AZIMUT

Azimut Exploration Inc.

MANAGEMENT'S DISCUSSION and ANALYSIS

For the period ended August 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 using cutting-edge geoscience data processing methods to improve the selection of favourable exploration zones and to discover major ore deposits.

Since June 2003, the company has acquired twenty-six wholly owned exploration projects using 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, which is included in the Eleonore South project; and D Block)
  - 2 gold projects in the Eastmain area (Eastmain West and Wabamisk)
  - the Comptoir gold project
  - the Obamsca gold project

- In the region north of Sept-Iles and elsewhere in Quebec, and within the framework of a strategic agreement with Kennecott Exploration Company ("Kennecott"):
  - 4 copper and uranium projects (Manitou, Aguanish, Baskatong and Mont Merry)
  - the Grenium uranium project, which comprises 4 properties (Havre, Havre NW, Chevery and Augustin)

- In the Labrador Trough region:
  - the Retty copper-nickel-PGE project

- In Northern Quebec:
  - 9 uranium projects (North Rae, South Rae, North Minto, South Minto, Central Minto, West Minto, South Bienville, Hudson Bay and Daniel Lake)

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

Overall performance

Summary of activities for the last quarter and subsequent activities

June 2006

- Azimut and Cambior Inc. (now IAMGOLD Quebec-Management; "IAMGOLD") sign an agreement for the Comptoir property in the James Bay region.

August 2006

- Azimut announces that its partner, Northwestern Mineral Ventures Inc. ("Northwestern"), completed the first phase of work on the North Rae property in Northern Quebec.
- Azimut announces that its partner, Eastmain Resources Inc. ("Eastmain"), identified a favourable geological context for gold on its Opinaca D Block and Eleonore South properties in the James Bay region.
- Azimut and Everton Resources Inc. ("Everton") confirm the presence of a 1.7-km-long gold bearing trend on its Opinaca A Block property and begin preparations for a drilling program.
- Azimut summarizes the progress of Kennecott's exploration programs on copper-uranium targets in Quebec.

September 2006

- Azimut and Everton identify a new gold showing at Opinaca.
- Azimut announces the staking of its Daniel Lake uranium project in the Ungava Bay region.

October 2006

- Azimut and Northwestern identify strong uranium anomalies in lake bottom sediments on its North Rae project in the Ungava Bay region.
- Azimut announces the closing of a private financing totalling $199,500.
- Ten uranium showings discovered by Azimut and Northwestern at North Rae demonstrate the region's strong regional potential for uranium.

November 2006

- Azimut and Northwestern identify a uranium bearing zone 3.3 km long with grades up to 0.59% U_3O_8 on its North Rae property in the Ungava Bay region.
- Azimut provides an update for seven exploration programs on gold properties in the James Bay region.

December 2006

- Azimut completes a private financing totalling $1,511,250.

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 are divided into four properties:

Everton agreement:

- A Block 420 claims for a total area of 218.8 km^2
- A East Block 43 claims for a total area of 22.4 km^2
- B Block 168 claims for a total area of 87.9 km^2
- B North Block 52 claims for a total area of 27.2 km^2

Three-party agreement with Eastmain and Goldcorp Inc. ("Goldcorp") – Eleonore South property:

- A Block 248 claims for a total area of 129.8 km^2 (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 km^2

Eastmain agreement:

- D Block 188 claims for a total area of 98.0 km^2

All these 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.

A, A East, B and B North blocks
Surface prospecting results received at the end of 2005 for the A Block revealed a 1.7-km-long trend of gold showings forming a zone now referred to as the Inex Zone. As follow-up work to this discovery in 2006, Everton performed a soil sampling program (1,552 samples), a ground-based induced polarization (IP) survey (31.5 line-kilometres), and a six-hole drilling program (632 m) to test specific targets along the zone. This work demonstrated a strong correlation between IP anomalies, gold soil anomalies, and outcrops with gold values up to 50.9 g/t. Drilling confirmed that the IP anomalies coincide with biotite-rich horizons containing up to 5% pyrite-pyrrhotite in metasedimentary rocks. Mineralization is also locally associated with silicified garnetiferous bands, and several specks of visible gold were observed in drill core. The best results were obtained from hole OP-06-03 where an intersection of 4.0 m yielded an average of 1.46 g/t Au.

The most significant development on the Opinaca B Block was the identification of a major NE-SW trending gold bearing system with possible extensions for at least 11 km. The Claude showing is located in the middle of this trend, and the Manuel showing (12.0 g/t over 4.6 m channel sample), held by Everton, is 8 km northeast of the Claude showing. The Eleonore South property, where a strong gold potential has also been recognized (see below), lies 9 km west of the Claude showing.

Everton's first drill hole on the Claude showing (OP-06-07) yielded 0.22 g/t Au over 186.8 m, including 1.0 g/t Au over 21.5 m. Surface sampling yielded up to 5.6 g/t Au from outcrop and up to 36 g/t Au from erratic blocks. The features of this showing are comparable to the geological context of the Eleonore gold deposit 24 km to the northwest.

At the end of the 2006 fiscal year, expenditures reached the minimum of $900,000 for the two properties (Opinaca A and A East, B and B North). Everton has initiated preparations for the next phase of work in 2007, which will include geophysical surveys and a drilling program.

Eleonore South and D Block
The Eleonore South property includes Opinaca C Block claims that are now part of the three-party agreement with Eastmain and Goldcorp. As project operator, Eastmain conducted major prospecting, geophysical and trenching work during the summer and fall of 2006. A total of 8,609 soil samples and 617 rock samples were

collected. The results will be received and interpreted in early 2007. On the C Block, Eastmain identified gold-arsenic soil anomalies with lateral extensions at least 7 km long.

At the end of the 2006 fiscal year, expenditures reached the minimum of $1,000,000 for this property. Gorund geophysical surveys and trenching are planned for 2007.

On the D Block, several well-defined but discontinuous gold-arsenic soil anomalies were identified.

The 2006 exploration program on this block consisted of detailed geochemical surveys (1,535 soil samples) and systematic rock sampling (124 samples). The work identified several target zones in sulphide-bearing altered metasediments displaying comparable characteristics to the host rocks of the Eleonore gold deposit.

At the end of the 2006 fiscal year, expenditures reached the minimum of $300,000 for this property. The interpretation of the results is still in progress. Trenching and drilling are planned for 2007.

Azimut considers the results for the Eleonore South and Block D properties to be very encouraging.

Eastmain sector, James Bay region

The properties in the Eastmain sector (Wabamisk and Eastmain West) lie 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 88.8 km^2
- Wabamisk 755 claims for a total area of 399.5 km^2

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

Eastmain West
IAMGOLD conducted work on the Eastmain West property during the summer of 2005 and confirmed the presence of geochemical gold anomalies and a series of electromagnetic conductors in the northern sector of the project.

IAMGOLD conducted further work in 2006 consisting of ground-based geophysical surveys, prospecting (84 rock samples), detailed geological mapping, and sampling of till and blocks.

At the end of the 2006 fiscal year, expenditures reached the minimum of $300,000 for this property. Results are expected during the next few months and will be used to prepare the 2007 exploration program.

Wabamisk property
The 2005 work conducted by Goldcorp on the Wabamisk property identified several major gold bearing targets. Most of the known historic gold showings are found in these target zones.

The targets clearly extend laterally for several kilometres and were underexplored until now. Prospecting along reconnaissance traverses spaced 2 km apart discovered four new outcropping gold showings. A showing that assayed 8.2 g/t Au is hosted by metasedimentary rocks. This geological context underscores the potential of the Wabamisk property for metasediment-related gold deposits.

The exploration work in 2006 included detailed geochemical surveys (approximately 2,600 soil samples).

On the basis of the results that will be obtained in the near future, Goldcorp foresees an exploration program in 2007 that may include IP geophysical surveys, trenching and drilling.

Comptoir property

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 km^2.

Comptoir is a gold exploration project. Azimut began to acquire the claim block in July 2005 based on targeting results from its regional-scale gold potential modeling of the James Bay territory.

In June 2006, Azimut and IAMGOLD signed a letter of intent for the Comptoir project. IAMGOLD's 2006 exploration program included geochemical surveys (138 lake bottom samples), prospecting (124 rock samples), and till sampling.

Results are expected during the next few months and will be used to prepare the work program for 2007.

Obamsca property

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 km^2.

The Obamsca property is a gold exploration project. Azimut began to acquire the claim block in July 2005 based on targeting results from its regional-scale gold potential modeling of the James Bay territory.

An exploration program for the property is planned for this project.

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 km^2.

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

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. The best results were from a peridotite body in the centre of the property, southeast of Lake Nemo. Grades were fairly low, with a maximum value of 0.4% Cu, 0.2% Ni and 0.2 g/t precious metals. An increase in conductivity is observed over the area. Detailed exploration work is required in the future to better define the sector's mineral potential.

Northern Quebec

During the previous quarters, Azimut completed an assessment of the uranium potential for Northern Quebec covering the Minto, Bienville and Ashuanipi geological subprovinces, the Labrador Trough, and the Rae Province. The databases used in the targeting process included multi-element lake bottom sediment geochemistry as well as geophysical, geological and remote sensing data. Many strong uraniferous targets of regional extent were identified and subsequently acquired by Azimut via map designation. The nine properties acquired by this means are listed below:

- North Rae: 1,683 claims for a total surface area of 759.5 km^2 (1,320 claims are active as of December 19, 2006)

- Daniel Lake: 862 claims for a total surface area of 390.3 km^2 (775 claims are active as of December 19, 2006)
- South Rae: 1,386 claims for a total surface area of 639.0 km^2 (1,289 claims are active as of December 19, 2006)
- North Minto: 1,072 claims for a total surface area of 491.4 km^2
- South Minto: 645 claims for a total surface area of 300.9 km^2
- Central Minto: 337 claims for a total surface area of 157.3 km^2
- South Bienville: 1,045 claims for a total surface area of 506.7 km^2
- West Minto: 660 claims for a total surface area of 299.2 km^2
- Hudson Bay: 355 claims for a total surface area of 167.4 km^2

North Rae property, Northern Quebec

The North Rae property is located east of Ungava Bay in Northern Quebec, about 20 km from the coast and 160 km east of the town of Kuujjuaq. The property consists of three claim blocks comprising 1,683 claims with a total surface area of 759.5 km^2.

The property is a uranium exploration project covering a strong geochemical uranium anomaly in lake bottom sediments. The geological environment is favourable for uranium deposits hosted by intrusions and their surrounding rocks (presence of felsic intrusions, pegmatites and leucocratic gneisses).

Northwestern conducted an exploration program on the property consisting of a detailed lake bottom sediment survey, prospecting, and a helicopter-borne radiometric survey. The prospecting work identified 10 distinct uranium showings. The radiometric survey identified 14 priority anomalies on the property, each of which is at least 1 km in length, thus demonstrating the significant exploration potential at the project-scale. The airborne anomalies are in a very preliminary reconnaissance stage or have not yet been verified on the ground.

In the fall, a prospecting program defined the Rae-1 Zone, which coincides with elevated ground-based radiometry values and a strong, 5-km-long heliborne radiometric anomaly. The assays for 68 selected rock samples from outcrops are summarized as follows:

- 22 rock samples with values higher than 0.05% U_3O_8; the best values were 0.59% U_3O_8, 0.57% U_3O_8, 0.46% U_3O_8, 0.30% U_3O_8 and 0.22% U_3O_8;
- 26 rock samples with values ranging from 0.01% to 0.05% U_3O_8; and
- 20 samples yielding values lower than 0.01% U_3O_8.

Uranium mineralization is hosted by granitic pegmatites and gneissic lithologies. The presence of uraninite, an uraniferous mineral from which uranium is easily recovered, was confirmed by electron microprobe analyses. The Rae-1 Zone is clearly open both laterally and in thickness. Much additional work is necessary to define its geometry and its average grade.

At the end of the 2006 fiscal year, expenditures reached the minimum of $400,000 for this property. Azimut considers that the combined results from airborne geophysical surveying and preliminary prospecting are very encouraging. Results received to date are being interpreted and will be used to prioritize exploration targets at the property scale and define a major work program for 2007.

Other uranium properties

The eight other properties are associated with granitic intrusions, including pegmatites in some cases. The intrusions are hosted by highly metamorphosed terrains and are located near major faults. The exploration model focuses on large-tonnage mineralized systems that could be mined by open pit.

It is expected that exploration programs on these properties will be conducted in collaboration with potential partners.

Strategic Agreement with Kennecott

In July 2004, Azimut and Kennecott signed a strategic agreement to develop a copper-uranium exploration strategy covering a vast (500,000 km^2) region of Quebec.

The agreement includes three main phases:

Phase 1: Azimut delivers to Kennecott a predictive mineral potential assessment study for the region in question. Kennecott finances this phase by paying $40,000 to Azimut.

Phase 2: For targets requiring further appraisal, Kennecott invests $5,000 to $30,000 per target. Azimut is the operator.

Phase 3: For each target, Kennecott has 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 pays a $50,000 bonus to Azimut for each selected property that reaches the drilling stage. Furthermore, Kennecott has the option to acquire an additional 20% interest, for a total of 80%, by delivering a feasibility study within a five-year period after the signature of the agreement. Kennecott is 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 and uranium 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, Baskatong and Mont Merry.

The Manitou project lies 115 km northeast of Sept-Îles and comprises 12 claim blocks for a total of 2,538 claims covering 1,372.4 km^2.

The Aguanish project lies 340 km east of Sept-Îles and comprises 102 contiguous claims covering 55.0 km^2.

The Baskatong project lies 30 km north of Mont-Laurier and comprises 107 contiguous claims covering 63.0 km^2.

The Mont Merry project lies 265 km north of Sept-Îles and comprises 46 contiguous claims covering 24.2 km^2.

Azimut and Kennecott jointly performed reconnaissance work on the Manitou project during the summer of 2005. The encouraging results justified the development of an exploration program during the summer 2006 on four projects: Manitou, Aguanish, Baskatong and Mont Merry. The work program consisted of lake bottom sediment sampling and prospecting. The results are being interpreted and will be used to develop an exploration program for 2007. The work may include airborne geophysical surveying and diamond drilling.

At the end of the 2006 fiscal year, expenditures reached the minimum of $500,000 for these properties.

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 km^2) were staked northeast of Sept-Îles. These claim blocks form the Grenium project, which includes four properties: Havre, Havre NW, Chevery and Augustin.

An exploration program that includes prospecting and lake bottom sediment sampling with a proposed budget of $200,000 was completed this summer on the four properties. The work, which included prospecting and lake bottom sediment geochemistry, was part of Phase 2 of the agreement regarding the Grenium project.

Interpretation of the results will be completed during the next few months and will be used to plan exploration work for 2007.

In November 2006, Azimut and Kennecott signed an agreement for the exploration of another deposit type in a region of Quebec covering approximately 151,000 km^2.

Regional modeling and project generation

During the past year, Azimut has pursued mineral potential modeling for several regions in Quebec and in a South American country with the objective of generating new projects, most notably for gold, uranium and base metals.

Perspectives

The ten exploration programs undertaken in 2006 are presented in the table below. The partner-funded programs represent a minimum investment of approximately $5.0 million in work commitments on 16 different projects in Quebec. Azimut funds mineral potential assessment work and project generation in Quebec.

Property or project	Work in 2006	Minimum annual 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	By the partner	$300,000
Wabamisk	By the partner	$600,000
Comptoir	By the partner	$200,000
Obamsca	By Azimut or the partner	-
Retty	By Azimut	-
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	$100,000

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

Selected annual information

	Results at August 31		
	2006	2005	2004
	($)	($)	($)
Revenues	390,841	135,660	5,520
Expenses			
Administration fees	1,123,861	301,500	298,938
Written-off properties	7,300	31,811	--
Search for properties	184,476	86,409	87,944
Credit on duties refundable for losses and refundable tax credits relating to resources	(14,108)	(748)	(42,170)
Write-down of long-term investments	15,000	14,629	12,000
Future income taxes	(30,971)	(31,020)	--
	1,285,558	402,581	356,712
Net loss	(894,717)	(266,921)	(351,192)
Basic and diluted net loss per share	(0.059)	(0.021)	(0.035)
Other information			
Total assets	1,511,407	1,287,247	592,606
Shareholders' equity	1,100,173	1,204,325	456,395

Since its incorporation, the company has never 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 $894,717 during the current fiscal year compared to a net loss of $266,921 during the previous year. Interest income increased from $9,879 to $16,881 as at August 31, 2006, due to the increase in available funds resulting from the exercise of stock options and the proceeds from the sale of mining property options. Option agreements for the following properties generated a gain of $230,287: Eastmain West; Opinaca A, A East; Opinaca B, B North; Opinaca C and D; North Rae; and Wabamisk. The company receives management fees for its role as project operator in its strategic alliance with Kennecott. The increase in the "Administration fees" category of the "Selected annual information" table is mainly due to the fair value attributed to stock options granted during the fiscal year totalling $677,242, as well as the hiring costs for an additional employee and consultant. The increase in the "Search for properties" category is explained by higher costs related to regional modelling activities and new project generation. The recovery of future income taxes for the 2006 fiscal year was $30,971 compared to $31,020 for the previous year, due to the fact that the company relied less on flow-through share financing for which the company renounces the deductions in favour of the investors concerned. During the fiscal year, some of the claims on the Retty property were abandoned.

Quarterly information

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

Quarter ending	Total revenue	Net earnings (net loss)	Net earnings (net loss) per share	
			basic	diluted
31-08-2006	197,152	76,975	0.006	0.006
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)

Cash flow situation

The company’s working capital decreased to $331,731 at the end of the fiscal year compared to $1,017,124 at the beginning of the year. The decrease is mainly explained by costs related to the staking of mining claims. During the fiscal year, the company proceeded with a private flow-through share financing of $100,230. A total of 218,000 stock options were exercised for the amount of $48,800. During the 2006 fiscal year a total of $350,000 in cash was received during the sale of option of mining properties.

The company has contractual obligations in the form of an operating lease amounting to $15,264, payable over one year.

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 218,000 stock options were exercised for the amount of $48,800 during the fiscal year. A total of 140,000 options were exercised during the first quarter for the amount of $24,200; 60,000 options were exercised during the second quarter for the amount of $10,800; 8,000 options were exercised during the third quarter for the amount of $5,200; and 10,000 options were exercised during the fourth quarter for the amount of $8,600.

In October 2006, the company closed a private financing for a total revenue of $199,500 by issuing 93,000 common shares at a price of $2.15 per share. In December 2006, the company proceeded with a private financing of $1,511,250 by issuing 325,000 shares at a price of $4.65 per share.

Off-balance sheet arrangements

The company has no off-balance sheet arrangements.

Related party transactions

The company entered into the following transactions with a company owned by one of the directors:

	2006 $	2005 $
Office expenses	3,168	--

These transactions took place during the normal course of activities and were established using an exchange value representing an amount of compensation determined and accepted by the related parties.

Fourth quarter

During the last quarter of the fiscal year ending August 31, 2006, the company has:

- issued 10,000 shares by exercising stock options in the amount of $8,600;
- received $90,000 within the framework of strategic alliances with other companies; and
- received $30,000 from IAMGOLD in exchange for an option payment in connection with the Comptoir property.

Principal accounting assumptions

Mining properties book values

At the end of each quarter, 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.

New 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, 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

As at August 31, 2006, the company's exposure to interest rate risk is summarized as follows:

- Cash and cash equivalents	Variable interest rate
- Accounts receivable	Non-interest bearing
- Accounts payable and accrued liabilities	Non-interest bearing

Information regarding outstanding shares

The company can issue an unlimited number of common shares, without par value. As at December 19, 2006, there were 16,261,755 issued and outstanding shares.

The company maintains a stock option plan in which a maximum of 1,485,745 stock options may be granted. As of December 19, 2006, 1,180,000 stock options were outstanding. Their exercise prices range from $0.18 to $1.80, and expiry dates range from June 25, 2008, to April 21, 2011.

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, and that those steps are in accordance with industry standards regarding the current exploration stage on the properties, these procedures do not guarantee the company's right to the property title. The 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 risk management system that includes operational plans and practices.

Additional information and continuous disclosure

This Management's Discussion and Analysis report was prepared on December 19, 2006. The company regularly divulges additional information through press releases, financial statements, and its annual information form on the SEDAR website (www.sedar.com).

Disclosure controls

The company's Chief Executive Officer and Secretary Treasurer are responsible for establishing and maintaining the company’s disclosure controls and procedures. These disclosure controls and procedures are designed to ensure that information required to be disclosed by the company in reports filed with securities regulatory authorities is recorded and/or disclosed on a timely basis, as required by law, and is accumulated and communicated to the company’s management, including its Chief Executive Officer and its Secretary Treasurer, as appropriate to allow timely decisions regarding required disclosure. The Chief Executive Officer and Secretary Treasurer are assisted in this responsibility by the disclosure committee which is composed of senior executives of the company. Based on an evaluation of the company’s disclosure controls and procedures, the company’s Chief Executive Officer and Secretary Treasurer have concluded that these disclosure controls and procedures operated effectively as at August 31, 2006 to ensure that material information relating to the company would have been made known to them.

Internal controls over financial reporting

Internal control over financial reporting (“ICFR”) is designed to provide reasonable assurance regarding the reliability of the company’s financial reporting and its compliance with GAAP in its financial statements. The Chief Executive Officer and the Secretary Treasurer have evaluated whether there were changes to its ICFR during the year ended August 31, 2006 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

(s) Jean-Marc Lulin	(s) Moniroth Lim
President and CEO	Secretary Treasurer