	-	-	-	-	8,782	-	-	-	8,782
Exploration costs		1,197,075	894,114	-	-	(27,270)	2,063,919	-	-	-	2,063,919
		1,205,857	894,114	-	-	(27,270)	2,072,701	-	-	-	2,072,701
Dalmas	(c) 50										
Acquisition costs		1,009	-	-	-	-	1,009	-	-	-	1,009
Exploration costs		47,494	528	-	-	-	48,022	-	-	-	48,022
		48,503	528	-	-	-	49,031	-	-	-	49,031
Galinée	(d) 50										
Acquisition costs		14,392	-	-	-	-	14,392	-	-	-	14,392
Exploration costs		62,186	34,718	-	-	(15,000)	81,904	-	-	-	81,904
		76,578	34,718	-	-	(15,000)	96,296	-	-	-	96,296
Eleonore South	(e) 26.57										
Acquisition costs		60,546	-	-	-	-	60,546	-	-	-	60,546
Exploration costs		1,565,081	6,695	-	-	(2,600)	1,569,176	-	-	-	1,569,176
		1,625,627	6,695	-	-	(2,600)	1,629,722	-	-	-	1,629,722
Opinaca A	(f) 50										
Acquisition costs		35,798	-	-	-	-	35,798	-	-	-	35,798
Exploration costs		33,691	-	-	-	-	33,691	-	-	-	33,691
		69,489	-	-	-	-	69,489	-	-	-	69,489
Opinaca B	(g) 25										
Acquisition costs		195	-	-	-	-	195	-	-	-	195
Exploration costs		6,352	80	-	-	-	6,432	-	-	-	6,432
		6,547	80	-	-	-	6,627	-	-	-	6,627
Opinaca D	100										
Acquisition costs		120,828	-	-	-	-	120,828	(54,975)	-	(54,975)	65,853
Exploration costs		246,282	63	-	-	-	246,345	(8,006)	-	(8,006)	238,339
		367,110	63	-	-	-	367,173	(62,981)	-	(62,981)	304,192

Azimet Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended February 28, 2021

(in Canadian dollars)

8 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2021 (cont'd)

Mineral property	Undivided interest %	Cost as at August 31, 2020 \$	Additions \$	Option payments \$	Proceeds received \$	Tax credit \$	Cost as at February 28, 2021 \$	Accumulated impairment as at August 31, 2020 \$	Impairment \$	Accumulated impairment as at February 28, 2021 \$	Net book amount as at February 28, 2021 \$
James Bay – Gold (cont'd)											
Wabamisk	(h)	49									
Acquisition costs		2,878	-	-	-	-	2,878	-	-	-	2,878
Exploration costs		27,928	415	-	-	-	28,343	-	-	-	28,343
		<u>30,806</u>	<u>415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,221</u>
Corvet	(i)	100									
Acquisition costs		63,857	-	-	-	-	63,857	-	-	-	63,857
Exploration costs		8,457	2,140	-	-	(900)	9,697	-	-	-	9,697
		<u>72,314</u>	<u>2,140</u>	<u>-</u>	<u>-</u>	<u>(900)</u>	<u>73,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,554</u>
Kukamas	(j)	100									
Acquisition costs		66,987	-	-	-	-	66,987	-	-	-	66,987
Exploration costs		25,175	2,080	-	-	(900)	26,355	-	-	-	26,355
		<u>92,162</u>	<u>2,080</u>	<u>-</u>	<u>-</u>	<u>(900)</u>	<u>93,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,342</u>
Wapatik	(k)	100									
Acquisition costs		13,880	-	-	-	-	13,880	-	-	-	13,880
Exploration costs		31,054	11,023	-	-	-	42,077	-	-	-	42,077
		<u>44,934</u>	<u>11,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,957</u>
Pilipas		100									
Acquisition costs		20,790	-	-	-	-	20,790	-	-	-	20,790
Exploration costs		940	9,772	-	-	(2,000)	8,712	-	-	-	8,712
		<u>21,730</u>	<u>9,772</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>29,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,502</u>
Kaanaayaa		100									
Acquisition costs		58,089	-	-	-	-	58,089	-	-	-	58,089
Exploration costs		13,613	4,720	-	-	(790)	17,543	-	-	-	17,543
		<u>71,702</u>	<u>4,720</u>	<u>-</u>	<u>-</u>	<u>(790)</u>	<u>75,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,632</u>
Synclinal *	(i)	100									
Acquisition costs		19,597	-	-	-	-	19,597	(19,597)	-	(19,597)	-
Exploration costs		45	-	-	-	-	45	(45)	-	(45)	-
		<u>19,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,642</u>	<u>(19,642)</u>	<u>-</u>	<u>(19,642)</u>	<u>-</u>
Other		100									
Acquisition costs		34,990	-	-	-	-	34,990	(26,542)	-	(26,542)	8,448
Exploration costs		37,396	-	-	-	-	37,396	(29,619)	-	(29,619)	7,777
		<u>72,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,386</u>	<u>(56,161)</u>	<u>-</u>	<u>(56,161)</u>	<u>16,225</u>
Total James Bay – Gold		8,494,795	3,724,042	-	-	(423,260)	11,795,577	(138,784)	-	(138,784)	11,656,793

Azimet Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended February 28, 2021

(in Canadian dollars)

8 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2021 (cont'd)

Mineral property	Undivided interest %	Cost as at August 31, 2020 \$	Additions \$	Option payments \$	Proceeds received \$	Tax credit \$	Cost as at February 28, 2021 \$	Accumulated impairment as at August 31, 2020 \$	Impairment \$	Accumulated impairment as at February 28, 2021 \$	Net book amount as at February 28, 2021 \$
James Bay – Chromium-PGE											
Chromaska	100										
Acquisition costs		32,929	-	-	-	-	32,929	(32,929)	-	(32,929)	-
Exploration costs		916,036	966	-	-	-	917,002	(916,036)	-	(916,036)	966
Total James Bay – Chromium-PGE		948,965	966	-	-	-	949,931	(948,965)	-	(948,965)	966
James Bay – Base Metals											
Mercator	100										
Acquisition costs		53,001	-	-	-	-	53,001	-	-	-	53,001
Exploration costs		6,391	4,208	-	-	(500)	10,099	-	-	-	10,099
		59,392	4,208	-	-	(500)	63,100	-	-	-	63,100
Corne	100										
Acquisition costs		26,727	-	-	-	-	26,727	-	-	-	26,727
Exploration costs		7,726	3,560	-	-	(500)	10,786	-	-	-	10,786
		34,453	3,560	-	-	(500)	37,513	-	-	-	37,513
Others *	100										
Acquisition costs		11,175	-	-	-	-	11,175	(6,729)	-	(6,729)	4,446
Exploration costs		2,844	-	-	-	-	2,844	(2,844)	-	(2,844)	-
		14,019	-	-	-	-	14,019	(9,573)	-	(9,573)	4,446
Total James Bay – Base Metals		107,864	7,768	-	-	(1,000)	114,632	(9,573)	-	(9,573)	105,059
Total James Bay		9,551,624	3,732,776	-	-	(424,260)	12,860,140	(1,097,322)	-	(1,097,322)	11,762,818
Nunavik – Gold											
Rex	(m)	100									
Acquisition costs		1,279,411	-	-	-	-	1,279,411	(1,054,369)	-	(1,054,369)	225,042
Exploration costs		4,034,157	-	-	-	-	4,034,157	(3,134,729)	-	(3,134,729)	899,428
		5,313,568	-	-	-	-	5,313,568	(4,189,098)	-	(4,189,098)	1,124,470
Duquet	(l) & (m)	100									
Acquisition costs		7,325	-	-	-	-	7,325	-	-	-	7,325
Exploration costs		8,732	-	-	-	-	8,732	-	-	-	8,732
		16,057	-	-	-	-	16,057	-	-	-	16,057

Azimet Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended February 28, 2021

(in Canadian dollars)

8 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2021 (cont'd)

Mineral property	Undivided interest %	Cost as at August 31, 2020 \$	Additions \$	Option payments \$	Proceeds received \$	Tax credit \$	Cost as at February 28, 2021 \$	Accumulated impairment as at August 31, 2020 \$	Impairment \$	Accumulated impairment as at February 28, 2021 \$	Net book amount as at February 28, 2021 \$
Nunavik – Gold (cont'd)											
Rex South	(m) 100										
Acquisition costs		453,353	-	-	-	-	453,353	(104,513)	-	(104,513)	348,840
Exploration costs		348,726	38	-	-	-	348,764	(145,089)	-	(145,089)	203,675
		<u>802,079</u>	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,117</u>	<u>(249,602)</u>	<u>-</u>	<u>(249,602)</u>	<u>552,515</u>
Nantais	(m) 100										
Acquisition costs		172,357	-	-	-	-	172,357	(95,299)	-	(95,299)	77,058
Exploration costs		324,017	-	-	-	-	324,017	(204,913)	-	(204,913)	119,104
		<u>496,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>496,374</u>	<u>(300,212)</u>	<u>-</u>	<u>(300,212)</u>	<u>196,162</u>
NCG *	100										
Acquisition costs		738,282	-	-	-	-	738,282	(738,282)	-	(738,282)	-
Exploration costs		982,241	-	-	-	-	982,241	(982,241)	-	(982,241)	-
		<u>1,720,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,720,523</u>	<u>(1,720,523)</u>	<u>-</u>	<u>(1,720,523)</u>	<u>-</u>
Total Nunavik – Gold		<u>8,348,601</u>	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,348,639</u>	<u>(6,459,435)</u>	<u>-</u>	<u>(6,459,435)</u>	<u>1,889,204</u>
Nunavik – Base Metals											
Doran	100										
Acquisition costs		-	59,732	-	-	-	59,732	-	-	-	59,732
Exploration costs		-	3,120	-	-	(800)	2,320	-	-	-	2,320
		<u>-</u>	<u>62,852</u>	<u>-</u>	<u>-</u>	<u>(800)</u>	<u>62,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,052</u>
Total Nunavik – Base Metals		<u>-</u>	<u>62,852</u>	<u>-</u>	<u>-</u>	<u>(800)</u>	<u>62,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,052</u>
Nunavik – Uranium											
North Rae *	100										
Acquisition costs		484,838	-	-	-	-	484,838	(484,838)	-	(484,838)	-
Exploration costs		709,305	-	-	-	-	709,305	(709,305)	-	(709,305)	-
		<u>1,194,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,194,143</u>	<u>(1,194,143)</u>	<u>-</u>	<u>(1,194,143)</u>	<u>-</u>
Total Nunavik – Uranium		<u>1,194,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,194,143</u>	<u>(1,194,143)</u>	<u>-</u>	<u>(1,194,143)</u>	<u>-</u>
Total Nunavik		<u>9,542,744</u>	<u>62,890</u>	<u>-</u>	<u>-</u>	<u>(800)</u>	<u>9,604,834</u>	<u>(7,653,578)</u>	<u>-</u>	<u>(7,653,578)</u>	<u>1,951,256</u>
Total E&E assets		<u>19,094,368</u>	<u>3,795,666</u>	<u>-</u>	<u>-</u>	<u>(425,060)</u>	<u>22,464,974</u>	<u>(8,750,900)</u>	<u>-</u>	<u>(8,750,900)</u>	<u>13,714,074</u>

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

Azimut Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three and six months ended February 28, 2021
(in Canadian dollars)

8 Exploration and evaluation assets (cont'd)

- a) The Duxbury Property was one of the targets identified in a report delivered to SOQUEM Inc. (“SOQUEM”) under the terms of the James Bay Alliance of September 22, 2016 (see *b*). On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights the Duxbury. In January 2020, the Company amalgamated the Duxbury and Elmer properties to form a single entity known as the Elmer Property.
- 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 terms of the agreement, four (4) properties were acquired at SOQUEM’s cost: Munischiwan, Pikwa, Pontois and Desceliers (the “SOQUEM Properties”). 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 amended 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, representing the same amount of SOQUEM’s cumulative investment in work expenditures on the SOQUEM Properties, the Dalmas Property and the Galinée Property. Azimut is the operator during the option earn-in 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.

- 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 to cover to 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 James Bay Alliance. Under 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 James Bay Alliance. Under 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”). Eleonore South included 166 claims of the Opinaca C Property and 116 claims owned by Newmont. In February 2008, Eastmain Resources 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.

The ownership of Eleonore South is as follows: Azimut 26.57%, Newmont 36.71% and Eastmain Resources 36.72%.

- f) The Opinaca A Property is a 50/50 JV project with Everton Resources Inc. (“Everton”). Everton earned its interest by making cumulative cash payments of \$180,000 in March 2010 and incurring \$2.8 million in work expenditures.

Azimut Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three and six months ended February 28, 2021
(in Canadian dollars)

8 Exploration and evaluation assets (cont'd)

- g) The Opinaca B Property was a 50/50 JV project with Everton after Everton 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 Opinaca B. Under the terms of the agreement, Hecla may earn an additional interest of 10%, for a total interest of 60%, by making an additional cash payment of \$300,000 and incurring an additional \$3 million in work expenditures over three (3) years from the election date, and by delivering an independent pre-feasibility study on or before the fourth (4th) anniversary. In the event that mineral resources of at least 2 million ounces of gold at an average grade of at least 6 grams of gold per tonne are discovered before the end of the eighth (8th) year of the initial option agreement, Hecla shall make a payment of \$1.5 million in Hecla common shares, subject to regulatory approval. The Company will receive 50% of these issued shares.

In November 2018, Hecla had earned a 50% interest in Opinaca B by making cumulative cash payments of \$580,000 and incurring \$6 million in work expenditures. Of the total cash payment, Azimut received \$290,000. Azimut owns a 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 Wabamisk, 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*) and, Galinée (see *d*) properties and the, Sauvolles and Orsigny properties (previously, the "SOQUEM Alliance Properties") were all subject to a reconnaissance exploration program funded by SOQUEM (as agreed to on May 5, 2017) to acquire data that would be used to decide which properties to retain for additional investment under 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 Corvet and Synclinal. In May 2020, Azimut amalgamated the Corvet and Masta-2 properties to form a single entity known as the Corvet Property.

- j) The Kukamas Property was one of the targets identified in the target 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 Wapatik by making cash payments to Azimut aggregating \$80,000, funding a minimum of \$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, incurring an additional \$3 million in work expenditures over three (3) years from the election date and delivering a preliminary economic assessment under Regulation 43-101 on or before the third (3rd) anniversary of the election notice.
- l) 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. Azimut combined Duquet with the Rex Property to form a single entity known as the Rex-Duquet Property, which is subject 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.

Azimut Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended February 28, 2021

(in Canadian dollars)

9 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. Management is assessing whether the Company's current location can accommodate its business growth and whether it can negotiate more favourable lease terms. The warehouses and exploration equipment are monthly leases and low-value items. The Company has elected not to recognize right-of-use assets or lease liabilities for these leases.

	February 28, 2021	August 31, 2020
	\$	\$
Opening balance	364,722	-
Adoption of IFRS 16	-	224,174
Additions	-	501,001
Principal repayment for the period	(221,027)	(360,453)
Ending balance	<u>143,695</u>	<u>364,722</u>
Less: Current lease liability	<u>25,037</u>	<u>246,064</u>
Non-current lease liability	<u>118,658</u>	<u>118,658</u>

10 Asset retirement obligations

	February 28, 2021	August 31, 2020
	\$	\$
Balance – Beginning of the period	251,480	249,484
Unwinding of discount on asset retirement obligations	-	1,996
Balance – End of the period	<u>251,480</u>	<u>251,480</u>

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to \$251,480. A discount rate of 0.8% (0.8% – August 31, 2020) was used to estimate the obligations in 2020. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2025. If the Company decides to discontinue its exploration of the Rex or Rex South properties, it is assumed that the asset retirement obligations will be settled in 2025. Should the Company decide to continue its activity on the Rex or Rex South properties by itself or through a partner, the 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.

11 Share capital

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

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.

Azimut Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three and six months ended February 28, 2021
(in Canadian dollars)

11 Share capital (cont'd)

b) Issuance of flow-through shares

	February 28, 2021	August 31, 2020
	\$	\$
Flow-through share premium – Beginning of the period	935,100	-
Addition	-	2,620,735
Amortization	(935,100)	(1,685,635)
Flow-through share premium – End of the period	<u>-</u>	<u>935,100</u>

On December 18, 2019, the Company completed a private placement by issuing 1,189,365 flow-through shares at \$0.66 per share for aggregate gross proceeds of \$784,981. The flow-through shares were issued at a \$0.17 premium on the closing price of the Company's shares on the TSX-Venture Exchange ("TSX-V") on the day of issue. The premium is recognized as a flow-through share premium liability of \$196,245, with a subsequent pro-rata reduction of the liability recognized as a tax recovery expense as the eligible expenditures are incurred. Finder fees totalling \$21,698 were paid to third parties dealing at arm's length. Directors and officers of the Company participated in the private placement for a total consideration of \$80,071 under the same terms as the other investors.

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

As at February 28, 2021, no amount remains to be incurred, pursuant to the flow-through financing agreements (\$2,519,286 – as at August 31, 2020).

12 Stock option plan

The Company maintains a stock option plan in which a maximum of 5,857,000 stock options may be granted. The number of shares reserved for issuance under the stock option plan is approximately 9.99% of the Company's 58,575,726 common shares issued and outstanding as at December 18, 2019, at which time the Company filed for an increase in the stock option plan. The exercise price of the options is set at the closing price of the Company's shares on the TSX-V, on the day before the grant date. The options have a maximum term of ten (10) years following the grant date or, if a blackout period should be in effect at the end of the term, the expiry date will be extended by ten (10) business days following the end of such blackout period. The options are vested immediately unless otherwise approved and disclosed by the Board of Directors.

The following tables summarize the information about stock options outstanding and their vesting status, as at February 28, 2021:

	Number	Weighted average exercise price \$
Outstanding – Beginning of the period	4,480,000	0.66
Granted	170,000	1.08
Exercised	(80,000)	0.80
Expired	(260,000)	0.80
Outstanding – End of the period	<u>4,310,000</u>	<u>0.66</u>
Vested – End of the period	<u>4,060,000</u>	<u>0.64</u>

Azimut Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three and six months ended February 28, 2021
(in Canadian dollars)

12 Stock option plan (cont'd)

Exercise price \$	Options outstanding	Options vested	Weighted average remaining contractual life (years)
0.190	575,000	575,000	2.41
0.200	580,000	580,000	4.07
0.305	50,000	50,000	7.01
0.370	520,000	520,000	7.06
0.400	75,000	75,000	7.13
0.450	320,000	320,000	1.19
0.500	150,000	100,000	8.81
0.520	735,000	735,000	5.61
1.070	120,000	25,000	9.59
1.100	80,000	40,000	9.05
1.120	50,000	10,000	9.86
1.250	40,000	40,000	0.09
1.440	965,000	965,000	9.00
1.650	8,000	4,000	9.46
1.670	42,000	21,000	9.43
	<u>4,310,000</u>	<u>4,060,000</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 these, 50,000 were vested immediately, 50,000 were vested on December 19, 2020, and the remaining 50,000 will vest on December 19, 2021. The fair value of the granted options amounted to \$58,500, of which an amount of \$10,562 was charged to general exploration during the period ended February 28, 2021. 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 March 15, 2020, the Company granted 80,000 stock options to an employee with an exercise price of \$1.10 per option. Of these, 20,000 were vested immediately, 20,000 were vested on June 15, 2020, and the remaining 40,000 will vest on March 15, 2021. The fair value of the granted options amounted to \$73,600, of which an amount of \$18,400 was charged to general exploration during the period ended February 28, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.25%, expected life of 10 years, annualized volatility rate of 85% based on the Company's historical volatility, and dividend rate of 0%.

On August 3, 2020, the Company granted 42,000 stock options to employees and a consultant with an exercise price of \$1.67 per option. Of these, 21,000 were vested on February 3, 2021, and the remaining 21,000 will vest on August 3, 2021. The fair value of the granted options amounted to \$58,800, of which an amount of \$39,200 was charged to general exploration during the period ended February 28, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.55%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On August 14, 2020, the Company granted 8,000 stock options to an employee with an exercise price of \$1.65 per option. Of these, 4,000 were vested on February 14, 2021, and the remaining 4,000 will vest on August 14, 2021. The fair value of the granted options amounted to \$11,040, of which an amount of \$7,820 was charged to general exploration during the period ended February 28, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.55%, expected life of 10 years, annualized volatility rate of 87% 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 these, 25,000 were vested immediately, 45,000 will vest on April 1, 2021, 25,000 will vest on October 1, 2021, and the remaining 25,000 will vest on April 1, 2022. The fair value of the granted options amounted to \$108,000, of which an amount of \$71,875 was charged to general exploration during the period ended February 28, 2021. The fair value 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%.

Azimut Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements

For the three and six months ended February 28, 2021

(in Canadian dollars)

12 Stock option plan (cont'd)

On January 6, 2021, the Company granted 50,000 stock options to employees with an exercise price of \$1.12 per option. Of these, 10,000 were vested immediately, 15,000 will vest on July 6, 2021, and the remaining 25,000 will vest on January 6, 2022. The fair value of the granted options amounted to \$47,000, of which an amount of \$18,016 was charged to general exploration during the period ended February 28, 2021. 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%.

13 Expenses by nature

	Three-months ended		Six months ended	
	February 28,	February 29,	February 28,	February 29,
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and fringe benefits	41,713	207,246	103,155	224,497
Professional and maintenance fees	119,783	23,789	172,615	28,806
Administration and office	29,839	21,624	39,538	31,759
Business development and administration fees	10,874	15,930	11,381	17,573
Advertising	6,617	2,784	7,663	6,504
Rent	480	640	970	640
Insurance	6,198	6,121	12,463	12,242
Conferences and meeting	1,624	26,258	17,806	52,296
Depreciation of property and equipment	2,843	2,900	5,686	5,640
Amortization of intangible assets	185	113	344	174
Depreciation on right-of-use asset	11,981	11,981	23,962	23,962
Part XII.6 Tax	262	-	262	-
Trademark	440	-	3,527	1,049
Stock-based compensation	-	11,804	-	11,804
General and administrative expenses	232,839	331,190	399,372	416,946
Salaries for search of properties	5,082	32,145	22,367	36,255
Other exploration expenses	1,244	624	4,422	1,166
Stock-based compensation	81,253	26,376	165,871	26,376
Refundable duties credit for losses and refundable tax credit for resources, net	-	(2,000)	-	(4,200)
General exploration	87,579	57,145	192,660	59,997

14 Related party transactions

Compensation of key management

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

	Six months ended	
	February 28,	February 29
	2021	2020
	\$	\$
Salaries	272,500	181,052
Bonus	-	155,000
Director fees	23,000	19,500
Stock-based payment	-	37,268
	295,500	392,820

Azimut Exploration Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three and six months ended February 28, 2021
(in Canadian dollars)

14 Related party transactions (cont'd)

Compensation of key management (cont'd)

An amount of \$115,516 for salaries (\$77,100 in 2020) is capitalized to E&E assets.

As at February 28, 2021, accounts payable and accrued liabilities include an amount of \$140,688 (\$245,338 at February 28, 2020) 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 salary, increased by one (1) month for every additional year of employment. The indemnity paid must not represent more than 10% of the Company's cash and cash equivalents at such time and is subject to a maximum indemnity period of twelve (12) months.

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 equal to twenty-four (24) months of salary, and the CFO will be entitled to receive an indemnity equal to eighteen (18) months of salary.

15 Additional cash flow information

	Six months ended	
	February 28,	February 29,
	2021	2020
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	797,216	801,323
Depreciation of property and equipment included in E&E assets	38	19,130
Depreciation of right-of-use assets included in E&E assets	300,600	-
Refundable duties credit for losses and refundable tax credit for resources presented as reduction in E&E assets, net	425,060	592,485