



AZIMUT

Azimut Exploration Inc.

MANAGEMENT'S DISCUSSION and ANALYSIS

For the nine-month period ended May 31, 2006

Scope of management's financial analysis

This report represents a complimentary addition to the financial statements by providing contextual and prospective information that is not found in the latter. This analysis was prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Corporate profile and mission

Exploration Azimut Inc. ("Azimut") is a mineral exploration company that develops cutting-edge geoscience data processing methods to improve the selection of favourable exploration zones and discover major ore deposits.

Since June 2003, the company has acquired twenty-two wholly owned exploration projects based on the results of its regional-scale mineral potential assessments in Quebec:

- In the James Bay area:
 - 4 gold projects in the Opinaca area (A and A East blocks, B and B North blocks, C Block and D. Block)
 - 2 gold projects in the Eastmain area (Eastmain West Block and Wabamisk)
 - the Comptoir gold project
 - the Obamsca gold project
- In the Labrador Trough region:
 - the Retty copper-nickel-PGE project
- In the Northern Quebec region
 - 8 uranium projects (North Rae, South Rae, North Minto, South Minto, Central Minto, West Minto, South Bienville and Hudson Bay)
- In the region north of Sept-Îles and elsewhere in Quebec, within the framework of a strategic agreement with Kennecott Exploration Company ("Kennecott"):
 - 4 copper and uranium projects (Manitou, Aguanish, Mont Merry and Baskatong)
 - the Grenium uranium project

Azimut conducts its exploration activities by following two guiding principles. Firstly, the company maximizes the probability of discovery by using a cutting-edge targeting methodology that reduces the exploration risk. Secondly, the company reduces the business risk by developing partnerships for the projects generated by its targeting methodology.

Overall performance

Summary of activities for the last quarter

- In March 2006:
 - Azimut hired Normand Champigny as Executive Vice President
 - Azimut and Kennecott d uranium mining claims in Quebec
 - Azimut and Northwestern Mineral Ventures Inc. (“Northwestern”) concluded a letter of agreement for an uranium project in Northern Quebec
 - Azimut and Everton Resources Inc. (“Everton”) commenced an airborne geophysical survey over the Opinaca property in the James Bay region
 - Eastmain Resources Inc. (“Eastmain”) extended for a second year the option on the C and D blocks of the Opinaca property
 - Azimut and Everton commenced a ground-based geophysical survey over the gold-bearing trend discovered at Opinaca

- In April 2006:
 - Azimut carried out a mineral potential assessment for uranium and acquired 8 properties in Northern Quebec
 - Azimut hired Moniroth Lim as Secretary Treasurer
 - Azimut signed an agreement with Goldcorp Inc. (“Goldcorp”) and Eastmain for the Eleonore South property in the James Bay region

- In May 2006:
 - Cambior Inc. (“Cambior”) extended on for a second year the option on the Eastmain property (West Block) in the James Bay region
 - Azimut and Everton identified a continuous, 1.7-km long geophysical anomaly within the gold-bearing trend on the Opinaca project
 - Converted in shares two debentures held by Fonds de Solidarité F.T.Q.

Project summaries

Opinaca sector, James Bay region

The Opinaca sector is located northeast of the Opinaca reservoir in the James Bay region, 320 kilometres from Matagami or Chibougamau. Azimut’s seven claim blocks in that area are divided into four properties:

Everton agreement:

- A Block 381 claims for a total area of 198.5 km²
- A East Block 43 claims for a total area of 22.4 km²
- B Block 168 claims for a total area of 87.9 km²
- B North Block 52 claims for a total area of 27.2 km²

Three-party agreement with Eastmain and Goldcorp – Eleonore South property:

- A Block 248 claims for a total area of 129.8 km² (includes the 166 claims of the Opinaca C Block previously covered by the Eastmain agreement)
- B Block 34 claims for a total area of 17.8 km²

Eastmain agreement:

- D Block 188 claims for a total area of 98.0 km²

All the properties are gold exploration projects. Azimut began acquiring these claim blocks in November 2003 based on the targeting results of its regional-scale gold potential modeling of the James Bay territory.

Geologically, the properties lie within the central part of the Superior Province at the contact between the Opinaca (metasedimentary) and La Grande (volcanoplutonic) subprovinces. Paragneisses, amphibolites and rare conglomerate beds are folded along an east-west axis. Pre- to syn-tectonic intrusions (dioritic to monzodioritic) and late intrusions (granodioritic and granitic) are also found on the properties. The geological context is similar to that of the Eleonore property where a major gold deposit was discovered by Virginia Gold Mines Inc. (“Virginia”). The Opinaca properties cover targets that coincide with the along-strike projection of the Eleonore mineralized trend, or that are peripheral to the trend but display comparable geochemical signatures. Strong arsenic anomalies associated with metasedimentary rocks have been identified on all the Opinaca claim blocks.

A, A East, B and B North blocks

Everton performed exploration work on the A, A East, B and B North claim blocks during the summer and autumn of 2005. Work expenditures reached the minimum amount of \$500,000 by the end of the first year of the agreement (December 2005).

Surface prospecting results were received at the end of 2005 and revealed a 1.7-km long trend of gold showings on the A Block. This zone is notable for 22 selected outcrop samples yielding assays from 0.1 g/t to 29.0 g/t Au. Samples exceeding more than 0.5 g/t were distributed as follows: 2.9 g/t (westernmost sample), 29.1 g/t Au, 10.9 g/t Au, 6.6 g/t Au, 6.7 g/t Au, 1.6 g/t Au, 0.8 g/t Au, 3.6 g/t Au, 0.6 g/t Au, 0.5 g/t Au, 0.8 g/t Au and 1.2 g/t Au (easternmost sample).

The host rock is a metasedimentary rock containing trace to 3% sulphides. The mineralized horizon displays an apparent lateral continuity that remains open in all directions. The western limit of the trend lies 12 km northeast of the Virginia discovery.

In February 2006, new gold targets were identified after compiling the latest results from a lake bottom sediment survey conducted during the 2005 sampling program. The results for 286 samples, which cover the entire project, defined 6 different anomalous zones for gold, silver, arsenic and antimony. These elements are known potential gold indicators. The targets, defined by samples from several different lakes, measure more than one kilometre each. One of the identified zones likely represents the signature of the 1.7-km gold bearing trend discovered on the A Block.

In addition, 3 till samples collected on the A Block yielded gold values of 2.4 g/t Au, 0.2 g/t Au and 0.8 g/t Au. With respect to glacial movements, the samples were collected up-ice from the Eleonore deposit, suggesting a gold source on the A Block.

In January 2006, Everton announced that it would commit to a second year option on these claim blocks. Everton will invest a minimum of \$900,000 in exploration work (geochemistry, prospecting, trenching and drilling) on the project during the 2006 year.

C and D blocks

Exploration work was conducted by Eastmain during the summer and autumn of 2005. By the end of February, work expenditures totalled a minimum of \$450,000. The work included an airborne VTEM survey (2,068 line-kilometres), a systematic B-horizon soil sampling program over a 100 x 500 m grid with more detailed local sampling (total of 3,686 samples), and reconnaissance prospecting (781 rock samples).

On the C Block, the main result was the identification of gold-arsenic soil anomalies that collectively form a zone measuring at least 7 km long. Outcrop showings with rock assays of up to 3.0 g/t Au were discovered in the soil anomaly zones. On the D Block, the main result was the identification of several discontinuous but well-defined soil anomalies for gold and arsenic.

Azimut considers the results from the C and D blocks to be very encouraging.

The 2006 exploration program on the D Block, with a planned budget of \$300,000, will include detailed geochemical surveys, systematic rock sampling, trenching and possibly drilling.

The Eleonore South property includes the Opinaca C Block claims that are now part of the three-party agreement with Eastmain and Goldcorp. The planned 2006 exploration program, with a budget of \$1,000,000, will include detailed geochemical surveys, systematic rock sampling, trenching and possibly drilling.

Eastmain sector, James Bay region

The properties in the Eastmain sector (Wabamisk and Eastmain West Block) are located 290 kilometres north of Chibougamau in the James Bay territory. They consist of one claim block each:

- Eastmain West Block 167 claims for a total area of 88.6 km²
- Wabamisk 755 claims for a total area of 400 km²

Both these properties are gold exploration projects. The acquisition of the properties began in November 2003 based on the targeting results from Azimut's regional-scale gold potential modeling of the James Bay territory.

Geologically, the properties lie within the central part of the Superior Province at the contact between the Opinaca (metasedimentary) and La Grande (volcanoplutonic) subprovinces. Paragneisses, basalts and granitic intrusions are the dominant lithologies. A large E–W-trending syncline crosses the Wabamisk property. Local and regional NW- and NE-trending faults are also present on the properties. The geological contexts and geochemical signatures are comparable to those of the Eleonore property where Virginia Gold Mines discovered a major gold deposit. The majority of the ground covered by these properties is characterized by a very strong arsenic anomaly associated with metasedimentary rocks.

Cambior performed the following exploration work on the Eastmain West Block property during the summer of 2005: remote sensing, reconnaissance mapping and prospecting, lake bottom sediment geochemistry, and till geochemistry. Helicopter-borne magnetic and electromagnetic surveys were also conducted over the northern part of the property. This work confirmed the presence of geochemical gold anomalies and a series of electromagnetic conductors through this sector of the project.

The 2006 exploration program, with a planned budget of \$300,000, will include detailed ground-based geophysical surveys, detailed prospecting and geological mapping, till and boulder sampling, and possibly trenching and drilling.

Placer Dome performed exploration work on the Wabamisk property during the summer of 2005. As of February 2006, work expenditures reached the minimum amount of \$400,000.

The summer 2005 work led to identify several significant auriferous targets on the property.

The targets were identified by combining the results of lake bottom sediment analyses, till analyses, and rock assays with geological and structural mapping as well as magnetic data that were acquired for the property. Most of the known historical gold showings lie within these target zones. The targets clearly extend for several kilometres and are underexplored to date. Prospecting along reconnaissance traverses spaced 2 km apart revealed four new auriferous outcrop showings. A new showing that returned 8.2 g/t Au is hosted by metasedimentary rocks. The geologic context underscores the potential of the Wabamisk property for gold mineralization associated with sediments.

The option on the project, previously held by Placer Dome, has been transferred to Goldcorp. The 2006 exploration program, with a planned budget of \$600,000, will include detailed geochemical surveys, prospecting, trenching and possibly drilling.

Comptoir property, James Bay region

The Comptoir property is located 330 kilometres north of Matagami in the James Bay region. It consists of 796 contiguous claims for a total surface area of 415.4 km².

Comptoir is a gold exploration project. The claim block was acquired beginning in July 2005 based on the targeting results from Azimut's regional-scale gold potential modeling of the James Bay territory.

Geologically, the property lies within the Superior Province at the contact between the Opinaca (metasedimentary) and La Grande (volcanoplutonic) subprovinces. The main lithological units on the property are paragneisses, amphibolites and late granodioritic to granitic intrusions.

A geological study of this property was conducted during the summer of 2005. The goal of the study was to more precisely define the geological context of the targets identified by regional modeling. An exploration program is being planned for the property with a potential partner.

Obamsca property, James Bay region

The Obamsca property lies 140 km north of Matagami in the James Bay region. It comprises 39 contiguous claims covering a surface area of 21.3 km².

The Obamsca property is a gold exploration project. The claim block was acquired beginning in July 2005 based on the targeting results from Azimut's regional-scale gold potential modeling of the James Bay territory.

Geologically, the property is located in the Superior Province at the contact between the Opinaca and Opatoca subprovinces. The property is partly underlain by the Obamsca River volcano-sedimentary greenstone belt. The most common rock types are greywackes, iron formations, felsic volcanics and gabbros.

An exploration program is being planned for the property.

Retty property, Labrador Trough

The Retty property is located 95 kilometres northeast of Schefferville. It consists of 153 contiguous claims covering a total surface area of 74.5 km².

Geologically, the Retty project is located in the Proterozoic Labrador Trough volcanosedimentary belt. Numerous copper, nickel, cobalt, palladium and platinum sulphide deposits have been discovered in mafic and ultramafic sills intruding the sedimentary and volcanic rocks of the region. Exploration for copper, nickel and platinum on the Retty property is focused on similar geologic environments.

Property acquisition began in August 2003 based on the results of Azimut's regional-scale modeling of the nickel-copper-platinum potential in the Labrador Trough. The property covers a promising 20-km long zone associated with an ultramafic sill and coincides with strong nickel, copper and cobalt lake bottom sediment geochemical anomalies.

Exploration work on this property was performed from late June to mid-July 2004. The work included the sampling of a 1-km wide sector that crosses the property from northeast to southwest. A total of 206 rock samples were analyzed for gold, platinum, palladium, copper, cobalt, nickel, zinc and sulphur.

A lot of sulphides were observed on the property, mainly as disseminated pyrrhotite and traces of chalcopyrite in peridotite outcrops, pyroxenite blocks and sulphide-enriched argillites. The best results were from the peridotite body in the centre of the property, southeast of Lake Nemo. Grades were fairly low, with maximum values of 0.4% Cu, 0.2% Ni and 0.2 g/t of precious metals. An increase in conductivity is observed over the area. Detailed exploration work is needed to better define its mineral potential.

Northern Quebec

Azimut completed an assessment of the uranium potential for Northern Quebec during the previous quarters. The assessment covered the geological Minto, Bienville and Ashuanipi subprovinces, the Labrador Trough and the Rae Province. The databases used in the targeting process contained multi-element lake bottom sediment geochemistry, geophysical, geological and remote sensing data. Many strong uranium targets of regional extent were identified and subsequently acquired by Azimut via map staking. Confirmation from the MRNF is pending for several of the claims. The eight properties are listed below:

- North Rae: 701 claims for a total surface area of 315.5 km²
- South Rae: 970 claims for a total surface area of 447.1 km²
- North Minto: 1,072 claims for a total surface area of 491.4 km²
- South Minto: 645 claims for a total surface area of 301.0 km²
- Central Minto: 337 claims for a total surface area of 157.3 km²
- West Minto: 660 claims for a total surface area of 299.2 km²
- South Bienville: 1,045 claims for a total surface area of 506.7 km²
- Hudson Bay: 355 claims for a total surface area of 167.4 km²

North Rae property, Northern Quebec

The North Rae property is located east of Ungava Bay in northern Quebec, 10 to 20 km from the coast and approximately 160 km east of the town of Kuujuaq. The property consists of 3 claim blocks comprising 701 claims that cover a total surface area of 315.5 km².

The property is a uranium exploration project covering a major part of a strong regional geochemical uranium anomaly in lake bottom sediments. The geological environment is favourable (presence of felsic intrusions, pegmatites, leucocratic gneisses) for uranium deposits related to intrusions.

Azimut and Northwestern signed a letter agreement for this project in March 2006, pursuant to which Northwestern must incur a minimum \$400,000 exploration program, which program is currently underway... Activities will include geochemistry, airborne geophysics, and prospecting.

Other uranium properties, Northern Quebec

Other properties are associated with granitic intrusions, and in some cases, pegmatites. The intrusions lie within highly metamorphosed terrains and are located near crustal structures. The exploration model targets large-tonnage mineralized systems that could be mined by open pit.

Geological Province of Grenville (Strategic Agreement with Kennecott)

In July 2004, Azimut and Kennecott signed a strategic agreement to develop an exploration strategy for copper-uranium deposits covering the geological Province of Grenville totalling a 489,000 km² surface area.

The agreement includes 3 main phases:

- Phase 1: Azimut will deliver to Kennecott a predictive mineral potential assessment study for the region in question. Kennecott financed this phase by paying \$40,000 to Azimut.
- Phase 2: For targets that require further appraisal, Kennecott will invest \$5,000 to \$30,000 per target. Azimut will be the operator.
- Phase 3: For each target, Kennecott will have an exclusive right to enter into a joint venture with Azimut by investing \$1,000,000 per project over a four-year period to acquire a 60% interest per selected property. Kennecott will pay a \$50,000 bonus to Azimut for each selected property that reaches the drilling stage. Furthermore, Kennecott will have the option to acquire an additional 20% interest, for a total of 80%, by delivering a feasibility study within a five-year period. Kennecott will be the operator.

The first phase of this agreement was completed during the winter of 2005. Azimut successfully defined several targets by conducting predictive modeling for copper-uranium mineralization at the scale of the territory covered by the agreement.

Phase 2 of the agreement was initiated in the spring of 2005. Four projects were staked during this stage of the agreement: Manitou, Aguanish, Mont Merry and Baskatong.

The Manitou project lies 115 km northeast of Sept-Îles and comprises 12 claim blocks for a total of 2,478 claims covering 1,340 km². Geologically, the project is located in the eastern part of the Grenville Province and is underlain by paragneisses, quartzites, anorthosites, gabbro-norites and various granitoids.

Azimut and Kennecott jointly performed reconnaissance work on the Manitou project during the summer of 2005. The results confirm the mineral potential modeling performed by Azimut and justify the development of an exploration program on all four projects. This work, having a minimum budget of \$500,000, will include lake bottom sediment sampling, airborne geophysics, and mapping with the objective of defining drill targets. If the results are positive, a drilling budget will be developed.

The Aguanish project lies 340 km east of Sept-Îles and comprises 102 contiguous claims covering 55 km². Geologically, the project is part of the Grenville Province and is underlain by rocks of the Aguanus Group, which forms part of the Wakeham Supergroup.

The Mont Merry project lies 265 km north of Sept-Îles and comprises 12 contiguous claims covering 6.3 km². Geologically, the project is located in the Gagnon terrane near the Grenville Front Tectonic Zone.

The Baskatong project lies 30 km north of Mont Laurier and comprises 107 contiguous claims covering 63.0 km². Geologically, the project lies within the Mont-Laurier Basin of the Central Metasedimentary Belt of the Grenville Province.

In February 2006, Azimut and Kennecott announced the extension of their strategic agreement for the exploration of “uranium-only” deposits. Within the framework of this amendment to the original agreement, 20 more claim blocks comprising 2,230 claims (1,203.4 km²) were staked north of Sept-Îles. These claim blocks are known as the Grenium project.

In 2006, Kennecott will perform a minimum of \$200,000 of prospecting and geochemistry work on four of the areas recently staked in the framework of the amended agreement.

Regional modeling and project generation

During the last three quarters, Azimut has pursued mineral potential modeling for several regions in Quebec with the objective of generating new projects, most notably for gold and base metals.

Future perspectives

The 10 exploration programs which will be performed during 2006 are presented on the Table below.. These programs funded 100% by Azimut’s partners, will reach at least \$4.5 million in work commitments and will encompass 16 different projects in Quebec. Mineral potential assessments and generation of projects are funded by Azimut.

PROPERTY or PROJECT	2006 WORK	BUDGET
Opinaca (A, A East, B, B North blocks)	By the partner	\$900,000
Opinaca (D Block)	By the partner	\$300,000
Opinaca (Eleonore South)	By the partner	\$1,000,000
Eastmain (West Block)	By the partner	\$300,000
Wabamisk	By the partner	\$600,000
Comptoir	By the partner	\$200,000
Obamsca	By Azimut or the partner	To be determined
Retty	By Azimut	To be determined
North Rae	By the partner	\$400,000
Aguanish, Baskatong, Manitou, Mont Merry	By the partner	\$500,000
Grenium	By the partner	\$200,000
Regional modeling and project generation	Target modeling and field checks by Azimut	Minimum of \$100,000

Azimut continues to actively carry out regional-scale mineral potential modeling to acquire other high quality properties and develop partnerships at an early stage with leading major and junior companies.

Selected financial information

	Results at May 31		Results at August 31	
	2006	2005	2004	
	\$	\$	\$	
	(9 months)	(12 months)	(12 months)	
Revenues	193,689	135,660	5,520	
Expenses				
Salaries, honorariums and administration fees	278,978	278,300	194,948	
Written-off properties	7,300	31,811	--	
Search for properties	137,965	86,409	87,944	
Credit on duties refundable for losses and refundable tax credits relating to resources	(11,701)	(748)	(42,170)	
Write down of long-term investments	--	14,629	12,000	
Stock Options	752,839	23,200	103,990	
Future taxes	--	(31,020)	--	
	1,165,381	402,581	356,712	
Net loss	(971,692)	(266,921)	(351,192)	
Basic and diluted net loss per share	(0.065)	(0.021)	(0.035)	
Other information				
Total assets	1,209,437	1,287,247	592,606	
Shareholders' equity	1,123,451	1,204,325	456,395	

Since its incorporation, the company has not declared cash dividends on its outstanding common shares. Any future dividend payment will depend on the company's financial needs for its exploration programs and its future financial growth, and any other factor that the Board of Directors deems necessary to consider in the circumstances. It is unlikely that any dividends will be paid in the near future.

Result of operations

The company realized a net loss of \$971,692 during the current period compared to a net loss of \$85,653 during the previous period. Interest income increased from \$5,119 to \$13,727 as at May 31, 2006, due to the increase in available funds resulting from the exercise of stock options and the proceeds from sale of options of mining properties. Option agreements covering the Eastmain, Opinaca A, A East, B, B North, C and D, North Rae and Wabamisk properties generated a gain of \$173,473. The company received management fees for its role as project operator in its partnership with Kennecott. The increases in the categories of "Salaries, honorariums and administration fees" are mainly due to the hiring of an additional employee and of a consultant. The fair value attributed to the stock options that were granted in September 2005 and March 2006 amounts to \$752,839. The increase in costs related to the search for properties is explained by the growth in regional modelling and the generation of new projects. There was no recovery of future income tax recorded for the period ending May 31, 2006, compared to \$31,020 for the previous period, due to the fact that exploration costs were not waived for flow-through share investors. During the period, certain claims on the Retty property were abandoned.

Quarterly information

The information presented below details the total revenue, the earnings (loss), and the net earnings (loss) per participating share for the last eight quarters.

Quarter ending	Total revenue	Net (loss) earnings	Net (loss) earnings per share	
			basic	diluted
31-05-2006	176,538	(673,284)	(0.045)	(0.045)
28-02-2006	5,841	(136,184)	(0.009)	(0.009)
30-11-2005	11,310	(162,224)	(0.011)	(0.011)
31-08-2005	3,560	(181,268)	(0.014)	(0.014)
31-05-2005	130,223	28,152	0.002	0.002
28-02-2005	1,042	(40,437)	(0.003)	(0.003)
30-11-2004	835	(73,368)	(0.006)	(0.006)
31-08-2004	885	(10,825)	(0.012)	(0.012)

Cash flow situation

The company's working capital decreased to \$328,661 at the end of the period compared to \$935,801 at the beginning of the fiscal year. The decrease is mainly explained by the cost related to the staking of mining claims. During the period, the company proceeded with a private flow-through share financing of \$100,230. A total of 208,000 stock options were exercised for the amount of \$40,200.

Contractual obligations	Payments due per period		
	Total	Less than 1 year	1 to 3 years
Lease	\$26,712	\$15,264	\$11,448

Financing sources

In December 2005, the company issued 77,100 common flow-through shares for a total of \$100,230. This sum will be used to finance the company's exploration expenses. A total of 208,000 stock options were exercised for a total of \$40,200 during the first three quarters. The total number of options exercised during the first quarter was 140,000 for \$24,200, 60,000 options were exercised during the second quarter for a total of \$10,800, and an additional 8,000 options were exercised during the third quarter for \$5,200.

Off-balance sheet arrangements

The company has no off-balance sheet arrangements.

Mining properties book values

At the end of each quarter, the exploration work is analyzed in order to evaluate the future potential of each of the properties. If needed, write-offs are done following this analysis.

Changes in accounting policies

In January 2005, the CICA published four new accounting standards relating to financial instruments: Section 3855 “Financial Instruments — Recognition and Measurement”, Section 3865 “Hedges”, Section 1530 “Comprehensive Income”, and Section 3251 “Equity”.

Section 3855 expands on instructions set forth in Section 3860, “Financial Instruments — Disclosure and Presentation”, by prescribing when a financial instrument is to be recognized in the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented in the financial statements.

Section 3865 provides alternative treatments to Section 3855 for companies that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13, “Hedging Relationships”, and the hedging guidance in Section 1650, “Foreign Currency Translation”, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Section 1530, “Comprehensive Income”, introduces a new requirement to temporarily present certain gains and losses outside net income.

Accordingly, Section 3250, “Surplus”, has been revised to become Section 3251, “Equity”.

Sections 1530, 3251, 3855 and 3865 apply to fiscal years beginning on or after October 1, 2006. The company will adopt these new standards on September 1, 2007, and has not yet determined their impact on its financial statements.

Financial instruments

Fair value

The cash and cash equivalents, amounts receivable, exploration funds, and accounts payable and accrued liabilities are financial instruments whose fair value approximates their carrying value due to their short term maturity or to current market rates.

The fair value of convertible debentures could not be determined given the particular characteristics of these financial instruments.

Interest rate risk

The company's exposure to interest rate risk is summarized as follows:

- | | |
|--|---|
| - Cash and cash equivalents | Variable interest rate |
| - Accounts receivable | Non-interest bearing |
| - Exploration funds | Variable interest rate |
| - Accounts payable and accrued liabilities | Non-interest bearing |
| - Convertible debentures | As described in Note #3 of the financial statements |

Information regarding outstanding shares

The company can issue an unlimited number of common shares, without par value. As of July 24, 2006, there were 16,121,755 issued and outstanding shares.

The company maintains a stock option plan in which a maximum of 1,421,685 stock options may be granted. As of July 24, 2006, 1,227,000 stock options are granted. Their exercise prices range from \$0.18 to \$1.80, and expiry dates range from November 6, 2007, to April 21, 2011.

As of July 24, 2006, no convertible debentures are outstanding. The two convertible debentures that were on the balance sheet of the company have been converted during the last quarter to 1,139,199 common shares of the company.

Risks and uncertainties

Financial risks

The company is considered to be an exploration company. It must therefore regularly obtain financing in order to pursue its activities. Despite previous success in acquiring such financing, there is no guarantee of success in the future.

Property title risk

Although the company has taken steps to verify property titles relating to its mining properties in which it holds an interest, in accordance with industry standards for the current stage of exploration on these properties, these procedures do not guarantee the company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Environmental risk

The company is susceptible to various environmental incidents that can occur during exploration work. The company maintains an environmental management system including operational plans and practices.

Additional information and continuous disclosure

This Management's Discussion and Analysis was prepared on July 24, 2006. The company regularly divulges additional information through press releases, financial statements, and its annual information form on the SEDAR website (www.sedar.com).

Management's responsibility for financial reporting

The company's management is responsible for the preparation of the financial statements and for the financial information included in this interim report. Management maintains a system of internal control in order to produce reliable financial statements and to provide reasonable assurance that assets are safeguarded.

The interim financial statements are prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimates and judgements of management. Their preparation is based on the same accounting policies and methods used in the preparation of the company's most recent annual financial statements. All disclosures required for annual financial statements have not been included in these financial statements. The interim financial statements should be read in conjunction with the company's most recent annual financial statements.

The audit committee meets annually with the external auditors, with and without management being present, to review the financial statements and to discuss audit-related matters. On the recommendation of the audit committee, the company's consolidated financial statements are approved by the Board of Directors.

(s) Jean-Marc Lulin

President and CEO

Longueuil, Quebec, Canada
July 24, 2006

(s) Moniroth Lim

Secretary Treasurer