Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements
May 31, 2021
(expressed in Canadian dollars, except share amounts)

Azimut Exploration Inc.

Unaudited Interim Statements of Financial Position
(in Canadian dollars)

	As at May 31, 2021 $	As at August 31, 2020 $
Assets		
Current assets		
Cash and cash equivalents (Note 3)	5,016,473	5,827,207
Amounts receivable (Note 4)	2,151,258	554,937
Prepaid expenses	40,274	36,090
	7,208,005	6,418,234
Non-current assets		
Tax credit and mining rights receivable	1,736,058	925,952
Investments (Note 5)	82,902	50,609
Property and equipment (Note 6)	38,550	40,021
Intangible assets (less accumulated amortization of $23,958; $23,442 as at August 31, 2020)	2,998	1,065
Right-of-use assets (Note 7)	140,309	526,951
Exploration and evaluation assets (Note 8)	15,043,391	10,343,468
	17,044,208	11,888,066
Total assets	24,252,213	18,306,300
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	2,954,323	1,498,557
Advances received for exploration work	275,676	725,761
Lease liabilities (Note 9)	12,518	246,064
Flow-through shares premium liability (Note 11b)	-	935,100
	3,242,517	3,405,482
Non-current liabilities		
Lease liabilities (Note 9)	118,658	118,658
Asset retirement obligations (Note 10)	251,480	251,480
	370,138	370,138
Total liabilities	3,612,655	3,775,620
Equity		
Share capital (Note 11)	38,656,394	32,685,285
Stock options (Note 12)	2,993,591	2,400,388
Contributed surplus	4,022,970	3,787,210
Deficit	(25,033,397)	(24,342,203)
Total equity	20,639,558	14,530,680
Total liabilities and equity	24,252,213	18,306,300

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

Approved by the Board of Directors

(s) Jean-Charles Potvin Director (s) Jean-Marc Lulin Director

Azimut Exploration Inc.

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

	Three months ended		Nine months ended	
	May 31,	May 31,	May 31,	May 31,
	2021	2020	2021	2020
	$	$	$	$
Revenues				
Operator income (Notes 8c, d, k and m)	103,302	52,915	163,165	181,256
Expenses				
General and administrative (Note 13)	744,198	775,275	1,143,571	1,192,221
General exploration (Note 13)	92,100	98,323	284,760	158,319
Impairment of exploration and evaluation assets	353,309	-	353,309	1,152
Operating expenses	1,189,607	873,598	1,781,640	1,351,692
Financing cost (income), net				
Interest income	(10,134)	(15,135)	(32,370)	(34,305)
Interest and bank charges	394	532	1,751	1,323
Unwinding of discount on asset retirement obligations	-	499	-	1,495
Interest on lease liabilities	4,766	1,648	19,115	4,944
	(4,974)	(12,456)	(11,504)	(26,543)
Other loss (gain)				
Gain on option payments for exploration and evaluation assets	-	(206,127)	-	(206,127)
Change in fair value – investments	(26,150)	(5,462)	(34,307)	4,990
	(26,150)	(211,589)	(34,307)	(201,137)
Net loss before income taxes	(1,055,182)	(596,638)	(1,572,664)	(942,756)
Deferred income tax recovery (Notes 11b)	-	297,704	881,470	603,799
Loss and comprehensive loss for the period	(1,055,182)	(298,934)	(691,194)	(338,957)
Basic and diluted loss per share	(0.015)	(0.005)	(0.010)	(0.006)
Basic and diluted weighted average number of shares outstanding	69,169,298	65,424,535	68,993,023	60,193,910

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

Azimut Exploration Inc.

Unaudited Interim Statements of Changes in Equity
For the nine months ended May 31, 2021
(in Canadian dollars, except for numbers of shares, warrants and options)

	Share capital [1]		Warrants		Stock options		Contributed surplus	Deficit	Total
	Number	$	Number	$	Number	$	$	$	$
Balance as at September 1, 2020	65,788,137	32,685,285	-	-	4,480,000	2,400,388	3,787,210	(24,342,203)	14,530,680
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(691,194)	(691,194)
Private placement (Note 11a)	3,333,335	6,000,003	-	-	-	-	-	-	6,000,003
Stock options granted (Note 12)	-	-	-	-	997,000	-	-	-	-
Stock options exercised	80,000	120,800	-	-	(80,000)	(56,800)	-	-	64,000
Stock options expired	-	-	-	-	(305,000)	(235,760)	235,760	-	-
Stock-based compensation	-	-	-	-	-	885,763	-	-	885,763
Share issue expenses	-	(149,694)	-	-	-	-	-	-	(149,694)
Balance as at May 31, 2021	69,201,472	38,656,394	-	-	5,092,000	2,993,591	4,002,970	(25,033,397)	20,639,558
Balance as at September 1, 2019	53,300,649	24,895,476	2,210,576	78,800	3,745,000	1,396,602	3,787,210	(24,039,033)	6,119,055
Loss and comprehensive loss for the period	-	-	-	-	-	-	-	(338,957)	(338,957)
Private placement units	4,085,712	1,293,999	2,042,855	136,000	-	-	-	-	1,429,999
Flow-through private placement	3,638,345	6,784,982	-	-	-	-	-	-	6,784,982
Less: Premium	-	(2,620,735)	-	-	-	-	-	-	(2,620,735)
Warrants exercised	4,253,431	1,928,215	(4,253,431)	(214,800)	-	-	-	-	1,713,415
Stock options granted	-	-	-	-	1,195,000	665,893	-	-	665,893
Stock options exercised	470,000	493,220	-	-	(470,000)	(234,020)	-	-	259,200
Share issue expenses	-	(185,178)	-	-	-	-	-	-	(185,178)
Balance as at May 31, 2020	65,748,137	32,589,979	-	-	4,470,000	1,828,475	3,787,210	(24,377,990)	13,827,674

[1] There were no common shares that were unpaid as at May 31, 2021 and May 31, 2020.

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

Azimut Exploration Inc.

Unaudited Interim Statements of Cash Flows
(in Canadian dollars)

	Nine months ended May 31, 2021 $	Nine months ended May 31, 2020 $
Cash flows (used in) from operating activities		
Loss for the period	(691,194)	(338,957)
Items not affecting cash		
Depreciation of property and equipment	8,811	9,030
Amortization of intangible assets	516	261
Depreciation of right-of-use assets	35,941	35,943
Change in fair value – investments	(34,307)	4,990
Impairment of exploration and evaluation assets	353,309	1,152
Gain on option payments on exploration and evaluation assets	-	(206,127)
Refundable duties credit for losses and refundable tax credit relating to resources, net	-	(18,770)
Stock-based compensation cost	885,763	665,893
Interest on lease liability	-	4,944
Unwinding of discount on asset retirement obligations	-	1,495
Recovery of deferred income taxes	(881,470)	(603,799)
	(322,631)	(443,945)
Changes in non-cash working capital items		
Amounts receivable	(208,957)	57,148
Prepaid expenses	(4,184)	(15,963)
Accounts payable and accrued liabilities	149,526	(39,851)
	(63,615)	1,334
	(386,246)	(442,611)
Cash flows from financing activities		
Issuance of units from private placements, net of issue expenses	6,000,003	1,429,999
Flow-through private placement	-	6,784,982
Share issue expenses	(203,324)	(185,178)
Warrants exercised	-	1,713,415
Stock options exercised	64,000	259,200
Principal repayment of lease liabilities	(281,950)	(46,527)
	5,578,729	9,955,891
Cash flows (used in) from investing activities		
Advance received for exploration work	300,000	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	(7,109,474)	(6,060,931)
Proceeds from sale of investments through an arrangement agreement	5,931	-
Addition – Investments	(3,916)	-
Tax credit and mining rights received	814,088	811,919
	(6,003,217)	(3,979,087)
Net change in cash and cash equivalents	(810,734)	5,534,193
Cash and cash equivalents – Beginning of the period	5,827,207	2,979,133
Cash and cash equivalents – End of the period	5,016,473	8,513,326
Additional information		
Interest received	(30,619)	(34,305)
Interest paid	19,115	48
Additional cash flow information (Note 15)		

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

1 Nature of operations, general information and liquidity

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

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

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

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

As at May 31, 2021, the Company has working capital of $3,965,488 ($3,012,748 - August 31, 2020) including cash and cash equivalents of $5,016,473 ($5,827,207 – August 31, 2020).

The Company's management believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted E&E expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve (12) months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, including the impact of COVID-19. The extent and duration of the impacts on the Company's operations, including suppliers, service providers, employees and global financial markets, is still uncertain at this time. The impact may incur significant future changes to the Company's ability to complete its planned exploration and evaluation activities, meet its obligations according to terms of the flow-through financings, or to obtain debt and equity financing. The Company is monitoring developments to be in a position to take appropriate action as needed. To pursue the Company's exploration and evaluation programs on its properties and to continue its operations beyond May 31, 2022, the Company will periodically need to raise additional funds through the issuance of new equity instruments, the exercise of stock options and the search for partners to sign option agreements on certain of its mineral properties. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms that are acceptable to the Company.

2 Summary of significant accounting policies

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

Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 – *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2020, which have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous fiscal year ended August 31, 2020, except for the new policy described below. The Board of Directors approved the interim financial statements on July 23, 2021.

3 Cash and cash equivalents

As at May 31, 2021, cash and cash equivalents of $5,016,473 ($5,827,207 – August 31, 2020) included $3,080,889 ($3,070,594 – August 31, 2020) of guaranteed investment certificates bearing interest at 0.45% (1.35% – August 31, 2020), cashable any time without penalty.

4 Amounts receivable

	As at May 31, 2021 $	As at August 31, 2020 $
Commodity taxes	751,641	485,192
Amounts receivable	1,399,617	69,745
	2,151,258	554,937

5 Investments

	As at May 31, 2021			As at August 31, 2020		
	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.	1.710	17,500	29,925	0.165	17,500	2,888
Fury Gold Mines Ltd*	1.780	2,333	4,153	-	-	-
Monarch Gold Corp.**	-	-	-	0.520	10,464	5,441
Monarch Mining Corp.**	0.860	2,092	1,799	-	-	-
Silver Spruce Resources Inc.	0.065	30,000	1,950	0.075	30,000	2,250
Vision Lithium Inc.	0.150	25,000	3,750	0.040	25,000	1,000
West African Resources Ltd	1.036	37,500	38,861	0.918	37,500	34,430
Yamana Gold Inc.**	6.270	393	2,464	-	-	-
			82,902			50,609

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

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

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

6 Property and equipment

	Office furniture $	Office equipment $	Computer equipment $	Specialized equipment $	Camp $	Vehicles $	Total $
Period ended May 31, 2021							
Opening net book amount	2,205	10,754	26,652	156	-	254	40,021
Additions	-	-	7,397	-	-	-	7,397
Depreciation for the period [1]	(330)	(1,614)	(6,831)	(36)	-	(57)	(8,868)
Closing net book amount	1,875	9,140	27,218	120	-	197	38,550
As at May 31, 2021							
Cost	22,125	29,914	84,161	14,832	596,813	3,702	751,547
Accumulated depreciation	(20,250)	(20,774)	(56,943)	(14,712)	(596,813)	(3,505)	(712,997)
Net book amount	1,875	9,140	27,218	120	-	197	38,550
Year ended August 31, 2020							
Opening net book amount	1,790	13,446	23,431	220	38,148	366	77,401
Additions	859	-	12,061	-	-	-	12,920
Depreciation for the period [1]	(444)	(2,692)	(8,840)	(64)	(38,148)	(112)	(50,300)
Closing net book amount	2,205	10,754	26,652	156	-	254	40,021
As at August 31, 2020							
Cost	22,125	29,914	76,764	14,832	596,813	3,702	744,150
Accumulated depreciation	(19,920)	(19,160)	(50,112)	(14,676)	(596,813)	(3,448)	(704,129)
Net book amount	2,205	10,754	26,652	156	-	254	40,021

[1] The depreciation of the camp and vehicles is included in the E&E assets in the amount of $57 ($38,258 – August 31, 2020).

7 Right-of-use assets

	Office $	Elmer Camp $	Total $
May 31, 2021			
Opening net book amount	176,250	350,701	526,951
Addition	-	48,404	48,404
Depreciation for the period [1]	(35,941)	(399,105)	(435,046)
Closing net book amount	140,309	-	140,309
As at May 31, 2021			
Cost	224,174	549,405	773,579
Accumulated depreciation	(83,865)	(549,405)	(633,272)
Net book amount	140,309	-	140,309

[1] The depreciation of right-of-use assets is included in the E&E assets in the amount of $395,105 ($150,300 – August 31, 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 May 31, 2021 $	Accumulated impairment as at August 31, 2020 $	Impairment $	Accumulated impairment as at May 31, 2021 $	Net book amount as at May 31, 2021 $
James Bay – Gold												
Elmer		100										
Acquisition costs			76,076	(6,006)	-	-	-	70,070	-	-	-	70,070
Exploration costs			4,391,258	5,630,731	-	-	(1,591,000)	8,430,989	-	-	-	8,430,989
			4,467,334	5,624,725	-	-	(1,591,000)	8,501,059	-	-	-	8,501,059
Duxbury	(a)	100										
Acquisition costs			49,662	-	-	-	-	49,662	-	-	-	49,662
Exploration costs			152,412	6,660	-	-	(1,000)	158,072	-	-	-	158,072
			202,074	6,660	-	-	(1,000)	207,734	-	-	-	207,734
SOQUEM	(b)	-										
Acquisition costs			8,782	2,340	-	-	-	11,122	-	-	-	11,122
Exploration costs			1,197,075	911,813	-	-	(34,650)	2,074,238	-	-	-	2,074,238
			1,205,857	914,153	-	-	(34,650)	2,085,360	-	-	-	2,085,360
Dalmas	(c)	50										
Acquisition costs			1,009	-	-	-	-	1,009	-	-	-	1,009
Exploration costs			47,494	1,408	-	-	-	48,902	-	-	-	48,902
			48,503	1,408	-	-	-	49,911	-	-	-	49,911
Galinée	(d)	50										
Acquisition costs			14,392	-	-	-	-	14,392	-	-	-	14,392
Exploration costs			62,186	37,409	-	-	(15,800)	83,795	-	-	-	83,795
			76,578	37,409	-	-	(15,800)	98,187	-	-	-	98,187
Eleonore South	(e)	23.77										
Acquisition costs			60,546	-	-	-	-	60,546	-	-	-	60,546
Exploration costs			1,565,081	7,709	-	-	(3,050)	1,569,740	-	-	-	1,569,740
			1,625,627	7,709	-	-	(3,050)	1,630,286	-	-	-	1,630,286
Opinaca A	(f)	50										
Acquisition costs			35,798	-	-	-	-	35,798	-	(30,581)	(30,581)	5,217
Exploration costs			33,691	-	-	-	-	33,691	-	(28,780)	(28,780)	4,911
			69,489	-	-	-	-	69,489	-	(59,361)	(59,361)	10,128
Opinaca B	(g)	25										
Acquisition costs			195	1,850	-	-	-	2,045	-	-	-	2,045
Exploration costs			6,352	80	-	-	-	6,432	-	-	-	6,432
			6,547	1,930	-	-	-	8,477	-	-	-	8,477
Opinaca D		100										
Acquisition costs			120,828	-	-	-	-	120,828	(54,975)	(62,860)	(117,835)	2,993
Exploration costs			246,282	92	-	-	-	246,374	(8,006)	(227,445)	(235,451)	10,923
			367,110	92	-	-	-	367,202	(62,981)	(290,305)	(353,286)	13,916

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 May 31, 2021 $	Accumulated impairment as at August 31, 2020 $	Impairment $	Accumulated impairment as at May 31, 2021 $	Net book amount as at May 31, 2021 $
James Bay – Gold (cont'd)												
Wabamisk	(h)	49										
Acquisition costs			2,878	-	-	-	-	2,878	-	-	-	2,878
Exploration costs			27,928	415	-	-	-	28,343	-	-	-	28,343
			30,806	415	-	-	-	31,221	-	-	-	31,221
Corvet	(i)	100										
Acquisition costs			63,857	-	-	-	-	63,857	-	-	-	63,857
Exploration costs			8,457	2,467	-	-	(1,000)	9,924	-	-	-	9,924
			72,314	2,467	-	-	(1,000)	73,781	-	-	-	73,781
Kukamas	(j)	100										
Acquisition costs			66,987	-	-	-	-	66,987	-	-	-	66,987
Exploration costs			25,175	3,300	-	-	(1,350)	27,125	-	-	-	27,125
			92,162	3,300	-	-	(1,350)	94,112	-	-	-	94,112
Wapatik	(k)	100										
Acquisition costs			13,880	-	-	-	-	13,880	-	-	-	13,880
Exploration costs			31,054	11,023	-	-	-	42,077	-	-	-	42,077
			44,934	11,023	-	-	-	55,957	-	-	-	55,957
Pilipas		100										
Acquisition costs			20,790	-	-	-	-	20,790	-	-	-	20,790
Exploration costs			940	10,572	-	-	(2,250)	9,262	-	-	-	9,262
			21,730	10,572	-	-	(2,250)	30,052	-	-	-	30,052
Kaanaayaa		100										
Acquisition costs			58,089	-	-	-	-	58,089	-	-	-	58,089
Exploration costs			13,613	5,500	-	-	(1,090)	18,023	-	-	-	18,023
			71,702	5,500	-	-	(1,090)	76,112	-	-	-	76,112
Synclinal *	(i)	100										
Acquisition costs			19,597	-	-	-	-	19,597	(19,597)	-	(19,597)	-
Exploration costs			45	-	-	-	-	45	(45)	-	(45)	-
			19,642	-	-	-	-	19,642	(19,642)	-	(19,642)	-
Other		100										
Acquisition costs			34,990	6,006	-	-	-	40,996	(26,542)	(1,812)	(28,354)	12,642
Exploration costs			37,396	-	-	-	-	37,396	(29,619)	(43)	(29,662)	7,734
			72,386	6,006	-	-	-	78,392	(56,161)	(1,855)	(58,016)	20,376
Total James Bay – Gold			8,494,795	6,633,369	-	-	(1,651,190)	13,476,974	(138,784)	(351,521)	(490,305)	12,986,669

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 May 31, 2021 $	Accumulated impairment as at August 31, 2020 $	Impairment $	Accumulated impairment as at May 31, 2021 $	Net book amount as at May 31, 2021 $
James Bay – Chromium-PGE											
Chromaska	100										
Acquisition costs		32,929	-	-	-	-	32,929	(32,929)	-	(32,929)	-
Exploration costs		916,036	966	-	-	-	917,002	(916,036)	(966)	(917,002)	-
Total James Bay – Chromium-PGE		948,965	966	-	-	-	949,931	(948,965)	(966)	(949,931)	-
James Bay – Base Metals											
Mercator	100										
Acquisition costs		53,001	-	-	-	-	53,001	-	-	-	53,001
Exploration costs		6,391	4,628	-	-	(750)	10,269	-	-	-	10,269
		59,392	4,628	-	-	(750)	63,270	-	-	-	63,270
Corne	100										
Acquisition costs		26,727	-	-	-	-	26,727	-	-	-	26,727
Exploration costs		7,726	3,800	-	-	(700)	10,826	-	-	-	10,826
		34,453	3,800	-	-	(700)	37,553	-	-	-	37,553
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	8,428	-	-	(1,450)	114,842	(9,573)	(822)	(10,395)	104,447
Total James Bay		9,551,624	6,642,763	-	-	(1,652,640)	14,541,747	(1,097,322)	(353,309)	(1,450,631)	13,091,116
Nunavik – Gold											
Rex (m)	100										
Acquisition costs		1,279,411	-	-	-	-	1,279,411	(1,054,369)	-	(1,054,369)	225,042
Exploration costs		4,034,157	-	-	-	-	4,034,157	(3,134,729)	-	(3,134,729)	899,428
		5,313,568	-	-	-	-	5,313,568	(4,189,098)	-	(4,189,098)	1,124,470
Duquet (l) & (m)	100										
Acquisition costs		7,325	-	-	-	-	7,325	-	-	-	7,325
Exploration costs		8,732	-	-	-	-	8,732	-	-	-	8,732
		16,057	-	-	-	-	16,057	-	-	-	16,057

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 May 31, 2021 $	Accumulated impairment as at August 31, 2020 $	Impairment $	Accumulated impairment as at May 31, 2021 $	Net book amount as at May 31, 2021 $
Nunavik – Gold (cont'd)												
Rex South	(m)	100										
Acquisition costs			453,353	-	-	-	-	453,353	(104,513)	-	(104,513)	348,840
Exploration costs			348,726	57	-	-	-	348,786	(145,089)	-	(145,089)	203,694
			802,079	57	-	-	-	802,136	(249,602)	-	(249,602)	552,534
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	(738,282)	-	(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	57	-	-	-	8,348,658	(6,459,435)	-	(6,459,435)	1,889,223
Nunavik – Base Metals												
Doran		100										
Acquisition costs			-	59,732	-	-	-	59,732	-	-	-	59,732
Exploration costs			-	3,320	-	-	-	3,320	-	-	-	3,320
Total Nunavik – Base Metals			-	63,052	-	-	-	63,052	-	-	-	63,052
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	63,109	-	-	-	9,605,853	(7,653,578)	-	(7,653,578)	1,952,275
Total E&E assets			19,094,368	6,705,872	-	-	(1,652,640)	24,147,600	(8,750,900)	(353,309)	(9,104,209)	15,043,391

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

8 Exploration and evaluation assets (cont'd)

a) The Duxbury Property was one of the targets identified in a report delivered to SOQUEM Inc. ("SOQUEM") under the terms of the James Bay Alliance of September 22, 2016 (see *b*). On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights the Duxbury. In January 2020, the Company amalgamated the Duxbury and Elmer properties to form a single entity known as the Elmer Property.

b) The James Bay Strategic Alliance (the "James Bay Alliance") was formed between Azimut and SOQUEM on September 22, 2016, to identify, acquire and explore highly prospective gold targets in the Eeyou Istchee James Bay Territory (the "James Bay region") of Quebec. Under the terms of the James Bay Alliance, the Company delivered a target report to SOQUEM in exchange for a cash payment of $100,000.

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

On April 25, 2019, Azimut and SOQUEM amended the terms of the James Bay Alliance, stipulating that SOQUEM had earned its 100% interest by investing $2,715,992 in work expenditures and granting Azimut a 50% back-in option on the SOQUEM Properties in exchange for $3,317,427 in work expenditures over three (3) years, representing the same amount of SOQUEM's cumulative investment in work expenditures on the SOQUEM Properties, the Dalmas Property and the Galinée Property. Azimut is the operator during the option earn-in period. During field seasons, SOQUEM has the right to provide up to 30% of the Company's field personnel at a mutually agreed upon imputed rate.

As at May 31, 2021, Azimut had cumulatively incurred $3,317,427 in work expenditures and 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 Azimut and SOQUEM on June 20, 2018, based on the results of a reconnaissance program (see *i*). Under the terms of the agreement, SOQUEM acquired a 50% interest in the property by making a cash payment of $12,421 to cover the staking cost of the mineral claims acquired in 2017 and 2018. SOQUEM was granted the option to acquire the Company's interest by investing $750,000 in work expenditures over four (4) years, including diamond drilling.

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

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

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

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

The ownership of Eleonore South is as follows: Azimut 23.77%, Newmont 38.11% and Eastmain Resources 38.12%.

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.

8 Exploration and evaluation assets (cont'd)

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

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

h) The Wabamisk Property is held 49% by Azimut and 51% by Newmont as of August 30, 2010, at which time Newmont made cumulative cash payments of $500,000 and incurred $4 million in work expenditures. In 2011, Newmont elected to proceed with the second option to earn an additional 19% interest in Wabamisk, which required the delivery of a feasibility study within a ten (10) year period, which has since expired.

i) The Corvet, Synclinal, Dalmas (see *c*) and, Galinée (see *d*) properties and the, Sauvolles and Orsigny properties (previously, the "SOQUEM Alliance Properties") were all subject to a reconnaissance exploration program funded by SOQUEM (as agreed to on May 5, 2017) to acquire data that would be used to decide which properties to retain for additional investment under the James Bay Alliance. The Sauvolles and Orsigny properties were impaired in 2019.

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

j) The Kukamas Property was one of the targets identified in the target report delivered to SOQUEM under the James Bay Alliance (see *b*). On February 22, 2019, SOQUEM agreed to relinquish its exclusive rights to the Kukamas Property.

k) The Wapatik Property was the subject of a letter of offering in which an exclusive offer was made to Mont Royal Resources Limited ("Mont Royal") in exchange for a cash payment of $20,000 to Azimut. On September 21, 2020, the Company granted Mont Royal the option to earn a 50% interest in Wapatik by making cash payments to Azimut aggregating $80,000, funding a minimum of $4 million in work expenditures over four (4) years and performing a minimum 4,000 metres of diamond drilling. Under the terms of the agreement, Mont Royal may earn an additional 20% interest, for a total interest of 70%, by making an additional cash payment of $120,000, incurring an additional $3 million in work expenditures over three (3) years from the election date and delivering a preliminary economic assessment under Regulation 43-101 on or before the third (3rd) anniversary of the election notice.

l) The Duquet Property was transferred to Azimut on September 30, 2015, in consideration of an aggregate 2.25% NSR royalty on the property under an agreement reached with SOQUEM, Osisko Exploration James Bay Inc. and Newmont Northern Mining ULC. Azimut combined Duquet with the Rex Property to form a single entity known as the Rex-Duquet Property, which is subject to the Nunavik Strategic Alliance (the "Nunavik Alliance").

m) The Nunavik Alliance was formed between Azimut and SOQUEM on April 25, 2019, under which SOQUEM will have the option to earn an initial 50% interest in the Rex-Duquet, Rex South and Nantais properties by investing $16 million in exploration work expenditures 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.

9 Lease liabilities

The Company leases office space, warehouse facilities and exploration equipment. The office lease is for five (5) years until June 30, 2023, with an option to renew for an additional two years under the same conditions. Management is assessing whether the Company's current location can accommodate its growth and whether it can negotiate more favourable lease terms. The warehouses and exploration equipment are monthly leases and low-value items. The Company has elected not to recognize right-of-use assets or lease liabilities for these leases.

	May 31, 2021	**August 31, 2020**
	$	$
Opening balance	364,722	-
Adoption of IFRS 16	-	224,174
Additions	48,404	501,001
Principal repayment for the period	(281,950)	(360,453)
Ending balance	131,176	364,722
Less: Current lease liability	12,518	246,064
Non-current lease liability	118,658	118,658

10 Asset retirement obligations

	May 31, 2021	**August 31, 2020**
	$	**$**
Balance – Beginning of the period	251,480	249,484
Unwinding of discount on asset retirement obligations	-	1,996
Balance – End of the period	251,480	251,480

The estimated undiscounted cash flows required to settle the asset retirement obligations amount to $251,480. A discount rate of 0.8% (0.8% – August 31, 2020) was used to estimate the obligations in 2021. The calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2025. If the Company decides to discontinue its exploration of the Rex-Duquet or Rex South properties, it is assumed that the asset retirement obligations will be settled in 2025. Should the Company decide to continue its activities on the Rex-Duquet or Rex South properties by itself or through a partner, the obligations will be settled further into the future. Each quarter, the Company reviews the expected timing of the cash flow payments required to settle the obligations and adjusts the asset retirement obligations accordingly.

11 Share capital

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

a) **Issuance of common shares**

On September 14, 2020, the Company completed a non-brokered private placement of 3,333,335 common shares at a price of $1.80 per share for aggregate gross proceeds of $6,000,003. An amount of $202,381 was paid in respect of the offering for the share issuance expense.

11 Share capital (cont'd)

b) Issuance of flow-through shares

	May 31, 2021 $	August 31, 2020 $
Flow-through share premium – Beginning of the period	935,100	-
Addition	-	2,620,735
Amortization	(935,100)	(1,685,635)
Flow-through share premium – End of the period	-	935,100

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

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

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

12 Stock option plan

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

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

	Number	Weighted average exercise price $
Outstanding – Beginning of the period	4,480,000	0.66
Granted	997,000	1.00
Exercised	(80,000)	0.80
Expired	(305,000)	0.87
Outstanding – End of the period	5,092,000	0.71
Vested – End of the period	4,927,000	0.70

12 Stock option plan (cont'd)

Exercise price $	Options outstanding	Options vested	Weighted average remaining contractual life (years)
0.190	575,000	575,000	2.16
0.200	580,000	580,000	3.82
0.305	50,000	50,000	6.76
0.370	520,000	520,000	6.81
0.400	75,000	75,000	6.88
0.450	320,000	320,000	0.94
0.500	150,000	100,000	8.56
0.520	735,000	735,000	5.36
0.980	827,000	827,000	9.80
1.070	120,000	70,000	9.34
1.100	80,000	80,000	8.79
1.120	50,000	10,000	9.61
1.440	960,000	960,000	8.75
1.650	8,000	4,000	9.21
1.670	42,000	21,000	9.18
	5,092,000	4,927,000	6.41

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 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 $13,000 was charged to general exploration during the period ended May 31, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.25%, expected life of 10 years, annualized volatility rate of 78% based on the Company's historical volatility, and dividend rate of 0%.

On March 15, 2020, the Company granted 80,000 stock options to an employee with an exercise price of $1.10 per option. Of these, 20,000 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 $19,933 was charged to general exploration during the period ended May 31, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 1.25%, expected life of 10 years, annualized volatility rate of 85% based on the Company's historical volatility, and dividend rate of 0%.

On August 3, 2020, the Company granted 42,000 stock options to employees and a consultant with an exercise price of $1.67 per option. Of these, 21,000 vested on February 3, 2021, and the remaining 21,000 will vest on August 3, 2021. The fair value of the granted options amounted to $58,800, of which $46,550 was charged to general exploration during the period ended May 31, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.55%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On August 14, 2020, the Company granted 8,000 stock options to an employee with an exercise price of $1.65 per option. Of these, 4,000 vested on February 14, 2021, and the remaining 4,000 will vest on August 14, 2021. The fair value of the granted options amounted to $11,040, of which $9,200 was charged to general exploration during the period ended May 31, 2021. The fair value was determined by the Black-Scholes option pricing model with the following assumptions: risk-free interest of 0.55%, expected life of 10 years, annualized volatility rate of 87% based on the Company's historical volatility, and dividend rate of 0%.

On October 1, 2020, the Company granted 120,000 stock options to employees with an exercise price of $1.07 per option. Of these, 25,000 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 $88,000 was charged to general exploration during the period ended May 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%.

12 Stock option plan (cont'd)

On January 6, 2021, the Company granted 50,000 stock options to employees with an exercise price of $1.12 per option. Of these, 10,000 vested immediately, 15,000 will vest on July 6, 2021, and the remaining 25,000 will vest on January 6, 2022. The fair value of the granted options amounted to $47,000, of which $30,940 was charged to general exploration during the period ended May 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, of which $71,340 was charged to general exploration during the period ended May 31, 2021. The fair value was 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%.

13 Expenses by nature

	Three-months ended		Nine months ended	
	May 31,	**May 31,**	**May 31,**	**May 31,**
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Salaries and fringe benefits	27,277	163,982	130,432	388,478
Professional and maintenance fees	11,967	12,448	184,583	41,255
Administration and office	29,960	18,568	69,499	50,327
Business development and administration fees	9,760	3,761	21,141	21,334
Advertising	-	-	7,663	6,504
Rent	480	480	1,450	1,119
Insurance	6,401	6,142	18,863	18,384
Conferences and meeting	36,275	9,528	54,083	61,824
Depreciation of property and equipment	3,125	3,390	8,811	9,030
Amortization of intangible assets	172	87	516	261
Depreciation on right-of-use asset	11,981	11,981	35,941	35,943
Part XII.6 Tax	-	-	262	-
Trademark	-	1,908	3,527	2,958
Stock-based compensation	606,800	543,000	606,800	554,804
General and administrative expenses	744,198	775,275	1,143,571	1,192,221
Salaries for search of properties	(22,367)	24,200	-	61,455
Other exploration expenses	1,708	3,980	5,797	4,545
Stock-based compensation	112,759	84,713	278,963	111,089
Refundable duties credit for losses and refundable tax credit for resources, net	-	(14,570)	-	(18,770)
General exploration	92,100	98,323	284,760	158,319

14 Related party transactions

Compensation of key management

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

	Nine months ended	
	May 31,	**May 31**
	2021	**2020**
	$	**$**
Salaries	413,266	318,222
Bonus	-	155,000
Director fees	34,158	31,038
Stock-based payment	561,700	581,580
	1,009,124	1,085,840

For the period, an amount of $252,684 for salaries ($120,785 – May 31, 2020) is capitalized to E&E assets.

As at May 31, 2021, accounts payable and accrued liabilities include an amount of $314,502 ($107,996 – May 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.

In the event of a change of control or a termination of employment following a change of control, the CEO will be entitled to receive an indemnity equal to twenty-four (24) months of salary, and the CFO will be entitled to receive an indemnity equal to eighteen (18) months of salary.

15 Additional cash flow information

	Nine months ended	
	May 31,	**May 31,**
	2021	**2020**
	$	**$**
Acquisition of E&E assets included in accounts payable and accrued liabilities	2,294,053	349,240
Depreciation of property and equipment included in E&E assets	57	28,695
Depreciation of right-of-use assets included in E&E assets	399,105	-
Refundable duties credit for losses and refundable tax credit for resources presented as reduction in E&E assets, net	1,652,640	730,250

16 Subsequent event

On July 16, 2021, the Company completed a bought deal private placement financing with a syndicate of underwriters (collectively, the "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) 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.