

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements
November 30, 2023

Azimut Exploration Inc.

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

For the three-month period ended November 30, 2023

(in Canadian dollars, except number of common shares)

	Three-month period ended	
	November 30,	
	2023	2022
	\$	\$
Revenues		
Operator income (Notes 6a, b, e, f and i)	86,187	24,810
Expenses		
General and administrative (Note 11)	1,300,190	244,072
General exploration (Note 11)	13,957	15,503
Operating expenses	1,314,147	259,575
Financing cost (income), net		
Interest income	(107,840)	(100,103)
Interest and bank charges	413	395
Unwinding of discount on asset retirement obligations	18,591	23,744
Interest on lease liabilities	3,017	6,803
	(85,819)	(69,161)
Other losses (gains)		
Change in fair value – investments	(1,923)	381
Gain on option payments on exploration and evaluation assets	(4,043)	-
Gain on sale of assets	-	(377,793)
	(5,966)	(377,412)
Loss (earnings) before income taxes	1,136,175	(211,808)
Deferred income tax recovery	(904,999)	-
Net loss (earnings) and comprehensive loss (income) for the period	231,176	(211,808)
Basic and diluted net loss (earnings) per share (Note 13)	0.003	(0.003)
Weighted average number of shares outstanding (Note 13)	84,670,420	79,595,823

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity

For the three-month period ended November 30, 2023

(in Canadian dollars, except number of common shares)

	Share capital		Underwriters' options	Stock options	Contributed surplus	Deficit	Total
	Number ⁽¹⁾	\$	\$	\$	\$	\$	\$
Balance as at September 1, 2023	79,963,844	60,035,081	-	3,747,701	4,857,941	(25,107,078)	43,533,645
Net loss and comprehensive loss for the period	-	-	-	-	-	(231,176)	(231,176)
Common shares private placement (Note 8)	2,082,100	2,186,205	-	-	-	-	2,186,205
Flow-through private placement (Note 8)	2,992,700	6,000,365	-	-	-	-	6,000,365
Less: Premium	-	(3,037,592)	-	-	-	-	(3,037,592)
Stock options exercised (Note 10)	170,000	114,874	-	(51,974)	-	-	62,900
Stock-based compensation (Note 10)	-	-	-	896,543	-	-	896,543
Share issue expenses	-	(327,140)	52,464	-	-	-	(274,676)
Balance as at November 30, 2023	85,208,644	64,971,793	52,464	4,592,270	4,857,941	(25,338,254)	49,136,214
Balance as at September 1, 2022	82,193,844	61,933,968	635,182	3,779,214	4,102,973	(23,276,112)	47,175,225
Net earnings and comprehensive income for the period	-	-	-	-	-	211,808	211,808
Common shares repurchased for cancellation	(2,900,000)	(2,291,000)	-	-	-	-	(2,291,000)
Stock options exercised	90,000	31,760	-	(14,460)	-	-	17,300
Stock-based compensation	-	-	-	47,825	-	-	47,825
Balance as at November 30, 2022	79,383,844	59,674,728	635,182	3,812,579	4,102,973	(23,064,304)	45,161,158

⁽¹⁾ There were no common shares that were unpaid as at November 30, 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-month period ended November 30, 2023

(in Canadian dollars)

	Three-month period ended	
	November 30,	
	2023	2022
	\$	\$
Cash flows (used in) from operating activities		
Net (loss) earnings for the period	(231,176)	211,808
Items not affecting cash		
Depreciation of property and equipment	22,023	3,176
Amortization of intangible assets	618	507
Depreciation of right-of-use assets	15,151	10,983
Change in fair value, investments	(1,923)	381
Gain on option payments on exploration and evaluation assets	(4,043)	-
Gain on sale of exploration property	-	(377,793)
Stock-based compensation cost	849,704	47,825
Unwinding of discount on asset retirement obligations	18,591	23,744
Recovery of deferred income taxes	(904,999)	-
	<u>(236,054)</u>	<u>(79,369)</u>
Changes in non-cash working capital items		
Amounts receivable	(944,799)	(23,683)
Prepaid expenses	70,369	20,113
Accounts payable and accrued liabilities	3,582,557	(219,523)
	<u>2,708,127</u>	<u>(223,093)</u>
	<u>2,472,073</u>	<u>(302,462)</u>
Cash flows from financing activities		
Issuance of common shares	6,000,365	-
Issuance of flow-through shares	2,186,205	-
Share issue expenses	(436,718)	-
Stock options exercised	62,900	17,300
Repayment of lease liabilities	(13,030)	(9,244)
	<u>7,799,722</u>	<u>8,056</u>
Cash flows used in investing activities		
Advance received for exploration work, net	2,742,439	600,000
Additions to property and equipment	-	(26,266)
Additions to exploration and evaluation assets	(4,680,406)	(6,257,173)
Cost related to sale of asset available for sale	-	(6,969)
Option payments on E&E assets	50,000	20,000
Tax credit and mining rights received	-	2,467,192
	<u>(1,887,967)</u>	<u>(3,203,216)</u>
Net change in cash and cash equivalents	<u>8,383,828</u>	<u>(3,497,623)</u>
Cash and cash equivalents – Beginning of the period	<u>3,320,226</u>	<u>14,035,435</u>
Cash and cash equivalents – End of the period	<u>11,704,054</u>	<u>10,537,812</u>
Additional information		
Interest received	107,840	100,102
Interest paid	3,017	7,198
Additional cash flow information (Note 13)		

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

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month period ended November 30, 2023

(in Canadian dollars)

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 asset (“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 International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). Unless otherwise stated, the accounting policies applied to these unaudited, condensed interim financial statements are consistent with those applied in previous fiscal years. The Company’s Board of Directors approved these financial statements for issue on January 22, 2024.

3 Cash and cash equivalents

As at November 30, 2023, the Company’s cash and cash equivalents of \$11,704,054 (\$3,320,266 – August 31, 2023) included \$2,364,193 of high-interest saving accounts bearing interest at 3.27% (\$2,339,695 bearing interest 3.27% – August 31, 2023), cashable any time without any penalties.

4 Amounts receivable

	As at November 30, 2023 \$	As at August 31, 2023 \$
Tax credit and mining rights receivable	4,388,216	4,388,216
Less: Tax credit and mining rights receivable – Non-current	<u>4,388,216</u>	<u>4,388,216</u>
Tax credit and mining rights receivable – Current	-	-
Commodity taxes	516,215	66,536
Amounts receivable	<u>1,157,554</u>	<u>1,419,640</u>
Current amount receivable	<u>1,673,769</u>	<u>1,486,176</u>

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month period ended November 30, 2023

(in Canadian dollars)

5 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialized equipment \$	Camp ⁽¹⁾ \$	Vehicles \$	Total \$
Period ended November 30, 2023							
Opening net book amount	1,650	5,606	32,430	256,366	1,241,727	92	1,537,871
Additions	-	-	-	-	-	-	-
Change in estimate	-	-	-	-	301,229	-	301,229
Depreciation for the period ⁽¹⁾	(83)	(281)	(2,432)	(19,227)	(71,867)	(6)	(93,896)
Closing net book amount	1,567	5,325	29,998	237,139	1,471,089	86	1,745,204
As at November 30, 2023							
Cost	22,663	29,914	112,831	277,676	2,582,518	3,702	3,029,304
Accumulated depreciation	(21,096)	(24,589)	(82,833)	(40,537)	(1,111,429)	(3,616)	(1,284,100)
Net book amount	1,567	5,325	29,998	237,139	1,471,089	86	1,745,204
Year ended August 31, 2023							
Opening net book amount	1,413	6,882	33,238	76	1,508,327	126	1,550,062
Additions	538	-	10,105	262,844	46,653	-	320,140
Change in estimate	-	-	-	-	(62,415)	-	(62,415)
Depreciation for the period ⁽¹⁾	(301)	(1,276)	(10,913)	(6,554)	(250,838)	(34)	(269,916)
Closing net book amount	1,650	5,606	32,430	256,366	1,241,727	92	1,537,871
As at August 31, 2023							
Cost	22,663	29,914	112,831	277,676	2,281,289	3,702	2,728,075
Accumulated depreciation	(21,013)	(24,308)	(80,401)	(21,310)	(1,039,562)	(3,610)	(1,190,204)
Net book amount	1,650	5,606	32,430	256,366	1,241,727	92	1,537,871

⁽¹⁾ Depreciation of property and equipment included in E&E assets in the amount of \$71,873 (\$250,871 – August 31, 2023)

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

6 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, 2023	Additions	Option payments	Tax credit	Cost as at November 30, 2023	Accumulated impairment as at August 31, 2023	Impairment	Accumulated impairment as at November 30, 2023	Net book value as at November 30, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold										
Elmer	100									
Acquisition costs		198,676	-	-	-	198,676	-	-	-	198,676
Exploration costs		28,793,141	619,436	-	-	29,412,577	-	-	-	29,412,577
		28,991,817	619,436	-	-	29,601,253	-	-	-	29,611,253
SOQUEM – JB Alliance	(a) 50									
Acquisition costs		219,999	12,495	-	-	232,494	-	-	-	232,494
Exploration costs		2,361,027	309,210	-	-	2,670,237	-	-	-	2,670,237
		2,581,026	321,705	-	-	2,902,731	-	-	-	2,902,731
Opinaca	(c) 25 - 100									
Acquisition costs		166,159	-	-	-	166,159	(148,416)	-	(148,416)	17,743
Exploration costs		286,580	-	-	-	286,580	(264,231)	-	(264,231)	22,349
		452,739	-	-	-	452,739	(412,647)	-	(412,647)	40,092
Wabamisk	(d) 100									
Acquisition costs		65,418	-	-	-	65,418	-	-	-	65,418
Exploration costs		220,987	1,280	-	-	222,267	-	-	-	222,267
		286,405	1,280	-	-	287,685	-	-	-	287,685
Wapatik	(e) 100									
Acquisition costs		-	-	-	-	-	-	-	-	-
Exploration costs		15,957	-	(15,957)	-	-	-	-	-	-
		15,957	-	(15,957)	-	-	-	-	-	-
Kukamas	(f) 100									
Acquisition costs		36,718	-	(36,718)	-	-	-	-	-	-
Exploration costs		69,258	-	(13,282)	-	55,976	-	-	-	55,976
		105,976	-	(50,000)	-	55,976	-	-	-	55,976
Other	100									
Acquisition costs		99,632	3,400	-	-	103,032	(57,706)	-	(57,706)	45,326
Exploration costs		36,880	9,693	-	-	46,573	(37,442)	-	(37,442)	9,131
		136,512	13,093	-	-	149,605	(95,148)	-	(95,148)	54,457
Total James Bay – Gold		32,570,432	955,514	(65,957)	-	33,459,989	(507,795)	-	(507,795)	32,952,194

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

6 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, 2023	Additions	Option payments	Tax credit	Cost as at November 30, 2023	Accumulated impairment as at August 31, 2023	Impairment	Accumulated impairment as at November 30, 2023	Net book value as at November 30, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Chromium-PGE										
Chromaska	100									
Acquisition costs		46,029	-	-	-	46,029	(32,929)	-	(32,929)	13,100
Exploration costs		921,721	-	-	-	921,721	(916,580)	-	(916,580)	5,141
Total James Bay – Chromium-PGE		967,750	-	-	-	967,750	(949,509)	-	(949,509)	18,241
James Bay – Base Metals										
Mercator	100									
Acquisition costs		112,671	-	-	-	112,671	-	-	-	112,671
Exploration costs		38,529	-	-	-	38,529	-	-	-	38,529
		151,200	-	-	-	151,200	-	-	-	151,200
Corne	100									
Acquisition costs		56,817	-	-	-	56,817	-	-	-	56,817
Exploration costs		36,738	-	-	-	36,738	-	-	-	36,738
		93,555	-	-	-	93,555	-	-	-	93,555
Others*	100									
Acquisition costs		1,502	-	-	-	1,502	(822)	-	(822)	680
Exploration costs		835	-	-	-	835	-	-	-	835
		2,337	-	-	-	2,337	(822)	-	(822)	1,515
Total James Bay – Base Metals		247,092	-	-	-	247,092	(822)	-	(822)	246,270
James Bay – Nickel										
JBN	100									
Acquisition costs		502,527	-	-	-	502,527	-	-	-	502,527
Exploration costs		102,596	14,963	-	-	117,559	-	-	-	117,559
Total James Bay – Nickel		605,123	14,963	-	-	620,086	-	-	-	620,086
James Bay – Lithium										
Pilipas	(j) 100									
Acquisition costs		20,790	-	-	-	20,790	-	-	-	20,790
Exploration costs		26,749	-	-	-	26,749	-	-	-	26,749
		47,539	-	-	-	47,539	-	-	-	47,539
Dalmas-Galinée	(b) 50									
Acquisition costs		78,662	-	-	-	78,662	-	-	-	78,662
Exploration costs		229,883	1,045,922	-	-	1,275,805	-	-	-	1,275,805
		308,545	1,045,922	-	-	1,354,467	-	-	-	1,354,467
Corvet	(i) 100									
Acquisition costs		-	-	-	-	-	-	-	-	-
Exploration costs		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

6 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, 2023	Additions	Option payments	Tax credit	Cost as at November 30, 2023	Accumulated impairment as at August 31, 2023	Impairment	Accumulated impairment as at November 30, 2023	Net book value as at November 30, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Lithium (cont'd)										
Kaanaayaa	(i)	100								
Acquisition costs		-	-	-	-	-	-	-	-	-
Exploration costs		-	-	-	-	-	-	-	-	-
JBL	100									
Acquisition costs		73,448	-	-	-	73,448	-	-	-	73,448
Exploration costs		450,864	41,303	-	-	492,167	-	-	-	492,167
		524,312	41,303	-	-	565,615	-	-	-	565,615
Total James Bay – Lithium		524,312	1,087,225	-	-	1,967,621	-	-	-	1,967,621
Total James Bay		35,270,793	2,057,702	(65,957)	-	37,262,538	(1,458,126)	-	(1,458,126)	35,804,412
Nunavik – Gold										
Rex-Duquet	(g & h)	100								
Acquisition costs		1,372,065	270	-	-	1,372,335	(1,148,800)	-	(1,148,800)	223,535
Exploration costs		4,176,913	14,740	-	-	4,191,653	(3,527,133)	-	(3,527,133)	664,520
		5,548,978	15,010	-	-	5,563,988	(4,675,933)	-	(4,675,933)	888,055
Rex South	(h)	100								
Acquisition costs		521,539	9,450	-	-	530,989	(264,351)	-	(264,351)	266,638
Exploration costs		593,531	30,552	-	-	624,083	(327,810)	-	(327,810)	296,273
		1,115,070	40,002	-	-	1,155,072	(592,161)	-	(592,161)	562,911
Nantais	(h)	100								
Acquisition costs		180,457	4,320	-	-	184,777	(95,299)	-	(95,299)	89,478
Exploration costs		325,984	61	-	-	326,045	(204,913)	-	(204,913)	121,132
		506,441	4,381	-	-	510,822	(300,212)	-	(300,212)	210,610
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		8,891,139	59,393	-	-	8,950,532	(7,288,829)	-	(7,288,829)	1,661,703
Nunavik – Base Metals										
Doran	100									
Acquisition costs		59,732	-	-	-	59,732	-	-	-	59,732
Exploration costs		37,237	11,210	-	-	48,447	-	-	-	48,447
Total Nunavik – Base Metals		96,969	11,210	-	-	108,179	-	-	-	108,179

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

6 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, 2023	Additions	Option payments	Tax credit	Cost as at November 30, 2023	Accumulated impairment as at August 31, 2023	Impairment	Accumulated impairment as at November 30, 2023	Net book value as at November 30, 2023
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$
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		10,243,223	70,603	-	-	10,313,826	(8,483,111)	-	(8,483,111)	1,830,715
Total E&E assets		45,514,016	2,128,305	(65,957)	-	47,576,364	(9,941,237)	-	(9,941,237)	37,635,127

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

	November 30, 2023	August 31, 2023
	\$	\$
Acquisition and exploration – Net book value	37,635,127	35,572,779
Prepaid exploration expenses	52,986	57,570
	<u>37,688,113</u>	<u>35,630,349</u>

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

6 Exploration and evaluation assets (cont'd)

The 2023 E&E assets have been regrouped where necessary to reflect the same area of interest and to conform with the 2024 presentation.

- a) The James Bay Strategic Alliance (the “JB 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 JB 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 (Munischivan, 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 property subject to a JV agreement between Azimut and SOQUEM. Azimut remains the operator of Munischivan, Pontois and Desceliers. 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 a 50/50 JV project with Everton Resources Inc. (“Everton”). Everton earned 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 a 25/50/25 JV project with Hecla Quebec Inc. (“Hecla”) and Everton. Everton earned its interest after it reached cumulative cash payments of \$160,000 in March 2010 and incurred \$2 million in work expenditures. Hecla earned its 50% interest after it reached 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 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 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

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

6 Exploration and evaluation assets (cont'd)

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) have a firm commitment of \$4 million per 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.

On April 1, 2023, SOQUEM could decide to a) extend the suspension of its financial obligations for a maximum additional period of 1 year, b) pursue the option within the Alliance, including assuming the costs incurred by Azimut or c) abandon the option.

SOQUEM decided to extend the suspension of its financial obligations for a maximum additional period of one (1) year.

i) On July 7, 2023, the Company signed two (2) 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 a 50% interest on each property over four (4) years by funding \$1.5 million in exploration expenditures the first year and \$5.5 million in subsequent years and making cash payments totalling \$850,000, including \$250,000 per property on signing. The Company is the operator during this first option phase. Rio Tinto can earn an additional 20% interest over five (5) years with further work expenditures of \$50 million per property. Rio Tinto will act as the operator during this second option phase.

Upon Rio Tinto earning a 70% interest in a property, 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 SOFR + 4.5% per annum, to be paid back from 50% of the cash flow from production.

j) On December 8, 2023, the Company signed an Option to Joint Venture agreement with Ophir Gold Corp. (“Ophir Gold”) for its wholly-owned Pilipas Property. Under the agreement, Ophir Gold can earn up to a 70% interest in the property from the Company over three (3) years by funding \$4 million in exploration expenditures and by making payments totalling 6 million Ophir Gold shares and \$100,000 in cash.

7 Asset retirement obligations

The following tables summarize the Company’s asset retirement obligations as at November 30, 2023 and August 31, 2023:

	November 30, 2023			August 31, 2023		
	Rex-Duquet, Rex South	Elmer	Total	Rex-Duquet, Rex South	Elmer	Total
	\$	\$	\$	\$	\$	\$
Opening balance	1,006,149	543,775	1,549,924	969,713	543,389	1,513,102
Addition	-	-	-	-	-	-
Change in estimate	157,004	144,222	301,226	(29,607)	(32,808)	(62,415)
Unwinding of discount on asset retirement obligations	12,510	6,084	18,594	66,043	33,194	99,237
Balance – End of the period	1,175,663	694,081	1,869,744	1,006,149	543,775	1,549,924

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

7 Asset retirement obligations (cont'd)

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

	Rex-Duquet, Rex South	Elmer	Total
	\$	\$	\$
Estimated undiscounted cash flows to settle obligations	\$1,094,929	\$758,316	\$1,853,245
Weighted average discount rate	4.01%	3.65%	
Estimated number of years before disbursements to settle obligations	2.25 years	9.25 years	

8 Share capital

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

Issuance of shares and flow-through shares

On September 28, 2023, the Company closed a \$8.18 million bought deal private placement financing. The private placement consisted of 2,442,100 premium flow-through common shares at a price of \$2.0475 that will be used for critical mineral exploration expenditures, 550,600 flow-through common shares at a price of \$1.8165 per share and 2,082,100 common shares at a price of \$1.05.

The underwriters received: (a) a cash commission of \$250,509 and (b) 152,244 non-transferable compensation options, representing 3% of the total number of offered shares sold under the offering, each exercisable for one common share of the Company at a price of \$1.05 per share until March 28, 2025. The estimated fair value of \$52,464 was determined by the Black-Scholes pricing model using the following assumptions: risk-free interest of 4.96%, expected life of 18 months, annualized volatility rate of 67.95% (based on the Company's historical volatility for 18 months up to the issuance date) and dividend rate of 0%.

Flow-through share premium

	November 30, 2023
	\$
Flow-through share premium – Beginning of period	-
Addition	2,875,549
Amortization	(904,999)
Flow-through share premium – End of period	<u>1,970,550</u>

As at November 30, 2023, an amount of \$4,031,000 remain to be incurred, pursuant to the flow-through financing agreement.

9 Underwriters' options

The following table presents the Underwriters' compensation option activities for the three months ended November 30, 2023:

	Number	Weighted average exercise price	Expiry
		\$	
Outstanding – Beginning of the period	-	-	
Granted	<u>152,244</u>	<u>1.05</u>	March 28, 2025
Outstanding – End of the period	<u>152,244</u>	<u>1.05</u>	

10 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.

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

10 Stock option plan (cont'd)

The following tables summarize the information about stock options outstanding and their vesting status as at November 30, 2023:

	November 30, 2023		August 31, 2023	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of the period	5,598,000	0.82	6,079,000	0.77
Granted	1,032,000	0.95	300,000	0.89
Exercised	(170,000)	0.37	(670,000)	0.32
Expired	-	-	(111,000)	1.26
Outstanding – End of the period	<u>6,460,000</u>	<u>0.85</u>	<u>5,598,000</u>	<u>0.82</u>
Vested – End of the period	<u>5,990,000</u>		<u>5,139,000</u>	

Exercise price \$	Options outstanding	Options vested	Weighted average remaining contractual life (years)
Between 0.19 – 0.50	1,185,000	1,185,000	3.35
Between 0.51 – 1.00	3,807,000	3,646,000	7.64
Between 1.01 – 1.50	1,460,000	1,151,000	9.12
Between 1.51 – 2.00	8,000	8,000	6.68
	<u>6,460,000</u>	<u>5,990,000</u>	<u>7.19</u>

During the three months ended November 30, 2023, 1,032,000 stock options were granted to board members, management, employees and consultants, having a fair value of \$848,287. These stock options vest immediately except for 2 grants that vest 1/2 immediately and 1/2 one year after the grant date. 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 the following assumptions:

	Three-month period ended November 30, 2023
Weighted average closing price the day before the grant date	\$0.95
Weighted average exercise price	\$0.95
Weighted average risk-free interest rate	4.01%
Weighted average expected volatility	88%
Weighted average expected life	10 years
Weighted average expected dividend yield	0%
Weighted average fair value of options granted	\$0.822

Azimet Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

11 Expenses by nature

	Three-month periods ended November 30,	
	2023	2022
	\$	\$
Salaries and fringe benefits	215,274	85,649
Stock-based compensation	849,704	32,500
Professional and maintenance fees	68,415	18,571
Administration and office	10,478	16,944
Business development and administration fees	12,792	1,633
Advertising	1,351	5,435
Rent	2,017	2,476
Insurance	23,589	23,068
Conferences and meetings	78,778	43,130
Depreciation of property and equipment	22,023	3,176
Amortization of intangible assets	618	507
Depreciation on right-of-use asset	15,151	10,983
General and administrative expenses	1,300,190	244,072
Salaries for project generation	13,215	-
Other exploration expenses	742	178
Stock-based compensation	-	15,325
General exploration	13,957	15,503

12 Related party transactions

Compensation of key management

Key management consist of the directors, the President and 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 compensation paid or payable for services provided by key management was as follows:

	Three-month period ended November 30,	
	2023	2022
	\$	\$
Salaries	302,624	182,500
Director fees	35,000	35,000
Stock-based compensation	798,706	-
	1,136,330	217,500

An amount of \$98,330 for salaries (\$65,730 in 2022) is capitalized to E&E assets.

As at November 30, 2023, accounts payable and accrued liabilities include an amount of \$17,878 (\$168,874 at August 31, 2023) 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 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 November 30, 2023, the entitled indemnity amounted to \$599,000.

Azimut Exploration Inc.

Notes to Financial Statements

For the three-month ended November 30, 2023

(in Canadian dollars)

12 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 CFO will be entitled to receive an indemnity of \$285,000, equal to eighteen (18) months of salary. The VPD will be entitled to receive an indemnity of \$300,000 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.

13 Net loss (earnings) per share

For the period ended November 30, 2023, the diluted loss per share was the same as the basic loss per share since the potential dilutive instruments had an anti-dilutive effect. Accordingly, the basic and diluted loss per share for 2023 was calculated using the basic weighted average number of shares outstanding of 84,670,420.

14 Additional cash flow information

	Three-month periods ended	
	November 30,	
	2023	2022
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	565,000	2,264,046
Depreciation of property & equipment and right-of-use assets included in E&E assets	71,873	63,507
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	-	1,759,480
Stock-based compensation included in E&E assets	46,839	-