

Azimut Exploration Inc.

Unaudited Condensed Interim Financial Statements

November 30, 2020

(expressed in Canadian dollars, except share amounts)

Azimut Exploration Inc.

Interim Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As at November 30, 2020 \$	As at August 31, 2020 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	9,162,405	5,827,207
Amounts receivable (Note 4)	781,974	554,937
Prepaid expenses	17,707	36,090
	<u>9,962,086</u>	<u>6,418,234</u>
Non-current assets		
Tax credit and mining rights receivable	925,952	925,952
Investments (Note 5)	46,978	50,609
Property and equipment (Note 6)	42,051	40,021
Intangible assets (less accumulated amortization of \$23,601; \$23,442 as at August 31, 2020)	2,745	1,065
Right-of-use assets (Note 7)	364,670	526,951
Exploration and evaluation assets (Note 8)	12,585,152	10,343,468
	<u>13,967,548</u>	<u>11,888,066</u>
Total assets	<u>23,929,634</u>	<u>18,306,300</u>
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	1,538,154	1,498,557
Advances received for exploration work	840,844	725,761
Lease liabilities (Note 9)	81,473	246,064
Flow-through shares premium liability (Note 11b)	450,027	935,100
	<u>2,910,498</u>	<u>3,405,482</u>
Non-current liabilities		
Lease liabilities (Note 9)	118,658	118,658
Asset retirement obligations (Note 10)	251,480	251,480
	<u>370,138</u>	<u>370,138</u>
Total liabilities	<u>3,280,636</u>	<u>3,775,620</u>
Equity		
Share capital (Note 11)	38,536,538	32,685,285
Stock options (Note 12)	2,485,338	2,400,388
Contributed surplus	3,787,210	3,787,210
Deficit	(24,160,088)	(24,342,203)
	<u>20,648,998</u>	<u>14,530,680</u>
Total equity	<u>20,648,998</u>	<u>14,530,680</u>
Total liabilities and equity	<u>23,929,634</u>	<u>18,306,300</u>

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

Approved by the Board of Directors

(s) Jean-Charles Potvin Director

(s) Jean-Marc Lulin Director

(2)

Azimut Exploration Inc.

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

For the three-month period ended November 30, 2020

(in Canadian dollars)

(Unaudited)

	Three-month period ended	
	November 30,	
	2020	2019
	\$	\$
Revenues		
Operator income (Notes 8c, d, k and m)	18,101	82,510
Expenses		
General and administrative (Note 13)	166,533	85,756
General exploration (Note 13)	105,081	2,852
Impairment of exploration and evaluation assets (Note 8)	-	1,152
Operating expenses	271,614	89,760
Financing cost (income), net		
Interest income	(12,248)	(11,603)
Interest and bank charges	336	420
Unwinding of discount on asset retirement obligations	-	497
Interest on lease liabilities	4,097	1,648
	(7,815)	(9,038)
Other loss		
Change in fair value – investments	3,629	15,788
	3,629	15,788
Net loss before income taxes	249,327	14,001
Deferred income tax recovery (Notes 11b)	(431,442)	-
Income (Loss) and comprehensive income (loss) for the period	182,115	(14,001)
Basic and diluted income per share	0.003	0.000
Basic and diluted weighted average number of shares outstanding	68,608,651	56,031,260

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

Azimut Exploration Inc.

Interim Statements of Changes in Equity

For the three-month period ended November 30, 2020

(in Canadian dollars, except for number of shares, warrants and options)

(Unaudited)

	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
Income and comprehensive income for the period	-	-	-	-	-	-	-	182,115	182,115
Private placement (Note 11a)	3,333,335	6,000,003	-	-	-	-	-	-	6,000,003
Stock option granted (Note 12)	-	-	-	-	120,000	-	-	-	-
Stock-based compensation	-	-	-	-	-	84,950	-	-	84,950
Share issue expenses	-	(148,750)	-	-	-	-	-	-	(148,750)
Balance as at November 30, 2020	69,121,472	38,536,538	-	-	4,600,000	2,485,338	3,787,210	(24,160,088)	20,648,998
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	-	-	-	-	-	-	-	(14,001)	(14,001)
Private placement	4,085,712	1,293,999	2,042,855	136,000	-	-	-	-	1,429,999
Share issue expenses	-	(83,590)	-	-	-	-	-	-	(83,590)
Balance as at November 30, 2019	57,386,361	26,105,885	4,253,431	214,800	3,745,000	1,396,602	3,787,210	(24,053,034)	7,451,463

⁽¹⁾ There were no unpaid common shares as at November 30, 2020 and 2019.

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

Azimut Exploration Inc.

Statements of Cash Flows

For the three-month period ended November 30, 2020

(in Canadian dollars)

(Unaudited)

	Three-month period ended November 30,	
	2020	2019
	\$	\$
Cash flows (used in) from operating activities		
Income (Loss) for the period	182,115	(14,001)
Items not affecting cash		
Depreciation of property and equipment	2,841	2,740
Amortization of intangible assets	159	61
Depreciation of right-of-use assets	11,982	11,981
Change in fair value – investments	3,631	15,788
Impairment of exploration and evaluation assets	-	1,152
Refundable duties credit for losses and refundable tax credit relating to resources, net	-	(2,200)
Stock-based compensation cost	84,950	-
Interest on lease liability	-	1,648
Unwinding of discount on asset retirement obligations	-	497
Recovery of deferred income taxes	(431,442)	-
	<u>(145,764)</u>	<u>(17,666)</u>
Changes in non-cash working capital items		
Amounts receivable	(227,037)	237,950
Prepaid expenses	18,383	7,014
Accounts payable and accrued liabilities	(339,185)	(126,429)
	<u>(547,839)</u>	<u>118,535</u>
	<u>(693,603)</u>	<u>136,201</u>
Cash flows from financing activities		
Issuance of units from private placements, net of issue expenses	6,000,003	1,346,409
Share issue expenses	(202,381)	-
Principal repayment of lease liabilities	(164,591)	(15,509)
	<u>5,633,031</u>	<u>1,330,900</u>
Cash flows (used in) from investing activities		
Advances received for exploration work	300,000	-
Additions to property and equipment	(4,892)	(5,731)
Addition to intangible assets	(1,839)	-
Additions to exploration and evaluation assets	(1,897,499)	(3,189,421)
Tax credit and mining right received	-	114,904
	<u>(1,604,230)</u>	<u>(3,080,248)</u>
Net change in cash and cash equivalents	3,335,198	(1,613,147)
Cash and cash equivalents – Beginning of the period	5,827,207	2,979,133
Cash and cash equivalents – End of the period	<u>9,162,405</u>	<u>1,365,986</u>
Additional information		
Interest received	(12,248)	(11,603)
Interest paid	4,097	26
Additional cash flow information (Note 15)		

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

For the three-month period ended November 30, 2020

(in Canadian dollars)

(Unaudited)

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 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.

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

As at November 30, 2020, the Company has working capital of \$7,051,588 (\$3,012,748 - August 31, 2020) including cash and cash equivalents of \$9,162,405 (\$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 that the coronavirus may have on the Company’s operations, including suppliers, service providers, employees and global financial markets, are still uncertain at this time. These events may cause significant changes in the future on the Company’s ability to complete planned E&E activities and meet its obligations according to terms of the flow-through financings or its ability to obtain debt and equity financing. The Company is monitoring developments in order to be in a position to take appropriate actions as needed. To continue the Company’s exploration and evaluation programs on its properties and its operations beyond November 30, 2021, 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 for 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 in the preparation of these financial statements are described below.

Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 – *Interim Financial Reporting*. The unaudited condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 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 January 26, 2021.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

For the three-month period ended November 30, 2020

(in Canadian dollars)

(Unaudited)

3 Cash and cash equivalents

As at November 30, 2020, cash and cash equivalents of \$9,162,405 (\$5,827,207 – August 31, 2020) included \$3,645,281 (\$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.

4 Amounts receivable

	As at November 30, 2020 \$	As at August 31, 2020 \$
Commodity taxes	746,920	485,192
Amounts receivable	35,054	69,745
	<u>781,974</u>	<u>554,937</u>

5 Investments

	As at November 30, 2020			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.	0.195	17,500	3,413	0.165	17,500	2,888
Silver Spruce Resources Inc.	0.050	30,000	1,500	0.075	30,000	2,250
Vision Lithium Inc.	0.030	25,000	750	0.040	25,000	1,000
Monarques Resources Inc.	0.520	10,464	5,441	0.520	10,464	5,441
West African Resources Ltd	0.848	37,500	31,791	0.918	37,500	34,430
Fury Gold Mines Ltd. *	1.750	2,333	4,083	-	-	-
			<u>46,978</u>			<u>50,609</u>

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

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 Condensed Interim Financial Statements

For the three-month period ended November 30, 2020

(in Canadian dollars)

(Unaudited)

6 Property and equipment

	Office furniture \$	Office equipment \$	Computer equipment \$	Specialist equipment \$	Camp \$	Vehicles \$	Total \$
Period ended November 30, 2020							
Opening net book amount	2,205	10,754	26,652	156	-	254	40,021
Additions	-	-	4,892	-	-	-	4,892
Depreciation for the period ⁽¹⁾	(110)	(538)	(2,183)	(12)	-	(19)	(2,862)
Closing net book amount	2,095	10,216	29,361	144	-	235	42,051
As at November 30, 2020							
Cost	22,125	29,914	81,656	14,832	596,813	3,702	749,042
Accumulated depreciation	(20,030)	(19,698)	(52,295)	(14,688)	(596,813)	(3,467)	(706,991)
Net book amount	2,095	10,216	29,361	144	-	235	42,051
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 \$19 (\$38,258 – August 31, 2020).

7 Right-of-use assets

	Office \$	Elmer Camp \$	Total \$
November 30, 2020			
Opening net book amount	176,250	350,701	526,951
Depreciation for the period ⁽¹⁾	(11,981)	(150,300)	(162,281)
Closing net book amount	164,269	200,401	364,670
As at November 30, 2020			
Cost	224,174	501,001	725,175
Accumulated depreciation	(59,905)	(300,600)	(360,505)
Net book amount	164,269	200,401	364,670

⁽¹⁾ The depreciation of right-of-use assets is included in the E&E assets in the amount of \$150,300 (\$150,300 – August 31, 2020).

Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements

For the three-month period ended November 30, 2020

(in Canadian dollars)

(Unaudited)

8 Exploration and evaluation assets

All mineral properties are located in the Province of Quebec.

Change in E&E assets in 2020

Mineral property	Undivided interest	Cost as at August 31, 2020	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2020	Accumulated impairment as at August 31, 2020	Impairment	Accumulated impairment as at November 30, 2020	Net book amount as at November 30, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
James Bay – Gold											
Elmer	100										
Acquisition costs		76,076	-	-	-	-	76,076	-	-	-	76,076
Exploration costs		4,391,258	1,316,496	-	-	-	5,707,754	-	-	-	5,707,754
		4,467,334	1,316,496	-	-	-	5,783,830	-	-	-	5,783,830
Duxbury	(a) 100										
Acquisition costs		49,662	-	-	-	-	49,662	-	-	-	49,662
Exploration costs		152,412	4,320	-	-	-	156,732	-	-	-	156,732
		202,074	4,320	-	-	-	206,394	-	-	-	206,394
SOQUEM	(b) -										
Acquisition costs		8,782	-	-	-	-	8,782	-	-	-	8,782
Exploration costs		1,197,075	810,760	-	-	-	2,007,835	-	-	-	2,007,835
		1,205,857	810,760	-	-	-	2,016,617	-	-	-	2,016,617
Dalmas	(c) 50										
Acquisition costs		1,009	-	-	-	-	1,009	-	-	-	1,009
Exploration costs		47,494	18	-	-	-	47,512	-	-	-	47,512
		48,503	18	-	-	-	48,521	-	-	-	48,521
Galinée	(d) 50										
Acquisition costs		14,392	-	-	-	-	14,392	-	-	-	14,392
Exploration costs		62,186	23,349	-	-	-	85,535	-	-	-	85,535
		76,578	23,349	-	-	-	99,927	-	-	-	99,927
Eleonore South	(e) 26.57										
Acquisition costs		60,546	-	-	-	-	60,546	-	-	-	60,546
Exploration costs		1,565,081	525	-	-	-	1,565,606	-	-	-	1,565,606
		1,625,627	525	-	-	-	1,626,152	-	-	-	1,626,152
Opinaca A	(f) 50										
Acquisition costs		35,798	-	-	-	-	35,798	-	-	-	35,798
Exploration costs		33,691	-	-	-	-	33,691	-	-	-	33,691
		69,489	-	-	-	-	69,489	-	-	-	69,489
Opinaca B	(g) 25										
Acquisition costs		195	-	-	-	-	195	-	-	-	195
Exploration costs		6,352	-	-	-	-	6,352	-	-	-	6,352
		6,547	-	-	-	-	6,547	-	-	-	6,547
Opinaca D	100										
Acquisition costs		120,828	-	-	-	-	120,828	(54,975)	-	(54,975)	65,853
Exploration costs		246,282	21	-	-	-	246,303	(8,006)	-	(8,006)	238,297
		367,110	21	-	-	-	367,131	(62,981)	-	(62,981)	304,150

Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements

For the three-month period ended November 30, 2020

(in Canadian dollars)

(Unaudited)

8 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2020 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2020	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2020	Accumulated impairment as at August 31, 2020	Impairment	Accumulated impairment as at November 30, 2020	Net book amount as at November 30, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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	56	-	-	-	8,513	-	-	-	8,513
		72,314	56	-	-	-	72,370	-	-	-	72,370
Kukamas	(j)	100									
Acquisition costs		66,987	-	-	-	-	66,987	-	-	-	66,987
Exploration costs		25,175	-	-	-	-	25,175	-	-	-	25,175
		92,162	-	-	-	-	92,162	-	-	-	92,162
Wapatik	(k)	100									
Acquisition costs		13,880	-	-	-	-	13,880	-	-	-	13,880
Exploration costs		31,054	11,027	-	-	-	42,081	-	-	-	42,081
		44,934	11,027	-	-	-	55,961	-	-	-	55,961
Pilipas		100									
Acquisition costs		20,790	-	-	-	-	20,790	-	-	-	20,790
Exploration costs		940	4,940	-	-	-	5,880	-	-	-	5,880
		21,730	4,940	-	-	-	26,670	-	-	-	26,670
Kaanaayaa		100									
Acquisition costs		58,089	-	-	-	-	58,089	-	-	-	58,089
Exploration costs		13,613	2,800	-	-	-	16,413	-	-	-	16,413
		71,702	2,800	-	-	-	74,502	-	-	-	74,502
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	-	-	-	-	34,990	(26,542)	-	(26,542)	8,448
Exploration costs		37,396	-	-	-	-	37,396	(29,619)	-	(29,619)	7,777
		72,386	-	-	-	-	72,386	(56,161)	-	(56,161)	16,225
Total James Bay – Gold		8,494,795	2,174,727	-	-	-	10,669,522	(138,784)	-	(138,784)	10,530,738

Azimet Exploration Inc.

Notes to Condensed Interim Financial Statements

For the three-month period ended November 30, 2020

(in Canadian dollars)

(Unaudited)

8 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2020 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2020	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2020	Accumulated impairment as at August 31, 2020	Impairment	Accumulated impairment as at November 30, 2020	Net book amount as at November 30, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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)	-	(916,036)	966
Total James Bay – Chromium-PGE		948,965	966	-	-	-	949,931	(948,965)	-	(948,965)	966
James Bay – Base Metals											
Mercator	100										
Acquisition costs		53,001	-	-	-	-	53,001	-	-	-	53,001
Exploration costs		6,391	2,800	-	-	-	9,191	-	-	-	9,191
		59,392	2,800	-	-	-	62,192	-	-	-	62,192
Corne	100										
Acquisition costs		26,727	-	-	-	-	26,727	-	-	-	26,727
Exploration costs		7,726	2,160	-	-	-	9,191	-	-	-	9,191
		34,453	2,160	-	-	-	36,613	-	-	-	36,613
Doran	100										
Acquisition costs		-	59,732	-	-	-	59,732	-	-	-	59,732
Exploration costs		-	1,280	-	-	-	1,280	-	-	-	1,280
		-	61,012	-	-	-	61,012	-	-	-	61,012
Others *	100										
Acquisition costs		11,175	-	-	-	-	11,175	(6,729)	-	(6,729)	4,446
Exploration costs		2,844	-	-	-	-	2,844	(2,844)	-	(2,844)	-
		14,019	-	-	-	-	14,019	(9,573)	-	(9,573)	4,446
Total James Bay – Base Metals		107,864	65,972	-	-	-	173,836	(9,573)	-	(9,573)	164,263
Total James Bay		9,551,624	2,241,665	-	-	-	11,793,289	(1,097,322)	-	(1,097,322)	10,695,967
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

Azimut Exploration Inc.

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8 Exploration and evaluation assets (cont'd)

Change in E&E assets in 2020 (cont'd)

Mineral property	Undivided interest	Cost as at August 31, 2020	Additions	Option payments	Proceeds received	Tax credit	Cost as at November 30, 2020	Accumulated impairment as at August 31, 2020	Impairment	Accumulated impairment as at November 30, 2020	Net book amount as at November 30, 2020
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nunavik – Gold (cont'd)											
Rex South	(m)	100									
Acquisition costs		453,353	-	-	-	-	453,353	(104,513)	-	(104,513)	348,840
Exploration costs		348,726	19	-	-	-	348,745	(145,089)	-	(145,089)	203,656
		<u>802,079</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>802,098</u>	<u>(249,602)</u>	<u>-</u>	<u>(249,602)</u>	<u>552,496</u>
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
		<u>496,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>496,374</u>	<u>(300,212)</u>	<u>-</u>	<u>(300,212)</u>	<u>196,162</u>
NCG *		100									
Acquisition costs		738,282	-	-	-	-	738,282	(738,282)	-	(738,282)	-
Exploration costs		982,241	-	-	-	-	982,241	(982,241)	-	(982,241)	-
		<u>1,720,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,720,523</u>	<u>(1,720,523)</u>	<u>-</u>	<u>(1,720,523)</u>	<u>-</u>
Total Nunavik – Gold		<u>8,348,601</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,348,620</u>	<u>(6,459,435)</u>	<u>-</u>	<u>(6,459,435)</u>	<u>1,889,185</u>
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)	-
		<u>1,194,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,194,143</u>	<u>(1,194,143)</u>	<u>-</u>	<u>(1,194,143)</u>	<u>-</u>
Total Nunavik – Uranium		<u>1,194,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,194,143</u>	<u>(1,194,143)</u>	<u>-</u>	<u>(1,194,143)</u>	<u>-</u>
Total Nunavik		<u>9,542,744</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,542,763</u>	<u>(7,653,578)</u>	<u>-</u>	<u>(7,653,578)</u>	<u>1,889,185</u>
Total E&E assets		<u>19,094,368</u>	<u>2,241,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,336,052</u>	<u>(8,750,900)</u>	<u>-</u>	<u>(8,750,900)</u>	<u>12,585,152</u>

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

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

For the three-month period ended November 30, 2020

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(Unaudited)

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 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 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 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 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 Azimut a 50% back-in option on the SOQUEM Properties in exchange for \$3,317,427 in work expenditures over three (3) years, which represents the same amount of SOQUEM’s cumulative investment in work expenditures on the SOQUEM Properties, the Dalmas Property and the Galinée Property. Azimut 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.

- 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 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, Azimut 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. 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 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. 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”). 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.

The ownership of the Eleonore South Property is as follows: Azimut 26.57%, Newmont 36.71% and Eastmain Resources 36.72%.

- 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.

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Notes to Condensed Interim Financial Statements

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(Unaudited)

8 Exploration and evaluation assets (cont'd)

- 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, 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 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 Condensed Interim Financial Statements

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(Unaudited)

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.

	November 30, 2020	August 31, 2020
	\$	\$
Opening balance	364,722	-
Adoption of IFRS 16	-	224,174
Addition	-	501,001
Principal repayment for the period	(164,591)	(360,453)
Ending balance	200,131	364,722
Less: Current lease liability	81,473	246,064
Non-current lease liability	118,658	118,658

10 Asset retirement obligations

	November 30, 2020	August 31, 2020
	\$	\$
Balance – Beginning of the period	251,480	249,484
Change in estimate	-	-
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 2020. 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 or Rex South properties, it is assumed that the asset retirement obligations will be settled in 2025. 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 an aggregate proceed of \$6,000,003. An amount of \$202,381 was paid in respect of the offering for the share issuance expense.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

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(Unaudited)

11 Share capital (cont'd)

b) Issuance of flow-through shares

	November 30, 2020	August 31, 2020
	\$	\$
Flow-through share premium – Beginning of period	935,100	-
Addition	-	2,620,735
Amortization	(485,073)	(1,685,635)
Flow-through share premiums – End of period	<u>450,027</u>	<u>935,100</u>

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 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 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 November 30, 2020, an amount of \$404,442 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 November 30, 2020:

	Number	Weighted average exercise price \$
Outstanding – Beginning of the period	4,480,000	0.67
Granted	120,000	1.07
Exercised	-	-
Expired	-	-
Outstanding – End of the period	<u>4,600,000</u>	<u>0.68</u>
Vested – End of period	<u>4,315,000</u>	<u>0.65</u>

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

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(Unaudited)

12 Stock option plan (cont'd)

Exercise price \$	Options outstanding	Options vested	Weighted average remaining contractual life (years)
0.190	575,000	575,000	2.66
0.200	580,000	580,000	4.32
0.305	50,000	50,000	7.25
0.370	520,000	520,000	7.31
0.400	75,000	75,000	7.38
0.450	320,000	320,000	1.44
0.500	150,000	50,000	9.06
0.520	735,000	735,000	5.85
0.800	340,000	340,000	0.13
1.070	120,000	25,000	9.84
1.100	80,000	40,000	9.29
1.250	40,000	40,000	0.33
1.440	965,000	965,000	9.25
1.650	8,000	-	9.71
1.670	42,000	-	9.67
	<u>4,600,000</u>	<u>4,315,000</u>	<u>5.71</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 will vest 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 \$7,312 was charged to general exploration during the period ended November 30, 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 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 will vest on March 15, 2021. The fair value of the granted options amounted to \$73,600, of which an amount of \$9,200 was charged to general exploration during the period ended November 30, 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%.

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 will vest 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 an amount of \$22,050 was charged to general exploration during the period ended November 30, 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 will vest 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 an amount of \$4,140 was charged to general exploration during the period ended November 30, 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 were vested immediately, 45,000 will vest 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 an amount of \$42,250 was charged to general exploration during the period ended November 30, 2020. 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%.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

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(Unaudited)

13 Expenses by nature

Three-month period ended November 30,

	2020	2019
	\$	\$
Salaries and fringe benefits	61,442	17,250
Salaries for AZtechMine	3,087	1,049
Professional and maintenance fees	52,833	5,017
Administration and office	9,696	10,137
Business development and administration fees	509	1,642
Advertising	1,046	3,720
Rent	490	-
Insurance	6,265	6,121
Travel and entertainment	16,183	26,038
Depreciation of property and equipment	2,841	2,740
Amortization of intangible assets	159	61
Depreciation on right-of-use asset	11,982	11,981
General and administrative expenses	166,533	85,756
Salaries for search of properties	19,869	4,610
Other exploration expenses	262	442
Stock-based compensation	84,950	-
Refundable duties credit for losses and refundable tax credit for resources, net	-	(2,200)
General exploration	105,081	2,852

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:

	Three-month period November 30,	
	2020	2019
	\$	\$
Salaries	155,617	78,547
Director fees	11,500	9,750
	167,117	88,297

An amount of \$71,255 for salaries (\$45,000 in 2019) is capitalized to E&E assets.

As at November 30, 2020, accounts payable and accrued liabilities include an amount of \$147,345 (\$157,382 at November 30, 2019) 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.

Azimut Exploration Inc.

Notes to Condensed Interim Financial Statements

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(in Canadian dollars)

(Unaudited)

15 Additional cash flow information

Three-month period ended

November 30,

	2020	2019
	\$	\$
Acquisition of E&E assets included in accounts payable and accrued liabilities	1,366,596	542,820
Depreciation of property and equipment included in E&E assets	19	9,565
Depreciation of right-of-use assets included in E&E assets	150,300	-
Refundable duties credit for losses and refundable tax credit for resources presented as a reduction in E&E assets, net	-	505,245