

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements
February 28, 2023

Azimut Exploration Inc.

Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at February 28, 2023 \$	As at August 31, 2022 \$
Assets		
Current assets		
Cash and cash equivalents	7,096,772	14,035,435
Amounts receivable	518,795	4,049,680
Asset available for sale (Note 3)	-	1,906,238
Prepaid expenses	115,001	129,740
	<u>7,730,568</u>	<u>20,121,093</u>
Non-current assets		
Tax credit and mining rights receivable	5,722,644	2,387,064
Investments	55,524	51,940
Property and equipment (Note 4)	1,470,365	1,550,062
Intangible assets (less accumulated amortization of \$26,836; \$25,822 as at August 31, 2022)	5,745	6,759
Right-of-use assets	58,435	80,402
Exploration and evaluation assets (Note 5)	35,328,763	30,007,786
	<u>42,641,476</u>	<u>34,084,013</u>
Total assets	<u>50,372,044</u>	<u>54,205,106</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	2,650,533	4,985,145
Advances received for exploration work	791,208	458,196
Lease liabilities	54,950	36,976
	<u>3,496,691</u>	<u>5,480,317</u>
Non-current liabilities		
Lease liabilities	-	36,462
Asset retirement obligations	1,560,963	1,513,102
	<u>1,560,963</u>	<u>1,549,564</u>
Total liabilities	<u>5,057,654</u>	<u>7,029,881</u>
Equity		
Share capital (Note 6)	59,812,968	61,933,968
Underwriters' options (Note 7)	-	635,182
Stock options (Note 8)	3,846,003	3,779,214
Contributed surplus	4,751,168	4,102,973
Deficit	(23,095,749)	(23,276,112)
Total equity	<u>45,314,390</u>	<u>47,175,225</u>
Total liabilities and equity	<u>50,372,044</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 and six months ended February 28, 2023

(in Canadian dollars, except number of common shares)

(Unaudited)

	Three months ended February 28,		Six months ended February 28,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues				
Operator income (Notes 5a, b and f)	<u>4,116</u>	<u>16,909</u>	<u>28,926</u>	<u>42,720</u>
Expenses				
General and administrative (Note 9)	24,871	(54,228)	268,943	75,569
Projects generation (Note 9)	<u>51,323</u>	<u>64,986</u>	<u>66,826</u>	<u>126,037</u>
Operating expenses	<u>76,194</u>	<u>10,758</u>	<u>335,769</u>	<u>201,606</u>
Financing cost (income), net				
Interest income	(68,038)	(30,224)	(168,141)	(65,059)
Interest and bank charges	1,952	1,146	2,347	1,511
Unwinding of discount on asset retirement obligations	24,117	6,869	47,861	13,694
Interest on lease liabilities	<u>5,302</u>	<u>4,578</u>	<u>12,105</u>	<u>9,156</u>
	<u>(36,667)</u>	<u>(17,631)</u>	<u>(105,828)</u>	<u>(40,698)</u>
Other loss (gain)				
Gain on sale of asset available for sale (Note 3)	-	-	(377,793)	-
Change in fair value – investments	<u>(3,966)</u>	<u>18,129</u>	<u>(3,585)</u>	<u>13,535</u>
	<u>(3,966)</u>	<u>18,129</u>	<u>(381,378)</u>	<u>13,535</u>
Earning (loss) before income taxes	(31,445)	5,654	180,363	(131,722)
Deferred income tax recovery	<u>-</u>	<u>1,173,177</u>	<u>-</u>	<u>1,823,744</u>
Net earnings (loss) and comprehensive income (loss) for the period	<u>(31,445)</u>	<u>1,178,831</u>	<u>180,363</u>	<u>1,692,022</u>
Basic and diluted net earnings (loss) per share (Note 11)	<u>0.000</u>	<u>0.014</u>	<u>0.000</u>	<u>0.021</u>
Weighted average number of shares outstanding (Note 11)	79,449,066	81,856,622	79,522,850	81,804,949

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity

For the three and six months ended February 28, 2023

(in Canadian dollars, except number of common shares)

(Unaudited)

	<u>Share capital</u>		<u>Underwriters' options</u>	<u>Stock options</u>	<u>Contributed surplus</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number ⁽¹⁾</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
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	-	-	-	-	-	180,363	180,363
Common shares returned to treasury (Note 3)	(2,900,000)	(2,291,000)	-	-	-	-	(2,291,000)
Stock options exercised (Note 8)	295,000	170,000	-	(47,750)	-	-	122,250
Stock options expired (Note 8)	-	-	-	(13,013)	13,013	-	-
Stock-based compensation (Note 8)	-	-	-	127,552	-	-	127,552
Underwriters' options expired (Note 7)	-	-	(635,182)	-	635,182	-	-
Balance as at February 28, 2023	79,588,844	59,812,968	-	3,846,003	4,751,168	(23,095,749)	45,314,390
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	-	-	-	-	-	1,692,022	1,692,022
Stock options exercised	150,000	117,460	-	(55,160)	-	-	62,300
Stock options expired / cancelled (Note 8)	-	-	-	(30,720)	30,720	-	-
Stock-based compensation (Note 8)	-	-	-	79,291	-	-	79,291
Share issue expenses	-	(2,882)	-	-	-	-	(2,882)
Balance as at February 28, 2022	81,903,844	61,665,168	635,182	3,004,331	4,059,430	(23,200,940)	46,163,171

No common shares were unpaid as at February 28, 2023 (Nil in 2022).

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

Azimut Exploration Inc.

Statements of Cash Flows

For the three and six months ended February 28, 2023

(in Canadian dollars)

(Unaudited)

	Six months ended	
	February 28,	
	2023	2022
	\$	\$
Cash flows from (used in) operating activities		
Net earnings for the period	180,363	1,692,022
Items not affecting cash		
Depreciation of property and equipment	6,353	5,798
Amortization of intangible assets	1,014	612
Depreciation of right-of-use assets	21,967	23,962
Change in fair value – investments	(3,584)	13,535
Gain on sale of available-for-sale asset	(377,793)	-
Stock-based compensation cost	127,552	79,291
Unwinding of discount on asset retirement obligations	47,861	13,694
Recovery of deferred income taxes	-	(1,823,744)
	<u>3,733</u>	<u>5,170</u>
Changes in non-cash working capital items		
Amounts receivable	1,063,600	943,446
Prepaid expenses	14,739	(9,121)
Accounts payable and accrued liabilities	(671,690)	151,076
	<u>406,649</u>	<u>1,085,401</u>
	<u>410,382</u>	<u>1,090,571</u>
Cash flows from (used in) financing activities		
Share issue expenses	-	(2,882)
Stock options exercised	122,250	62,300
Repayment of lease liabilities	(18,488)	(22,580)
	<u>103,762</u>	<u>36,838</u>
Cash flows from (used) used in investing activities		
Advance received for exploration work, net	600,000	2,856,289
Additions to property and equipment	(53,668)	(13,379)
Additions to intangible assets	-	(2,500)
Additions to exploration and evaluation assets	(10,536,424)	(7,300,423)
Proceeds from sale of options on E&E assets	70,000	20,000
Tax credit and mining rights received	2,467,285	-
	<u>(7,452,807)</u>	<u>(4,440,013)</u>
Net change in cash and cash equivalents	<u>(6,938,663)</u>	<u>(3,312,604)</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>7,096,772</u>	<u>24,329,245</u>
Additional information		
Interest received	168,141	65,059
Interest paid	(12,105)	(9,156)
Acquisition of E&E assets included in accounts payable and accrued liabilities	2,256,623	1,884,024
Depreciation of property & equipment and right-of-use assets included in E&E assets	127,012	89,377
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	3,335,580	-

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

Azimut Exploration Inc.

Statements of Cash Flows

For the three and six months ended February 28, 2023

(in Canadian dollars)

(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 April 20, 2023.

3 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 the participating interest in the ELSJV	377,793
Ending balance – February 28, 2023	-

*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.

\$

Azimut Exploration Inc.

Statements of Cash Flows

For the three and six months ended February 28, 2023

(in Canadian dollars)

(Unaudited)

4 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp ⁽¹⁾ \$	Vehicles \$	Total \$
Period ended February 28, 2023							
Opening net book value	1,413	6,882	33,238	76	1,508,327	126	1,550,062
Additions	-	-	7,016	-	46,652	-	53,668
Depreciation for the period ⁽¹⁾	(141)	(688)	(5,512)	(11)	(126,994)	(19)	(133,365)
Closing net book value	1,272	6,194	34,742	65	1,427,985	107	1,470,365
As at February 28, 2023							
Cost	22,125	29,914	109,742	14,832	2,343,703	3,702	2,524,018
Accumulated depreciation	(20,853)	(23,720)	(75,000)	(14,767)	(915,718)	(3,595)	(1,053,653)
Net book value	1,272	6,194	34,742	65	1,427,985	107	1,470,365
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 \$127,012 (\$58,540 – August 31, 2022)

Azimut Exploration Inc.

Notes to Financial Statements

For the three and six months ended February 28, 2023

(Unaudited)

5 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 February 28, 2023	Accumulated impairment as at August 31, 2022	Accumulated impairment as at February 28, 2023	Net book value as at February 28, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold									
Elmer	100								
Acquisition costs		159,896	-	-	-	159,896	-	-	159,896
Exploration costs		23,670,147	7,194,279	-	(3,071,000)	27,793,426	-	-	27,793,426
		<u>23,830,043</u>	<u>7,194,279</u>	<u>-</u>	<u>(3,071,000)</u>	<u>27,953,322</u>	<u>-</u>	<u>-</u>	<u>27,953,322</u>
SOQUEM	(a)	50							
Acquisition costs		181,525	1,159	-	-	182,684	-	-	182,684
Exploration costs		2,314,242	136,730	-	(50,000)	2,400,972	-	-	2,400,972
		<u>2,495,767</u>	<u>137,889</u>	<u>-</u>	<u>(50,000)</u>	<u>2,583,656</u>	<u>-</u>	<u>-</u>	<u>2,583,656</u>
Dalmas-Galinée	(b)	50							
Acquisition costs		51,581	22,036	-	-	73,617	-	-	73,617
Exploration costs		142,380	4,109	-	-	146,489	-	-	146,489
		<u>193,961</u>	<u>26,145</u>	<u>-</u>	<u>-</u>	<u>220,106</u>	<u>-</u>	<u>-</u>	<u>220,106</u>
Opinaca	(c)	25 - 100							
Acquisition costs		166,159	-	-	-	166,159	(148,416)	(148,416)	17,743
Exploration costs		286,517	63	-	-	286,580	(264,231)	(264,231)	22,349
		<u>452,676</u>	<u>63</u>	<u>-</u>	<u>-</u>	<u>452,739</u>	<u>(412,647)</u>	<u>(412,647)</u>	<u>40,092</u>
Wabamisk	(d)	100							
Acquisition costs		23,838	37,840	-	-	61,678	-	-	61,678
Exploration costs		38,254	310,671	-	(134,000)	214,925	-	-	214,925
		<u>62,092</u>	<u>348,511</u>	<u>-</u>	<u>(134,000)</u>	<u>276,603</u>	<u>-</u>	<u>-</u>	<u>276,603</u>
Wapatik	(e)	100							
Acquisition costs		-	-	-	-	-	-	-	-
Exploration costs		35,957	-	(20,000)	-	15,957	-	-	15,957
		<u>35,957</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>15,957</u>	<u>-</u>	<u>-</u>	<u>15,957</u>
Kukamas	(f)	100							
Acquisition costs		86,718	-	(50,000)	-	36,718	-	-	36,718
Exploration costs		57,450	11,085	-	-	68,535	-	-	68,535
		<u>144,168</u>	<u>11,085</u>	<u>(50,000)</u>	<u>-</u>	<u>105,253</u>	<u>-</u>	<u>-</u>	<u>105,253</u>
Other		100							
Acquisition costs		271,942	127,646	-	-	399,588	(57,751)	(57,751)	341,837
Exploration costs		164,427	32,387	-	(6,500)	190,314	(37,397)	(37,397)	152,917
		<u>436,369</u>	<u>160,033</u>	<u>-</u>	<u>(6,500)</u>	<u>589,902</u>	<u>(95,148)</u>	<u>(95,148)</u>	<u>494,754</u>
Total James Bay – Gold		<u>27,651,033</u>	<u>7,878,005</u>	<u>(70,000)</u>	<u>(3,261,500)</u>	<u>32,197,538</u>	<u>(507,795)</u>	<u>(507,795)</u>	<u>31,689,743</u>
James Bay – Chromium-PGE									
Chromaska		100							
Acquisition costs		42,506	3,524	-	-	46,030	(32,929)	(32,929)	13,101
Exploration costs		918,645	5,456	-	(2,380)	921,721	(916,580)	(916,580)	5,141
		<u>961,151</u>	<u>8,980</u>	<u>-</u>	<u>(2,380)</u>	<u>967,751</u>	<u>(949,509)</u>	<u>(949,509)</u>	<u>18,242</u>

Azimut Exploration Inc.

Notes to Financial Statements

For the three and six months ended February 28, 2023

(Unaudited)

5 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 February 28, 2023	Accumulated impairment as at August 31, 2022	Accumulated impairment as at February 28, 2023	Net book value as at February 28, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Base Metals									
Mercator	100								
Acquisition costs		53,001	-	-	-	53,001	-	-	53,001
Exploration costs		34,254	5,905	-	(2,500)	37,659	-	-	37,659
		<u>87,255</u>	<u>5,905</u>	<u>-</u>	<u>(2,500)</u>	<u>90,660</u>	<u>-</u>	<u>-</u>	<u>90,660</u>
Corne	100								
Acquisition costs		26,727	-	-	-	26,727	-	-	26,727
Exploration costs		33,152	5,804	-	(2,500)	36,456	-	-	36,456
		<u>59,879</u>	<u>5,804</u>	<u>-</u>	<u>(2,500)</u>	<u>63,183</u>	<u>-</u>	<u>-</u>	<u>63,183</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	11,709	-	(5,000)	164,238	(10,395)	(10,395)	153,843
James Bay – Nickel									
JBN	100								
Acquisition costs		352,859	169,034	-	-	521,893	-	-	521,893
Exploration costs		46,498	76,353	-	(23,300)	99,551	-	-	99,551
		<u>399,357</u>	<u>245,387</u>	<u>-</u>	<u>(23,300)</u>	<u>621,444</u>	<u>-</u>	<u>-</u>	<u>621,444</u>
James Bay – Lithium									
JBL	100								
Acquisition costs		-	378,736	-	-	378,736	-	-	378,736
Exploration costs		-	73,500	-	(32,000)	41,500	-	-	41,500
		<u>-</u>	<u>452,236</u>	<u>-</u>	<u>(32,000)</u>	<u>420,236</u>	<u>-</u>	<u>-</u>	<u>420,236</u>
Total James Bay		29,169,070	8,596,317	(70,000)	(3,324,180)	34,371,207	(1,467,699)	(1,467,699)	32,903,508
Nunavik – Gold									
Rex-Duquet (g & h)	100								
Acquisition costs		1,290,271	4,722	-	-	1,294,993	(1,054,369)	(1,054,369)	240,625
Exploration costs		4,101,701	35,732	-	(2,800)	4,134,633	(3,134,729)	(3,134,729)	999,904
		<u>5,391,972</u>	<u>40,454</u>	<u>-</u>	<u>(2,800)</u>	<u>5,429,626</u>	<u>(4,189,098)</u>	<u>(4,189,098)</u>	<u>1,240,528</u>
Rex South (h)	100								
Acquisition costs		453,353	-	-	-	453,353	(104,513)	(104,513)	348,840
Exploration costs		484,771	67,700	-	(8,600)	543,871	(145,089)	(145,089)	398,782
		<u>938,124</u>	<u>67,700</u>	<u>-</u>	<u>(8,600)</u>	<u>997,224</u>	<u>(249,602)</u>	<u>(249,602)</u>	<u>747,622</u>
Nantais (h)	100								
Acquisition costs		172,357	-	-	-	172,357	(95,299)	(95,299)	77,058
Exploration costs		325,365	354	-	-	325,719	(204,913)	(204,913)	120,806
		<u>497,722</u>	<u>354</u>	<u>-</u>	<u>-</u>	<u>498,076</u>	<u>(300,212)</u>	<u>(300,212)</u>	<u>197,864</u>

Azimut Exploration Inc.

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(Unaudited)

5 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 February 28, 2023	Accumulated impairment as at August 31, 2022	Accumulated impairment as at February 28, 2023	Net book value as at February 28, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$
Other	100								
Acquisition costs		738,409	-	-	-	738,409	(738,282)	(738,282)	127
Exploration costs		982,241	-	-	-	982,241	(982,241)	(982,241)	-
		1,720,650	-	-	-	1,720,650	(1,720,523)	(1,720,523)	127
Total Nunavik – Gold		8,548,468	108,508	-	(11,400)	8,645,576	(6,459,435)	(6,459,435)	2,186,141
Nunavik – Base Metals									
Doran	100								
Acquisition costs		59,732	-	-	-	59,732	-	-	59,732
Exploration costs		19,817	3,732	-	-	23,549	-	-	23,549
Total Nunavik – Base Metals		79,549	3,732	-	-	83,281	-	-	83,281
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	112,240	-	(11,400)	9,983,972	(7,653,717)	(7,653,717)	2,330,255
Total E&E assets		39,052,202	8,708,557	(70,000)	(3,335,580)	44,355,179	(9,121,416)	(9,121,416)	35,233,763

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

	February 28, 2023	August 31, 2022
	\$	\$
Acquisition and exploration – Net book value	35,233,763	29,930,786
Prepaid exploration expenses	95,000	77,000
	<u>35,328,763</u>	<u>30,007,786</u>

Azimut Exploration Inc.

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(Unaudited)

5 Exploration and evaluation assets (cont'd)

- a) 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.

On April 25, 2019, Azimut 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 Azimut a 50% back-in option on the SOQUEM Properties in exchange for \$3,317,427 in work expenditures over three (3) years, which represents the same amount of SOQUEM’s cumulative investment in work expenditures on the SOQUEM Properties and the Dalmas and Galinée properties. Azimut 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, Azimut 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 Azimut and SOQUEM. Azimut 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 Azimut 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. 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.
- 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, Azimut received \$290,000.
- d) The Wabamisk Property was held 49% by Azimut 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 Azimut. 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 Azimut 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 Azimut. On September 21, 2020, the Company granted Mont Royal the option to earn a 50% interest in the Wapatik Property by making cash payments to Azimut aggregating \$80,000, funding a minimum 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 by making cash payments to Azimut 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. Azimut 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 third (3rd) anniversary of the election notice. The Second Option period may be extended by up to three (3) years by

Azimut Exploration Inc.

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For the three and six months ended February 28, 2023

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5 Exploration and evaluation assets (cont'd)

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.

6 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

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. The remaining amount was incurred during the fiscal year ended August 31, 2022, pursuant to the flow-through financing agreement.

7 Underwriters’ options

On July 16, 2021, a total of 501,695 options were issued pursuant to the private placement (see Note 6a). 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 and six months ended February 28, 2023

(Unaudited)

8 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.

During the period ended February 28, 2023, 200,000 stock options were granted to an employee, having a fair value of \$105,658. The options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the following weighted average assumptions:

	<u>Six months ended February 28, 2023</u>	<u>Year ended August 31, 2022</u>
Weighted average price of share at time of grant	\$0.62	\$1.76
Weighted average exercise price	\$0.62	\$1.76
Weighted average risk-free interest rate	2.91%	1.72%
Weighted average expected volatility	87%	86%
Weighted average expected life	10 years	10 years
Weighted average expected dividend yield	0%	0%
Weighted average fair value of options granted	\$0.528	\$1.51

The following tables summarize the information about stock options outstanding and their vesting status:

	<u>Six months ended February 28, 2023</u>		<u>Year ended August 31, 2022</u>	
	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	200,000	0.62	1,682,000	0.95
Exercised	(295,000)	0.41	(440,000)	0.47
Expired	(5,000)	1.55	(110,000)	1.146
Forfeited	-	-	(138,000)	1.389
Outstanding – End of period	<u>5,979,000</u>	<u>0.78</u>	<u>6,079,000</u>	<u>0.77</u>
Vested – End of period	<u>5,512,000</u>		<u>5,752,000</u>	
				Weighted average remaining contractual life (years)
Exercise price		Options outstanding	Options vested	
\$				
Between 0.19 – 0.50		1,660,000	1,660,000	2.74
Between 0.51 – 1.00		2,855,000	2,705,000	7.96
Between 1.01 – 1.50		1,440,000	1,123,000	7.51
Between 1.51 – 2.00		24,000	24,000	5.62
		<u>5,979,000</u>	<u>5,512,000</u>	<u>6.32</u>

Azimut Exploration Inc.

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For the three and six months ended February 28, 2023

(Unaudited)

9 Expenses by nature

	Three months ended		Six months ended	
	February 28,		February 28,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and fringe benefits	(171,376)	(197,872)	(85,727)	(184,346)
Stock-based compensation	32,500	-	65,000	-
Professional and maintenance fees	42,583	53,411	61,154	62,133
Administration and office	26,548	32,370	43,492	52,683
Business development and administration fees	21,319	20,682	22,952	73,546
Advertising	845	443	6,280	4,288
Rent	2,481	480	4,957	1,060
Insurance	21,289	13,444	44,357	20,407
Conferences and meeting	34,014	7,426	77,144	15,426
Depreciation of property and equipment	3,177	3,053	6,353	5,798
Amortization of intangible assets	507	354	1,014	612
Depreciation on right-of-use asset	10,984	11,981	21,967	23,962
General and administrative expenses	24,871	(54,228)	268,943	75,569
Salaries for search of properties	3,900	6,200	3,900	33,800
Other exploration expenses	196	389	374	12,946
Stock-based compensation	47,227	58,397	62,552	79,291
Projects generation	51,323	64,986	66,826	126,037

10 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 was as follows:

	Six months ended	
	February 28,	
	2023	2022
	\$	\$
Salaries	365,000	232,986
Director fees	70,000	30,875
	435,000	263,861

An amount of \$186,473 for salaries (\$137,405 in 2022) was capitalized to E&E assets.

As at February 28, 2023, accounts payable and accrued liabilities included an amount of \$19,505 (\$114,763 as at February 28, 2022) 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 February 28, 2023, 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 and six months ended February 28, 2023

(Unaudited)

11 Net earnings per share

For the six-month period ended February 28, 2023, the diluted net earnings per share was calculated using the basic weighted average number of shares outstanding of 79,522,850 (81,804,949 – February 28, 2022). The basic weighted average number of shares outstanding was adjusted by 2,077,693 to reflect the total potential dilutive instrument of stock options with lower exercise prices than the average market price of the Company's shares. As a result, the diluted weighted average number of shares of 81,600,542 (81,804,949 – February 28, 2022) was used to calculate the diluted net earnings per share in 2023 and 2022, respectively.

12 Fair value of financial instruments

The Company defines the fair value hierarchy under which its financial instruments are valued as follows:

Level 1 - includes unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - includes inputs other than quoted prices in level 1 that are observable for assets or liabilities, either directly or indirectly; and

Level 3 - includes inputs for the asset or liability that are not based on observable market data.

There was no transfers of hierarchy level during the six-month period ended February 28, 2023 and 2022.

Current financial assets and financial liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities. This includes cash and cash equivalents, amounts receivable, investments and accounts payable, accrued liabilities, and advances received for exploration work.