

Azimut Exploration Inc.

Financial Statements
August 31, 2021 and 2020



Independent auditor's report

To the Shareholders of Azimut Exploration Inc.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Azimut Exploration Inc. (the Company) as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's financial statements comprise:

- the statements of financial position as at August 31, 2021 and 2020;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Nochane Rousseau.

(Signed) "PricewaterhouseCoopers LLP"¹

Montréal, Quebec
December 28, 2021

¹ CPA auditor, CA, public accountancy permit No. A122718

Azimut Exploration Inc.

Statements of Loss and Comprehensive Loss

For the years ended August 31, 2021 and 2020

(in Canadian dollars, except number of common shares)

	2021	2020
	\$	\$
Revenues		
Operator income (Notes 8c, d, k and l)	314,592	180,028
Expenses		
General and administrative (Note 14)	1,272,388	1,930,191
General exploration (Note 14)	316,275	227,121
Impairment of exploration and evaluation assets (Note 8)	352,887	4,291
Operating expenses	1,941,550	2,161,603
Financing cost (income), net		
Interest income	(54,578)	(43,826)
Interest and bank charges	2,379	1,750
Unwinding of discount on asset retirement obligations	2,466	1,996
Interest on lease liabilities	22,405	7,642
	(27,328)	(32,438)
Other (gains) losses		
Change in fair value – investments	(25,344)	(9,363)
Net loss before income taxes	1,574,286	1,939,774
Deferred income tax recovery (Notes 11c and 16)	(1,023,527)	(1,636,604)
Loss and comprehensive loss for the year	550,759	303,170
Basic and diluted loss per share	0.01	0.00
Basic and diluted weighted average number of shares outstanding	70,626,602	61,591,639

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

Azimut Exploration Inc.

Statements of Changes in Equity

For the years ended August 31, 2021 and 2020

(in Canadian dollars, except number of common shares)

	Share capital		Warrants	Underwriters' options	Stock options	Contributed surplus	Deficit	Total
	Number ⁽¹⁾	\$	\$	\$	\$	\$	\$	\$
Balance as at September 1, 2020	65,788,137	32,685,285	-	-	2,400,388	3,787,210	(24,342,203)	14,530,680
Loss and comprehensive loss for the year	-	-	-	-	-	-	(550,759)	(550,759)
Common shares private placement (Note 11a)	12,411,807	23,249,100	-	-	-	-	-	23,249,100
Flow-through private placement (Note 11c)	3,463,900	11,500,148	-	-	-	-	-	11,500,148
Less: Premium	-	(3,487,984)	-	-	-	-	-	(3,487,984)
Stock option exercised (Note 13)	90,000	138,800	-	-	(65,000)	-	-	73,800
Stock option expired (Note 13)	-	-	-	-	(241,500)	241,500	-	-
Stock-based compensation (Note 13)	-	-	-	-	917,032	-	-	917,032
Share issue expenses	-	(2,534,759)	-	635,182	-	-	-	(1,899,577)
Balance as at August 31, 2021	81,753,844	61,550,590	-	635,182	3,010,920	4,028,710	(24,892,962)	44,332,440
Balance as at September 1, 2019	53,300,649	24,895,476	78,800	-	1,396,602	3,787,210	(24,039,033)	6,119,055
Loss and comprehensive loss for the year	-	-	-	-	-	-	(303,170)	(303,170)
Units private placement (Note 11b)	4,085,712	1,293,999	136,000	-	-	-	-	1,429,999
Flow-through private placement (Note 11c)	3,638,345	6,784,982	-	-	-	-	-	6,784,982
Less: Premium	-	(2,620,735)	-	-	-	-	-	(2,620,735)
Warrants exercised (Note 12)	4,253,431	1,928,215	(214,800)	-	-	-	-	1,713,415
Stock option granted (Note 13)	-	-	-	-	1,259,926	-	-	1,259,926
Stock option exercised (Note 13)	510,000	539,340	-	-	(256,140)	-	-	283,200
Share issue expenses	-	(135,992)	-	-	-	-	-	(135,992)
Balance as at August 31, 2020	65,788,137	32,685,285	-	-	2,400,388	3,787,210	(24,342,203)	14,530,680

There were no unpaid common shares as at August 31, 2021 and 2020.

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

Azimut Exploration Inc.

Statements of Cash Flows

For the years ended August 31, 2021 and 2020

(in Canadian dollars)

	August 31, 2021 \$	August 31, 2020 \$
Cash flows used in operating activities		
Loss for the year	(550,759)	(303,170)
Items not affecting cash		
Depreciation of property and equipment	11,748	12,040
Amortization of intangible assets	688	348
Depreciation of right-of-use assets	47,924	47,924
Change in fair value – investments	(25,344)	(9,363)
Impairment of exploration and evaluation assets	352,887	4,291
Refundable duties credit for losses and refundable tax credit relating to resources, net	(4,633)	(19,128)
Stock-based compensation cost	917,032	1,259,926
Unwinding of discount on asset retirement obligations	2,466	1,996
Recovery of deferred income taxes	(1,023,527)	(1,636,604)
	<u>(271,518)</u>	<u>(641,740)</u>
Changes in non-cash working capital items		
Amounts receivable	(650,759)	(270,902)
Prepaid expenses	(13,995)	(6,781)
Accounts payable and accrued liabilities	89,744	81,706
	<u>(575,010)</u>	<u>(195,977)</u>
	<u>(846,528)</u>	<u>(837,717)</u>
Cash flows from financing activities		
Private placement	23,249,100	1,429,999
Flow-through private placement	11,500,148	6,784,982
Share issue expenses	(1,899,577)	(185,023)
Warrants exercised	-	1,713,415
Stock option exercised	73,800	283,200
Repayment of lease liabilities	(294,467)	(360,453)
	<u>32,629,004</u>	<u>9,666,120</u>
Cash flows used investing activities		
Advance received for exploration work, net	1,751,740	1,283,444
Additions to property and equipment	(7,397)	(12,920)
Additions to intangible assets	(2,449)	(599)
Additions to exploration and evaluation assets	(12,525,828)	(8,062,173)
Proceeds from sale of investments	12,828	-
Addition – Investments	(10,816)	-
Tax credit and mining rights received	814,088	811,919
	<u>(9,967,834)</u>	<u>(5,980,329)</u>
Net change in cash and cash equivalents	21,814,642	2,848,074
Cash and cash equivalents – Beginning of year	5,827,207	2,979,133
Cash and cash equivalents – End of year	<u>27,641,849</u>	<u>5,827,207</u>
Additional information		
Interest received	(54,578)	(43,826)
Interest paid	24,785	7,693
Additional cash flow information (Note 19)		

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

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

1 Nature of operations, 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 located at 110, De La Barre Street, Suite 224, Longueuil, Quebec, Canada. The business of mining and exploring for minerals involves a high degree of risk, and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The Company’s shares are listed on the TSX Venture Exchange under the symbol AZM.

Until it is determined that a property contains mineral reserves or resources that can be economically mined, it is classified as an exploration and evaluation (“E&E”) asset. It has not yet been determined whether the Company’s properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for E&E assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation of its properties, and the profitable sale of the E&E assets.

Although management has taken steps to verify the titles to mineral properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the Company’s title. Property titles may be subject to unregistered prior agreements and may not comply with regulatory requirements.

2 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are described below.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Company has consistently applied the accounting policies in the preparation of its IFRS financial statements, including the comparative figures, except as otherwise stated. The Board of Directors approved the financial statements for issue on December 16, 2021.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value.

Presentation and functional currency

The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Jointly controlled assets and exploration activities

A jointly controlled asset involves joint control and offers joint ownership by the Company and other venturers of assets contributed to or acquired for the purpose of the joint venture (“JV”), without the formation of a corporation, partnership or other entity.

Where the Company’s activities are conducted through jointly controlled assets and exploration activities, the financial statements include the Company’s share in the assets and liabilities, and the income and expenses from the joint operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and highly liquid short-term investments with original maturities of three (3) months or less from the date of purchase and which are readily convertible to known amounts of cash.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset, and the net amount is reported in the Statements of Financial Position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

2 Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

- a) **Fair value through profit and loss investments:** Investments at fair value through profit and loss are equity investments recognized initially at fair value and subsequently measured at fair value. Gains or losses arising from changes in fair value are recorded in the Statements of Loss and Comprehensive Loss.
- b) **Amortized cost:** Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments constituted solely of payments of principal and interest that are held within a "held to collect" business model. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the financial assets to fair value. Subsequently, financial assets at amortized cost are measured using the effective interest method less a provision for expected losses. The company's cash and cash equivalents and amounts receivable are classified within this category.

Investments are currently measured at fair value with changes in fair value, including any interest or dividend income, recognized in the Statements of Loss and Comprehensive Loss.

Financial liabilities at amortized cost: Accounts payable and accrued liabilities and advances received for exploration work which are classified as Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. Accounts payable and accrued liabilities and advances received for exploration work are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve (12) months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

Amortized cost: The expected loss is the difference between the amortized cost of the financial asset and the present value of the expected future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Provisions for expected losses are adjusted upwards or downwards in subsequent periods if the amount of the expected loss increases or decreases. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Company assumes that there is no significant increase in credit risk for instruments that have a low credit risk.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the Statements of Loss and Comprehensive Loss during the period in which they are incurred.

Property and equipment are depreciated as they become available using the declining balance method at the rates indicated below, except for the camp and the camp under a finance lease, which are amortized using the straight-line method over 36-month and 18-month periods, respectively. Depreciation of the camp and the camp under a finance lease is capitalized to E&E assets.

	Rate
Office furniture	20%
Office equipment	20%
Computer equipment	30%
Specialist equipment	30%
Vehicle	30%

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

2 Summary of significant accounting policies (cont'd)

Property and equipment (cont'd)

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the Statements of Loss and Comprehensive Loss.

Identifiable intangible assets

The Company's intangible assets include computer software with finite useful lives. These assets are capitalized and amortized at a 30% declining balance basis.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- i) the contract involves the use of an identified asset;
- ii) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- iii) the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be determined, or the Company's incremental borrowing rate. The carrying amount of the rental obligations must be revalued if there is a change in the term of the lease, rent payments that are essentially fixed payments or a change in the assessment of an option to purchase the underlying property.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The term of the lease is to be determined as the non-cancellable term of the lease plus any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

E&E assets

E&E assets comprise deferred exploration and evaluation expenses and mineral properties. Expenditures incurred on activities prior to the exploration and evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed as incurred and presented under general exploration in the Statements of Loss and Comprehensive Loss.

E&E assets include rights in mineral properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits. Mineral property rights are recorded at acquisition cost. Mineral property rights and options to acquire undivided interests in mineral property rights are depreciated only as these properties are put into commercial production. These costs are impaired when properties are abandoned or when cost recovery or access to resources is uncertain.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

2) Summary of significant accounting policies (cont'd)

E&E assets (cont'd)

not recorded. Option payments are recorded as additions to E&E assets when the payments are made, or as a reduction to E&E assets when payments are received.

Proceeds on the sale of mineral properties are applied by property in reduction of the acquisition costs, then in reduction of the exploration costs, and any residual is recorded in the Statements of Loss and Comprehensive Loss unless contractual work is required in which case the residual gain is deferred and will be reduced once the contractual disbursements are done.

Funds received from partners for exploration work on certain properties where the Company is the operator, as per agreements, are accounted for in the Statement of Financial Position as advances received for exploration work. These amounts are reduced gradually once the exploration work is performed. Project management fees, received when the Company is the operator, are recorded in the Statements of Loss and Comprehensive Loss.

The Company's E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in the search for deposits including topographical, geological, geochemical and geophysical activities. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition.

E&E expenditures include the cost of:

- establishing the volume and grade of deposits through core drilling, trenching and sampling activities in an ore body;
- determining the optimal extraction methods metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

When a project moves into the development phase, E&E expenditures are capitalized to development costs in property and equipment and are tested for impairment.

E&E expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the Statements of Cash Flows.

Impairment of non-financial assets

Property and equipment and E&E assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. E&E assets are reviewed by area of interest. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the Statements of Loss and Comprehensive Loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

Government assistance

The Company is entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Quebec and to a mining duties credit, which are recorded against the deferred exploration expenditures in the financial

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

2) Summary of significant accounting policies (cont'd)

Government assistance (cont'd)

position or recognized in the Statements of Loss and Comprehensive Loss when the related general mining exploration expenses have been recognized in the Statements of Loss and Comprehensive Loss.

Provisions and asset retirement obligations

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for asset retirement obligations are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The increase in the provision due to passage of time is recognized in the Statements of Loss and Comprehensive Loss. Changes in assumptions or estimates are reflected in the period in which they occur. The Company also records a corresponding asset amount which is amortized in a logical and systematic manner.

Share-based payment transactions

The fair value of share options granted to employees are recognized as an expense, or capitalized to E&E assets over the vesting period with a corresponding increase in stock options. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each Statement of the Financial Position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model to determine the fair value of warrants issued.

Warrants issued to brokers, in respect of an equity financing, are recognized as share issue expenses, reducing the share capital with a corresponding credit to warrants.

Underwriters' options

The fair value of share options granted to the underwriters is measured by using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted and are recognized as share issue expenses, reducing the share capital with a corresponding credit to Underwriters' options.

Flow-through shares

The Company finances some exploration and evaluation expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors paid for the shares (the "premium"), measured in accordance with the residual value method, is recognized as other liability which is reversed in the Statements of Loss and Comprehensive Loss as a deferred tax recovery when eligible expenditures have been made.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

2) Summary of significant accounting policies (cont'd)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in the Statements of Loss and Comprehensive Loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively. Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A temporary difference is not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss and the weighted average number of common shares outstanding for the effects of all warrants, brokers' units and stock options that may add to the total number of common shares in the case where they would not have an anti-dilutive impact.

Segment disclosures

The Company currently operates in a single segment: the acquisition, exploration and evaluation of mineral properties. All of the Company's activities are conducted in the province of Quebec, Canada.

3 Critical accounting estimates, judgments and assumptions

Many of the amounts included in the financial statements require management to make judgments and/or estimates and assumptions. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements. Revisions to estimates are recognised prospectively.

Areas of significant estimates and assumptions affecting the amounts recognized in the financial statements include the following:

a) Asset retirement obligations

Asset retirement obligations arise from the development, construction and normal operation of mining property and equipment as mining activities are subject to laws and regulations governing the protection of the environment. Such costs arising from the decommissioning of site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Company also records a corresponding asset amount which is amortized over the remaining service life of the asset.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

3 Critical accounting estimates, judgments and assumptions (cont'd)

a) Asset retirement obligations (cont'd)

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each site. The Company also estimates the timing of the cash outflow, which is subject to change and is currently estimated to be 2026, and represents a significant accounting estimate by the Company. Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to activities for reclamation and remediation.

Areas of significant judgment affecting the amounts recognized in the financial statements include the following:

a) Uncertainty caused by COVID-19

The extent and duration of COVID-19 is still uncertain, as are the measures implemented by governments and other organizations to contain the spread. Any estimate on the outcome and duration of these developments are subject to a significant uncertainty and, accordingly, estimates of the extent to which COVID-19 may materially and adversely affect the Company's ability to complete planned E&E activities and meet its obligations according to terms of the flow-through financings, operations, financial results and condition in future periods are also subject to a significant uncertainty.

b) Valuation of the refundable duties credit for losses and the refundable tax credit for resources

The refundable mining duties credit and the refundable tax credit for resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including the mining duties credit and the tax credit for resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's mining duties credit and tax credit for resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessments and payments has been received from the relevant taxation authority. Differences arising between the actual results following the final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to the mining duties credit and tax credit for resources, the E&E assets and expenses, and the income tax expenses in future periods.

The amounts recognized in the financial statements are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position and its financial performance and cash flows.

c) Impairment of non-financial assets

The Company's measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The estimated recoverable amounts may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices.

Based on an impairment analysis performed in 2021, the Company impaired the following properties given that no exploration and evaluation expenses were budgeted and that some claims were abandoned or were not expected to be renewed (Note 8): the James Bay region, the gold properties were impaired by \$351,521, the chromium-PGE property by \$544 and the base metal property by \$822 for a total impairment of \$352,887.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

4 Cash and cash equivalents

As at August 31, 2021, cash and cash equivalents of \$27,641,849 (\$5,827,207 – August 31, 2020) included \$12,089,115 (\$3,070,594 – August 31, 2020) of guaranteed investment certificates bearing interest at 0.45% (1.35% – August 31, 2020), cashable any time without any penalties.

5 Amounts receivable

	2021	2020
	\$	\$
Tax credit and mining rights receivable	79,963	-
Commodity taxes	1,118,665	485,192
Amounts receivable	2,465,477	69,745
	<u>3,664,105</u>	<u>554,937</u>

6 Investments

	<u>As at August 31, 2021</u>			<u>As at August 31, 2020</u>		
	Market price per share \$	Number of shares	Fair value \$	Market price per share \$	Number of shares	Fair value \$
Eastmain Resources Inc. *	-	-	-	0.230	20,000	4,600
Captor Capital Corp.	1.550	17,500	27,125	0.165	17,500	2,888
Fury Gold Mines Ltd. *	0.950	2,333	2,216	-	-	-
Monarch Mining Corp. **	0.770	2,092	1,611	-	-	-
Monarch Gold Corp. **	-	-	-	0.520	10,464	5,441
Silver Spruce Resources Inc.	0.045	30,000	1,350	0.075	30,000	2,250
Vision Lithium Inc.	0.105	25,000	2,625	0.040	25,000	1,000
West African Resources Ltd	0.982	37,500	36,825	0.918	37,500	34,430
Yamana Gold Inc. **	5.570	393	2,189	-	-	-
			<u>73,941</u>			<u>50,609</u>

* On October 9, 2020, Eastmain Resources Inc. (“Eastmain”) and Fury Gold Mines Limited (“Fury Gold”) completed an Arrangement. Under the terms of the Arrangement, 1 Eastmain share was exchanged for 0.116685115 of a common share of Fury Gold.

** On January 21, 2021, Monarch Gold Corp. (“Monarch”) and Yamana Gold Inc. (“Yamana”) completed an Arrangement, each former holder of Monarch Shares received, in exchange for each Monarch share: (i) 0.0376 of a share of Yamana; (ii) C\$0.192 in cash from Yamana; and (iii) 0.2 of a share of Monarch Mining Corp.

The investments are mainly held in common shares of Canadian publicly traded companies. The fair values of the investments in common shares are based on the quoted market prices of those shares on a recognized stock exchange at the end of each reporting period.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

7 a) Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Vehicles \$	Total \$
Year ended August 31, 2021							
Opening net book amount	2,205	10,754	26,652	156	-	254	40,021
Additions	-	-	7,397	-	733,818	-	741,215
Depreciation for the period ⁽¹⁾	(440)	(2,152)	(9,108)	(48)	(133,422)	(76)	(145,246)
Closing net book amount	1,765	8,602	24,941	108	600,396	178	635,990
As at August 31, 2021							
Cost	22,125	29,914	84,161	14,832	1,330,632	3,702	1,485,366
Accumulated depreciation	(20,360)	(21,312)	(59,220)	(14,724)	(730,236)	(3,524)	(849,376)
Net book amount	1,765	8,602	24,941	108	600,396	178	635,990
Year ended August 31, 2020							
Opening net book amount	1,790	13,446	23,431	220	38,148	366	77,401
Additions	859	-	12,061	-	-	-	12,920
Depreciation for the period ⁽¹⁾	(444)	(2,692)	(8,840)	(64)	(38,148)	(112)	(50,300)
Closing net book amount	2,205	10,754	26,652	156	-	254	40,021
As at August 31, 2020							
Cost	22,125	29,914	76,764	14,832	596,813	3,702	744,150
Accumulated depreciation	(19,920)	(19,160)	(50,112)	(14,676)	(596,813)	(3,448)	(704,129)
Net book amount	2,205	10,754	26,652	156	-	254	40,021

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

7 b) Right-of-use assets

	Office \$	Elmer Camp \$	Total \$
Year ended August 31, 2021			
Opening net book amount	176,250	350,701	526,951
Additions	-	48,403	48,403
Depreciation for the year ⁽¹⁾	(47,924)	(399,104)	(447,028)
Closing net book amount	128,326	-	128,326
As at August 31, 2021			
Cost	224,174	549,404	773,578
Accumulated depreciation	(95,848)	(549,404)	(645,251)
Net book amount as at August 31, 2021	128,326	-	128,326
Year ended August 31, 2020			
Opening net book amount	224,174	-	224,174
Additions	-	501,001	501,001
Depreciation for the year ⁽¹⁾	(47,924)	(150,300)	(198,224)
Closing net book amount	176,250	350,701	526,951
As at August 31, 2020			
Cost	224,174	501,001	725,175
Accumulated depreciation	(47,924)	(150,300)	(198,224)
Net book amount as at August 31, 2021	176,250	350,701	526,951

(1) The depreciation of property & equipment and right-of-use assets included in E&E assets in the amount of \$532,602 (\$188,558 – August 31, 2020).

On April 16, 2021, the Company had exercised its right to purchase the Elmer Camp for a consideration of \$1. After the final rent payment of 50,000 was paid. All the benefits and risks incidental to the ownership of the camp were transferred to the Company.

Azimet Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

Change in E&E assets in 2021

Mineral property	Undivided interest	Cost as at August 31, 2020	Additions	Option payments	Proceeds received	Tax credit	Cost as at August 31, 2021	Accumulated impairment as at August 31, 2020	Impairment	Accumulated impairment as at August 31, 2021	Net book amount as at August 31, 2021
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold											
Elmer	100										
Acquisition costs		125,738	22,482	-	-	-	148,220	-	-	-	148,220
Exploration costs		4,543,669	8,109,708	-	-	(2,340,809)	10,312,568	-	-	-	10,312,568
		4,669,408	8,132,190	-	-	(2,340,809)	10,460,788	-	-	-	10,460,788
SOQUEM	(b)	50									
Acquisition costs		8,782	161,055	-	-	-	169,837	-	-	-	169,837
Exploration costs		1,197,075	926,750	-	-	(42,483)	2,081,342	-	-	-	2,081,342
		1,205,857	1,087,805	-	-	(42,483)	2,251,179	-	-	-	2,251,179
Dalmas	(c)	50									
Acquisition costs		1,009	4,914	-	-	-	5,923	-	-	-	5,923
Exploration costs		47,494	1,751	-	-	(734)	48,511	-	-	-	48,511
		48,503	6,665	-	-	(734)	54,434	-	-	-	54,434
Galinée	(d)	50									
Acquisition costs		14,392	4,181	-	-	-	18,573	-	-	-	18,573
Exploration costs		62,186	36,182	-	-	(5,615)	92,753	-	-	-	92,753
		76,578	40,363	-	-	(5,615)	111,326	-	-	-	111,326
Eleonore South	(e)	23.77									
Acquisition costs		60,546	-	-	-	-	60,546	-	-	-	60,546
Exploration costs		1,565,081	11,745	-	-	(5,127)	1,571,699	-	-	-	1,571,699
		1,625,627	11,745	-	-	(5,127)	1,632,245	-	-	-	1,632,245
Opinaca A	(f)	50									
Acquisition costs		35,798	6,708	-	-	-	42,506	-	(30,581)	(30,581)	11,925
Exploration costs		33,691	-	-	-	-	33,691	-	(28,780)	(28,780)	4,911
		69,489	6,708	-	-	-	76,197	-	(59,361)	(59,361)	16,836
Opinaca B	(g)	25									
Acquisition costs		195	1,850	-	-	-	2,045	-	-	-	2,045
Exploration costs		6,352	80	-	-	(35)	6,397	-	-	-	6,397
		6,547	1,930	-	-	(35)	8,442	-	-	-	8,442
Opinaca D		100									
Acquisition costs		120,828	780	-	-	-	121,608	(54,975)	(62,860)	(117,835)	3,773
Exploration costs		246,282	136	-	-	(60)	246,358	(8,006)	(227,445)	(235,451)	10,907
		367,110	916	-	-	(60)	367,966	(62,981)	(290,305)	(353,286)	14,680
Wabamisk	(h)	49									
Acquisition costs		2,878	-	-	-	-	2,878	-	-	-	2,878
Exploration costs		27,928	1,215	-	-	(530)	28,613	-	-	-	28,613
		30,806	1,215	-	-	(530)	31,491	-	-	-	31,491

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets (cont'd)

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

Mineral property	Undivided interest	Cost as at August 31, 2020	Additions	Option payments	Proceeds received	Tax credit	Cost as at August 31, 2021	Accumulated impairment as at August 31, 2020	Impairment	Accumulated impairment as at August 31, 2021	Net book amount as at August 31, 2021
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold (cont'd)											
Corvet	(i)	100									
Acquisition costs		63,857	-	-	-	-	63,857	-	-	-	63,857
Exploration costs		8,457	2,555	-	-	(1,078)	9,934	-	-	-	9,934
		<u>72,314</u>	<u>2,555</u>	<u>-</u>	<u>-</u>	<u>(1,078)</u>	<u>73,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,791</u>
Kukamas	(j)	100									
Acquisition costs		66,987	-	-	-	-	66,987	-	-	-	66,987
Exploration costs		25,175	3,600	-	-	(1,571)	27,204	-	-	-	27,204
		<u>92,162</u>	<u>3,600</u>	<u>-</u>	<u>-</u>	<u>(1,571)</u>	<u>94,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,191</u>
Wapatik	(k)	100									
Acquisition costs		13,880	-	-	-	-	13,880	-	-	-	13,880
Exploration costs		31,054	11,023	-	-	-	42,077	-	-	-	42,077
		<u>44,934</u>	<u>11,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,957</u>
Pilipas		100									
Acquisition costs		20,790	-	-	-	-	20,790	-	-	-	20,790
Exploration costs		940	16,672	-	-	(2,528)	15,084	-	-	-	15,084
		<u>21,730</u>	<u>16,672</u>	<u>-</u>	<u>-</u>	<u>(2,528)</u>	<u>35,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,874</u>
Kaanaayaa		100									
Acquisition costs		58,089	49,608	-	-	-	107,697	-	-	-	107,697
Exploration costs		13,613	57,644	-	-	(23,678)	47,579	-	-	-	47,579
		<u>71,702</u>	<u>107,252</u>	<u>-</u>	<u>-</u>	<u>(23,678)</u>	<u>155,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,276</u>
Synclinal *	(i)	100									
Acquisition costs		19,597	-	-	-	-	19,597	(19,597)	-	(19,597)	-
Exploration costs		45	-	-	-	-	45	(45)	-	(45)	-
		<u>19,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,642</u>	<u>(19,642)</u>	<u>-</u>	<u>(19,642)</u>	<u>-</u>
Other		100									
Acquisition costs		34,990	9,126	-	-	-	44,116	(26,542)	(1,812)	(28,354)	15,762
Exploration costs		37,396	-	-	-	-	37,396	(29,619)	(43)	(29,662)	7,734
		<u>72,386</u>	<u>9,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,512</u>	<u>(56,161)</u>	<u>(1,855)</u>	<u>(58,016)</u>	<u>23,496</u>
Total James Bay – Gold		8,494,795	9,439,765	-	-	(2,424,248)	15,510,311	(138,784)	(351,521)	(490,305)	15,020,006
James Bay – Chromium-PGE											
Chromaska		100									
Acquisition costs		32,929	-	-	-	-	32,929	(32,929)	-	(32,929)	-
Exploration costs		916,036	966	-	-	(422)	916,580	(916,036)	(544)	(916,580)	-
		<u>948,965</u>	<u>966</u>	<u>-</u>	<u>-</u>	<u>(422)</u>	<u>949,509</u>	<u>(948,965)</u>	<u>(544)</u>	<u>(949,509)</u>	<u>-</u>

Azimet Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets (cont'd)

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

Mineral property	Undivided interest	Cost as at August 31, 2020	Additions	Option payments	Proceeds received	Tax credit	Cost as at August 31, 2021	Accumulated impairment as at August 31, 2020	Impairment	Accumulated impairment as at August 31, 2021	Net book amount as at August 31, 2021
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Base Metals											
Mercator	100										
Acquisition costs		53,001	-	-	-	-	53,001	-	-	-	53,001
Exploration costs		6,391	4,728	-	-	(772)	10,347	-	-	-	10,347
		59,392	4,728	-	-	(772)	63,348	-	-	-	63,348
Corne	100										
Acquisition costs		26,727	-	-	-	-	26,727	-	-	-	26,727
Exploration costs		7,726	3,900	-	-	(690)	10,936	-	-	-	10,936
		34,453	3,900	-	-	(690)	37,663	-	-	-	37,663
Others *	100										
Acquisition costs		11,175	-	-	-	-	11,175	(6,729)	(822)	(7,551)	3,624
Exploration costs		2,844	-	-	-	-	2,844	(2,844)	-	(2,844)	-
		14,019	-	-	-	-	14,019	(9,573)	(822)	(10,395)	3,624
Total James Bay – Base Metals		107,864	8,628	-	-	(1,462)	115,030	(9,573)	(822)	(10,395)	104,635
Total James Bay		9,551,624	9,449,359	-	-	(2,426,132)	16,574,850	(1,097,322)	(352,887)	(1,450,209)	15,124,641
Nunavik – Gold											
Rex-Duquet	(l) & (m)	100									
Acquisition costs		1,286,736	-	-	-	-	1,286,736	(1,054,369)	-	(1,054,369)	232,367
Exploration costs		4,042,889	44,495	-	-	(2,300)	4,085,084	(3,134,729)	-	(3,134,729)	950,355
		5,329,625	44,495	-	-	(2,300)	5,371,820	(4,189,098)	-	(4,189,098)	1,182,722
Rex South	(m)	100									
Acquisition costs		453,353	-	-	-	-	453,353	(104,513)	-	(104,513)	348,840
Exploration costs		348,726	99,541	-	-	(2,299)	445,968	(145,089)	-	(145,089)	300,879
		802,079	99,541	-	-	(2,299)	899,321	(249,602)	-	(249,602)	649,719
Nantais	(m)	100									
Acquisition costs		172,357	-	-	-	-	172,357	(95,299)	-	(95,299)	77,058
Exploration costs		324,017	2,000	-	-	(873)	325,144	(204,913)	-	(204,913)	120,231
		496,374	2,000	-	-	(873)	497,501	(300,212)	-	(300,212)	197,289
NCG *	100										
Acquisition costs		738,282	-	-	-	-	738,282	(738,282)	-	(738,282)	-
Exploration costs		982,241	-	-	-	-	982,241	(982,241)	-	(982,241)	-
		1,720,523	-	-	-	-	1,720,523	(1,720,523)	-	(1,720,523)	-
Total Nunavik – Gold		8,348,601	146,036	-	-	(5,472)	8,489,165	(6,459,435)	-	(6,459,435)	2,029,730

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets (cont'd)

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

Mineral property	Undivided interest	Cost as at August 31, 2020	Additions	Option payments	Proceeds received	Tax credit	Cost as at August 31, 2021	Accumulated impairment as at August 31, 2020	Impairment	Accumulated impairment as at August 31, 2021	Net book amount as at August 31, 2021
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Base Metal											
Doran	100										
Acquisition costs		-	59,732	-	-	-	59,732	-	-	-	59,732
Exploration costs		-	9,980	-	-	(1,074)	8,906	-	-	-	8,906
Total Nunavik – Base Metal		-	69,712	-	-	(1,074)	68,638	-	-	-	68,638
Nunavik – Uranium											
North Rae *	100										
Acquisition costs		484,838	-	-	-	-	484,838	(484,838)	-	(484,838)	-
Exploration costs		709,305	-	-	-	-	709,305	(709,305)	-	(709,305)	-
Total Nunavik – Uranium		1,194,143	-	-	-	-	1,194,143	(1,194,143)	-	(1,194,143)	-
Total Nunavik		9,542,744	82,325	-	-	(6,546)	9,618,523	(7,653,578)	-	(7,653,578)	1,964,945
Total E&E assets		19,094,368	9,665,107	-	-	(2,432,678)	26,326,796	(8,750,900)	(352,887)	(9,103,787)	17,223,009

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

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets (cont'd)

Change in exploration and evaluation assets in 2020

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax Credit	Cost as at August 31, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at August 31, 2020	Net book amount as at August 31, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold											
Elmer	100										
Acquisition costs		37,422	38,654	-	-	-	76,076	-	-	-	76,076
Exploration costs		183,096	4,605,075	-	-	(396,913)	4,391,258	-	-	-	4,391,258
		220,518	4,643,729	-	-	(396,913)	4,467,334	-	-	-	4,467,334
Duxbury	(a) 100										
Acquisition costs		49,662	-	-	-	-	49,662	-	-	-	49,662
Exploration costs		62,601	91,041	-	-	(1,230)	152,412	-	-	-	152,412
		112,263	91,041	-	-	(1,230)	202,074	-	-	-	202,074
SOQUEM	(b) -										
Acquisition costs		4	8,778	-	-	-	8,782	-	-	-	8,782
Exploration costs		436,815	1,089,359	-	-	(329,099)	1,197,075	-	-	-	1,197,075
		436,819	1,098,137	-	-	(329,099)	1,205,857	-	-	-	1,205,857
Dalmas	(c) 50										
Acquisition costs		162	847	-	-	-	1,009	-	-	-	1,009
Exploration costs		25,204	36,788	-	-	(14,498)	47,494	-	-	-	47,494
		25,366	37,635	-	-	(14,498)	48,503	-	-	-	48,503
Galinée	(d) 50										
Acquisition costs		3,862	10,530	-	-	-	14,392	-	-	-	14,392
Exploration costs		43,496	23,423	-	-	(4,733)	62,186	-	-	-	62,186
		47,358	33,953	-	-	(4,733)	76,578	-	-	-	76,578
Eleonore South	(e) 26.57										
Acquisition costs		41,126	19,420	-	-	-	60,546	-	-	-	60,546
Exploration costs		1,512,102	61,673	-	-	(8,694)	1,565,081	-	-	-	1,565,081
		1,553,228	81,093	-	-	(8,694)	1,625,627	-	-	-	1,625,627
Opinaca A	(f) 50										
Acquisition costs		35,798	-	-	-	-	35,798	-	-	-	35,798
Exploration costs		33,201	757	-	-	(267)	33,691	-	-	-	33,691
		68,999	757	-	-	(267)	69,489	-	-	-	69,489
Opinaca B	(g) 25										
Acquisition costs		195	-	-	-	-	195	-	-	-	195
Exploration costs		5,660	1,228	-	-	(536)	6,352	-	-	-	6,352
		5,855	1,228	-	-	(536)	6,547	-	-	-	6,547
Opinaca D	100										
Acquisition costs		120,828	-	-	-	-	120,828	(54,975)	-	(54,975)	65,853
Exploration costs		245,769	781	-	-	(268)	246,282	(8,006)	-	(8,006)	238,276
		366,597	781	-	-	(268)	367,110	(62,981)	-	(62,981)	304,129

Azimet Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets (cont'd)

Change in exploration and evaluation assets in 2020 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at August 31, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at August 31, 2020	Net book amount as at August 31, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold (cont'd)											
Wabamisk	(h)	49									
Acquisition costs		2,878	-	-	-	-	2,878	-	-	-	2,878
Exploration costs		24,032	5,897	-	-	(2,001)	27,928	-	-	-	27,928
		26,910	5,897	-	-	(2,001)	30,806	-	-	-	30,806
Corvet	(i)	100									
Acquisition costs		62,777	1,080	-	-	-	63,857	-	-	-	63,857
Exploration costs		994	7,942	-	-	(479)	8,457	-	-	-	8,457
		63,771	9,022	-	-	(479)	72,314	-	-	-	72,314
Kukumas	(j)	100									
Acquisition costs		66,987	-	-	-	-	66,987	-	-	-	66,987
Exploration costs		16,209	9,493	-	-	(527)	25,175	-	-	-	25,175
		83,196	9,493	-	-	(527)	92,162	-	-	-	92,162
Wapatik	(k)	100									
Acquisition costs		-	33,880	-	(20,000)	-	13,880	-	-	-	13,880
Exploration costs		-	33,577	-	-	(2,523)	31,054	-	-	-	31,054
		-	67,457	-	(20,000)	(2,523)	44,934	-	-	-	44,934
Pilipas		100									
Acquisition costs		-	20,790	-	-	-	20,790	-	-	-	20,790
Exploration costs		-	940	-	-	-	940	-	-	-	940
		-	21,730	-	-	-	21,730	-	-	-	21,730
Kaanaayaa		100									
Acquisition costs		58,089	-	-	-	-	58,089	-	-	-	58,089
Exploration costs		7,418	6,587	-	-	(392)	13,613	-	-	-	13,613
		65,507	6,587	-	-	(392)	71,702	-	-	-	71,702
Synclinal *	(i)	100									
Acquisition costs		19,597	-	-	-	-	19,597	(19,597)	-	(19,597)	-
Exploration costs		-	85	-	-	(40)	45	-	(45)	(45)	-
		19,597	85	-	-	(40)	19,642	(19,597)	(45)	(19,642)	-
Other		100									
Acquisition costs		34,990	-	-	-	-	34,990	(26,542)	-	(26,542)	8,448
Exploration costs		37,025	497	-	-	(126)	37,396	(29,619)	-	(29,619)	7,777
		72,015	497	-	-	(126)	72,386	(56,161)	-	(56,161)	16,225
Total James Bay – Gold		3,167,999	6,109,122	-	(20,000)	(762,326)	8,494,795	(138,739)	(45)	(138,784)	8,356,011

Azimet Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets (cont'd)

Change in exploration and evaluation assets in 2020 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at August 31, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at August 31, 2020	Net book amount as at August 31, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Chromium-PGE											
Chromaska *	100										
Acquisition costs		32,929	-	-	-	-	32,929	(32,929)	-	(32,929)	-
Exploration costs		911,978	5,768	-	-	(1,710)	916,036	(911,978)	(4,058)	(916,036)	-
Total James Bay – Chromium-PGE		944,907	5,768	-	-	(1,710)	948,965	(944,907)	(4,058)	(948,965)	-
James Bay – Base Metal											
Mercator	100										
Acquisition costs		53,001	-	-	-	-	53,001	-	-	-	53,001
Exploration costs		907	5,766	-	-	(282)	6,391	-	-	-	6,391
		53,908	5,766	-	-	(282)	59,392	-	-	-	59,392
Corne	100										
Acquisition costs		26,727	-	-	-	-	26,727	-	-	-	26,727
Exploration costs		907	7,118	-	-	(299)	7,726	-	-	-	7,726
		27,634	7,118	-	-	(299)	34,453	-	-	-	34,453
Others	100										
Acquisition costs		10,353	822	-	-	-	11,175	(6,729)	-	(6,729)	4,446
Exploration costs		2,844	-	-	-	-	2,844	(2,844)	-	(2,844)	-
		13,197	822	-	-	-	14,019	(9,573)	-	(9,573)	4,446
Total James Bay – Base Metal		94,739	13,706	-	-	(581)	107,864	(9,573)	-	(9,573)	98,291
Total James Bay		4,207,645	6,128,596	-	(20,000)	(764,617)	9,551,624	(1,093,219)	(4,103)	(1,097,322)	8,454,302
Nunavik – Gold											
Rex- Duquet	(l) & (m)	100									
Acquisition costs		1,286,736	-	-	-	-	1,286,736	(1,054,369)	-	(1,054,369)	232,367
Exploration costs		4,041,375	1,514	-	-	-	4,042,889	(3,134,729)	-	(3,134,729)	908,160
		5,328,111	1,514	-	-	-	5,329,625	(4,189,098)	-	(4,189,098)	1,140,527
Rex South	(m)	100									
Acquisition costs		453,353	-	-	-	-	453,353	(104,513)	-	(104,513)	348,840
Exploration costs		346,971	1,755	-	-	-	348,726	(145,089)	-	(145,089)	203,637
		800,324	1,755	-	-	-	802,079	(249,602)	-	(249,602)	552,477

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets (cont'd)

Change in exploration and evaluation assets in 2020 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2019	Additions	Option payments	Proceeds received	Tax credit	Cost as at August 31, 2020	Accumulated impairment as at August 31, 2019	Impairment	Accumulated impairment as at August 31, 2020	Net book amount as at August 31, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nantais	(m)	100									
Acquisition costs		172,357	-	-	-	-	172,357	(95,299)	-	(95,299)	77,058
Exploration costs		324,017	-	-	-	-	324,017	(204,913)	-	(204,913)	119,104
		496,374	-	-	-	-	496,374	(300,212)	-	(300,212)	196,162
NCG*		100									
Acquisition costs		738,282	-	-	-	-	738,282	(738,162)	(120)	(738,162)	-
Exploration costs		982,241	-	-	-	-	982,241	(982,241)	-	(982,241)	-
		1,720,523	-	-	-	-	1,720,523	(1,720,403)	(120)	(1,720,403)	-
Total Nunavik – Gold		8,345,332	3,269	-	-	-	8,348,601	(6,459,315)	(120)	(6,459,435)	1,889,166
Nunavik – Uranium											
North Rae*		100									
Acquisition costs		484,838	-	-	-	-	484,838	(484,838)	-	(484,838)	-
Exploration costs		709,237	120	-	-	(52)	709,305	(709,237)	(68)	(709,305)	-
Total Nunavik – Uranium		1,194,075	120	-	-	(52)	1,194,143	(1,194,075)	(68)	(1,194,143)	-
Total Nunavik		9,539,407	3,389	-	-	(52)	9,542,744	(7,653,390)	(188)	(7,653,578)	1,889,166
Total E&E assets		13,747,052	6,131,985	-	(20,000)	(764,669)	19,094,368	(8,746,609)	(4,291)	(8,750,900)	10,343,468

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

Azimet Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets (cont'd)

- a) The Duxbury Property was one of the targets identified in the report delivered to SOQUEM Inc. (“SOQUEM”) under the James Bay Alliance of September 22, 2016 (see *b*). On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to the Duxbury Property. In January 2020, the Company amalgamated the Duxbury and Elmer properties to form a single property known as Elmer.
- b) The James Bay Strategic Alliance (the “James Bay Alliance”) was formed between Azimet and SOQUEM on September 22, 2016, to identify, acquire and explore highly prospective gold targets in the Eeyou Istchee James Bay Territory (the “James Bay region”) of Quebec. Under the terms of the James Bay Alliance, the Company delivered a target report to SOQUEM in exchange for a cash payment of \$100,000.

Under the original James Bay Alliance agreement, four (4) properties were acquired at SOQUEM’s cost: Munischiwan, Pikwa, Pontois and Desceliers (the “SOQUEM Properties”). Under the terms of the agreement, each partner owns a 50% interest in the SOQUEM Properties. SOQUEM was granted the option to acquire Azimet’s interest by investing \$3 million in work expenditures over four (4) years, including diamond drilling. Azimet retained a 2% net smelter return (“NSR”) royalty, of which 0.8% can be bought back for \$800,000 in cash.

On April 25, 2019, Azimet and SOQUEM signed an agreement to amend the terms of the James Bay Alliance, stipulating that SOQUEM had earned its 100% interest by investing \$2,715,992 in work expenditures and granting Azimet a 50% back-in option on the SOQUEM Properties in exchange for \$3,317,427 in work expenditures over three (3) years, which represents the same amount of SOQUEM’s cumulative investment in work expenditures on the SOQUEM Properties, the Dalmas Property and the Galinée Property. Azimet is the operator during this 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.

As at August 31, 2021, Azimet has fulfilled its obligations to exercise its back-in option to regain a 50% interest in the SOQUEM Properties.

- c) The Dalmas Property was subject to a joint venture (“JV”) agreement between Azimet and SOQUEM on June 20, 2018, based on the results of a reconnaissance program (see *i*). Under the terms of the agreement, SOQUEM acquired a 50% interest in the property by making a cash payment of \$12,421 for the staking cost of the mineral claims acquired in 2017 and 2018. SOQUEM was granted the option to acquire the Company’s interest by investing \$750,000 in work expenditures over four (4) years, including diamond drilling.

On April 25, 2019, Azimet and SOQUEM amended the terms of the existing James Bay Alliance. Under the terms of the amended agreement, the Dalmas Property remains a 50/50 JV project. SOQUEM’s cumulative work expenditures at the time of the amendment amounted to \$107,045. Azimet remains the operator. During field seasons, SOQUEM has the right to provide up to 30% of the Company’s field personnel at a mutually agreed upon imputed rate.

- d) The Galinée Property was subject to a JV agreement between Azimet and SOQUEM on June 20, 2018, based on the results of a reconnaissance program (see *i*). Under the terms of the agreement, SOQUEM acquired a 50% interest in the property by making a cash payment of \$87,900 for the staking cost of mineral claims acquired in 2017 and 2018. SOQUEM was granted the option to acquire the Company’s interest by investing \$1.5 million in work expenditures over four (4) years, including diamond drilling.

On April 25, 2019, Azimet and SOQUEM amended the terms of the existing James Bay Alliance. Under the terms of the amended agreement, the Galinée Property remains a 50/50 JV project. SOQUEM’s cumulative work expenditures at the time of the amendment amounted to \$494,390. Azimet remains the operator. During field seasons, SOQUEM has the right to provide up to 30% of the Company’s field personnel at a mutually agreed upon imputed rate.

- e) The Eleonore South Property was subject to a letter of intent in 2006 in which Azimet agreed to form a three-way JV project with Les Mines Opinaca Ltée, a wholly-owned subsidiary of Newmont Inc. (“Newmont”), and Eastmain Resources Inc. (“Eastmain Resources”). The Eleonore South Property included 166 claims of the Opinaca C Property and 116 claims owned by Newmont. In February 2008, Eastmain Resources had earned a 33.33% interest in the Eleonore South Property by making cumulative cash payments of \$185,000, granting 30,000 common shares to the Company and funding \$4 million in work expenditures.

As at August 31, 2021, the ownership of the Eleonore South Property is as follows: Azimet 23.77%, Newmont 38.11% and Eastmain Resources 38.12%.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

8 Exploration and evaluation assets (cont'd)

- f) The Opinaca A Property is a 50/50 JV project with Everton Resources Inc. (“Everton”). Everton earned its interest by making cumulative cash payments of \$180,000 in March 2010 and incurring \$2.8 million in work expenditures.
- g) The Opinaca B Property was a 50/50 JV project with Everton after they made cumulative cash payments of \$160,000 in March 2010 and incurred \$2 million in work expenditures. In September 2010, Azimut and Everton granted Hecla Quebec Inc. (“Hecla”) the option to earn a 50% interest in the Opinaca B Property. Under the terms of the agreement, Hecla may earn an additional interest of 10%, for a total interest of 60%, by making an additional cash payment of \$300,000 and incurring an additional \$3 million in work expenditures over three (3) years from the election date, and by delivering an independent pre-feasibility study on or before the fourth (4th) anniversary. In the event that mineral resources of at least 2 million ounces of gold at an average grade of at least 6 grams of gold per tonne are discovered before the end of the eighth (8th) year of the initial option agreement, Hecla shall make a payment of \$1.5 million in Hecla common shares, subject to regulatory approval. The Company will receive 50% of these issued shares.

In November 2018, Hecla had earned a 50% interest in the Opinaca B Property by making cumulative cash payments of \$580,000 and incurring \$6 million in work expenditures. Of the total cash payment, Azimut received \$290,000. Azimut owns 25% interest in the Opinaca B Property.

- h) The Wabamisk Property is held 49% by Azimut and 51% by Newmont as of August 30, 2010, at which time Newmont made cumulative cash payments of \$500,000 and incurred \$4 million in work expenditures. In 2011, Newmont elected to proceed with the second option to earn an additional 19% interest in the property, which requires the delivery of a feasibility study within a ten (10) year period, which has since expired.
- i) The Corvet, Synclinal, Dalmas (see *c*), Galinée (see *d*), Sauvolles and Orsigny properties (previously, the “SOQUEM Alliance Properties”) were subject to a reconnaissance exploration program funded by SOQUEM (the funding program was agreed to on May 5, 2017) to acquire data that would be used to decide which properties to retain for additional investment under the terms of the James Bay Alliance. The Sauvolles and Orsigny properties were impaired in 2019.

On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to acquire an interest in the Corvet and Synclinal properties. In May 2020, Azimut amalgamated the Corvet and Masta-2 properties to form a single property known as Corvet.

- j) The Kukamas Property was one of the targets identified in the report delivered to SOQUEM under the James Bay Alliance (see *b*). On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to the Kukamas Property.
- k) The Wapatik Property was the subject of a letter of offering in which an exclusive offer was made to Mont Royal Resources Limited (“Mont Royal”) in exchange for a cash payment of \$20,000 to Azimut. On September 21, 2020, the Company granted Mont Royal the option to earn a 50% interest in the Wapatik Property by making cash payments to Azimut aggregating \$80,000, funding a minimum \$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 Regulation 43-101 on or before the third (3rd) anniversary of the election notice.
- l) The Duquet Property was transferred to Azimut 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 on September 30, 2015. The Duquet Property was grouped with the Rex property to form a single property known as Rex-Duquet Property and subjected to the Nunavik Strategic Alliance (the “Nunavik Alliance”).
- m) The Nunavik Alliance was formed between Azimut and SOQUEM on April 25, 2019, under which SOQUEM will have the option to earn an initial 50% interest in the Rex-Duquet, Rex South and Nantais properties by investing \$16 million in exploration work over four (4) years, of which the first two (2) years is a firm commitment of \$4 million each year. SOQUEM may also acquire an additional 10% interest by investing \$8 million per designated property over two (2) years, including the delivery of a preliminary economic assessment. Azimut is the operator of the Nunavik Alliance. During field seasons, SOQUEM has the right to provide up to 30% of the Company’s field personnel at a mutually agreed upon imputed rate.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

9 Leases liabilities

The Company leases office space, warehouse facilities and exploration equipment. The office lease is for five (5) years until June 30, 2023, with an option to renew for an additional two years under the same conditions. The Company is not considering exercising the renewal option since it may need a different location to accommodate the growth in the Company's business and to take advantage of current economic conditions that would allow the Company to negotiate favourable lease terms. The warehouses and exploration equipment are monthly leases and low-value items. The Company has elected not to recognize right-of-use assets or lease liabilities for these leases.

	August 31, 2021	August 31, 2020
	\$	\$
Opening balance	364,722	224,174
Addition	48,403	501,001
Principal repayment for the year	(294,467)	(360,453)
Ending balance	<u>118,658</u>	<u>364,722</u>
Less: Current lease liability	<u>45,220</u>	<u>246,064</u>
Non-current lease liability	<u>73,438</u>	<u>118,658</u>

10 Asset retirement obligations

	August 31, 2021	August 31, 2020
	\$	\$
Balance – Beginning of the year	251,480	249,484
Change in estimate	733,818	-
Unwinding of discount on asset retirement obligations	2,466	1,996
Balance – End of year	<u>987,764</u>	<u>251,480</u>

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to \$998,935. A discount rate of 0.25% (0.80% – August 31, 2020) was used to estimate the obligations in 2021. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2026. If the Company decides to discontinue its exploration of the Rex or Rex South properties, it is assumed that the asset retirement obligations will be settled in 2026. Should the Company decide to continue its activity on the Rex or Rex South properties by itself or through a partner, the obligations will be settled further into the future. Each quarter, the Company reviews the expected timing of the cash flow payments required to settle the obligations and adjusts the asset retirement obligations accordingly.

11 Share capital

An unlimited number of 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 24 months 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.

Azimet Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

11 Share capital (cont'd)

b) Issuance of units

During the year ended August 31, 2020, the Company completed a non-brokered private placement of \$1,429,999, representing 4,085,712 units at \$0.35 per unit. Each unit was comprised of one (1) common share and one half (1/2) common share purchase warrant, each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.46 for 18 months from the closing date. All warrants were exercised. Of the total proceeds received from the units, \$136,000 has been allocated to warrants and \$1,293,999 to common shares, based on pro-rata allocation of the estimated fair value determined by the Black-Scholes pricing model using the following assumptions: risk-free interest of 1.6%, expected life of 18 months, annualized volatility rate of 66% (based on the Company's historical volatility for 18 months up to the issuance date) and dividend rate of 0%.

c) Issuance of flow-through shares

	August 31, 2021 \$	August 31, 2020 \$
Flow-through share premium – Beginning of year	935,100	-
Addition	3,487,984	2,620,735
Amortization	(1,023,527)	(1,685,635)
Flow-through share premiums – End of year	<u>3,399,557</u>	<u>935,100</u>

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 \$1.07 premium on the closing price of the Company shares on the TSX-V at the day of issue (\$2.25). The premium is recognized as a flow-through share premium liability of \$3,706,373, was reduced by \$218,389 allocated to shares issuance expenses. A subsequent pro-rata reduction of the liability is recognized as a tax recovery expense as the eligible expenditures are incurred. The commissions or finder's fees were paid in respect of the offering (See 11 (a)).

As at August 31, 2021, an amount of \$10,707,035 remains to be incurred, pursuant to the flow-through financing agreement.

On February 26, 2020, the Company completed a private placement by issuing 2,448,980 flow-through shares at \$2.45 per share for aggregate gross proceeds of \$6,000,001. The flow-through shares were issued at a \$0.99 premium on the closing price of the Company shares on the TSX-V at the day of issue. The premium is recognized as a flow-through share premium liability of \$2,424,490, which was subsequently reduced to nil as the eligible expenditures were incurred as at August 31, 2021 (\$2,519,286 – as August 31, 2020). No commissions or finder's fees were paid in respect of the offering.

On December 18, 2019, the Company completed a private placement by issuing 1,189,365 flow-through shares at \$0.66 per share for aggregate gross proceeds of \$784,981. The flow-through shares were issued at a \$0.17 premium on the closing price of the Company shares on the TSX-V at the day of issue. The premium is recognized as a flow-through share premium liability of \$196,245, which was subsequently reduced to nil as the eligible expenditures were incurred as at August 31, 2020. Finder fees totalling \$21,698 were paid to third parties dealing at arm's length. Directors and officers of the Company participated in the private placement for a total consideration of \$80,071 under the same terms as the other investors.

12 Underwriters' options

The following table presents the Underwriters' compensation option activities for the years ended August 31, 2021 and 2020, and summarizes the information as at August 31, 2021:

	Number	Weighted average exercise price \$
Outstanding– August 31, 2020	-	-
Issued pursuant to private placement (Note 11a)	<u>501,695</u>	<u>1.90</u>
Outstanding August 31, 2021	<u>501,695</u>	<u>1.90</u>

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

13 Stock option plan

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

The following tables summarize the information about stock options outstanding and their vesting status, as at August 31, 2021:

	2021		2020	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of the year	4,480,000	0.67	3,745,000	0.43
Granted	1,007,000	1.00	1,245,000	1.31
Exercised	(90,000)	0.82	(510,000)	0.56
Expired	(312,000)	0.87	-	-
Outstanding – End of year	<u>5,085,000</u>	<u>0.72</u>	<u>4,480,000</u>	<u>0.67</u>
Vested – End of year	<u>4,950,000</u>		<u>4,290,000</u>	

Exercise price \$	Options outstanding	Options vested	Weighted average remaining contractual life (years)
Between 0.19 – 0.50	2,270,000	2,220,000	3.90
Between 0.51 – 1.00	1,545,000	1,545,000	7.44
Between 1.01 – 1.50	1,210,000	1,135,000	8.46
Between 1.51 – 2.00	60,000	50,000	4.64
	<u>5,085,000</u>	<u>4,950,000</u>	<u>6.07</u>

On December 19, 2019, the Company granted 150,000 stock options to an employee with an exercise price of \$0.50 per option. Of these, 50,000 were vested immediately, 50,000 vested on December 19, 2020, and the remaining 50,000 will vest on December 19, 2021. The fair value of the granted options amounted to \$58,500, of which an amount of \$15,738 was charged to general exploration during the year ended August 31, 2021 (\$40,219- August 31, 2020). The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.25%, expected life of 10 years, annualized volatility rate of 78% based on the Company's historical volatility, and dividend rate of 0%.

On February 27, 2020, the Company granted 965,000 stock options to directors, officers, employees and consultants with an exercise price of \$1.44 per option. They vested on August 27, 2020. The fair value of the options granted amounted to \$1,158,000 as determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.25%, expected life of 10 years, annualized volatility rate of 85% based on the Company's historical volatility, and dividend rate of 0%. An amount of \$1,086,000 was charged to general and administrative expenses, and \$72,000 was charged to general exploration.

On March 15, 2020, the Company granted 80,000 stock options to an employee with an exercise price of \$1.10 per option. Of these, 20,000 were vested immediately, 20,000 vested on June 15, 2020, and the remaining 40,000 vested on March 15, 2021. The fair value of the granted options amounted to \$73,600, of which an amount of \$19,933 was charged to general exploration during the year ended August 31, 2021 (\$53,667 - August 31, 2020). The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.25%, expected life of 10 years, annualized volatility rate of 85% based on the Company's historical volatility, and dividend rate of 0%.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

13 Stock option plan (cont'd)

On August 3, 2020, the Company granted 42,000 stock options to an employee with an exercise price of \$1.67 per option. Of these, 21,000 vested on February 3, 2021, and the remaining 21,000 vested on August 3, 2021. The fair value of the granted options amounted to \$58,800, of which an amount of \$51,450 was charged to general exploration during the year ended August 31, 2021 (\$7,350 - August 31, 2020). The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.55%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On August 14, 2020, the Company granted 8,000 stock options to an employee with an exercise price of \$1.65 per option. Of these, 4,000 vested on February 14, 2021, and the remaining 4,000 vested on August 14, 2021. The fair value of the granted options amounted to \$11,040, of which an amount of \$10,350 was charged to general exploration during the year ended August 31, 2021 (\$690- August 31, 2020). The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.55%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On October 1, 2020, the Company granted 120,000 stock options to employees with an exercise price of \$1.07 per option. Of these, 25,000 vested immediately, 45,000 vested on April 1, 2021, 25,000 will vest on October 1, 2021, and the remaining 25,000 will vest on April 1, 2022. The fair value of the granted options amounted to \$108,000, of which \$97,375 was charged to general exploration during the year ended August 31, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.60%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On January 6, 2021, the Company granted 50,000 stock options to employees with an exercise price of \$1.12 per option. Of these, 10,000 vested immediately, 15,000 vested on July 6, 2021, and the remaining 25,000 will vest on January 6, 2022. The fair value of the granted options amounted to \$47,000, of which \$39,168 was charged to general exploration during the year ended August 31, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.75%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On March 18, 2021, the Company granted 827,000 stock options to directors, officers, employees and consultants with an exercise price of \$0.98 per option. They vested immediately. The fair value of the granted options amounted to \$678,140, as determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.53%, expected life of 10 years, annualized volatility rate of 85% based on the Company's historical volatility, and dividend rate of 0%. An amount of \$606,800 was charged to general and administrative expenses, and \$71,340 was charged to general exploration during the year ended August 31, 2021.

On June 1, 2021, the Company granted 10,000 stock options to an employee with an exercise price of \$1.55 per option. Of these, 5,000 will vest on December 1, 2021, and the remaining 5,000 will vest on May 1, 2022. The fair value of the granted options amounted to \$13,013, of which \$4,880 was charged to general exploration during the year ended August 31, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.50%, expected life of 10 years, annualized volatility rate of 86% based on the Company's historical volatility, and dividend rate of 0%.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

14 Expenses by nature

	2021	2020
	\$	\$
Salaries and fringe benefits	129,234	411,594
Stock-based compensation	606,800	1,086,000
Professional and maintenance fees	264,913	182,535
Administration and office	73,343	62,590
Business development and administration fees	29,182	29,587
Advertising	15,474	6,504
Rent	1,930	1,500
Insurance	25,711	24,717
Conferences and meeting	65,441	64,852
Depreciation of property and equipment	11,748	12,040
Amortization of intangible assets	688	348
Depreciation on right-of-use asset	47,924	47,924
General and administrative expenses	1,272,388	1,930,191
Salaries for search of properties	-	65,550
Other exploration expenses	10,674	6,773
Stock-based compensation	310,234	173,926
Refundable duties credit for losses and refundable tax credit for resources, net	(4,633)	(19,128)
General exploration	316,275	227,121

15 Related party transactions

Compensation of key management

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

	2021	2020
	\$	\$
Salaries	543,330	455,392
Bonus	-	155,000
Director fees	45,658	42,538
Stock-based compensation	565,800	1,114,219
	1,154,788	1,767,149

An amount of \$329,509 for salaries (\$230,953 in 2020) is capitalized to E&E assets.

As at August 31, 2021, accounts payable and accrued liabilities include an amount of \$364,810 (\$103,794 at August 31, 2020) owed to key management. These amounts are unsecured, non-interest bearing and due on demand.

If termination of employment is for reasons other than gross negligence, the CEO and CFO will be entitled to receive an indemnity equal to twelve (12) months of salary, and the VP shall be entitled to receive an indemnity equal to twelve (12) weeks salary, increased by one (1) month for every additional year of employment. The indemnity paid must not represent more than 10% of the Company’s cash and cash equivalents at such time and is subject to a maximum indemnity period of twelve (12) months. As at August 31, 2021, the entitled indemnity amounted to \$453,154.

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 \$525,000, equal to twenty-four (24) months of salary. The CFO will be entitled to receive an indemnity of \$232,500, equal to eighteen (18) months of salary.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

16 Income taxes

Component of income tax

The deferred tax expense consists of the following items:

	2021	2020
	\$	\$
Deferred income tax expense		49,031
Amortization of flow-through share premiums	(1,023,527)	(1,685,635)
Recovery of deferred income taxes	(1,023,527)	(1,636,604)

The effective income tax rate differs from the Canadian statutory tax rate due to the following items:

	2021	2020
	\$	\$
Loss before income taxes	(1,574,286)	(1,939,774)
Combined federal and provincial income tax of 26.50 (26.50% in 2020)	(417,186)	(514,040)
Non-deductible expenses (non-taxable revenue)	262,000	330,000
Change in unrecognized deductible temporary differences	(715,000)	(923,000)
Tax effect of renounced flow-through share expenditures	852,000	1,158,000
Amortization of flow-through share premiums	(1,023,527)	(1,685,635)
Other	18,186	(1,929)
Recovery of deferred income taxes	(1,023,527)	(1,636,604)

The ability to realize the tax benefits is dependent upon a number of factors, including the sale of properties. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recognized. Unrecognized deferred tax assets amount to \$2,542,000.

As at August 31, 2021 and 2020, the significant components of the Company's deferred income tax assets and liabilities are as follows:

	2021	2020
	\$	\$
Deferred income tax assets		
Non-capital losses	1,862,000	1,583,000
Capital losses	38,000	54,000
Investments	83,000	87,000
Share and warrant issue expenses	575,000	52,000
Property and equipment and intangible assets	212,000	209,000
Exploration and evaluation assets	(292,000)	576,000
Asset retirement obligations	67,000	67,000
Right-of-use asset	(34,000)	(140,000)
Lease liability	31,000	97,000
Unrecognized deferred income tax assets	2,542,000	2,585,000

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

16 Income taxes (cont'd)

Component of income tax (cont'd)

As at August 31, 2021, the expiry dates of losses available to reduce future years' income tax are as follows:

	Federal	Provincial
	\$	\$
2041	1,010,000	1,010,000
2040	701,000	701,000
2039	74,000	74,000
2038	211,000	210,000
2037	185,000	184,000
2036	306,000	306,000
2035	410,000	409,000
2034	514,000	512,000
2033	436,000	434,000
2032	790,000	787,000
2031	687,000	705,000
2030	719,000	719,000
2029	816,000	818,000
2026	139,000	99,000
	<u>5,988,000</u>	<u>5,958,000</u>

As at August 31, 2021, the Corporation has accumulated capital losses in Canada for income tax purposes amounting to approximately \$283,000 (2020: \$409,000), and these can be carried forward indefinitely against future capital gains.

17 Loss per share

For the years ended August 31, 2021 and 2020, 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 those years was calculated using the basic weighted average number of shares outstanding of 70,626,602 in 2021 and 61,591,639 in 2020.

18 Financial instruments, financial risks and capital management

Classification

The Company's financial instruments as at August 31, 2021 consist of cash and cash equivalents, amounts receivable, investments and accounts payable, accrued liabilities, and advances received for exploration work. The fair value of these financial instruments is either equal to their fair value (investments) or approximates their carrying value due to their short-term maturity or the fact that they bear interest at current market rates.

The classification of the Company's financial instruments is summarized as follows:

		Fair value	
		2021	2020
		\$	\$
Financial assets	Classification		
Cash and cash equivalents	Amortized cost	27,641,849	5,827,207
Amounts receivable,	Amortized cost	2,465,477	69,745
Investments	Fair value through profit and loss	73,941	50,609
		<u>30,181,267</u>	<u>5,947,561</u>
Financial liabilities			
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	2,730,618	1,498,557
Advances received for exploration work	Financial liabilities at amortized cost	291,860	725,761
		<u>2,799,384</u>	<u>2,224,318</u>

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

18 Financial instruments, financial risks and capital management (cont'd)

Classification (cont'd)

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 assets or liabilities that are not based on observable market data. There was no transfer of hierarchy level during the years ended August 31, 2021 and 2020.

Financial risks

The Company has exposure to various financial risks, such as credit risk, liquidity risk and market risk, from its use of financial instruments.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash and cash equivalents are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating, from which management believes the risk of loss to be minimal.

The credit risk associated with trade accounts receivable from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from expenditures incurred on behalf of partners. In 2021, no allowance for doubtful accounts was recorded. The Company closely follows its cash position to reduce its credit risk on amounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. As at August 31, 2021, the Company had sufficient funds, a cash and cash equivalents balance of \$27,641,849 (\$5,827,207 - August 31, 2020) to settle current liabilities of \$6,467,255 (\$3,405,482 - August 31, 2020) and to meet its obligations of \$10,707,035 (\$2,519,286 - August 31, 2020) pursuant to the flow-through financing agreement.

The following are the contractual maturities of financial liabilities, including interest where applicable as at August 31, 2021:

	Carrying amount \$	Contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	More than 24 months \$
Accounts payable and accrued liabilities, advances received for exploration work	3,022,478	3,022,478	3,022,478	-	-
Lease liabilities	118,658	121,713	63,531	58,182	-

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's risk in that respect arises from its cash and cash and equivalents and is not significant.

Equity price risk

Equity price risk is the risk that the fair value of a financial instrument varies due to the changes in the Canadian mining sector and equity market. Changes in the fair value of investments at fair value through profit and loss are recorded under other gains and losses in the statements of loss and comprehensive loss. For the Company's investments at fair value through profit and loss, a variation of $\pm 10\%$ of the quoted market price as at August 31, 2021 would result in an estimated effect on the net income (loss) of \$7,000 for the year ended August 31, 2021 (\$5,000 - August 31, 2020).

The fair values of the investments in common shares of Canadian publicly traded companies are classified as Level 1 in the fair value hierarchy.

Azimut Exploration Inc.

Notes to Financial Statements

For the years ended August 31, 2021 and 2020

18 Financial instruments, financial risks and capital management (cont'd)

Capital management

The Company considers the items included in equity as capital components.

In terms of capital management, the objectives of the Company are to maximize its ability to be able to continue as a going concern. Management reviews its capital management approach on an ongoing basis and as needed, the Company raises funds through private placements.

There were no significant changes in the Company's approach to capital management during the year ended August 31, 2021. The Company is not subject to any externally imposed capital requirements, unless the Company closes a flow-through placement in which case the funds so raised are committed to being spent on qualifying exploration expenses (see Note 11c). The variation of capital components is depicted in the Statements of Changes in Equity.

19 Additional cash flow information

	2021	2020
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	2,130,128	987,811
Depreciation of property & equipment and right-of-use assets included in E&E assets	532,602	188,560
Refundable duties credit for losses and refundable tax credit for resources presented as reduction in E&E assets, net	2,432,677	764,669