

**Azimut Exploration Inc.**  
(an exploration company)

Financial Statements  
**August 31, 2009 and 2008**

## Auditors' Report

### To the Shareholders of Azimut Exploration Inc.

We have audited the balance sheets of **Azimut Exploration Inc.** (an exploration company) as at August 31, 2009 and 2008 and the statements of earnings and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*<sup>1</sup>

Quebec, Quebec, Canada  
December 21, 2009

<sup>1</sup> Chartered accountant auditor permit No. 7871

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

# Azimut Exploration Inc.

(an exploration company)

Balance Sheets

As at August 31, 2009 and 2008

	2009 \$	2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,349,818	1,291,771
Amounts receivable		
Related party (note 12)	40,867	42,585
Others (note 3)	614,256	2,493,326
Prepaid expenses	95,639	39,300
	<u>2,100,580</u>	<u>3,866,982</u>
<b>Long-term investments</b> (note 4)	534,416	340,050
<b>Property and equipment</b> (less accumulated depreciation of \$56,685; \$33,786 in 2008) (note 5)	63,458	85,371
<b>Intangible assets</b> (less accumulated amortization of \$4,471; \$1,656 in 2008)	6,567	9,380
<b>Mining properties</b> (note 6)	1,791,427	1,244,727
<b>Deferred charges</b>	-	92,063
	<u>4,496,448</u>	<u>5,638,573</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities		
Related parties	-	50,014
Others	418,577	2,756,363
Current portion of debentures (notes 7 and 8)	350,000	-
	<u>768,577</u>	<u>2,806,377</u>
<b>Debenture payable</b> (note 7)	322,317	-
<b>Liability component of debentures</b> (note 8)	801,464	-
	<u>1,123,781</u>	<u>-</u>
	<u>1,892,358</u>	<u>2,806,377</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b>	8,868,164	7,943,186
<b>Stock options</b> (note 10)	2,026,292	1,919,992
<b>Warrants</b> (note 11)	353,334	-
<b>Equity component of debentures</b> (note 8)	194,820	-
<b>Contributed surplus</b>	449,250	-
<b>Deficit</b>	(9,034,070)	(6,357,232)
<b>Accumulated other comprehensive loss</b>	(253,700)	(673,750)
	<u>2,604,090</u>	<u>2,832,196</u>
	<u>4,496,448</u>	<u>5,638,573</u>
<b>Nature of activities and going concern</b> (note 1)		
<b>Subsequent event</b> (note 17)		

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

Approved by the Board of Directors

(s) Dennis Wood, Director

(2)  
(s) Jean-Marc Lulin, Director

# Azimut Exploration Inc.

(an exploration company)

Statements of Earnings and Comprehensive Loss

For the years ended August 31, 2009 and 2008

	2009	2008
	\$	\$
<b>Expenses</b>		
Salaries and fringe benefits	378,179	438,604
Professional and maintenance fees	99,837	106,573
Management fees and office expenses	173,809	195,421
Travelling and entertainment	36,910	111,506
Interest on debentures	154,777	-
Interest and bank charges	2,399	2,479
Discount on a debenture (note 7)	(92,000)	-
Accretion on debentures	70,601	-
Depreciation of property and equipment	22,899	18,772
Amortization of intangible assets	2,815	1,656
Search for properties	104,331	85,681
Credit on duties refundable for loss and refundable tax credit for resources	(45,253)	(29,324)
Cost of mining properties abandoned or written off	622,783	49,531
Professional fees related to the decision of not proceeding with a short-form prospectus	202,805	405,864
Allowance for bad debts (note 3)	-	267,734
Stock-based compensation costs	627,490	798,525
	<u>2,362,382</u>	<u>2,453,022</u>
<b>Other income (expenses)</b>		
Interest income	7,577	38,968
Gain on sale of options on mining properties	474,686	1,679,696
Management fees	-	199,046
Gain on sale of long-term investments	5,009	10,150
Other than temporary writedown on available-for-sale investments	(801,728)	-
	<u>(314,456)</u>	<u>1,927,860</u>
<b>Net loss for the year</b> (note 13)	<u>(2,676,838)</u>	<u>(525,162)</u>
Other comprehensive income (loss)		
Unrealized loss on available-for-sale investments	(381,678)	(611,050)
Reclassification of other than temporary writedown on available-for-sale investments to net earnings	801,728	-
	<u>420,050</u>	<u>(611,050)</u>
<b>Comprehensive loss for the year</b>	<u>(2,256,788)</u>	<u>(1,136,212)</u>
<b>Basic and diluted loss per share</b> (note 14)	<u>(0.153)</u>	<u>(0.031)</u>

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

# Azimut Exploration Inc.

(an exploration company)

Statements of Shareholders' Equity

For the years ended August 31, 2009 and 2008

	Share capital		Warrants		Stock options		Equity component of debentures	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total
	Number	\$	Number	\$	Number	\$	\$	\$	\$	\$	\$
<b>Balance as at September 1, 2007</b>	16,771,755	7,924,286	-	-	1,595,000	1,128,367	-	-	(5,832,070)	-	3,220,583
Impact of adopting new accounting standards (note 2)	-	-	-	-	-	-	-	-	-	(62,700)	(62,700)
Stock options exercised (note 10)	50,000	18,900	-	-	(50,000)	(6,900)	-	-	-	-	12,000
Stock options granted (note 10)	-	-	-	-	360,000	-	-	-	-	-	-
Stock-based compensation costs	-	-	-	-	-	798,525	-	-	-	-	798,525
Net loss for the year	-	-	-	-	-	-	-	-	(525,162)	-	(525,162)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(611,050)	(611,050)
<b>Balance as at August 31, 2008</b>	16,821,755	7,943,186	-	-	1,905,000	1,919,992	-	-	(6,357,232)	(673,750)	2,832,196
Private placements (note 11)	1,472,224	296,666	1,347,224	353,334	-	-	-	-	-	-	650,000
Issuance of shares pursuant to termination agreement (note 6f and h)	1,800,000	576,000	-	-	-	-	-	-	-	-	576,000
Convertible debentures (note 8)	-	-	-	-	-	-	194,820	-	-	-	194,820
Stock options exercised (note 10)	290,000	158,940	-	-	(290,000)	(71,940)	-	-	-	-	87,000
Stock options granted (note 10)	-	-	-	-	590,000	-	-	-	-	-	-
Stock options cancelled (note 10)	-	-	-	-	(350,000)	(449,250)	-	449,250	-	-	-
Stock-based compensation costs	-	-	-	-	-	627,490	-	-	-	-	627,490
Share issue expenses	-	(106,628)	-	-	-	-	-	-	-	-	(106,628)
Net loss for the year	-	-	-	-	-	-	-	-	(2,676,838)	-	(2,676,838)
Other comprehensive income	-	-	-	-	-	-	-	-	-	420,050	420,050
<b>Balance as at August 31, 2009</b>	20,383,979	8,868,164	1,347,224	353,334	1,855,000	2,026,292	194,820	449,250	(9,034,070)	(253,700)	2,604,090

Deficit and accumulated other comprehensive loss amount to \$9,287,770 and \$7,030,982 as at August 31, 2009 and 2008, respectively.

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

# Azimut Exploration Inc.

(an exploration company)

Statements of Cash Flows

For the years ended August 31, 2009 and 2008

	2009 \$	2008 \$
<b>Cash flows from operating activities</b>		
Net loss for the year	(2,676,838)	(525,162)
Items not affecting cash		
Depreciation of property and equipment	22,899	18,772
Amortization of intangible assets	2,815	1,656
Gain on sale of long-term investments	(5,009)	(10,150)
Other than temporary writedown on available for sale investments	801,728	-
Cost of mining properties abandoned or written off	622,783	49,531
Writeoff of deferred charges	202,805	-
Gain on sale of options on mining properties	(474,686)	(1,679,696)
Discount on a debenture	(92,000)	-
Accretion on debentures	70,601	-
Allowance for bad debts	-	267,734
Stock-based compensation costs	627,490	798,525
	<u>(897,412)</u>	<u>(1,078,790)</u>
Net change in non-cash working capital items		
Amounts receivable	1,780,130	(1,192,139)
Prepaid expenses	(56,339)	(18,632)
Accounts payable	(2,392,309)	2,259,464
	<u>(668,518)</u>	<u>1,048,693</u>
	<u>(1,565,930)</u>	<u>(30,097)</u>
<b>Cash flows from financing activities</b>		
Non-convertible debenture	500,000	-
Convertible debentures	1,440,000	-
Issuance of share capital, net of share issue expenses	630,372	12,000
Reimbursement of a convertible debenture	(250,000)	-
	<u>2,320,372</u>	<u>12,000</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of long-term investments	28,963	49,200
Additions to property and equipment	(986)	(65,411)
Additions to intangible assets	-	(11,038)
Increase in mining properties	(1,658,175)	(1,674,842)
Proceeds from sale of options on mining properties	560,000	1,650,633
Additions to deferred charges	(110,742)	(92,063)
Tax credit and mining rights cashed	484,545	96,740
	<u>(696,395)</u>	<u>(46,781)</u>
<b>Net change in cash</b>	58,047	(64,878)
<b>Cash – Beginning of year</b>	1,291,771	1,356,649
<b>Cash – End of year</b>	<u>1,349,818</u>	<u>1,291,771</u>
<b>Additional information</b>		
Interest cashed, net of interest paid	5,178	36,489
Interest paid on debentures	81,564	-
Long-term investments received and receivable in consideration of the sale of mining properties	100,000	665,900
Acquisition of mining properties in exchange of issuance of shares	576,000	-
Cash proceeds from sale of options on mining properties included in amounts receivable	-	80,000
Acquisition of mining properties included in accounts payable and accrued liabilities	4,509	-
Tax credit and mining rights receivable applied against mining properties (note 3)	(399,342)	(520,528)

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

# **Azimut Exploration Inc.**

(an exploration company)

Notes to Financial Statements

**August 31, 2009 and 2008**

---

## **1 Incorporation, nature of activities and going concern concept**

The Company, incorporated under Part 1A of the Québec Companies Act, is in the business of acquiring and exploring mining properties. It has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

For the year ended August 31, 2009, the Company recorded a net loss of \$2,676,838 (\$525,162 in 2008) and had an accumulated deficit of \$9,034,070. In addition to ongoing working capital requirements, the Company must secure sufficient funding for meeting its existing commitments for exploration and development programs and general and administration costs.

Management is periodically seeking additional forms of financing through the issuance of new equity instruments and the exercise of stock options to continue its operations, and 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. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

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

While the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, certain adverse conditions and events cast significant doubt upon the validity of this assumption. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary were the going concern assumption appropriate. These adjustments could be material.

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

## 2 Summary of significant accounting policies

### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include the valuation of credit on duties refundable for loss and the refundable tax credit for resources, future income tax assets and liabilities, the recoverability of long-term investments and mining properties, the fair value of stock options granted and certain liabilities. Actual results could differ from those estimates.

### Long-term investments

The Company has elected to classify its long-term investments as available-for-sale securities; therefore, they are carried at fair value in the balance sheet, and any changes in their fair value are reflected in comprehensive loss. Upon the disposal of these assets, accumulated changes in their fair value are reclassified in the statements of earnings and comprehensive loss.

### Financial instruments

The standards require that financial assets and financial liabilities, including derivative financial instruments, be initially measured at fair value. After initial recognition, the measurement of financial instruments depends on their classification: held for trading, available for sale, loans and receivables and other than held-for-trading liabilities.

- **Held for trading** – Financial assets and financial liabilities required to be classified or designated as held for trading are measured at fair value, with gains, losses and transaction costs recorded in net earnings for the period in which they arise. Section 3855 allows an entity to designate any financial instrument as held for trading on initial recognition or adoption of the accounting standard if reliable fair values are available, even if that instrument would not otherwise satisfy the definition of a security held for trading. Transaction costs are recorded immediately in net earnings.
- **Available for sale** – Financial assets classified as available for sale are measured at fair value. Unrealized gains and losses are recognized directly in other comprehensive income, except for impairment losses, which are recognized in net earnings. Upon derecognition of the financial asset, the accumulated gains or losses previously recognized in "Accumulated other comprehensive income (loss)" are reclassified to net earnings. Transaction costs are added to the carrying amount of the financial instrument.
- **Loans and receivables** – Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method. Interest income or expenses are included in net earnings over the expected life of the financial instrument.



# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

- **Other than held-for-trading liabilities** – Financial liabilities classified as other than held-for-trading liabilities are measured at amortized cost using the effective interest method, which corresponds to costs due to their short term to maturity.

## Transitional adjustment

On September 1, 2007, the Company made adjustments to its financial instruments in the balance sheet. These adjustments made to the previous carrying value of investments have been recognized as adjustments to the opening balances of deficit and accumulated other comprehensive loss. The following table presents the impact of the application of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855 on the balance sheet:

	As at August 31, 2007 \$	Adjustments \$	As at September 1, 2007 \$
<b>Assets</b>			
Long-term investments	738,950	(62,700)	676,250
<b>Shareholders' Equity</b>			
Accumulated other comprehensive loss	-	(62,700)	(62,700)

## Property and equipment and depreciation

Property and equipment are recorded at cost less accumulated depreciation and are depreciated using the declining balance method at the rates mentioned in note 5.

## Intangible assets and amortization

Intangible assets, which consist of software, are recorded at cost less accumulated amortization and are amortized using the declining balance method at an annual rate of 30%.

## Mining properties

The Company records its interests in mining properties and areas of geological interest at cost less option payments and other recoveries. Exploration and development costs relating to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. Management reviews the carrying values of mining properties on a regular basis to determine whether any writedowns are necessary. These costs will be amortized over the estimated useful life of mining properties following commencement of production or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

# **Azimut Exploration Inc.**

(an exploration company)

Notes to Financial Statements

**August 31, 2009 and 2008**

---

## **Impairment of long-lived assets**

Long-lived assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of the asset is greater than the pre-tax undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value of the asset over its fair value. As at August 31, 2009 and 2008, no impairment has been recognized.

## **Credit on duties refundable for loss and refundable tax credit for resources**

The Company is entitled to a credit on duties refundable for loss on mining exploration expenses incurred in Quebec at a rate of 12%. This tax credit has been applied against the costs incurred (note 6).

Furthermore, the Company is entitled to the refundable tax credit for resources on qualified expenditures. The refundable tax credit may reach 38.75% of qualified expenditures incurred. This tax credit has been applied against the costs incurred (note 6).

## **Share capital**

Share capital issued for non-monetary consideration is generally recorded at fair value.

Flow-through shares are issued in consideration of the proceeds received, which represent their fair value. Upon the acquisition of mining properties, the carrying value may exceed the tax basis since the Company renounces the deductions in favour of the investors concerned. The Company also issues flow-through shares without any premium or discount regarding the renunciation of the tax benefits in favour of investors.

Share issue expenses and future income taxes arising from the difference between the carrying amount and the tax basis are recorded as a reduction of share capital.

## **Share issue expenses**

Costs directly identifiable with the raising of capital are charged against the related capital account. Costs related to securities not yet issued are recorded as deferred financing costs. These costs are presented as other assets until the issuance of the securities, to which the costs relate, at which time the costs are charged against the related capital account or charged to earnings if the securities are not issued.

## **Income taxes**

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

# **Azimut Exploration Inc.**

(an exploration company)

Notes to Financial Statements

**August 31, 2009 and 2008**

---

## **Basic and diluted earnings per share**

Basic earnings per share are determined using the weighted average number of participating shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of participating shares outstanding during the year, plus the effects of dilutive potential participating shares outstanding during the year. The calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive potential participating shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase participating shares of the Company at the average market value of the participating shares during the year.

## **Stock-based compensation plan**

The Company offers its directors, officers and employees a stock-based compensation plan, which is described in note 10. Any consideration received from the participants to the plan upon the exercise of options is credited to share capital.

In accordance with Canadian generally accepted accounting principles, the Company uses the fair value method for recording stock options. Consequently, stock-based compensation costs are recorded at fair value at the date of grant and are recognized in the statement of earnings over the period of acquisition.

## **Accounting changes**

On September 1, 2008, the Company adopted the following new accounting policies published by the CICA:

- (a) Section 1400, "General Standards of Financial Statement Presentation" was modified to require that management makes an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. Disclosure and presentation requirements pertaining to this section are contained in note 1.
- (b) Section 1535, "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such noncompliance. Disclosure and presentation requirements pertaining to this section are contained in note 16.
- (c) Sections 3862, "Financial Instruments – Disclosures", and 3863, "Financial Instruments – Presentation". These new sections require enhanced disclosures on financial asset and liability categories as well as a detailed analysis of the risks associated with the Company's financial instruments and how the entity manages those risks. Disclosure and presentation requirements pertaining to these sections are contained in note 16. These new standards have no impact on the Company's financial results for the year ended August 31, 2009.

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

## EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Emerging Issues Committee issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which provides further information on determining the fair value of financial assets and financial liabilities under Section 3855, "Financial Instruments – Recognition and Measurement". This abstract states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This recommendation applies retrospectively without restatement of prior period financial statements to all financial assets and financial liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009, the date of issuance of the abstract. The adoption of this abstract had no impact on the Company's financial statements.

## EIC-174, Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee issued EIC-174, "Mining Exploration Costs", to provide additional guidance for mining exploration enterprises on when an impairment test is required. This abstract should be applied to financial statements issued after March 27, 2009. The adoption of this abstract had no impact on the Company's financial statements.

### 3 Amounts receivable

	2009	2008
	\$	\$
Tax credit and mining rights receivable (note 8)	534,407	574,357
Commodity taxes	79,849	500,296
Trade accounts receivable	267,734	1,686,407
	<hr/>	<hr/>
	881,990	2,761,060
Allowance for bad debts	<hr/> (267,734)	<hr/> (267,734)
	<hr/> 614,256	<hr/> 2,493,326

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

## 4 Long-term investments

	2009		2008	
	Amortized cost \$	Carrying value \$	Amortized cost \$	Carrying value \$
Eastmain Resources Inc.	8,600	24,400	17,200	50,000
NWT Uranium Corp.	50,750	50,750	219,500	33,250
Majescor Resources Inc.	49,980	49,980	428,850	166,600
Silver Spruce Resources Inc.	19,500	19,500	253,000	55,500
D'Arianne Resources Inc.	11,286	11,286	47,250	24,200
Channel Resources Inc.	48,000	28,500	48,000	10,500
Abitex Resources Inc.	400,000	150,000	-	-
Kativik Resources Inc.	200,000	200,000	-	-
	<u>788,116</u>	<u>534,416</u>	<u>1,013,800</u>	<u>340,050</u>

## 5 Property and equipment

	Depreciation rate %	2009		2008	
		Cost \$	Accumulated depreciation \$	Cost \$	Accumulated depreciation \$
Office furniture	20	20,542	9,914	20,542	7,256
Office equipment	20	20,081	7,265	19,095	4,174
Computer equipment	30	23,270	12,795	23,270	8,306
Specialist equipment	30	<u>56,250</u>	<u>26,711</u>	<u>56,250</u>	<u>14,050</u>
		120,143	<u>56,685</u>	119,157	<u>33,786</u>
Less:					
Accumulated depreciation		<u>56,685</u>		<u>33,786</u>	
Net amount		<u>63,458</u>		<u>85,371</u>	

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

## 6 Mining properties

All mining properties are located in the Province of Quebec.

For the year ended August 31, 2009

				Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources	
	Undivided interest %	Balance as at August 31, 2008 \$	Costs incurred \$	\$	Balance as at August 31, 2009 \$
<b>Ungava Bay</b>					
North Rae (1,853 claims)	(f)				
Mining properties	100	-	388,707	(40,000)	348,707
Exploration costs		409,134	304,602	(140,421)	573,315
		409,134	693,309	(180,421)	922,022
South Rae (1,449 claims)	(g)				
Mining properties	100	-	-	-	-
Exploration costs		2,132	11,036	(5,087)	8,081
		2,132	11,036	(5,087)	8,081
Daniel Lake (972 claims)	(h)				
Mining properties	100	-	376,024	(40,000)	336,024
Exploration costs		86,208	257,846	(118,867)	225,187
		86,208	633,870	(158,867)	561,211
Kangiq (851 claims)	(i)				
Mining properties	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Burrel Lake (892 claims)					
Mining properties	100	-	94,593	-	94,593
Exploration costs		-	20	(9)	11
		-	94,613	( 9)	94,604
Others (774 claims)					
Mining properties	100	153,179	-	(74,231)	78,948
Exploration costs		1,112	210	(1,046)	276
		154,291	210	(75,277)	79,224
<b>Total Ungava Bay</b>		651,765	1,433,038	(419,661)	1,665,142

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

				Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources	
Central Quebec	Undivided interest %	Balance as at August 31, 2008 \$	Costs incurred \$	\$	Balance as at August 31, 2009 \$
North Minto (1,750 claims) (j)					
Mining properties	100	-	-	-	-
Exploration costs		439	-	(439)	-
		439	-	(439)	-
South Minto (1,198 claims) (k)					
Mining properties	100	-	-	-	-
Exploration costs		482	-	(482)	-
		482	-	(482)	-
Central Minto (665 claims) (l)					
Mining properties	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
West Minto (689 claims) (m)					
Mining properties	100	-	2,958	-	2,958
Exploration costs		582	1,156	(533)	1,205
		582	4,114	(533)	4,163
South Bienville (1,460 claims) (n)					
Mining properties	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Hudson Bay (524 claims) (o)					
Mining properties	100	-	4,690	-	4,690
Exploration costs		8	2,795	(1,288)	1,515
		8	7,485	(1,288)	6,205
(forward)		1,511	11,599	(2,742)	10,368

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

				<b>Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources</b>	
	<b>Undivided interest %</b>	<b>Balance as at August 31, 2008 \$</b>	<b>Costs incurred \$</b>	<b>\$</b>	<b>Balance as at August 31, 2009 \$</b>
<b>Central Quebec</b> <i>(continued)</i>					
(brought forward)		1,511	11,599	(2,742)	10,368
West Bienville *	(p)				
Mining properties	100	-	-	-	-
Exploration costs		6,005	472	(6,477)	-
		6,005	472	(6,477)	-
Kativik (1,361 claims)	(r)				
Mining properties	100	-	100	(100)	-
Exploration costs		38,608	269,434	(224,109)	83,933
		38,608	269,534	(224,209)	83,933
Others (140 claims)					
Mining properties	100	1,862	14,280	(1,862)	14,280
Exploration costs		-	2,934	(1,373)	1,561
		1,862	17,214	(3,235)	15,841
<b>Total Central Quebec</b>		47,986	298,819	(236,663)	110,142



# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

James Bay	Undivided interest %	Balance as at August 31, 2008 \$	Costs incurred \$	Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2009 \$
Opinaca A-A East (429 claims) (a)					
Mining properties	100	-	-	-	-
Exploration costs		-	315	(315)	-
		-	315	( 315)	-
Opinaca B-B North (220 claims) (b)					
Mining properties	100	-	-	-	-
Exploration costs		-	195	(195)	-
		-	195	( 195)	-
Eleonore South (282 claims) (c)					
Mining properties	33.33	-	-	-	-
Exploration costs		-	1,853	(1,125)	728
		-	1,853	(1,125)	728
Opinaca D (188 claims) (d)					
Mining properties	100	-	-	-	-
Exploration costs		-	1,836	(846)	990
		-	1,836	( 846)	990
Eastmain W (97 claims)					
Mining properties	100	-	5,695	-	5,695
Exploration costs		5,386	5,759	(2,465)	8,680
		5,386	11,454	(2,465)	14,375
(forward)		5,386	15,653	(4,946)	16,093

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

				<b>Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources</b>	
	<b>Undivided interest %</b>	<b>Balance as at August 31, 2008 \$</b>	<b>Costs incurred \$</b>	<b>\$</b>	<b>Balance as at August 31, 2009 \$</b>
<b>James Bay (continued)</b>					
(brought forward)		5,386	15,653	(4,946)	16,093
Wabamisk (755 claims)	(e)				
Mining properties	100	-	-	-	-
Exploration costs		840	5,507	(6,297)	50
		840	5,507	(6,297)	50
Comptoir *					
Mining properties	100	59,450	-	(59,450)	-
Exploration costs		17,212	-	(17,212)	-
		76,662	-	(76,662)	-
Gold *					
Mining properties	100	229,490	-	(229,490)	-
Exploration costs		1,736	-	(1,736)	-
		231,226	-	(231,226)	-
<b>Total James Bay</b>		314,114	21,160	(319,131)	16,143

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

North Shore	Undivided interest %	Balance as at August 31, 2008 \$	Costs incurred \$	Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2009 \$
Grenium *					
Mining properties	100	56,434	93	(56,527)	-
Exploration costs		7,063	577	(7,640)	-
		63,497	670	(64,167)	-
North Havre *	(q)				
Mining properties	100	-	-	-	-
Exploration costs		-	427	(427)	-
		-	427	( 427)	-
Nickel *					
Mining properties	100	167,340	-	(167,340)	-
Exploration costs		25	25	(50)	-
		167,365	25	(167,390)	-
<b>Total North Shore</b>		230,862	1,122	(231,984)	-
<b>Total mining properties</b>		1,244,727	1,754,139	(1,207,439)	1,791,427

\* Properties abandoned in 2009

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

## For the year ended August 31, 2008

		Undivided interest %	Balance as at August 31, 2007 \$	Costs incurred \$	Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2008 \$
<b>Ungava Bay</b>						
North Rae (1,853 claims)	(f)	100	-	-	-	-
Mining properties			2,726	778,393	(371,985)	409,134
Exploration costs						
			<u>2,726</u>	<u>778,393</u>	<u>(371,985)</u>	<u>409,134</u>
South Rae (2,854 claims)	(g)	100	-	-	-	-
Mining properties			-	12,423	(10,291)	2,132
Exploration costs						
			<u>-</u>	<u>12,423</u>	<u>(10,291)</u>	<u>2,132</u>
Daniel Lake (972 claims)	(h)	100	-	-	-	-
Mining properties			-	160,121	(73,913)	86,208
Exploration costs						
			<u>-</u>	<u>160,121</u>	<u>(73,913)</u>	<u>86,208</u>
Kangiq (1,743 claims)	(i)	100	-	(14,382)	14,382	-
Mining properties			-	1,637	(1,637)	-
Exploration costs						
			<u>-</u>	<u>(12,745)</u>	<u>12,745</u>	<u>-</u>
Others (1,350 claims)		100	28,520	124,659	-	153,179
Mining properties			312	1,483	(683)	1,112
Exploration costs						
			<u>28,832</u>	<u>126,142</u>	<u>( 683)</u>	<u>154,291</u>
<b>Total Ungava Bay</b>			<u>31,558</u>	<u>1,064,334</u>	<u>(444,127)</u>	<u>651,765</u>

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

Central Quebec	Undivided interest %	Balance as at August 31, 2007 \$	Costs incurred \$	Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2008 \$
North Minto (2,272 claims) (j)					
Mining properties	100	-	-	-	-
Exploration costs		-	5,908	(5,469)	439
		-	5,908	(5,469)	439
South Minto (1,609 claims) (k)					
Mining properties	100	-	-	-	-
Exploration costs		-	6,224	(5,742)	482
		-	6,224	(5,742)	482
Central Minto (1,146 claims) (l)					
Mining properties	100	-	33,150	(33,150)	-
Exploration costs		-	1,637	(1,637)	-
		-	34,787	(34,787)	-
West Minto (952 claims) (m)					
Mining properties	100	-	-	-	-
Exploration costs		-	8,652	(8,070)	582
		-	8,652	(8,070)	582
South Bienville (1,929 claims) (n)					
Mining properties	100	-	14,890	(14,890)	-
Exploration costs		-	1,637	(1,637)	-
		-	16,527	(16,527)	-
Hudson Bay (661 claims) (o)					
Mining properties	100	-	-	-	-
Exploration costs		-	2,195	(2,187)	8
		-	2,195	(2,187)	8
(forward)		-	74,293	(72,782)	1,511

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

		Undivided interest %	Balance as at August 31, 2007 \$	Costs incurred \$	Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2008 \$
<b>Central Quebec (continued)</b>						
(brought forward)			-	74,293	(72,782)	1,511
West Bienville (288 claims)	(p)	100	-	-	-	-
Mining properties			-	10,015	(4,010)	6,005
Exploration costs			-	10,015	(4,010)	6,005
Kativik (1,861 claims)	(r)	100	126,024	(7,747)	(118,277)	-
Mining properties			258	72,455	(34,105)	38,608
Exploration costs			126,282	64,708	(152,382)	38,608
Quutsuki (19 claims)		100	1,862	-	-	1,862
Mining properties			-	-	-	-
Exploration costs			1,862	-	-	1,862
<b>Total Central Quebec</b>			128,144	149,016	(229,174)	47,986

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

James Bay	Undivided interest %	Balance as at August 31, 2007 \$	Costs incurred \$	Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2008 \$
Opinaca A-A East (497 claims) (a)					
Mining properties	100	-	-	-	-
Exploration costs		-	6,924	(6,924)	-
		-	6,924	(6,924)	-
Opinaca B-B North (220 claims) (b)					
Mining properties	100	-	-	-	-
Exploration costs		-	5,452	(5,452)	-
		-	5,452	(5,452)	-
Eleonore South (282 claims) (c)					
Mining properties	33.33	-	-	-	-
Exploration costs		-	15,667	(15,667)	-
		-	15,667	(15,667)	-
Opinaca D (188 claims) (d)					
Mining properties	100	-	-	-	-
Exploration costs		-	1,485	(1,485)	-
		-	1,485	(1,485)	-
Eastmain W (167 claims)					
Mining properties	100	-	-	-	-
Exploration costs		661	8,260	(3,535)	5,386
		661	8,260	(3,535)	5,386
(forward)		661	37,788	(33,063)	5,386

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

				Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources	
	Undivided interest %	Balance as at August 31, 2007 \$	Costs incurred \$	\$	Balance as at August 31, 2008 \$
James Bay (continued)					
(brought forward)		661	37,788	(33,063)	5,386
Wabamisk (755 claims)	(e)				
Mining properties	100	-	-	-	-
Exploration costs		-	8,391	(7,551)	840
		-	8,391	(7,551)	840
Comptoir (796 claims)					
Mining properties	100	59,450	-	-	59,450
Exploration costs		15,024	4,060	(1,872)	17,212
		74,474	4,060	(1,872)	76,662
Gold (2,277 claims)					
Mining properties	100	-	229,490	-	229,490
Exploration costs		-	3,140	(1,404)	1,736
		-	232,630	(1,404)	231,226
<b>Total James Bay</b>		<b>75,135</b>	<b>282,869</b>	<b>(43,890)</b>	<b>314,114</b>



# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

North Shore	Undivided interest %	Balance as at August 31, 2007 \$	Costs incurred \$	Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2008 \$
Manitou *					
Mining properties	100	45,439	-	(45,439)	-
Exploration costs		516	741	(1,257)	-
		45,955	741	(46,696)	-
Mont Merry *					
Mining properties	100	3,000	-	(3,000)	-
Exploration costs		130	39	(169)	-
		3,130	39	(3,169)	-
Grenium (494 claims)					
Mining properties	100	8,480	54,450	(6,496)	56,434
Exploration costs		(243)	12,771	(5,465)	7,063
		8,237	67,221	(11,961)	63,497
North Havre (209 claims)	(q)				
Mining properties	100	-	-	-	-
Exploration costs		-	7,879	(7,879)	-
		-	7,879	(7,879)	-
Nickel (1,896 claims)					
Mining properties	100	167,340	-	-	167,340
Exploration costs		25	-	-	25
		167,365	-	-	167,365
<b>Total North Shore</b>		224,687	75,880	(69,705)	230,862
<b>Total mining properties</b>		459,524	1,572,099	(786,896)	1,244,727

\* Properties abandoned in 2008

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

## Change in mining properties

	Years Ended August 31,	
	2009 \$	2008 \$
<b>Balance – Beginning of year</b>	1,244,727	459,524
Expenses incurred during the year		
Claims and permits	887,139	435,830
Geological surveys	377,520	870,477
Geochemical surveys	-	28,361
Geophysical surveys	152,229	229,944
Drilling	337,251	-
Administration and others	-	7,487
	<u>1,754,139</u>	<u>1,572,099</u>
Mining properties abandoned or written off	(622,783)	(49,531)
Option payments	(185,314)	(216,837)
Credit on duties refundable for loss and refundable tax credit for resources	<u>(399,342)</u>	<u>(520,528)</u>
	<u>(1,207,439)</u>	<u>(786,896)</u>
<b>Balance – End of year</b>	<u>1,791,427</u>	<u>1,244,727</u>

- (a) In December 2004, the Company granted Everton Resources Inc. ("Everton") the option to acquire a 50% interest in the Opinaca A, A East property for a cash consideration of \$180,000 and \$2.8 million in work expenditures. Everton may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2009, Everton had made a cumulative payment of \$150,000 (\$120,000 in 2008) in cash and had carried out exploration work totalling a cumulative amount of \$2,800,000 (\$2,800,000 in 2008).
- (b) In December 2004, the Company granted Everton the option to acquire a 50% interest in the Opinaca B, B North property for a cash consideration of \$160,000 and \$2.0 million in work expenditures. Everton may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2009, Everton had made a cumulative payment of \$130,000 (\$100,000 in 2008) in cash and had carried out exploration work totalling a cumulative amount of \$2,000,000 (\$2,000,000 in 2008).

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

- (c) In March 2005, the Company granted Eastmain Resources Inc. ("Eastmain") the option to acquire a 50% interest in the Opinaca C property for a cash consideration of \$160,000, 30,000 common shares of Eastmain and \$2.7 million in work expenditures. In April 2006, the Company signed a letter of intent to form a three-way joint venture with Goldcorp Inc. ("Goldcorp") and Eastmain on the Eleonore South property, which includes 166 claims of the Opinaca C property and 116 claims owned by Goldcorp. Eastmain has earned a 33.33% interest in the Eleonore South property by making a cumulative cash payment of \$185,000 to the Company, funding a total of \$4.0 million in work expenditures and granting 30,000 common shares.

The Company announced that Les Mines Opinaca Ltée ("Opinaca"), a wholly-owned subsidiary of Goldcorp, had exercised its right to increase its interest by 6.67% to a total of 40% in the Eleonore South joint venture, located in the James Bay region in Quebec. To earn the additional interest, Opinaca must fund a minimum of \$500,000 in exploration expenditures, make option payments to the Company and prepare a bankable feasibility study by June 2015. In February 2009, the Company received \$20,000 from Opinaca and \$80,000 from Eastmain Resources Inc. totalling \$100,000 (nil in 2008), for Opinaca's decision not to proceed with the second option.

- (d) In March 2005, the Company granted Eastmain the option to acquire a 50% interest in the Opinaca D property for a cash consideration of \$140,000, 45,000 common shares of Eastmain and \$1.9 million in exploration work. Eastmain may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2009, Eastmain had made a cumulative payment of \$110,000 in cash, granted 45,000 common shares and had carried out exploration work totalling a cumulative amount of \$976,289 and decided to terminate the option.
- (e) In May 2005, the Company granted Placer Dome (CLA) Ltd. (now Goldcorp Inc.) the option to acquire a 51% interest in the Wabamisk property for a cash consideration of \$500,000 and \$4.0 million in work expenditures. Goldcorp may also acquire an additional 19% interest by delivering a feasibility study. As at August 31, 2009, Goldcorp had made a cumulative payment of \$500,000 (\$300,000 in 2008) in cash and had carried out exploration work totalling a cumulative amount of \$3,129,955 (\$1,158,845 in 2008).
- (f) In March 2006, the Company granted NWT Uranium Corp. (formerly Northwestern Mineral Ventures Inc.) ("NWT") the option to acquire a 50% interest in the North Rae property for a cash consideration of \$210,000, 150,000 common shares of NWT and \$2.9 million in work expenditures. NWT may also acquire an additional 15% interest by delivering a feasibility study. As at August 31, 2009, NWT had made a cumulative payment of \$150,000 (\$110,000 in 2008) in cash, granted 150,000 common shares to the Company and had carried out exploration work totalling a cumulative amount of \$2,900,000.

On July 5, 2008 (and extended to December 31, 2008 further on July 8, 2009), the Company and NWT Uranium Corp. concluded a definitive agreement to terminate the option agreements previously granted by the Company to NWT in respect of the North Rae and Daniel Lake properties located in the Ungava Bay region, Nunavik, Quebec. The Company has issued 1,800,000 of its common shares to NWT, which shares will be subject to a contractual nine-month hold period commencing on July 21, 2009.

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

NWT has been granted the right to participate in any private placement that may be conducted by the Company during the foregoing nine-month period so as to allow NWT to maintain its proportionate equity interest in the Company. The Company has also agreed to pay to NWT the sum of CAN\$1,000,000 upon the earlier of: 1) the commencement of full commercial production of uranium from the properties, or 2) in the event the Company concludes an outright sale of all or a portion of its interest in the properties to a third party.

- (g) In January 2007, the Company granted Majescor Resources Inc. ("Majescor") the option to acquire a 50% interest in the South Rae property for a cash consideration of \$333,000, 1,420,000 common shares of Majescor and \$4.6 million in work expenditures. Majescor may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Majescor had made a cumulative payment of \$183,000 in cash, had issued 1,420,000 common shares, had carried out exploration work totalling a cumulative amount of \$1,348,596 and decided to terminate the option.
- (h) In January 2007, the Company granted NWT the option to acquire a 50% interest in the Daniel Lake property for a cash consideration of \$230,000, 200,000 common shares of NWT and \$2.6 million in work expenditures. NWT may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, NWT had made a cumulative payment of \$120,000 (\$80,000 in 2008) in cash, had issued 200,000 common shares and had carried out exploration work totalling a cumulative amount of \$208,286.

On July 5, 2008 (and extended to December 31, 2008 further on July 8, 2009), the Company and NWT Uranium Corp. concluded a definitive agreement to terminate the option agreements previously granted by the Company to NWT in respect of the North Rae and Daniel Lake properties located in the Ungava Bay region, Nunavik, Quebec. The Company has issued 1,800,000 of its common shares to NWT, which shares will be subject to a contractual nine-month hold period commencing on July 21, 2009.

NWT has been granted the right to participate in any private placement that may be conducted by the Company during the foregoing nine-month period so as to allow NWT to maintain its proportionate equity interest in the Company. The Company has also agreed to pay to NWT the sum of CAN\$1,000,000 upon the earlier of: 1) the commencement of full commercial production of uranium from the properties, or 2) in the event the Company concludes an outright sale of all or a portion of its interest in the properties to a third party.

- (i) In July 2007, the Company granted Central Uranium Corporation ("Central") (now Abitex Resources Inc.) the option to acquire a 50% interest in the Kangiq property for a cash consideration of \$410,000, \$300,000 worth of common shares of Abitex and \$4.2 million in work expenditures. Abitex may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Abitex had made a cumulative payment of \$210,000 (\$210,000 in 2008) in cash, had issued 500,000 common shares and had carried out exploration work totalling a cumulative amount of \$1,416,754 (\$1,068,314 in 2008).

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

- (j) In April 2007, the Company granted Rukwa Uranium Ltd. ("Rukwa") the option to acquire a 50% interest in the North Minto property for a cash consideration of \$360,000, \$200,000 worth of common shares of Rukwa and \$4.2 million in work expenditures. Rukwa may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Rukwa had made a cumulative payment of \$240,000 (\$180,000 in 2008) in cash, had paid \$200,000 cash (\$200,000 in 2008) in lieu of \$200,000 worth of its common shares and had carried out exploration work totalling a cumulative amount of \$1,701,373 (\$1,584,599 in 2008).
- (k) In April 2007, the Company granted Rukwa Uranium Ltd. ("Rukwa") the option to acquire a 50% interest in the South Minto property for a cash consideration of \$340,000, \$200,000 worth of common shares of Rukwa and \$4.0 million in work expenditures. Rukwa may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Rukwa had made a cumulative payment of \$240,000 (\$180,000 in 2008) in cash, had paid \$200,000 cash (\$200,000 in 2008) in lieu of \$200,000 worth of its common shares and had carried out exploration work totalling a cumulative amount of \$1,299,525 (\$1,187,696 in 2008).
- (l) In May 2007, the Company granted Central Uranium Corporation ("Central") (now Abitex Resources Inc.) the option to acquire a 50% interest in the Central Minto property for a cash consideration of \$340,000, \$200,000 worth of common shares of Abitex and \$4.0 million in work expenditures. Abitex may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Abitex had made a cumulative payment of \$160,000 (\$160,000 in 2008) in cash, had paid \$100,000 cash (\$100,000 in 2008) and had issued 250,000 common shares in lieu of \$200,000 worth of its common shares, and had carried out exploration work totalling a cumulative amount of \$1,048,496 (\$995,113 in 2008).
- (m) In March 2007, the Company granted Majescor Resources Inc. ("Majescor") the option to acquire a 50% interest in the West Minto property for a cash consideration of \$300,000, 540,000 common shares of Majescor and \$3.8 million in work expenditures. Majescor may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Majescor had made a cumulative payment of \$150,000 in cash, had issued 540,000 common shares, had carried out exploration work totalling a cumulative amount of \$501,234 and decided to terminate the option.
- (n) In May 2007, the Company granted Central Uranium Corporation ("Central") (now Abitex Resources Inc.) the option to acquire a 50% interest in the South Bienville property for a cash consideration of \$380,000, \$200,000 worth of common shares of Abitex and \$4.5 million in work expenditures. Abitex may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Central had made a cumulative payment of \$200,000 (\$200,000 in 2008) in cash, had paid \$100,000 cash (\$100,000 in 2008) and had issued 250,000 common shares in lieu of \$200,000 (\$100,000 in 2008) worth of its common shares and had carried out exploration work totalling a cumulative amount of \$1,575,892 (\$1,505,813 in 2008).

# **Azimut Exploration Inc.**

(an exploration company)

Notes to Financial Statements

**August 31, 2009 and 2008**

---

- (o) In April 2007, the Company granted Silver Spruce Resources Inc. ("Silver") the option to acquire a 50% interest in the Hudson Bay property for a cash consideration of \$250,000, 300,000 common shares of Silver and \$2.6 million in work expenditures. Silver may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Silver had made a cumulative payment of \$100,000 in cash, had issued 300,000 common shares, had carried out exploration work totalling a cumulative amount of \$623,352 and decided to terminate the option.
- (p) In August 2007, the Company granted Channel Resources Ltd. ("Channel") the option to acquire a 50% interest in the West Bienville property for a cash consideration of \$170,000, 900,000 common shares of Channel and \$1.7 million in work expenditures. Channel may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Channel had made a cumulative payment of \$30,000 in cash, had issued 300,000 common shares, had carried out exploration work totalling a cumulative amount of \$92,686 and decided to terminate the option.
- (q) In June 2007, the Company granted D'Arianne Resources Inc. ("Arianne") the option to acquire a 50% interest in the North Havre property for an issuance of 850,000 common shares of Arianne and \$0.7 million in work expenditures. Arianne may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Arianne had issued 600,000 common shares, had carried out exploration work totalling \$313,637 and decided to terminate the option in December 2008.
- (r) In November 2007, the Company granted Kativik Resources Inc. ("Kativik") the option to acquire a 50% interest in the Kativik property for a cash consideration of \$440,000, \$300,000 worth of common shares of Kativik and \$5.0 million in work expenditures. Kativik may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Kativik had made a cumulative payment of \$120,000 (\$120,000 in 2008) in cash, had issued 333,334 common shares in lieu of \$200,000 (nil in 2008) worth of its common shares and had carried out exploration work totalling a cumulative amount of \$1,112,719 (\$890,000 in 2008). Kativik sold all its rights and obligations in an option agreement with Nemaska Exploration Inc. on October 9, 2009.

## **7 Debenture**

On November 20, 2008 the Company issued a five-year unsecured debenture of \$500,000, bearing interest at 12% annually. The opening balance of that debt has been decreased by \$92,000 and reflected in earnings as a discount on debenture so as to consider an effective interest rate of 20%. An accretion of debenture of \$14,317 is also reflected in earnings. The principal is to be reimbursed in cash over a 5 year-period for \$100,000 per year.

# **Azimut Exploration Inc.**

(an exploration company)

Notes to Financial Statements

**August 31, 2009 and 2008**

---

## **8 Convertible debentures**

The Company completed a private placement of unsecured convertible debentures of \$940,000 to fund its technical work and business development. The debentures mature on November 20, 2011 and bear interest at the rate of 12% per annum, payable semi-annually either in cash or in shares. Non-interest bearing if the share is traded at \$0.90 and over during the twenty business days preceding the dates of interest instalments for the first two six-month periods ending May 20 and November 20, 2009, respectively, at \$1.35 and over for the third, fourth, fifth and sixth six-month periods ending May 20, 2010; November 20, 2010; May 20, 2011 and November 20, 2011, respectively. The principal is convertible at the option of the holder into common shares of the Company. During the first 2 years, the principal is convertible into units at a price of \$0.54. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at \$0.65. At the third year, the debentures are convertible into units at a price of \$0.60; each unit consists of one common share and one-half of a share purchase warrant.

The Company had also completed a placement of \$500,000 secured convertible loan which is to be reimbursed in two equal payments in 2009 and 2010 and bears interest at a rate of 12% per year, payable in cash or shares every six months. In April 2009, the Company reimbursed the first payment amounted to \$250,000. Non-interest bearing if the share is traded at \$0.90 and over during the twenty business days preceding the dates of interest instalments for the first two six-month periods ending May 20 and November 20, 2009, respectively, at \$1.35 and over for the third and fourth six-month periods ending May 20, 2010 and November 20, 2010. This loan is convertible into units at a price of \$0.54 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.65 for a 24-month period following the conversion date or until the term of the loan. The loan is secured by a hypothec on the Company's movable property, including tax credits to be received.

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

The convertible debenture is accounted for in accordance with its substance and is presented in the financial statements in its component parts, measured at their respective fair values at the time of issue. The liability component has been calculated as the present value of the required principal and interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debenture was issued.

	<b>Liability component \$</b>	<b>Equity component \$</b>	<b>Total \$</b>
Unsecured convertible debenture	789,950	150,050	940,000
Secured convertible debenture	455,230	44,770	500,000
	1,245,180	194,820	1,440,000
Reimbursement of a secured convertible debenture	(250,000)	-	(250,000)
Accretion on convertible debentures	56,284	-	56,284
	1,051,464	194,820	1,246,284
Current portion	(250,000)	-	(250,000)
	801,464	194,820	996,284

Equity component has been recorded at a fair value of \$194,820 based on the Black-Scholes option pricing model using the following assumptions:

	<b>Secured convertible debenture</b>	<b>Unsecured convertible debenture</b>
Risk-free interest rate	2.75%	3.75%
Expected volatility	99.28%	90.10%
Dividend yield	Nil	Nil
Weighted average expected life	2 years	3 years



# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

## 9 Share capital

Authorized

Unlimited number of common shares, without per value, voting and participating

Issued and fully paid

20,383,979 (16,821,755 in 2008) common shares and no share are held in escrow

## 10 Stock option plan

The Company maintains a stock option plan in which a maximum of 2,560,000 stock options may be granted. The number of shares reserved for issuance under the stock option plan was increased to 15% of the shares issued and outstanding. This increase was authorized by the Company's disinterested shareholders at the Annual and Extraordinary meeting of shareholders held on February 27, 2009, and approved by the TSX Venture Exchange on April 22, 2009. The exercise price of the options is set at the closing price of the Company's shares on the TSX Venture Exchange, on the day before the grant date. The options have a maximum term of ten years following the granting date; the options granted will be exercisable, unless otherwise approved by the Board of Directors.

The following tables present the stock option activity since September 1, 2007 and summarize information about fixed stock options outstanding and exercisable as at August 31:

	<u>2009</u>		<u>2008</u>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding – Beginning of year	1,905,000	2.40	1,595,000	2.19
Granted	590,000	0.34	360,000	3.03
Exercised	(290,000)	0.30	(50,000)	0.24
Cancelled	(350,000)	3.73	-	-
Outstanding – End of year	<u>1,855,000</u>	<u>1.82</u>	<u>1,905,000</u>	<u>2.40</u>
Exercisable – End of year	<u>1,787,500</u>	<u>1.78</u>	<u>1,437,500</u>	<u>2.07</u>

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

Exercise price \$	Options outstanding	Options exercisable	Weighted average remaining contractual life (years)
0.34	590,000	590,000	9.61
0.64	30,000	30,000	0.81
0.86	105,000	105,000	1.04
1.50	50,000	50,000	1.48
1.55	300,000	300,000	1.50
1.75	150,000	150,000	1.53
1.80	20,000	20,000	1.64
3.03	310,000	242,500	1.88
4.30	300,000	300,000	2.50
	<hr/>	<hr/>	
	1,855,000	1,787,500	4.27

## Accounting for the stock-based compensation plan

The fair value of options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Number of option granted	590,000	360,000
Risk-free interest rate	3.75%	3.50%
Expected volatility	108%	68.53%
Dividend yield	Nil	Nil
Weighted average expected life	10 years	5 years
Weighted average fair value of options granted	\$0.32	\$1.80

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

## 11 Warrants

The following tables present the warrants activity since September 1, 2008, and summarize information about warrants outstanding and exercisable as at August 31, 2009:

	Number	Carrying value \$	Weighted average exercise price \$
Issued in 2009	1,347,224	353,334	0.70

During fiscal year 2009, the Company completed 3 non-brokered private placements by issuing an aggregate amount of 1,472,224 common shares at the average price of \$0.44 per share and 1,347,224 warrants totalling \$650,000. The value of the warrants has been presented separately.

On November 20, 2008, the Company closed a non-brokered private placement for \$100,000 which consists of 250,000 of the Company's common shares at the exercise price of \$0.40 per share and 125,000 warrants at the exercise price of \$0.65 per share for a 24-month period.

In July and August 2009 the Company closed a non-brokered private placement totaling \$550,000. A total of 1,222,224 common shares was issued at a price of \$0.45 per share, each share accompanied by: (a) one half-warrant "A", each whole warrant "A" entitling its holder to purchase one share of the Company at a price of \$0.60 per share over a 24-month period; and (b) one half-warrant "B" each whole warrant "B" entitling its holder to purchase one common share of the Company at a price of \$0.80 per share over a 24-month period. All warrants are subject to the terms of an acceleration clause.

If, starting the 4<sup>th</sup> month following closing, the closing price of the common shares of the Company as traded on the TSX Venture Exchange over a period of 20 trading days is equal to or greater than \$0.85 (\$1.15 for the "B" warrants), the Company may accelerate the expiry date of the warrants, which would then expire on the 30<sup>th</sup> day following deemed receipt of written notice from the Company.

All securities issued pursuant to this private placement are subject to a four-month holding period.

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

The fair value of warrants was estimated by using the Black-Scholes option pricing model with the following assumptions:

	<b>November 2008</b>	<b>July and August 2009</b>
Number of warrants issued	125,000	1,222,224
Risk-free interest rate	2.75%	1.25%
Expected volatility	99.28%	146.00%
Dividend yield	Nil	Nil
Weighted average expected life	2 years	2 years
Weighted average fair value of warrants issued	\$0.04	\$0.285

As at August 31, 2009, the following warrants were outstanding and exercisable:

<b>Exercise price</b>	<b>Warrants outstanding Number</b>	<b>Expiry date</b>	<b>Weighted average remaining contractual life (years)</b>
\$0.60	277,778	July 29, 2011	1.91
\$0.60	333,334	August 17, 2011	1.96
\$0.65	125,000	November 24, 2010	1.23
\$0.80	277,778	July 29, 2011	1.91
\$0.80	<u>333,334</u>	August 17, 2011	1.96
	<u>1,347,224</u>		

## 12 Related party transactions

The Company entered into the following transactions with a company owned by a director and a law firm of which one of the directors is a partner:

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Reimbursement of expenses	789	4,933
Mining properties and exploration work	39,882	-

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

## 13 Income taxes

The reconciliation of the income tax expense calculated using the combined federal and Quebec provincial statutory tax rate to the income tax expense per the financial statements is as follows:

	Years Ended August 31,	
	2009 \$	2008 \$
Net loss for the year	2,676,838	(525,162)
Combined federal and provincial income tax of 30.90% (31.65% in 2008)	(827,000)	(166,000)
Non-deductible expenses for income tax purposes	443,000	255,600
Share issue expenses not affecting earnings	(33,000)	-
Change in valuation allowance	404,000	(13,000)
Change in future tax rates	79,500	44,200
Non-taxable gain on sale of long-term investments	(600)	(1,600)
Unrealized loss on available-for-sale investments not affecting earnings	(59,000)	(106,000)
Other	(6,900)	(13,200)
Future income taxes	-	-

As at August 31, 2009, the Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

Expiry Year	Federal \$	Provincial \$
2029	816,000	816,000
2027	266,000	226,000
2016	124,000	93,000
	<u>1,206,000</u>	<u>1,135,000</u>

- The Company has accumulated capital losses of approximately \$11,000 (\$13,000 in 2008).
- The tax value of mining properties exceeds the carrying value by approximately \$540,000 at the federal level (\$261,000 in 2008) and \$613,000 at the provincial level (\$335,000 in 2008). The difference between the tax value and the amounts capitalized in the financial statements mainly results from the renunciation by the Company in favour of investors of the deductions related to exploration costs paid through flow-through share financings, of the non-taxable mining rights tax credit as well as from writeoffs of mining properties.

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

- The unamortized balance of capital cost for federal and provincial income tax purposes exceeds the net carrying value of property and equipment and intangible assets by \$532,000 (\$331,000 in 2008) and \$527,000 (\$326,000 in 2008), respectively.
- The tax value of long-term investments exceeds the carrying value by approximately \$1,074,000 (\$695,000 in 2008). The difference between the tax value and the amounts accounted for in the financial statements mainly results from the impairment in value accounted for on these investments.
- The unamortized balance, for income tax purposes, of share issue and financial expenses amounts to \$173,000 (\$48,000 in 2008) and will be deductible during the next four years.
- The tax value of long-term liabilities exceeds the carrying value by \$21,000. The difference between the tax value and the amounts accounted for in the financial statements results from the discount on long-term debt and the accretion on debentures.

## 14 Loss per share

For the years ended August 31, 2009 and 2008, the diluted loss per share was the same as the basic loss per share since the dilutive effect of stock options was not included in the calculation; otherwise the effect would have been anti-dilutive. Accordingly, the diluted loss per share for those years was calculated using the basic weighted average number of shares outstanding (17,497,718 in 2009 and 16,798,804 in 2008).

	<u>Years Ended August 31,</u>	
	<b>2009</b>	<b>2008</b>
Loss used in the basic and diluted loss per share calculation	<u>(2,676,838)</u>	<u>(525,162)</u>
Basic weighted average number of shares outstanding	17,497,718	16,798,804
Stock options	<u>208,489</u>	<u>700,487</u>
Diluted weighted average number of shares outstanding	<u>17,706,207</u>	<u>17,499,291</u>

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

Stock-based awards are excluded from the calculation of the diluted weighted average number of shares outstanding when their exercise price is greater than the average market price of common shares. The number of excluded stock-based awards is presented below:

	2009	2008
Stock options	1,565,000	86,713
Warrants	1,347,224	-
Convertible debentures	4,407,410	-

## 15 Commitments

The Company's minimum aggregate commitments under a three-year lease agreement amount to \$112,424. Minimum lease payments under this agreement are as follows:

	\$
2010	38,103
2011	38,571
2012	35,750

## 16 Financial instruments, financial risks and capital management

### Classification

The Company's financial instruments as at August 31, 2009 consist of cash, amounts receivable from related party and others, accounts payable and accrued liabilities and debentures. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or to current market rates. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The fair value of available-for-sale long-term investments is established using the bid price on the most beneficial active market for this instrument that is readily available to the Company. When a bid price is not available, the Company uses the closing price of the most recent transaction on such instrument.

# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

The classification of financial instruments as at August 31, 2009, and August 31, 2008, is summarized as follows:

		<u>August 31, 2009</u>		<u>August 31, 2008</u>	
<b>Classification</b>		<b>Carrying value \$</b>	<b>Fair value \$</b>	<b>Carrying value \$</b>	<b>Fair value \$</b>
<b>Financial assets</b>					
Cash	Held for trading	1,349,818	1,349,818	1,291,771	1,291,771
Amounts receivable	Loans and receivables	468,380	468,380	2,535,911	2,535,911
Long-term investments	Available for sale	534,416	534,416	340,050	340,050
		<u>2,352,614</u>	<u>2,352,614</u>	<u>4,167,732</u>	<u>4,167,732</u>
<b>Financial liabilities</b>					
Accounts payable and accrued liabilities	Other than held-for trading liabilities	231,834	231,834	2,806,377	2,806,377
Debenture and convertible debentures	Other than held-for trading liabilities	1,473,781	1,473,781	-	-
		<u>1,705,615</u>	<u>1,705,615</u>	<u>2,806,377</u>	<u>2,806,377</u>

## Financial risks

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

### Credit risk

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

The credit risk associated with amounts receivable from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from option payments and exploration work carried out on properties under option and operated by the Company. This risk is minimal because the net amount is not significant.



# Azimut Exploration Inc.

(an exploration company)

Notes to Financial Statements

August 31, 2009 and 2008

---

## Liquidity Risk

Liquidity risk is the risk that the Company may be unable to fulfill its financial obligations related to financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidities to meet liabilities when due. The Company anticipates that these funds are sufficient to support its corporate and administrative obligations on a continuous basis. Management is evaluating other alternatives to secure the necessary financing so that the Company can continue as a going concern. Nevertheless, there is no assurance that these initiatives will be successful. The amount and timing of additional funding will be impacted by among others things, the strength of the capital markets.

The following are the contractual maturities of financial liabilities as at August 31, 2009:

	Carrying amount \$	Contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	More than 24 months \$
Accounts payables and accrued liabilities	418,577	418,577	418,577	-	-
Long-term liabilities including the current portion	1,473,781	1,690,000	350,000	100,000	1,240,000

## Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments guaranteed by and held with a Canadian chartered bank.

As at August 31, 2009 and 2008, the Company's exposure to interest rate risk is summarized as follows:

Cash	Variable interest rate
Amounts receivable	Non-interest bearing
Long-term investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Debentures	See notes 7 and 8

# **Azimut Exploration Inc.**

(an exploration company)

Notes to Financial Statements

**August 31, 2009 and 2008**

---

## **Capital Management**

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

In terms of capital management, the objectives of the Company are to maximize its ability to be able to continue as a going concern. Management reviews its capital management approach on an ongoing basis and believes that the working capital as at August 31, 2009 will cover current expenditures.

The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day projections, and 180-day and 360-day lookout periods. Due to the nature of the activities of the Company, funding for long-term liquidity needs are dependent on the Company's ability to obtain additional financing, through various means, including equity financing.

There were no significant changes in the Company's approach to capital management during the year ended August 31, 2009 and the Company is not subject to any externally imposed capital requirements.

## **17 Subsequent event**

On December 1, 2009, the Company negotiated a brokered private placement of securities with Desjardins Securities Inc. to sell 1,334,000 units (the "Units"), at a price of \$0.75 per Unit. Each Unit is comprised of one (1) common share and one-half ( $\frac{1}{2}$ ) common share purchase warrant, each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.95 for a period of 24 months; and 2,326,087 flow-through common shares (the "Flow-Through Shares") at a price of \$0.86 per share. Desjardins will be entitled to a cash commission of 7% and an option to purchase up to an additional 15% of the offering, representing the potential distribution of 200,100 additional Units and 348,913 additional Flow-Through Shares. On December 18, 2009, the Company has closed a private placement of \$2,876,125 representing 767,500 Units and 2,675,000 Flow-Through Shares.