

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements
May 31, 2023

Azimut Exploration Inc.

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

For the three and nine months ended May 31, 2023

(in Canadian dollars, except number of common shares)

(Unaudited)

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues				
Operator income (Notes 5a, b, e and f)	64,557	37,851	93,483	80,571
Expenses				
General and administrative (Note 9)	545,336	501,601	814,279	577,170
Impairment of exploration and evaluation assets	829,394	-	829,394	-
Projects generation (Note 9)	66,113	21,521	132,939	147,558
Operating expenses	1,440,843	523,122	1,776,612	724,728
Financing cost (income), net				
Interest income	(61,358)	(43,321)	(229,499)	(108,380)
Interest and bank charges	9,495	8,872	11,842	10,383
Unwinding of discount on asset retirement obligations	24,497	48,966	72,358	62,660
Interest on lease liabilities	5,302	4,578	17,407	13,734
	(22,064)	19,095	(127,892)	(21,603)
Other loss (gain)				
Gain on sale of asset available for sale (Note 3)	-	-	(377,793)	-
Change in fair value – investments	17,809	431	14,224	13,966
	17,809	431	(363,569)	13,966
Loss before income taxes	(1,372,031)	(504,797)	(1,191,668)	(636,519)
Deferred income tax recovery	-	1,560,032	-	3,383,776
Net earnings (loss) and comprehensive income (loss) for the period	(1,372,031)	1,055,235	(1,191,668)	2,747,257
Basic net earnings (loss) per share (Note 11)	(0.015)	0.013	(0.017)	0.034
Diluted net earnings (loss) per share (Note 11)	(0.015)	0.012	(0.017)	0.032
Weighted average number of shares outstanding (Note 11)	79,519,723	81,971,236	79,545,089	81,860,987

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity

For the three and nine months ended May 31, 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	-	-	-	-	-	(1,191,668)	(1,191,668)
Common shares returned to the treasury (Note 3)	(2,900,000)	(2,291,000)	-	-	-	-	(2,291,000)
Stock options exercised (Note 8)	515,000	340,926	-	(155,376)	-	-	185,550
Stock options expired (Note 8)	-	-	-	(65,997)	65,997	-	-
Stock-based compensation (Note 8)	-	-	-	218,562	-	-	218,562
Underwriters' options expired (Note 7)	-	-	(635,182)	-	635,182	-	-
Balance as at May 31, 2023	79,808,844	59,983,894	-	3,776,403	4,804,152	(24,467,780)	44,096,669
Balance as at September 1, 2021	81,753,844	61,550,590	635,182	3,010,920	4,028,710	(24,892,962)	44,332,440
Income and comprehensive income for the period	-	-	-	-	-	2,747,257	2,747,257
Stock options exercised	340,000	278,960	-	(131,160)	-	-	147,800
Stock options expired / cancelled (Note 8)	-	-	-	(30,720)	30,720	-	-
Stock-based compensation (Note 8)	-	-	-	170,036	-	-	170,036
Share issue expenses	-	(2,882)	-	-	-	-	(2,882)
Balance as at May 31, 2022	82,093,844	61,826,668	635,182	3,019,076	4,059,430	(22,145,705)	47,394,651

No common shares were unpaid as at May 31, 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 nine months ended May 31, 2023

(in Canadian dollars)

(Unaudited)

	Nine months ended	
	May 31,	
	2023	2022
	\$	\$
Cash flows from (used in) operating activities		
Net earnings for the period	(1,191,668)	2,747,257
Items not affecting cash		
Depreciation of property and equipment	9,845	9,279
Amortization of intangible assets	1,521	1,269
Depreciation of right-of-use assets	32,950	35,943
Impairment of exploration and evaluation assets	829,394	-
Change in fair value – investments	14,224	13,966
Gain on sale of available-for-sale asset	(377,793)	-
Stock-based compensation cost	218,562	170,036
Unwinding of discount on asset retirement obligations	72,358	62,660
Recovery of deferred income taxes	-	(3,383,776)
	<u>(390,607)</u>	<u>(343,366)</u>
Changes in non-cash working capital items		
Amounts receivable	1,182,333	516,474
Prepaid expenses	46,915	(69,018)
Accounts payable and accrued liabilities	(216,288)	220,485
	<u>1,012,960</u>	<u>667,941</u>
	<u>622,353</u>	<u>324,575</u>
Cash flows from (used in) financing activities		
Share issue expenses	-	(2,882)
Stock options exercised	185,550	147,800
Repayment of lease liabilities	(27,732)	(33,915)
	<u>157,818</u>	<u>111,003</u>
Cash flows from (used) used in investing activities		
Advance received for exploration work, net	1,831,935	3,506,289
Additions to property and equipment	(57,295)	(18,565)
Additions to intangible assets	(1,500)	(5,625)
Additions to exploration and evaluation assets	(15,768,279)	(11,560,360)
Proceeds from sale of options on E&E assets	70,000	20,000
Proceeds from sale of investments	550	-
Tax credit and mining rights received	4,580,212	87,981
	<u>(9,344,377)</u>	<u>(7,534,702)</u>
Net change in cash and cash equivalents	<u>(8,564,206)</u>	<u>(7,970,280)</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>5,471,229</u>	<u>20,107,147</u>
Additional information		
Interest received	229,499	108,380
Interest paid	(17,407)	(13,734)
Acquisition of E&E assets included in accounts payable and accrued liabilities	901,149	2,753,180
Depreciation of property & equipment and right-of-use assets included in E&E assets	191,074	134,064
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	4,138,780	-

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

Azimut Exploration Inc.

Notes to Financial Statements

For the three and nine months ended May 31, 2023

(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 July 24, 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 – May 31, 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.

Notes to Financial Statements

For the three and nine months ended May 31, 2023

(Unaudited)

4 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp ⁽¹⁾ \$	Vehicles \$	Total \$
Period ended May 31, 2023							
Opening net book value	1,413	6,882	33,238	76	1,508,327	126	1,550,062
Additions	538	-	10,105	-	46,652	-	57,295
Depreciation for the period ⁽¹⁾	(265)	(1,032)	(8,531)	(16)	(191,047)	(28)	(200,919)
Closing net book value	1,686	5,850	34,812	60	1,363,932	98	1,406,438
As at May 31, 2023							
Cost	22,663	29,914	112,831	14,832	2,343,703	3,702	2,527,645
Accumulated depreciation	(20,977)	(24,064)	(78,019)	(14,772)	(979,771)	(3,604)	(1,121,207)
Net book value	1,686	5,850	34,812	60	1,363,932	98	1,406,438
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

Azimut Exploration Inc.

Notes to Financial Statements

For the three and nine months ended May 31, 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 May 31, 2023	Accumulated impairment as at August 31, 2022	Accumulated impairment as at May 31, 2023	Net book value as at May 31, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold									
Elmer	100								
Acquisition costs		159,896	3,420	-	-	163,316	-	-	163,316
Exploration costs		23,670,147	8,724,633	-	(3,800,000)	28,594,780	-	-	28,594,780
		23,830,043	8,728,053	-	(3,800,000)	28,758,096	-	-	28,758,096
SOQUEM (a)	50								
Acquisition costs		181,525	31,844	-	-	213,369	-	-	213,369
Exploration costs		2,314,242	40,274	-	(18,000)	2,336,516	-	-	2,336,516
		2,495,767	72,118	-	(18,000)	2,549,885	-	-	2,549,885
Dalmas-Galinée (b)	50								
Acquisition costs		51,581	10,507	-	-	62,088	-	-	62,088
Exploration costs		142,380	11,453	-	(5,400)	148,433	-	-	148,433
		193,961	21,960	-	(5,400)	210,521	-	-	210,521
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
		452,676	63	-	-	452,739	(412,647)	(412,647)	40,092
Wabamisk (d)	100								
Acquisition costs		23,838	41,580	-	-	65,418	-	-	65,418
Exploration costs		38,254	323,710	-	(140,000)	221,964	-	-	221,964
		62,092	365,290	-	(140,000)	287,382	-	-	287,382
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		87,620	32,846	-	-	120,466	(57,751)	(57,751)	62,715
Exploration costs		59,381	2,954	-	(1,000)	61,335	(37,397)	(37,397)	23,938
		147,001	35,800	-	(1,000)	181,801	(95,148)	(95,148)	86,653
Total James Bay – Gold		27,361,665	9,234,369	(70,000)	(3,964,400)	32,561,634	(507,795)	(507,795)	32,053,839

Azimut Exploration Inc.

Notes to Financial Statements

For the three and nine months ended May 31, 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 May 31, 2023	Accumulated impairment as at August 31, 2022	Accumulated impairment as at May 31, 2023	Net book value as at May 31, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$
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
Total James Bay – Chromium-PGE		961,151	8,980	-	(2,380)	967,751	(949,509)	(949,509)	18,242
James Bay – Base Metals									
Mercator	100								
Acquisition costs		53,001	59,670	-	-	112,671	-	-	112,671
Exploration costs		34,254	7,585	-	(3,000)	38,839	-	-	38,839
		87,255	67,255	-	(3,000)	151,510	-	-	151,510
Corne	100								
Acquisition costs		26,727	30,090	-	-	56,817	-	-	56,817
Exploration costs		33,152	5,804	-	(2,500)	36,456	-	-	36,456
		59,879	35,894	-	(2,500)	93,273	-	-	93,273
Others *	100								
Acquisition costs		7,551	-	-	-	7,551	(7,551)	(7,551)	-
Exploration costs		2,844	-	-	-	2,844	(2,844)	(2,844)	-
		10,395	-	-	-	10,395	(10,395)	(10,395)	-
Total James Bay – Base Metals		157,529	103,149	-	(5,500)	255,178	(10,395)	(10,395)	244,783
James Bay – Nickel									
JBN	100								
Acquisition costs		352,859	169,034	-	-	521,893	-	-	521,893
Exploration costs		46,498	98,354	-	(42,000)	102,852	-	-	102,852
Total James Bay – Nickel		399,357	267,388	-	(42,000)	624,745	-	-	624,745
James Bay – Lithium									
Corvet	100								
Acquisition costs		76,625	125,540	-	-	202,165	-	-	202,165
Exploration costs		30,278	50,432	-	(22,000)	58,710	-	-	58,710
		106,903	175,972	-	(22,000)	260,875	-	-	260,875
Kaanaayaa	100								
Acquisition costs		107,697	17,200	-	-	124,897	-	-	124,897
Exploration costs		74,768	63,933	-	(27,500)	111,201	-	-	111,201
		182,465	81,133	-	(27,500)	236,098	-	-	236,098
JBL	100								
Acquisition costs		-	470,384	-	-	470,384	-	-	470,384
Exploration costs		-	123,279	-	(53,000)	70,279	-	-	70,279
		-	593,663	-	(53,000)	540,663	-	-	540,663
Total James Bay – Lithium		289,368	850,768	-	(102,500)	1,037,636	-	-	1,037,663
Total James Bay		29,169,070	10,464,654	(70,000)	(4,116,780)	35,446,944	(1,467,699)	(1,467,699)	33,979,245

Azimut Exploration Inc.

Notes to Financial Statements

For the three and nine months ended May 31, 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 May 31, 2023	Accumulated impairment as at August 31, 2022	Accumulated impairment as at May 31, 2023	Net book value as at May 31, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Gold									
Rex-Duquet	(g & h)	100							
Acquisition costs		1,290,271	52,243	-	-	1,342,514	(1,054,369)	(1,148,800)	193,714
Exploration costs		4,101,701	59,032	-	(7,000)	4,153,733	(3,134,729)	(3,527,133)	626,600
		5,391,972	111,275	-	(7,000)	5,496,247	(4,189,098)	(4,675,933)	820,314
Rex South	(h)	100							
Acquisition costs		453,353	34,560	-	-	487,913	(104,513)	(264,351)	223,562
Exploration costs		484,771	82,332	-	(5,000)	562,103	(145,089)	(327,810)	234,293
		938,124	116,892	-	(5,000)	1,050,016	(249,602)	(592,161)	457,855
Nantais	(h)	100							
Acquisition costs		172,357	-	-	-	172,357	(95,299)	(95,299)	77,058
Exploration costs		325,365	545	-	-	325,910	(204,913)	(204,913)	120,997
		497,722	545	-	-	498,267	(300,212)	(300,212)	198,055
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	228,712	-	(12,000)	8,765,180	(6,459,435)	(7,288,829)	1,476,351
Nunavik – Base Metals									
Doran		100							
Acquisition costs		59,732	-	-	-	59,732	-	-	59,732
Exploration costs		19,817	23,967	-	(10,000)	33,784	-	-	33,784
Total Nunavik – Base Metals		79,549	23,967	-	-	93,516	-	-	93,516
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	252,679	-	(22,000)	10,113,811	(7,653,717)	(8,483,111)	1,630,700
Total E&E assets		39,052,202	10,717,333	(70,000)	(4,138,780)	45,560,755	(9,121,416)	(9,950,810)	35,609,945

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

Azimut Exploration Inc.

Notes to Financial Statements

For the three and nine months ended May 31, 2023

(Unaudited)

5 Exploration and evaluation assets (cont'd)

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

	May 31, 2023	August 31, 2022
	\$	\$
Acquisition and exploration – Net book value	35,609,945	29,930,786
Prepaid exploration expenses	75,113	77,000
	<u>35,685,058</u>	<u>30,007,786</u>

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.

Azimut Exploration Inc.

Notes to Financial Statements

For the three and nine months ended May 31, 2023

(Unaudited)

5 Exploration and evaluation assets (cont'd)

- 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 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.

Azimut Exploration Inc.

Notes to Financial Statements

For the three and nine months ended May 31, 2023

(Unaudited)

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.

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 May 31, 2023, 300,000 stock options were granted to an employee, having a fair value of \$229,345. 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:

	Nine months ended May 31, 2023	Year ended August 31, 2022
Weighted average price of share at time of grant	\$0.89	\$0.95
Weighted average exercise price	\$0.89	\$0.95
Weighted average risk-free interest rate	2.90%	2.68%
Weighted average expected volatility	87%	87%
Weighted average expected life	10 years	10 years
Weighted average expected dividend yield	0%	0%
Weighted average fair value of options granted	\$0.764	\$0.81

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

	Nine months ended May 31, 2023		Year ended 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	300,000	0.41	1,682,000	0.95
Exercised	(515,000)	0.36	(440,000)	0.47
Expired	(51,000)	1.49	(110,000)	1.146
Forfeited	-	-	(138,000)	1.389
Outstanding – End of period	<u>5,813,000</u>	<u>0.78</u>	<u>6,079,000</u>	<u>0.77</u>
Vested – End of period	<u>5,354,000</u>		<u>5,752,000</u>	
				Weighted average remaining contractual life (years)
Exercise price \$		Options outstanding	Options vested	
Between 0.19 – 0.50		1,490,000	1,490,000	2.78
Between 0.51 – 1.00		2,805,000	2,655,000	7.66
Between 1.01 – 1.50		1,510,000	1,201,000	9.56
Between 1.51 – 2.00		8,000	8,000	7.18
		<u>5,813,000</u>	<u>5,354,000</u>	<u>6.90</u>

Azimut Exploration Inc.

Notes to Financial Statements

For the three and nine months ended May 31, 2023

(Unaudited)

9 Expenses by nature

	Three months ended		Nine months ended	
	May 31,		May 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and fringe benefits	68,824	315,335	(16,903)	130,989
Stock-based compensation	30,333	57,416	95,333	57,416
Professional and maintenance fees	152,789	31,284	213,943	93,417
Administration and office	50,806	19,682	94,298	72,365
Business development and administration fees	185,177	19,080	208,129	92,626
Advertising	445	2,146	6,725	6,434
Rent	4,477	435	9,434	1,495
Insurance	21,492	11,275	65,849	31,682
Conferences and meeting	16,011	28,829	93,155	44,255
Depreciation of property and equipment	3,492	3,481	9,845	9,279
Amortization of intangible assets	507	657	1,521	1,269
Depreciation on right-of-use asset	10,983	11,981	32,950	35,943
General and administrative expenses	545,336	501,601	814,279	577,170
Salaries related to search of properties	5,000	(12,724)	8,900	21,076
Other exploration expenses	436	916	810	13,862
Stock-based compensation	60,677	33,329	123,229	112,620
Projects generation	66,113	21,521	132,939	147,558

10 Related party transactions

Compensation of key management

Key management includes the directors, the chief executive officer (“CEO”), the chief financial officer (“CFO”), the Vice-President of Corporate Development (starting May 16, 2022) (“VPD”) and the Vice-President of Exploration (starting April 13, 2023) (“VPE”). The Vice-President of 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:

	Nine months ended	
	May 31,	
	2023	2022
	\$	\$
Salaries	579,423	398,119
Director fees	105,000	65,875
Stock-based payment	133,333	57,416
	817,756	521,410

An amount of \$279,645 for salaries (\$188,113 in 2022) was capitalized to E&E assets.

As at May 31, 2023, accounts payable and accrued liabilities included \$18,018 (\$193,733 as at May 31, 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 VPD 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 VPE shall be entitled to receive an indemnity equal to four (4) weeks of salary after completing up to the first year of employment, to twelve (12) weeks after one (1) year of employment and increasing by four (4) weeks for every additional year of employment to a maximum of one (1) year of salary after two (2) years of employment. The indemnity paid must not represent more than 10% of the Company’s cash and cash equivalents at such time. As at May 31, 2023, the entitled indemnity amounted to \$593,077.

Azimut Exploration Inc.

Notes to Financial Statements

For the three and nine months ended May 31, 2023

(Unaudited)

10 Related party transactions (cont'd)

Compensation of key management (cont'd)

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 VPD 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 VPE will be entitled to receive an indemnity of \$146,667 within the twelve (12) months following the change of control, equal to eight (8) months of salary. The CFO will be entitled to receive an indemnity of \$285,000, equal to eighteen (18) months of salary.

11 Net earnings per share

For the nine-month period ended May 31, 2023, the diluted net earnings per share were calculated using the basic weighted average number of shares outstanding of 79,545,089 (81,860,987 – May 31, 2022). For the nine-month period ended May 31, 2022, the basic weighted average number of shares outstanding was adjusted by 3,153,183 and 2,909,326, respectively, to reflect the total potential dilutive instrument of stock options with lower exercise prices than the average market price of the Company's shares (anti-dilutive for the nine-month period ended May 31, 2023). As a result, the diluted weighted average number of shares of 79,545,089 (84,880,562 – May 31, 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 were no transfers of hierarchy level during the nine-month period ended May 31, 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.

13 Subsequent events

On July 7, 2023, the Company signed two Option to Joint Venture agreements with Rio Tinto Exploration Canada Inc ("Rio Tinto") for its wholly owned Corvet and Kaanaayaa lithium properties.

Under the agreements, Rio Tinto can acquire 50% interest on each property over four years by funding \$1.5 million in exploration expenditures during the first year and \$5.5 million in subsequent years and making cash payments totalling \$850,000, including \$250,000 on signing per property. The Company will be the operator during this first option phase. Rio Tinto can earn an additional 20% interest over five years with further work expenditures of \$50 million per property. Rio Tinto will act as the operator during that second option phase.

Upon Rio Tinto earning a 70% interest, Azimut will have the option to be funded to production by way of a secured loan from Rio Tinto in exchange for an additional 5% interest in the property. At this stage, the respective interests in the property will be Azimut 25% and Rio Tinto 75%. If exercised, the loan shall accrue interest at the SOFR + 4.5% per annum, to be paid back from 50% of the cash flow from production.